Managing Oil Price Uncertainty and the Energy Transition

**Commodity price volatility is a challenge for fiscal policy**

Sub-Saharan Africa oil exporters since 2011

- 60% of fiscal revenue from oil
- 2% lower growth than in SSA non-oil exporting countries
- 100% of oil revenues was spent

![Graph showing fiscal balances and oil revenue]

- Sub-Saharan African oil exporters tend to spend more when oil prices are high...
- Spending exceeds oil revenue
- Oil revenue exceeds spending

**How much to save today...**

A 3-year insurance against future price shocks requires a financial buffer about 5-10% of GDP...

...equivalent to an annual fiscal surpluses up to 1% of GDP over 10 years

![Graph showing benchmark surplus]

- Benchmark surplus of 0-1% of GDP
- Fiscal balances

**...to invest in a greener tomorrow**

- More efficient spending + social safety nets + subsidy reforms
- The transition to clean energy will halve oil revenue by 2050, requiring international support to adapt

![Graph showing reduction in oil revenue]

- % of total revenue, weighted average
- 2020: 60
- 2030: 44
- 2050: 26

**Short-Term: Insure Against Oil Price Shocks Through...**

- Reducing debt
- Building financial buffers

**Long-Term: Adapt to Permanent Decline in Oil Revenues**

- Incentives to renewable energy production
- Improvements in governance, institutions and business environment

**Sub-Saharan Africa Region Economic Outlook 2022**

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