

Speech Delivered by His Excellency, Prof. Yemi Osinbajo, Vice President of the Federal Republic of Nigeria, on a Just and Equitable Energy Transition for Africa at the Center for Global Development, September 1, 2022

I must thank the Board and Management of the Center for Global Development for this kind invitation to share some thoughts on a just and equitable transition from the perspective of a developing country.

I think the central thinking for most developing countries is that we are confronted on this issue of a just transition with two, not one, existential crises; the climate crisis and extreme poverty.

The clear implication of this reality is that our plans and commitments to carbon neutrality must include clear plans on energy access if we are to confront poverty. This includes access to energy for consumptive and productive use and spanning across electricity, heating, cooking, and other end-use sectors.

Both the impact of the COVID-19 pandemic and the conflict in Ukraine have had severely damaging effects on decades worth of gains made in the energy sector in developing countries, particularly in the most vulnerable countries and those already lagging in energy access.

Nearly 90 million people in Asia and Africa who had previously gained access to electricity can no longer afford to pay for their basic energy needs.

The inflationary pressures caused by the COVID-19 pandemic and other macroeconomic trends have been further exacerbated by the ongoing war in Ukraine. Countries worldwide have been hit by record prices on all forms of energy. Power prices are breaking records across the globe, especially in countries or markets where natural gas plays a key role in the energy mix.

As the supply of gas from existing sources becomes restricted, developing countries using gas are forced to compete with European countries scrambling to replace Russian energy with supply from other partners and thus, driving prices higher. This dynamic is compounded by the food and financial crises also experienced by many countries as a result of the war in Ukraine.

A subtext of the unfolding drama is the double standards evident in the response to the current energy crisis by many countries in the global North.

Today excluding South Africa, the remaining one billion people in sub-Saharan Africa are serviced by an installed capacity of just 81 gigawatts. Sub-Saharan Africa has contributed less, based on information that is already out there, than one percent of cumulative CO₂ emissions. By comparison, the United States has an installed capacity of 1,200 gigawatts to power a population of 331 million people, while the United Kingdom has 76 gigawatts of installed capacity for its 67 million people. The per capita energy capacity in the United Kingdom is almost fifteen times that in sub-Saharan Africa.

But many of these countries had barely a year ago seriously advocated or implemented policies on limiting public funding for fossil fuel projects in developing countries, making no distinction between upstream oil and coal exploration; and gas power plants for grid balancing.

But today in the wake of the energy crisis, many European nations have made recent announcements to increase or extend their use of coal-fired power generation through 2023, and potentially beyond. This is in violation of their climate commitments and analysis suggests that this will raise power sector

emissions of the EU by 4 percent, a significant amount given the high base denominator of EU emissions.

Perhaps also worthy of note is that Europe's energy crisis has not been ignored, it continues to be met with support, and international resources. In stark contrast, the developing world is still being held to account for its emission reduction without adequate support and investment for its energy transitions.

The point being made is that the climate crisis and our commitments to resolve it would involve significant sacrifices from all and not just poorer countries. If the default position of the wealthier nations, once their energy comfort is threatened, is to resort to the dirtiest fuels, then we may be on a recursive path, one step forward, two steps backwards.

Demand management or energy efficiency measures is the sensible option to meet the current challenges these countries face, not "re-commissioning" old coal-fired power plants.

Another point to be made is that while Africa's current unmet energy needs are huge, future demand will be even greater due to expanding populations, urbanization and movement into the middle class. It is clear that the continent must address its energy constraints and would require external support and a good measure of policy flexibility to deliver this.

Unfortunately, in the wider responses to the climate crisis, we are not seeing careful consideration and acknowledgement of Africa's aspirations. For instance, despite the tremendous energy gaps, global policies are increasingly constraining Africa's energy technology choices.

With the Kigali communique and several other formal and informal consultations, African nations are now happily more intentional in taking joint ownership of our transition pathways and designing climate-sensitive strategies that address our growth objectives. This is what Nigeria has done with our Energy Transition Plan.

The Plan was designed to tackle the dual crises of energy poverty and climate change and deliver SDG-7 by 2030 and net-zero by 2060 while centering on the provision of energy for development, industrialization, and economic growth.

We anchored the plan on key objectives including lifting 100 million people out of poverty in a decade, driving economic growth, bringing modern energy services to the full population and managing the expected long-term job loss in the oil sector due to global decarbonization.

Given those objectives, the plan recognizes the role natural gas must play in the short-medium term to facilitate the establishment of baseload energy capacity and address the nation's clean cooking deficit in the form of LPG. This is why limiting public investments in gas projects, as a critical energy transition pathway for Africa, poses dire challenges for African nations, and violates enshrined principles of equity and justice, while making an insignificant dent in global emissions.

Several countries including the US, China, Japan, and large parts of Asia and the EU still include gas as a major pillar of their multi-decadal decarbonization strategies, including actively using African gas from countries like Mozambique, Ghana, Senegal, and Nigeria.

In such a global reality, limiting financing of gas projects for domestic use would pose a severe challenge to the pace of economic development, delivery of electricity access and clean cooking solutions, and the scale-up and integration of renewable energy into the energy mix.

Also, our Energy Transition Plan finds that an additional \$10 billion over business as usual is required annually till 2060 to shift the entire economy to a net-zero pathway.

However, there is currently a dramatic mismatch in energy investments. While representing just 15 percent of the world's population, high-income countries received 40 percent of global energy investment in 2018. Conversely, developing countries with 40 percent of the world's population received just 15 percent of global energy investment. This hasn't improved much in recent years.

Energy consumption in developing countries has doubled in the last 15 years and is expected to grow another 30 percent in the next fifteen years. Making capital available to fulfil the growing energy demand in these regions, through renewables, is central to reaching the goals of the Paris Agreement.

All of our Nationally Determined Contributions, NDCs, under the Paris Agreement, require an unprecedented scale of investments to flow into the African continent. An energy mix compatible with a 1.5°C pathway would require \$40 billion to flow into Sub-Saharan Africa annually; a fourfold increase compared to the USD 10 billion invested since 2018.

Further, the energy access element of the energy transition must be linked with the emissions reduction aspect of the energy transition. For too long, we have considered these to be parallel tracks. If energy access issues are left unaddressed, we will continue to see growing energy demand being addressed with high polluting and deforesting fuels such as diesel, kerosene and firewood.

As a result, efforts aimed at advancing climate goals must first and foremost, create carbon space for growing economies that have historically made negligible contributions to global emissions, and have an obligation to their people to provide access to energy for electricity, cooking, and productive uses.

The ultimate goal of the global energy transition should be to achieve reliable net-zero carbon energy systems to power prosperous, inclusive economies.

In the Nigerian context, that means building sustainability into our economic planning, which we had developed an Economic Sustainability Plan in the aftermath of the COVID-19 pandemic, which includes an ambitious plan over the near term to provide 5 million homes and SMEs with cleaner energy through its decentralized solar power program. This means that 25 million Nigerians would have access to solar power. The first phase of this plan is already underway, and we think that this sort of program will very quickly ramp up our progress towards net-zero emissions.

However, to ramp up action we have presented evidence that shows that gas is critical to integrating a greater share of renewable energy in Nigeria's energy mix. Limited grid systems generally have trouble integrating intermittent sources above 15 percent of generation. However, those intermittent renewables can increase to over 30 percent of generation when enabled by a similar share of natural gas.

In order to drive the energy transition at scale, we need to take a comprehensive approach. We have to work jointly towards common goals including the market and environmental opportunities presented by the financing of clean energy assets in growing energy markets.

To this end, in addition to conventional capital flows both from public and private sources, it is also essential that Africa can participate more fully in the global carbon finance market.

Currently, direct carbon pricing systems through carbon taxes have largely been concentrated in high and middle-income countries. However, carbon markets can play a significant role in catalyzing sustainable energy deployment by directing private capital into climate action, and improve global energy security, provide diversified incentive structures, especially in developing countries, and provide an impetus for clean energy markets when the price economics looks less compelling – as is the case today.

So, supporting Africa to develop into a global supplier of carbon credits, ranging from biodiversity to energy-based credits, would be a leap forward in aligning carbon pricing and related policy around achieving a “just transition.”

I think it is becoming more evident that a just transition is key not only to ensuring equity in climate policy but also to building market structures that incentivise climate action such as well-functioning carbon markets.

Given the escalating debt situations of many developing countries especially in the aftermath of the COVID-19 pandemic and the Russian – Ukrainian crisis, I think we should also bring Debt-for-Climate (DFC) Swaps into the climate finance mix.

Debt-for-Climate swaps are a type of debt swap where bilateral or multilateral debt is forgiven by creditors in exchange for a commitment by the debtor to use the outstanding debt service payments for national climate action programs.

Typically, the creditor country or institution agrees to forgive part of a debt if the debtor country would pay the avoided debt service payment in a local currency into an escrow or any other transparent fund and the funds must then be used for agreed climate projects in the debtor country.

So, we can increase the fiscal space for climate-related investments and reduce the debt burden for participating developing countries. There are of course significant policy actions necessary to make this acceptable and sustainable.

I think that the important thing is that it is a win-win because it contributes to the NDCs of the creditor country and creates the fiscal space necessary for climate investments for the debtor countries.

Let me conclude by commending the Global Institute for the excellent work you do on such a wide variety of important development issues, but in particular, for the opportunity to share some of these thoughts with you and for encouraging different narratives from the developing world here.

Thank you all very much for listening.