



UNITED NATIONS
UNIVERSITY

UNU-INRA

Institute for Natural Resources in Africa

MANAGING “STRANDED” ASSETS RISKS AND OPPORTUNITIES

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2020 HPLF SIDE
EVENT

STRUCTURE

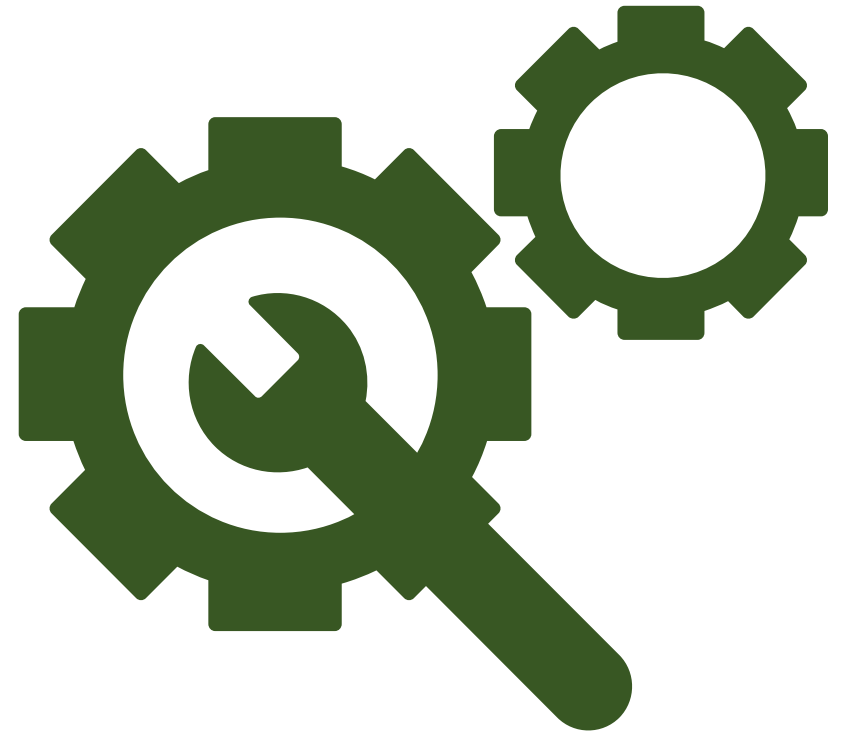
Why is the road ahead complex?

What opportunities will drive the transition?

What role can multilateralism play?



**Simplicity is
complexity resolved.**
-Constantin Brancusi

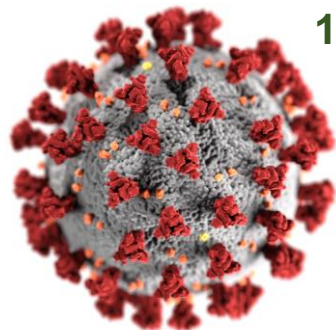


1.WHY IS THE ROAD AHEAD SO COMPLEX?

The COVID 19 Shakeup

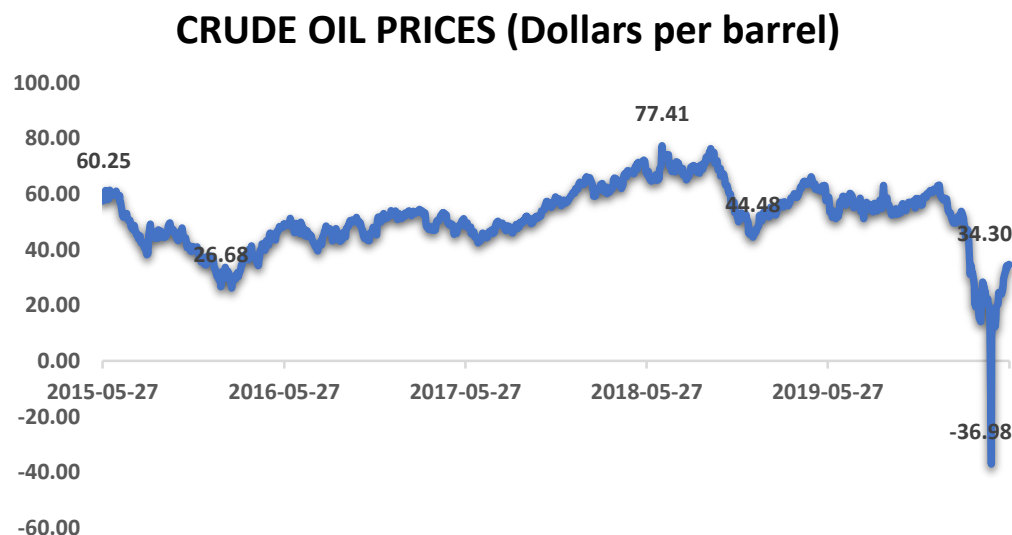
- Hydrocarbon economies - battered and injured
- Oil prices - plummeted
- Supply value chains – broken
- Fiscal space – Challenged
- Investors - turning their backs on fossil fuel commitments
- Countries – revising their forecast & economic rents due to economic downturn

COVID 19-THE HYDROCARBON INDUSTRIES- WORST CRISIS



1. Disruption oil supply and demand

2. Plummeting oil prices



3. Revenue losses

1. More than 50%-85% drop in oil income expected this year.
2. Loss of about \$65 billion for oil exporting countries in Africa.
3. Losses for Ghana, Niger and Mauritania to reach as much 80% of revenue this year.

NOT SO SIMPLE!

Commodity Dependency Trap and Value Add Deficit

1. Coal, oil and natural gas = 81% of global primary energy.
2. Some 70% of African exports are derived from oil, gas and mineral sectors = half of Africa's exports.
3. South Africa generates \$ 6.2 billion of export revenue from coal in 2018.
4. Angola's economy is overwhelmingly reliant on its oil sector – contributing more than 90 % of exports.



“STRANDED ASSETS”?



1

Stranded assets are assets that have become devalued.

2

Disruptive innovation, changes to market structures, and security, societal and environmental conditions.

3

Strategic National Choices-to manage the risks and seize the opportunities

THE RISK IN STRANDED ASSETS

Africa average net income from oil & natural gas from 2010-2018 was **\$184 Billion**



7%
WORLD OIL
RESERVES

7%
WORLD
GAS
RESERVES

THE RISK IN STRANDED ASSETS



26%, 34%, 90% of Africa's
Gas, Oil and Coal reserves could be **'untouched'**

Between **60** and **80 percent** of coal, oil and gas reserves held
by publicly listed companies could be classified **'unburnable'**

THE RISK IN STRANDED ASSETS



In **Sub-Sahara Africa** alone, there are undiscovered, but technically recoverable energy resources estimated at about **115.34 billion** barrels of **oil** and **21.05 trillion** cubic meters of **gas**.

IMPLICATIONS OF “STRANDING”



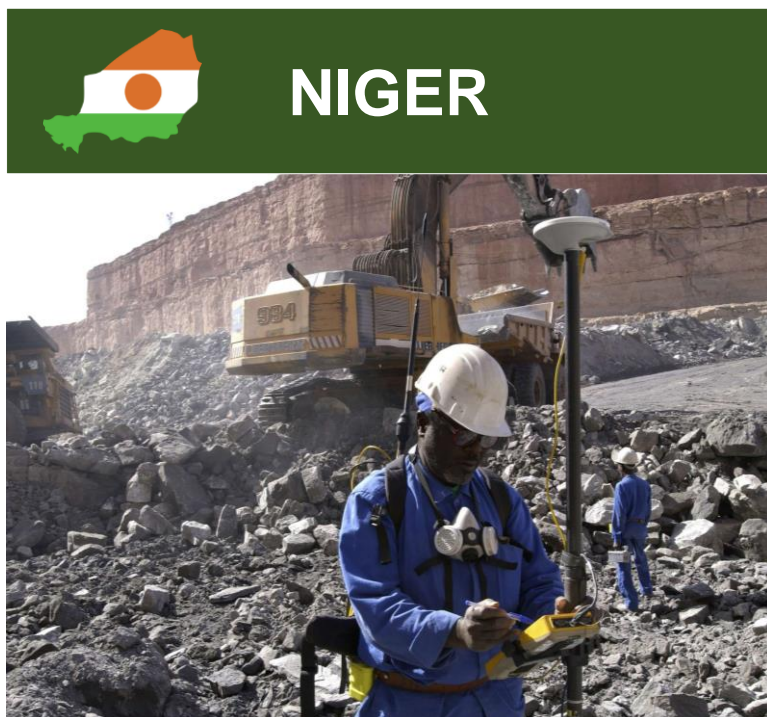
ANGOLA

In 2017, the ~~oil and gas~~ sector contributed to over 30% of GDP & 52% of fiscal revenue

Public spending in mineral dependent countries are supported by **mineral revenues**.

A large parts of revenue from hydrocarbons goes towards infrastructural development, much of the monies are used for social spending such as education and health.

THE ENERGY PARADOX – NIGER A MICROCOSM OF RESOURCE WEALTH, BUT ENERGY POOR



- Niger has been mining Uranium for **over 40 years**
- **Extractive** Sector represents **57% of exports** revenue
- **1st uranium** producer in **Africa** and **4th worldwide**
- **189th** out of **189** countries in the 2018 **HDI**
- **101st** out of **117** in the 2019 **Global Hunger Index**
- Only **12 %** of the population **access to electricity**

As the global agenda on low-carbon development takes shape, can Niger afford to build its hope on oil that will flow from the Agadem Rift Basin ?

**Nothing is more
expensive than a missed
opportunity.
-H. Jackson Brown Jr.**



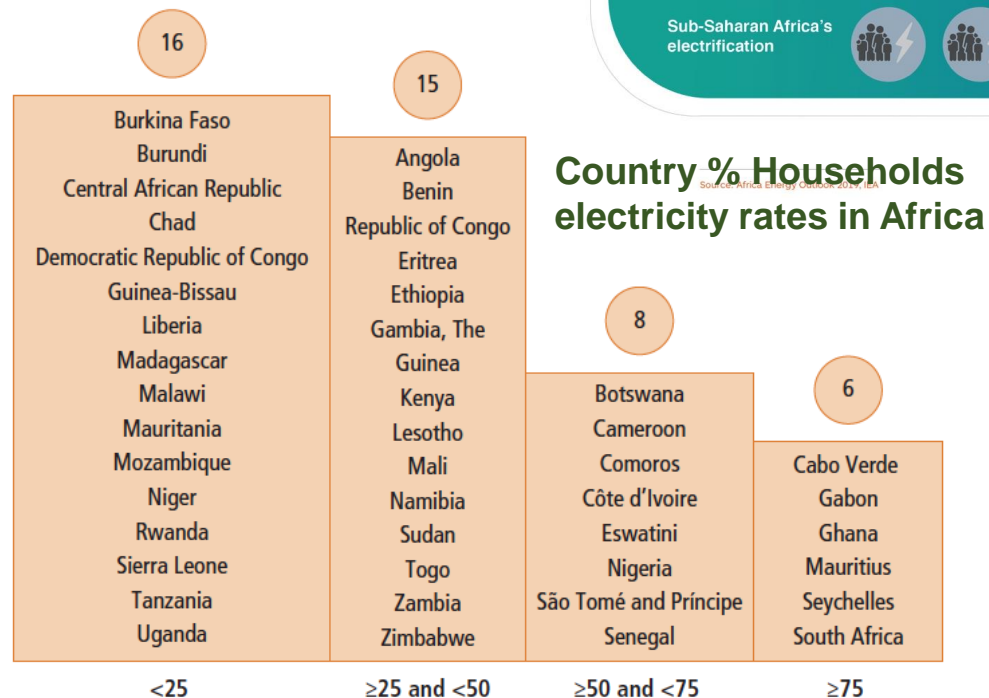
2. WHAT OPPORTUNITIES WILL DRIVE THE TRANSITION?

- 1 Richest Solar Resources
- 2 Rich Natural Gas Resources
- 3 Rich Mineral and Metal Resources
- 4 Rapidly Growing Cities to drive clean energy innovations

SUSTAINABLE RECOVERY-POST COVID

Africa has a long way to go in power generation

Sub-Saharan Africa's electrification rate was **45%** in 2018



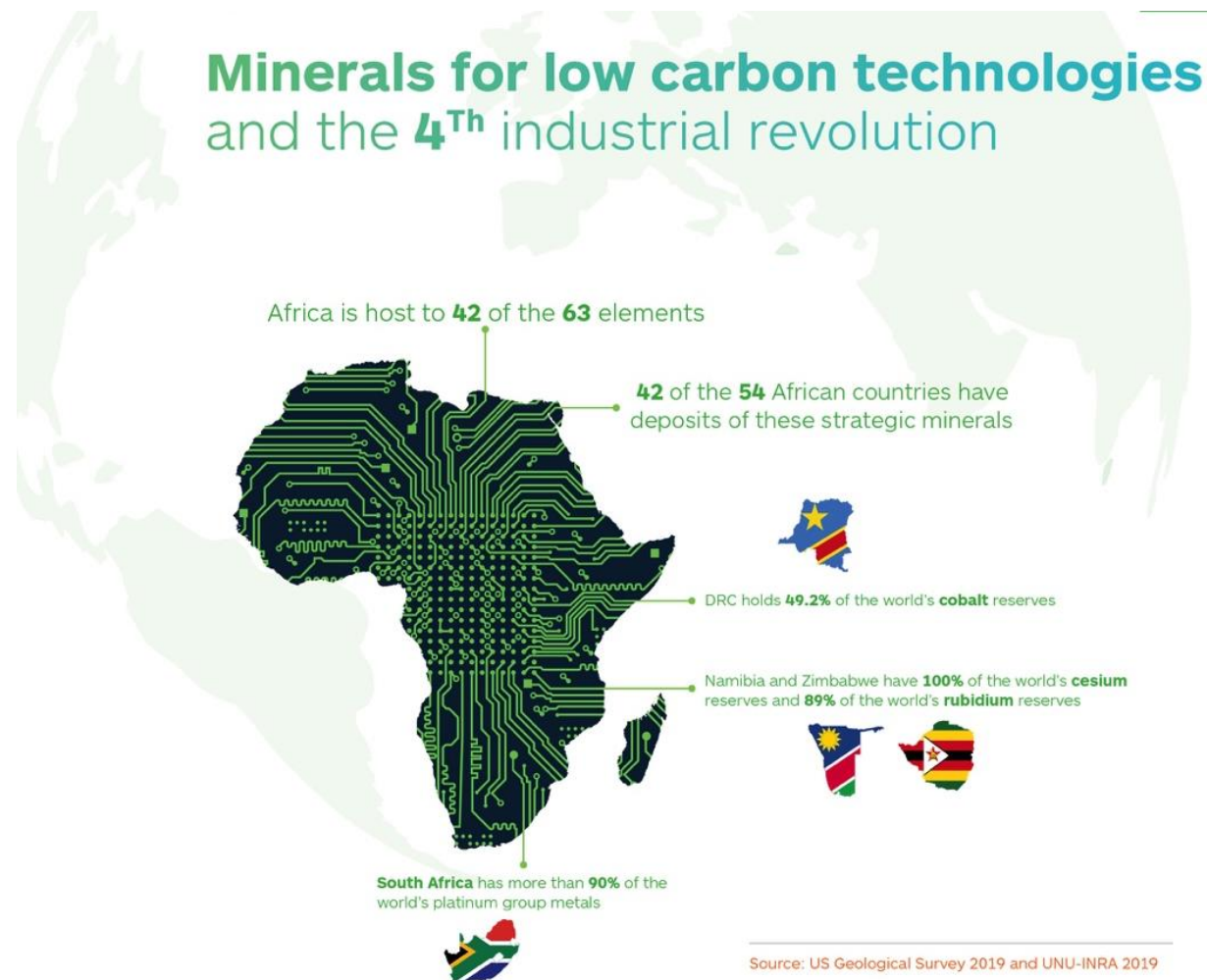
Energy-poor

Danger of technological blackout

Slow economic growth

GREEN ECONOMY MINERALS – 4TH INDUSTRIAL REVOLUTION

42 OF THE 63 ELEMENTS



AFRICA'S RICH MINERAL/METALS RESOURCES



Namibia and Zimbabwe have **41%** of the world's **Cesium** reserves

South Africa with **35%** world **Chromium** reserves, **32%** world **Manganese** reserves, **91%** of global **PGM** reserves; **72%** of **Platinum** production³²



40%
GOLD



80%
PLATINUM



Namibia and Zimbabwe have **80%** of the world's Rubidium reserves

71%-DRC
COBALT
PRODUCTION

Morocco and Western Sahara have **72%** of the world's phosphate reserves

**"Too often we participate
in the globalization of
indifference. May we
strive to live global
solidarity"
- Pope Francis**



3. WHAT ROLE CAN MULTILATERALISM PLAY?

From an African Perspective

- Decouple economic growth from carbon intensive investments
- Developing Regional Markets (AFTCA) – markets are often too small
- Scale up Solar PV deployment
- Harness Renewable Energy Potential
- Resource Planning - Diversify Economies
- Increase Investment in Renewable R&D
- Investment in knowledge economy – digital, digital, digital.
- Rethink energy/resource governance

WHAT CAN MULTILATERALISM DO?

- **Green transition** cannot happen without Africa – 1.2 billion people to double in 2050 – 60 % below 25.
- **EU Green deal** - support hydrocarbons dependent countries towards to JT.
- **Unlock climate finance** – build back better will evolve in the shadow of climate change.
- **NDC need a complete overhaul**, new incentives, new focus, new monies– a rebirth of NDC .
- **Skills, skills skills** –North /South partnerships are essential
- Investments in **new technologies** such as renewable hydrogen.
- Support **resource efficiency** and **circular economy**

HOW DO WE BRING TRANSFORMATION TO SCALE?

3. WHAT ROLE CAN MULTILATERALISM PLAY?

Solidarity - International community can support Africa in managing the transition – enlightened self interest Africa less than 5 % of global emissions.

Indigenizing energy investments - Support domestic investment in the oil and gas. Out of 500 plus oil and gas companies across Africa – Only 6 are African owned

IFF - Fight illicit financial flow – more than 80 billion dollars a year are lost.

Walk the Talk - Africa becoming synonymous with unwanted waste – dumping ground for dirty industries and old technologies.

RESEARCH AND DEVELOPMENT

New knowledge

provide evidence that will ENABLE global policy.

Human capital

H.C is gold - transition = skills = people

Just transitions

Without knowledge –JT Would favor the strongest and sanction the weakest

Thank you.

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