The Climate Finance Highlight

16th to 20th May, 2022

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EUROPEAN UNION RELEASES THE REPOWEREU PLAN

The EU Commission on Wednesday, 18th May 2022, presented the REPowerEU Plan. This is a strategy intended to speedily execute the reduction of EU dependence on Russia's fossil fuels while pushing the bloc's green transition. Before this, on 8th March, the Commission, in a communication proposed the rapid phasing out of Russian fossil fuels and the acceleration of the European Green Deal. Further, on 24 and 25 March the European Council agreed that the bloc will phase out its reliance on Russian gas, oil and coal imports as soon as possible.

These actions find their way into the EUs pursuit of a Green Deal primarily because of Russia's invasion of Ukraine that has precipitated an energy crisis with heavy repercussions for the rest of the world. The EU has felt the war's impact much harder than most of the world, especially because the bloc relies on Moscow for approximately 40 percent of its gas and over 25 percent of its oil. As of early March the EU states were divided on the way forward. While Germany, for instance, was in favor of tougher sanctions on Russia but Hungary opposed this position as it endangers supplies for industry. The divisions are clear. According to the International Energy Agency, Germany gets nearly 25 percent of its oil and 40 percent of its gas from Russia. Slovakia and Hungary on the other hand get 96 percent and 58 percent of oil supply from Russia.

Now, the EU has planned to curb Russian gas imports by two-thirds by the end of 2022 and to end dependence on Russian fossil fuels altogether by the close of the decade. Their aim is to ramp up existing renewable energy initiatives. The bloc's members aim to join forces to achieve a more resilient energy system and a true energy union. It builds on the Fit for 55 package but "does not modify the headline ambition of achieving at least -55% net greenhouse gas emissions by 2030 and climate neutrality by 2050." What the plan does do is propose an amendment that requires the increments of targets on energy efficiency and renewable energy to 13% and 45% respectively. The REPowerEU plan covers various strands of action including saving energy by promoting energy efficiency and enhancing preparedness; diversifying energy supplies; quickly substituting fossil fuels by accelerating Europe's clean energy transition and smartly combining investments and reforms.

The overarching idea is that no EU state is able to take on the challenge of ending Russian imports on its own, thus a collective approach to the issue is deemed more attainable and efficient for all the states involved.

The reasons why this action plan is important to the 27-state bloc is primarily because it stands as a response to difficulties caused by the global energy market interruptions caused by the invasion of

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Ukraine. The fact is that Europe does not want to be an economic contributor to the war and neither do they want to depend entirely on Russians fossil fuels which cost €100 billion per year. It also is, by carrying out these actions, addressing the climate crisis. The basic idea is that by pursuing the green transformation this will strengthen economic growth, security, and climate action for Europe and its partners.

What this undoubtedly means is that Europe needs to find alternatives to Russian options for fossil fuels. Already there have been attempts at securing other fossil fuel vendors to replace the Russian options. Italy has struck deals with countries like Algeria, Egypt, Angola and the Republic of Congo as an alternative to cover up to two-thirds of the gas it gets from Russia. Germany, one of the EU's industrial powerhouses, targets both the United States and West Africa. The EU is also considering Senegal, Nigeria and Angola as some of its potential partners. According to Rystad Energy research, the African continent could heighten its gas production to reach a peak of 470 billion cubic meters before 2040, this marks three-quarters of the expected amount produced by Russia in 2022 alone.

Europe's action in these early days already signal a contradiction to agreements made at COP26 in Glasgow, where countries agreed to bring to an end public financing for overseas fossil fuel projects and rather replace this with increased investments in Green power. This raises the pressing questions of whether these actions will lead to major regressions in the fight against global warming, as more countries may turn towards finding their own sources for fossil fuels or whether states will take the opportunity and actually adhere to agreements made towards the progress of green power.

Exchange Rates (/USD)

Country	Year Open 31-Dec-2021	Week Close	YTD Change	YTD
Ghana	6.095	7.64	1.545	-20.22%
Nigeria	411.148	414.716	3.568	-0.86%
Kenya	112.216	115.437	3.221	-2.79%
Cote d'Ivoire	579.178	624.188	45.01	-7.21%

Economic Rates

Country	91 Day T-Bill	182 Day T-Bill	Inflation (%)	Policy Rate (%)
Ghana	14.80%	15.40%	15.70%	17.00%
Nigeria	1.75%	3.00%	15.70%	11.50%
Kenya	7.42%	8.32%	5.56%	7.00%
Cote d'Ivoire	2.26%	2.43%	4.60%	2.50%

Source: Various Central Banks.

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