



## POLICY BRIEF

# Climate Action for Africa at COP27

## Key Messages

- Climate finance has failed Africa. Already insufficient commitments have not been met and the amounts disbursed for adaptation and mitigation have been grossly insufficient to meet African countries' needs. On current trends, the gap between climate finance and climate needs for Africa will amount to \$1.3tn for the decade 2020-2030.
- Africa has contributed less than any other region – just 3.8% of global carbon emissions – to the climate crisis, but the continent faces a disproportionately high impact on its economy and human well-being. This climate injustice has to be rectified.
- Inaction on climate finance has come at enormous costs. These costs include increased food insecurity, the foregone benefits of improved energy access, and worsening living standards – with average GDP losses caused by climate change estimated at 2-5% a year.
- African countries need a Just Energy Transition. Energy access has to be improved, with more than half of the people in sub-Saharan Africa currently having no access to electricity. Renewable energy cannot fuel all of Africa's development, so natural gas – which contributes less to carbon emissions than other fossil fuels but is more reliable and affordable than renewable sources – needs to be part of Africa's transition.
- Climate adaptation and mitigation offer great opportunities to transform African economies and create jobs. These include unlocking Africa's massive untapped renewable energy resources, initiating carbon removal and emissions avoidance projects, and boosting green manufacturing.

## Six Priorities for Africa at COP27

### Three immediate actions:

Multilateral agencies and development finance institutions should:

- Deliver technical assistance to African countries and streamline climate fund processes to improve access to already available climate finance.
- 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.
- Invest in two or three renewable energy manufacturing centers in Africa to produce products such as solar panels and batteries for the African market.

Three new long-term targets and goals:

- To close the climate finance gap, rich countries need to make a strong commitment to \$1.3tn in climate funding for Africa for the period 2020-2030 to cover the costs of climate adaptation, mitigation, and loss and damage.
- Africa's long-term energy transition to net zero has to include natural gas as a transition fuel, and climate funding should be made available for natural gas development projects.
- The global financial architecture has to be reformed to better serve developing countries and address the climate crisis. More innovative instruments such as green bonds, green loans, debt-for-climate swaps, and climate-linked debt should be made available; unused Special Drawing Rights should be reallocated for climate finance, and climate funding processes need to be streamlined and made more transparent.

This policy brief was produced by ACET for the Transformation Leadership Panel (TLP) to provide material for advocacy on climate finance for Africa at COP27 and beyond. The briefing is part of a series of research papers on Climate Action and Global Financial Architecture Reform undertaken to help the TLP deliver its mission to influence, support, and advise leaders on critical and necessary actions to achieve transformative change in Africa by 2030.



### Transformation Leadership Panel

The Transformation Leadership Panel (TLP), established by ACET in 2019, is a body of 17 eminent figures from Africa and around the world united by a shared vision and mission: to influence, support, and advise leaders on critical and necessary actions to achieve transformative change in Africa by 2030. The Panel is chaired by former Liberian President Ellen Johnson Sirleaf.

## Climate Finance has Failed Africa

African countries receive a grossly insufficient amount of climate finance, falling far short of what they require. For the period 2020-2030, the average annual climate funding needs for Africa are estimated at around \$33.5b for adaptation, \$72b for mitigation, and \$36.5b for loss and damage, totaling \$142b. However, annual climate flows to Africa currently stand at only \$30b. If the same level of climate funding persists throughout the period 2020-2030, there will be an annual shortfall of \$112b - amounting to a total climate finance gap of \$1.1tn. At COP26, the advanced countries promised to double global adaptation funding by 2025, which would amount to an additional \$40b per year for Africa. However, Africa would still face a total shortfall of at least \$820m for the decade.

### Climate finance commitments and disbursements

Between 2010 and 2015, \$212 billion worth of climate finance was disbursed by developed countries to developing countries with \$81 billion (48%) going to Asia and 48 billion (23%) going to Africa (Figure 1). In the period 2016–2019, Africa's share of global climate finance flows increased to \$73 billion (or 26%). While this might look like a big increase, as a percentage of total global climate finance, it represents a mere 3% increase.

**Figure 1: Trends in the share of total climate finance to developing countries by region (US\$ billions)**

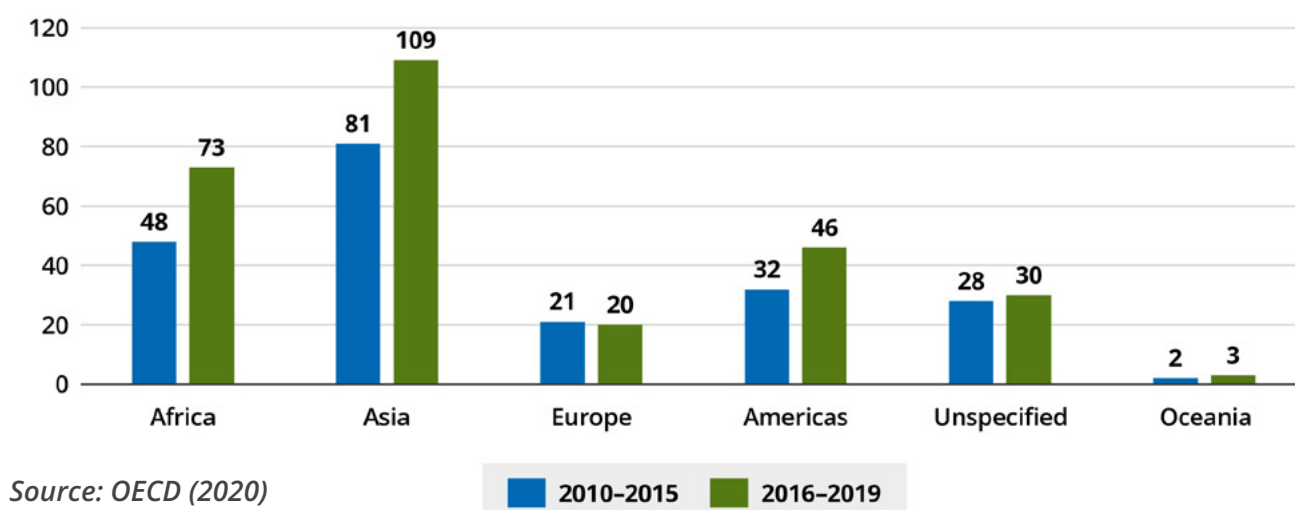
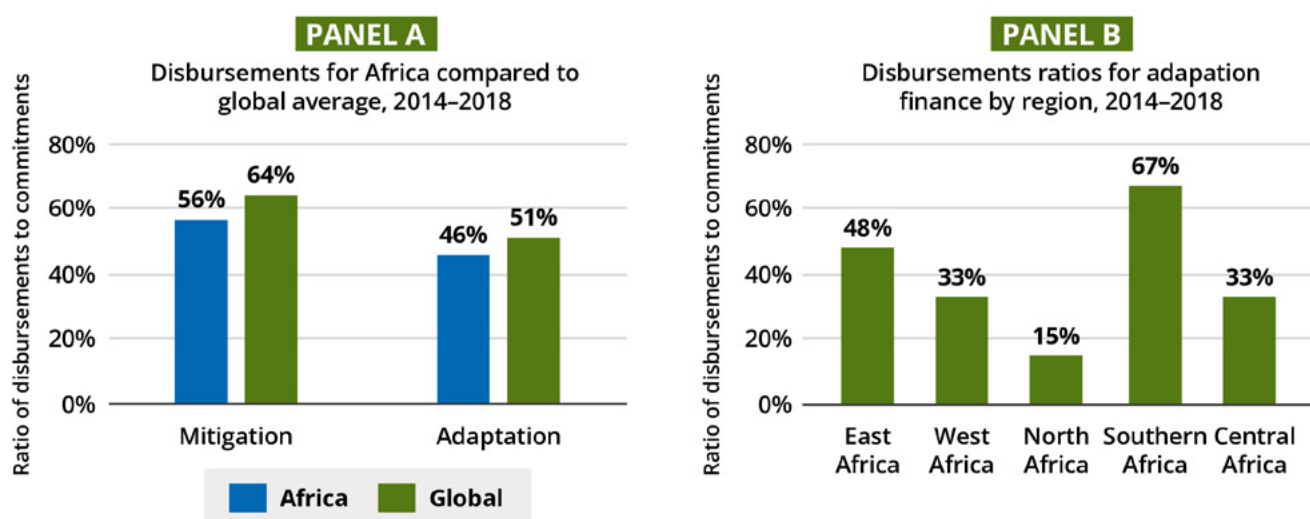
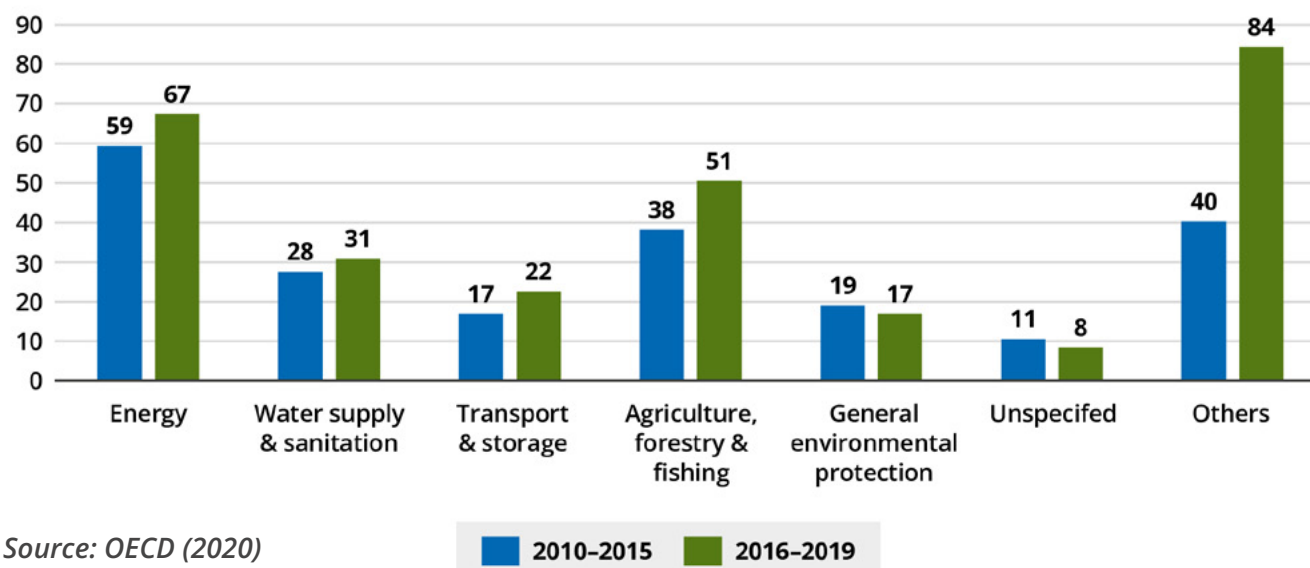


Figure 2a shows data for the ratio of disbursements to commitments for climate finance for Africa compared to the global average for the period 2014–18. For mitigation and adaptation, disbursements to Africa were 56% and 46%, respectively, of the corresponding commitments for the period. Figure 2b shows that for some African regions such as North Africa and Central Africa, the disbursement ratios were well below the global average.

**Figure 2: Climate finance provided and mobilized by developed countries in 2014-18**

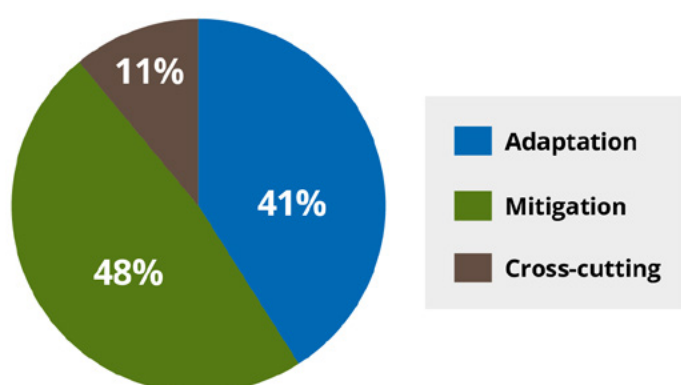
Source: Savvidou et al. (2021)

A breakdown of climate finance by sector shows that, in line with global trends, the energy sector accounted for the largest share of Africa's climate finance per year with \$67 billion (or 24%) between 2016 and 2019, followed by agriculture, forestry, and fishing with \$51 billion (18%), and water supply and sanitation accounting for \$31 billion (13%) (see Figure 3).

**Figure 3: Share of average annual climate finance by sector in Africa, 2010-2019 (US\$ billions)**

Source: OECD (2020)

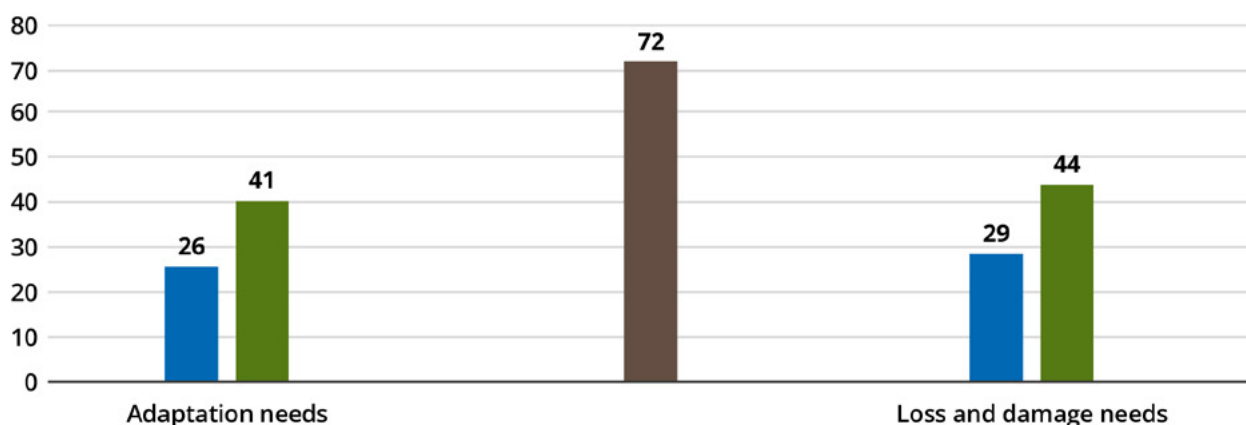
Climate mitigation attracts more finance than adaptation. Globally, mitigation accounted for 59% of climate-related development finance going to developing countries between 2010 and 2019, while adaptation accounted for 31%. The funding trend for Africa was similar with 48% of climate finance going towards mitigation compared to 41% for adaptation between 2010 and 2019 (Figure 4). Although mitigation financing presents an opportunity for Africa to transform its energy system and unlock its vast renewable energy resources, the AGN has called for a 50:50 split because of the continent's vulnerability to climate change.

**Figure 4: Share of average annual climate finance by theme in Africa, 2010 to 2019 (%)**

Source: OECD (2020)

## Africa's Climate Finance Needs

Africa's adaptation costs for 2020–2030 alone are estimated to range from at least \$259–407 billion, representing an annual average need of between \$26 billion and \$41 billion (Figure 5). Mitigation needs are also estimated to be approximately \$715 billion over the same period, averaging about \$72 billion annually. Additionally, the projected loss and damage costs for Africa between 2020 and 2030 range between \$289–441 billion.

**Figure 5: Annual climate needs in Africa (US\$ billions)**

Source: Africa NDC Hub (2022)

Lower limit Upper limit

Climate finance for adaptation has not strategically targeted those African countries with the greatest vulnerability and need. For example, Savidou et al. (2021) found no obvious difference between those countries classified as Less Developed Countries (LDCs) and those that are not. These findings are consistent with a growing body of evidence that indicates that vulnerability is not a strong factor influencing the allocation of climate finance in Africa (e.g., see Weiler and Sanubi, 2019) or even globally (e.g., see Sanders, 2019; Doshi and Garschagen, 2020; Garschagen and Doshi, 2022). For example, Oxfam (2020) found that only an estimated 20% of reported climate finance went to the Least Developed Countries (LDCs) and around 3% went to Small Island Developing States (SIDS), with most finance to LDCs, and nearly half to SIDS, was disbursed in the form of loans and other non-grant instruments.

There are various factors on the part of both funders and African countries that have affected the insufficient flow of climate finance. On the part of the multilateral funders, the factors that make it difficult for countries to access finance include requirements for co-financing, lack of support for developing concept notes, long timelines, and lack of flexibility in the process leading to delays. For most African countries, the constraints include the following: lack of technical expertise to formulate project proposals that meet the requirements of the funders; lack of bankable and well-thought-out projects; and lack of data.

## The High Costs of Inaction

The lack of action in providing adequate climate finance, particularly for adaptation, is having several adverse impacts on the African continent, even though the region has contributed to only 3.8% of global carbon emissions. Worsening standards of living, increased food insecurity, and the ongoing lack of access to energy are among the heaviest costs borne by African countries as a result of insufficient climate finance.

### Worsening standards of living

Inaction on climate finance is worsening living standards on the continent. Based on IPCC predictions that put the world on track for a temperature rise of roughly 3°C by the end of the century, a study predicts that many African countries would likely witness a decline in their long-term GDP. Annually, Africa loses \$7–\$15 billion due to climate change, and this figure is expected to rise to \$50 billion by 2040 (Adesina, 2021). Average losses across the continent are projected at between 2% to 5%, with a range of up to 17% a year in Côte d'Ivoire, almost 9% in Mozambique, and 7% in Kenya (Kompas et al., 2018). Some African countries are already spending up to 9% of their GDP to address natural disasters caused by climate change (Slaney, 2020).

### Food insecurity

Food security has worsened in many parts of the continent due to climate-related events such as floods, droughts, cyclones, and locust infestations. According to FAO, 250 million people Africans go hungry. At about 19.1% of the population, this is more than double the global average. According to the IMF, the number of people in sub-Saharan Africa that suffer from high malnutrition and are unable to meet basic food consumption needs has increased by at least 30 percent between 2021 and 2022 to 123 million (Baptista et al, 2022).

The projections for 2030 are even more dire: the number of undernourished people could exceed 840 million. In 2021, Madagascar was faced with its worst drought in 40 years. The United Nations World Food Program reported that food insecurity in southern Madagascar could “push 14,000 people into catastrophic food insecurity by September 2022”. It warned that this number could double by the end of 2022, with 28,000 people requiring urgent action to prevent widespread death and starvation (DW.com, 2022).



## Lack of energy access

While Africa accounts for 17% of the world's population, it only consumes 5.9% of the world's energy supply. In Sub-Saharan Africa (SSA), more than half of the population (57%) do not have access to electricity, while only 17% have access to clean cooking solutions and must rely on biomass for household thermal energy. The energy access challenge in SSA has worsened since the onset of the Covid-19 pandemic. According to the International Energy Agency, the number of people without access to electricity in SSA rose to more than 590 million in 2020, an increase of 13 million (or 2%) from 2019.

The lack of climate finance for improved energy access comes at a big cost. Providing access to clean cooking facilities could prevent around 300,000 children from dying annually from acute respiratory tract infections (WHO, 2012). Investing in solar refrigerators could save lives, by enabling more children to be vaccinated. Improved access to modern energy could increase school attendance and lower dropout rates, particularly for girls, who could spend less time collecting firewood. Providing clean cooking stove technologies could save \$5 billion for poor people living on less than \$2.50 a day, while reducing energy costs could lift 16–26 million people out of poverty (Africa Progress Panel, 2015).

## A Just Energy Transition for Africa

**A Just Energy Transition means that the shift to low- or zero-carbon pathways must be a shared global responsibility, with no communities being left behind. Without scaled-up climate finance, African countries have to fund relatively higher investments to achieve net-zero carbon emission targets. Meanwhile, many African households lack the access to energy needed to improve their standards of living, and without rapid improvements in the energy infrastructure, African countries face poor prospects for economic transformation.**

## The costs of the energy transition for Africa

Estimates of adaptation and mitigation costs in the NDCs only account for direct costs. They do not include the 'adjustment' or indirect costs of transitioning to low-carbon pathways. For example, they do not include the cost of job losses in carbon-intensive sectors and possible stranded assets. A recent study estimates the cost of the net-zero transition to be equivalent to 6.8% of global GDP in 2021, rising to 8.8% from 2026 to 2030 (McKinsey, 2022). It also estimates that 200 million jobs could be created, but 185 million direct and indirect jobs could be lost.

In developing regions, expenditures on energy and land would form a substantially larger share of national GDP: about 10% in Africa, India and some other Asian countries, and Latin America. African countries would need to invest 1.5 times or more as a share of GDP compared to developed economies to support economic development and build low-carbon infrastructure to enable a shift to net-zero greenhouse gas emissions (McKinsey, 2022). These findings underscore the urgent need to scale up climate finance, preferably in the form of grants rather than loans, to developing countries to facilitate the energy transition.

To add to these costs, Africa's utilities are currently facing various operational and financial challenges. Much of the distribution and transmission infrastructure is dated and in need of refurbishment and expansion. However, the pandemic and the Russia-Ukraine war have pushed up the cost of construction materials such as copper, aluminium, and steel, and are delaying delivery schedules. Several African countries have suffered credit downgrades, making it more expensive for them to borrow.

## **Natural gas as a transition fuel**

To improve energy access, Africa cannot rely entirely on renewables due to their intermittency. Africa needs to combine renewables with natural gas to assure stability and energy security, and improve access and affordability. And the impact on climate change of increased natural gas usage in Africa is relatively low: even if Africa triples the use of gas-to-power, it is likely to contribute less than 1% to total global carbon emissions.

Following Russia's invasion of Ukraine, the G7 in June 2022 reaffirmed its commitment to end public financing of fossil fuel projects. However, the G7 justified investment in gas with the view to reducing their dependency on Russian energy supplies. Africa, therefore, has a right to tap into its gas resources to support grid-based power generation, while off-grid solar can be deployed for households, particularly in rural areas. All this can be done within the context of planning to achieve the Nationally Determined Contributions (NDCs), an approach that has been endorsed by the World Bank in its Climate Change Action Plan 2021–2025 (World Bank, 2021).

## **Climate funding and economic transformation**

A Just Energy Transition also means capitalizing on the climate adaptation and mitigation opportunities to transform African economies and create jobs. This can be done by combining Africa's massive untapped renewable energy resources with nature-based carbon removal practices such as tree planting on agricultural land, applying biochar, improved grazing, and better rice cultivation practices.

At a carbon price of at least \$50 per ton, 308 Mt CO<sub>2</sub>e of carbon can be removed through atmospheric CO<sub>2</sub> removal and 86 million jobs can be created annually. Figure 6 (Panel a) shows that at a carbon price of \$10 or less, nature-based solutions can remove 95 Mt CO<sub>2</sub>e of carbon through atmospheric CO<sub>2</sub> removal and 455 Mt CO<sub>2</sub>e of carbon through emissions avoidance. However, at a higher carbon price of \$50 per ton or less, 308 Mt CO<sub>2</sub>e of carbon can be removed through atmospheric CO<sub>2</sub> removal and 593 Mt CO<sub>2</sub>e can be removed through emissions avoidance.<sup>1</sup>

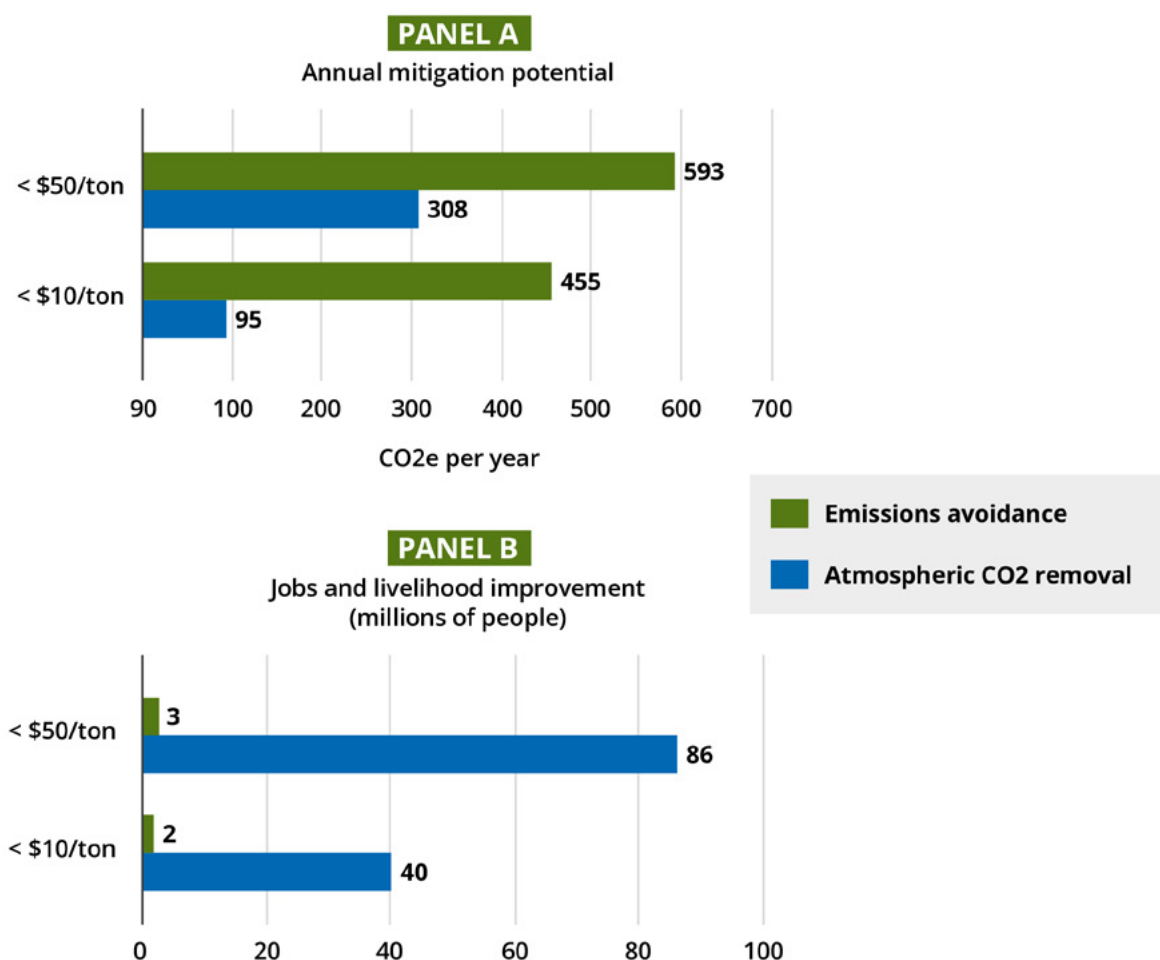
Panel b shows that the job creation potential of atmospheric CO<sub>2</sub> removal ranges from 40 million jobs annually at a carbon price of \$10/ton or less and up to 86 million jobs annually at a carbon price of \$50/ton or less. The actual employment this would generate is much higher as these estimates only include direct jobs.

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<sup>1</sup> Emission avoidance includes emissions that would be associated with the amount of carbon sink that is at risk of being destroyed every year. This comes from carbon sink protection and optimal agricultural practices.



**Figure 6: Mitigation and job creation potential of nature-based carbon removal**



Source: Climate Action Platform – Africa (2022)



### ACET EXPERT

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