

# The Climate Finance Highlight



**DC L'AFRIQUE**

28<sup>th</sup> March to 1<sup>st</sup> April 2022

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## CLIMATE FINANCING & ENERGY TRANSITIONS IN GHANA

Climate finance, whether of the homegrown or international form, is typically sourced from government or private outfits, and is aimed at pushing mitigation and adaptation actions intended to address climate change. Climate Finance finds its inception in the United Nations Framework Convention on Climate Change, while the Kyoto Protocol and Paris Climate Agreement all call for the transfer of financial assistance moving from advanced to developing regions. The way climate finance is set up means that countries are expected to do their utmost best to salvage the climate situation before it is too late whilst dealing with its effects. The idea is that large investment can significantly reduce emissions (mitigation), also adjust to (adaptation), and alleviate the negative effects of climate crisis (Unfccc, n.d.).

According to the Convention's principle of "common but differentiated responsibility and respective capabilities" advanced nations must take the lead on mobilizing funding from a plethora of sources like public funds and strategies like country-driven approaches that take into consideration the needs of the developing countries. All these activities are necessary to achieve the global climate goal of keeping the global temperature well below 2 degrees Celsius and preferably, below 1.5 degrees Celsius, a pressing challenge the world faces. Even more specifically, the aim of climate finance in the global climate space is to allow for investments into new energy systems and infrastructure to address this global challenge.

The development of new energy systems borders on energy transitions – whereby energy sectors move from fossil-fuel dependent systems (oil, natural gas and coal) to renewable energy sources (solar, hydro, wind etc.). Other major drivers of the energy transition include the onset of electrification, the use of technologies to improve energy efficiency and advancements made in energy storage. Globally, the era of energy transitions also includes a commitment to decarbonization that many businesses and organizations seek to achieve in the longer term as they work towards sustainability.

Just like the rest of the world, Ghana has seen its own energy transitions. For instance, in the energy sector, there has been a transition from exclusive hydroelectric power to a hydrothermal mix, with thermal energy making up 69 percent of the energy mix generated in 2020. In terms of supply sources, the country has moved from a state-only

system to state-private supply mix, with private organizations covering 56 percent of energy supply in 2020 (Osei-Tutu, Boadi & Kusi-Kyei, 2021). Beyond the energy sector, Ghana does rely heavily on other climate-related sectors like agriculture and forestry. With about 70 percent of the population depending on agriculture, for instance, changes and negative effects on the climate will undoubtedly affect the Ghanaian economy and the vulnerable.

It is important for Ghana to work towards its development goals but equally important is to simultaneously work to reduce its greenhouse emissions. This undoubtedly requires robust financial support that represents a balance in terms of targeting mitigation and adaptation as stipulated by the Paris Agreement. It is also necessary for sources of finance to cut across a variety of avenues that may include private investment and collaborative efforts between and amongst countries. Beyond external funding, it is possible for homegrown, local entrepreneurs to also drive Ghana's energy transitions

Country	2020 GDP (USD 'b)	2021 P GDP Growth (%)	2022 P GDP Growth (%)	Credit Rating
Ghana	68.5	4.71%	6.17%	Caa1/Moody's
Nigeria	429.4	2.64%	6.31%	B2/Moody's
Kenya	102.4	5.59%	6.04%	B2/Moody's
Cote d'Ivoire	61.2	5.95%	6.47%	Ba3/Moody's

Source: IMF World Economic Outlook Database (2021), GDP (P- Projected)

### Africa Markets in Focus

#### Economic Rates

Country	91 Day T-Bill	182 Day T-Bill	Inflation (%)	Policy Rate (%)
Ghana	12.51%	12.46%	13.90%	14.50%
Nigeria	2.48%	3.30%	15.60%	11.50%
Kenya	7.25%	8.07%	5.39%	7.00%
Cote d'Ivoire	2.26%	2.43%	5.60%	4.00%

### Services Provided: Transactions Advisory II Research & Capacity Building II Training & Consulting

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Source: Various Central Banks.

## Exchange Rates (Local Currencies against the USD)

Country	Year Open 31-Dec-20 21	Week Close	YTD Change	YTD
Ghana	6.095	6.7835	0.6885	-10.15%
Nigeria	411.148	415.562	4.414	-1.06%
Kenya	112.216	112.973	0.757	-0.67%
Cote d'Ivoire	579.178	590.486	11.308	-1.92%

Source: Oanda

## Climate Energy Indicators

Country	***Electricity Consumption (kWh per capita)	**Access to Electricity (%)	*CO2 Emissions (kt)	***Fo E Cons (% e
Ghana	351	83.5	16,110.00	
Nigeria	145	55.4	130,670.00	
Kenya	164	69.7	18,400.00	
Cote d'Ivoire	275	68.6	9,910.28	

Source: World Bank and DC L'Afrique Research \*2018, \*\*2019, \*\*\*2014

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