WHAT IS THE FUTURE OF FOSSIL FUELS IN AFRICA DURING THE COVID-19 PANDEMIC IN THE ENERGY TRANSITIONS ERA?

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1. Brief review

A lot has been written about the COVID-19 pandemic. This short article will not go into the full discussion of the pandemic but rather, it focuses on the impact of the crisis on the future of fossil fuels in the energy transitions era in developing countries such as those in Africa.

On Monday the 20th of April 2020, the world experienced a drop in the US crude for May turning to negative. This caused a lot of bankruptcy panic among various oil companies especially US shale companies. The drop in oil prices is mainly due to the March 2020 oil price wars. Additionally, the COVID-19 pandemic which has reduced oil demand in the transport sector and manufacturing industry has also significantly contributed to the low oil prices. Consequently, there have been massive stress in the oil industry with many companies losing their value including Halliburton, Noble Energy, Marathon Oil and Occidental (OXY)- which have lost more than two-thirds of their value. (CNN Business, 2020)

One can arguably say that, the above developments do favour the energy transitions efforts which advocate for renewable energy. Additionally, for the first time, renewables overtook coal-fired power generation in OECD. According to the International Energy Agency (IEA) April 2020 report, electricity produced from natural gas in 2019 increased by 4.8% and was responsible for 29.0% of the total electricity production. Comparatively, coal production in the same year was 13.4% lower than in 2018 contributing to 22.1% of the total electricity production (IEA, 2020).

Taking stock of the above, one may question the future of fossil fuels in this global energy transitions era. We note that, developed and developing countries do face different energy challenges. As noted above, the developed countries in OECED have made significant efforts in increasing renewable energy in the electricity production. This, however, did not just happen suddenly, it has taken years of investments, research and technological advancement to be able to reduce reliance on fossil fuels in these countries.

We also note that, these countries are not worried about energy access issues such as access to electricity- rather, these countries are concerned with energy security, which underpins the need for uninterrupted distribution of affordable and sustainable energy. Consequently, this explains why it is easy for these countries to transition to a low carbon economy putting their focus on renewable energy development. Indeed, the same efforts are also taken in developing countries such as those in Africa. Albeit, for a country with more than 60% of the population lacking electricity, the focus will not entirely be on the kind of primary energy used to provide this electricity, but rather on ensuring that people shift from wood and biomass usage to electricity whether it is generated from renewables or fossil fuels. This shift therefore brings in the progressive nature of energy use, thus highlighting why energy transitions should be progressive in nature giving developing countries a chance to shift from wood, to fossil fuels then to renewables- as was the case in developed countries.

Fossil fuels are still needed for electricity generation in many developing regions including Africa. Millions of people remain with no electricity and yet, in the IEA scenario, it is estimated that more than half a billion people mostly in SSA will remain without electricity in 2040. Already most countries are still relying on fossil fuels for electricity generation. In Southern Africa for instance, coal is the most dominant source of electricity in the SADC region, contributing to over 60% followed by hydro, which contributes 21.02% of the electricity generation capacity. This heavy reliance on coal in SAPP can be attributed to the fact that South Africa dominates the power generation as it accounts for 76% of the overall generation capacity (SADC Energy Monitor Report).

The above clearly highlights the continued role of fossil fuels in tackling energy access challenges in developing countries despite the COVID-19 pandemic. Nevertheless, this does not in any way mean that these countries are climate change deniers. There are several initiatives in these countries to transition to a low carbon economy including the deployment of renewable energy; energy efficiency technologies; electricity vehicles just to mention but a few (for a full discussion, see my book on ‘Energy Access in Africa).

2. Conclusion and Key Considerations for Policymakers

The current pandemic has with no doubt negatively impacted on the energy sector. It has led to a decrease in energy demand and consumption of fossil fuels hence skidding the oil prices. The losses encountered by many oil companies will make it hard for these companies to consider new investments in the near future.

Nevertheless, policymakers should be aware that, post the pandemic, fossil fuels are still likely to play a significant role in tackling energy access challenges in developing countries especially due to population growth and urbanisation. For instance, according to the BP report, population growth is estimated to increase by around 1.7 billion to reach nearly 9.2 billion people in 2040. Additionally, the global boom in urbanization is projected to increase, as almost 2 billion people are likely to live in urban centres by 2040 and Africa is projected to contribute one-third of this increase in urbanization (BP, 2018).

Taking stock of the above, if developing countries are not well prepared, the increase in population growth and urbanisation will escalate the energy access challenges. In this respect therefore, there is a need for African policymakers to think ahead of the current COVID-19 pandemic and be ready to use all the available energy resources including fossil fuels to tackle energy access challenges which are likely to escalate with an increase in energy consumption due to population growth and escalated urbanisation.

3. Further reading:

1. Book Chapter: Nalule VR. How to Respond to Energy Transitions in Africa: Introducing the Energy Progression Dialogue. In Energy Transitions and the Future of the African Energy Sector 2019 (pp. 3-35). Palgrave Macmillan, Cham.

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