Chairs' Summary for African Union Commission

IEA Second Ministerial Forum

Securing Africa's Energy Future in the Wake of Covid-19: Facilitating Faster Recovery through Increased Investment, Innovation & Partnership

24 November 2020

African ministers from countries making up 70% of Africa's total primary energy supply, nearly 70% of its GDP and more than half of the continent's entire population met with global energy leaders via videoconference on 24 November 2020. A revitalised energy sector is key to Africa's economic transformation. Participants agreed on the urgent need to enhance actions to ensure sustainable economic recovery and significantly scale up energy investments in Africa over the next three years in the wake of Covid-19.

Discussions highlighted implementation priorities and innovations key to enabling Africa's energy sector to power regional economic growth over the three-year period (2020-2023) that coincides with end of the first 10-year Action Plan of the AU Agenda 2063. Africa's pace of progress towards the realisation of the transformative Agenda 2063 continental vision will be determined by the degree to which it successfully recovers from the evolving impacts of the 2020 global health and socioeconomic crisis. African countries must engage in robust, innovative actions to strengthen energy security, scale up infrastructure investment, and promote the growth of the green economy, making use of all available opportunities to continually accelerate Africa's clean energy transitions. These interventions can be bolstered by enhanced rates of internal trade in Africa, including in the energy sector, through a speedy implementation of the African Continental Free Trade Area.

- **Ensuring Sustainable Recovery** – Participants noted that achievement of full access to modern energy by 2030 is achievable but will require stable, consistent policies and strong political will. They stressed the need for all global stakeholders to maintain focus on collective action, and also update plans to step up the pace of universal access to electricity and modern cooking in Africa. African governments and other partners must continue to work together to ensure progress towards achievement of SDG7. It was acknowledged that the momentum behind existing policy and investment plans was insufficient to meet the modern energy needs of Africa's population. It was noted with concern that the initial Covid-19 crisis impact in 2020 had already severely affected recent progress on universal energy access.

- Financing and Investment – Participants underscored that Africa is facing major challenges in obtaining the required finance and new investments to meet its immense structural transformation needs. Challenges include reduced financing flows, a lack of fiscal space, a slowdown in new investments in the energy sector and significant increases in the cost of borrowing. Oil and gas producers in Africa have been hit very hard throughout 2020, and many new ones have seen their hope for energy sector transformation dashed by the global economic slowdown this year. Local currencies have weakened against hard currencies and this is translating to higher debt burden. The already weak financial position of many African power utilities has been worsened by declining demand due to the pandemic and a high default rate. This situation is further exacerbated by weakened currencies.

Key conclusions – Participants stressed the following top recommendations going forward:

- **Partnership for a green and just transition is an essential priority** to boost sustainable economic recovery in Africa and ensure progress towards universal access to clean energy, whilst ensuring that no one is left behind. In that context, the need to involve more women and youth throughout the value chain of energy projects was also emphasised.
- **Support for energy sector institutions and particularly power utilities**, which are the fulcrum of the sector, is critical against the financial shocks imposed by the Covid-19 pandemic. Predictable policy environments with innovative market regulations help to attract new investment.
- **An integrated approach embracing grid, mini-grid and off-grid solutions is required** to sustain the momentum for increasing access. In light of the Covid-19 crisis, supportive policies to ensure the sustainability of mini-grid providers need to be replicated across the continent.
- **Despite the challenges imposed by Covid-19, governments must avoid the temptation to slow down the pace of energy access** and provide the right incentives for the private sector to play a part in the recovery process, leveraging on the productive sector and innovative business models and digitalisation.
- **Enhanced multilateral, regional and international cooperation can play an important role** in addressing financing and investment challenges in the post Covid-19 era.
- **Stronger regional integration of electricity markets and infrastructure is a crucial factor in achieving a just energy transition** as well as building secure, flexible and reliable power supply in Africa.

- **The African Continental Free Trade Area (AfCFTA)** opens the door to a new era of increased interconnectedness. Continental energy infrastructure programs like PIDA should play significant role to support AfCFTA.
- **A strong focus on improving power infrastructure, within and across borders, building up regulation and capacity** to support Africa's power pools and further enable regional electricity markets could all play an instrumental role in improving the financing and investment climate on the continent.
- **AUC, IEA and partners should consider forming a Taskforce on climate financing solutions** for the African energy community that could present its recommendations at the COP 26 in 2021.

The outcomes of this Ministerial Forum will be shared with African Union and IEA member state leaders, as well as the leaders of international financial institutions and other global decision-makers, business leaders and key stakeholders. In addition, these outcomes will help guide future activities linked to enhancing the strong AUC-IEA partnership and inform the IEA's continued deepening of its engagement with key decision-makers from governments, the private sector, investors and other leading regional institutions across the continent.

As the co-chairs of this event, we would like to thank all participants for their active engagement and constructive contributions.

Signed

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