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CDD launches consultation and dialogue to promote inclusive energy transition in Pemba

Capital of Cabo Delgado province, the city of Pemba is expanding fast with limited urban planning. Despite its proximity to one of Africa's largest natural gas reserves, Pemba still faces very poor access to energy, with limited use of renewable energy. Furthermore, given that gas production leads to more urban development, the issue of fair energy transition is critical if the local population is to have access to affordable, reliable and sustainable energy.

Nevertheless, it is also true that with the development of Liquefied Natural Gas (LNG) projects, Pemba has the potential to become an international energy center, despite the instability and climate shocks that have highlighted the city's vulnerabilities. A transition to an inclusive electrification system that provides access to clean, modern energy will not only reduce poverty and improve people's well-being, but also improve economic productivity and climate resilience.

Therefore, there is an opportunity for Mozambique to use gas revenues to promote a fair energy transition for the provincial capital of Cabo Delgado, based on inclusive access to energy from sustainable and renewable sources. In this context, the Centre for Democracy and Development (CDD), supported by the British High Commission in Mozambique, organized the webinar launching the "Citizen Consultation and Dialogue for Promoting an Inclusive Energy Transition in Pemba".

It is an initiative that aims to promote a more inclusive energy transition and sustainable urban development for Pemba by leading a citizens' consultation process that encourages greater involvement and participation of civil society. The event took place on February 09, 2022 and was attended by the UK High Commission in Mozambique, the Ministry of Mineral Resources and Energy, the Pemba municipal authorities, experts from the Natural Resource Governance Institute of Uganda ((NRGI) and the Mozambique Chamber of Energy.

High Commissioner of the United Kingdom in Mozambique

- NneNne Iwuji-Eme

The UK Government, in partnership with the City of Aberdeen, is supporting the Municipality of Pemba in the design of its urbanization plan, an initiative that fits in with the long-term goal of promoting economic development, mutual prosperity and inclusive and sustainable economic systems. The Pemba urbanization plan will create an enabling environment for investment in local infrastructure sectors with regional impact, contributing to increased productivity and stimulating other business sectors.

The realization of this plan represents an important milestone for both the Mozambican and UK governments, and it is to be highlighted that its operationalization will be informed by the interests of citizens to be presented in public consultations. The plan under development relies on informed contributions from citizens who also intend to contribute to climate chan-

ge adaptation, mitigation and resilience actions and other aspects of urban planning.

For the authorities of Pemba, the plan is a hope to seeing the capital of Cabo Delgado become an energy city, as the design of the urbanization and infrastructure plan as components of the energy transition will allow it to join the Global Partnership of Energy Cities. This is a partnership that connects energy cities to promote sustainable energy production for the benefit of communities. Given the recent climatic events that have affected the region, it is important to have an urbanization and infrastructure plan that is a practical tool for the governance of the city of Pemba.

As such, this plan will provide a strategy to guide the infrastructure investment that the city needs to realize its ambitions, as well as help it to be a sustainable and growing city. The UK Government organized the Cop 26 Summit, in which the Mozambican Government was represented by the Prime Minister, Carlos Agostinho do Rosário, who announced that by 2030 Mozambique will reverse deforestation and 72% of the energy produced in the country will be based on a mix of renewable energy. The UK government is committed to supporting Mozambique in designing a plan that will enable the use of LNG revenues in order to build resilience, adaptive capacity to climate change and improve access to energy, including the cleaner energies.

Permanent Secretary of the Ministry of Mineral Resources and Energy - Prof. Teodoro Vales

The Government has elected four priority areas for the socio-economic development of Mozambique, namely energy, agriculture, infrastructure, and tourism. The Government's Five-Year Program 2020 - 2024 defined as a central objective to adopt a more diversified and competitive economy, intensifying the productive sectors with the potential to raise income generation and guarantee more employment opportunities, especially for young people.

In pursuit of this goal, in the field of economic and social infrastructure, the following strategic option was established: prioritize investment in quality infrastructure such as multi-purpose dams, flood protection dikes, roads and railroads that facilitate economic activity, reduce transaction costs, create jobs, and promote national and regional integration and improve the living conditions of the population.

Under the conditions in which Mozambique finds itself, the need to guarantee access to energy for all Mozambicans is paramount. It is in this context that the government launched, in 2018, the National Program of Energy for All, which advocates the achievement of universal access by the year 2030. This challenge is based on an experience of electrification of all district seats and the very encouraging progress of electrifying all administrative posts by the year 2024, a situation that has allowed access to electricity for about 2.5 million beneficiaries of new connections per year.

It is obvious that it would be desirable to cover a greater number of beneficiaries per year, but in addition to the limited availability of resources, the balance between investments in new infrastructure and the ability to ensure covera-

ge of operating and maintenance costs of these same infrastructures for the sustainability of the electricity supply service must be taken into consideration.

Added to all these challenges is the one of energy transition, a global agenda, but with a political and economic weight that depends on the existing conditions. In effect, in a country with about 60% of the population without access to electricity, it may be paradoxical to ask those who have never had access to any kind of energy at home to give their opinion on energy transition. However, this should not constitute an exclusion factor in the approach to matters related to the energy transition.

It should be a reason to better define the focus of programming actions and priorities, and even more so, of development policies. In the context of the energy transition, the Government has developed significant actions to continue be integrated in the group of non-polluting nations. "Our energy matrix has as main sources the hydroelectric potential, natural gas and renewable energies. The Government has established as a goal for 2024 the increase of the energy generation capacity of 600 megawatts, including the promotion of investment in renewable energies for the installation of 200 megawatts - solar, wind and hydro, and 450 megawatts from gas."

The use of natural gas for power generation in Pemba, as well as elsewhere, will play an indispensable role to ensure medium and long-term industrialization and access to energy at comfortable, quality and sustainable costs, fundamentally for the local population and to meet emission reduction targets.

Mayor of Pemba - Florete Motarua

Given the levels of expansion of the city of Pemba, associated with the development of Liquefied Natural Gas projects in Cabo Delgado, it is indeed critical that there is a transition to an inclusive electrification system that provides access to clean, modern energy, and that enables not only poverty alleviation and improved well-being of the people, but also improved economic productivity and climate resilience.

The mayor of Pemba highlighted the good relations of cooperation and friendship between the cities of Pemba and Aberdeen. It is important to remember that last year, the two cities signed a Memorandum of Understanding that foresees the development of a joint bi-annual action plan. The cooperation actions include: establishment of a technical working group for the implementation and monitoring of the memorandum, exchange of information on important economic, educational and civic issues, sharing of best practices in local governance, provision of information, assistance to potential businesses exploring new opportunities in a post-COVID-19 economic recovery in each jurisdiction, development of an action plan focused on economic growth, training, capacity building and direct business liaison, and the support of

the Aberdeen City Council in Pemba's membership to the World Energy Cities Partnership.

"So on February 7, we had the session to launch the drafting process of the urban structure plan in the Municipality of Pemba, with a vision of Pemba 2050. So an orderly city for an effective energy transition."

Director of NRGI Uganda - Dr. Paul Bagabo

Natural Resource Governance Specialist and Director of NRGI Uganda, Paul Bagabo addressed the challenges of extractives sector governance in the context of the energy transition. "The energy transition is coming at a time when countries need resources to improve the lives of their citizens and also to become energy resilient."

Paul Bagabo's approach was based on the experience of Uganda, an oil producing country. Uganda discovered oil in 2006 and currently has about 1.4 billion barrels of proven reserves. Uganda has exploration underway by the Oranto and Armor Energy companies.

That country plans to develop a domestic refinery and export pipeline to balance domestic needs with that of some oil exports, as these are some of the conditions of the international companies that the country works with. Demand in Uganda exceeds supply from a 60,000 bpd refinery under any scenario. The Country also expects to produce GLP, as demand is lower than expected production. In addition, there are plans for refinery expansion and this would result in oversupply.

All of this is happening in the context of the energy transition and will affect Uganda's ability to benefit from oil production and so will gas production. "There has been speculation that when the energy transition starts it will lead to falling prices, but currently prices are starting to rise, especially after the pandemic. Demand for oil and gas is increasing and prices are also increasing, but we need to be careful about how high and how much those prices will increase. This is where the challenges for countries regarding the energy transition will begin. If oil continues to rise above $60, it will be good for the producing countries because they will receive revenues to leverage economic development."

However, there may also be challenges. Analysis shows that there are currently good prices, but demand may start to fall when countries start trying to meet climate change targets. That may start to decrease demand and prices may also start to fall. "So for oil and gas, it should be noted so that once the energy transition starts, we may start to see a drop in demand, because most of our oil production is not consumed in the countries or the region, but is exported to more developed countries."

Achieving the development and energy transition goals is a challenge. "We see a lot from the global experience that once demand falls, prices fall. Therefore, while you try to achieve the energy transition, there may be a challenge in achieving countries' development goals. National oil companies are important. Most of the impact of the energy transition is transmitted through the national oil companies because they represent the interest of the country."

THE IMPACT OF THE ENERGY TRANSITION

The Natural Resource Governance expert and Director of NRGI Uganda has no doubt that the new producers will need markets to export their production. "Demand will fall in the importing countries and the capital that could have been raised in those countries to invest in the oil sector will start to decline. In addition, when that happens, there will be a risk for the country of not developing the projects that exist to produce the oil. So there will be a big temptation for countries to use public resources to invest through the national oil companies, because they are eager to see oil production."

Moreover, there is also the temptation to bet big government revenues on public finance decisions (e.g., how much to lend). So what could be the result? "Overall drop in Government revenues because there will be no demand; Lower return on public investments; Stranded assets; Sub-optimal return on local content. In fact, the biggest challenge is that while poor countries can benefit from resources from natural gas, more developed countries that are pushing for energy transition realize that there is still a risk of emissions and this is a dilemma for many nations.

As key recommendations, Paul Bagabo argues that (1) investment by national oil companies in renewable energy can drive the energy transition and provide a stake, but may be counterproductive in some cases because they may have to use too much money. Some state-owned companies are pursuing investments in renewable energy.

Sometimes these investments can enhance clean energy and give state companies a stake in the energy transition, making the company less likely to resist change; (2) Think carefully before pushing for a central role for a state company in the country's renewable energy plans. Many state-owned companies lack the financial, institutional, and technical capabilities and incentives to drive renewable energy growth, and there is a danger of crowding out other private players. The energy transition creates enormous risks for many state-owned enterprises, but decision makers do not perceive them because their interests and incentives are tied to the status quo; (3) address cognitive biases by helping leaders see the positive potential to create and flourish in a low-carbon future and empowering state-owned enterprises and government leaders to succeed.

President of the Mozambique Energy Chamber - Florival Mucave

"Mozambique is one of the least developed countries in the world and we thought that gas from the Rovuma basin could bring a rapid change in our destiny. It is very hard for us to have to sit today and realize that maybe it is not good enough to have gas. When we started talking about what the energy transition means for Mozambique, a country that now has approximately the fourth largest gas reserves in the world, we wondered what that means for us. Clearly, from the perspective of the Mozambique Energy Chamber, this energy transition has to be fair, which means that we have to take into account the specificities of each country," argued Florival Mucave, President of the Mozambique Energy Chamber.

"We were looking at the reserves in the Rovuma basin and thinking that our GDP could double by 2023 and Mozambique would be a middle income country. Those estimates were made based on the number of trains that will be developed in Area 1 and Area 4. Of course that was based on the prospects of starting production in 2021. Today we are in a situation where all those estimates and the hope of becoming a middle-income country by 2023 may be undermined

because we have to adhere to international expectations and concerns about climate change. We fully believe and agree that climate change is a major challenge for Mozambique. The question is how to reconcile climate change with development challenges and that is what the Mozambique Energy Chamber is looking at today."

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