NIGERIA ENERGY FORUM E-SESSIONS – KEYNOTE SPEECH
"FINANCING AFRICA'S RAPID ENERGY TRANSITION TO NET ZERO"
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[Cover – Slide 1]
Honourable Minister of State for Power of the Federal Republic of Nigeria, Mr. Goddy Jedy Agba;
Honourable Regional Ambassador for Africa of the United Kingdom's COP 26, Ms. Janet Rogan;
Representatives from International Organizations;
Distinguished Ladies and Gentlemen;

Thank you for this invitation to the African Development Bank to participate in this session of the Nigeria Energy Forum. My presentation today will focus on Africa's energy transition to net zero and its financing requirements. I will also highlight some of the Bank's initiatives in this area.

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The need for accelerated efforts to power the continent is greater than ever before, as more than two-thirds of the world's population that are without access to electricity live in Africa. Although this number has stabilized over the past few years, it increased by 2% in 2020 due to the impact of the pandemic on the implementation of electrification projects. Africa's expected demographic trend will worsen this situation as 57% of the expected increase in the global population between today and 2040 will be in Africa. The 5 countries with the largest access deficit – representing 50% of Africa's deficit – are: Nigeria, the Democratic Republic of Congo, Ethiopia, Tanzania and Uganda.

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The continent's ambition to reach universal access by 2030 requires a fivefold increase in power sector investment, mostly in low-carbon generation and grid networks**.** Indeed, there is an urgent need for Africa to expand its energy infrastructure to serve its growing population. However, despite being home to 17% of the world's population, Africa only accounts for 4% of global power supply investment which makes it rank amongst the lowest in the world. Achieving universal access by 2030 requires a significant ramp up in spending to over 100 billion US dollars per year, with USD 51 billion for transmission and distribution lines, USD 34 billion for grid-generation and USD 17 billion for off-grid systems.

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The prospects for Africa's power supply investment will be stronger if regional endowments are considered, as the lowest cost electricity generation mix varies across the regions of the continent. This will shape different energy transition pathways between these regions.

- For instance, North Africa relies heavily on gas; this region has already reached universal access, and needs to focus on decarbonizing its power system with solar and wind technology, whilst exploring opportunities offered by green hydrogen.
- Similarly, South Africa relies mostly on coal, has almost achieved universal access to electricity, but suffers from severe load shedding with an increasing pressure to decarbonize its power system.
- On the other hand, West Africa, Central Africa and East Africa have an acute access deficit, and need to significantly increase their power production while seizing the opportunity to harness their solar, hydro, geothermal (in East Africa) and gas resources via least-cost solutions.

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Africa's contribution towards global greenhouse gas emissions has been marginal, and accounts for only 3% of cumulative global emissions since the dawn of the industrial revolution in the 19th century. Besides, energy contributes to only a third of Africa's emissions, of which 75% comes from North Africa and South Africa. The fact that forestry and land use change emit more in Africa than the energy sector contrasts with the global picture where the energy sector represents more than two-thirds of greenhouse gas emissions. Nonetheless, structural transformations are projected to drive the continent's energy emissions growth over the next decades, with profound demographic changes that are set to accelerate Africa's economic growth and infrastructure development.

With the rapid growth in the continent's energy consumption, gas and renewables are expected to dominate the energy mix. This will require appropriate policies to support a strong expansion of clean energy, whilst also placing emphasis on energy efficiency improvements.

Indeed, Africa could become the first continent to achieve a significant level of industrialization with cleaner energy sources playing prominent roles, with much lower emissions to deliver economic growth compared to other economies. For this to happen, Africa must mobilize its fair share of climate finance and acquire the requisite technological expertise.

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It is well known that Africa is one of the regions with the highest vulnerability to the effects of climate change. Its ecosystems already suffer disproportionately, and future impacts are expected to be substantial. This will have implications for food security, migration and ultimately development.

All African countries are signatories to the Paris Agreement. However, climate finance flows remain far below the continent's investment needs. On average, Sub Saharan Africa receives only USD 19 billion in climate finance per year, mostly for mitigation mechanisms. This is 5 times lower than North America, and well below Africa's investment needs which are estimated to range between USD 26 and USD 41 billion per year for adaptation alone. The private sector is expected to play a more active role if Africa is to raise the significant volumes of financing required to meet mitigation and adaptation requirements.

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Thanks to technological improvements and resource endowments, Africa can pursue a much less carbon-intensive model of development than what has been seen in other parts of the world. To follow this pathway, African countries need to overcome several challenges, including:

- How to effectively increase the share of renewables as a proportion of the total energy mix?
- How to avoid load balancing challenges for a grid system that does not have reliable baseload?
- How to further deploy decentralized systems in remote areas whilst promoting productive use to ensure bankable demand?
- How to accelerate access to clean cooking?

The choices that lead to the net-zero pathway will vary, reflecting the different resource endowments and starting points across a very diverse African energy landscape.

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The African Development Bank has been at the core of Africa's power sector development for over half a century. We are committed to providing holistic support to our Regional Member Countries in their energy transitions whilst accelerating electrification efforts. To do this, we rely on a suite of financial and policy-based solutions, including:

- Lending and credit-enhancement instruments to provide financing solutions that are adapted to our public and private sector clients:
- Special funds to provide bespoke solutions for private and public investments in the renewable energy market. For example, the "green baseload" program under the Sustainable Energy Fund for Africa (SEFA) provides concessional finance and technical assistance to support the penetration and scale-up of renewable energy to displace fossil fuel generation.
- Capacity building with the Africa NDC Hub and the Clim-Dev Special Fund for Africa, which are both hosted and managed by the Bank
- Special initiatives such as Desert to Power, which aims to create the world's largest solar zone in the Sahel across 11 countries by delivering access to electricity for about 250 million people and developing up to 10 GW of solar generation capacity through a combination of on-grid and off-grid projects.

[Conclusion]

In conclusion: Africa is growing at an accelerated pace; so is energy demand on the continent, but the world cannot afford for Africa to follow the same development pathway as the already developed countries. We must cap global temperature increases at 2 degrees Celsius by 2050 and pursue efforts to limit them to 1.5 degrees Celsius, as prescribed by the Paris agreement. In line with the "Polluter Pays Principle", the developed world has a duty to support Africa in achieving a successful energy transition. We are at a turning point in human history, and future generations will hold us accountable for our actions (or inactions). We must not let them down.

Thank you for your attention.