# Financing the climate transition in Africa: insights from a regional scenario analysis

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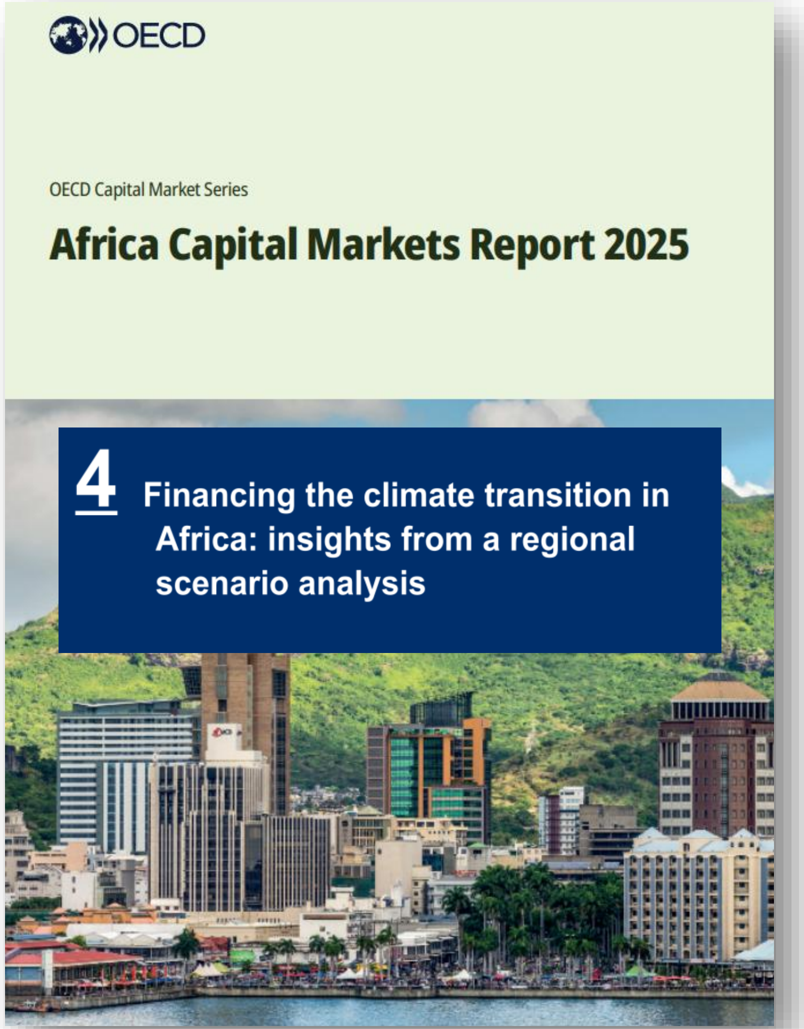
# Summary

1 Financing the climate transition in Africa: (Africa Capital Markets Report 2025)

2 The International Energy Agency's energy investment requirements

3 Scenario analysis: Assumptions and results

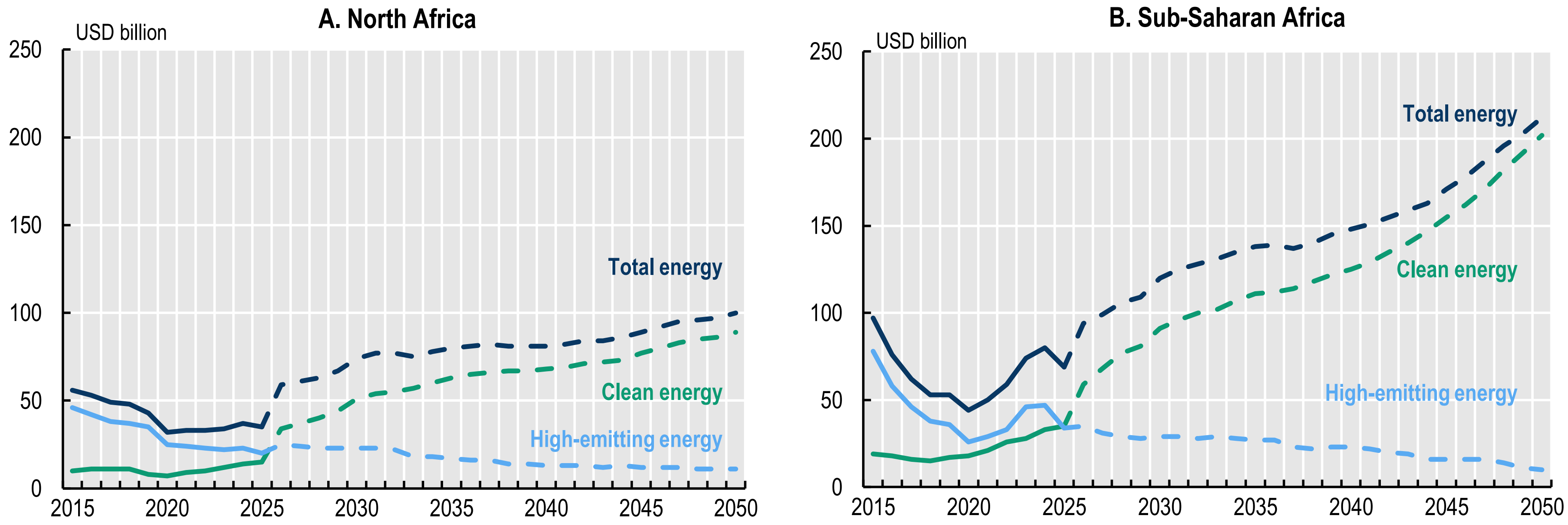
4 Recent developments in African capital markets



# Financing the climate transition in Africa

# Investments in the climate transition: North & Sub-Saharan Africa

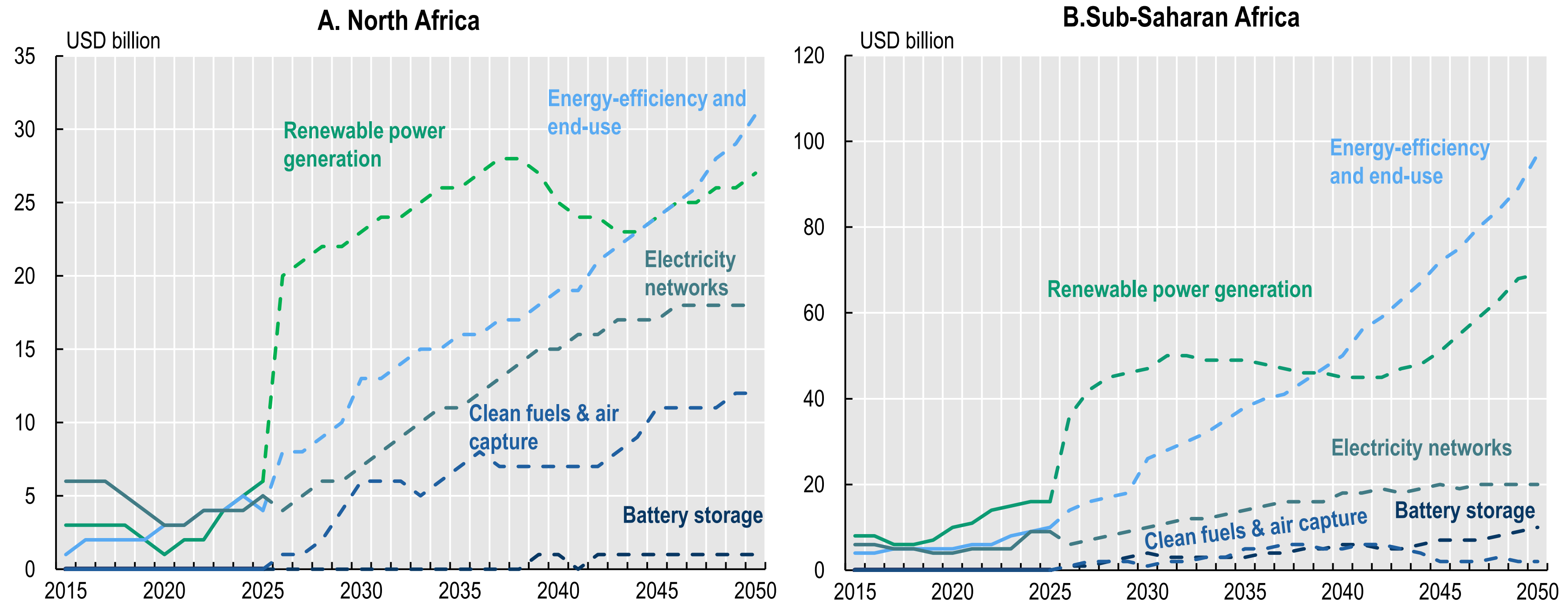
**Total clean energy investment in North and Sub-Saharan Africa will need to continue growing at annual rates of 7.4% and 7.3% from 2025 to 2050, respectively, to meet announced pledges**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Clean energy investments by technology category

## While renewable power generation investments require steep initial growth before flattening in the 2030s, energy efficiency and end-use investments grow steadily throughout the period




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Scenario analysis assumptions

| | | Baseline Scenario | Public Sector Scenario | Capital Market Scenario |
|---|---|---|---|---|
| Investments | **Public sector climate investment growth** | Last three-year (L3Y) average; then converging to long-term GDP growth | Meets requirements (offsetting any private sector shortfall) | L3Y average until debt-to-GDP limit; then zero |
| Investments | **Private sector climate investment growth** | L3Y average; then converging to long-term GDP growth | L3Y average; then converging to long-term GDP growth | Meets requirements (offsetting any public sector shortfall) |
| Investments | **Public/private contribution (%)** | Constant (as of 2024) | Output metric | Output metric |
| Investments | **Investment gap/surplus** | Output metric | None / Meeting APS requirements, exceeding as private sector investment increases | None / Meeting APS requirements, exceeding as private sector and FDI increases |
| Investments | **Greenfield FDI** | Constant as a proportion of private sector investment | Constant as a proportion of private sector investment | Triples by 2035 as a proportion of private sector investment |
| | **Public debt-to-GDP** | Output metric | Output metric with caps (75% for North Africa and 60% for Sub-Saharan Africa) | Output metric with caps (60% for North Africa and 55% for Sub-Saharan Africa) |
| Funding sources | **Climate finance provided and mobilised by international providers** | Linear growth to USD 300 bn in 2035, then constant | USD 300 bn by 2035, further increase when regions reach their debt-to-GDP caps | Linear growth to USD 300 bn in 2035, then constant |
| Funding sources | **Debt/Equity for energy companies** | Constant (as of Dec-24) | Constant (as of Dec-24) | Converge to EMDEs other than China by 2050 (OECD, 2025[1]) |
| Funding sources | **Private sector bond/non-bond debt for energy companies** | Constant (as of Dec-24) | Constant (as of Dec-24) | Converge to EMDEs other than China by 2050 (OECD, 2025[1]) |
| Funding sources | **Corporate bond & equity market sizes for energy companies** | Output metric | Output metric | Output metric |

Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.
(1)OECD (2025), Global Debt Report 2025.



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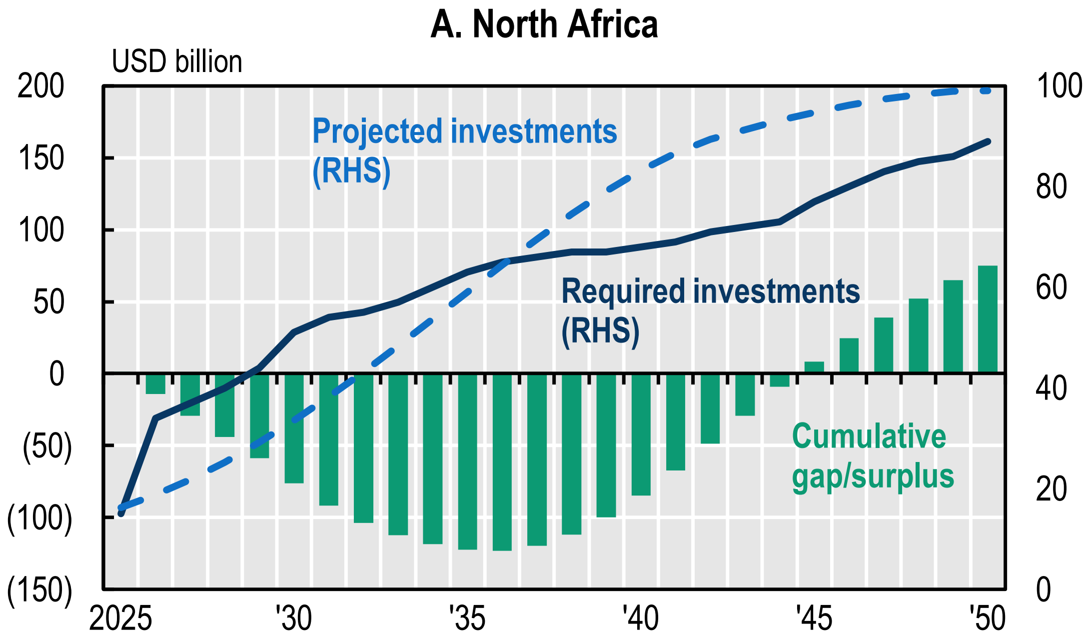
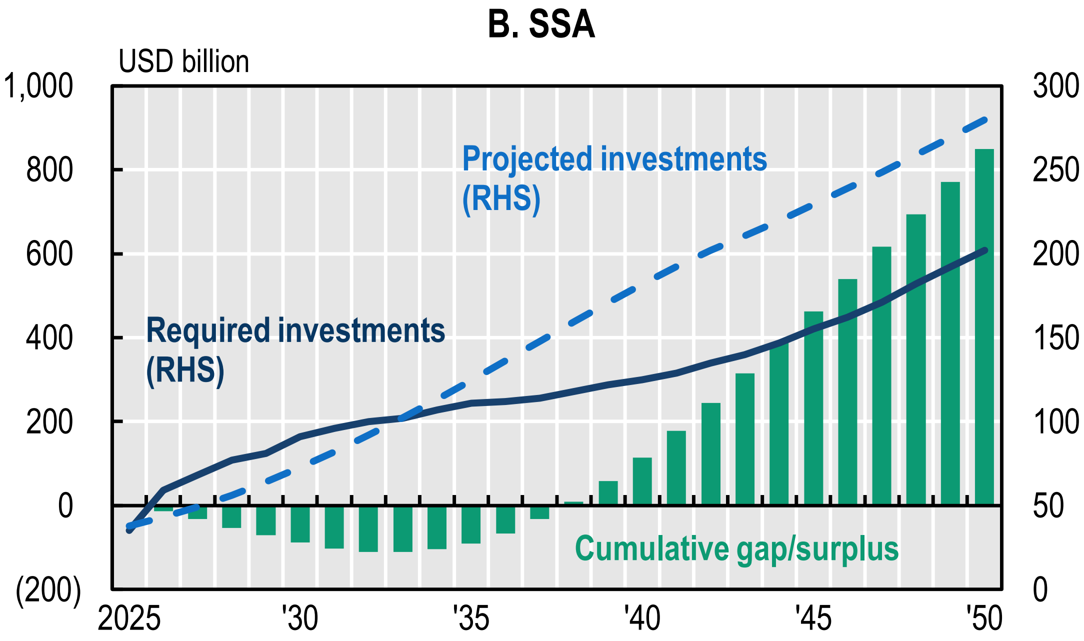
# Climate transition baseline scenario: North & Sub-Saharan Africa

**North and Sub-Saharan Africa face medium-term investment shortfalls (until 2044 and 2037, respectively) against the IEA's Announced Pledges Scenario (APS) targets.**

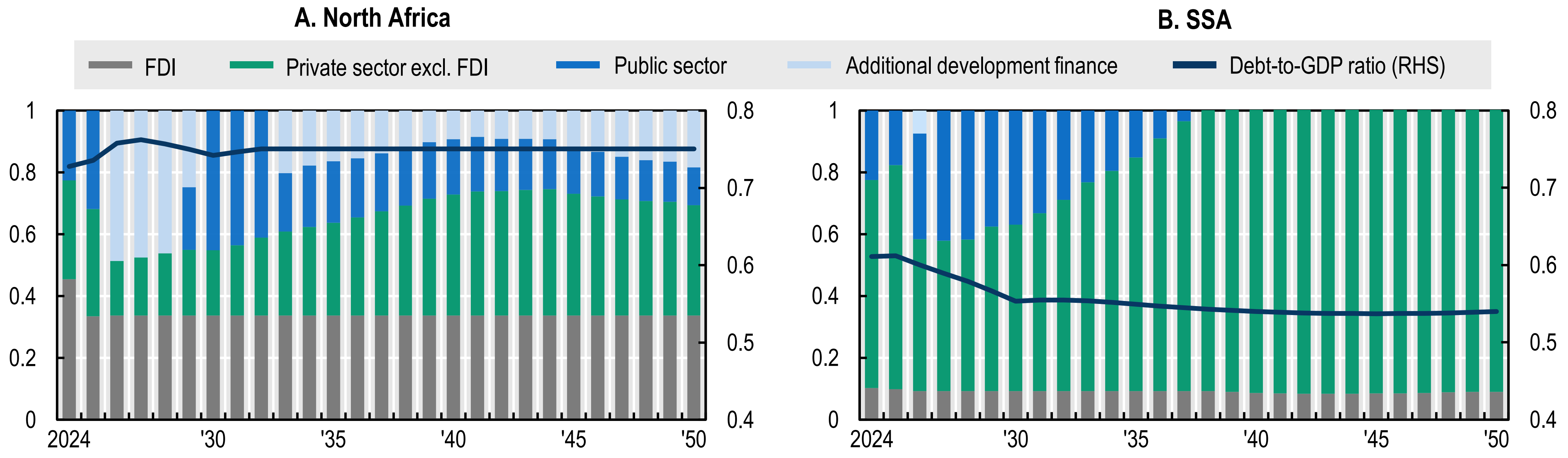



Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Public sector scenario: North & Sub-Saharan Africa

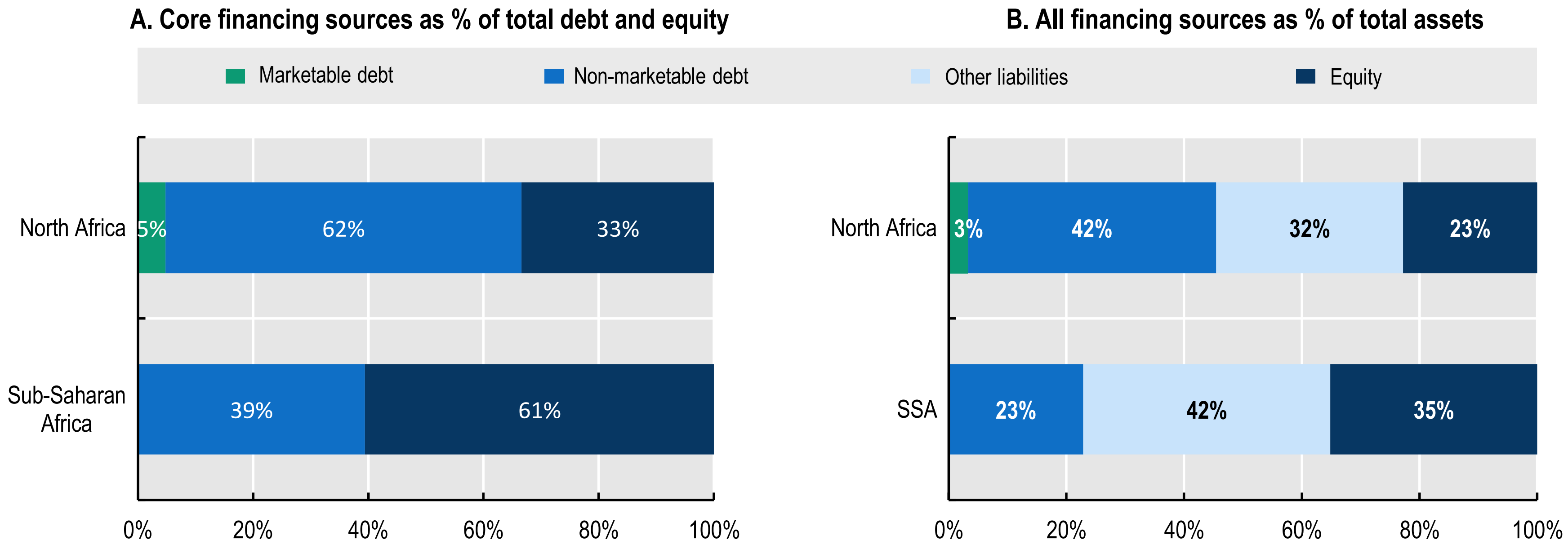
**Public sector funding would need to increase substantially in the short-term in both regions and cover at least 40% of total funding in 2026-32 in North Africa and 2026-28 in Sub-Saharan Africa.**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Energy sector capital structure: North & Sub-Saharan Africa

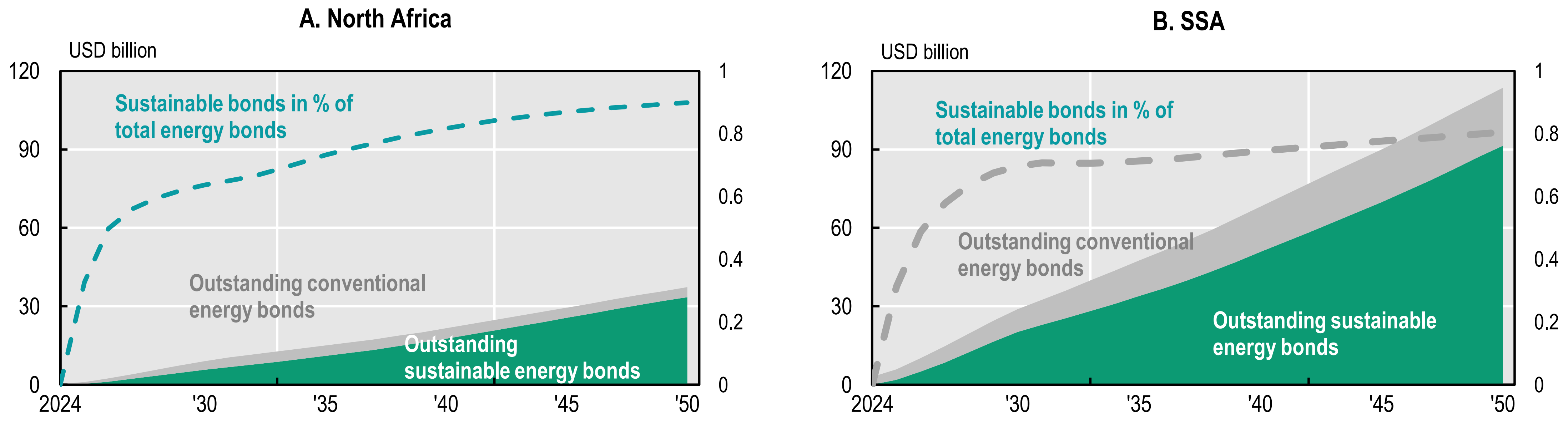
**Energy companies in Africa do not exhibit substantial marketable debt, with North African companies employing higher leverage through non-marketable debt, while Sub-Saharan companies rely more on equity financing.**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Capital markets scenario: Sustainable bond market development

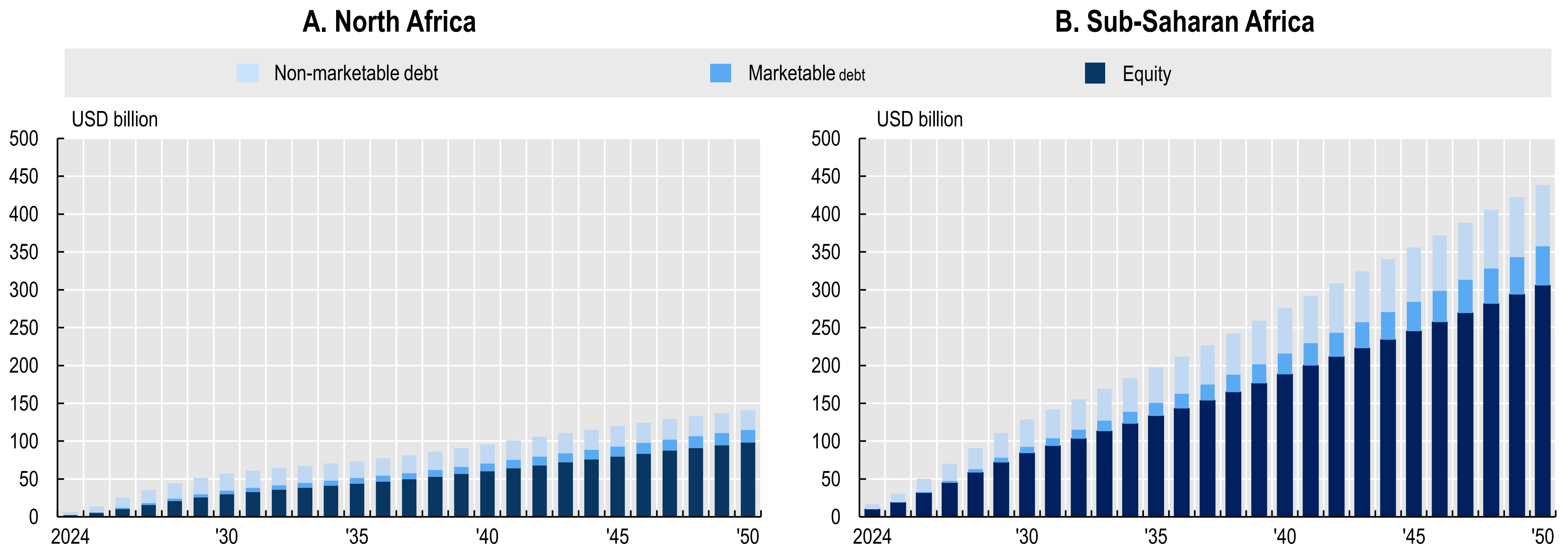
**The sustainable energy bond market share would need to rise to 90% in North Africa and 81% in Sub-Saharan Africa by 2050 in the CMS.**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Capital markets scenario: Evolution of financing sources in Africa

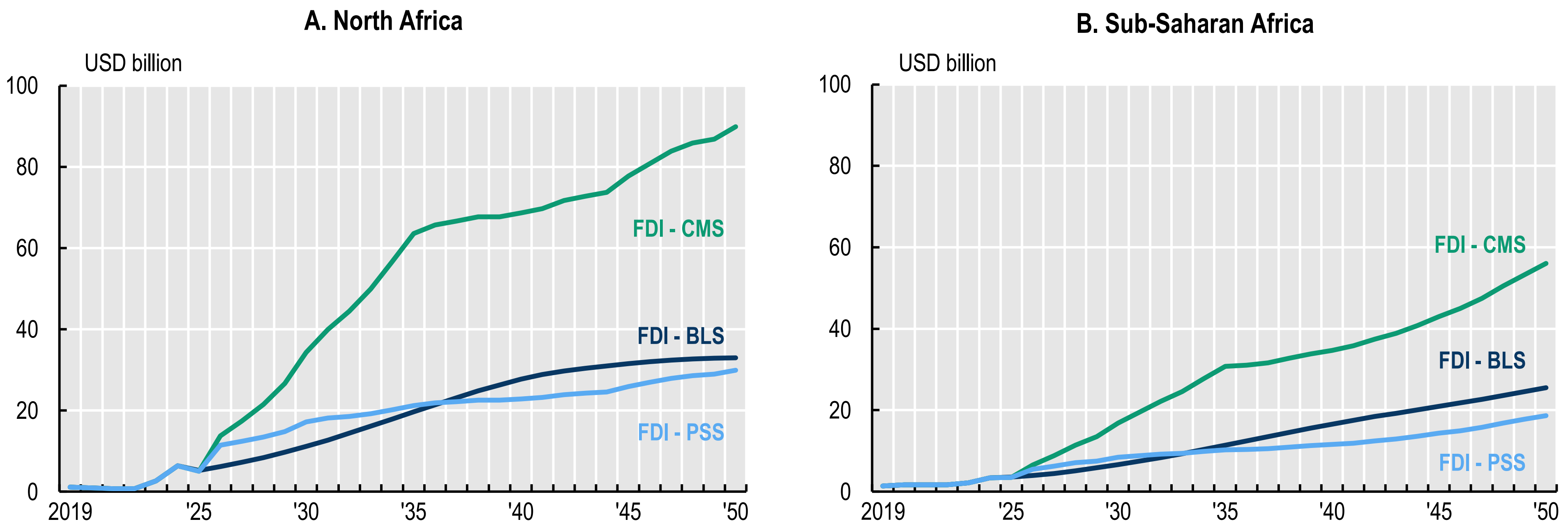
**Long-term financing instruments of listed energy companies in North and Sub-Saharan Africa would need to grow 22.4 and 26.5 times from 2024 to 2050 (CAGRs of 12.7% and 13.4%, respectively).**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# All scenarios: Greenfield foreign direct investment

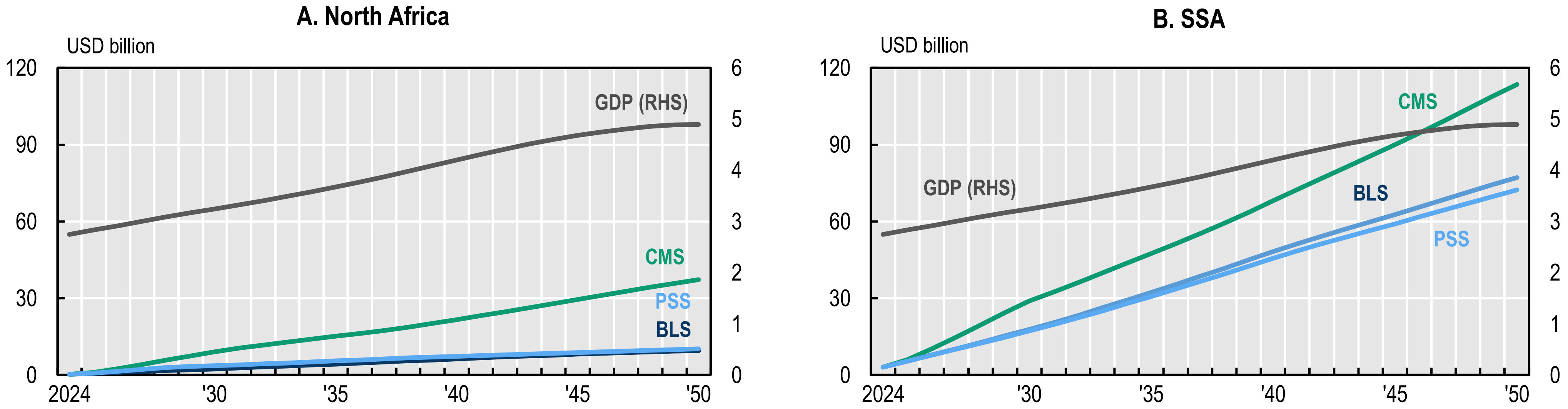
## Total energy FDI increases to USD 90 billion and USD 56 billion in North and Sub-Saharan Africa, in the CMS, corresponding to compound annual growth rates of 10.7% and 11.4%, respectively




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# All scenarios: Energy bond market development

**The total energy bond markets in North and Sub-Saharan Africa would need to grow at CAGRs of 20.4% and 14.9% in the CMS by 2050, respectively, to meet APS commitments.**




Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Capital markets in Africa: Recent and potential developments

- Both North Africa and Sub-Saharan Africa are well-positioned to meet and even exceed their announced pledges commitments

- Going forward, integrated African capital markets could play a key role in Africa's energy transition, including through initiatives like the African Exchange Linkage Project

- The African Exchange Linkage Project, which recently expanded to connect ten major exchanges covering 90% of the continent's total market capitalisation, could diversify and expand financing opportunities

- There is also a significant opportunity to introduce and grow the sustainable bond market in the continent to further finance the climate transition

Source: OECD (2025), Africa Capital Markets Report 2025, OECD Publishing, Paris, https://doi.org/10.1787/7d26e1d3-en.

# Thank you very much!