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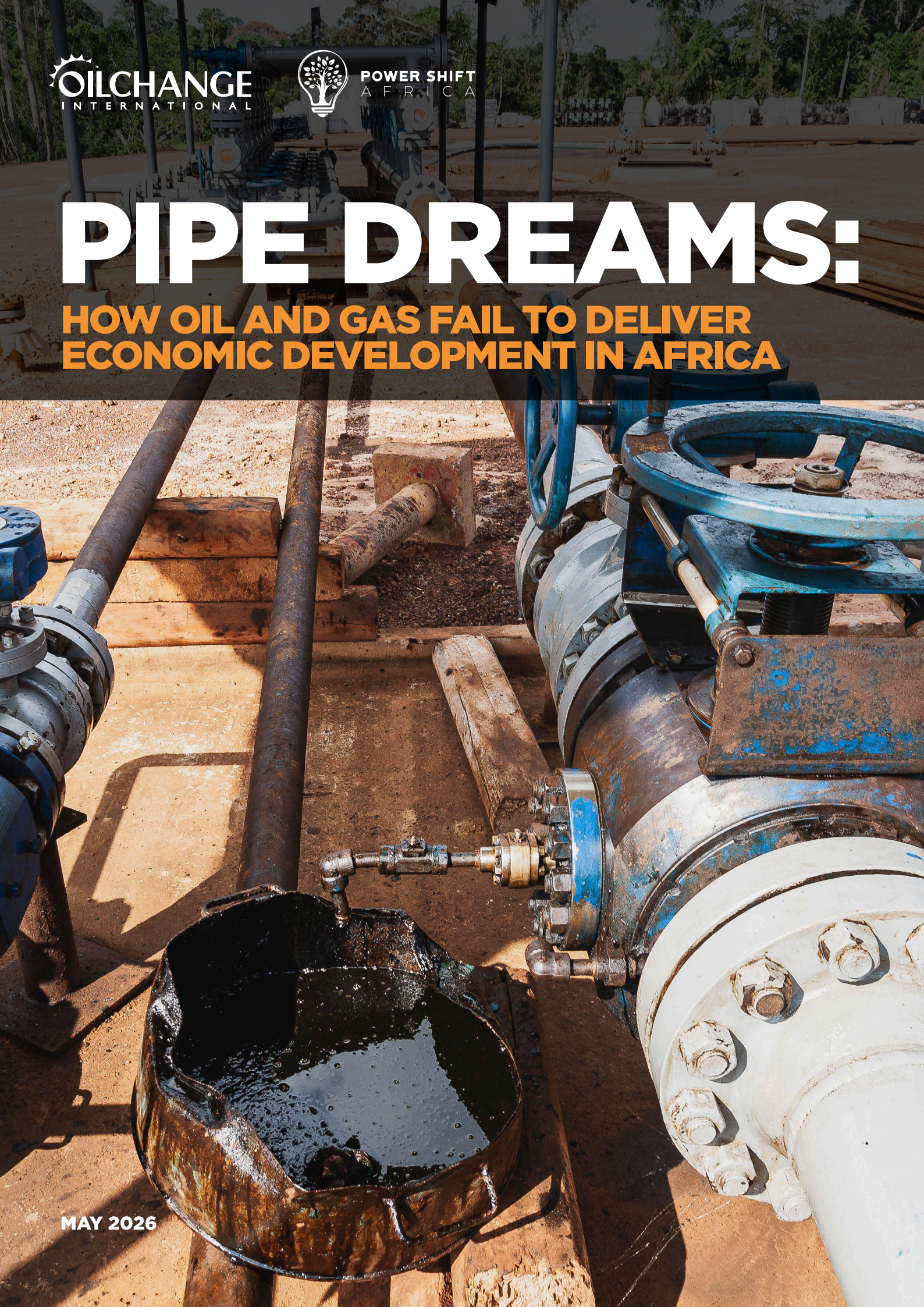
POWER SHIFT AFRICA

PIPE DREAMS:

HOW OIL AND GAS FAIL TO DELIVER ECONOMIC DEVELOPMENT IN AFRICA



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Power Shift Africa is a Nairobi-based think tank working on climate and development policy, providing cutting-edge analysis, solution-focused policy ideas, and up-to-the-minute media engagement from an African perspective, both within the continent and internationally.

Oil Change International is a research, communications, and advocacy organization focused on exposing the true costs of fossil fuels and facilitating the ongoing transition towards clean energy.

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EXECUTIVE SUMMARY

This report examines the economic impact of oil and gas production in Africa. Drawing on evidence from 13 producing countries, it finds that fossil fuels have not delivered sustained or inclusive economic development. Instead, they have contributed to economic vulnerability, inequality, and structural constraints on growth.

A CRISIS OF FOSSIL FUEL DEPENDENCE

Africa is in a fossil fuel crisis. Global energy prices have surged in the wake of the American-Israeli war on Iran, leaving many African governments struggling to keep energy accessible and affordable. In turn, high energy prices are also driving up food prices. The combined crisis is also leading to reduced currency values, increased inflation, and constrained growth.

African countries are especially vulnerable to energy price shocks. Eight out of the twelve countries worldwide whose fossil fuel imports cost more than 10 percent of their gross domestic product (GDP) are in Africa.

Africa's oil and gas producers are not insulated from the crisis. Most oil-producing African countries export their crude oil, while having to import costlier refined products such as diesel and gasoline. Meanwhile, hundreds of millions of people still lack access to electricity and clean cooking. In some cases, such as Nigeria, Equatorial Guinea, and Mozambique, gas is extracted and exported to serve external markets, while domestic energy needs go unmet.

THE STRUCTURE OF THE OIL AND GAS ECONOMY

The oil and gas economy is structured in ways that concentrate and export wealth, while leaving governments and communities to bear the costs. In major producers such as Nigeria and Angola, around 40 percent of the population remains in extreme poverty – living on less than USD 3 per day – even after decades of extracting oil. In fact, according to the African Import-Export Bank, Africa's oil exporters have mostly had lower economic growth and higher inflation than their non-resource-intensive counterparts in recent years.

This report assesses the experience of 13 African oil and gas producers, based on peer-reviewed literature, official data, and independent reports. It identifies five common features across these cases:

- The oil and gas economy is *extractive*.
- Oil and gas extraction occurs in *enclaves*.
- Oil and gas extraction *weakens* other economic sectors.
- Oil and gas lead to *corruption*.
- The oil and gas economy is *vulnerable* to external forces.

An extractive economy: Since oil and gas are mostly exported, their main economic function for producer countries is to generate revenues and export earnings. In most African countries, oil and gas production is dominated by multinational oil companies, which often take a disproportionate share of the revenues, either through one-sided contractual terms or through accounting schemes. For example:

- In Mozambique's Coral South project, which began producing gas in 2023, the government will not receive significant revenues until the mid- or late-2030s, because the contract terms allocate most of the early revenues to foreign companies (led by the Italian Eni).

An enclave economy: Oil and gas extraction have few links to other sectors in the economy, as services and supplies are generally imported, while the products and the profits are mostly exported. At the same time, oil and gas extraction creates very few jobs, even when the fuels constitute a large share of gross domestic product. The enclave effect is especially strong with floating offshore facilities, as companies can tow these facilities into place and load oil and gas onto tankers without ever setting foot in the country. For example:

- In Nigeria, the oil industry employs only 0.01 percent of the country's workforce; in Angola, this number is 0.3 percent, and in Congo-Brazzaville it is 0.1 percent.

A weakened economy: The oil and gas sector also damages other economic sectors that employ more people. At the local level, toxic spills and loss of land harm agriculture and fishing. Nationally, oil and gas extraction inflates the currency, making other export industries, including manufacturing and agricultural products, uncompetitive. This is a well-known effect called Dutch disease. For example:

- In the Niger Delta of Nigeria, frequent oil spills have devastated yields of crops, fish, and shellfish, and gas flares have reduced yields and harmed soil health. The result has been spiralling poverty, as the main source of livelihoods has been made unviable in many areas.

- Until the 1960s, Nigeria was one of the world's largest producers of palm oil, peanuts, cocoa, rubber, cotton, and cassava. But oil production drove up the Naira exchange rate, leading production of these crops to collapse. As a result, Nigeria became a net food importer in the 1970s.

A corrupted economy: The high-value, extractive, and elite-oriented nature of the oil and gas industry makes it particularly prone to corruption. Almost all African oil producers have suffered corruption scandals related to their oil and gas revenues. For example, between 1989 and 1993, senior executives of French company Elf (which is now part of TotalEnergies) embezzled USD 350 million of the company's funds. In addition to buying villas, jewellery, and fine art for themselves, the executives bribed politicians in Gabon, Angola, Cameroon and Congo-Brazzaville. In 2003, 37 senior Elf executives were convicted of various corruption-related charges.

A vulnerable, indebted economy: Unexpected crashes in international oil prices cause periods of collapse of public services, unemployment, and macroeconomic contraction in oil-dependent economies. Oil and gas producers become more indebted both during oil crashes, as their governments aim to plug fiscal shortfalls, and in boom times, when low finance costs incentivise borrowing. For example:

- The 2014 oil price crash forced Angola's government to cut its budget by 25 percent, leaving public employees and suppliers unpaid for several months. The health sector collapsed, resulting in outbreaks of malaria, yellow fever, dengue, and chikungunya. The economy stagnated, inflation grew to 30 percent, and external debt grew from 36 percent of GDP to 115 percent.

OIL AND GAS IN THE GLOBAL ENERGY TRANSITION

The risks associated with the oil and gas model in Africa are only increasing. Global energy systems are shifting, with clean technologies rapidly becoming cheaper and more widely adopted. Most forecasts project that demand for oil will peak by around 2030, with gas likely to follow. If governments achieve their climate goals, the decrease in global oil and gas demand will be much faster than these forecasts. In addition, present high energy prices create strong incentives for consumers to switch to alternative energy sources, and for governments to introduce new policies to encourage the switch. The effect of peaking and declining demand will likely be to push down oil and gas prices, further reducing the revenues for oil and gas exporters.

Opening up oil and gas fields is a lengthy process, so new producers face the greatest risks: They may invest heavily in projects that come online into shrinking markets, leaving countries with stranded assets and unsustainable debt. Uganda, Mozambique, Namibia, Tanzania, the Democratic Republic of the Congo, and Côte d'Ivoire run the risk of having shrinking export markets for their oil and gas as soon as they start to produce.

The economies of most of Africa's existing producers rely heavily on oil and gas. In Libya, Equatorial Guinea, and South Sudan, oil and gas are the source of more than 80 percent of government revenues; in Chad, Algeria, Angola, and Congo-Brazzaville, they provide 60 percent; in Gabon, 50 percent; and in Nigeria, over 30 percent. Such countries face serious economic threats as the world transitions away from fossil fuels and the countries' export markets decline.

However, while these countries need to diversify their economies to boost their resilience, they will have to overcome structural economic and political barriers to doing so. Economic diversification takes decades, as evidenced by the slow progress of oil-dependent countries that have sought diversification since the 1970s. Given these difficulties and the time required, oil- and gas-dependent countries should pursue economic transformation concertedly and without delay, to allow themselves enough time to escape dependence before the energy transition impacts their economies.

RENEWABLE ENERGY FOR DEVELOPMENT

Fossil fuels are not a viable foundation for equitable economic development in Africa. A different approach is needed.

Renewable energy offers a more just and inclusive alternative. Unlike oil and gas, it can be deployed where people live, it supports local economic activity, and it creates significantly more jobs. Decentralized energy systems can expand energy access, strengthen productive sectors, and reduce dependence on imported fuels and volatile global markets.

By building energy systems that serve domestic needs rather than external demand, countries can strengthen economic sovereignty and support more and better development.

A renewable-led pathway could create millions of jobs across Africa by 2030 and beyond, far exceeding fossil fuel alternatives. These jobs are more geographically distributed and more accessible to women and young people. The International Renewable Energy Agency (IRENA) estimates that renewables create two to three times more jobs per dollar than fossil fuels. Clean energy could create an estimated 14 million jobs in Africa by 2030.

By prioritizing people-centred, renewable-powered development, African countries can expand energy access, create jobs, strengthen institutions, reduce vulnerability, and advance their economic security using an energy system that is less vulnerable to colonization.

CONCLUSION

Across Africa's oil-producing countries, evidence shows that fossil fuels have enriched the wealthy few, undermined economic development, and left economies exposed to external shocks. The benefits have flowed to multinational corporations and elites, while communities bear the costs of pollution, lost livelihoods, and economic instability.

African countries are confronted by harms caused by failed fossil fuel-led development, while high debt burdens and unequal global economic structures shape how these countries' resources are controlled and exploited. As global energy markets shift, continuing to expand oil and gas production risks deepening these harms. The promise that fossil fuels will deliver development has not and will not be realized; only a just transition to renewable energy can achieve that goal.

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1. INTRODUCTION

The US-Israeli military attacks on Iran since February 2026 have killed thousands of people, most of them civilians.[1] More than three million people have been displaced from their homes.[2] According to the Iranian Red Crescent reporting from March 2026, 67,414 civilian sites in Iran have been struck, of which 498 are schools and 236 are health facilities.[3] Over a thousand more people have been killed, and more than a million displaced, in Israel's parallel attacks on Lebanon.[4]

Whilst the most immediate human costs of the war have been in those countries, the war's indirect impacts are felt well beyond the Middle East. Closure of the Strait of Hormuz has driven up international oil and gas prices, making energy unaffordable for many. In Africa, the continent with the highest rates of energy poverty,[5] the crisis has highlighted people's and economies' dependence on fossil fuels.

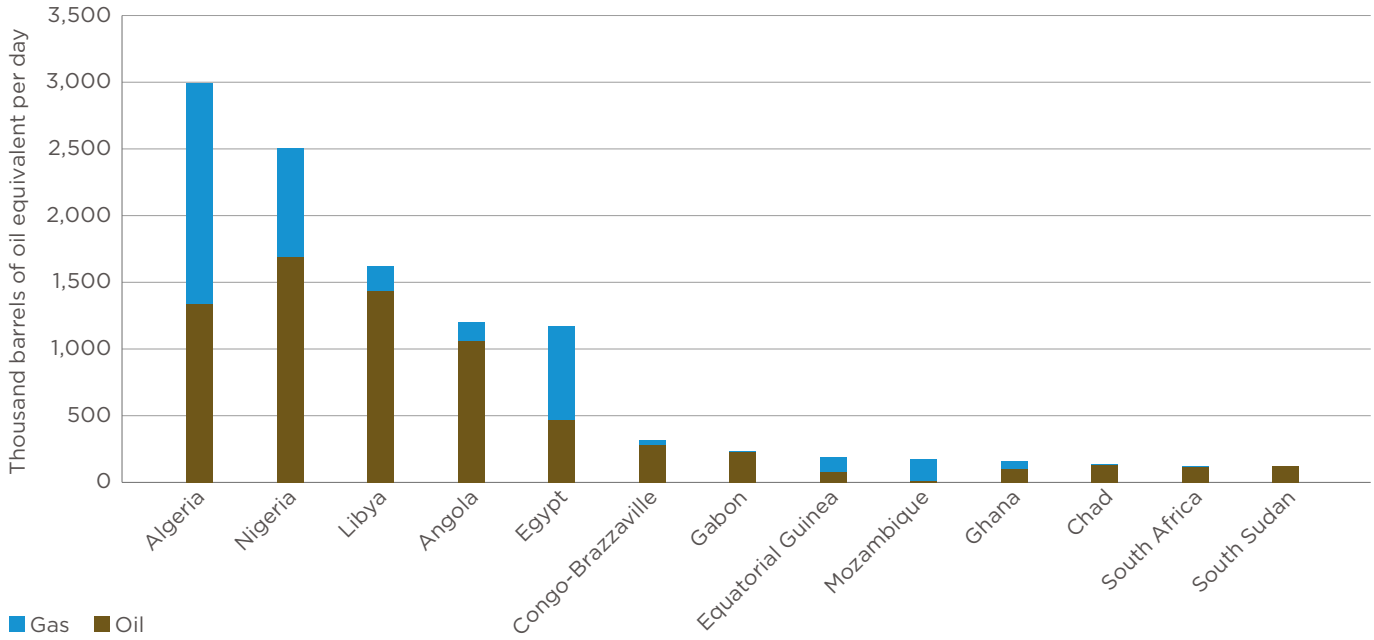
At the 28th United Nations Conference of the Parties (COP28) in 2023, the world's governments made a commitment to transitioning away from fossil fuels in a just, orderly and equitable manner. Following this, efforts are underway in 2026 to make that commitment a reality. For example, in April 2026, the first international conference on transitioning away from fossil fuels was held in Santa Marta, Colombia, and was attended by about 60 governments. Additionally, Brazil, as host of the COP30 climate summit in late 2025, is now leading a process to design a roadmap on the transition away from fossil fuels in a just, orderly, and equitable manner.

The fossil fuel debate in Africa has commonly been framed as counterposing an economic argument in favour of fossil fuels versus a moral, environmental argument against them.[6] The continent is highly vulnerable to climate change, both in terms of physical, economic, and health impacts, and in its limited capacity to adapt, especially in light of the continued absence of climate finance on the needed scale. Yet climate change is a problem Africans did little to cause: less than three percent of historical carbon dioxide emissions originated from Africa,[7] which today is home to 19 percent of the world's population.[8] Given the high levels of poverty on the continent, fossil fuel industry advocates argue that African governments need to oppose efforts to transition away from fossil fuels, as such efforts could compromise Africa's economic development.[9]

But are fossil fuels an effective path to economic development in Africa? This report aims to address this important question, based on Africa's experience with oil to date and the likely future prospects of oil and gas markets. By economic development, we mean the process of transforming the landscape of economic activities to better meet people's needs and unlock their potentials. It is not simply about growing output, but delivering "sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all", in the words of the 2030 Agenda for Sustainable Development.[10] The African Charter on Human and Peoples' Rights states that "[a]ll peoples shall have the right to their economic, social and cultural development with due regard to their freedom and identity and in the equal enjoyment of the common heritage of mankind."[11]

Oil has been commercially produced in Africa since its first discovery in Egypt in 1886.[12] However, large-scale production on the continent only began in the late 1950s and 1960s, in Algeria, Libya, and Nigeria, along with smaller quantities in Gabon, Angola, and Tunisia. Today, 12 African countries extract significant amounts of oil and gas (above 100,000 barrels of oil equivalent per day), in addition to South Africa's production of synthetic oil from coal (Figure 1.1). The five dominant players are Algeria, Nigeria, Libya, Angola, and Egypt.

Figure 1.1: Oil and gas production by African countries, 2025



Source: Rystad Energy UCube (Apr. 2026)

The report looks at the economics of oil and gas in Africa over three timeframes. Section 2 considers the present situation, where high oil and gas prices due to the Iran War are impacting the economies of Africa's oil and gas importers. Section 3 reviews the past experience of economic outcomes from oil and gas extraction on the continent. Section 4 assesses the future prospects of oil and gas in the context of the global energy transition. Reflecting on these lessons, Section 5 turns to renewable energy and an alternative approach to economic development. Section 6 concludes.

2. A FOSSIL FUEL CRISIS

2.1 EXPENSIVE AND DISRUPTED ENERGY

Since the United States and Israel began their attacks on Iran in February 2026, oil and gas prices have risen dramatically, with crude oil pushed above USD 100 per barrel for the first time since Russia's attack on Ukraine in 2022, and for only the second time since 2014.

In Africa and elsewhere, this war has driven up fuel prices. For example, average diesel prices have risen significantly from February to April 2026: by 40 percent in Sierra Leone, 39 percent in Zimbabwe, and 35 percent in Malawi.[13] The price spikes make access to energy even harder to afford for families living in poverty. In South Africa, the crisis has doubled the price of illuminating paraffin, which is used mainly by poorer households.[14] In some countries, the rise in prices of fossil-derived fuels such as paraffin and liquid petroleum gas has driven people to return to cooking with health-damaging wood and charcoal.[15] Meanwhile, governments face the dilemma of whether to protect consumers through subsidies, at the expense of further strain on fiscal budgets.

Several countries are experiencing fuel shortages. Madagascar has declared a state of emergency. In Mozambique, the government has advised people to work from home, and armed police are present to manage clashes at petrol stations. Ethiopia's government has ordered fuel suppliers to prioritise security institutions, government projects, and essential services.[16] Some fuel providers in rural areas of South Africa have stopped supplying non-agricultural users.[17]

Table 2.1: Share of crude oil production exported, and share of refined products consumption imported, in largest African oil producers, 2023[b]

	Exported share of crude oil production (net)	Imported share of refined oil products consumption (net)[20]
Algeria	34%	0%
Angola	94%	72%
Chad	96%	9%
Congo-Brazzaville	91%	0%
Egypt	2%	46%
Equatorial Guinea	88%	100%
Gabon	97%	0%
Ghana	91%	96%
Libya	86%	28%
Nigeria	97%	99% *(N.B.: this predates opening of Dangote Refinery)*
South Sudan	97%	73%

Source: IEA[21]

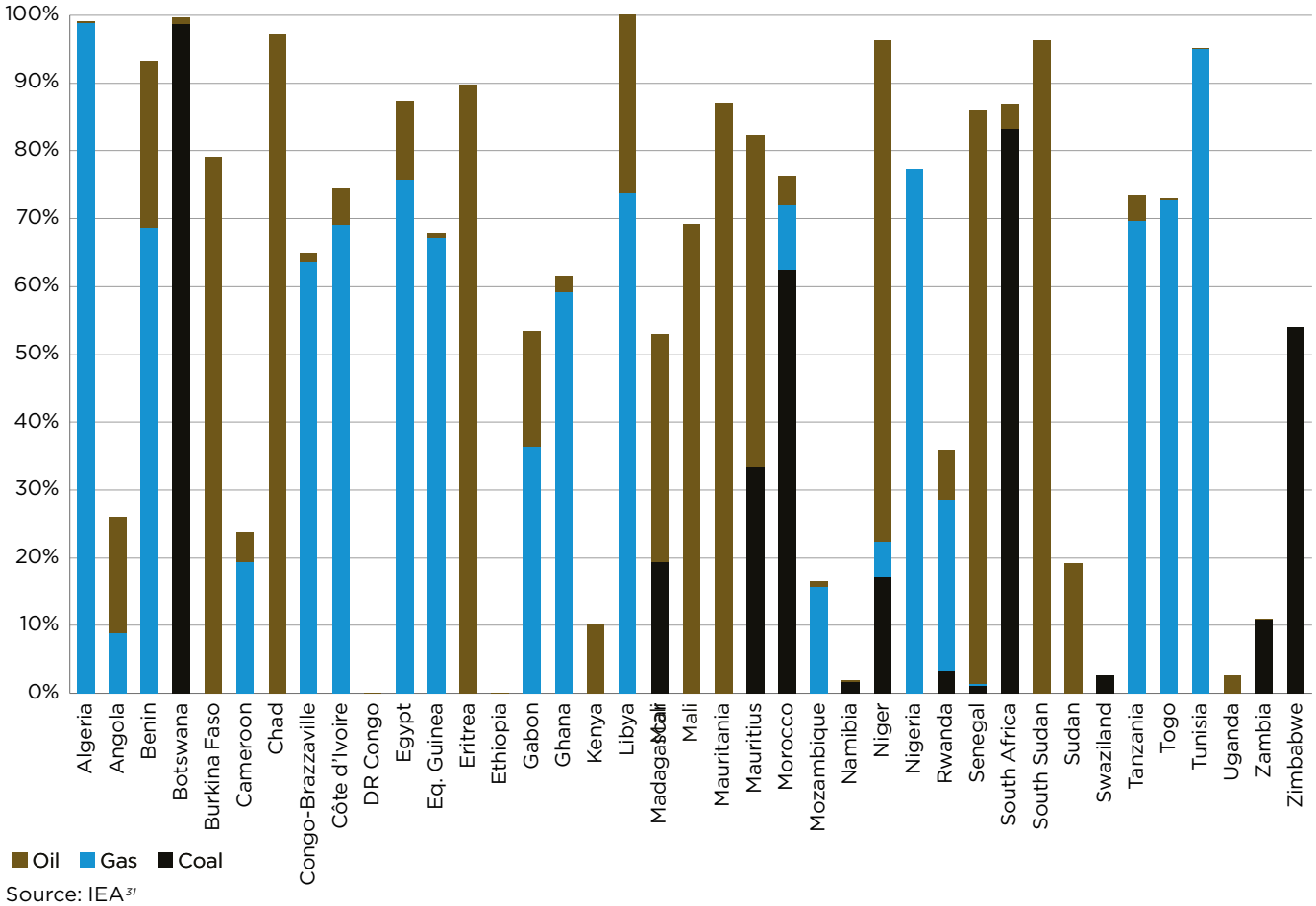
The impact of the global energy crisis is exacerbated by Africa's import dependence. Although the continent as a whole is a net exporter of crude oil, its oil-refining capacity is limited, and so Africa is a major net importer of costlier refined fuels such as gasoline, diesel, and jet fuel.[a] In 2023, 57 percent of the oil products consumed in Africa were imported.[19] Even many oil-producing countries have to import refined oil products, as most of their extracted oil is exported as crude (Table 2.1).

The picture has changed somewhat since the opening of Africa's largest refinery, the Dangote Refinery, in Nigeria in 2024. With a capacity of 650,000 barrels per day, the refinery is capable of both meeting Nigeria's own fuel needs and exporting to other countries. However, whereas the refinery helps with Nigeria's balance of payments, it does not reduce the price of fuel, as the refinery still has to pay international prices for its crude oil, even when obtaining it from Nigeria. Nigeria thus saw a 65 percent increase in petrol prices during the first month of the Iran War, despite the presence of the refinery.[22]

There are further indirect effects, with serious implications across the continent: in most African countries, transport accounts for 30 to 50 percent of food costs, so the energy price increase causes higher food prices.[23] In the medium term, food costs will be pushed up further as the rise in fertilizer prices is set to reduce harvests later in the year. (Nearly a third of global fertilizer trade usually passes through the Strait of Hormuz;[24] and as gas is the primary feedstock for fertilizer, the increase in gas prices also directly impacts the cost of fertilizer produced elsewhere.) Food price rises

a To illustrate, at the time of writing on April 24, 2026, Brent oil is trading at USD 105, while RBOB gasoline is USD 3.44 per gallon, equivalent to USD 144 per barrel, and jet fuel is USD 184 per barrel.[18]
b 2023 is the most recent year for which data are available.

Figure 2.1: Fossil fuel share of power generation in African countries, 2023



Source: IEA[31]

disproportionately impact the poorest African households, who spend 50 to 60 percent of their income on food.[25] The World Food Programme estimates that 28 million people in Sub-Saharan Africa could be pushed into acute food insecurity if the conflict persists.[26]

The energy crisis has also impacted power generation in some countries, especially those that rely on supplies of fuel oil from the Middle East. South Sudan has rationed electricity supply in Juba, and Mauritius has introduced restrictions on supply to high-consuming areas.[27] Egypt has ordered cafés, restaurants, and shopping malls to close at 9pm, in order to reduce electricity demand.[28]

In some countries, the disruption of supplies, coupled with rising energy prices, has exacerbated problems in power systems that predate the war. Sudan's electricity supply was already disrupted by the country's civil war, but restricted fuel oil availability due to the Iran War has increased the number of power cuts.[29] The Gambia was already experiencing load shedding due to having insufficient generation to meet rising demand, but that shortfall too has been worsened by the war's disruption to fuel oil supplies.[30] Faced with unreliable grid electricity, small businesses are forced to use diesel generators, at high cost due to inflated diesel prices. Other countries that rely heavily on imported fuel oil for power generation include Burkina Faso, Eritrea, Mali, Mauritania, and Niger (Figure 2.1).

The conflict in the Middle East underscores how global shocks translate directly into energy unaffordability for a continent already facing the highest levels of energy poverty. This exposes the structural vulnerability of import-dependent systems, where external conflicts can dictate who has access to electricity and at what cost.

Beyond these cases, the impact of the crisis on Africa's power generation has so far been moderate, as the majority of fossil power on the continent is generated using either piped gas or domestic coal. The only liquefied natural gas (LNG) import terminals currently in operation are in Egypt and Ghana. However, many more are proposed, including in Morocco, Guinea, South Africa, Mozambique, and Kenya.[32] The gas industry has long been promoting greater African consumption of gas, including from imports of LNG.[33] If these plans were more advanced, the present supply crisis would be having a much greater impact on power generation. Zero Carbon Analytics estimates that if it had already been built, just the first phase of one of South Africa's terminals would have seen its LNG import bill jump from USD 1.1 billion in 2025 to USD 1.6 billion this year.[34] Locking into LNG infrastructure risks amplifying future shocks, while delaying investments that could deliver more affordable and resilient energy access.

2.2 EXPORTS VERSUS DOMESTIC NEEDS

As we have seen, the majority of African crude oil is exported, even as countries have to import costlier refined fuels. One reason is the lack of refining capacity, but even where refineries exist, multinational companies prefer to export to the more lucrative international markets. For example, the Dangote Refinery has sought to obtain crude volumes produced in Nigeria, and other than the state-owned

Table 2.2: Share of gas production exported, and energy access gaps in largest African gas producers, 2023

	Share of gas production exported (net)	Proportion of population lacking modern energy access	
		Electricity	Clean cooking
Algeria	50%	0%	0%
Angola	80%	49%	50%
Egypt	0%	0%	0%
Equatorial Guinea	65%	33%	78%
Libya	20%	27%	No data
Mozambique	90%	64%	93%
Nigeria	49%	39%	74%

Sources: IEA World Energy Balances,[39] IEA et al Tracking SDG7 Progress[40]

Nigerian National Petroleum Company (NNPC), producer companies have been reluctant to oblige. As a result, the refinery has had to pay a premium for Nigerian crude. Much of the country's oil production is committed to paying debts to oil companies, banks, and traders.[35] In addition, international oil companies such as TotalEnergies have lobbied against attempts by Nigerian policymakers to require that Nigerian refineries be prioritised as customers of Nigerian crude, threatening to pause their investments if such measures were to go ahead.[36] This reflects a broader pattern of strategic bypassing, where multinationals prioritise exports to higher-value international markets over supplying domestic customers, effectively sidelining local energy needs in favour of external demand.

The most pressing energy need in Africa is to provide modern energy to those who presently lack it. 600 million Africans do not have electricity[37] and nearly a billion lack access to clean cooking, relying instead on harmful solid biomass fuel.[38] Yet gas production, like oil, has been prioritised for export rather than serving domestic needs. Thus, lack of energy access persists even in the continent's gas producers (Table 2.2), with the exception of Algeria and Egypt, where more of the production is operated by domestic companies rather than multinationals (Section 3.1).

Large-scale oil and gas projects concentrate infrastructure in enclaves and along export corridors, doing little to extend access to dispersed rural and peri-urban populations. By contrast, decentralised renewable solutions such as solar mini-grids and wind systems can be deployed directly where people live, offering a faster, more affordable pathway to reach the 600 million people currently without electricity (Section 5).

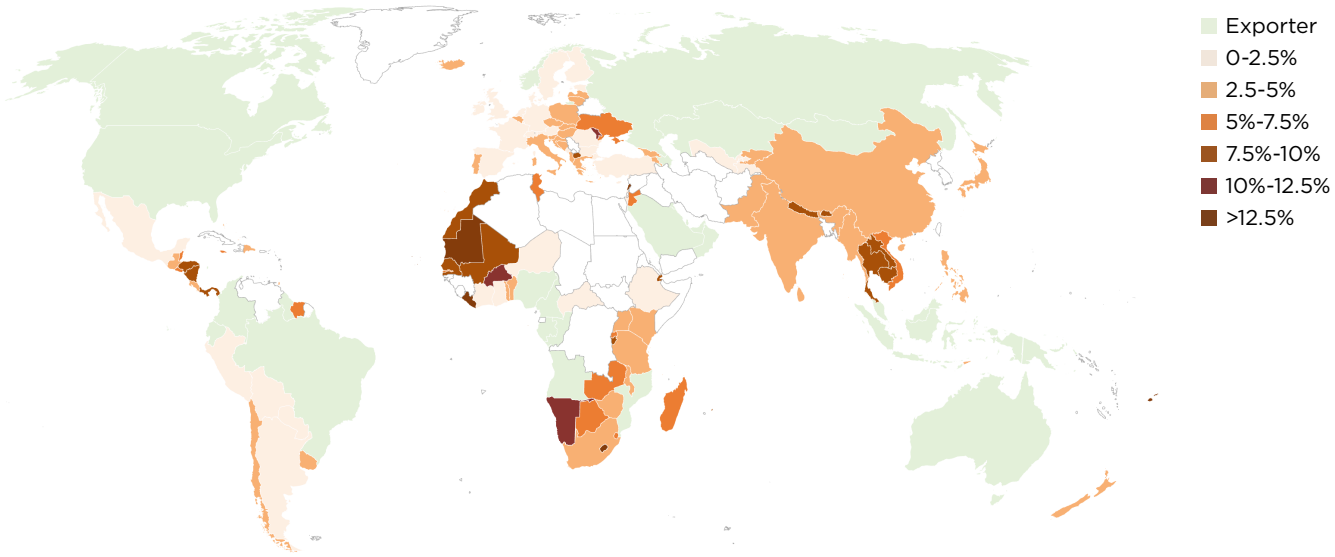
In Nigeria, current high international gas prices have incentivised gas-producing companies to export their gas rather than supply Nigerian power stations, worsening the country's long-running power shortages.[41] In Mozambique, a country with one of the world's lowest electrification rates, 90 percent of gas is exported (Table 2.2), a share that is set to increase further when the huge offshore gas fields currently being developed by TotalEnergies, Eni, and ExxonMobil come online, as the gas in those fields is again designated for LNG export. This highlights a stark disconnect between resource wealth and domestic energy access. In Senegal, where the government is seeking use of gas to generate power, BP pulled out of plans to develop the Yakaar-Teranga offshore gas field in 2023, as the government wanted to prioritise using the gas domestically rather than for LNG export.[42]

Oil and gas advocates commonly point to Africa's energy poverty as a justification for more extraction, even when most extracted gas will be exported from the continent.[43] A senior executive at French multinational TotalEnergies – the largest private operator of oil and gas extraction projects in Africa[44] – has criticised energy transition advocates as missing "the human face of Africa's energy poverty… [such as] mothers cooking with firewood [and] students trying to study by candlelight…We at TotalEnergies work to bridge that gap".[45]

Yet this "human face" argument rings hollow when the very projects led by TotalEnergies in Uganda,[46] Mozambique,[47] Angola,[48] and Nigeria[49] are overwhelmingly structured for export markets, with little to no direct contribution to expanding domestic electricity access. Invoking the 600 million Africans without power while prioritising LNG and crude exports exposes a contradiction. These investments are not designed to electrify African homes or support local industry, but to serve export markets and maximize profits. In effect, the rhetoric of energy poverty is being used to justify extraction models that do little to resolve it.

Even more of African fossil fuel production is likely to be exported as a result of the current energy crisis. With high energy prices due to the Iran War, European governments are already negotiating with African counterparts over increased gas supplies: Italy and Spain with Algeria, and Ukraine with Mozambique.[50] There are limited opportunities to increase African extraction in the short term, but some are calling for African oil and gas to play a larger role in longer-term international energy supplies.[51] Most recently, the *Invest in Africa Energy* conference, held in April 2026 in Paris, promoted African gas investments as an opportunity to hedge against Middle East supply disruptions: "What African exporters can provide is a flexible, lower-risk supply layer that helps European buyers manage seasonal storage refill cycles, absorb emergency shortfalls and reduce exposure to concentrated corridor risk."[52] The event included a ministerial dialogue on "Unlocking Africa's Gas Supply for *Global* Energy Security" (emphasis added).[53]

Figure 2.2: Net fossil fuel imports as proportion of GDP, 2023[c]



Data source: World Bank[63]

2.3 ECONOMIC VULNERABILITY FROM FOSSIL FUELS

High energy prices are also causing macroeconomic impacts, on exchange rates, inflation, and growth:

- Falling currency values are exacerbating the high cost of imports,[54] especially for countries with limited foreign exchange reserves.[55]
- The UN Economic Commission on Africa estimates that a 10 percent rise in energy prices may increase inflation in African economies by 1.7 percentage points.[56] The African Development Bank projects 2026 inflation of 17 percent in Nigeria, 20 percent in South Sudan, 22 percent in Malawi, 30 percent in Burundi, and 75 percent in Sudan.[57]
- The International Monetary Fund (IMF) has cut its 2026 forecast for economic growth in Africa to 4.3 percent, from its 4.6 percent pre-war forecast.[58] If transport through the Strait of Hormuz remains disrupted for a longer period, high energy prices will further constrain growth.

Fossil fuels are inherently volatile and induce dependence. Oil and (increasingly) gas are traded in global markets, with the result that disruptions anywhere can cause spikes in energy prices everywhere. The system is vulnerable to disruption, because production is very concentrated: In 2024, just thirteen countries – the U.S., Saudi Arabia, Russia, Canada, Iran, Iraq, China, the United Arab Emirates (UAE), Brazil, Kuwait, Qatar, Australia, and Norway – accounted for about three quarters of global oil and gas production,[59] and trade of oil and gas from these countries passes through several chokepoints.[60]

African economies are more vulnerable than others to external shocks, due to high debts, dependence on commodities, and weak infrastructure.[61] Structurally, these economies suffer from three deficiencies: lack of food sovereignty, lack of energy sovereignty, and the low-valued-added content of exports versus imports.[62] As outlined above, these deficiencies have all worsened the present situation.

Figure 2.2 illustrates worldwide vulnerabilities to high energy prices. In 2023 (when oil prices were around USD 80 per barrel), fossil fuel imports cost more than 10 percent of GDP in twelve countries worldwide, eight of them in Africa. In more than half of the African countries for which there are data, fossil fuel imports cost more than 5 percent of GDP.

Some commentators are urging African producer governments to grasp the opportunity the war creates. "War with Iran could accelerate Africa's oil revival", runs a headline in *The Economist*.[64] "Africa could emerge as the biggest winner in Iran War", according to *oilprice.com*.[65] Yet whilst the benefit of additional supply to Europe and other international energy markets is clear, the question of what kind of opportunity expanded production would create for African economies still remains. That is the subject of the next section.

c Except Iran, Nepal and Rwanda (data from 2022); and Russia (data from 2021).

3. THE EXPERIENCE OF OIL AND GAS EXTRACTION IN AFRICA

It is tempting to think of oil and gas extraction as a route to prosperity, or at least as a route to lift people out of poverty. However, in major producers Nigeria and Angola, around 40 percent of the population remains in extreme poverty[66] – living on less than USD 3 per day – even after decades of extracting oil. The same is true in oil producers Congo-Brazzaville and Chad, and in South Sudan, the poverty rate is even higher, at more than three quarters of the population.[d]

Why does all the money from oil and gas not help eliminate poverty? Intuitively, one would expect the revenues from oil extraction to help a country's economy thrive. Yet often oil- and gas-producing countries' economies have performed less well than the economies of countries without oil. For example, according to the African Import-Export Bank,[67] Africa's oil and gas exporters[e] have experienced slower economic growth and higher inflation than the continent's non-resource-intensive countries[f] every year since 2019, except in 2022 when both growth and inflation were roughly equal between the two groups of countries, and in 2020, the first year of the coronavirus pandemic, when the oil exporters' economies contracted by less than those of the non-resource-intensive countries (though inflation remained higher in the oil exporters).

The overall statistical correlation between oil and gas extraction and economic growth is hotly debated among scholars,[68] but it is clear that oil and gas producers have consistently performed less well than would be expected given their resource endowment.[69] This effect has been termed the "paradox of plenty"[70] or the "resource curse".

We used scholarly and grey literature, official and independent reports, and media to review the experience of oil and gas production in 13 African oil and gas producers, including Uganda, a new entrant to this category. Our analysis reveals five common features:

- The oil and gas economy is *extractive*, with companies often taking a disproportionate share of the revenues, at the expense of governments.
- Oil and gas extraction occurs in *enclaves* isolated from the wider economy, and creates few jobs.
- Oil and gas extraction *weakens* other economic sectors, both directly, through pollution and loss of land, and indirectly, through distorting the economy.
- Oil and gas lead to *corruption*, where bribery by oil companies and theft by officials enriches a few people, at the expense of public benefit.
- The oil and gas economy is a *vulnerable* one, dependent on volatile international prices and more indebted to international creditors.

Whilst oil and gas may offer benefits for some,[71] the oil and gas business model is inherently non-inclusive, with much of the population of these 13 countries remaining poor or (in the extraction regions) even getting poorer. The sections that follow explore these dimensions of the oil and gas economy, illustrated with examples from African countries. All African producer countries have these features to varying degrees; Table 3.1 maps which sections of this chapter the examples appear in.

d Of Sub-Saharan Africa's largest oil producers, only the small-population countries of Gabon and Equatorial Guinea have lower poverty rates, at 4% and 9%
e Algeria, Angola, Cameroon, Chad, Congo-Brazzaville, Egypt, Equatorial Guinea, Gabon, Libya, Nigeria, and South Sudan
f Benin, Burundi, Cape Verde, Comoros, Cote d'Ivoire, Djibouti, Ethiopia, Gambia, Guinea-Bissau, Kenya, Lesotho, Malawi, Madagascar, Mauritania, Mauritius, Morocco, Mozambique, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Somalia, Swaziland, Togo, Tunisia, Uganda

Table 3.1: Africa's major oil and gas producers, and where they appear as examples in this chapter (Uganda is set to become a producer in 2026 or 2027)

Country	Appears in this chapter:				
	3.1 Extractive	3.2 Enclaves	3.3 Weakened	3.4 Corrupted	3.5 Vulnerable, indebted
Algeria	●			●	
Angola	●	●		●	●
Chad	●	●	●		
Congo-Brazzaville	●	●		●	
Egypt	●				
Equatorial Guinea	●			●	
Gabon	●	●		●	
Ghana	●	●			
Libya	●				
Mozambique	●				●
Nigeria	●	●	●	●	
South Sudan	●				
Uganda	●		●		

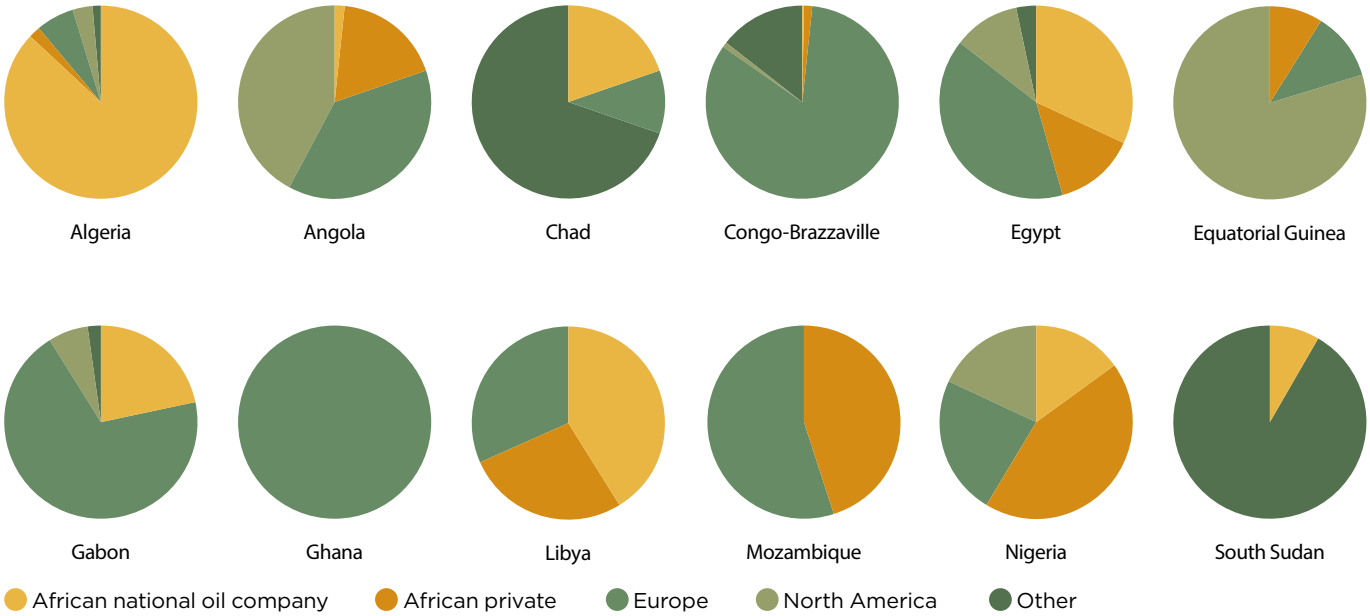
● appears as example in text ● appears briefly in text ● appears in tables or figures

3.1 AN EXTRACTIVE ECONOMY

FOREIGN COMPANIES DOMINATE AFRICAN PRODUCTION

In most African countries, oil and gas production is dominated by multinational oil companies. Oil and gas fields are usually owned by a consortium of companies, where one company is the operator, responsible for running things, including making day-to-day decisions, employing the staff, hiring contractors, recording income and expenditure. Only in Algeria and Libya do domestic companies operate most of the production, led by state-owned companies Sonatrach and National Oil Corporation, which built up strong technical capacity since nationalisation in the 1970s. In Nigeria and Egypt, private domestic companies operate around half of production. In Africa's other oil producers, the vast majority of production is operated by foreign companies, mostly headquartered in Europe and North America (Figure 3.1).

Figure 3.1: Operators of African oil and gas production in 2025



Source: Author analysis of data from the Rystad Energy UCube (Nov. 2025)

WHO GETS THE REVENUES?

With most oil and gas exported, the key economic function of oil and gas production for host countries is to generate fiscal revenue and export earnings. How the revenues are shared between the state and the companies is an important question, the answer to which is determined by the terms of production contracts. In theory, it is generally agreed that a company should earn a fair rate of return on its investments, while most of the revenues beyond that should go to the state, in return for depletion of its non-renewable resources.[72] It is the state, after all, that owns the subsurface resources. In practice, companies often achieve far more than a fair rate of return, leaving less of the revenue for host states. This profitability is especially striking when oil prices are high: *The Guardian* estimates that since the US- and Israel-led conflict in Iran erupted, global oil companies are making as much as 30 million dollars of profit per hour.[73]

For example, in Uganda's Lake Albert oil field contracts, researchers at Platform found that at oil prices of USD 50 per barrel, the companies' rates of return would be above 20 percent, "a staggering profit rate". These rates of return would rise to 25 percent at a price of USD 70, and to 30 percent at USD 90.[74] For comparison, companies commonly judge projects to be commercially viable (i.e. sufficiently profitable) above a threshold rate of return of 10 to 15 percent.[75]

In another example, the first of Mozambique's major new gas projects – Eni's Coral South project – began producing gas in late 2022. A 2019 analysis, conducted by Resources for Development Consulting for Oxfam, finds that the Mozambican government will receive an unusually low share of the revenues, at 49 percent. Furthermore, the government revenues will be heavily backloaded, as almost all of the proceeds will go to Eni and its partners until the 2030s. Contrary to expectations that the government would start to receive major revenues by the mid-2020s, the government's revenues from Coral South will not rise above USD 200 million until the mid- or late 2030s, depending on prices.[76] The gas field out of which this project is based was discovered in 2012.

Two main factors shape how revenues are shared: the relative bargaining power and the technical skills of the companies and the governments. Bargaining power is a reflection of how much each side wants and needs the deal. A country has more bargaining power if it has a large quantity of oil or gas, a stable political situation, many companies wanting to invest, and limited budgetary or economic needs. Conversely, if a country is desperate for investment, with less to entice foreign companies, it will struggle to strike a favourable deal. Often, in retrospect, when the country has strengthened economically or institutionally, it discovers that it is not getting a fair share of the benefits from the depletion of its resources. The oil industry calls this situation the "obsolescing bargain",[77] and ensures the terms are fixed in contracts, enforceable through international arbitration, thus locking in the country's weakness for the subsequent decades. In Uganda, for example, later rounds of contracts obtained better terms for the government, but by that stage it was too late, as contracts for the major resources had already been awarded.[78]

Even established oil and gas producers can find themselves negotiating from a position of weakness. Nigeria signed its first production-sharing contracts for offshore oil and gas in 1993, when it was in a political crisis over its transition to democracy, with thousands of Nigerians killed in protests and riots. Following strong domestic and international pressure, presidential elections finally occurred in June 1993 after repeated postponements, but military ruler Ibrahim Babangida annulled the election results. There was an economic crisis too, as international creditors withheld funds over Nigeria's failure to end military rule, and the Naira devalued by nearly 80 percent in 1992.[79] An analysis commissioned by the Nigerian Extractive Industries Transparency Initiative (EITI) finds that the resulting unfavourable terms of the contracts signed in these circumstances cost Nigeria between USD 16 billion and USD 29 billion in revenues between 2008 and 2017.[80]

Oil companies amplify their bargaining power by threatening to take their investments elsewhere if governments fail to offer sufficiently "competitive" fiscal terms, driving a race to the bottom. Major producers Nigeria and Angola have recently sweetened the terms of their contracts through lower taxes and royalties,[81] establishing a trend that pits African countries against each other and adds pressure to smaller producing countries to keep pace.[82] Despite the tax and royalties reductions in Nigeria, both TotalEnergies and Shell have demanded even more tax giveaways, putting corporate profit above public revenue.[83] "We are competing with other countries and projects for capital, so it is critical that Nigeria remains attractive", said TotalEnergies' Nigeria Managing Director.[84]

As for technical capacity, a survey by the African Development Bank and OpenOil observes that one reason Africa's natural resources have not been converted into positive development outcomes is governments' "comparatively low technical capacity and information asymmetry when assessing the value of resources, designing fiscal regimes, negotiating with extractive companies and monitoring revenue from extractive projects."[85] Multinational oil companies are meanwhile represented by the world's most highly-paid lawyers, technical experts, and negotiators. Inexperience on the government's side can lead to contractual terms with unexpected or detrimental outcomes for the state.

For example, in a 2004 contract, BG (now part of Shell) agreed to buy all of Equatorial Guinea's gas for 17 years at 90 percent of the US benchmark price, as that was where the gas was initially intended to be sold. However, in the years that followed, US gas prices collapsed due to the rise in US production through fracking from 2008 onward, while booming Asian demand drove up prices there. BG was able to sell gas in Asia for nearly five times the price it paid to Equatorial Guinea, but because the contract did not anticipate such a change, this generated over USD 1 billion per year of extra profit for BG, whereas the government lost out.[86]

ACCOUNTING SCHEMES

What this section has described so far is specified in the headline terms of a contract: in essence, the share of net revenues (i.e. after deducting costs) that should flow to the state. However, oil companies often use accounting schemes to reduce the apparent size of their net revenues, meaning the state is taking a percentage of a smaller amount. There are two main ways companies do this: by understating gross revenues, or by overstating costs.[87]

Gross revenues are simply the amount of oil and gas produced, multiplied by the price they are sold for. Companies can understate their gross revenues either by under-reporting the amount they produce, or by claiming it is sold at a lower price than it really was. The sales price can be manipulated by selling to an affiliate company in the same group, at a reduced price: the gross revenues in the producing country are thus reduced, whilst the affiliate – often located in another country with low taxes – achieves higher profit from obtaining cheap oil or gas. This is known as transfer pricing or profit-shifting.[88]

For example, a 2012 report by Nigeria's Petroleum Revenue Management Taskforce, which was leaked to the media, found that revenues to the state-owned NNPC from LNG sales were USD 29 billion lower than they should have been based on market prices, over the ten years from 2002 to 2011.[89] The Nigeria LNG Limited (NLNG) consortium responsible for the sales – comprising NNPC, Shell, TotalEnergies, and Eni – consists of the same companies that were supplying most of its feedstock gas.[g] The report also uncovered USD 3 billion of royalties and USD 750 million of signature bonuses owed to the government, which remained unpaid by the companies.

Transfer pricing can also be used to inflate costs, whereby an affiliate company supplies goods or services at excessively high prices. Again, this reduces the revenue base in the producer country, by shifting profits to the affiliate in a low-tax jurisdiction. The same approach can be used with internal financing costs: an affiliate company provides a loan at very high interest rates, which eats into the revenue base.

When Chinese oil company Sinopec built a gas-processing facility in Ghana, Sinopec bought parts from its own Dubai-based subsidiary, at a price inflated by USD 40 million.[90] The Ghana Revenue Authority found evidence of abusive transfer pricing, but was only able to recover a portion of the lost funds, due to lack of data.[91]

An investigation by Reuters found that in 2018 and 2019 Shell made USD 2.7 billion – seven percent of its worldwide profits – tax-free in Bermuda and the Bahamas, both countries that do not produce oil. Shell employed just 39 people in these two countries, in companies that provide oil trading, insurance, and finance for other Shell subsidiaries.[92] The same investigation found that BP's in-house insurance company – which sells insurance services to BP subsidiaries – accounted for up to 14 percent of BP's worldwide profits, again tax-free, despite having no employees. Both BP's and Shell's in-house insurance companies achieved profitability many times higher than other insurance companies, by charging unusually high premiums compared to their payout rates, with their only clients being their own affiliate companies. Several experts have commented that the only reason for such structures would be to avoid taxes, though both companies denied any wrongdoing.[93]

The High-Level Panel on Illicit Financial Flows from Africa has found that between 2000 and 2010, mispricing by the oil sector led to losses of over USD 80 billion across the continent.[94] The Economic Commission for Africa estimated in 2025 that USD 40 billion is lost every year due to illicit financial flows in the extractive sector (oil, gas, and mining).[95]

Whether due to unbalanced contract terms or to accounting schemes, governments often find that they are not getting a reasonable share of the income from their oil and gas.

3.2 AN ENCLAVE ECONOMY

Since African oil and gas is extracted primarily for export, the process of extraction can be isolated from the rest of the country, thus creating an economic enclave. This enclave nature of the oil economy allows companies to engage only with the pockets they are interested in – "l'Afrique utile", in the old colonial French expression – while ignoring the large areas of "l'Afrique inutile".[96]

Sometimes the enclave is a physical one, protected by fences and security guards, in which expatriate workers both live and work, cut off from the local population and economy. Chevron's Malongo compound in Angola is described by reporter Daphne Eviatar as a "a campus of ranch houses, manicured green lawns and smooth paved roads", with its own private water supply, dining halls providing imported food, and baseball, basketball, volleyball, and tennis courts.[97] ExxonMobil's Kome compound in Chad was reported to have its own power station that generated more power than the rest of the country, and its own airport. Expatriate workers lived in air-conditioned rooms with private bathrooms and DVD players, whilst just the other side of its perimeter fence was a shanty town of 10,000 people without clean running water, hoping for some of the scarce work next door.[98] Other oil company compounds are known for having swimming pools in the middle of the desert, or for bringing in Japanese chefs and Japanese ingredients to feed expatriate Japanese workers.[99]

The pronounced inequality is not incidental; it is built into the model. This physical enclave is a literal manifestation of energy exclusion, where infrastructure serves extraction sites in isolation rather than the people and economies that surround them.

The enclave nature of the industry is even greater for offshore developments. With the advent of floating production, storage, and offloading vessels for oil production over the last 30 years, and more recently of floating liquefaction units for gas, it is possible to operate an extraction project without ever building

g NLNG's gas suppliers are the joint ventures Shell Petroleum Development Company (SPDC, then led by Shell, in partnership with NNPC, Total, and Eni); Nigerian Agip Oil Company (NAOC, then led by Eni with NNPC and ConocoPhillips); and the TotalEnergies EP Nigeria/NNPC joint venture.

anything onshore: everything can be brought from outside. This move toward offshore floating production systems and toward increasingly automated, remotely-operated robot crews allows companies to extract resources with minimal physical or economic presence in the host country, bypassing any obligation to build local infrastructure or develop domestic skills. In effect, companies are deploying innovation not to integrate these projects into national economies, but to further detach them from local development altogether.

The very nature of oil and gas extraction tends to encourage an enclave economy, with few linkages between oil and gas production and other sectors in the economy. The extraction companies export oil and gas as primary commodities rather than fuelling the host country's own industries. Likewise, companies export profits to overseas shareholders rather than reinvesting them in the country's own economy. Oil and gas extraction is a high-tech operation, requiring both skilled labour and complex inputs. As a result, the largest service and supply contracts go to foreign providers – for example, contracts are awarded to shipyards in South Korea to build offshore installations; to engineering companies from Europe; and to drilling companies from the United States. A study by the Africa Centre for Energy Policy found that in Ghana, only 51 of the 701 companies registered to supply technical services to oil companies were Ghanaian.[100] Even where Ghanaian companies have the needed technical capacities, multinational oil companies have tended to prefer working with international suppliers.[101]

Furthermore, oil and gas extraction is one of the most capital-intensive economic sectors, meaning that it creates very few jobs for the amount of investment it requires. As Table 3.2 shows, oil and gas extraction accounts for extremely small proportions of the workforce in producer countries, despite in many cases being a large share of GDP.[h]

Table 3.2: Contribution of oil and gas extraction to employment in African producers *(countries for which data are available). Employment numbers refer only to nationals of the respective countries, except in the cases of Gabon and Ghana, where data are not disaggregated between nationals and expatriates.*[103]

	Oil & gas production 2023, kboe/d[104]	Number of oil & gas workers[105]	Oil & gas share of workforce[106]
Angola	1,230	39,770	0.3%
Chad	140	560[i]	0.01%
Congo-Brazzaville	300	2,430	0.1%
Gabon	230	4,210	0.6%
Ghana	180	1,430	0.01%
Nigeria	2,240	8,480	0.01%
Senegal	50 (2024)	230	0.004%

Source: EITI reports

Even these few jobs are precarious over the long term, due to growing use of automation and artificial intelligence. Consultancy Rystad Energy projects that hundreds of thousands of oil industry jobs globally could be replaced by robots by 2030, reducing drilling rig crews by 20 to 30 percent, and also significantly reducing maintenance and operating staff.[107] These trends toward automation are being led in Global North countries, but they could soon be followed in Global South operations too.

Governments try to capture more of the jobs and supply contracts through regulations and contractual terms known as local content policies, which require that a minimum percentage of jobs and contracts go to the country's own workers and companies. Multinational oil companies have often resisted such policies, claiming they are "unrealistic" and lobbying for the policies and targets to be weakened,[108] as well as for voluntary rather than regulatory approaches.[109] The impact of local content policies has been mixed. In longer-established producers such as Nigeria and Angola, the policies have helped indigenise more of the oil and gas workforce, but in smaller and newer producers, the results have been more limited.[110] In Ghana, for example, the oil industry has employed more Ghanaians in administrative and low-skilled positions, while more senior and technical jobs have continued to go to expatriates; there is also a significant salary disparity between Ghanaians and expatriates.[111]

3.3 A WEAKENED ECONOMY

While the oil and gas sector itself creates few jobs, it also damages other sectors in the country that employ more people, including agriculture and manufacturing. The damage is most tangible and direct at the local level, where toxic spills from onshore oil and gas extraction damage agriculture and fishing.

A paradigm example is in the Niger Delta of Nigeria, where companies have extracted oil since the late 1950s. In addition to severe impacts on people's health,[112] pollution from oil operations has devastated farming and fishing, the primary source of livelihoods.[113] These harms to livelihoods are exacerbated as reduced local production raises the costs of foodstuffs.[114]

From 2011 to 2025, there were over 15,000 spills in the Delta, totalling more than 610,000 barrels.[115] One study of 13 fishing communities found that after an oil spill, the catch of fish was so reduced that 88 percent of businesses became loss-making, taking years to recover, with more than 40 percent of the affected people forced to change livelihood.[116] According to another study,

h For example, taking the average Nigerian Forcados spot price of USD 83.60, Nigeria's 1,510 thousands of barrels per day (kbd) of oil produced in 2023 would be worth approximately USD 46 billion, equivalent to nearly 10% of Nigeria's GDP of USD 487 billion. Angola's 1,130 kbd would be worth approximately USD 34 billion, about a third of its GDP of USD 107 billion. In both cases, this is before considering the value of gas production.[102]

i N.B.: This excludes China National Petroleum Corporation (CNPC), the largest operator, which did not report its number of employees.

pollution reduced incomes from shellfish collection – conducted primarily by women – by 60 percent, compared to non-polluted areas.[117] Polluted soil has significantly reduced crop yields; for example, cassava yields fell by 48 percent following an oil spill.[118]

Across the Niger Delta, there are more than 170 gas flares, burning day and night, despite many attempts by the government to end the practice.[119] The heat of gas flares reduces both crop yields and nutritional quality in their vicinity (within a few hundred metres),[120] while acid rain from the air pollution damages crops and soil health over a wider area.[121]

In addition, oil company security measures tend to exclude farmers and fishers from land and water that they previously used for their livelihoods. Exclusion zones around offshore installations, pipelines, and tanker routes have been particularly impactful where fish are attracted to the lights on installations, leaving fewer present in the areas where fishing is still permitted.[122]


For example, in Uganda and Tanzania, over 100,000 people were displaced by the oil fields and the East Africa Crude Oil Pipeline (EACOP).[123] Although the resettlement plan was supposed to leave displaced people better off, many were moved to unsuitable housing, often a long way from water, markets, and medical facilities, with inadequate compensation for their loss of livelihoods.[124]

Similar problems occurred with the resettlement of communities when the Chad-Cameroon pipeline was built twenty years earlier.[125]

Oil and gas extraction causes other economic sectors to decline indirectly, through the effects of Dutch disease. Named after the experience of gas development in the Netherlands in the 1970s, this well-known effect occurs where the boom in oil and gas extraction increases the value of the country's currency, which makes other export industries uncompetitive in overseas markets.[126] At the same time, imported goods become attractive, so industries supplying the domestic market shrink too.

Returning to the example of Nigeria, the growth of oil led Nigeria's agriculture sector to collapse across the whole country, as oil drove up the Naira exchange rate, making agricultural exports uncompetitive. Until the 1960s, Nigeria was the world's largest producer of palm oil, the largest exporter of peanuts, the second largest exporter of cocoa, and a major producer of rubber, cotton, cassava, and other crops.[127] But between 1970 and 1985, cocoa production fell by 43 percent, rubber by 29 percent, cotton by 65 percent, and peanuts by 64 percent.[128] By the mid-1970s, Nigeria became a net food importer,[129] causing food insecurity due to vulnerability resulting from volatile international commodity prices.[130]

3.4 A CORRUPTED ECONOMY

Oil operations have often been associated with large-scale corruption. One of the most infamous cases in Africa concerned the French former state-owned company Elf, which extracted oil in former French colonies. It has since been privatised and is now part of TotalEnergies. Between 1989 and 1993, senior Elf executives embezzled USD 350 million of the company's funds, which they used to bribe politicians in several African countries and in France, and to fund villas, jewellery, and fine art for themselves. The executives bribed the presidents of Gabon, Angola, Cameroon, and Congo-Brazzaville to keep their company dominant in those countries' oil production, and to support French foreign policy objectives. In 2003, 37 senior Elf executives were convicted, including the chief executive Loïc le Floch Prigent and his deputy, who were both jailed for five years.[131]

In 2009, oil field services company Kellogg Brown & Root pleaded guilty to authorizing, promising, and paying bribes to Nigerian officials to secure over USD 6 billion of construction contracts for the company.[132] The company paid penalties of USD 579 million to the US Department of Justice and Securities & Exchange Commission, none of which was passed on to Nigeria. A result of corruption is the conspicuous enrichment of political leaders, while most of their compatriots remain poor.

Angola's governance under former President Jose Dos Santos has been described by one corruption expert as "Africa's most sophisticated kleptocracy".[133] President Dos Santos appointed his daughter as head of the national oil company Sonangol, where she used her position and her father's to become Africa's richest woman, and acquired a business empire spanning banking, diamonds, media, and telecoms in both Angola and Portugal.[134] The Fundação Eduardo dos Santos – described by a diplomat as the family's slush fund, and used both to strengthen the President's political power and to fund lavish parties for his guests[135] – received donations from ExxonMobil, TotalEnergies, and BP, and parts of some signature bonuses on oil blocks.[136]

In fact, almost all African oil producers have suffered corruption scandals related to their oil and gas revenues. In Equatorial Guinea, the president's son – the vice president – is famous for his superyachts, private jets, and dozens of sports cars, and his mansions in South Africa, France, and the US;[137] additionally, he has been convicted of corruption in France.[138] In Congo-Brazzaville, anti-corruption organisation Global Witness uncovered a "laundromat" scheme to launder tens of millions of dollars embezzled by the ruling family.[139] In Gabon, the former ruling family's accumulation of wealth became known as the "Bongo system".[140] Beyond the family, the former director and deputy director of the Gabon Oil Company have been imprisoned for embezzlement.[141] In Algeria, several senior directors of national oil company Sonatrach have been jailed for corruption.[142]

3.5 A VULNERABLE AND INDEBTED ECONOMY

When a country begins to extract oil and gas, there is commonly an initial, "euphoric" period as revenues start to flow.[143] Rapid growth can occur for a time, but this will stagnate; the oil and gas sector itself cannot sustain growth once production levels peak due to geological constraints.[144] In theory, oil and gas extraction could be used to finance and stimulate other sectors that would replace it once it ceases to grow.[145] In practice, this has rarely been achieved. With other sectors less competitive and productivity

diminished, the relationship between a country and its extractive industry instead develops into a dependency on oil and gas revenue, which Dutch disease makes increasingly difficult to escape.

Oil-dependent economies can be left at the mercy of changes in oil price, which is driven by factors far beyond their control. Severe falls in international oil prices in 2014 and in 2020 caused economic crises in countries whose economies depend on oil.

For example, Angola relies on oil for 60 percent of government revenues. When oil prices fell from over USD 100 per barrel in June 2014 to USD 50 by the end of the year, the government was forced to cut its budget by 25 percent, leaving both public sector employees and government suppliers unpaid for several months.[146] The health sector collapsed, resulting in outbreaks of malaria, yellow fever, dengue, and chikungunya in 2016.[147] The shock brought economic growth to a halt by 2016, with even the non-oil sector contracting,[148] while prices went up as inflation exceeded 30 percent.[149] Angola's external debt grew from 36 percent of GDP in 2014 to 115 percent in 2016.[150] During periods of low oil prices, oil-exporting countries fall deeper into debt, as a means to plug fiscal shortfalls. But it is not only in times of price collapse that oil- and gas-producing countries become more indebted. A study by thinktank ODI Global observes a vicious cycle, where governments increase their borrowing both when prices are low and also when prices are high: during the boom times, credit becomes cheaper, and governments feel overconfident about future prospects of the economy, borrowing against expected future oil and gas revenues.[151]

Debt can escalate in anticipation of future oil and gas revenues, in what has become known as the "presource curse".[152] An IMF research paper finds that giant discoveries lead to "large and persistent debt buildups", by around 15 percent of GDP during the ten years after the discovery. This number is greater in countries with weak institutions. This debt buildup leads to increased risk of fiscal stress and debt distress.[153]

For example, Mozambique was already highly indebted when gas was discovered in 2010, with external debt of about 100 percent of gross national income. Over the subsequent years, the government spent money in anticipation of future revenues, leading external debt to escalate to 360 percent by 2016, a level it has remained at since then.[154] Among this borrowing was the "tuna bonds" scandal, where foreign banks provided USD 2 billion of secret loans starting in 2013.[155] Supposedly, the aim was to develop Mozambique's tuna fishing fleet and maritime security, but in practice it was a scheme for large-scale embezzlement. The loans were revealed only in 2016 when they provoked an economic crisis, ultimately leading to numerous convictions of the foreign and Mozambican individuals and companies involved.[j]

If governments go deeper into debt whilst expecting that future oil income can be used to service the debts, what happens if that anticipation is misplaced? The next section reviews the prospects of future oil revenues in light of the global energy transition.

j The bank Crédit Suisse subsequently pleaded guilty to fraud, three of its former executives pleaded guilty to bribery and money laundering, the shipbuilder was found guilty of bribery, and 12 Mozambican officials were found guilty of embezzlement and money laundering.[156]

4. OIL AND GAS PROSPECTS IN THE GLOBAL ENERGY TRANSITION

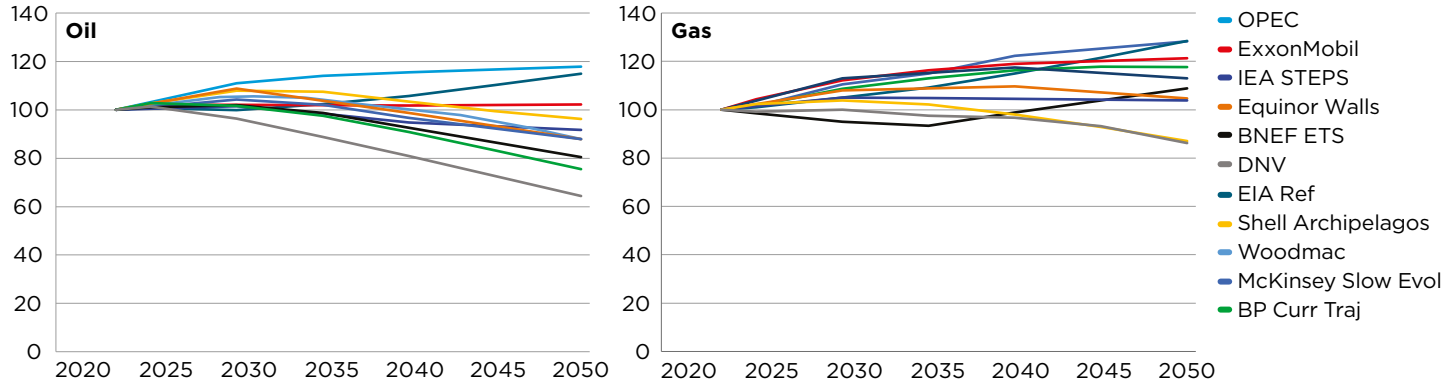
4.1 THE GLOBAL ENERGY TRANSITION

Global energy markets are changing, as clean alternatives – including electric cars, wind and solar power, and others – are becoming cheaper than the incumbent oil and gas technologies (see Box 4.1). Most energy forecasters project a peak in global oil demand by around 2030, followed by a slow decline, even if no new climate policies are introduced. This is projected by the International Energy Agency (IEA), by oil companies Shell, BP, and Equinor, and by consultancies Wood Mackenzie, Bloomberg, McKinsey, and DNV, as shown in Figure 4.1. The only major forecasters that project continued growth in oil demand are the Organization of the Petroleum Exporting Companies (OPEC) and the US Energy Information Administration.[k] The story is similar for gas, though forecasters differ on whether global gas demand will peak in the 2020s, the 2030s, or later.

These projections are based on a future where governments do not introduce any new policies, leaving the world a long way off-course from achieving the temperature goal of the Paris Agreement, i.e., to hold warming well below 2 degrees Celsius (°C) and to pursue efforts to limit warming to 1.5°C. The IEA Stated Policies Scenario[l] – which is in the middle of the group in Figure 4.1 – would lead to warming of 2.5°C. The health, economic, and ecological impacts of such high levels of warming would be devastating, especially in Africa.

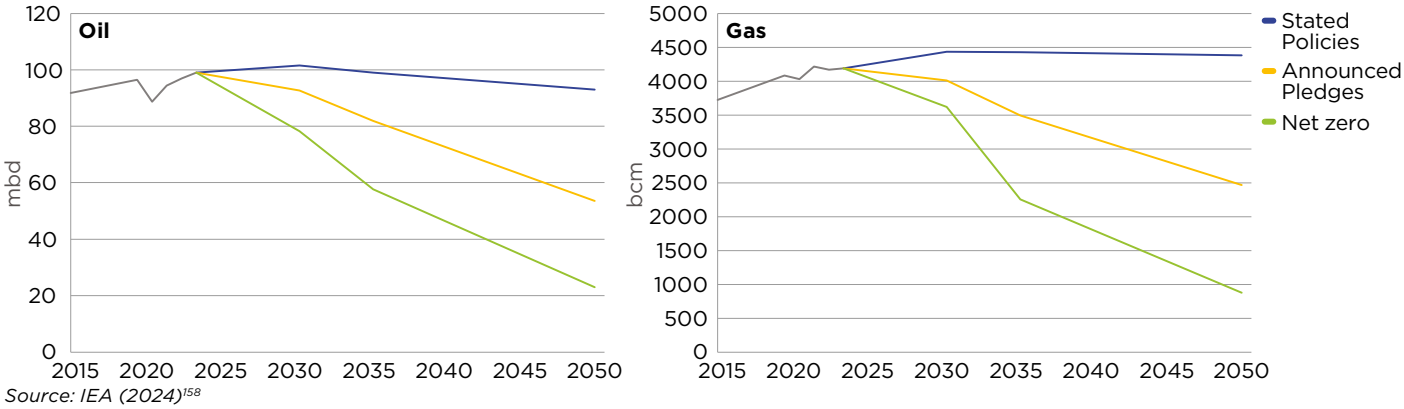
If governments achieve their climate goals, the decrease in oil and gas demand will be much faster. The IEA's Announced Pledges Scenario assumes that governments that have set targets for net-zero emissions achieve those targets, leading to 1.7°C of warming: in this scenario, global oil and gas demand would fall by about half by 2050, compared to today's levels. If governments go further and succeed in limiting warming to 1.5°C, and also achieve the other energy-related Sustainable Development Goals, as assumed in the IEA's Net Zero Emissions scenario, demand would fall by about three quarters. These prospects for declining global oil and gas demand are shown in Figure 4.2.

Figure 4.1: Global oil and gas demand projections by all major forecasters, assuming no policy change (index 2023 = 100)



Source: various outlooks[157]

Figure 4.2: Projected global oil & gas demand in three IEA scenarios



Source: IEA (2024)[158]

k ExxonMobil's projection has oil demand essentially flat from 2030 to 2050.
l An energy scenario is a detailed description of a possible future of the energy system.

It is not just climate policies that can accelerate the downward trend in oil and gas demand. The projections above all predate the Iran War, which has created strong incentives for consumers to switch to alternative energy sources, and for governments to introduce new policies to encourage the switch. Many energy commentators see the war as a potential turning point for fossil fuel demand, one that could significantly accelerate the energy transition. For example, IEA Executive Director Fatih Birol has said "The vase is broken, the damage is done… This will have permanent consequences for the global energy markets for years to come."[159]

The effect of peaking or falling demand will likely be to push down oil and gas prices, reducing the revenues for oil and gas exporters. Economic theory tells us that if lower volumes are extracted and consumed, the long-term equilibrium price will be lower, as the more difficult- and costly-to-extract barrels will not be needed. If demand falls faster than supply from existing infrastructure, a temporary excess of supply can also push down prices. But other effects may come into play as oil moves from a paradigm of scarcity to one of abundance, where producers compete for a declining market, further driving down the price.[160] There may be social and psychological effects as investors and companies desert a declining industry.[161] In the 160 years of the modern oil industry, demand has grown every year, apart from a few short periods of global economic contraction, so it is hard to predict what non-linear feedbacks will occur when the market is in long-term, structural decline.

BOX 4.1: TECHNOLOGY DRIVING REDUCTION IN OIL AND GAS DEMAND

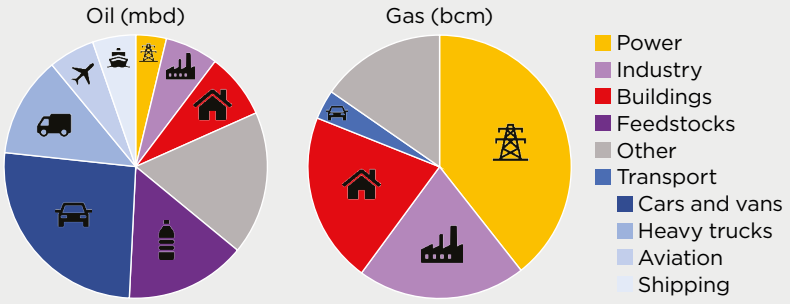
Changes in cars – which account for the largest demand segment at about a quarter of total global oil consumption – are catalysing the expected near-term peak in oil demand (Figure 4.3). Driven by dramatic reductions in battery costs, sales of electric cars are growing rapidly.[162] Already in China, the world's largest car market, more electric cars are sold every month than oil-fuelled cars.[163] Worldwide, 22 percent of car sales in 2024 were for electric cars.[164] Since cars last for about fifteen years on average, it will take time for these new sales to replace the existing fleet, but that replacement is happening. As an ever-larger share of the global fleet no longer requires oil, this change is set to push total oil use into decline.

In the case of gas, the key driver of the slowdown in demand is the growth in wind and solar power, again enabled by cost reductions: wind and solar are now the cheapest means to generate electricity in countries accounting for 80 percent of total global generation.[165] Power generation is the largest use of gas, accounting for about 40 percent of total gas use (Figure 4.3).

Beyond the biggest near-term reductions in demand for oil and gas (due to electric cars and renewable power respectively), alternative technologies are becoming available for other uses of oil and gas as well. For example, electric trucks are expected to achieve cost-parity with oil-fuelled trucks in the 2030s in most uses and countries.[167] Air-source heat pumps are growing increasingly cost-competitive with fossil-fueled boilers for heating buildings, and in some countries, more heat pumps are sold every month than gas boilers, eating into demand for gas to heat buildings.[168] Meanwhile, industry is seeing rapid innovation in cleaner sources of heat, with alternatives to gas likely to be cost-competitive in the 2030s or 2040s for most uses.[169] Thus, both oil and gas face technological competition in uses accounting for a majority of their demand.

Whereas most of the demand forecasts shown in Figure 4.1 recognise the changes happening in cars and power generation, these forecasts are generally conservative about the prospects of earlier-stage technologies such as electric trucks and heat pumps, as at this stage technological development is harder to predict. This suggests a possibility of deeper demand reductions than the forecasts are predicting in the 2030s and 2040s, even under existing policies.[170]

Figure 4.3: Oil and gas consumption by demand segment, 2022



Source: IEA 2023[166]

4.2 IT TAKES TIME

The present high oil and gas prices may seem like an opportunity for African producers. However, finding and opening up oil and gas fields is a lengthy process, with a series of steps each taking several years before oil and gas start to flow (Figure 4.4):

- After a license or contract is awarded, a company can start **exploration** for oil and gas, a process that commonly takes two to ten years.
- If this leads to the discovery of a commercial quantity of oil and gas, there is then an **appraisal** stage, commonly lasting two to five years, where the company will examine the discovery more closely to assess the economic viability of extraction, and, if extraction is viable, will make a plan for how to do it.[m]
- If the appraisal finds that extracting the oil and gas is economically attractive, the company will make a final investment decision (FID), starting a phase of **development**, in which the company will build various facilities and infrastructure and drill wells. This often takes two to five years, or longer where resources are remote and major pipelines are needed.
- Only once development is completed, likely 10 to 20 years after the contract or license was awarded, can the first **production** begin.

Even once oil and gas start to flow, in the first years of production the majority of revenues are generally used to pay back the companies' investments, with significant revenues to the government not expected until some years after that.

Today, high oil and gas prices make new oil and gas extraction projects look attractive. But by the time revenues are flowing to governments, energy markets and prices may look quite different from today, as the energy transition described above will be more advanced.

4.3 THE DANGERS FOR NEW PRODUCERS

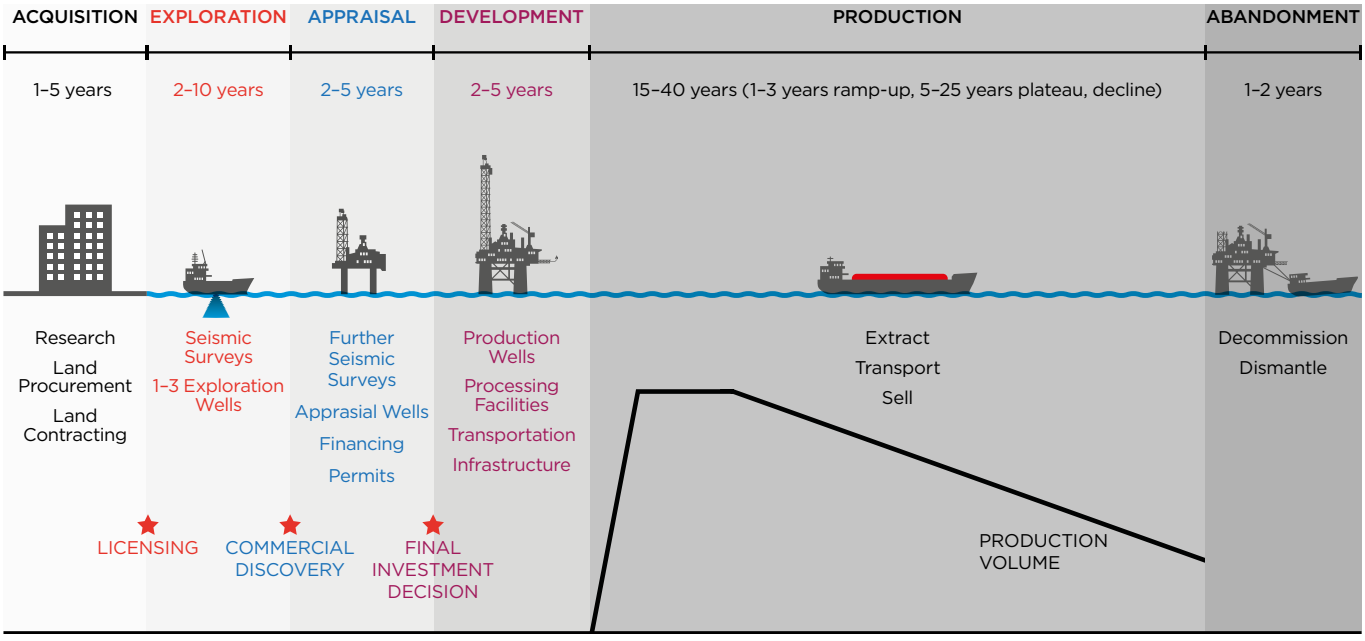
The faster ends of the timeline ranges above apply to countries that already produce oil and gas, where the infrastructure and institutional framework are in place, and where companies have knowledge of the country and its geology. The timelines will be longer for new producers. Table 4.1 shows the timelines for the African countries that have either become oil and gas producers in the last fifty years, or are currently becoming producers, based on the largest fields that played key roles in expanding each country's production. The average time from the signing of a contract to first production is 16 years.[n]

Some African countries are in the process of becoming new producers of oil and gas. Uganda is set to become an oil producer once the East African Crude Oil Pipeline is completed, expected later in 2026. Mozambique is producing a modest amount of gas onshore and from the Coral South LNG project, but much larger LNG projects are presently under construction, which are set to make Mozambique a major producer by the early 2030s. Other countries which do not yet produce oil and gas, or which only produce very small quantities – including Namibia, Tanzania, the Democratic Republic of the Congo, and Côte d'Ivoire – hope to become new producers of oil and gas.

However, these countries will run the risk of having shrinking export markets for their oil and gas once their production is under way: by the 2030s and 2040s, energy markets are set to be very different. As outlined in Section 4.1, global oil and gas demand is likely to have peaked by then, and may be in rapid decline, depending on policy decisions. There is a danger then that in addition to the non-inclusive economic structures common to all African producers (Section 3), these countries may not even have a significant stream of revenue to the governments, but instead could be left with stranded assets[171] and debts.

These countries will thus be under time pressure to extract their oil and gas as quickly as possible to stay ahead of the global energy transition. However,

Figure 4.4: Stages in the life of an oil or gas field, and typical timelines



Source: Oil Change International

m In some cases, there is a much longer gap between a discovery and an FID, where the field is at first economically unviable, but becomes viable either when the oil price rises, or when new technology is developed.

n Most of the fastest cases occurred where there was already nearby infrastructure, and/or where the quantities of oil and gas were relatively small. The most recent and not-yet-producing fields, in new producers Mozambique, Senegal, Uganda, and Namibia, show some of the slowest timelines.

studies of the resource curse find that the best economic development outcomes are achieved by taking it slowly, in order to build a domestic workforce and supply chain as well as a regulatory capacity to negotiate fair contracts and oversee foreign companies' behaviour. This is a process that takes decades.[172] This was how Norway became the country most widely recognized to have benefited from oil and gas production: when Norway discovered oil in the 1960s and 1970s, the government decided to develop it deliberately slowly, and even put a cap on how much production would be allowed.[173]

In contrast, expanding production quickly, without building the necessary institutional and industrial capacity, is likely to worsen the negative economic consequences described in Section 3. For example, Section 3.1 described how new producers Uganda and Mozambique signed contracts that gave disproportionate shares of oil and gas revenues to foreign companies, leaving less for the governments. Without regulatory capacity to handle the process of planning and management of gas developments, Mozambique fell very deep into debt after its discoveries (Section 3.1). When Ghana fast-tracked development of oil and gas after discoveries in 2007, few of the jobs and supply contracts went to Ghanaian workers and companies (Section 3.2), and inexperience left regulatory agencies unable to effectively secure local benefits.[174] New producers thus have the worst prospects of economic development from oil and gas extraction.

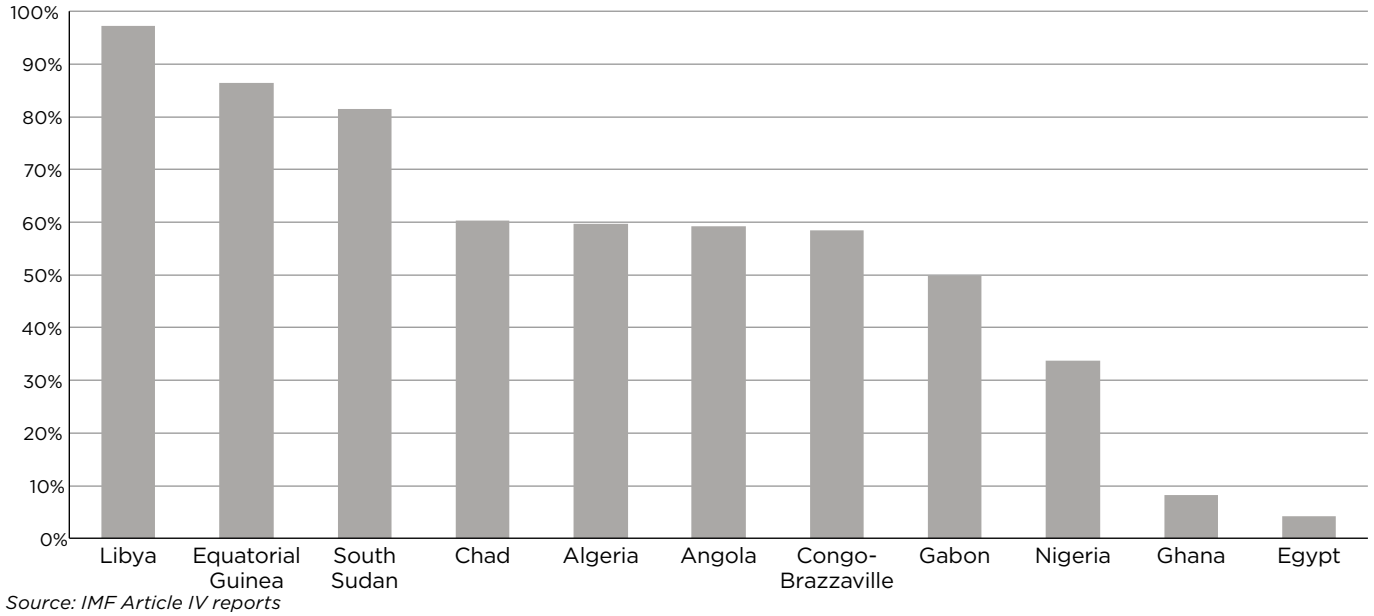
Table 4.1: Timelines of oil and gas development in African countries

Country	Field / project	Onshore/ offshore	Oil/ gas	Expected lifetime extraction, Million boe[o]	Contract signed	Discovery	Final investment decision	First production	Duration (years)			
									Exploration	Appraisal	Development	Signing to production
Egypt	July	Shallow	Oil	623	1964	1973	1973	1974	9	<1	1	10
	October	Shallow	Oil	1,305	1974	1977	1979	1979	3	2	<1	5
Equatorial Guinea	Alba	Shallow	Gas	1,692	1971	1984	1989	1991	13	5	2	20
Chad	Doba oil complex	Onshore	Oil	800	1969	1975	2000	2003	6	25	3	34
Sudan	Heglig	Onshore	Oil	250	1980	1982	1991	1996	2	9	5	16
	Fula	Onshore	Oil	264	1995	2000	2003	2004	5	3	1	9
South Sudan	Palogue	Onshore	Oil	753	2000	2003	2005	2006	3	2	1	6
Congo-Brazzaville	Loango	Shallow	Oil	421	1970	1972	1974	1978	2	2	4	8
Angola	Takula	Shallow	Oil	1,285	1969	1971	1977	1982	2	6	5	13
	Girasol	Deepwater	Oil & gas	1,137	1994	1996	1998	2001	2	2	3	7
	Dalia	Deepwater	Oil	1,705	1995	1997	2003	2006	2	6	3	11
Senegal	Sangomar	Deepwater	Oil & gas	575	2004	2014	2020	2024	10	6	4	20
	Yakaar-Teranga	Deepwater	Gas	1,723	2004	2017	2027 (exp)	2030 (exp)	13	10	3	26
Mozambique	Coral	Deepwater	Gas	1,382	2006	2012	2017	2022	6	5	5	16
	Area 1	Deepwater	Gas	11,742	2006	2010	2019	2031 (exp)	4	9	12	25
	Area 4	Deepwater	Gas	6,591	2006	2011	2028 (exp)	2033 (exp)	5	17	5	27
Uganda	Tilenga	Onshore	Oil	852	2004	2008	2022	2027 (exp)	4	14	5	23
Namibia	Venus	Deepwater	Oil	1,476	2012	2022	2027 (exp)	2030 (exp)	10	5	3	18
AVERAGE DURATION									**5.6**	**7.5**	**3.3 (excl Moz Area 1[p])**	**16.3**

Source: Rystad Energy UCube (Aug. 2025) and author's analysis

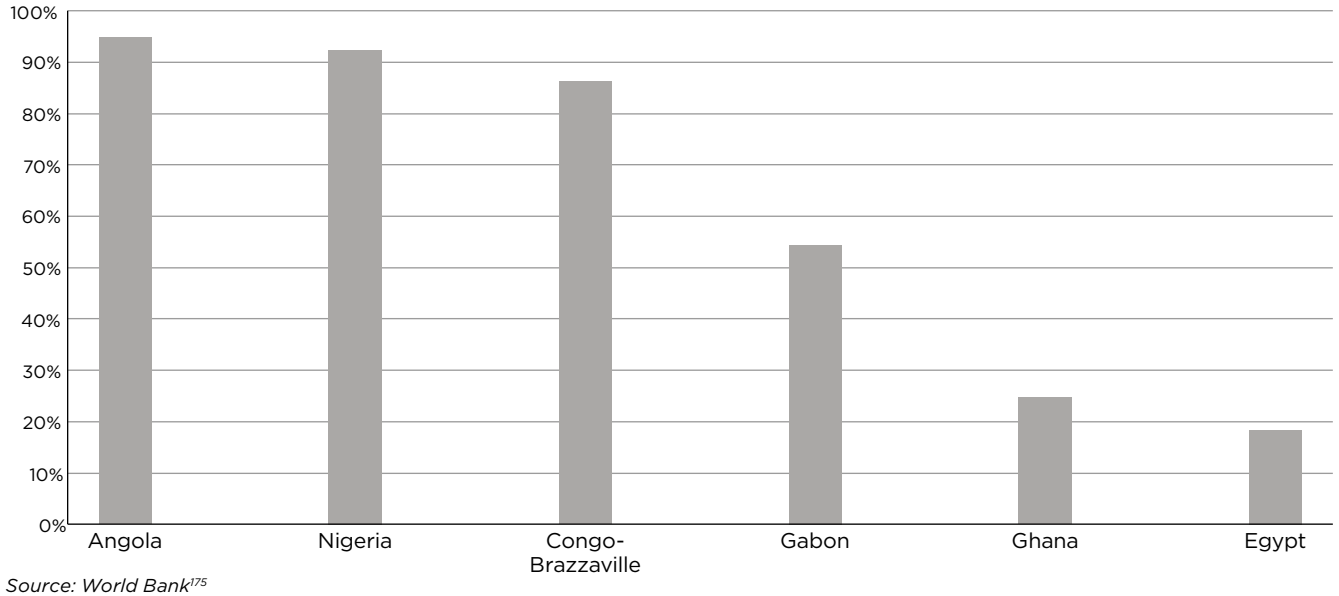
o This is the quantity that would be counted as reserves before anything was extracted, if the company had all its geological knowledge at that time. Includes subsequent development phases on the same field.
p Area 1 is excluded from the average because in this case, development was paused due to force majeure.

Figure 4.5: Share of government fiscal revenues derived from oil and gas, 2023



Source: IMF Article IV reports

Figure 4.6: Fuel share of exports, 2023 (data unavailable for other countries)



Source: World Bank[175]

4.4 ECONOMIC RISK AND TRANSITIONS IN EXISTING PRODUCERS

The economies of most of Africa's existing producers rely heavily on oil and gas. In Libya, Equatorial Guinea, and South Sudan, oil and gas are the source of more than 80 percent of government revenues; in Chad, Algeria, Angola, and Congo-Brazzaville, they provide 60 percent; in Gabon, 50 percent; and in Nigeria, over 30 percent (Figure 4.5).

Oil and gas provide an even larger share of export earnings, which are important for generating foreign exchange and shaping the balance of payments (Figure 4.6).

Countries that are highly dependent on oil and gas revenues face serious economic threats as the world transitions away from fossil fuels, and the countries' export markets decline. We saw in Section 3.5 that previous periods of low oil prices have caused reductions in delivery of public services and loss of jobs, and sometimes wider macroeconomic crises, including loss of investor confidence, economic contraction, inflation, and falling exchange rates. But whereas past episodes have been temporary, the global energy transition will be systemic and long-term.

However, while these oil- and gas-dependent countries will need to diversify their economies to boost their resilience, they will have to overcome structural barriers to doing so. Dutch disease makes alternative export sectors uncompetitive,[176] and rent-seeking political structures create opponents of change.[177] For these and other reasons, the process of diversifying and structurally transforming an economy away from oil and gas dependence generally takes decades.

A 2017 study by Nouf Alsharif and colleagues looked at diversification in 35 oil-dependent countries over the four decades since the 1970s.[178] The non-oil share of exports grew over the period (i.e., dependence on oil decreased) in only 10 of the 35 countries, and in some of these countries, exports remained highly oil-dominated: for example, the

non-oil share of exports in Saudi Arabia rose from two percent to just 13 percent. Most of these countries had identified economic diversification as a major policy priority throughout the period.

Given these difficulties and the time required, two recommendations follow.[179] First, oil- and gas-dependent countries should pursue economic transformation concertedly and without delay, to allow themselves enough time to escape dependence before the energy transition impacts their economy. Second, all countries should avoid deepening their dependence on oil and gas, and instead focus investments on alternative economic sectors.

BOX 4.2: IS GAS A "TRANSITION FUEL"?

The idea that gas could be a "transition fuel" emerged in the late 1980s.[180] In those very early days of international efforts to tackle climate change, the idea was that gas could be a lower-emissions interim alternative to coal and oil, rather than moving directly to renewable energy, which was still expensive. After all, tackling climate change would take place gradually over several decades, and so transitioning through two steps from coal and oil to gas, and then from gas to renewables, would be less disruptive.

Forty years on, none of those circumstances apply:

- Gas is not necessarily a lower-emissions alternative. Since methane – the main constituent of gas – is a far more potent greenhouse gas than carbon dioxide, the lifecycle emissions of gas can be higher than coal or oil, if there is significant leakage during production, processing, transportation, or distribution.[181]

- Renewable energy is increasingly affordable. With dramatic reductions in costs in the last ten years, wind and solar now have the lowest levelized cost of energy of any means of power generation in most of the world.[182] Effective and affordable mechanisms are now available for incorporating variable renewables into power systems as their share of generation increases.[183] Battery storage costs have fallen to the point where renewables combined with batteries are reaching cost parity with flexible fossil power in some circumstances,[184] a point that is increasingly being reached in key markets,[185] as battery costs continue to fall fast.[186]

- Tackling climate change is no longer seen as a gradual process that will unfold over several decades, but rather as an urgent imperative. As scientific understanding evolved, the climate threat was found to be more severe than previously thought, leading to governments' adoption in 2010 of a goal of limiting warming to 2°C, which was then updated in the 2015 Paris Agreement to 1.5°C.[187] The Intergovernmental Panel on Climate Change states that in scenarios limiting warming to 1.5°C as agreed in the Paris Agreement, global emissions would be reduced by half by the 2030s, and would reach net-zero by the 2050s.[188,q]

- The two-step transition is not likely to be less disruptive than moving straight to renewables. While continued fossil fuel consumption might prolong revenues to producers in the short term, new gas investments are at increasing risk of becoming stranded assets.[190] Delaying reductions in fossil fuel consumption and production is likely to make the transition faster and more disruptive, for example by not allowing enough time to provide a just transition for workers.[191]

If the "transition fuel" concept might have made some sense in the 1980s and 1990s, it does not reflect where we are in the climate crisis in the 2020s. Nonetheless, the oil and gas industry continues to promote this idea.[192]

q Furthermore, the remaining carbon budget for a 50% probability of limiting warming to 1.5°C – the amount of carbon dioxide that can still be cumulatively emitted after January 2025 – is 130 gigatonnes, which is equivalent to just over three years of present global emissions. The reason this implies greater urgency than the IPCC scenarios is that the scenarios rely on future removal of carbon dioxide from the atmosphere, a key uncertainty and risk to humanity's ability to limit warming to 1.5°C.[189]

5. RENEWABLE ENERGY AS AFRICA'S REAL PATH TO DEVELOPMENT, SECURITY, AND RESILIENCE

The previous sections have shown that fossil fuels are structurally ill-suited to meeting Africa's energy and development needs, and that continued investment in oil and gas risks deepening economic and climate vulnerabilities. The question, therefore, is not only what Africa should move away from, but what it should build instead. Renewable energy provides that alternative.

Renewable energy offers Africa a fundamentally different development pathway. As demonstrated in Power Shift Africa's *Africa Energy Leadership* report, a renewable-led approach can meet Africa's energy needs while creating jobs, strengthening economic sovereignty, and advancing climate justice, with its core benefit being an "energy democracy" tool that creates value and use where people live, work, and produce.[193]

5.1 RENEWABLE ENERGY AS A PREFERRED DEVELOPMENT CHOICE

Renewable energy (RE) can strengthen other sectors rather than crowd them out, mitigating the Dutch disease impacts commonly found with oil and gas projects (Section 3.3). RE projects have been linked to increased agricultural productivity, business creation, and income diversification, particularly in rural areas.[194]

In peri-urban areas and cities where energy affordability and reliability are regular challenges,[195] renewable energy via roof-top solar systems is increasingly a viable and preferred substitute for oil and gas.[196] Renewables can also support national energy policies through progressive net-metering programmes such as those in Zimbabwe, which is receiving up to 118 megawatts each day (about five to seven percent of its daily energy needs) from this programme.[197] South Africa, through its own renewable energy policy, is also providing an opportunity for municipalities to build and own utility-scale RE and storage for cities and towns.[198]

Additionally, solar, wind, geothermal, small-scale hydropower systems, and battery storage can be deployed quickly, at multiple scales, and in places long excluded from central grids. Mini-grids and stand-alone systems can electrify communities in years rather than decades, while renewable-powered clean cooking solutions reduce burdens on health and time that are borne disproportionately by women. Long-term studies in Kenya and Nigeria show that solar mini-grids have led to higher household incomes, increased business activity, improved health outcomes, and reduced time spent collecting fuel, particularly for women.[199] Energy access through renewables is therefore not a trickle-down promise but a direct development intervention. The nature of the energy prioritizes energy access for local needs rather than a market that is determined by global exports (Section 2.2). This benefit of renewables is closely tied in with renewable energy's ability to provide de-centralized renewable systems, such as mini-grids and home systems, that create value where they are deployed.

5.2 JOBS, LIVELIHOODS AND A JUST TRANSITION

Africa's future depends on the creation of decent work. With a young and growing population, development pathways must generate employment at scale. Renewable energy generates employment across the value chain, from manufacturing and installation to maintenance, grid expansion, and productive uses in agriculture, industry, and services. A renewable-led pathway could create millions of jobs across Africa by 2030 and beyond, far exceeding fossil fuel alternatives (Section 3.2).[200] These jobs are more geographically distributed and more accessible to women and young people than the jobs created by the fossil fuel industry.[201]

IRENA estimates that renewables create two to three times more jobs per dollar than fossil fuels in areas like solar photovoltaic, wind, grid development, and energy storage.[202] Transitioning to clean energy systems could create an estimated 14 million jobs in Africa by 2030.[203] A standout example of how such job creation might look is South Africa's Renewable Energy Independent Power Producer Procurement Program (REIPPPP) program, which built jobs in generation, manufacturing, and community liaison spread over various provinces. In countries such as Kenya and Nigeria, the rapid expansion of off-grid solar has supported local business, technicians, and service providers, anchoring economic activity in communities rather than distant export hubs.[204]

Evidence from Kenya and Nigeria suggests that, for every job created directly through delivering decentralised renewable energy solutions, up to five times more employment could be created through increased productivity and productive uses of RE – ranging from retail and services to agricultural processing businesses – in rural enterprises.[205]

5.3 POWERING GREEN INDUSTRIALIZATION

Africa's industrial ambitions have long been constrained by unreliable, expensive, and polluting energy systems. Oil and gas have not solved this problem, and have often worsened it by distorting exchange rates, increasing import dependence, and weakening other productive sectors – a pattern widely documented, as earlier in this report, as "Dutch disease" dynamics in resource-dependent economies.

At its core, industrialization depends on reliable and affordable power; this is where renewable energy becomes decisive. By providing more affordable, reliable, and domestically-controlled power, renewable energy can enable agro-processing, manufacturing, digital infrastructure, and regional trade to grow. With electricity costs and reliability being among the most binding constraints on industrial productivity and firm growth in African economies, particularly for small and medium enterprises (SMEs) and agro-processing industries,[206] developing cheap renewable energy is the backbone infrastructure that is needed to support Africa's development.

Renewable energy-driven industrialization – now commonly understood as green industrialization – can support diversification and value addition. It also lowers production costs, as it benefits from the competitive advantage Africa has due to cheaper energy. Under the Programme for Infrastructure Development in Africa (PIDA),[207] the regional power pools such as the Southern African Power Pool (SAPP),[208] the West African Power Pool (WAPP),[209] and the African Continental Free Trade Area (AfCFTA), Africa has the potential to harness national and regional energy plans to reduce the cost of energy generation and transmission.[210]

Additionally, Africa's key shifting role in the global transition via critical energy transition mineral value chains[211] is supporting this trajectory of green industrialization growth.[212] Zimbabwe offers an example particularly through its emerging lithium industry. The government's ban on raw lithium ore exports and requirement for local processing into higher-value products like lithium hydroxide is designed to move the country from a raw material exporter to a participant in battery manufacturing supply chains.[213] The example has shown that bringing in more control of energy transition value chains is feasible, and can break the reliance of development on external investment and foreign control of resources.

5.4 RESILIENCE, DEBT, AND ECONOMIC STABILITY

Africa's development of renewable energy can follow a different financial logic: one that provides a paradigm shift allowing for investments that are modular, scalable, and faster to deliver.[214] According to a recent cost-benefit analysis, the cost of providing 100 percent renewable energy for Africa would be more than offset by the total fuel cost savings. The continent could potentially save USD three to five trillion by 2050 (approximately USD 150 billion per year) compared to business-as usual.[215] Import substitution that is coupled with transitioning away from fossil fuels is the winning formula for Africa.

Renewable energy's reliance on natural resources such as water, sun, and wind can lead to more stable and increasingly-predictable costs. Notwithstanding the climate-inflicted challenges for some of the renewable sources, such as hydropower (as evidenced by the Kariba Dam crisis during the latest El Nino[216]), a combination of renewable energy sources supported by large-scale battery systems and energy efficiency gains can allow African countries' governments to better manage their energy price problems. Evidence from the IEA shows that reducing fossil fuel dependence can strengthen macroeconomic stability and lower exposure to price volatility (Section 2).[217] Countries such as Morocco, which has rapidly expanded solar and wind capacity from under one gigawatt in 2012 to over four gigawatts today, have reduced exposure to fuel import price volatility while improving energy security and fiscal predictability.[218]

5.5 CHOOSING A FUTURE BEYOND EXTRACTION

Africa is already paying the price of a climate crisis it did not cause – through droughts, floods, and other extreme weather events exacerbating food insecurity, health harms, and more factors that put lives and livelihoods across the continent at risk.[219] Expanding oil and gas extraction under these conditions compounds injustice by locking countries into development pathways that worsen climate risks while offering diminishing economic returns in a de-carbonizing world.

Renewable energy aligns Africa's development needs with its climate interests. It simultaneously supports mitigation, adaptation, and resilience. It positions Africa not as a sacrifice zone for other countries' energy transitions, but as an active leader shaping a fairer global energy system.

Renewable energy offers Africa a chance to break with its legacy as a sacrifice zone. By prioritizing people-centred, renewable-powered development, African countries can expand energy access, create jobs, strengthen institutions, reduce vulnerability, and advance economic security, all using an energy system that cannot be colonized.

6. CONCLUSION

Over the last 275 years, the world has attempted to undergo energy transitions and expansions predicated on the interests of capitalist accumulation. The first of these transitions, led by Britain in the 1700s, resulted in coal becoming the primary source of energy in the Global North. The subsequent centuries saw similar expansions of oil and of gas. These transitions have largely ignored Africa, with the continent remaining an energy outpost in the global order.

As an energy outpost, Africa has had the unique position of seeing the destruction that continued fossil fuel production has caused, and also of being the region most affected by the accelerating climate crisis. The evidence presented throughout this report makes it clear that oil and gas extraction cannot deliver on the promises linked to economic development. Decades of production across major exporters have generated immense wealth in aggregate terms, yet this wealth has not translated into sustained poverty reduction, economic diversification, or improved livelihoods for the majority of citizens on the continent. Instead, the dominant pattern has been one of extraction without transformation, based on an energy economic model that mirrors the historical patterns of resource exploitation from which the world has suffered for three centuries now.

The structural harms of this exploitative model extend beyond the extractive sector itself. Oil and gas production has consistently weakened other parts of the economy, such as agriculture and manufacturing, through environmental degradation, exchange rate pressures, and the reallocation of political and financial capital. These dynamics reinforce the "resource curse", whereby countries rich in natural resources underperform relative to their potential. In many African contexts, this has resulted in economies that are less diversified, more unequal, and more vulnerable to external shocks than they would otherwise be, as evidenced in this latest episode of the oil crisis.

The narrative that has been sold to Africa is that it needs to fix the governance and social impacts of fossil fuel production but turn a blind eye to the systematic failures of the overall system. However, the concentration of high-value rents in a narrow sector continuously strengthens strong incentives for corruption, rent-seeking, and elite capture. Additionally, institutions that should regulate the sector are often weakened, distorted, or both: for example, public investment decisions that are tied to the boom-and-bust cycles of global energy markets; unequal contracts; tax avoidance practices; and asymmetries in bargaining power between states and multinational corporations. Clearly, the challenge is not about how to manage the energy sources; rather, the challenge is about the capital-intensive extractive model that very few countries have succeeded in taming, which is built on a system that lends itself to external control, rather than control by African countries and communities. Taken together, these factors point to a fundamental conclusion: oil and gas extraction is not a reliable pathway to inclusive and sustainable development in Africa. The overall model has systematically failed to deliver equitable outcomes.

Consequently, this analysis underscores the urgency of rethinking development pathways on the continent. Rather than doubling down on extractive models that have historically underperformed, African countries have an opportunity to pursue more diversified and value-adding strategies anchored in renewable energy systems. This includes investing in sectors with stronger employment potential such as solar, wind, and distributed energy systems, while building domestic industrial capacity across renewable value chains, including manufacturing, installation, maintenance, and associated services.

Broader economic transformation goals will require leveraging Africa's abundant renewable energy potential toward powering industrialization and expanding energy access. In this context, renewable energy is not only a climate imperative but a foundational pillar for inclusive, job-rich development pathways.

Finally, to address the structural distortions identified in this report, a set of institutional shifts is required to actively redirect political and financial capital away from fossil-fuel dependence and toward a more diversified and resilient energy economy. Governments should progressively phase out institutional prioritisation of oil and gas. In particular, governments should address high-level political attention, licensing incentives, and fiscal guarantees, and should instead establish dedicated, well-capacitated regulatory authorities focused on renewable energy and specifically on enabling distributed energy systems. As a complement to these efforts, governments should redirect public finance institutions and sovereign investment strategies toward mini-grid and off-grid renewable energy financing, including streamlined permitting, developing risk-sharing instruments, and implementing results-based financing mechanisms. Together, these shifts would help reorient state capacity from managing extractive rents toward enabling decentralised clean energy access, productive use electrification, and broader economic diversification.

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