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REPORT

African green industrialisation: Opportunities for a new phase of Africa-EU cooperation

Online

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Context

On the 31st of March, ECDPM organised a webinar titled *"African green industrialisation: Opportunities for a new phase of Africa-EU cooperation"*. The event invited leading African and European experts to discuss the opportunities and challenges for striking mutually beneficial deals between European and African countries.
The event included an introduction by **Alfonso Medinilla** - head of ECDPM's climate and green transition team; **Nimrod Zalk** – Chief Research Officer: Climate and Development at the Nelson Mandela School of Public Governance; **Carlijn Nouwen** – Co-Founder at the Climate Action Platform for Africa (CAP-A); **Tibor Stelbaczky** – Principal Adviser on Energy Diplomacy at the European External Action Service and **Theo Acheampong** – Head of Research and Markets at Critical Minerals Africa Group and Visiting Fellow at the European Council on Foreign Relations.

ECDPM's multi-year research on the **political economy of green industrialisation** in Africa explores opportunities in green value chains, resource-based industrialisation, green hydrogen, fertilizer production, decarbonising iron and steel, and green battery supply chains. This research also examines how Africa-EU trade relations are evolving particularly in response to EU measures such as the **Carbon Border Adjustment Mechanism (CBAM).**
As highlighted by **Alfonso Medinilla**, there are a lot of opportunities for African countries to break free from **commodity-dependent cycles** and **traditional energy value chains**. However, the pathways to achieving this differ across countries and regions, depending on local advantages and policy environments. Moreover, the global trade landscape is rapidly changing, with escalating trade wars imposing costs and risks on developing countries. Green industries are increasingly seen as a factor of European competitiveness and security, **reshaping Africa-EU relationships**.

The current role of green transition minerals in Africa's development

Many African countries recognise that certain minerals and raw resources play a crucial role in economic development and green industrialisation. In fact, leveraging minerals for industrialisations is not new; what is new is the emphasis on **green transition minerals**. While many African nations aim to develop full value chains-from mining to processing and downstream industries-it is crucial for each country **to focus on its comparative advantages** rather than attempting to be active in all stages of the value chain.
Research on different countries' strength in mineral processing indicates that **Zimbabwe** and **Ghana** are well-positioned for **lithium processing**, while **South Africa** and **Madagascar** excel in **nickel processing**. **Kenya**, despite not being a major producer of these minerals, has a competitive edge in **assembling electric vehicle battery parts**. This highlights a shift away from an all-encompassing industrial approach towards a more targeted strategy, where countries leverage their strengths in specific segments of the value chain.

How is green industrialisation being talked about at regional level in countries like South Africa?

At the regional level, green industrialisation in countries like South Africa is framed within the **broader economic transformation** agenda rather than solely focusing on decarbonisation. Africa contributes only 0.9% of global carbon emissions per capita, making decarbonisation a lower

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priority than economic growth and structural transformation. However, Africa's trade with the EU presents significant opportunities, particularly through the **African Continental Free Trade Area (AfCFTA)**. With 1.3 billion people - 600 million of whom lack access to electricity, Africa offers a substantial market for domestic and foreign investors. Yet, the balance of payment constraints, exacerbated by the debt crisis, require a more reciprocal trade relationship where Europe imports more from Africa to enable increased African exports.

The energy landscape further underscores these opportunities. **Africa's vast renewable energy resources** provide a basis for cost-effective electricity production, green iron and steel production, and the development of critical mineral value chains. The agricultural sector, often overlooked in industrial strategies, also holds significant potential for **value-added processing**.

The **AfCFTA** serves not only as a market but also as an **institutional partner** that represents Africa's collective interests in negotiations with the EU. This reduces the need for individual country-level engagements, allowing for a more coordinated approach to green industrialisation. However, while Africa sees electrification as a priority, making these ambitions a reality remains challenging due to structural constraints, such as resource availability, skilled workforce gaps, inadequate industrial infrastructure, unstable investments, governance challenges, and increasing ESG standards.

How are EU-Africa relationships evolving to satisfy interests of both continents? Do they evolve with other partners? Based on interests and not only needs?

Industrial ambition has been a driving force since the 1960s, however, a new key factor is the role of **transition minerals** and the fundamental **shift in energy sources**. Unlike fossil fuels, which were valued for their affordability and ease of transport, the energy sources of the future have different characteristics. Electricity, for instance, suffers from significant transmission losses, making it more cost-effective to convert renewable electricity into intermediate products near production sites rather than transporting it over long distances. However, **Europe's** industrial ambitions do not align with its electricity production capacity, creating a **gap between aspirations and reality**. Instead of carrying out the initial stages of production in Europe, it makes more sense to process raw materials in regions with abundant untapped renewable energy-such as Africa. Therefore, for Europe to meet its **decarbonisation targets**, it must shift its focus from importing raw minerals to importing green industrial products. Without this shift, achieving industrial sustainability will be impossible. **Africa** is well-positioned to play a key role in this transition, offering both energy capacity and **market expansion opportunities**. The combination of Europe's high climate ambitions and energy constraint with Africa's renewable energy potential creates the foundation for a strong, mutually beneficial partnership.

The EEAS perspective: security concerns with Russia and China and trade wars - Their impact on Europe-Africa relationships?

While Europe is increasingly focused on strengthening its own resources and capacities, partnerships will be more crucial than ever. Among the most important partners are Africa and the Mediterranean region, both of which offer significant opportunities for collaborationHowever, Africa is a diverse continent that cannot be treated as a single entity—each country has distinct needs

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and priorities. Unlike Europe, where decarbonisation is a key focus, Africa's primary concern is access to energy and electricity, as highlighted during Africa's Energy Summit in January 2025. These differing ambitions and realities must be acknowledged in any partnership. The Mediterranean region, from Morocco to the Middle East, holds great potential for cooperation, particularly in greening critical raw materials. The **Pact for the Mediterranean** reflects a growing focus on this area, emphasising partnerships that align with mutual interests between the **EU and North African countries**. By leveraging synergies, Europe and North Africa can collaborate on producing green industrial products, developing renewable energy, and expanding the hydrogen economy. In Sub-Saharan Africa, the approach to partnerships must evolve to account for the diverse interests of both regions. African countries must recognise the mutual benefits of cooperation, ensuring that partnerships also address their development priorities. Strengthening these ties can help mitigate global challenges and create new opportunities for both Africa and Europe.Recent developments—such as the upcoming **EU-Africa Summit** ministerial meetings in May, and **the Pact for the Mediterranean**—demonstrate a renewed focus on Africa compared to the past. The shared goal remains the same: building reliable, sustainable partnerships that benefit both continents.

Africa's Focus on Electrification over Decarbonisation: Overcoming Challenges or Reinforcing Dependence? Challenges faces by African countries and Europe-African energy dynamics

There is significant **potential for partnerships**, but major concerns revolve around **extractivist models** and **neo-colonial dynamics**. For African countries to successfully transition and develop, several key competitiveness factors must be addressed:

- **Availability of resources:** While green minerals are present, they are not always available in sufficient quantities.
- **Skilled workforce and R&D capabilities:** A strong talent pool and innovation ecosystem are essential for industrial growth.
- **Industrial infrastructure and energy supply:** Many regions face challenges related to energy availability and reliability.
- **Government incentives and policy frameworks:** A lack of supportive policies and incentives hampers market development.
- **Investment stability and governance:** Uncertainty in regulatory environments discourages long-term investment.
- **ESG standards:** Compliance with environmental, social, and governance (ESG) requirements is becoming increasingly critical, particularly for investment from Europe and other markets.

Proximity to markets and local demand can catalyse economies of scale, but significant trade-offs exist—particularly in energy-intensive industries like aluminum production. For example, aluminum smelting requires an average of 13,000 kWh of electricity, while the average household in Egypt consumes just 22 kWh per day. The energy required to process one kilogram of aluminum could power hundreds of homes, raising difficult questions about energy allocation. In countries like Ghana, decisions must be made about whether to dedicate hydropower to industrial smelters or distribute it more broadly. Aligning with policies like the **Carbon Border Adjustment Mechanism (CBAM)** is crucial for export viability, but rising energy costs—particularly for households—create

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significant challenges. These structural constraints are substantial, but they can be overcome through targeted policies, infrastructure development, and strategic incentives. Some promising initiatives are already underway, such as **collaborations** between Zambia and the Democratic Republic of Congo (DRC) to strengthen skills, research, and industrial capacity. However, the entire value chain must be considered, particularly when weighing short-term versus long-term trade-offs. Should African countries extract and export minerals now to finance development, or retain them for future value-added processing?

While green industries are important, they will not be the sole drivers of job creation. **Agriculture** remains a crucial sector for economic stability and employment, highlighting the need for a balanced and integrated development strategy.

How do African countries coordinate among themselves, is this happening differently in different regions?

The **AfCFTA** does not have the authority to create binding policies. However, it plays a crucial role in guiding African countries toward structural transformation and fostering collaboration for a green transition.If African countries do not adopt a more strategic and demanding approach, they risk missing opportunities to develop competitive industries. Access to critical battery minerals is essential, but the real challenge lies in building the capacity to process these resources competitively. While developing these capabilities is not impossible, it requires a realistic and strategic approach, with host countries taking the lead in shaping their industrial ambitions. At the national level, success will ultimately depend on how ambitious and proactive these countries are in shaping their economic futures.

Strategic interdependence: EU-Africa Relations for Green Industrialisation - What lessons can the EU draw upon to make these relationships more fruitful?

The major issues should be rooted in **mutual interest and interdependence**. It is essential that the EU listens to its partners, understands their interests, and aligns with their goals. Building on mutual interests and identifying synergies is key to successful collaborations. A common criticism of the Carbon Border Adjustment Mechanism (CBAM) is that it is seen as an incentive for carbon-intensive production rather than promoting greener alternatives. There is also the challenge of making markets accessible to different countries. It is crucial to clearly explain the role of CBAM while also addressing the concerns and interests of other countries. Leading discussions with the African Union (AU) and individual nations is essential to fostering understanding and collaboration. **Energy prices** are a widespread concern, and when it comes to renewables, there should be agreed-upon development strategies and policy frameworks. This is a critical issue that requires attention across all regions. By identifying its shared economic interests and recognising Europe's readiness to engage with other countries, Europe can build productive and stable partnerships. **Multilateralism and cooperation** are key to tackling common challenges. While one solution may not work in every country, the ability to engage in dialogue and tailor approaches is essential.

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