

GPublication for *The Africa Roundtable*

Climate Action for Africa at COP27

Hits, Misses and the Way Forward

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Global Perspectives Initiative in cooperation
with the African Center for Economic Transformation



ACET

African Center
for Economic
Transformation

Global Perspectives Initiative (GPI)

As a non-profit and independent platform, GPI works towards enhanced engagement and responsibility for sustainable development by German and European decision-makers. At the same time, the initiative aims to strengthen African perspectives in policymaking. To this end, GPI regularly brings together decision-makers from politics, business, civil society, academia and media to discuss new approaches, provide new impulses and raise awareness on the common opportunities and challenges the two neighbouring continents are facing.

African Center for Economic Transformation (ACET)

ACET is a Pan-African economic policy institute supporting Africa's long-term growth through transformation. The institute produces research, offers policy advice and connects key stakeholders so that African countries are better positioned for smart, inclusive and sustainable development.

The Global Perspectives Initiative thanks ACET for the excellent cooperation and for providing this White Paper for *The Africa Roundtable* in Dakar 2022.

Climate Action for Africa at COP27

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written by the African Center for Economic Transformation

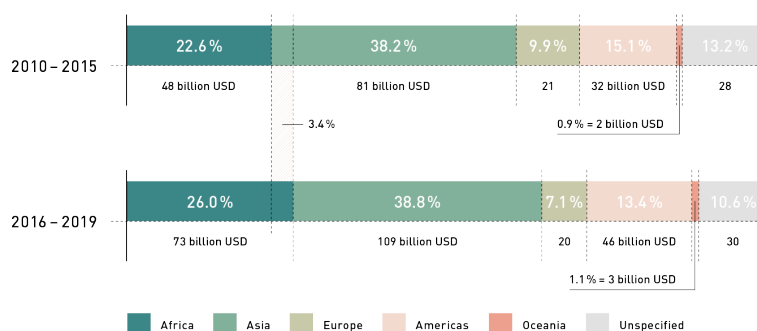
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BACKGROUND

Africa has historically contributed less than 4% of global greenhouse gas emissions (GHGs) yet is the most vulnerable to the impacts of climate change. Between 2010 and 2015, \$210 bn worth of climate finance was disbursed globally, with \$81 bn (40%) going to Asia and \$48 bn (23%) going to Africa. In the period 2016-2019, Africa's share of global climate finance flows rose to \$73 bn, representing an increase by only three percentage points (Figure 1). Additionally, **nearly 60% of the of the financing for adaptation and resilience in 2014-2018 came in the form of loans** (Savvidou et al., 2021). This constitutes an injustice considering that many African countries are already indebted and struggling to cope with climate change, with dire consequences for their citizens.

Figure 1
**Share received out of total climate finance by region
(in percent and billion USD)**



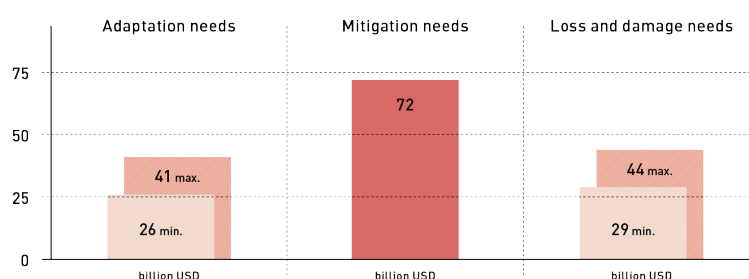
Source: OECD (2020).

Africa's share of global climate finance has only grown by three percentage points, despite heightened need.

Another issue for Africa is that the **gap between climate finance commitments and actual disbursements on the ground** compared to the rest of the world. For example, in the period 2014-2018, the ratio of disbursements to commitments for climate finance for mitigation in Africa was 56% compared to 64% for the rest of the world. For adaptation, the respective figures were 46% and 51% (Savvidou et al., 2021). These figures also show that mitigation has tended to receive relatively more climate finance than adaptation. Although mitigation financing presents an opportunity for Africa to transform its energy system and unlock its vast renewable energy potential, the African Group of Negotiators (AGN) called for a 50:50 split because of the continent's vulnerability to climate change.

African countries receive a **grossly insufficient amount of climate finance**, falling far short of what they require. For the period 2020–2030, Africa’s adaptation costs alone are estimated to range from at least \$259 to \$407 bn, representing an annual average need of between \$26 and \$41 bn. Mitigation needs are also estimated to be approximately \$715 bn over the same period, averaging about \$72 bn annually. Additionally, the **projected loss and damage costs** for Africa between 2020 and 2030 range between \$289 to \$441 bn, which translates to annual funding needs of \$29–44 bn (Figure 2), all of which are not being met by current disbursements.

Figure 2
Projected annual climate finance needs in Africa 2020 – 2030 (in billion USD)



Source: Africa NDC Hub (2022).

Up to \$44 bn are needed in annual climate funding.

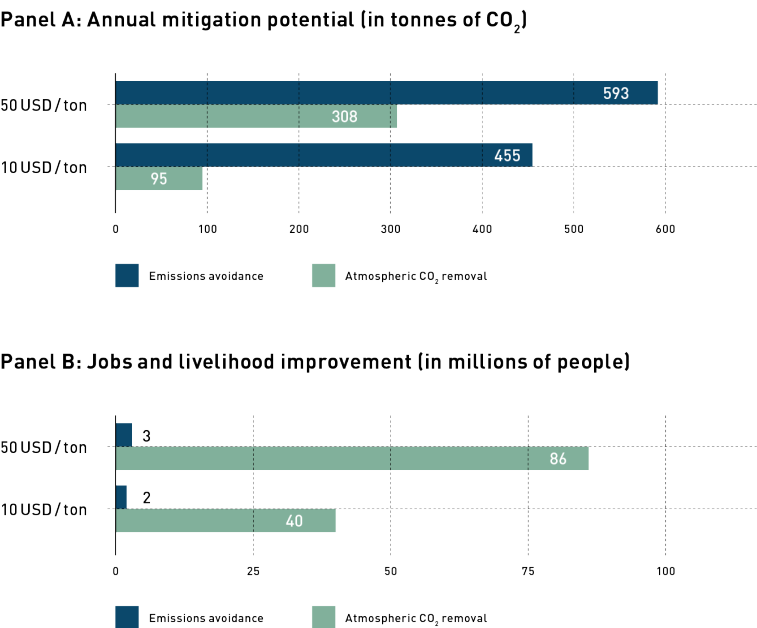
The lack of action in providing adequate climate finance, particularly for adaptation, is having several adverse impacts on the African continent. **Worsening standards of living**, increased food insecurity, and the **ongoing lack of access to energy** are among the heaviest costs borne by African countries due to the lack of climate finance. Annually, Africa loses \$7–\$15 bn due to climate change, and this figure is expected to rise to \$50 bn by 2040 (Adesina, 2021). Some countries are already spending as much as 5% of their GDP to address natural disasters caused by climate change. The number of people in Sub-Saharan Africa (SSA) that suffer from malnutrition and are unable to meet basic food consumption needs has increased by at least 30% between 2021 and 2022 to 123 m and could exceed 840 m by 2030 (Baptista et al., 2022).

The cost of inaction in providing adequate climate finance can also be viewed in terms of the **foregone benefits of improved energy access**. More than half of the population of SSA lack access to electricity and clean cooking solutions. Providing access to clean cooking facilities could prevent around 300,000 children from dying annually from acute respiratory tract infections (WHO, 2012), while investing in solar refrigerators would enable more children to be vaccinated and save lives. Furthermore, improved energy access

could increase school attendance and lower dropout rates, particularly for girls, who could spend less time collecting firewood.

Climate adaptation and mitigation, however, present opportunities to transform African economies and create jobs. This can be done by implementing nature-based carbon removal practices.¹ Such approaches could deliver win-win outcomes of carbon mitigation and job creation. For example, at a carbon price of at least \$50 per ton, 593 tonnes of atmospheric CO₂ could be removed while creating up to 86 million jobs annually (Figure 3).

Figure 3
Mitigation and job creation potential of nature-based carbon removal for a carbon price of 50 USD /ton vs. 10 USD /ton



Source: Climate Action Platform – Africa (2022).

This White Paper for *The Africa Roundtable* examines the outcome of the COP27 summit in relation to Africa’s demands and needs. It concludes with action points and recommendations for EU-AU co-operation going forward.

AFRICA’S POSITION GOING INTO COP27

Going into COP27, the AGN’s focus was on **unlocking the pledges** that the OECD and heavy emitter countries have made at previous COPs. This includes the promise made at COP26 to double global adaptation funding by 2025, which would amount to an additional \$40 bn per year for Africa. Even with this additional commitment and considering Africa’s current annual climate flows of around \$30 bn per year, there will still be a total shortfall of at least \$820

Carbon pricing has the potential to remove CO₂ and create employment.

AGN: Unlocking pledges as overall objective for COP27.

¹ Nature-based carbon removal practices include tree planting on agricultural land, applying biochar and improved grazing and rice cultivation practices.

m for the decade. This finance is needed to cover the costs of climate adaptation, mitigation, and loss and damage.

However, Africa's case was not all about money. A push was made by leaders for **technical assistance to improve access to already available climate finance as well as to improve capacity building and technology transfers** to enhance the transition to low-carbon economies and help access Africa's huge carbon stocks for job creation and development. Given the vast energy poverty that exists in many parts of the continent, the African Union (AU) in July 2022 adopted the ***African Common Position on Energy Access and Just Transition that emphasises a role for natural gas*** in transitioning to low-carbon pathways, among other options (AU, 2022). The use of natural gas within the context of planning to achieve the Nationally Determined Contributions (NDCs) has also been endorsed by the World Bank in its Climate Change Action Plan 2021–2025 (World Bank, 2021).

Other issues put forward included reforming the global financial architecture to enable it to better serve the needs of developing countries. In this respect, a call was made for multilateral climate funders to consider **more innovative instruments such as green bonds, green loans, debt-for-climate swaps, and climate-linked debt**. A call was also made for unused Special Drawing Rights (SDRs) to be reallocated for climate finance, and for climate funding processes to be streamlined and made more transparent.

KEY TAKEAWAYS FROM COP27

The biggest win for developing countries was the matter of loss and damage—an issue that developing countries have been requesting for nearly three decades. It was put on the backburner at COP26 and placing it on the agenda at COP27 was therefore already considered an achievement by some observers. The initial disagreement over whether such a fund should be set up or whether the issue should be addressed within the existing funding structure threatened to derail the whole idea. It was therefore gratifying to have an agreement at the last minute to set up the fund. Although there is no agreement yet on how the financing should be provided and where it should come from, developing countries see this as a major outcome of COP27.

On the other hand, a major disappointment at COP27 is what is being viewed by many as a **lack of ambition in aggressively reducing emissions**. The 2015 Paris Agreement contained two temperature goals—to keep a rise to well below 2°C above pre-industrial levels, and to pursue efforts to keep the increase to 1.5°C. The scientific

More favourable global financial architecture and SDRs.

The biggest win at COP27: The matter of loss and damage..

Persisting lack of ambition in reducing emissions.

evidence that has been provided since then clearly shows that even 2°C is not safe, providing the reason why at COP26, countries agreed to focus on a 1.5°C limit. Because countries felt that their commitments on cutting GHGs were too weak to stay within the 1.5°C limit, it was also agreed to return each year to strengthen them. However, what happened at COP27 was that some countries tried to renege on the 1.5°C goal. Although they failed, they succeeded in weakening the language of the final text by taking out the resolution to cause emissions to peak by 2025. Another example of lack of sufficient ambition at COP27 was the failure to move beyond the agreement at COP26 to phase down the use of coal. At COP27, some countries led by India wanted to move beyond the COP26 agreement to **phase down all fossil fuels**. However, this was vigorously resisted by petrostates.

Failure to agree to phase down the use of coal.

What may be considered a major win for Africa was the resolution to boost low-emissions energy. This could be interpreted in many ways such as scaling up wind and solar energy. However, **low-emissions energy could also mean scaling up the production of gas**, which is cleaner than coal, but is still a major fossil fuel. This can therefore be seen as a green light for African countries with large natural gas reserves to exploit them to improve energy access. Unfortunately, most African countries lack the infrastructure and technical expertise to exploit such resources. Given the stance of the US and the EU (in principle) not to fund any fossil fuel projects, African countries will still face a challenge in procuring the needed finance.

Another outcome which can be considered a major win for Africa was the agreement to **reform the multilateral development banks** (MDBs) such as the World Bank and other development finance institutions (DFIs) to make them fit for purpose in terms of helping developing countries to cut their GHGs and adapt to the impacts of climate change. The type of reform discussed at COP27 could involve a recapitalisation of the MDBs to allow them to provide far more assistance to developing countries.

Reforming the global financial architecture to make it fit for purpose.

Other significant outcomes for Africa include the following:

- The launch of the ***Africa Just and Affordable Energy Transition Initiative*** which aims to achieve three primary objectives by 2027, namely to (i) offer technical and policy support to facilitate affordable energy for at least **300 m people in Africa**; (ii) provide access to clean cooking fuels and technologies; and (iii) increase the share of renewable electricity generation by 25%.

- The launch of the *Africa Carbon Markets Initiative* to support the growth of **carbon credits production** to create jobs and protect biodiversity.
- The commitment made by African insurers and reinsurers to underwrite sudden and extreme climate shocks and work towards creating a **climate risk facility of \$2 bn** covering over \$14 bn worth of losses for vulnerable populations. This facility will help build early warning and response systems.
- The commitment by the Africa Business Leaders Coalition, which comprises 60 of the biggest African businesses, to undertake key actions to meet the Paris Agreement and support Africa's just transition.
- The launch by the AU, the African Development Bank (AfDB) and Africa50 and global partners of the **Alliance for Green Infrastructure Initiative (AGIA)** to raise up to \$500 m to boost project bankability and generate up to \$10 bn in investment opportunities for the private sector.
- The commitment by the G7 and the V20 group of climate vulnerable countries, which includes several African countries, to set up a shield fund to provide insurance and disaster protection funding for developing countries affected by extreme climate events.

It can be seen from the above that **the overwhelming majority of funding commitments made at COP27 was to assist mitigation efforts**. Apart from the adaptation funding of \$1.4 bn announced by the Bill and Melinda Gates Foundation (BMGF) and \$16 bn announced by the International Finance Corporation (IFC), there was no mention of the \$100 bn per annum promise from COP15 which remains unfulfilled. As indicated above, heavy emitter countries agreed in Glasgow last year to double the existing global adaptation funding of around \$20 bn per year. However, there was an initial attempt to remove that commitment. It was only reaffirmed after some push back from developing countries.

The struggle over unfulfilled finance commitments for adaptation made at COP26.

ACTION POINTS FOR EU-AU COOPERATION

Based on the foregoing discussion, the following recommendations and action points are made for cooperation between the EU and Africa going forward.

On adaptation:

- Collaboration between the EU and African countries is proposed to **help increase the flow of climate finance from public and private sources**. This will involve provision of technical assistance from the EU to help build expertise to develop project

proposals, build project management and business development skills and collect data.

- In some cases, technical assistance will be required to **improve institutions and governance**. This has been a key barrier to applying for climate finance for some African countries.
- Assistance from the EU is also required to **address challenges faced by African countries in implementing their NDCs**. These include limited capacity to develop adaptation measures, lack of climate policies, and lack of alignment and integration of climate change into national and sectoral policies.

On the Just Energy Transition (JET), collaboration between the EU and Africa is needed to:

- Help utilities to address operational and financial challenges, which include rehabilitating and/or expanding national transmission networks and undertaking institutional and policy reforms to attract private investments.
- Improve regional integrated electricity markets through power pools to facilitate trade across different countries.
- Accelerate the **rollout of renewable energy technologies** across Africa. This includes technology transfer to manufacture solar panels and batteries at selected regional centres.

At COP27, there was no discussion of a timetable for the start of trading on the global carbon market. However, there is a need for African countries to be proactive and increase their readiness to be significant participants in the global market and in carbon trading at the regional level. Assistance from the EU is required to develop the necessary institutions and build local capacity. Finally, assistance from the EU is required to develop climate-resilient infrastructures. This includes building African countries' capacity to design and operate renewable energy systems to reflect climate change impacts, building climate-resilient transport networks, and addressing barriers to integrating adaptation into infrastructure projects.

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