

Energy Poverty Takes Precedence Over Western Green Policies: The Case of Africa

BY DR MAMDOUH G SALAMEH

An Outlook

In 2010, the World Economic Forum defined energy poverty as the lack of access to sustainable modern energy services and products. To be more precise, it is not only a matter of sustainability. Energy poverty can be found in all conditions where there is a lack of adequate, affordable, reliable quality, safe and environmentally-sound energy services to support development.¹

Energy poverty is a global problem. While the number of people without access to electricity worldwide has decreased very significantly since 2010 primarily driven by economic growth in Asia, 760 million people still lack access today.

However, nowhere energy poverty is more debilitating and chronic than in Africa where according to current statistics from the IEA, about 620 million Africans or two-thirds of the population do not have access to electricity while 730 million use traditional biomass for cooking,

The demand for energy in Africa is outstripping supply with the energy crisis deepening. Without significant intervention, Africa's energy supply will not keep pace with the rising demand stemming from increasing urbanization, economic growth and a rapidly growing population.

Despite having abundant oil and gas reserves accounting for 12.0% and 9.0% of global proven reserves respectively, the continent of Africa is suffering from energy poverty.² Insufficient investments compound this problem with the continent receiving less than 2% of global investments in renewable energy over the last two decades,

The greatest cause of energy poverty in Africa is poor governance characterized by corruption, weak institutions and lack of accountability all of which create an environment where resources are often wasted or mismanaged.

However, I single out a lack of investments as a most critical factor behind Africa's energy poverty and blame it on Western green energy policies hampering the develop-

ment of Africa's vast oil and gas reserves.³

Western Green Energy Policies

Since Europe's energy crisis in January 2021 which was sparked by hasty European Union (EU) green policies aimed at accelerating energy transition to renewables and later transformed into an international crisis by the Ukraine conflict, African countries have been viewing the unfolding crisis as an opportunity to monetize their untapped reserves and eliminate the continent's energy poverty.⁴

However, a plethora of western-backed environmentalist groups, the EU parliament and US Presidential Climate Envoy John Kerry were all up in arms against any development of African oil and gas reserves (see Chart 1).

The EU has advised member states not to assist in the implementation of Uganda's oil and gas projects with 20 western banks and thirteen insurers already voicing opposition.

For his part, US Presidential Envoy John Kerry, speaking to Reuters on the sidelines of the 18th session of

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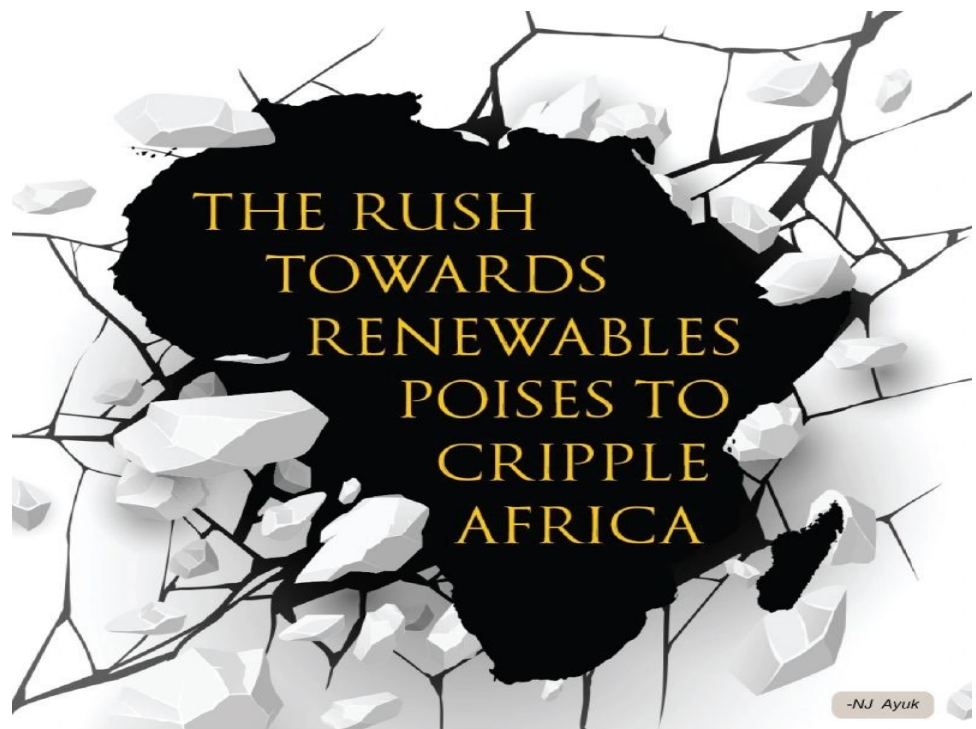


Chart 1
Source: Courtesy of LinkedIn.

the African Ministerial Conference on the Environment (AMCEN) in Dakar, Senegal warned against investing in long-term gas and oil projects in Africa claiming that these projects will end up as stranded assets by 2030. Instead, he urged African countries to focus on reducing emissions in a continent that has contributed only 3.8% to global emissions in 2022, the least in the world.⁵

Civil society groups connected with the EU and US environmentalist Funds or Western climate networks argue that Africa's hydrocarbon projects will not benefit African people and that the investment would be better spent on a new green economy.⁶

The West puts so much importance on the climate change agenda in Africa. I would hazard two explanations for the West's attitude. The first is that the West is under the misguided and erroneous view that any future energy assets like investing in oil and gas production and building pipelines will end up after 2030 as stranded assets. The second explanation is a more sinister one with the West wishing to keep African energy resources underground in order to satisfy its own appetite for energy in the future.

West's Climate Change Hypocrisy

In the last two decades, Africa's contribution to global emissions fluctuated between 3.4% and 3.8%, the smallest share among all world regions.

Meanwhile, EU countries who promote green policies have abandoned their green credentials to resurrect coal-fired electricity plants because of rising prices of gas and oil. Similarly, Western multinational oil corporations have never stopped investing in oil and gas and they will be more than happy to discard their green credentials and exploit loose climate regulations in African countries.

While denying Africa's right to push ahead with its own energy endeavours, the West would be eager to offer investments and technological know-how to the continent in exchange for receiving the lion's share of the regional hydrocarbon wealth. The West doesn't care whether African countries are experiencing severe energy poverty or not as long as it gets its hands on these reserves.

A consortium of European investment firms have raised \$200 million to fight deforestation in Africa, warning that the increasing consumption of charcoal by the continent's nations is putting pressure on forests. According to Bloomberg, the use of wood-based fuel jumped 90% in Africa to 34.9 million tons in 2020.⁷

With African people suffering immensely from energy poverty, lack of clean drinking water and starvation, the last thing on their minds would be deforestation. African people are being driven by energy poverty to cut trees from the forests to provide themselves with warmth in winter and fuel for cooking.

What Africa needs immediately isn't green energy transition as the World Economic Forum suggested but the immediate development of its vast oil and gas reserves. In fact, Africa will need \$190 bn a year to meet energy demand.⁸

African countries are hardly alone in their refusal to succumb to global pressure to rush their transition from fossil fuels to renewable energy sources.

In May 2021, the International Energy Agency (IEA) issued a report, "Net Zero by 2050: A Roadmap for the Global Energy Sector," calling for a halt to oil and gas exploration around the globe at the end of the year. That dramatic measure, the IEA argued, was the global energy sector's only hope of achieving net-zero emissions (ensuring that the amount of greenhouse gases being emitted into the atmosphere equals the amount being removed) by 2050, a goal outlined in the Paris Climate Agreement.

While some have put their support behind the IEA's recommendation, a number of oil- and gas-producing nations firmly and unapologetically rejected it.

Saudi Arabia's Energy Minister Prince Abdulaziz bin Salman dismissed it in a mocking way dubbing it La La Land 2050 roadmap.

The Deputy Director of International Affairs at Japan's Ministry of Economy, Trade and Industry (METI), Akihisa Matsuda, told Reuters that his government had no plans to immediately stop oil, gas, and coal investments.⁹

"The report provides one suggestion as to how the world can reduce greenhouse gas emissions to net-zero by 2050, but it is not necessarily in line with the Japanese government's policy," Matsuda said. "Japan needs to protect its energy security including a stable supply of electricity, so we will balance this with our goal of becoming carbon neutral by 2050."¹⁰

Norway Oil Minister Tina Bru pushed back against the IEA's recommendations, too. "It would not if Norway discontinues production," Bru said. "It would just move to other countries, and then we are no further. This is a complex global problem that requires many solutions."¹¹

However, Africa hasn't been afforded the same consideration when African leaders expressed similar viewpoints.

African Gas for the EU

For years, the EU neglected if not completely ignored the needs of African countries for investment for the development of their infrastructure and their energy reserves.

The EU's hypocrisy is exposed by its sudden rush for African LNG while stressing that it doesn't want to fund projects that would allow the world's poorest continent to burn more of the fuel at home.

Western nations even criticized China when it invested in Africa's infrastructure and energy and mineral resources at a time when they were refusing to invest in Africa either because of sanctions they themselves imposed on African countries or because of their old imperialistic streak. Yet the world Bank credited China's investments with enabling Africa to achieve annual growth rates of 4%-5% for the past few years.

The Myths and Realities about Renewables

While great strides are being made in global energy transition and solar and wind electricity, the notions of imminent global energy transition and net-zero emissions by 2050 or 2100 or ever. They will never be achieved by 2050 or 2100 or ever. The reason is the intermittent nature of solar and wind energy.

Renewables are incapable on their own of satisfying global demand for electricity without huge contributions from natural gas, coal and nuclear energy. Toay's technology doesn't allow yet for storing solar and wind energy in summer for use in winter.

With a global oil consumption exceeding 104 million barrels a day (mbd) in 2024, the notions of imminent energy transition and net-zero emissions look like illusions.¹²

Fossil fuels contribution to the global energy mix is still lingering well above 80%, a figure that has changed little in 30 years. In fact hydrocarbons accounted for 83% of global primary energy consumption in 2020.¹³ That remains so despite being challenged by serious environmental policies and a global expenditure of \$ 3.0 trillion on renewable energy during the last decade (see Chart 2). This is a hefty price to pay just to gain only a percentage point of market share from coal.

And whilst wind and solar are being deployed quickly at an exponential rate, renewable energy installations are far too slow to catch the still-voracious appetite for fossil fuels. It is a fact needing acknowledgement in a world of 7.9 billion people, each of whom is wanting for more light, heat, mobility and gadgetry.

For now, we're in an era of "energy diversification," where alternative sources to fossil fuels, notably renewables, are growing alongside not at the expense of the incumbents.

Most oil companies are also investing heavily in chemicals and petrochemicals. Environmental groups would correctly note that this is hardly a strategy for a clean energy transition, but oil companies see global demand for plastics, fertilizers and other petrochemical products contributing significantly to the growth in global oil demand along with the transportation sector. Petrochemicals for instance currently account for 13% of global oil demand and this is projected to rise to 16% by 2030 compared with 73% for transport.

The Guiding Principles of the Global Oil Market

Investments in both oil and gas and also in renewables will be guided by three pivotal principles.

The first is that there will be no post-oil era throughout the 21st century and probably far beyond. Oil will continue to reign supreme well into the Future.¹⁴

The second principle is that there will be no peak oil demand either. The IEA projects that

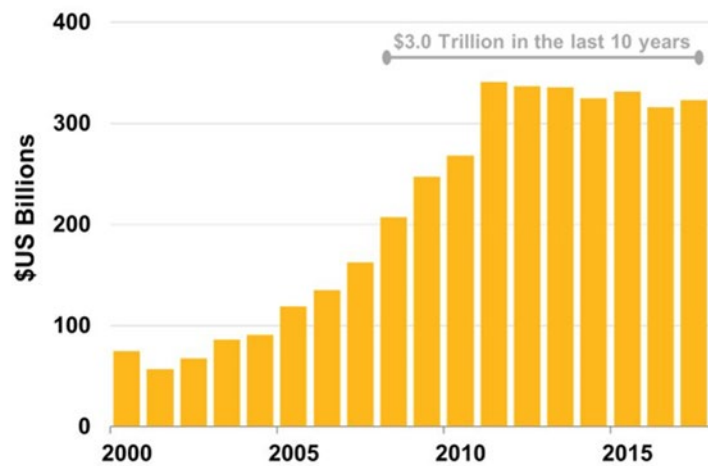
peak oil demand will be reached before 2030. But the IEA's projection is wrong because it is based on a flawed assumption of rising number of EVs causing a steep decline in oil demand and leading to a peak. But this projection is disputed by the fact that there are only 26 million EVs currently on the roads compared with 1.4 billion ICEs. It is also undermined by OPEC+'s projection of global oil demand rising to 110 million barrels a day (mbd) by 2028 and hitting 116 mbd by 2045.¹⁵

Oil demand will continue to grow well into the future albeit at a slightly decelerating rate because of governmental legislations and a slightly deeper penetration by EVs into the global transport system. Stii, EVs could never prevail over ICEs throughout the 21st century and far beyond.

The third principle is business opportunities. While Big Oil is investing huge amounts in renewables, such investment pales in size when compared with that in oil and gas exploration and production, refining and petrochemicals. The slower pace of oil majors toward alternative energies is due to two key reasons. First, they believe that oil and gas will continue to be needed well into the foreseeable future. And second, and probably much more important, is that financial returns from renewables are nothing compared to the huge bonanzas oil firms are accustomed to rake in when oil prices rise.¹⁶ While renewables accounted in 2020 for 5.7% of global primary energy demand, oil, natural gas and coal accounted for 83%.

Still, Big Oil does invest in clean energy solutions and has accelerated such investments in recent years partly to be genuinely involved in the clean energy solutions and partly to burnish its environmental credentials but the general mood, at least for now, is as Shell put it succinctly last year—we'll move away from oil when this makes commercial sense.

Figure 2: Global Investment in Renewable Energy Supply Annual; 2000 to 2017e



Source: International Energy Agency (2000 – 2016), Frankfurt School – UNEP Collaborating Centre for Climate & Sustainable Energy Finance (2017)
 Note: the renewables category shown in this chart includes investments in electricity, transport and heat

Chart 2
 Source: Courtesy of IEA.

A Rational & Pragmatic Global Energy Strategy

With a world population projected to rise from 7.9 billion currently to 9.7 billion by 2050 and a global economy expected to grow from \$100 trillion now to an estimated \$245 trillion also by 2050, there is a huge need for every available energy source.

Therefore, a rational and pragmatic global energy strategy dictates that fossil fuels and renewables coexist and work diligently together to satisfy global energy needs. The bigger the contribution of renewables in global electricity generation, the less coal, natural gas and nuclear energy needed.

Oil and gas and the global economy are inseparable. Undermine one you undermine the other and vice versa.

Therefore, humanity has two quintessential options. One is to succumb to unsubstantiated apocalyptic existential threats to our planet and stop using oil and gas altogether and in so doing face an ultimate collapse of the global economy, starvation, famine, a spread of diseases, wars and the end of civilization. The second option is to continue using oil and gas and face death that may or may not materialize in the next 400-500 years. I am absolutely sure that if both options are put today to a vote, the overwhelming majority of humanity will give the thumbs-up to oil and gas.

A case in point of unsubstantiated existential threats is the UN Secretary-General Antonio Guterres calling on world leaders to phase out oil and gas from their economies and stop new exploration.¹⁷

Speaking in Tonga during a meeting of Pacific Island leaders, the Secretary General said: "This is a crazy situation: rising seas are a crisis entirely of humanity's making. A crisis that will soon swell to an almost unimaginable scale, with no lifeboat to take us back to safety". He also said "The reason is clear: greenhouse gases overwhelmingly generated by burning fossil fuels are cooking our planet and the sea is taking the heat literally." To avoid the apocalyptic catastrophe, Guterres urged world leaders to stop using fossil fuels warning that "Without drastic cuts to emissions, the Pacific Islands can expect at least 15 centimetres of additional sea level rise by mid-century and more than 30 days per year of coastal flooding in some places."

Yet, thirty years ago there have been predictions that places such as the Maldives would be completely underwater by now but so far these have failed to materialize.

Conclusions

For Africa energy poverty takes precedence over both Western green policies and climate change agenda.

What Africa needs immediately isn't green energy transition but the immediate development of its vast

oil and gas reserves to overcome its chronic energy poverty

The West puts so much importance on the climate change agenda in Africa at a time when the EU countries who promote green policies have abandoned their green principles to resurrect coal-fired electricity plants because of rising prices of gas and oil.

Renewables are incapable on their own of satisfying global demand for electricity without huge contributions from natural gas, coal and nuclear energy. Today's technology doesn't allow yet for storing solar and wind energy in summer for use in winter.

It is very probable that oil and natural gas will continue to be the driver of the global economy well into the future.

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