Energy

Sector Report, Africa: FEBRUARY 2025

WABS | Warwick African Business Society

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Industry Overview

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Global Overview:

Over the past month, Asia led the clean energy transition, with China, India, South Korea, and Japan reducing fossil fuel use and boosting renewables. In contrast, Europe and the U.S. increased fossil fuel power due to weak wind output and high demand. Meanwhile, the EU's new methane regulations, effective since August 2024, pose challenges for U.S. LNG exports, potentially complicating imports due to stricter emission controls.

Sector Overview in Africa:

Africa took bold steps toward a brighter, more sustainable future this month. The Mission 300 Initiative set an ambitious goal of bringing electricity to 300 million people by 2030. Meanwhile, the African Energy Bank, launching mid-2025 with $5 billion in capital, promises to reshape energy financing. Solar power lit up rural Mali, while South Africa pushed for cleaner fuel through further investments. These moves show Africa isn't just catching up, it's leading its own energy revolution.

Select Energy Prices:

Crude Oil:

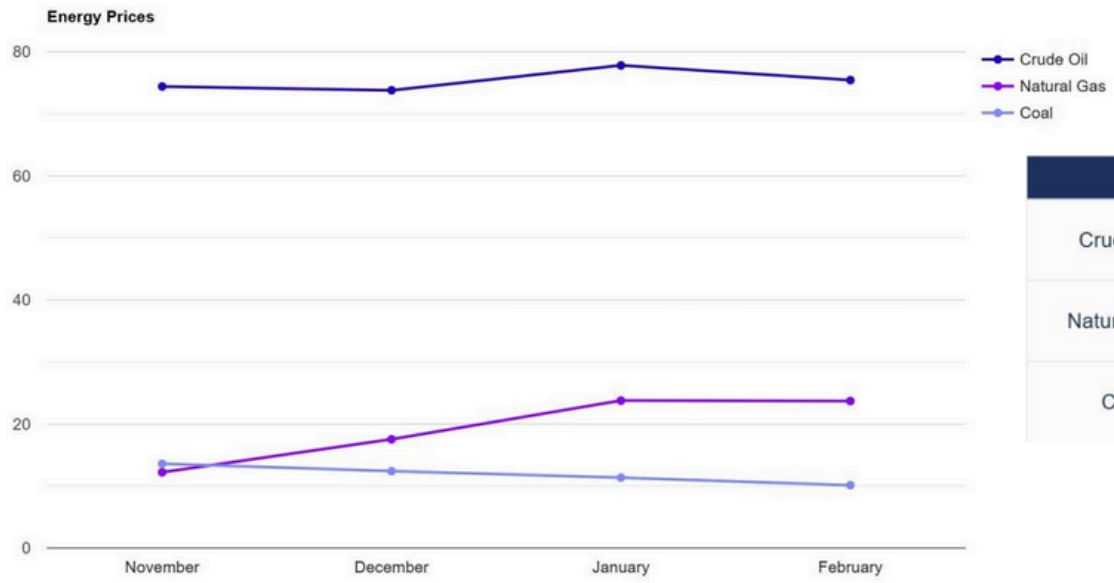
- Africa's oil sector saw key shifts in February. Nigeria's crude output dropped by 4.7%, prompting the government to block export permits for producers failing to meet local refinery quotas. Meanwhile, Senegal made its mark on the global stage, selling 2.59 million barrels from its Sangomar reserve. As Africa balances domestic supply needs with expanding exports, its role in the global oil market continues to evolve.

Natural Gas:

- Africa's natural gas industry made big moves in February. Angola kicked off a $4 billion project to produce natural gas, creating 700 jobs and boosting local communities. Meanwhile, the Greater Tortue Ahmeyim (GTA) project on the Mauritania-Senegal border started production, adding 2.3 million tonnes of gas per year to the market. With these developments, Africa is strengthening its position as a key player in the global gas industry.

Coal:

- In February 2025, Africa's coal industry experienced notable developments. In South Africa, coal exporters, including major firms like Glencore and Anglo American, are in talks with state owned logistics company Transnet to invest billions in repairing and upgrading critical rail lines. This initiative aims to boost coal shipments and address longstanding transportation challenges.



		NOVEMBER	DECEMBER	JANUARY	FEBRUARY
Crude Oil	(USD/boe)	74.40	73.80	77.80	75.44
Natural Gas	(USD/boe)	12.21	17.53	23.77	23.70
Coal	(USD/boe)	13.59	12.39	11.36	10.13

Crude oil prices rose in January, reaching $77.8 from $73.8 in December, likely due to a postholiday demand rebound and temporary supply disruptions. However, they dipped slightly to $75.44 in February, possibly as supply concerns eased. Seasonal trends and geopolitical factors also played a role.

Natural gas prices soared over winter, jumping from $12.21 in November to $23.77 in January, before settling at $23.70 in February. The surge was driven by heating demand in major markets, with supply constraints and geopolitical tensions further tightening trade routes.

Coal prices steadily declined, falling from $13.59 in November to $10.13 in February. This drop followed peak winter demand, with renewables gaining traction and strong Australian coal exports influencing global supply.

These energy shifts had mixed effects on Africa. Costlier natural gas made energy less affordable, while pricier crude oil raised fuel import bills. However, falling coal prices brought some relief to certain industries.

Industry Milestone 1

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US Ends Power Africa Programme:

Context:

In February 2025, the United States officially ended the Power Africa programme. Originally launched in 2013 by President Obama, Power Africa was designed to help expand electricity access across Sub-Saharan Africa. Over the years, it helped deliver over 14,000 megawatts of new power and brought electricity to more than 165 million people. The decision to scrap the programme was part of a wider move to cut back on US foreign aid projects.

Significance:

Ending Power Africa comes at a time when energy access is still a major challenge across the continent. The move puts at risk a number of important energy projects and may slow progress in connecting millions more to reliable power. It also raises concerns about the future of USAfrica cooperation on energy, giving room for other countries like China, Russia, and those in the Middle East to step in and play a bigger role.

The end of Power Africa is more than just a policy change. It is a major step back from a long term effort to support Africa's energy future. For African countries, it could mean looking more inward or turning to new partners to get the job done. With initiatives like the African Energy Bank gaining momentum, this could also be a turning point for Africa to take more control of its own energy development.

Key Potential Beneficiaries:

- ***African Countries:*** Nations like Kenya, Ghana, and Ethiopia who have benefited from Power Africa may now struggle to secure funding and support for new energy projects.
- ***Local Communities and Businesses:*** The slowdown in electrification could hold back economic growth, especially in rural areas where reliable power is still hard to come by.
- ***US Global Influence:*** Pulling back from such a major programme could weaken America's influence in Africa and shift partnerships elsewhere.

Key Figure:

- **Over 14,000 MW of power generation supported**
- **More than 165 million people gained electricity access**
- **Mobilised around 80 billion dollars in funding and investment since 2013**
- **Still, around 600 million people in Sub-Saharan Africa have no access to electricity**

Industry Milestone 2

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African Energy Bank (AEB) commenced operations within the first quarter of the year:

In February 2025 the African Energy bank commenced operations with an initial capitalisation of $5 billion. This marks a transformative development in the African energy sector as it reinforced the continent's commitment to financing its energy demand, including both fossil fuels and constructed renewable energy projects. The headquarters are positioned in Abuja, Nigeria, the capital of Africa's most energy demanding and populated country.

Significance:

The launch of AEB represents a critical shift towards financial self-sufficiency regarding the development of African developmental projects. Whilst typically, finances are realised from external governments and international bodies, the establishment of the AEB promotes African self-reliance, enabling the continent to exploit its robust resources in the fullest capacity. By prioritising funding for oil, gas and renewable projects, AEB will increasingly provide strategic solutions to Africa's $190 billion investment gap

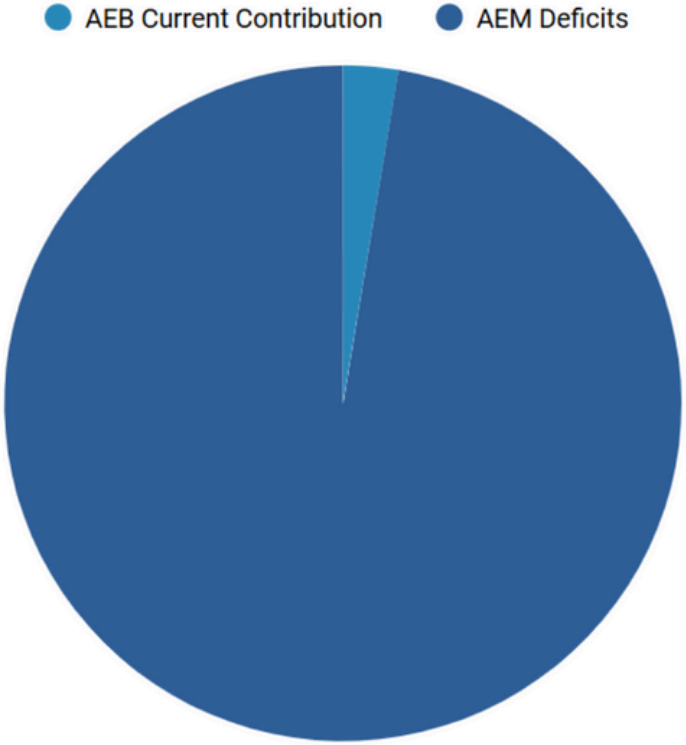
Key Beneficiaries:

- Able energy initiatives, ensuring long-term energy sustainability and industrialisation.
- Nigeria's Economy – As the host country of AEB, Nigeria will benefit from job creation, foreign direct investment, and enhanced financial influence in Africa's energy sector.
- African Nations & Businesses – Energy-producing and importing countries across the continent will have access to tailored financing solutions, fostering intra-African trade and reducing exposure to external financing restrictions.
- Regional Integration – The bank's support for cross-border energy projects will strengthen economic ties, accelerate industrial growth, and promote self-sufficiency in Africa's energy market.

The African Energy Bank and Africa Energy Market

The current capitalisation of the African Energy Bank (AEB) and the existing investment deficits of the African Energy Markets (AEM)

Billion Dollars $



Industry Trends: Challenges & Opportunities

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Expansion of International Aid Initiatives:

In January 2025, Africa's nuclear energy sector witnessed notable advancements, reflecting the continent's commitment to diversifying its energy mix and addressing power shortages. Total investments in nuclear energy projects for the month reached approximately $400 million, marking a 5% increase from December 2024. A significant portion of this investment, about 40%, was directed towards Small Modular Reactors (SMRs), highlighting a strategic shift towards flexible and scalable nuclear solutions.

Significance:

Such initiative represents a pivotal shift in the African energy landscape, which focuses on scalable and sustainable electrification models. By decentralising energy solutions with the use of mini local grids and solar panel systems, the initiative proves to reduce the reliance of intergovernmental energy funding and traditional grid expansions which experience extensive construction lengths.

Aimed at electrifying 300 million people across the continent by 2030. This initiative prioritises investments in renewable energy infrastructure, off-grid solutions, and energy access programs to bridge the electricity gap in underserved regions. February saw the launch of multiple pilot projects in Nigeria, Kenya, and Ghana, signaling accelerated progress towards universal energy access.

Key Drivers:

- Technological Advancements – Innovations in solar energy, battery storage, and decentralized energy distribution aid the feasibility of smaller scale energy programs.
- Private Sector Investment – Growing interest form private investors in the energy market has driven large-scale deployment of mini-grids and solar home systems.
- International Funding – Support from trans-national financial institutions like the African Development Bank (AfdB) and the World Bank prove necessary in acquiring funding in order for such projects to materialise. Further, lobbying power of these institutions prove useful in promoting the use of sustainable energy.
- Climate Resilience Goals – The initiative aligns with Africa’s transition to cleaner energy sources, reducing carbon emissions while promoting long-term environmental sustainability projects.

Key Drivers:

- Target Electrification: 300 million people by 2030.
- Investment Growth: Increased funding for decentralised energy projects across Africa.
- Pilot Project Locations: Nigeria, Kenya, and Ghana launched key mini-grid and solar home system initiatives in February 2025.
- Technology Focus: Mini-grids, solar home systems, and battery storage solutions.
- Economic Impact: Job creation in the renewable energy sector and improved economic productivity due to enhanced energy access.

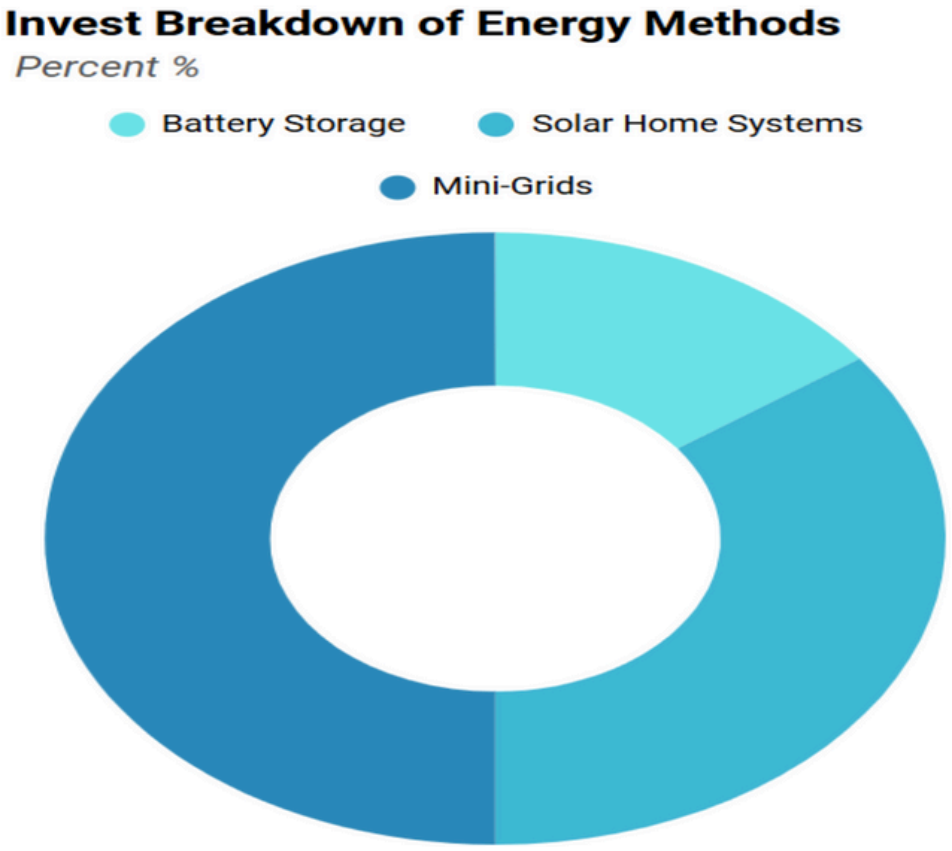
Industry Trends: Opportunities

Key Challenges:

- Financing Gaps – Limited access to affordable financing slows project rollouts in remote areas.
- Regulatory Barriers – Complex approval processes and policy misalignment hinder large-scale implementation.
- Infrastructure Constraints – Lack of transmission and distribution infrastructure limits the reach of electricity in rural regions.

Potential Solutions:

- International Funding & Partnerships – Secure financial backing from institutions like the African Development Bank (AfDB) and the World Bank.
- Regulatory Reforms – Simplify policies and create enabling environments for private sector participation.
- Technological Innovation – Expand the use of energy storage and digital payment systems to facilitate decentralized energy distribution.



COUNTRY	CAPACITY (MW)	KEY FOCUS
Nigeria	500	Mini-Grids & Solar Home Systems
Kenya	300	Battery Storage & Off-Grid Solar
Ghana	200	Hybrid Renewable Solutions

The Mission 300 initiative is a game-changer for Africa's energy sector, bringing the continent closer to universal electrification while advancing economic and social development.

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Glossary:

Energy Security – Ensuring a reliable and affordable energy supply to prevent shortages and economic instability.

Energy Independence – When a country generates enough energy on its own without relying on imports.

Emission Controls – Government regulations that limit the amount of pollution industries can release.

Capitalisation – The total financial resources a company or institution has for investments and operations.

Foreign Direct Investment (FDI) – Investments made by companies or individuals in a foreign country's business or industry.

Investment Deficit – The gap between the funds needed for a project or sector and the actual available financing.

Lobbying Power – The ability of organisations or institutions to influence government policies and regulations.

Liquefied Natural Gas (LNG) – Natural gas that has been cooled into a liquid for easier storage and transportation.

Crude Oil Reserves – The total estimated amount of unrefined petroleum stored underground that can be extracted in the future.

Off-grid Solutions – Energy sources that operate independently from a central power grid, such as solar home systems or mini-grids.

Mini-Grids – Small, localised electricity networks that supply power to a specific community or region.

Battery Storage Solutions – Technologies that store electricity generated from renewable sources for later use.

Mission 300 Initiative – A program aiming to provide electricity to 300 million people in Africa by 2030 through renewable energy.

African Energy Bank (AEB) – A financial institution established to fund energy projects in Africa, including fossil fuels and renewables.

Greater Tortue Ahmeyim (GTA) Project – A major natural gas project located on the Mauritania-Senegal border.

African Petroleum Producers Organisation (APPO) – A coalition of African oil-producing countries that collaborate on energy policies and development.

Post-holiday Demand Rebound – A temporary increase in energy consumption after a seasonal dip, often seen after major holidays.