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AEEP Energy Talks Spotlight

Insights into European Financial Flows on SDG7 to Africa

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AEEP Energy Talks Spotlight

Insights into European Financial Flows on SDG7 to Africa

Key findings from the AEEP Energy Talks on 19 February 2025

SUMMARY

The 18th AEEP Energy Talks on 19 February 2025 delved into the third edition of the AEEP flagship report on European financial flows on the UN Sustainable Development Goal 7 (SDG7) to Africa. The webinar examined current financing trends, pathways to increase financial flows towards clean and affordable energy access and highlight the critical role of the AU-EU partnership in financing SDG7 in Africa.

In particular, the AEEP Secretariat presented key results from its report followed by an analysis by experts from both continents. The discussion focused on how to step up financial support and increase investments towards the different SDG7 target areas (electricity access, clean cooking, renewable energy and energy efficiency). The four panellists explored the need for adequate financing instruments, including de-risking mechanisms and other instruments to leverage private sector investments in sustainable energy access projects, and how Africa-Europe collaboration can continue to play a crucial role in implementing these solutions.

Introduction

The AEEP 2024 Report on European Financial Flows on SDG7 to Africa provides a comprehensive data-driven analysis of the financing landscape of SDG7 in Africa over the 2014-2022 period, outlining the European Union's pivotal contribution, while painting a clear picture of the gap between the 2030 SDG7 target and current progress.

The analysis underscores a critical conclusion: despite consistent efforts by the European Union (EU) and its Member States, other public donors, and African governments, which have led to notable progress, the pace towards SDG7 remains far too slow and existing financial flows remain insufficient to meet the 2030 target. The situation is particularly critical in the clean cooking and energy efficiency areas, while progress towards universal electricity access is also lagging. Today, in Africa, still 600 million people lack access to electricity and 900 million lack access to clean cooking technologies and fuels.

The report shows that investments and financial support from all sources need to be stepped up, while ensuring that resources are directed where they are the most needed and where they can generate the greatest impact.

Opening Remarks

Ms Sara Buzzoni, Programme and Policy Officer at the EU Delegation to the African Union (AU), commenced the Energy Talks by reaffirming the importance of achieving SDG7 and calling for stronger alignment between partners to tackle the challenges lying ahead. In this regard, the EU aims to mobilise EUR 300 billion in public and private investments for sustainable projects as part of the Global Gateway Strategy until 2027 globally. Regarding project finance, Ms Buzzoni emphasised the need for enhanced risk mitigation mechanisms to encourage private sector participation and informed that the EU has been a key provider of guarantees and blended finance for energy investments over the African continent. Furthermore, she applauded that many partners are determined to push for new energy initiatives such as the Mission 300. She emphasised, however, that alignment and close coordination between all initiatives is critical and that all aspects of clean energy must be considered, including issues such as clean cooking, which has been long standing on the sidelines.

"Global Gateway is our EU contribution to narrow the gap to achieve SDG7 by investing in smart, clean and secure energy".

– Sara Buzzoni

Ms Sara Elhag, Head of the Energy Division at the Infrastructure and Energy Department of the African Union Commission (AUC), emphasized in her opening remarks that the successful collaboration between the AU and the EU is highly regarded from both sides, and that it is particularly important to reach SDG7 in Africa. She argued that the main challenge in reaching SDG7 targets is to scale up energy finance levels. Currently, the financing gap in energy infrastructure is estimated to be USD 170 billion annually, when African countries currently spend less than 3% of their GDP in the power sector. Additionally, she pointed to the lack of private sector participation, due to inadequate policies and regulations, especially regarding price regulation. Ms Elhag further explained that the AU is implementing regional and continental energy initiatives, including the African Continental Power Systems Masterplan (CMP) and the Africa Single Electricity Market (AfSEM), that will contribute to reaching SDG7. She acknowledged EU's important support to these initiatives and to SDG7 in Africa, while highlighting that an even higher scale of funding is needed to tackle the

"Low levels of financing remains one of the critical barriers to accelerate the energy access and SDG7 targets on the continent".

– Sara Elhag

access challenge. She argued that the Global Gateway Strategy as well as the Africa-EU Green Energy Initiative (AEGEI) can be leveraged as platforms to stream more funding and attract more private investments towards energy projects in Africa. Lastly, Ms Elhag underlined the importance of further strengthening AU-EU collaboration, focussing on project preparation and implementation, adequate frameworks, private sector participation and ensuring that rural communities are adequately supported, too.

Presentation of Key Findings of the AEEP 2024 SDG7 Finance Report

Ms Esther Haftendorn, Policy Advisor and EU Liaison Officer at the AEEP Secretariat, built on the opening remarks by summarizing the main outcomes of the Secretariat's 2024 Report on European Financial Flows on SDG7 to Africa, which was published in December 2024. The report shows that the pace of progress remains too slow to meet SDG7 in Africa, especially considering the 2030 target, and despite consistent efforts by the EU and its Member States, African governments and other public donors. She explained that these efforts have resulted in the addition of vital infrastructure, especially in the renewable energy sector, but global finance for electricity access remains insufficient, and clean cooking and energy efficiency have been dramatically underfunded.

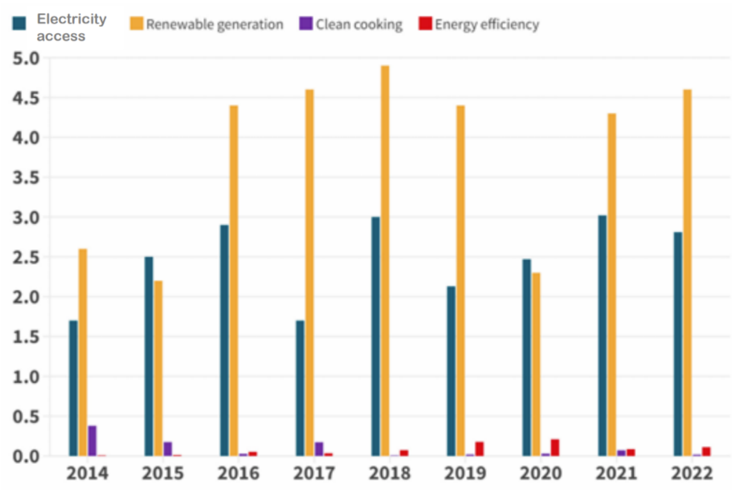

Figure 1: Global finance (International public finance + mobilized private finance) to SDG7 targets, EUR billion (AEEP 3rd edition of report on financial flows on SDG7 in Africa)

Ms Haftendorn presented the global landscape of SDG7 financing for the period 2024-2022 and showed that Europe continues to be a global leader in financing SDG7-related projects on the African continent. Over the study period, funding from international public donors towards SDG7 totalled EUR 61.7 billion, out of which EUR 18.7 billion were provided by EU institutions and EU Member States. The report also analyses mobilised private sector investments towards SDG7 in Africa, which totalled EUR 13.9 billion. The progress towards SDG7 also relies significantly on increased efforts from African states, first source of funding for SDG7 despite budget constraints and increased indebtedness. From 2014-2022, African national governments spent a total of EUR 105 billion on energy. She concluded that for SDG7 to become a reality in Africa by 2030, tremendous financial efforts will, however, still be needed from all funding sources.

"The EU remains a leader in SDG7 funding with highly concessional finance and a key role in catalysing private investments".
– Esther Haftendorn

Panel Discussion

Ms Towela Nyirenda-Jere, Head of the AEEP Secretariat, moderated the subsequent panel discussion, which included **Nadège Hopman**, Senior Loan Officer at the European Investment Bank (EIB), **Emma Gordon**, Energy and Investment Analyst at the International Energy Agency (IEA), **Anders Pedersen**, Chief Regional Power Systems Officer at the African Development Bank (AfDB), and **Michael Franz**, Team Leader of GET.invest at the Global Energy Transformation Programme (GET.pro).

"There is a vital role for all finances to play, but the question is how to get them working in synergy quickly enough to meet 2030 targets".
– Emma Gordon

Ms Gordon commenced the panel discussion by elaborating on the investment data that the IEA has compiled on energy in Africa. Ms Gordon explained that out of approximately 100 billion USD investments flowing to energy in Africa annually, two thirds currently go towards fossil fuel projects. She informed that to meet SDG7 by 2030 and all the energy targets of the Nationally Determined Contributions (NDCs), annual investments in energy need to double until 2030, including two thirds for clean energy, and around 30 billion USD annually for energy access. In addition, affordability for end-user support will also be needed. She argued that since many African governments struggle with debt issues and public finance is also limited in donor countries, especially with recent shifts and political pressures, private finance must play a larger role in the years ahead. In some instances, this has already proven to be successful, especially regarding utility scale photovoltaics (PV) generation projects. De-risking capital from international public finance institutions is especially needed for more complex areas such as grids, energy access and energy efficiency. Ms Gordon identified lacking grid infrastructure as a bottleneck for private project development and emphasized that this is an area where domestic governments play a key role. Overall, she underlined the need for all actors to collaborate and work in synergy to achieve the SDG7 target as soon as possible.

Building on this, **Mr Franz** explained that private investment is currently concentrated to only few areas, in particular to large-scale renewable energy generation projects. While the public sector is crucial in steering, enabling and funding projects, public money is scarce and capacity insufficient, creating opportunities for the private sector to come in. He identified two categories of projects involving the private sector, each with distinct requirements. The first includes large-scale projects with strong public sector involvement (such as transmission, distribution, and large-scale RE), where regulation, off-taker arrangements, and risk ratings are key drivers. The second category covers off-grid, mini-grids and commercial segments, which emerged with the decline in PV and storage costs and the rise of digital technologies, and where end-users' ability to pay, company expertise and availability of suitable financing instruments are essential. He argued that while ample funding exists for large mature projects, more growth capital and funding for early-stage, small-scale projects need to be provided by development finance institutions.

"There's plenty of money for late-stage projects, but not enough for early-stage project development. We need to build a ladder for them to scale and de-risk".
– Michael Franz

Following on this, **Ms Hopman** explained that EIB is the EU climate bank and is aligned with the Global Gateway strategy and part of the Team Europe approach, allowing a more impactful vision and greater synergies. She explained that there is enough room for every actor in the African energy space and emphasized that we need to be "mutually exclusive but collectively exhaustive". She explained that EIB is first specialised in large-scale senior loans, and provided some examples for successful projects such as the Madagascar Electrification Programme and the interconnector between Mali and Guinea. She also explained that EIB uses a combination of different instruments to attract private capital, including blended finance models, intermediated loans to local banks, guarantees and risk capital for start-ups. In addition, EIB provides technical assistance and advisory services targeting the private sector.

Mr Pedersen steered the discussion towards paths to increase investments for last mile access projects. He first explained that the AfdB is agnostic in terms of how access is provided as long as it is quality access and highlighted the sometimes-artificial split between on-grid and off-grid projects resulting in large disparities between tariffs for consumers. He also argued that one of the major hurdles for investment in on-grid is the lack of cost-reflective tariffs. Introducing cost-reflective tariffs would enhance the financial health of utilities and enable more private sector participation. He also pointed that utilities could also play a role in off-grid energy projects, an area that has so far been dominated by private actors, and in reverse, we could see more private sector involvement in the transmission sector currently dominated by the public sector.

Ms. Hopman continued the discussion focusing on Africa-Europe cooperation. She emphasized the need for a shared vision to drive more impactful financing and implementation strategies, while also collaborating to strengthen policy frameworks and regulatory environments. To address the significant financing gap to achieve SDG7, she stressed that commitments must be translated into action. In a global context of scarce resources, she urged for efficient use of funds, ensuring no overlap between initiatives and that every sector is adequately covered.

"At the end of the day, the electricity sector will be decarbonised, decentralised and digitalised. These are domains which the Africa-EU cooperation could focus on".

– Nadège Hopman

Mr Franz pointed that the needed financial solutions are well known and there is no need for additional initiatives in an already crowded space (GET.invest referenced 260 financing solutions existing today). He reiterated the importance of having appropriate mechanisms for different project sizes and stages to foster the dynamism of both African and European private companies active in the sector, supported by strong regulatory frameworks. He also reiterated the crucial issue of the capacity to pay of end users, especially in rural areas, where public support can be provided through subsidies. Additionally, the discussion needs to integrate the dimension of job creation and revenues, through productive use of energy. He also commended the development of African continental initiatives such as AfSEM and CMP and emphasised the need to coordinate with continental and regional institutions.

Ms Gordon shifted the conversation towards finance for clean cooking and energy efficiency, which are SDG7 areas that remain particularly underfunded. She argued that while many African countries have already put in place regulatory frameworks for efficiency standard setting, these need to be backed up by financing schemes or other consumer incentives to support the purchase of efficient appliances. Even though most energy efficiency measures allow consumers to save cost in the long term, she argued that many households may struggle to afford the up-front cost. Additionally, government spending would also be needed to create a market and industry around energy efficiency but is constrained in many African countries. When it comes to clean cooking, Ms Gordon emphasized for this sector as well the question of affordability for end-users, as traditional biomass is "free". As there only few economically viable solutions are available, governments and other non-profit actors need to step in through concessional funding, project preparation and early-stage financing. Looking forward, she remained optimistic that clean cooking will experience stronger momentum, as she pointed towards the 2024 Summit on Clean Cooking in Africa, emphasized that we need to grow the ecosystem of bankable companies that will be able to absorb the increased investment appetite.

Concluding the panel discussion, **Mr Pedersen** argued that to advance clean cooking or energy efficiency, we need to pragmatically take stock of what works and scale this up, even for more controversial solutions like LPG for clean cooking. He also explained that another major reason why energy efficiency and clean cooking have seen comparatively low levels of funding is their low visibility, especially compared to large infrastructure projects which are more tangible and more attractive. He closed the discussion by arguing that we need a realistic approach to SDG7 with stronger prioritization and that close cooperation between Africa and the EU increases project success.

"It's still a choice if you spend a dollar on A or B. So perhaps one way of reaching goals is to be more clear-eyed about prioritisation, which also means what not to do". – Anders Pedersen

AEEP Energy Talk Conclusions – Insights into European Financial Flows on SDG7 to Africa

- Despite consistent efforts by African governments, the EU and its Member States, as well as other public donors, the **pace towards SDG7 remains far too slow and existing financial flows remain insufficient to meet the 2030 target**.
- **More private investments** are required to fill the finance gap in Africa. Strong **regulatory frameworks and cost-reflective tariffs** reforms are needed, alongside **appropriate financing mechanisms for different project sizes and stages**, and **de-risking solutions**.
- In sectors such as off-grid access, clean cooking and energy efficiency, **affordability and capacity to pay of end-users** is a key factor for progress and requires **adequate support schemes**
- Looking ahead, and in a **global context of constrained funding**, close **alignment, synergy and cooperation between all actors, and efficient use of resources** is key to achieve the SDG7 target as soon as possible.

About

The Africa-EU Energy Partnership (AEEP) is Africa and Europe's gateway for joint action on a green energy future. With an unmatched overview of the political processes and initiatives across both continents, the AEEP maps, monitors and convenes the actions and stakeholders that drive the African and European energy transformation. Providing a forum for political dialogue, knowledge sharing and peer connections, it enables Africa and Europe to make progress on their path to a sustainable energy future.

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