RENEWABLES – NOT FOSSIL GAS

A CIVIL SOCIETY POSITION STATEMENT ON FINANCING A JUST TRANSITION IN AFRICA DIRECTED TO THE FINANCE IN COMMON SUMMIT

OCTOBER 2022

INTRODUCTION

This position statement targets the *African Development Bank Group (AfDB)* and the *European Investment Bank (EIB)* ahead of the Finance in Common Summit in Côte d'Ivoire in October 2022. The ongoing climate emergency demands that public finance institutions, like the AfDB and the EIB, play a bolder and more ambitious leadership role in funding a fossil-free energy future in Africa. A future that is people-centred and powered by clean energy - not one governed and defined by natural gas as a false transitionary fuel.

Africa has abundant and sufficient renewable energy sources for its development and for sharing with the world while setting itself as an energy leader in the emerging green global economy. Africa requires increased investments in its abundant renewable energy wealth to accelerate an equitable African centred model of development in the continent. Key Public Finance Institutions like the AfDB and the EIB need to have a developmental mandate to end energy poverty while financing sustainable and equitable investment projects that will address the ongoing climate crisis in Africa.

AfDB and EIB investments into existing and new oil, gas, and coal projects in Africa should be replaced urgently by real and primarily grants-based climate finance for renewable energy and genuine, people-centered just transition measures, which can work as explicit incentives for leaving fossil fuels underground. Such principles must also inform any Just Energy Transition Partnership deals (such as the one between the South African government and the U.S, UK, German, French and EU governments) which currently have many flaws and shortcomings in advancing a socially just transition and only cherry-picks a few countries. Development financiers must make immediate down payments on their climate debt, by financing all developing countries to end - not further entrench - the fossil fuel era.

The recent dash for Africa's gas as Europe weans off Russian gas does not support the African ambition of ending energy poverty, achieving prosperity, and building resilience to the climate chaos. Instead, the dash for Africa's gas presents multiple risks and disadvantages for the African people and the world.

> *The recent dash for Africa's gas as Europe weans off Russian gas does not support the African ambition of ending energy poverty, achieving prosperity, and building resilience to the climate chaos.*

BACKGROUND

At COP26 there was initial optimism when countries including UK, USA, Germany and France committed to ending public support and financing for foreign fossil fuel projects by the end of 2022, despite a number of these countries planning to expand domestic production. However, the commitments at COP26 were watered down to a pledge to "phase down" rather than "phase out" coal and following Russia's invasion of Ukraine, the same countries that initially committed to ending public support for foreign fossil fuel projects have started looking to Africa for fossil gas as they seek to wean off Russian gas, but not off the fuel as a whole. The fossil fuel industry's push to have fossil gas as a transitional fuel is enabling the decision by the G7 to label fossil gas, which is the single most polluting fuel in Europe, as "sustainable". This has seen some African stakeholders make a case for fossil gas as a transition fuel, even though scientists confirm that fossil gas is composed mainly of methane, which itself is 85 times more potent than CO_2 on a 20 year equivalence.

Recently German Chancellor Olaf Scholz announced intentions for Germany to help develop offshore fossil gas production in Senegal- a project developed by British Petroleum that would destroy a giant coral reef and degrade West Africa's already vandalised marine environment. Germany, as a result of this announcement, has reneged its commitment to the COP26 Glasgow Statement to stop financing fossil fuels in other countries.

Investments in large gas production will lock African countries in the gas sector for the coming decades and reduce available public and private finance for cleaner and more jobs- creating renewable energy projects, compromising Africa's mitigation goals. In addition, the European demand for Africa's gas is short-termist. The gas market is highly unpredictable and uncertain, with prices soaring to $14 per Metric Million British Thermal Unit in 2005 and 2008, then crashing to $2 in 2009, 2016 and 2020, and rising to $8 in recent weeks before falling back to $5.50, then up to $9, then down to the current $7.80 - a veritable roller-coaster ride. Investing Africa's limited resources in developing huge infrastructure needed to supply gas to meet the current short term European demand will leave African countries with stranded assets and unpayable debt, without addressing energy access crises on the continent thus degrading the lives of people as they'll be in even greater debt than before.

Experience indicates that oil, coal, and gas extraction in Africa has failed to deliver the oft-promised revenue, jobs and energy access. Rather it has fuelled displacements, dispossession, and loss of livelihoods for the affected communities. Investing in new gas production at the time when Africa is suffering from climate change induced droughts and floods represents the funding of disasters, an exceptionally self-destructive gamble. Investments in new fossil fuel production in Africa usually results in displacing communities from their ancestral lands, destroying subsistence fisheries and tourism, biodiversity loss, and fostering human rights abuses. Investing in Africa's gas will further exacerbate social, economic, and ecological challenges for present and future generations for decades to come, beyond accelerating the climate emergency.

PROBLEM STATEMENT

However, countries such as the United States, United Kingdom, Italy, France and Germany etc, whose Big Oil firms have substantial interests in Africa's gas reserves, hold a significant amount of shares within the African Development Bank structures. This has resulted in the European Union backsliding on their 'taxonomy' rulebook – in a surreal turn of events – to term methane gas and nuclear energy as 'green'. With sanctions tightening against Russian fossil fuels, they now consider Africa to be a gas station. This provides an avenue through which the AfDB may invest in new gas projects across Africa. Furthermore, the AfDB's current policies and strategies make no reference to limiting the role of natural gas and other fossil fuels. The AfDB even bragged in 2021 that its LNG Area1 Project in Mozambique won the "Multilateral Deal of the Year Award for $24 billion global syndicated finance" just as a massive escalation in the guerrilla war there left nearly one million people displaced and thousands dead. Two years earlier, in April 2019, the AfDB had justified its financing of gas extraction by Total Energies and China National Petroleum offshore Cabo Delgado, with its Environmental and Social Impact Assessment statement claiming, "The Project Area has been classified as an area of low risk for tropical cyclones." Days later (from 21-29 April), Cyclone Kenneth hit that very area at 225 kilometers per hour, leaving 52 dead in the region's strongest ever cyclone.

The growing Western and BRICS-country threats to use African fossil fuels make it clear that the AfDB should raise its climate ambitions and strengthen their policy commitments, so as to position Africa as a leader in the international renewable energy arena, not just as a victim of the climate crisis.

Furthermore, the countries mentioned above also play a significant role within the EIB and claim to support Just Energy Transition Partnerships. The EIB claims to be providing up to €10 billion in support of regions most affected by the shift away from fossil fuels. However, it has not yet defined what constitutes a shift away from fossil fuels.

However, debates about these destructive policies now present the opportunity for the AfDB and EIB to reverse course and join progressive civil society's vision for Africa's energy future. The financing of renewables requires generous subsidisation and must be structured and financed using an equitable phase-out process, taking into account principles of equality and justice, including both banks repaying their climate debt to the African people. Only with such reparations will the world meet the immediate temperature-limit and emissions-cut goals of the Paris Climate Agreement.

Gas investments in Africa create risks related to:

1. **Energy access crisis in Africa:** Expanding and providing finance for fossil fuel infrastructure and production is not an effective way to increase "energy access". Not only will gas investments lock African countries into further fossil fuel-based energy systems, it will also divert resources from more effective renewables-based approaches. Since our fight against colonialism and for independence, African countries have spent decades and billions of dollars investing in fossil-fuel based energy systems that have failed to provide modern energy access to 600 million people, nearly half of the continent's population. The continent is characterised by low generation capacity and efficiency, high costs, unstable and unreliable energy supplies. Expanding the fossil fuel

infrastructure to extract, refine, transport, and burn oil, gas and coal – and building centralised electricity grids to distribute fossil fuels converted into electricity – is a costly, inefficient and ultimately unviable means for providing universal energy access to Africa's people, particularly to poor and widely dispersed rural communities. This is the energy systems equivalent of building more telephone landlines in an era of mobile phones.

2. **A truly Just Transition to mitigate climate change**: Expansion of fossil fuel production by committing to and investing in long-term use of gas is not an "energy transition". Gas is not only unsuitable to deliver "energy access", it also undermines the continent's ability to reach mitigation goals. To meet mitigation goals and avoid a 1.5°C temperature increase, countries and corporations need to make drastic and radical reductions to fossil fuel burning. The energy sector is the biggest contributor to climate change and investing in gas would contribute significantly to climate change and climate impacts already affecting African countries, with many parts of the continent heating at double the global rate. This would be a betrayal to climate action thus far, but also to communities and civil society who have been fighting for a just transition. A just transition and a new commitment to gas cannot co-exist, and ahead of COP27, if no real plans are made for reducing fossil fuel investments it will lead to the COP27 being termed another case of blah blah blah.

3. **Infrastructure and Job Creation in Africa:** Expanding and providing finance for fossil gas production in Africa would mean developing an extensive fossil gas sector which involves significant investments in extractive infrastructure development, pipelines, and generators. These huge infrastructure investments would redirect investments that could go into the development of renewable energy systems that are cheaper, easily deployable, and more accessible. Investing in such large scale infrastructure projects will lock Africa into the gas sector as methane addicts for the coming decades, and would reduce available public and private finance for cleaner and more job-creating, livelihood enhancing, and well-being fostering renewable energy projects. It will also make Africa reliant on exports that are liable to be penalised by trading partners, which in coming years adopt the Border Adjustment Mechanism to address climate change: in effect, climate sanctions.

4. **Neocolonial power and control of Africa's resources:** The scramble for Africa's energy, namely gas, is not a new one. Foreign investments into and extraction of Africa's natural resources have a long history - one that is characterised as more of a curse than beneficial to African communities. Majority of the current gas projects in the pipeline across Africa are being developed for the export market, fuelling further instances of 'green grabbing'. A neocolonial legacy and phenomenon where communities' are moved off their land and/or lose access to essential livelihood assets and resources, which are reallocated to firms, investors, and foreign governments. This also has a particular impact on women and other vulnerable groups who are already excluded from land ownership and do not have security of tenure. In the current context, in many African countries where debt lock ins as a result of colonial legacies and neocolonial extraction, communities are forced to give up

" *There is a strong need for the EIB and AfDB to foster transparent and meaningful dialogue with citizens and policy-makers across the continent to build a shared African narrative and agenda to tackle the linked challenges of climate, energy and development* their ancestral lands to make way for profit seeking corporations. New gas investment and the like will only prolong the neocolonial project on the African continent, perpetuate historical dispossession of land and culture and will further disempower the African people who will inevitably face the negative impacts, with no real access.

5. **Climate Change**: Expanding and providing finance for fossil gas production will exacerbate the ongoing climate emergency as the International Energy Agency (IEA) states that, "the most technically feasible, cost-effective and socially acceptable way to stay below the 1.5C limit is that there can be no more new investments in fossil fuel supply beyond that already committed as of 2021". The proposal to exploit Africa's fossil gas reserves over the long term as part of a "clean" energy transition risks substantial methane leakage from extraction and processing facilities, transportation pipelines, power plants and other infrastructure. The International Energy Agency confirms that the world needs to cut methane emissions at least 75% by 2030 to remain on track for 1.5 °C. As a result, if institutions such as the AfDB and EIB provide finance for gas production as part of Africa's long-term energy mix, this will creating an opening for a potential methane bomb that pushes greenhouse gas emissions well beyond the limits set out in the Paris Agreement.

We are demanding that the African Development Bank and the European Investment Bank to adopt or address the following points:

1. **Become Paris Aligned:** Commit to 2023 at the latest as the target date for publishing a roadmap to become aligned with the 1.5°C Paris target to be implemented between 2023-2025. To limit warming below 1.5 °C the Intergovernmental Panel on Climate Change (IPCC) has established that the world must reduce emissions by around half by 2030. For a global energy pathway consistent with 1.5 °C, the International Energy Agency (IEA) confirms that "there is no need for investment in new fossil fuel supply". Thus, setting a clear ambitious target that will limit warming below 1.5 °C will establish the AfDB and EIB as first movers among public finance institutions, influencing others to increase their commitments.

2. **Exclude fossil fuels from financing:** Develop and implement a fossil fuel finance exclusion policy that states the Bank will not fund, provide financial services, or capacity support to any coal, gas or oil project or related infrastructure project that is carbon intensive on the African continent after 2022. This must include an immediate ban on any new fossil fuel development finance. The policy must guide a managed and equitable phase-out, guided by equality and justice principles for affected communities, within the timelines needed to meet the goals of the Paris Agreement.

3. **Rights-based, community-centred financing:** Commit to financing that centres and supports community needs and concerns by investing in democratically run and socially-owned solar, wind, pumped-storage, and tidal power. This must be done in a manner that does not further disempower communities. All financing projects, including the implementation of renewable energy projects must be done with the free, prior and informed consent from communities.

4. **Transparency and Accountability:** Increase transparency about how funds and financing flow, develop accountability mechanisms that show how those funds reach communities, and provide timelines for when funding starts and ends. This further indicates the need for a set criteria or factors which are considered in making decisions on the distribution of climate finance through a participatory mechanism and how those funds reach affected communities. There is a strong need for the EIB and AfDB to foster transparent and meaningful dialogue with citizens and policy-makers across the continent to build a shared African narrative and agenda to tackle the linked challenges of climate, energy and development.

5. **Decarbonisation targets:** Gas is not a viable alternative, it is not green and it should not be used as a transition fuel. The banks need to strengthen their climate change policies by setting concrete targets to reduce emissions. This must correspond with an ambitious decarbonisation plan for investment portfolios.

6. **Just Energy Transition Partnerships:** Any role that the EIB and AfDB group plays in current and future Just Energy Transition Partnerships must be guided by principles of transparency, accountability, and must actively seek to fund projects that are truly just. Climate financing must support social outcomes, justice centered projects, and must secure the rights and concerns of communities and ensure they do not suffer the brunt of the transition. The inclusion of gas as a transition fuel in JETP agreements would be fundamentally incompatible with climate science, or climate justice, or rights based goals. There is a strong need for the EIB specifically to commit to a dedicated just transition support outside of the EU interests with its recent need for gas.