

# AEEP Energy Talks **Spotlight**

## Financing SDG7 in Africa: Africa-Europe collaboration in a changing geopolitical environment



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## Financing SDG7 in Africa:

## Africa-Europe collaboration in a changing geopolitical environment

Key findings from the AEEP Energy Talks on 26 February 2026

### OVERVIEW

The 22<sup>nd</sup> AEEP Energy Talks on 26 February 2026 addressed the critical issue of financing the UN Sustainable Development Goal 7 (SDG7), aiming to ensure access to affordable, reliable, sustainable and modern energy for all. This session convened experts and panellists to examine the current financing landscape for SDG7 and discuss how financing dynamics are evolving in a shifting geopolitical context, including the role of Africa–Europe cooperation.

The webinar began with **opening remarks** by Sara Elhag, Head of the Energy Division at the African Union Commissions Infrastructure and Energy Department, and Alexandre Detroux, Team Leader for Green, Digital, Economic Transformation, Policy and Cooperation at the EU Delegation to the African Union.

The webinar then marked the **launch** of the fourth edition of the AEEP flagship report on **‘European financial flows to SDG7 in Africa’**, with a presentation of its key findings provided by Esther Haftendorn, policy advisor at the AEEP Secretariat.

This was followed by a **presentation** of the **Africa-EU Green Energy Initiative (AEGEI)** by Alba Le Cardinal, from the European Commission DG INTPA. AEGEI is a Team Europe initiative under the Global Gateway Strategy constituting the framework for Europe’s engagement on clean energy access in Africa.

The session then continued with a **panel discussion**, featuring the participation of: Yohannes Hailu, Economic Affairs Officer at the UN Economic Commission for Africa (UNECA), Arthur Minsat, Head of Unit for Africa and Middle East at the OECD Development Center, George Baffour Awuah, economist at the African Center for Economic Transformation (ACET) and Alba Le Cardinal, from the European Commission (DG INTPA).

The panel explored current gaps and misalignments in SDG7 financing, identified priority sectors and actions, and examined how financing needs can be met in a constrained and geopolitically complex environment. Particular attention was given to the role of the Africa–Europe partnership as a key pillar for advancing SDG7 financing in this evolving global context.

## Introduction

Access to affordable, reliable, secure, and modern energy is essential for achieving Africa’s development objectives as outlined in the AU Agenda 2063 and the SDGs. While there has been significant progress on SDG7 in Africa, the current pace remains insufficient to achieve the goal by 2030. Approximately 600 million people in Africa still lack electricity and 900 million access to clean cooking fuels and technologies.

Financing from a range of sources—international development finance, domestic public resources, and private capital—has contributed to advance SDG7, but overall investment levels must be significantly scaled up to reach SDG7. Although there is broad consensus on this conclusion, the evolving geopolitical landscape introduces new challenges. Shifting global priorities are placing international development finance under pressure, with declining availability of concessional resources. Traditional aid models are increasingly giving way to strategic partnerships, in which energy finance is closely linked to geopolitical considerations such as energy security, supply chains, and access to critical minerals. Finally, greater emphasis is now being placed on crowding in private investment and strengthening domestic capital mobilisation.

Europe has long been Africa’s leading partner in advancing SDG7. In this changing context, the Africa–Europe partnership can remain a central pillar for sustaining and scaling up energy investments, while adapting cooperation frameworks to new geopolitical realities and financing models.

## Opening Remarks

The 22nd AEEP Energy Talks commenced with remarks from the African Union Commission (AUC) and the European Union Delegation to the African Union (EUD) respectively.

**Ms Sara Elhag**, Head of the Energy Division at the African Union Commissions Infrastructure and Energy Department, commended the AEEP Secretariat for producing the 4<sup>th</sup> edition of

the report on European Financial Flows to SDG7 in Africa, noting that series has consistently provided an important source of data and analysis on financing approaches and instruments supporting sustainable energy access on the continent. She highlighted that achieving SDG7 will require significant scale up in energy infrastructure financing.

She pointed to the challenges posed by the evolving geopolitical landscape, as several climate agreements and alliances are being reconsidered or stagnate, with implications for mobilising financing for sustainable energy access in Africa. In this context, she stressed the importance for Africa to maximise existing partnerships to accelerate its energy development agenda.

The European Union remains a key partner, supporting major continental initiatives such as the Continental Power Systems Master Plan (CMP) and the African Single Electricity Market (AfSEM)., She noted that the Africa–EU partnership will need to adapt to this changing environment by focusing more on financing critical infrastructure, developing bankable projects, and strengthening coordination and alignment of priorities to deliver fast and tangible results for both continents.

**“The EU has been Africa’s strongest partner in advancing its energy and climate change agenda, and it is essential that both continents remain aligned on shared goals.”**

– Sara Elhag



**“As global priorities shift, geopolitical tensions rise, and concessional resources come under pressure, Europe is not immune—but we are not stepping back.”**

– Alexandre Detroux



**Mr Alexandre Detroux**, Team Leader at the EU Delegation to the African Union, stressed that energy is not only a developmental objective but a foundation for economic transformation, social

inclusion and climate resilience and a key area reinforcing the strategic bond between the two continents. Citing AEEP’s report data, he indicated that Europe is proud to stand as one of Africa’s leading partners in supporting clean energy access on the continent. However, he emphasised the need to accelerate efforts, particularly in Least Developed Countries and in underfunded sectors such as clean cooking and energy efficiency.

He also highlighted that the global context is evolving, with shifting priorities, rising geopolitical tensions, tightening fiscal space and growing pressure on concessional finance. While Europe is not immune to these changes, he stressed that the Africa–Europe partnership must adapt and lead, evolving into a more strategic and mutually beneficial cooperation that aligns EU investments with African priorities while delivering value for both partners. Mobilising private capital will remain central to this approach through blended finance and risk-sharing instruments as well as support for domestic resource mobilisation.

Looking ahead, he highlighted that the EU is scaling up its engagement through the Africa–EU Green Energy Initiative (AEGEI), supporting renewable energy deployment and energy access on the continent. He cited the Continental Energy Programme for Africa (CEPA) which aims to strengthen the institutional foundations of the energy sector and support electricity market integration and transmission development across the continent. He concluded by noting that financing SDG7 is not only about increasing volumes, but also about ensuring quality, coherence and impact.

### Launch of AEEP’s flagship report on European financial flows to SDG7 in Africa

**Ms Esther Haftendorn**, policy advisor at the AEEP Secretariat, presented key findings of the 4<sup>th</sup> edition of AEEP’s flagship report on *European financial flows to SDG7 in Africa*. Drawing on a

**“AEEP’s report provides an evidence-based analysis of the current financing landscape of SDG7 in Africa, informing where future investments are most needed.”**



– Esther Haftendorn

decade of data (2014-2023), the report provides a comprehensive, data-driven analysis of the SDG7 financing landscape in Africa. It highlights the European Union’s pivotal contribution within the broader ecosystem of international development finance, private investment, and African public domestic finance, identifies financing approaches and instruments, and points to remaining gaps and challenges.

Key data from the report show European institutions and Member States committed a total of EUR 20.67 billion to SDG7-related projects in Africa between 2014 and 2023, making Europe the largest contributor after multilateral institutions. European actors also helped mobilise EUR 4.25 billion in private finance through a range of leveraging instruments. The report further shows that renewable energy generation, electricity transmission and distribution, and capacity building have received substantial support over the past decade. By contrast, clean cooking and energy efficiency remain the most underfunded sectors. The report also examines Africa’s own financial contributions to the energy sector, noting that African governments invested approximately EUR 116 billion over

the same period and have supported the sector through policy and regulatory reforms. However, fiscal space remains constrained, limiting the capacity for further public investment.

More detailed data, examples of projects and initiatives, and policy recommendations are presented in the report, which will be available on the Africa-EU Energy Partnership website.

### Presentation of the Africa-EU Green Energy Initiative

**Ms Alba Le Cardinal**, working at the European Commission (DG INTPA), provided a brief presentation of the Africa-EU Green Energy Initiative (AEGEI), a Global Gateway Initiative launched at the AU-EU Summit in February 2022 to support green energy investments in Africa.

AEGEI is a team Europe Initiative supported by 12 EU Member States, the EIB and the EBRD, and the private sector, under a coordinated approach. The initiative aims to provide access to energy for at least 100 million people in Africa, support the deployment of at least 50 GW of additional renewable generation capacity across the continent by 2030 and generate energy efficiency improvements. At COP28, EUR 20 billion were pledged by Team Europe under AEGEI until 2027, including EUR 3.4 billion grants from the EU.

Under AEGEI, support is provided to the development of infrastructure projects, as well as improvements in regulatory environments through technical assistance. Cooperation and projects under AEGEI take place at three levels: continental, regional and national. At continental level, the EU supports the Africa Single Electricity Market (AfSEM) and the Continental Power Systems Master Plan (CMP). Examples of projects at regional level include the Zambia-Tanzania-Kenya interconnector, and at national level, the Kikot and Nachtigal hydropower plants in Cameroon.

### Panel Discussion

The panel included:

- Mr Yohannes Hailu, Economic Affairs Officer, UN Economic Commission for Africa (UNECA)
- Mr Arthur Minsat, Head of Unit for Africa and Middle East, OECD Development Center
- Mr George Baffour Awuah, Economist, African Center for Economic Transformation (ACET)
- Ms Alba Le Cardinal, Programme assistant, DG International Partnerships, European Commission

The discussion was moderated by Ms Towela Nyirenda-Jere, Head of the AEEP Secretariat.

### Financing gaps to achieve SDG7 and alignment of financial flows with needs

The moderator opened the discussion by asking what the most critical financing gaps and constraints are, which prevent the achievement of SDG7 in Africa, and whether current financial flows are well aligned with the continent's energy access priorities.

**Mr Hailu** first highlighted that while energy investments globally reached a record USD 3 trillion in 2025, Africa received only 2% of global clean energy investments, despite accounting for 80% of the global energy access deficit. Furthermore, although rural energy markets are experiencing significant technological innovation, only 1 to 1.5% of these investments flow to decentralised solutions, which are crucial for expanding access in rural areas. These examples demonstrate that there is global capital available, but financial flows are currently misaligned with needs.

He then identified some key barriers to energy investments in Africa, one being the high cost of capital. While borrowing costs in Asia average around 5.5%, they are close to 10% in Africa, significantly increasing project costs. Additionally, electricity markets are largely dominated by state-owned utilities with weak balance sheets, making it difficult to mobilise long-term financing. At the same time, public debt levels, averaging 67% of GDP, limit fiscal space for infrastructure investment. Greater private sector participation is therefore essential.

**“There is an important misalignment of financial flows, as capital goes where the risk is lowest, not where access gaps are the deepest.”**

– George Baffour Awuah



**Mr Baffour Awuah** further stressed that the main issue is not only the amount of finance available but its allocation and type. Energy access deficits are increasingly concentrated in

fragile, rural, and low-income settings, yet investment flows mainly target countries with stronger macroeconomic fundamentals, such as Morocco, South Africa, and Egypt. This means financing tends to go where risks are lowest rather than where needs are highest. Addressing SDG7 therefore requires patient, concessional, and long-term capital, particularly for fragile contexts and underserved rural communities.

Another challenge he identified is the fragmentation of external support. SDG7 financing relies heavily on external partners, and the large number of initiatives and actors can place significant coordination demands on countries with limited capacity. This sometimes leads to duplication or financing that bypasses national priorities.

**Mr Minsat** first emphasised that energy supply and financing are central not only to reach universal access, but also to Africa’s industrialisation. According to the OECD’s *Africa’s Development Dynamics* report, about USD 31 billion per year is required to support the continent’s industrialisation, while reaching SDG7 would require USD 211 billion annually.

He further highlighted that although significant funding is available globally, it is not flowing where needs are greatest, including to lower income countries and in rural areas where access levels are the lowest. Moreover, he highlighted the relatively small share of private sector capital flowing to the continent: private sector financing accounts for only about 11% of infrastructure investment in Africa, compared with 23% from governments and 65% from international partners. At the same time, African governments face growing fiscal constraints, as rising debt servicing costs limit their ability to invest in infrastructure.

In this context, public finance remains critical to mobilise and leverage larger private capital, but it needs to be used more effectively. OECD data shows that the ratio of private capital mobilised by public funds in Africa is around 0.46, significantly lower than in other regions. Addressing Africa’s “risk premium” and risk perception will therefore be essential to attract greater private investment.

### **Impact of the evolving geopolitical landscape on SDG7 financing and role of Africa-Europe collaboration**

The moderator then steered the discussion toward the shifting geopolitical landscape and changing priorities of international partners, and their implication for SDG7 financing. She also invited the panellists to reflect on the role of the Africa–Europe partnership in this evolving context.

**Mr Minsat** provided some data highlighting these shifts in the financing landscape. According to the OECD, bilateral development assistance is projected to decline by 17% globally in 2025, while

Official Development Assistance (ODA) to Least Developed Countries has fallen by 16–28% between 2023 and 2025. In 2023, 59% of ODA for infrastructure was concentrated in only ten African countries, four of which were medium and high-income countries.

**Mr Baffour Awuah** noted that current geopolitical shifts are intensifying the misalignment of financing flows. Development finance instruments are shifting from grants towards loans and, as stated before, ODA is declining in fragile countries. Financing is increasingly directed toward large-scale, bankable, and export-oriented energy generation projects. This trend risks deprioritising investments in universal energy access, potentially leaving fragile countries and poorer communities further behind and intensifying access gaps.

He also stressed that progress in renewable energy expansion largely depends on favourable macroeconomic conditions and lower capital cost. Concessional finance remains essential to address these issues; therefore, declining concessional resources will limit governments' ability to implement their energy transition plans. He also noted that there have been signs of more cautious lending from non-traditional partners such as China.

Responding to a question from the audience about Africa's perception of these changes, **Mr Hailu** noted that Africa faces uncertainty in this shifting geopolitical landscape, raising questions about whether global rules will continue to serve the continent. The weakening of these protective global systems increases risks and has prompted more inward-looking thinking on the continent, including a desirable push toward regional integration in energy, trade, and beyond. He emphasised the need for major regional blocs to reaffirm the importance of global rules, norms, and systems that govern relations and trade, hoping this disruption is only temporary.

**Ms Le Cardinal** highlighted that Europe's response to evolving political priorities around energy security, competitiveness and strategic partnerships is the Global Gateway strategy. It addresses the infrastructure investment gap by using resources more strategically, with energy and climate as core focus areas. Under Global Gateway, the EU works in a Team Europe approach and combines instruments such as grants from the EU and loans from development finance institutions. Recognising that public finance alone is insufficient, the EU also seeks to catalyse private investment through instruments like EFSD+, which provides guarantees to reduce investor risk. To overcome the bottleneck of limited bankable projects, the EU supports project preparation with technical assistance and has launched the Global Gateway Investment Hub, a platform accompanying European would want to invest in projects in partner countries.

**"The Team Europe approach allows to coordinate and align our efforts, pool resources and maximise impact."**

– Alba Le Cardinal



### Way forward to scale up finance for SDG7 and outlook for the Africa-Europe collaboration

Panellists then shared insights on how to scale up finance in this new geopolitical landscape, including through partnerships, to accelerate progress on SDG7.

**Mr Hailu** indicated that Africa now has opportunities to diversify its partnerships, if partners are approached strategically, fostering collaboration on two fronts. First, the mobilisation of direct funding for infrastructure, although concerns remain in the Global South regarding the limited availability, slow disbursement and governance of concessional finance. Second, the strengthening of policy and regulatory frameworks to reduce barriers to private investment.

He highlighted that the partnership with Europe plays a significant role in supporting Africa's energy transition, particularly through the Team Europe approach. This collaboration demonstrates how coordinated partnerships can mobilise larger and more effective investments from both public and private sector.

Looking ahead, **Mr Hailu** indicated three areas where Africa and its partners can support investments in this new landscape. First, as concessional finance becomes increasingly linked to strategic geopolitical priorities, such as energy security and access to critical minerals, African countries will need to develop partnerships that promote value addition and industrial development around these resources. Second, partnerships should focus on using limited public and concessional resources more strategically to crowd in private capital. Third, strengthening domestic and regional capital markets, as well as financial market integration, will be critical, with lessons that could be drawn from European experience.

A question was raised in the audience about a dilemma for funders: using concessional grants to mobilise private capital often directs financing toward more bankable projects in higher-income countries. In that context, how to ensure funds are directed to projects in low-income countries.

**“Better understanding of infrastructure ecosystems at local level can help reduce perceived risks for investors.”**

– **Arthur Minsat**



**Mr Minsat** noted first that despite a gloomy picture for bilateral finance, multilateral financing has grown significantly in recent years, providing

concessional loans, which can support poorer economies. He then highlighted the importance of improving information on infrastructure ecosystems to enable better risk assessment and attract more private capital. OECD is working with ACET and AUDA-NEPAD to provide local level infrastructure ecosystem rating, and with the African Union Commission on the Africa Virtual Investment Platform to improve data availability and reduce information asymmetries for investors. Additional measures to attract private capital are better project preparation, the development of secondary markets for infrastructure assets, and local currency funding. Finally, African pension funds invest only around 3% of their assets in infrastructure, but increasing this share to around 10% could significantly help close SDG investment gaps.

From the European perspective, **Ms Le Cardinal** highlighted that AEGEI supports energy access through a combination of financing instruments and technical assistance. Particular attention is given to decentralised and off-grid solutions in areas where electricity access remains limited. Instruments such as GET.invest, ElectriFI and the Facility for Energy Inclusion are used to mobilise private investment, while flagship projects are being implemented in countries such as Guinea, Senegal and Ghana. Beyond financing, the initiative also supports enabling frameworks, including national energy access planning and programmes to expand clean cooking solutions. The EU is also contributing to global coordination efforts under the Mission 300 Initiative.

Turning to the crucial question of domestic resource mobilisation, **Mr Baffour Awuah** highlighted that while African governments are investing in their energy systems, further reforms could improve effectiveness. Strengthening the financial viability of utilities could reduce fiscal pressures and attract greater private investment. Building a stronger pipeline of bankable projects and reinforcing regulatory and institutional frameworks will be critical.

**Mr Hailu** added that domestic resource mobilisation could be strengthened through improved tax revenues, currently representing only around 16–17% of

GDP in Africa. Digitalisation of tax systems could support this effort. Innovative financing mechanisms are also emerging, including debt-for-nature swaps (in Seychelles), debt-for-development swaps (in Côte d’Ivoire), and instruments such as green and blue sustainability-linked bonds. Finally, improving efficiency in public spending is essential. It is estimated that around 30% of infrastructure spending is lost due to inefficiencies, highlighting the importance of better governance and project management.

**“Domestic resources must be strengthened without increasing debt burden - through better tax mobilisation, more efficient public spending and innovative financing.”**

- **Yohannes Hailu**



## AEEP Energy Talk Conclusions – Financing SDG7 in Africa in a changing geopolitical environment

- Financing to SDG7 is insufficient and misaligned with Africa’s needs.** Despite growing global energy and infrastructure investments, Africa receives only a small share of these flows, Moreover, financing tends to concentrate in lower-risk countries and large-scale projects, rather than in lower-income countries, rural areas and fragile contexts where energy access deficits are greatest.
- Changing global priorities and declining concessional finance are reshaping the SDG7 financing landscape.** Development finance is increasingly influenced by geopolitical considerations such as energy security and access to critical resources. At the same time, ODA is declining, particularly in LDCs, and financing instruments are shifting from grants toward loans and large-scale, bankable projects. This trend risks widening energy access gaps in fragile and low-income countries.
- The Africa–Europe partnership remains a key pillar of SDG7 financing.** Through initiatives such as Global Gateway and AEGEI, implemented under the Team Europe approach, European partners coordinate their efforts by combining financial instruments with technical assistance to mobilise investments and support enabling policy and regulatory frameworks.
- International public and private finance must be scaled up and used more strategically.** Accelerating progress toward SDG7 will require more effective use of public and concessional resources to crowd in private investment, reduce perceived risks, and develop a stronger pipeline of bankable projects. Strengthening market conditions, improving data availability, and supporting project preparation will also be essential to mobilise larger volumes of private capital.
- Strengthening domestic financing will be essential,** including through reforms to improve utilities’ financial viability, better tax mobilisation and more efficient public spending, greater use of institutional capital such as pension funds, and innovative instruments such as green bonds and debt-for-development swaps.

### 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.

### Tap into more information

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