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Financing Freeze Could Hit Crucial African Investments

Climate campaigns to halt all new oil and gas financing threaten crucial investments to clean up Africa's transportation and cooking fuel mix, the executive secretary of the African Refiners and Distributors Association (Arda) warns.

"Fundamentally right now, we're facing a crisis of funding," Anibor Kragha told the World Petroleum Congress in Houston.

The former Nigerian National Petroleum Corp. downstream executive noted that major financial institutions and export credit agencies (ECAs) have come under mounting pressure to freeze the funding of oil and gas projects.

But Kragha argued that such campaigns can obstruct important initiatives to reduce pollution from petroleum-based fuels in Africa.

Kragha told Energy Intelligence on the sidelines of the conference that outsiders should not be able to dictate how development capital can be used across the continent. Africa has its own distinct hierarchy of needs, he noted.

Growing Energy Requirements

In his formal comments to the conference, Kragha said Africa's energy requirements will rise by 45%-50% over the next two decades, with the continent accounting for one in every two people born in the world between now and 2040.

Africa's current transport fuel mix comprises 11 different grades of gasoil/diesel based on sulfur content and 12 grades of gasoline.

Arda estimates that "harmonizing" those fuels to make their specifications similar to those of Euro 5 fuels by 2030 will require investment of around $15.7 billion in refinery upgrades.

Without those upgrades, Africa's growing cities will face a public health crisis, he warns, due to the high-sulfur content of its current fuel mix.On the sidelines of the conference, Kragha said he had similar concerns about the potential threat to an Arda-led initiative to accelerate the distribution of liquefied petroleum gas as a cleaner fuel for cooking.

He said he had been alarmed to see one of the backers of the initiative — South Africa's Standard Bank — targeted by protesters earlier this year outside its annual meeting because of its financing of oil and gas projects.

Rejection of One-Size-Fits-All

Kragha told the conference that renewable diesel and jet fuel, hydrogen and carbon capture and storage will all become part of Africa's energy mix.

But he added that the discussion about incorporating them is still 10-15 years down the line — after countries in Europe and North America have done the necessary legwork to reduce costs and perfect technologies and processes.

Kragha urged governments and private-sector financiers to engage in a dialogue to define acceptable forms of oil and gas financing that recognize there is no single "one-size-fits-all" path for the energy transition.

He hopes that offtake agreements with traders and partnerships with engineering, procurement and construction firms and technology providers could provide a framework for ECAs and banks to approve at least some oil and gas financing.

In other instances, the Arda official acknowledged that governments will likely have to foot the bill. Unless these conversations with financiers and governments can actually take place, though, "all we're going to have is plans," he said.

Kragha told Energy Intelligence that last month's COP26 climate talks had shown progress toward a new definition of environmental justice that would allow African nations to determine their own path to net-zero emissions.

He said he plans to work hard before next year's COP27 talks in Egypt to build a "groundswell" of support for alternative paths and timelines for the energy transition in regions like Africa

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