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Policy Brief

FOR AN EQUITABLE ENERGY TRANSITION: The Just Energy Transition Partnership (JETP) in Senegal.

- Explanations, challenges and courses of action -

Renewable Energy Concept © pixabay

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JETP
What is it?

Since the G7 summit in Germany from June 26 to 28, 2022, Senegal has been conducting official negotiations to conclude a Just Energy Transition Partnership (in English: JETP) with the International Partner's Group (IGP), made up of Germany, France, the United States, the United Kingdom, Canada and the European Union. After many months of negotiation, an agreement was finally announced on June 22, 2023, at the Summit for a New Global Financial Pact in Paris. The agreement provides for a financing pledge of 2.5 billion euros over an initial period of 3 to 5 years.

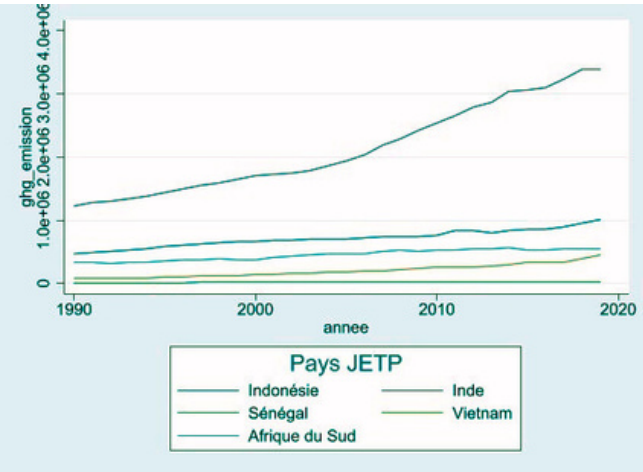
Fundamentally, JETP is an innovative financial mechanism that can be adapted to the context of each country, and aims to support developing countries in their transition to a sustainable and equitable energy system. This is achieved by mobilizing financial resources, technical expertise and partnership collaboration to meet the needs and challenges of each country. JETP enables developing countries to transform their energy infrastructure, promote renewable energies and implement energy efficiency measures to foster socio-economic development.

In the case of South Africa, the first African country to have benefited from this partnership, it will, for example, benefit from US$ 8.5 billion in funding to implement policies and projects aimed at reducing its dependence on coal and promoting the use of renewable energies.

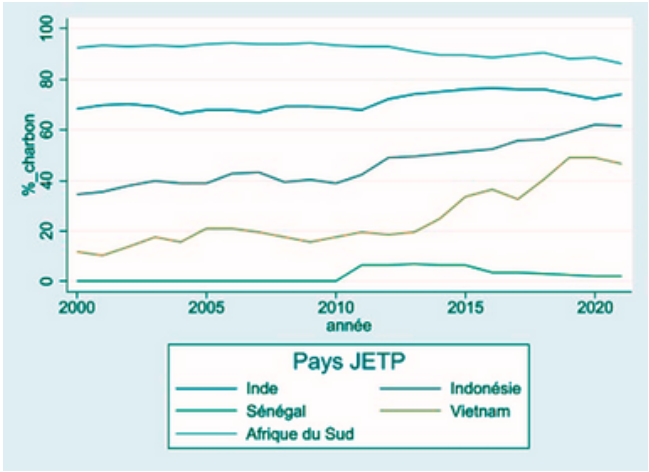
For Senegal, JETP is of paramount importance as the country strives to improve access to energy while reducing its carbon footprint. **By benefiting from JETP, Senegal will be able to count on financial and technological support to develop clean, sustainable energy infrastructures**. This will not only help reduce greenhouse gas emissions and combat climate change, but also create jobs and stimulate economic growth in a sustainable way.

Senegal's Current Energy Development

Unlike other countries targeted by the G7 for a JETP, such as South Africa, Indonesia, Vietnam or India, Senegal is neither a major coal producer or consumer, nor a major polluter (figures 1 and 2). On the other hand, the country faces a situation of energy poverty, with only 70% of the population having access to electricity. This problem is even more acute in rural areas, where 52% of the population has no access to electricity[1]. This is why one of the country's key objectives, according to its Plan Sénégal Emergent, is to achieve universal access to electricity by 2025. However, despite its current dependence on heavy fossil fuels (oil, for example) for its electricity supply, Senegal aspires to initiate an energy transition towards renewable energies.



Source: Author, WB WDI data



Source: Author, WB WDI data

For, until now, the majority of Senegal's energy supply has come from petroleum products (53.48%) and biomass (35.27%) (Sarr and Sall, 2022). This dominance of petroleum products is about to be over, as the Senegalese government plans to make gas an essential part of its energy mix. The recent discovery of large gas deposits in 2014 is a major factor in Senegal's new energy policy direction. After several postponements, actual exploitation of these deposits is scheduled for late 2023 or early 2024.

[1] World Bank (2020). World Development Indicators. Last updated on 01/03/2023

Electric Tower © Getty images

According to the "Gas to power"[2] strategy drawn up in 2018, the Senegalese government plans to convert existing thermal power plants to dual-fuel. In addition, the government sees gas exploitation as an opportunity not only to achieve the goal of universal access to electricity, but also to achieve industrialization of its economy as stipulated in the "gas to power" objective. Although the strategy calls for natural gas reception and transport infrastructure to be in place for local use by 2023, this has yet to materialize, and for the time being the gas that will be produced is mainly destined for export. Senegal has significant renewable resources and is committed to the development of renewable energies.

By signing the JETP at the "Summit for a New Global Financial Pact" in Paris, Senegal also expressed its interest in increasing the share of renewable energies in its energy mix. Currently, renewable energies account for 30% of total electricity production in Senegal[3], and the aim is to increase this to 40% by 2030. In this context, it is legitimate to ask to what extent the climate financing opportunity offered by JETP could support Senegal's energy transition by aligning its socio-economic objectives with the promotion of clean, sustainable energy sources.

[2] https://sunupetrole.com/wp-content/uploads/2020/09/note_synthetique_strategie_gas_to_power.pdf
[3] Business France Dakar office

THE CONTOURS OF SENEGAL'S JETP: Prospects for a more promising reality towards clean energies

Against a backdrop of climate change that is giving rise to a climate crisis with disastrous consequences that spare no country, including Senegal, and accentuate the great vulnerability of populations to the effects of climate change, it is becoming more than urgent to find sustainable solutions, among which the gradual switch to clean or renewable energies figures prominently, all the more so as Senegal has many assets to bring to bear in this direction. This new partnership for a fair and equitable energy transition reinforces Senegal's leadership in the promotion of renewable energies. The 2.5 billion euros of financing pledged (around 1,640 billion FCFA) should enable the country to achieve its national and international energy ambitions and climate commitments. Indeed, JETP will help the country align itself with the trajectory of limiting global warming to 1.5°C as stipulated in the Paris Agreement, by promoting the development of a comprehensive climate-resilient strategy for the energy sector, to which an investment plan will be attached. The agreement will also support the development of renewable energies and all the infrastructure and technologies needed to deploy and use the clean energy produced, including improved storage and stabilization of the power grid. This should enable us to increase the share of renewable energies in the energy mix to 40% by 2030, up from the current 30%, and thus exceed the initial target of 35% by 2035 mentioned above.

In addition to financial support, the IGP will provide Senegal with expertise to develop a low-carbon strategy and strengthen research and technology transfer. To implement this partnership, the coming months will be crucial for the effectiveness of this JETP and the mobilization of resources so that it is not just another financing mechanism, but a whole organizational architecture aimed at the gradual transition to renewable energies. JETP's ambitions also appear to be consistent with Senegal's energy transition vision. Indeed, for Senegal, a fair and equitable energy transition is one that takes account of current socio-economic priorities and realities, particularly as regards the country's available natural resources, as reiterated by President Macky Sall when he declared ***"... The Just Energy Transition Partnership (JETP) that we are signing today with our partners will support Senegal's drive, begun several years ago, to incorporate renewable energies into our energy mix and secure our energy system using all our natural resources"***

WHAT WAS THE NEGOTIATING MECHANISM FOR THE SENEGALESE JETP: The main points of discussion?

Throughout the process, the negotiation mechanism remained unclear, as there was no official, open communiqué on the subject. For the most part, discussions took place between the governments of the countries behind the initiative, i.e. the International Partners Group (IPG), headed by Germany and France, which are leading the Senegalese JETP discussions, on the one hand, and the Senegalese government, with representatives of the state structures concerned (Ministry of the Economy, Planning and Cooperation, Ministry of Oil and Energy, etc.), on the other. In addition to countries, the IPG also includes multilateral development banks, financial institutions and bilateral cooperation agencies. Unlike the JETP negotiations in South Africa, India, Indonesia and Vietnam, which focused on the phasing out of coal-fired power generation, discussions on the Senegalese JETP focused primarily on whether or not gas should be included in the partnership, as Senegal believes it should.

The country is poised to become a major hydrocarbon producer, and needed additional financial resources to launch the expansion phases of its gas projects. However, the role of gas in this partnership and the technologies used to extract it (including the use of flaring techniques) have been highly controversial, and are contested by countries such as Germany and France. This could largely explain the time taken to announce this partnership.

Last but not least, the amount of funding, the terms and conditions and the duration of the partnership also seem to have figured prominently in the discussions. While South Africa has pledged $8.5 billion, Indonesia $20 billion and Vietnam $15.5 billion, Senegal's JETP also sought ambitious funding to accelerate the transition to renewable energies based on long-term partnership. The small size of the Senegalese JETP ($2.7 billion over an initial period of 3 to 5 years) compared with others already signed could also be explained by its low contribution to greenhouse gas emissions, with an energy system that requires less investment to achieve decarbonization than those of other emerging countries that are major greenhouse gas emitters and whose energy systems are essentially coal-based. However, Senegal will be more eligible for additional financing to achieve its energy and climate objectives.

How can people, in particular those living in rural areas benefit from JETP?

JETP's benefit to local and rural populations will also be one of the key elements guaranteeing the success of this partnership. In a country where the rate of access to electricity in rural areas is only 47.4% (World Bank, 2020)1, it is clear that rural electrification should be a top priority. So, to bring the benefits of this partnership to local populations, JETP should enable the financing of projects or solutions (off grid) through solar, wind or biogas power plants to electrify villages not yet connected to the local and national grid, or to extend existing networks (on grid). This is perfectly in line with the concept of justice in this partnership, as it will help reduce energy poverty, enable people to undertake income-generating activities and improve their living conditions.

The country must also work to ensure that the economic benefits of this partnership are passed on to the local population, through mechanisms for the equitable distribution of income. To be fair and beneficial to the local population, the partnership should give priority to "local content" by creating jobs to manage the investments, and also to knowledge transfer and apprenticeship opportunities in the renewable energy sector to ensure the sustainability of the initiative, even after the JETP funding period ends. Knowledge transfer will be achieved by setting up a factory to manufacture the components required for solar, wind and biogas technology.

> *This will stimulate the adoption of renewable energies and at the same time develop local industry and reduce the cost of transporting renewable energy equipment around the country.*

How do the Senegalese perceive JETP?

The JETP concept is still relatively new and little understood in Senegal. There is a lack of knowledge and information available on the Senegalese JETP, as the government has made no official communication on the progress of negotiations. As a result, it is difficult to ascertain the public's opinion or perception of the issue. The Civil society, which should be taking ownership of this issue, has not yet organized any specific consultations or workshops on JETP. However, during workshops organized by Enda Energie and Natural Ressource Gouvernance Institue (NRGI), the Senegalese JETP was discussed.

In addition, Senegal is currently working on its long-term low-carbon development strategy, to which non-state actors are invited to contribute. According to Climate Action Tracker (CAT, 2022)[4], which conducted a survey on the energy transition in Senegal, reveals that there is some public support for reducing emissions, but that general knowledge of climate-related issues is low. If this is anything to go by, a partnership aimed at granting additional resources to the country in order to make a gradual success of its transition to renewable energies, which takes into account the country's needs and realities, would be positively received by the population.

[4] https://climateactiontracker.org/documents/1073/2022_08_CAT_Governance_Report_Senegal-FR.pdf

How can the JETP negotiation process be made transparent by involving stakeholders?

The process of transparency around negotiations is also one of the fundamental issues for the success of this JETP. Known as a high-ranking discussion, discussions on JETP initiatives generally take place in a very closed circle, with little information filtering through. In Senegal, for example, only government departments and partner representatives were involved in the initial stages of discussions leading up to this agreement. However, in order to make this process transparent, the next steps announced, such as the setting up of a working group and the drawing up of an investment plan, should be an opportunity to integrate the various national players involved in the energy sector, so that everyone's concerns are included in the investment plan that will be drawn up.

The recent history of partnerships has shown us that many projects have failed precisely because there has not been sufficient involvement of the key stakeholders concerned, i.e. industry players, local communities, indigenous peoples, civil society organizations, women and young people. Thus, the establishment of a formal framework for consultation between the Senegalese state and non-state actors will be a decisive step towards guaranteeing transparency over the rest of the JETP negotiation process, and thus aspiring to a partnership for a fair and inclusive energy transition in Senegal. To this end, Sarr and Sall's (2022)[5] identification of national players in Senegal's energy transition, which includes the government, the Ministry of Energy and Petroleum, COS Petrogaz, Agence Nationale d'Energies Renouvelables (National Renewable Energy Agency) (ANER), Agence Sénégalaise d'Electrification Rurale (National Renewable Energy Agency) (ASER), the private sector, civil society, decentralized state structures, to which we add universities and research institutes; should be the starting point for players who could potentially lead the next stages of discussions with the government and technical and financial partners as part of a fair energy transition in Senegal.

[5] https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Rapport/Ukama_SEN_v05.pdf

What factors can contribute to the success of this Senegalese JETP?

There are several factors that can contribute to making this JETP a winning partnership for both parties. For this JETP to succeed, it should :

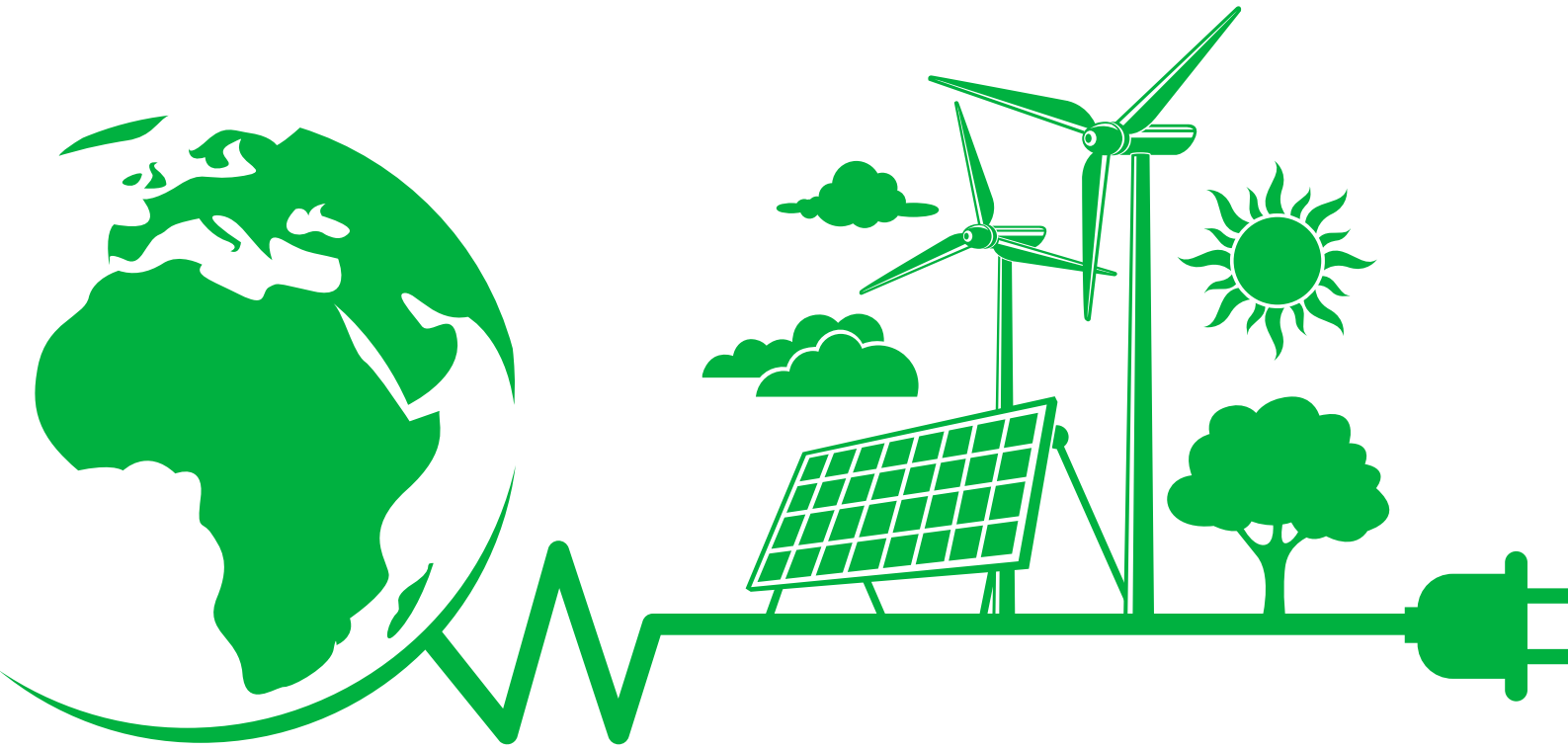
1. **Consider the country's priorities in terms of economic development, in particular the continuous improvement of access to electricity for all at lower cost;**
2. **Put in place a communication mechanism to ensure transparency in the process. It will also be important to clearly explain the financing plan, the deadlines, the financial partners involved and the financing terms and conditions;**
3. **Adopt an investment plan that gives priority to subsidies and concessional instruments in order to avoid excessive debt for the country.**
4. **Develop projects to connect (rural) localities not yet electrified to the national or local grid;**
5. **Take steps to guarantee the transfer of knowledge and develop the renewable energies business. The establishment of a regional hub for training, research and development would be welcomed;**
6. **Continue efforts to draw up strategy documents on the country's energy transition: the finalization of the long-term low-emission development strategy and the roadmap for a just transition should fill this gap;**
7. **Guarantee that the working group to be set up to implement this JETP takes account of all the stakeholders, according to their different sensitivities;**

8. **Create an entity responsible for managing funds from JETP with an ambitious investment plan, the income from which can then be invested in new renewable energy or climate change adaptation projects;**

9. **Set up a framework for monitoring the actions planned as part of the partnership, produce regular reports and make the data available for research into the project;**

10. **Develop modern sources of cooking energy to reduce abusive felling of trees, which are essential for the sequestration of greenhouse gases;**

11. **Establish a taxonomy to classify sustainable activities in the context of this partnership.**



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