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Stranded assets are low on African governments' agenda, but present opportunity for resource-led development: new UNU-INRA research finds

3rd December, 2019, Madrid, Spain: A new report by the United Nations University - Institute for Natural Resources in Africa (UNU-INRA), *Africa in the age of stranded assets*, has found that the awareness of the threats and opportunities of stranded assets¹ is low among African policymakers, though their economies are heavily dependent on extractive resources.

The research, which foregrounds African voices and insights in eight African countries, has identified climate change as a key driver to asset stranding in Africa's natural resources sector, which contributes substantially to export revenues of a majority of African countries. Managing the risks associated with asset stranding will be fundamental to sustaining government revenues from extractive resources, the research argues.

The report was launched at the sidelines of the United Nations Climate Change Conference (COP25) in Madrid, Spain on 3 December at the Sustainable Development Goal (SDG) Pavilion.

"Africa has had a difficult history with its natural resources, where many resource-rich African countries have experienced poor development outcomes. Stranded assets present a new challenge, but also give a unique opportunity for Africa to deepen its drive towards economic diversification", said Dr. Fatima Denton, Director, at UNU-INRA.

"With this report, we want to send a clear message that the reality of stranded assets is already happening. There is the urgent need for African governments and their partners to find the right balance between Africa's developmental needs using extractive resources and achieving climate action ambitions", Dr. Denton added.

UNU-INRA's report on stranded assets discusses Africa's development in light of potential asset stranding, in the hopes of alerting African governments to the need

¹ Stranded assets are assets that become devalued before the end of their economic lifetime or can no longer be monetised due to changes in policy and regulatory frameworks, market forces, societal or environmental conditions, disruptive innovation or security issues. Natural resource deposits are also commonly regarded as 'stranded' when the quantity and market value is below thresholds set by investors.

for effective natural resource planning towards lower carbon economies. The study stands on deep contextual research from eight African countries (Angola, Ghana, Namibia, Nigeria, Niger, South Africa, Tanzania, Zambia) offering voices and insights from the continent often missing from the global conversation on resource use and climate change.

“We want to understand this from Africa’s perspective,” Dr. Denton remarked.

Youba Sokona, Vice Chair of the intergovernmental Panel on Climate Change, highlighted the need for African countries to have “vision, institutions, human resources and knowledge,” and to “invest in long term plans”. He mentioned that African countries that do not have carbon intensive infrastructure need to start their developmental plans with a new outlook. “We do not need to decarbonize, we need to jumpstart.”

As the urgency to act on climate change grows, international climate policies and the advent of low-carbon technologies are reducing the demand for, and value of, fossil fuels. Carbon tracker estimates that 60-80% of coal, oil and gas reserves could be classified as unburnable if the world is to avoid disastrous climate change. This puts Africa at risk of asset stranding, especially in mineral resource-rich countries.

Rose Mwebaza noted that “The climate dilemma challenges our development plans. Stranded assets “will create social and economic disruption in African countries.” She acknowledged the significance of building adequate knowledge for Africa’s transition to low-carbon growth. “How does Africa use the knowledge that already exists for just transition and are we going to be a stranded community?” Mwebaza quizzed.

The report launch was chaired by Youba Sokona, IPCC Vice-Chair of the Intergovernmental Panel on Climate Change (IPCC). Rose Mwebaza, Director at the Climate Technology Centre & Network (CTCN) delivered the keynote address. The panel discussion included James Murombedzi, African Climate Policy Centre (ACPC) of the United Nations Economic Commission for Africa (ECA), Daria Ivleva, Project Manager at Adelphi, and Selam Kidane, environmental law expert with the African Group of Negotiators.

This report provides a lead up to the comprehensive study on stranded assets that will be commissioned by UNU-INRA in 2020. It will provide the cogent policy options that African governments could take to mitigate the risks of stranded assets and to pursue a path of economic transformation.