

Africa and the Energy Charter: the bountiful continent and the energy conundrum

"US\$400 billion in energy investment needed for Africa between now and 2030."

IEA Africa Energy Outlook

Africa's story is a remarkable example of how, most of the time, perceptions are unable to catch up with reality. Although it is generally assumed that the continent's political and investment environments are somewhat murky and risky, facts speak for themselves: in the last decade, Sub-Saharan Africa has witnessed a GDP growth of more than 5% a year, mostly due to better policy making and overall levels of governance.

Unfortunately, despite this growth, the region still has a tremendous energy deficit that is considered by many to be one of the major elements constraining Africa's economic and social development. According to recent IEA data, less than 300 million Sub-Saharan Africans out of roughly 915 million people living in the region have access to electricity. This means that between 60-70% of Africans are disconnected. In overall terms, there are about 1.2 billion people in the world with no access to electricity, half of whom live in the African continent.

Africa will need at least US\$400 billion in investment in the next two decades in order to guarantee distribution, transmission and generation infrastructure and to interconnect remote areas, which nowadays are living in energy segregation. The World Bank estimates that only about 1% of private sector capital flows for energy reaches Africa, whereas 34% goes to Asia and 26% to Latin America.

The time to make electricity an integral part of everyday life rather than an exception is now. As stated in April 2014 by Kandeh Yumkella, UN Under-Secretary-General for the Sustainable Energy for All Initiative, "There is energy momentum in Africa. [...] To get the investments we need, governments need to formulate energy plans of at least 20 years, not ad hoc. [...] You need a plan, an energy policy that gives confidence for investors to say, 'I will go and borrow and invest, the laws will not change in the next five years.'"

The question, then, is simple: how can we reassure foreign private capital that investing in Africa is worth the hassle? Perhaps the key to unlocking Africa's investment potential in order to guarantee universal access to energy and to overcome energy poverty is the Energy Charter Treaty.

The Treaty's legal framework is the first attempt to enhance the rule of law in the energy sector on a global level and offers countries a multilateral platform on which to address challenges like access to modern energy and energy poverty reduction. The Treaty also provides for transparent, non-discriminatory and consistent rules of investment promotion and protection, which allow countries to increase their investment attractiveness. Furthermore, the Energy Charter Treaty provides a long-term, competitive, stable and reliable interface between investors and host countries by envisaging binding rules that streamline the investment environment.

Governments interested in becoming members choose to engage in strengthening investor confidence in their countries: the legally binding nature of the Treaty, together with the existence of a functioning mechanism of peaceful dispute resolution, provide important encouragement for states to observe and respect the obligations under the Energy Charter Treaty.

The balanced approach offered by the legal framework of the Treaty ensures that countries become more attractive for foreign investors, while at the same time guaranteeing access to energy markets and resources in a more disciplined and protected manner. In this way, both host governments and foreign private investors find mutual benefit in a potentially risk-free environment.

International Energy Charter 2015

A strong impetus for global energy governance

"The signatories underline the importance of access to sustainable, modern, affordable, and cleaner energy, in particular in developing countries, which may contribute to energy poverty alleviation. To this end, the signatories confirm that they will make efforts to strengthen their cooperation and to support initiatives and partnerships at international level which are conducive to these goals."

Excerpt from the text of the International Energy Charter

On 20-21 May 2015, states representing up to one half of the UN membership will gather at a Ministerial Conference on the International Energy Charter (IEC) hosted by the government of The Netherlands in the Hague. The IEC is a political declaration that will be formally adopted and signed at the Ministerial Conference. The Conference has a world-wide focus, with attendees coming from every continent. It is aimed at promoting the modernisation of the Energy Charter Process and the expansion of the geographical scope of the Energy Charter Treaty.

Around 80 states took part in the negotiations on the IEC throughout 2014. The final text was agreed in the autumn of that year and is currently being prepared for adoption. The IEC reflects the established principles of the European Energy Charter of 1991, such as political and economic cooperation, sovereignty over energy resources, the development of efficient energy markets, non-discrimination, investment promotion and environmental issues. In addition, it reflects some of the most topical energy challenges of the 21st century, in particular the growing weight of developing countries for global energy security, the 'trilemma' between energy security, economic development and environmental protection, the role of enhanced energy trade for sustainable development, as well as the need for diversification of energy sources and routes. Furthermore, the IEC aims to develop regional and international cooperation in order to address the fundamental issues of access to modern energy services, energy poverty reduction, green economy and clean energy.

The IEC has been negotiated and will be signed by members of the Energy Charter together with non-members from the rest of the world. Modernisation of the Energy Charter and expansion of its geographical scope are currently the priority of the 54 members of the Energy Charter. The new Charter thus provides a powerful political vehicle to promote international cooperation and energy governance, in fields ranging from energy efficiency to investment protection and promotion, trade, transit and energy security. Greater regional energy cooperation and market integration are among the benefits offered by the Energy Charter in its work on the African continent. Non-members signing the IEC will be eligible for observer status under the Energy Charter, allowing them to work together with members on the implementation of agreed principles.

The Ministerial Conference on the International Energy Charter represents a landmark with regard to the development of global energy governance architecture. Binding rules on investment promotion and protection, trade and transit, as enshrined in the Energy Charter Treaty, are essential for such architecture. Thus, the Conference will be an important step in developing relationships and cooperation on the South-North and South-South axes, while enhancing the role of the Energy Charter Treaty as an instrument for peaceful dispute settlement.

Companies in member states will directly benefit from new, attractive investment opportunities, in particular in Africa and the Middle East, while governments in these regions will enjoy enhanced global standing as eye-catching investment destinations for the promotion of sustainable energy development and universal energy access.

More information can be found on the website of the International Energy Charter: www.international.energycharter.org

Africa and the Energy Charter



Sub-Saharan Africa's GDP grew by more than 5% a year in the last 10 years



A tremendous energy deficit is constraining Africa's development

Roughly 1/3 of Sub-Saharan Africans have no access to electricity

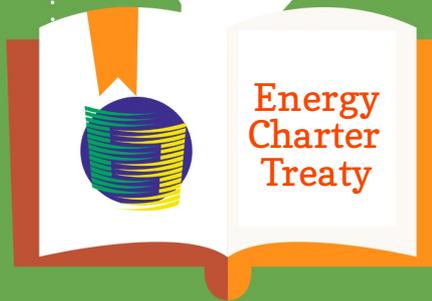


Over the next two decades, Africa will need at least US\$400 BN in investment

Unlock Africa's investment potential to guarantee energy access



Enhancement of the rule of law in the energy sector & creation of a multilateral platform to address energy access & energy poverty



Transparent, non-discriminatory & consistent rules of investment promotion & protection



Long-term, competitive, stable & reliable investor-host country interface fostering investment attractiveness



Mechanism for peaceful dispute resolution encouraging states to observe & respect ECT obligations