



JUST AND INCLUSIVE ENERGY TRANSITION

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ENERGY TRANSITION AND CLIMATE FINANCE: CHALLENGES AND OPPORTUNITIES FOR MOZAMBIQUE IN CYCLONE RECOVERY, CONSIDERING ITS LOW CONTRIBUTION TO GLOBAL EMISSIONS

Who Should Pay for Post-Cyclone Reconstruction?





1. Introduction

The energy transition is undoubtedly one of the most significant global challenges of the 21st century. It involves changing the energy production and consumption model, which until now has been predominantly based on fossil fuels such as coal, oil and natu-

ral gas, to renewable and sustainable sources such as solar, wind, hydroelectric and biomass. This process goes beyond simply replacing energy sources; it requires a profound restructuring of energy infrastructures and the global economy.



For countries like Mozambique, which are rich in natural resources, especially in the areas of fossil fuels, but are also highly vulnerable to the impacts of climate change, the energy transition presents a complex challenge to understand and decide. On one hand, the country sees its abundant reserves as an opportunity to accelerate its economic development and improve the living conditions of its population. On the other hand, it faces the dilemma of positioning itself within a global debate that demands a reduction in the exploitation of fossil fuels, in the name of commitment to the global climate mission. This commitment aims to reduce greenhouse gas emissions and mitigate the adverse impacts of climate change, but ignores the reality of developing countries like Mozambique, which contri-

bute very little to global emissions.

This paradox places Mozambique in a delicate position. While the exploitation of its natural resources may represent a source of “hope” for financing the country’s social and economic progress, growing international pressure to reduce emissions and promote a low-carbon economy requires alignment with global sustainability commitments. Although Mozambique contributes minimally to global warming, it is one of the countries most affected by extreme weather events, such as tropical cyclones, droughts and floods. The devastating impact of these events on the population and vital infrastructure presents the country with a major challenge, both in terms of recovery and adaptation.



However, this scenario is not only one of risk, but also of opportunity. The energy transition can represent a strategic path towards building a more resilient and sustainable future for the environment and the economy. For this transition to happen effectively, Mozambique must invest in renewable infrastructure, adapt the electricity grid and expand clean energy generation capacity, with an estimated US\$80 billion needed to make this transformation a reality.

However, the major obstacle lies in financing this transition. Mozambique, despite all its natural potential, faces significant challenges in mobilizing internal resources and is heavily dependent on external support to meet its needs. The central question that arises, and this text aims to answer, is who should pay for the reconstruction of the country, for adapting to climate change, and for mitigating its impacts.

2. Climate Change and Development: Mozambique's Vulnerability

Mozambique is one of the countries most vulnerable to the effects of climate change, and this vulnerability manifests itself in several ways, mainly through cyclones, floods and prolonged droughts. The country, located in the coastal region of southern Africa, faces a series of challenges related to climate change, which affect both its economy and the well-being of its population. Since 2019, Mozambique has been hit by almost 10 cyclones, including Cyclone Idai (2019), Cyclone Kenneth (2019), Cyclone Eloise (2021), Cyclone Ana (2022), Cyclone Gombe (2022), Cyclone Bipartite (2023), Cyclone Modesto (2024) and most recently Cyclone Jude (2025). These events have resulted in thousands of deaths, millions of people affected and substantial damage to vital infrastructure such as roads, bridges, power grids and schools ¹.

In addition to the human and material losses, these extreme weather events have other costs for

“development”. The costs of rebuilding damaged infrastructure, restoring agricultural production and re-establishing minimum living conditions are considerable. The recovery from Cyclones Idai and Kenneth alone required around \$3.2 billion. Despite support from international donors, the country continues to face serious difficulties in mobilising sufficient domestic resources to cover these costs, which makes climate finance an urgent need for recovery and adaptation.

In addition to the immediate costs of recovery, climate change jeopardizes Mozambique's long-term development. Climate instability harms agricultural production, exacerbates poverty, heightens food insecurity, and increases health care costs. Mitigating and adapting to these impacts requires significant investments, including building resilient infrastructure, strengthening disaster response capacity, and promoting sustainable agricultural practices.

¹ <https://aimnews.org/2024/08/16/mocambique-oito-ciclones-fizeram-829-mortes-na-ultima-decada/>



3. Sources of Climate Finance: What are the Options for Mozambique?



Given the high cost of adaptation and mitigation, and limited domestic financing capacities, Mozambique must turn to external sources of climate finance to ensure an effective energy transition and recovery from the damage caused by climate change. There are several climate finance options available to the country, including international mechanisms and multilateral initiatives. Some of the main sources include:

- **Green Climate Fund (GCF):** The GCF is one of the main international sources of climate finance, intending to support developing countries in implementing mitigation and adaptation projects. Mozambique has benefited from this fund to finance some climate change adaptation initiatives and renewable energy projects. However, the country still has a long way to go to reach the desired numbers and achieve the desired goals.
- **Adaptation Fund:** Created by the United Nations Framework Convention on Climate Change (UNFCCC), the Adaptation Fund provides resources to support adaptation actions in the most vulnerable countries.
- **Bilateral and Multilateral Climate Finance:** Mozambique can also access financial resources from developed countries and international organizations, such as the World Bank, the African Development Bank and the European Union. These resources can be crucial to support the energy transition and post-cyclone recovery.
- **Carbon Market:** Although Mozambique has a low contribution to global emissions, the country can tap into the carbon market by offering carbon credits through environmental preservation and emissions reduction projects, such as reforestation and renewable energy initiatives. The sale of these credits could generate a new source of revenue for the country.

Despite the existence of several climate finance options, Mozambique should not, under any circumstances, resort to public debt as a means of financing to address climate challenges. The country is already facing serious difficulties due to its high level of debt and the economic impacts resulting from debt. Opting for debt as a solution would mean worsening an imprudent financial situation, potentially compromising



economic stability and the well-being of future generations. Solving an immediate problem by creating new debt could generate even more serious consequences, such as increased fiscal vulnerability and the risk of a financial crisis. Therefore, the country should focus on explor-

ing sustainable sources of climate finance, such as international funds, bilateral agreements and market mechanisms, which do not rely on debt and offer more balanced and viable solutions to ensure a resilient and sustainable economic recovery.

4. How Mozambique Should Deal with Energy Transition and Climate Finance



To address the challenges of climate change and achieve the energy transition right, Mozambique must adopt a strategic approach that combines national policies and international partnerships. The country must position itself as a regional leader in renewable energy, leveraging its solar and wind potential to create a more sustainable and resilient energy infrastructure.

The key to success will lie in Mozambique's ability to attract international climate finance, particularly through the GCF, the Adaptation Fund and other multilateral initiatives. At the same time, the country must focus on creating robust domestic policies to ensure the efficient implementation of the resources received, with transparency and good governance practices.

Furthermore, the principle of climate justice should be central to the negotiation of resources for Mozambique's recovery and adaptation. Developed countries, which have historically contributed to greenhouse gas emissions, have a responsibility to support developing countries in adapting to the effects of climate change. Mozambique can claim this compensation based on its low contribution to global emissions and its high vulnerability.

In terms of energy transition, the country must adopt a model that leverages its natural gas reserves as a "bridge" to a low-carbon future, while investing heavily in renewable energy. This balance is crucial to ensure that the transition is financially viable and, at the same time, does

not compromise the country's economic development.

Finally, Mozambique must work collaboratively with the international community to ensure that its commitments under global climate agree-

ments translate into real and adequate financing for its adaptation and mitigation needs. By aligning its domestic policies with global sustainability goals, the country can not only recover from the cyclones, but also build a solid foundation for a sustainable and resilient future.



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