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Who will finance Africa's green transition?

COP26's failure to phase out coal came as a relief for Africa — because developed countries aren't following through on climate finance commitments

The end of coal might have had some African nations worried, thinking about how to even start retiring the dirty mineral. A last-minute softening of the COP26 final text — changing the wording from a coal 'phase out' to a 'phase down' — can be said to have provided some relief for the African continent, which is highly dependent on coal.

A complete shift away from coal might not be so simple for African countries, which barely manage to meet energy demands. For the African continent, ditching coal won't necessarily mean a move away from fossil fuels, if there is not enough funding for renewables. The final agreement makes no further mention of how the phase-down should be carried out, giving countries leeway to convert to gas; a fossil fuel touted as a 'transitional fuel' with still significant emissions.

This shift has been evident, for example, in the UK, as the country heavily depends on gas for energy. This is one of the reasons COP26 President, Alok Sharma, said the aim was to move away from coal and not fossil fuel in general.

Gas is not the answer

Gas contains half the amount of emissions of coal. But it is still a fossil fuel and one of the main methane sources on the planet, given that leaks often go unnoticed. Methane emissions from gas trap around 30 times more heat in the atmosphere than CO2 does. Leo Roberts, a research manager in the Fossil Fuel Transitions team at E3G, thinks that building fast infrastructure runs the risk of building stranded assets as seen with coal.

'Pursuing gas as a transition fuel gets in the way of renewables which are

cheaper. It's not just that it's a short term bad idea, it will mean higher energy bills for a lot of these countries which will be a competitive disadvantage', he told *Climate Tracker* in an interview.

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This is especially the case when 40 per cent of new gas was discovered on the African continent, in countries such as Senegal, Mauritania, Tanzania, and Mozambique. The company Total, for example, has invested a major stake in some of these countries.

In general, 17 countries on the continent produce gas with seven acting as net exporters. A lack of detail around the COP26 coal phase-down leaves questions about its impact on keeping 1.5°C within reach, if countries rely on gas for energy. A Climate Action Tracker report published in early November showed that the planet was headed towards 2.4°C of warming with current measures such as Nationally Determined Contributions in place. This highlights a more urgent need to shift away from coal towards renewables, instead of more gas projects.

New partners to finance the transition

As countries phase down from coal, public financing for this fossil fuel becomes limited, changing the narrative for the continent's energy source, Roberts explained. This means the continent would need a huge amount of financing to increase its current share of 2 per cent of the world's renewables, according to data by the International Renewable Energy Agency (IRENA).

The African continent's energy mix is currently composed of coal and gas accounting for 14 per cent each, oil making up 22 per cent, and hydropower representing 1 per cent of the total primary energy supply on the continent, according to the International Energy Agency (IEA). Africa's near half of export value is made up of fossil fuels. Moving away from them will not be easy for the continent's economy, as it depends on big investments in renewables. This makes financing coal transitions even harder politically, although solar is now the cheapest electricity to date.

In theory, the end of coal finance means there's a huge amount of money that is available to be invested in renewables, particularly in grids that can handle the high penetration of renewables. For a long time, China has been funding clean energy and coal. The shift now is that China is no longer funding coal overseas, which means plants in Southern Africa — such as those in Botswana and Zimbabwe — will face challenges finding finance to continue coal projects.

40 per cent of new gas was discovered on the African continent.

A recent OECD analysis shows developed countries won't be able to meet the pledge of USD 100 billion in climate financing per year until 2023.

Last week, South Africa received a deal through a partnership with the European Union, United Kingdom, United States, Germany, and France to move towards a just transition to renewable energy worth USD 8.5bn. The success or failure of the project could provide a blueprint for developed countries funding developing countries' just transition, especially on the African continent.

Despite this, South Africa has said earlier that it would not be supporting or signing any pledges concluded outside of the negotiating rooms, stating reasons such as a lack of a multilateral approach to achieving the objectives of the pledges. The country is supporting gas as a transition fuel, opening up the possibility of other countries on the continent further endorsing the fuel.

'There is no reason why countries can't have 100 per cent renewables. The technical solutions exist', but they need political will, Roberts said.

The failure to 'phase out' coal proves to be much of a relief for African countries that are already struggling with financing climate action goals due to a lack of commitment follow-through from developed countries. It's clear that, while COP26 was meant to be one of the most progressive meetings yet, it proved once again to be a political playing field for countries to tick yet another annual gathering off their list.



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