



African Union Commission – International Energy Agency 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

13:00 - 16:00 (Paris/Pretoria); 14:00 - 17:00 (Addis Ababa)

Virtual Event

CONCEPT NOTE

The context

The unexpected global Covid-19 pandemic has significantly amplified existing challenges to Africa's energy sector and created myriad new ones. The International Monetary Fund (IMF) June regional economic outlook update estimates that the economy of Sub-Saharan Africa will contract by 3.2% in 2020. This is double what it forecast earlier in the year, and a marked slowdown from the 3.1% growth of 2019. Sub-Saharan Africa is expected to experience its first recession in nearly three decades this year. In addition, the pace, scale and timing of economic recovery remains uncertain. The negative impacts of the crisis could extend well beyond 2020. Many African economies have limited fiscal capacity and are heavily indebted, undermining their ability to absorb these economic shocks. The energy sector has been particularly severely affected. Swift early phase analysis of the implications of the pandemic, including the respective efforts of the African Union and the IEA together with other partners earlier in the year, focused on damage assessments and underscored the urgency of responsive and sound government policies to mitigate negative impacts.

Today, 585 million people in Africa still do not have access to electricity and 900 million lack access to clean cooking facilities. *Tracking SDG 7: The Energy Progress Report 2020, based on data compiled before the Covid-19 crisis*, highlighted the need for a redoubling of global efforts in Sub-Saharan Africa in order to achieve the goal. Expected progress to provide access could now be adversely affected by the economic impact of the pandemic. Some recent gains could even be lost. At the same time, the continent's energy demand will grow twice as fast as the global average to 2040, supporting Africa's economic transformation agenda. This rapid increase in demand will present new challenges: raising adequate investment; managing growing import dependence; and mitigating the environmental impact of energy production and use. At a time when the world urgently needs a rapid clean energy transition, decisions that African governments make now on how to provide universal access to energy and develop their unique mix of energy resources judiciously will have critical implications for African prosperity, the sustainability of the global energy system and humanity's response to a changing climate. Today's acute challenges and uncertainties raise concerns that serve as a call to action.

It is clear that significant new investment is critically needed to enhance Africa's economic transformation process; to ensure sufficient, affordable, reliable energy for all citizens; and to drive inclusive, just and sustainable energy transitions. Africa's pace of progress towards the realisation of Agenda 2063 will be determined by the degree to which it successfully recovers from the evolving impacts of the 2020 global health and socioeconomic crisis.

On the continental level, cooperation among development partners is essential. To help solve Africa's energy challenges, Africa's Development Partners, including the IEA, have to engage in transformative partnerships that will propel the continent into the modern energy age. This calls on partners to raise aspirations and mobilise political will and financial support, as well as stronger integration and collaboration, to solve Africa's energy challenges. This is a key strategic imperative in pursuit of Africa's Agenda 2063.

On the sub-regional level, the highly diverse sub-regions have long recognised the need and benefits of regional cooperation and formed power pools in West, Central, East and Southern Africa. Among these, the Southern Africa Power Pool is very active in its level of cooperation to achieve supply and connectivity, planning and investment coordination, cross-border trading arrangements, regulatory and / or technical harmonisation and a sub-regional institutional architecture.

The IEA's 2019 *Africa Energy Outlook (AEO)* showed how existing policy and investment plans in many African countries still fell short of meeting their growing energy needs. The crosscutting effects of the pandemic have now made the situation even more worrisome, with energy investment in Africa expected to fall by 32% in 2020, based on analysis in the *IEA World Energy Investment Outlook 2020*. These developments further highlight the importance of strengthening the enabling environment for investment in infrastructure and all relevant technologies, and continuing to prioritise attainment of the Sustainable Development Goals. Action is essential in Africa at this pivotal moment when the world collectively faces urgent and shared challenges to build back economies, create jobs and accelerate clean energy transitions.

The African Union's Energy Task Force on Covid-19 Response has focused on developing a post Covid-19 recovery strategy that seeks to position the energy sector in Africa to promote the overall economic recovery of the continent, as well as support power utilities responding to the impacts of Covid-19 with the aim to achieve universal energy access. IEA's 2020 *World Energy Outlook* vividly highlights the different pathways the global energy system could take because of the pandemic's impact. The IEA's *Sustainable Recovery* sets a clear international framework that can support regional recovery initiatives. The IEA Plan sets out 30 actionable, ambitious policy recommendations and targeted investments. The Plan, developed in cooperation with the International Monetary Fund, would boost global economic growth by 1.1% per year, save or create 9 million jobs per year, and avoid a rebound in emissions -- putting emissions in structural decline. Achieving these results would require global investment of USD 1 trillion annually over the next three years. According to the *Sustainable Recovery Plan*, 35% of new jobs could be created through energy efficiency measures and another 25% in power systems, particularly in wind, solar, modernising, and strengthening electricity grids.

In response to the Covid-19 induced crises and as part of their economic recovery strategy, African countries must engage in a number of policy interventions, including actions to strengthen energy security, scale up infrastructure investment, and promote the growth of the green economy. To enable these interventions, countries need to enhance trade intensely within the continent, taking advantage of the

African Continental Free Trade Agreement. There is an urgent need to harmonise road and rail infrastructure on the continent, expand economic diplomacy to intensify mutual trade, promote an active regional industrial strategy and enhance the coordination of the implementation of specific interregional infrastructure. Focus areas in this regard include capital goods, equipment and industrial inputs particularly those used in infrastructure projects, mining, agriculture, and the green economy, as well as digital infrastructure, and construction-driven value-chains, such as cement, steel, piping (plastic and steel), engineered products and earth-moving equipment. On transport rolling stock, automobile and rail assembly and component production is also essential to facilitate the implementation of the African Continental Free Trade Area. A green economy that guarantees the security of energy, food & water should also be part of the recovery plan. It will involve waste recycling, beneficiation and the transition to a circular economy, as well as increased issuing of green infrastructure bonds as a critical step in reducing carbon footprint, securing the funding of infrastructure at concessional cost and the intensive use of green climate finance to fund the just transition towards a greener future.

Enhanced partnerships between countries, and between Africa's Regional Economic Communities, are also essential to improving efficiencies in Africa's ports and in expanding markets for products and services provided by State Owned Entities, as well as promoting the use of energy efficient and energy saving methods and tools. This includes joint initiatives between African countries that may be financed through the BRICS New Development Bank and other developmental finance institutions. By convening top African policymakers and thought leaders, the second AUC-IEA Ministerial Forum seeks to enable and promote a dynamic, forward-looking discussion on Africa's Covid-19 recovery process and concrete proposals for solving the needs of its diverse energy sector. Both the AUC and the IEA together with other partners are committed to supporting Africa's just energy transitions and ensuring access across the continent.

The aim of the Forum is to agree on and promote actions to ensure a sustainable economic recovery and scale up of energy investments in Africa over the next three years coinciding with end of the first 10 year Action Plan of the AU Agenda 2063. These actions include policy priorities for accelerating energy access, fostering cross-regional trade and regional integration, and setting an actionable vision for a prosperous African energy sector. Discussions will seek to build on the outcomes of high-level ministerial forums convened by the AUC and IEA throughout 2020, building on outcomes of the first 2019 Ministerial Forum as well as the findings from the IEA *Africa Energy Outlook 2019* and other IEA and AUC analysis. The goal is to set new milestones and develop a roadmap to guide further joint AUC-IEA engagement to achieve the access, economic and environmental objectives set out in both the UN Sustainable Development Goals (especially linked to SDG 7) and the AU Agenda 2063 and building on the ongoing AU energy initiatives and programs as well as joint initiatives with international partners. It also provides an opportunity to share views on the ways in which the 2020 Sustainable Recovery Plan's energy sector roadmap for governments could best be applied to African contexts.

The Forum, convened under the auspices of the 2020 AU Presidency of South Africa, will gather a diverse mix of global and African top energy decision makers, including AU and IEA energy ministers, leaders of regional economic communities and other influential regional institutions in Africa, as well as executive-level representation from global energy companies, development and financial institutions, investors, academia, policy think tanks and technology companies deeply involved in Africa's energy sector

transformation. The private sector will be represented by novel investment and financing companies and new smart solutions companies showing good practical examples.

Draft Preliminary Agenda

13:00 – 13:10	<p>Welcome Remarks by Co-Chairs</p> <ul style="list-style-type: none"> • H.E. Dr. Amani Abou-Zeid, Commissioner for Infrastructure and Energy, African Union • Dr. Fatih Birol, Executive Director, International Energy Agency
13:10 – 13:30	<p>Introductory Remarks</p> <ul style="list-style-type: none"> • H.E. Mr. Samson Gwede Mantashe, Minister of Energy and Mineral Resources, South Africa • H.E. Dr. Mohamed Shaker El Markabi, Minister of Electricity and Renewable Energy, the Arab Republic of Egypt, & Chair of the AU Bureau of the Specialized Technical Committee (STC) on Transport, Transcontinental and Interregional Infrastructure, Energy and Tourism (STC-TTIET)
13:30 – 13:37	<p>Presentation on 2020 World Energy Outlook: Implications for Africa</p> <p>The conference begins with a presentation of the key findings from the <i>World Energy Outlook 2020</i>. This will outline implications for Africa of three possible scenarios. It will highlight IEA’s energy sector policy recommendations relevant to facilitating a strong sustainable economic recovery in Africa. The opening presentation will also highlight actions needed to accelerate the deployment of modern, reliable and clean energy technologies and infrastructure, thereby setting the scene for subsequent sessions.</p> <ul style="list-style-type: none"> • Laura Cozzi, Chief Energy Modeller, International Energy Agency
13:37– 13:45	<p>Presentation on Africa Union Resilience and Recovery Action Plan</p> <ul style="list-style-type: none"> • Mr. Cheikh Bedda, Director of the Infrastructure and Energy Department, African Union Commission
13:40 – 14:40	<p>Session I: <i>Ensuring a sustainable recovery in uncertain times: Pathways to Progress</i></p> <p>It is acknowledged that the momentum behind existing policy and investment plans was insufficient to meet the modern energy needs of Africa’s population. The initial Covid-19 crisis impact has already severely affected recent progress on universal energy access. Confinement measures put in place to tackle the pandemic have also put off-grid developments at risk and weakened the financial health of decentralized service providers. There are concerns over a reversal of progress. The achievement of full access to modern energy by 2030 as outlined in the Africa Case scenario of the IEA Africa</p>

	<p>Energy Outlook 2019 is achievable but will require stable, consistent policies and strong political will. Maintaining focus on universal access to electricity and modern cooking is essential in Africa. African governments and other partners must continue to work together to ensure progress towards achievement of SDG7.</p> <p>Four invited lead speakers will provide perspectives on the session theme.</p> <p>An interactive ministerial dialogue facilitated by the African Union Commissioner for Infrastructure and Energy will follow their contributions.</p>
	<p>Guiding questions:</p> <ul style="list-style-type: none"> • What are the top three priorities to boost wider economic recovery and ensure progress towards universal access to clean energy? • How robust is Africa’s energy sector to mitigate possible negative post pandemic pathways and scenarios, if necessary? Which policies have been most effective in improving energy access and how could they be replicated across the region in light of the Covid-19 crisis • What are the good practices of post Covid-19 recovery strategies the private sectors can show? How best can that be replicated by other Governments that are struggling to increase the rate of energy access in the wake of the pandemic?
<p>14:40 – 15:40</p>	<p>Session II: Filling the financing and investment gap: <i>Priorities, Innovations, & Modalities of Stronger Multilateral Cooperation</i></p> <p>The easy availability of necessary finance and new public/private investments is essential to ensuring a resilient dynamic energy sector that can power a successful economic recovery. Africa is facing major challenges on both fronts. These include reduced financing and revenue flows, a slowdown in new investments in the energy sector and significant increases in the cost of borrowing. Existing oil and gas producers in Africa have already been hit very hard, and many new ones have seen their hope for energy sector transformation dashed by the global economic slowdown. Enhanced multilateral, regional and international cooperation could play an important role in addressing these challenges. A crucial factor in achieving an efficient clean energy transition as well as building secure, flexible and reliable power supply in Africa is stronger regional integration of electricity markets and infrastructure. The African Continental Free Trade Agreement (AfCFTA), in addition to other regional initiatives, opens the door to a new era of increased interconnectedness. Governments should focus on improving power infrastructure, within and across borders, building up the regulation and capacity to support Africa’s power pools and further enable regional electricity markets. These actions could all play an instrumental role in improving the financing and investment climate in the region. The African Union has already taken the Regional Economic Integration approach to advancing the energy sector transformation agenda through the Programme for Infrastructure Development in Africa (PIDA). This plays a major role in enlarging markets for energy services, as well as ensuring economies-of-scale and profitability for investments in this sector, which will in turn attract private sector, both local and international investments.</p>

	<p>Four invited lead speakers will provide perspectives on the session theme. An interactive ministerial dialogue facilitated by the International Energy Agency Executive Director will follow their contributions.</p>
	<p>Guiding questions:</p> <ul style="list-style-type: none"> • What are the top three financing and investment challenges to tackle today to ensure a better tomorrow? • How can Africa’s energy resources be maximized to propel economic growth and recovery in light of the market uncertainty created by the pandemic, and where will the investment come from? • How can governments best enable increased private financing and investment flows in the energy sector? • What actions are critical to promoting innovative multilateral financing as well as effective public-private investment partnerships to address the financing gap?
<p>15:40 – 15:50</p>	<p>Closing remarks and conclusions</p> <ul style="list-style-type: none"> • H.E. Dr. Amani Abou-Zeid, Commissioner for Energy Infrastructure and, African Union • Dr. Fatih Birol, Executive Director, International Energy Agency