Accelerating just energy transition

Regional Opportunities for mobilizing investment in Africa - MENA

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Topics for discussion

- Technologies for net zero:
  - Transmission and inter-connections
  - Renewable energy
  - Green Hydrogen
  - Clean cooking
  - Natural gas
  - CCUS
  - Subsidies

- Access to finance
  - Key role of PPG, grants and concessional loans
  - The importance of LTS, NDC and NAPs
  - MDB reform
  - Mobilizing Private Sector finance

Critical technologies to achieve net zero

- Inter-connection and transmission lines
  - Africa MENA endowed with abundant RE resources
  - With the exception of geothermal and tidal (yet to be developed) these are intermittent
  - Storage and transmission are the solutions
  - Mali Renewable Energy Initiative (CIF, REI) – Investment plan focused on transmission lines to evacuate power from solar PV plants
  - Progress is being made on Private sector investment in T-lines – India, Chile, Brazil; possibly South Africa?

- Renewable energy
  - Decentralized; off-grid energy access; utility scale increasingly common; cheaper than fossil in many countries
  - At the Bank our focus is on RE; other lenders increasingly following suit
  - LEAF – Leveraging Energy Access Finance – GCF support for credit enhancement instruments to crowd in local currency debt and commercial capital for RE technologies in multiple countries

Critical technologies

- Green hydrogen – means to decarbonize the hard to abate sectors, plus shipping
  - Major demand for GH2 from EU and for manufacture of exports to EU (CBAM)
  - African projects are at a pilot stage – Egypt, Morocco, Mauritania, Namibia, Kenya and South Africa in the AGHA
  - But most African countries lack a GH2 strategy, while the rest of the world advances

- Clean cooking and energy access – women and girl's contribution to Africa's economic development is being wasted
  - 600 million people don't have access to clean cooking technologies; the number is growing as uptake is less than population growth rate
  - The major benefits are adaptive – families that use clean cooking technologies and access energy are economically stronger and therefore more resilient
  - Countries can highlight CC and energy access as an **adaptation needs**

Critical technologies – natural gas, CCUS and subsidies

- The technologies to transition to net zero are not yet available in Africa / MENA and won't be for another 10 to 20 years
- Natural gas will be used to transition from coal to renewables
- And to meet unfulfilled energy demand whilst renewables are built
- In order to finance natural gas, it must be presented as a Paris Aligned technology – which means it MUST be detailed in the published Long-Term Strategy and accompanying NDCs
- LTS must convincingly explain how natural gas will be used for one economic cycle and then replaced with RE and Green H2
- If its not part of the plan, financing it will be challenging
- CCUS – forests / soil carbon are reversable; capture and storage – expensive and localized; geological is gaining momentum – ground basalt 1t sequesters 0.25 t CO_2; EU recognizing a new unit
- Fossil fuel (and other subtractive) subsidies – still outweigh investments in RE. Nigeria just announced they will stop subsidizing

Access to finance

- There's enough money; but not enough "bankable" projects
- Project Preparation Grants are critical to reach bankability
- SEFA – Sustainable Energy Fund for Africa has successfully recycled TA funds through reimbursable grants
- Access some international climate funds remains a major barrier
- Grants, concessional loans and guarantees remain essential components in fragile states and LDCs

- Finance must be increasingly Paris Aligned – that means "not inconsistent" with the LTS.
- If you don't have an LTS, it gets difficult
- All MDB investments must be Paris Aligned from the end of 2023
- Limited support is available to help prepare LTS, NDCs and NAPs

MDB reform and Private sector finance

- The pressure is on MDBs (and their shareholders) to reform to become larger, more efficient; take greater risks and lend more
- New instruments are being developed – Special Drawing Rights; Debt for Nature/Climate Swaps; Green (and other) Bonds; more guarantees
- The Bank's recent partnership with UK Govt on Room to Run demonstrating that there is scope for balance sheet optimization

- Private sector investment needs to increase with MDBs helping to manage risk – partial credit guarantees; first loss funds etc
- Developed country Governments need to push their consumers to contribute – particularly to the costs of adaptation (help to balance)
- Many private sector supply chains reach deep into African and MENA economies – investing in those supply chains benefits consumers

- Thank you for your attention