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TRUMP 2.0:

ENERGY POLICY U-TURN AND IMPLICATIONS FOR NET ZERO AND SUB-SAHARAN AFRICA

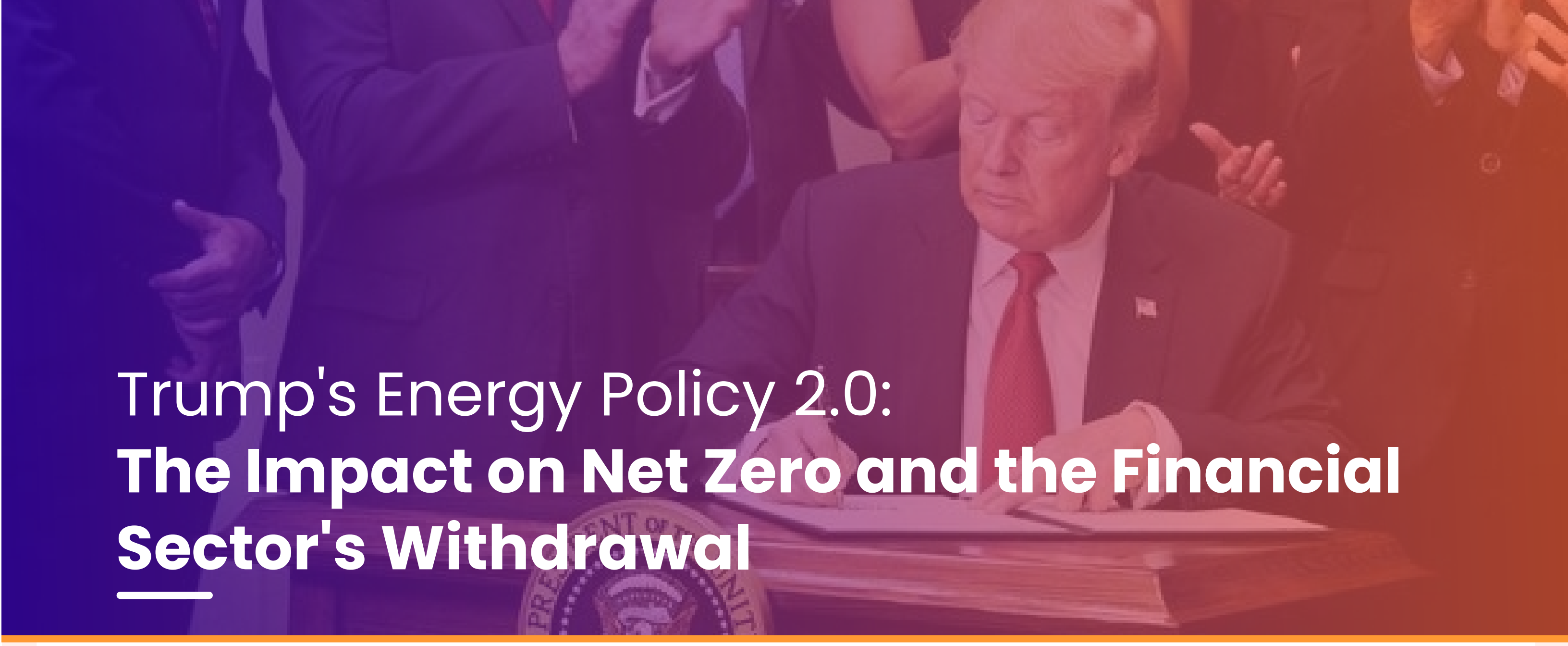
INTRODUCTION

The Net Zero Banking Alliance (NZBA) was established during the COP26 climate conference in Glasgow, bringing together over 90 banks that collectively manage around $66 trillion in assets. This alliance aims to mobilize capital at scale to support the transition to a net-zero economy, aligning financial flows with the goals of the Paris Agreement, to limit global temperature rise to 1.5°C. The NZBA serves as a pivotal framework for banks to decarbonize their lending and investment portfolios, committing to science-based targets for achieving net-zero emissions by 2050.

However, recent developments have seen several financial institutions withdrawing from the NZBA, driven by political and legal pressures, particularly from Republican-led state lawsuits in the United States of America and anti-ESG (Environmental, Social, and Governance) policies. These exits raise concerns about the sustainability of green finance initiatives globally and could hinder progress towards climate commitments established in international agreements.

The return of Donald Trump to the presidency could further reshape U.S. energy and climate policies, likely resulting in a rollback of Biden-era regulations aimed at combating climate change. Such a shift may not only impact domestic policies, but also reverberate through global energy markets, especially in regions like

Sub-Saharan Africa (SSA), where reliance on international climate finance is significant. The implications of these changes could lead to increased fossil fuel investments at the expense of renewable energy projects, altering investment dynamics in developing economies.



Trump's Energy Policy 2.0: **The Impact on Net Zero and the Financial Sector's Withdrawal**

The recent exodus from the Net Zero Banking Alliance (NZBA) has seen significant withdrawals from major financial institutions, particularly among U.S. and Canadian banks. In January 2025, six of the largest U.S. banks—including JPMorgan Chase, Morgan Stanley, Bank of America, Citigroup, Wells Fargo, and Goldman Sachs—announced their departure from the alliance. This trend was mirrored by four of Canada's biggest banks: BMO, National Bank, TD Bank Group, and CIBC, which also exited shortly thereafter.

The driving force behind these withdrawals can be traced to political and legal pressures stemming from Republican-led initiatives against ESG (Environmental, Social, and Governance) policies. These anti-ESG measures have gained traction in various states, with lawsuits filed against major asset management firms accusing them of restricting fossil fuel production and manipulating energy prices through climate initiatives. This reflects a broader conservative resistance to climate finance that aligns with Donald Trump's skepticism regarding climate action and renewable energy initiatives.

As these financial institutions withdraw from the NZBA, they assert that they remain committed to their climate strategies but prefer to operate independently. For instance, while JP Morgan stated it would continue to advance low-carbon technologies and energy security outside the alliance framework, the broader implications of these exits signal a retreat from collective climate commitments that could undermine global green finance initiatives.

The political landscape is likely to amplify these trends under Trump's presidency, as his administration may further encourage skepticism towards climate finance and bolster anti-ESG sentiments. This shift could have lasting repercussions for global efforts to combat climate change and may hinder investment in sustainable projects, thereby jeopardizing progress towards net-zero goals internationally.

Under a second Trump administration, significant shifts in U.S. energy and climate policy are expected, marking a stark U-turn from the previous administration's approach. Trump has already initiated a "national energy emergency," which grants his administration expanded powers to bolster fossil fuel development. This declaration allows for expedited approvals of oil drilling, pipeline construction, and power plant operations, while notably omitting support for renewable energy sources like wind and solar, which were central to Biden's climate agenda.

The anticipated rollback of Biden-era climate policies could have profound effects on global decarbonization efforts. Trump's focus on increasing fossil fuel production is likely to prioritize economic growth and energy independence over environmental considerations. His administration aims to dismantle regulations that restrict oil and gas production, potentially undermining international climate commitments made under agreements such as the Paris Accord. The emphasis on expanding fossil fuel infrastructure could lead to an increase in greenhouse gas emissions, further complicating global efforts to combat climate change.

This shift in policy is not just a domestic concern; it has significant implications for international climate cooperation. Trump's actions are likely to resonate with conservative resistance to climate finance and could embolden other nations to adopt similar stances. As the U.S. steps back from its leadership role in climate initiatives, the potential for global collaboration on sustainable practices diminishes, raising questions about the future of international climate agreements and commitments.

Trump's energy policy 2.0 represents a clear departure from net-zero ambitions, favoring fossil fuel expansion at the expense of renewable energy development. This trajectory poses challenges for global decarbonization efforts and could hinder progress toward achieving international climate goals.

The Implications for Sub-Saharan Africa (SSA)

Sub-Saharan Africa (SSA) faces significant challenges regarding its reliance on international climate finance, particularly considering recent shifts in global energy policies. With less than 3% of global climate finance currently reaching the region, SSA's funding for renewable energy projects is at risk of further decline as Western financial institutions withdraw from commitments like the Net Zero Banking Alliance (NZBA) and as anti-ESG sentiments grow. This withdrawal threatens to exacerbate existing funding gaps, which are critical for advancing renewable energy initiatives and achieving national climate goals.

As international financing diminishes, there is a growing concern that African countries may pivot towards fossil fuel extraction to meet their energy needs and stimulate economic growth. The potential resurgence of fossil fuel investments could undermine ongoing efforts to transition to cleaner energy sources, creating a conflict between immediate economic interests and long-term sustainability goals. This shift could lead to increased greenhouse gas emissions and hinder progress towards global decarbonization efforts.

In this context, the role of China and the European Union (EU) becomes increasingly important. Both entities have shown a willingness to fill the financing gap left by Western institutions. China has been actively investing in infrastructure and energy projects across Africa, often providing financing that supports fossil fuel development alongside renewable projects. Meanwhile, the EU has committed to increasing its climate finance contributions, aiming to support African nations in their transition towards sustainable energy solutions.

The African Development Bank (AFDB) has also emphasized the need for a substantial increase in climate finance for Africa, targeting a rise from 3% to 10% of global climate finance by next year. This ambition underscores the urgency for alternative funding sources and innovative financial mechanisms that can mobilize both public and private capital for renewable energy projects in SSA.

The fallout from shifting U.S. energy policies poses significant challenges for SSA's climate finance landscape. As reliance on international funding decreases, African nations may face pressure to revert to fossil fuel investments. However, with proactive engagement from China and the EU, there remains an opportunity to secure financing for sustainable development, while navigating these complex dynamics.

Recommendations for SSA to Navigate Climate Finance Uncertainty and Strengthen Energy Security

To navigate the evolving landscape of climate finance and ensure a sustainable energy transition, Sub-Saharan Africa (SSA) must adopt proactive strategies. Key recommendations for diversifying climate finance sources, strengthening policy frameworks, enhancing regional collaboration, increasing private sector involvement, and preparing for potential fossil fuel resurgence include:

Diversifying Climate Finance Sources

- **Strengthen Partnerships:** Reduce reliance on Western banks by forging stronger partnerships with China, the EU, and regional development banks. This approach can help secure alternative funding avenues for renewable energy projects.
- **Explore Blended Finance Models:** Combine public, private, and philanthropic funding to create blended finance models that mitigate risks and attract investments in renewable energy initiatives.
- **Develop Local Green Bond Markets:** Establish local green bond markets to mobilize private investment into clean energy projects. This can provide a stable source of funding, while promoting sustainable development.

Strengthening Policy and Regulatory Frameworks

- **Establish Clear Policies:** Create clear and stable policies that encourage private investment in renewable energy, independent of external funding shifts. This will enhance investor confidence and attract capital.
- **Implement Incentives:** Introduce tax incentives, subsidies, and policy guarantees to make renewable energy projects more attractive to investors.
- **Develop Carbon Pricing Mechanisms:** Establish regulatory frameworks that support voluntary carbon markets, enabling countries to monetize emissions reductions and attract climate finance.

Increasing Regional Collaboration

- **Strengthen Energy Integration Projects:** Enhance regional energy integration initiatives like the West African Power Pool (WAPP) and the Southern African Power Pool (SAPP) to improve energy access and efficiency across borders.
- **Encourage Intra-African Investment:** Promote intra-African investments in renewable energy through frameworks like the African Continental Free Trade Area (AfCFTA), which can facilitate trade and investment in clean technologies.
- **Develop Joint Infrastructure Projects:** Collaborate on joint renewable energy infrastructure projects to pool resources and share risks among countries.

Enhancing Private Sector Involvement

- **Incentivize Local Financial Institutions:** Provide incentives for African financial institutions to fund clean energy projects, thereby increasing local participation in the energy transition.
- **Support Startups and Local Companies:** Foster local renewable energy companies and startups through policy incentives and capacity-building initiatives to stimulate innovation in clean energy solutions.
- **Partner with Multinational Corporations:** Collaborate with multinational corporations and technology firms to scale up innovation in renewable energy technologies.

By implementing these recommendations, SSA can better position itself to secure necessary funding for renewable energy projects, while navigating the uncertainties surrounding international climate finance. These strategies will not only help achieve energy transition goals but will also build resilience against future economic and environmental challenges.

Conclusion

The evolving landscape of global climate finance presents both significant challenges and opportunities for Sub-Saharan Africa (SSA) as it navigates its energy transition. The withdrawal of major financial institutions from initiatives like the Net Zero Banking Alliance, combined with potential shifts in U.S. energy policy, underscores the need for SSA to diversify its funding sources and strengthen partnerships with alternative investors such as China and the EU. Establishing clear regulatory frameworks and enhancing regional collaboration will be crucial in attracting private investment and fostering innovation in renewable energy. As the world grapples with political divisions and uncertainty surrounding net-zero commitments, SSA must build resilience to secure its sustainable future. By proactively addressing these challenges and embracing innovative solutions, SSA can emerge as a leader in the global transition to clean energy, contributing to a more sustainable and equitable world for all.

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