Africa must nudge China towards more sustainable energy investments

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Policy recommendations

1. The Africa-China partnership needs escalation to a new sustainability-focused phase in which China prioritises, and Africa demands, proactive management of externalities such as labour, environmental, sustainable energy and other standards.

2. The extant strategic partnerships between China and African countries need to transcend their extractive sector focus in order to accommodate Africa's need for structural transformation aided by more diversified forms of exchanges and upgrading of regional value chains.

3. African leaders must push for more equal relationships with China, starting with a focus on Africa's own ability to co-determine the strategic agendas and priority-setting in the relationship.

Introduction

When the just outgone US Secretary of State, Rex Tillerson visited Nigeria recently, the August visitor arrived in Abuja with warning to African leaders about the dangers of China's concessional loans to the continent. It seemed rich coming from the top US envoy in an era defined by Donald Trump's doctrine of "America First". Indeed, nearly two-third of Africans polled in a recent Afrobarometer survey take a positive view of China in Africa. This is contrary to Mr Tillerson's call for Africans to be wary. Yet, his intervention should not be lightly dismissed, considering especially recent developments in the African energy sector. Sino-Africa relations is witnessing the consolidation of trends such as China's enthusiastic building of dams without regards to their ecological or geopolitical impacts; a pervasive tendency to relegate Africa's own labour from Chinese funded energy projects and other projects; and forward-looking agenda such as on sustainable energy featuring too scantily on the agenda of the China-Africa partnership.

Cherry picking

Neither China's enthusiastic burnishing of its own Africa credential nor a western-inspired attempt to vilify it for its role in Africa present the whole picture. America and others' pessimistic assessment of China's expanding footprint in Africa is no doubt skewed. Nevertheless, they point to well-founded concerns about certain unhealthy habits underpinning Sino-Africa relations. For millions of Africans, Chinese investments are certainly welcome. Nowhere is the need for Chinese help more apparent than in Africa's strategic power sector where current levels of investment significantly lag fast growing needs.

Even then, a closer reading of the sector exposes how China instrumentally tailors its investments to further narrow advantages whilst ignoring the inconvenient truths about sustainability and the environment. Deconstructing the Chinese-Africa "partnership" on energy offers a much-needed corrective to both the distorted lens that Beijing employs to view its own Africa role and America's thinly disguised anxiety over China's growing influence on the continent.

First, it is useful to distinguish between China's commitment of capital to the energy (upstream) and power (downstream) sectors in Africa. The latter usefully focuses on the power generation and distribution opportunities that Africa needs to upscale towards unleashing its latent productive capacities whilst capturing more of the local energy resources into domestic value chains. It contrasts with the upstream energy sector investments which primarily aim to open up resources for export to China and other global markets.

Angola's case is illustrative here. It attracted a miniscule share of China's $22.3bn loan to African power projects (out of a total $34.8bn investment committed to energy as a whole since 2000). China's investment into Angola has been predominantly through the China Sonangol "Queensway" syndicate, which is heavily focused on upstream oil extraction. In what is perhaps the most iconic of these new Chinese "partnerships" in Africa, the world's manufacturing powerhouse and Africa's second largest energy producer have failed to translate their growing engagement into any appreciable improvement in Angola's manufacturing capacity. Little wonder then that the country continues to import more than 70% of its consumer goods needs, with little in the way of domestic production capacity even for the most basic of consumables.

Rich pickings

What is more, a hydro-electric bias is clearly reflected in China's approach to power investments in Nigeria, Uganda and others. Hydro is admittedly a clean source of energy, but research suggests that it is decreasingly price competitive relative to other greener sources such as solar. Hydro requires huge capital outlay, with potentially serious fiscal implications for countries taking on concessional Chinese loans that need to be repaid in future. Also, China's significant capacity and know-how is being rolled out in Africa at a rapid pace that belies the Asian giant's pivots to greener energy technology such as solar and fuel cells in its home market. It has in some reckoning recently overtaken the US in clean energy technology. This lends credence to those who fret that China avails Africans of power sector loans to find outlet for its own overcapacity in dam building. Typically, there is an overwhelming reliance on Chinese workers and very low absorption of African labour into most such Chinese-funded hydro projects.

Furthermore, with the increasing water stress such as along Africa's Nile basin, which is stoking tension between Egypt and Ethiopia for example, critics argue that China's dam-building activities pay scant regard to environmental impact. This mirrors the criticisms of China's own giant Three Gorges dam and the attempts to replicate it in Africa such as through the Ethiopian Grand Renaissance dam that is also Chinese-funded. Such a major water-intensive project has the potential to provoke serious environmental challenges, not to mention the stoking of geopolitical tension with neighbours also dependent on the Nile waters.

In Nigeria, Chinese state lenders have shown serious interest in major dam-building projects such as in the Mambilla plateau of central Nigeria where inter-communal clashes over arable and pastoral lands led to the killing of 20 persons in just one single incident in early March 2018. China is responsible for providing 85% of the $5.8bn cost of the Mambilla hydroelectric project. It is interesting that this significant investments in Nigerian hydro schemes occur against the backdrop of China's relative lack of success in dominating Nigeria's oil and gas production on the same scale it has managed in Angola for instance. Beijing should show more interest in gauging externalities even whilst continuing to demonstrate strong commitments to supporting development-oriented projects across Africa. Unlike the Obama-inspired US Power Africa initiative which aims to deliver an additional 30,000 megawatt of electricity to Africa through primarily green sources (now currently championed by the US State Department), China is far from committing unequivocally to back Africa's transition to the green energy that China itself now covets.

African agency in agenda-setting

The import of all of these is not to deny the potential or even the concrete benefits that China's energy partnership can unleash in Africa, especially at a time that western backed lenders have drastically scaled down their own financial support to key projects. The real urgency is that African leaders must become less supine, pushing for a more equal relationship, and nudging current and future deals to deliver more for Africa. This should help to create local jobs even whilst working to reorient China's overall lending so that Africa ultimately becomes more self-sufficient and primed to participate in emerging clean energy technologies. Here too, Africa has unparalleled potential from abundant sunshine to wind to the platinum required for fuel cell catalyst, etc.

Beijing and its African partners urgently need to appreciate the folly of rehashing the west's historical failure and parochialism in Africa. A new Africa-China orientation can benefit from a coherent African pushback against the lop-sidedness highlighted by the China sceptics such as ex-Secretary Tillerson. He presented a scathing assessment of China's Africa engagement on his final tour of African capitals as US Secretary of State. China for all its protestation will do well to heed such advice, regardless of the provenance. Unless fundamentally revamped, China's investments as currently structured will fail disastrously to strengthen African partners or lay the foundation for local ownership and long-term sustainability. A relationship of intertwined futures and equal partnership – of the type that China trumpets - must meet these key tests at the very least.