

eMag on Climate Action in Africa

#6 Renewable Energies in Africa

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The Observatory's Lens: Financing renewable energy in Africa

**Mélaine Assè-Wassa Sama, Climate Chance &
Victor Bérenger, Enerdata**



Mélaine Assè-Wassa Sama, Project Officer for Climate Action in Africa at Climate Chance and Victor Bérenger, Energy and climate policy analyst at Enerdata present the analysis note on the financing of renewable energy in Africa produced by the [Observatory of Climate Action in Africa](#).

“ If we compare the number of power cuts in Africa with the potential for renewable energy production in Africa, we see a problem!

Africa's renewable energy production potential:

- Africa has 40% of the world's renewable energy production potential, estimated at 2,431,765 terawatt hours/year (TWh/year).

Funding is essential to achieve these objectives:

- Africa has attracted just 2% of global investment in the energy transition over the past decade.
- Nairobi Declaration (2023): to achieve at least 300 gigawatts of renewable energy production capacity in Africa by 2030. This is quite an ambitious target, given that in 2022 the figure was just 66 gigawatts.
- An investment of 600 billion dollars.

There are several constraints on achieving the Nairobi objective:

1. The need to achieve an unprecedented level of capacity addition. In the previous decade, average capacity additions were 2.7 gigawatts per year, whereas this figure needs to be increased to 30 gigawatts per year.
2. The low level of maturity of renewable projects between now and 2030. If we look at the pipeline of projects between now and 2030 according to their level of maturity, we see that 55% of projects are still under construction, 27% are planned and 14% have been announced.

Are renewables a solution for improving access to low-cost energy?

- Since 2022, solar and wind power have been competitive with fossil fuels
- Between now and 2030 and 2050, this trend will accelerate, making it possible to reconcile the decarbonisation of electricity systems with greater access to energy.



Read the analysis: 'Financing renewable energy in Africa' soon on our website.



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Press review

Habib Tizi, Afrive



Habib Tizi, journalist at [Afrive](#), presents articles on green finance in Africa.



Africa is positioning itself as a key player in green finance, mobilising funds for sustainable projects ranging from renewable energy to sustainable agriculture.

This new institution, which will initially have a capital of 5 billion dollars, should help to reduce the shortage of financing for oil and gas projects in Africa, against a backdrop of increasing withdrawal by international donors from investments in fossil fuels.

AFRICA, WORLD LEADER IN FINANCING FOR MINI-GRIDS

According to a report published on 14 August by Sustainable Energy for All (SEforALL), Africa receives around 87% of global investment in the development of electricity mini-grids, representing more than \$3.1 billion in total, of which nearly \$2.7 billion is allocated to African countries. This dynamic is particularly significant in the context of the electrification of remote areas in sub-Saharan Africa, where mini-grids play a crucial role.



NIGERIA: NEW HEADQUARTERS FOR THE AFRICAN ENERGY BANK (AEB)

Nigeria has been chosen to host the headquarters of the African Energy Bank (AEB), a new pan-African institution dedicated to financing oil and gas projects in Africa. The announcement was made by the Nigerian Minister of Petroleum Resources, Heineken Lokpobiri, on Thursday 4 July 2024.

The creation of the African Energy Bank was announced in May 2022 by the African Export-Import Bank (Afreximbank) and the African Petroleum Producers Organisation (APPO).

Investment funds hiding behind 'green' to finance fossil fuels

An investigation by the independent media Climate Home News has revealed that money from this fund has been invested in oil and gas projects. The news came as a shock to environmental campaigners.

Four months later, 'one of the original ALTERRA-backed funds with a \$300 million commitment has agreed to buy a major fossil-fuel pipeline in North America', according to Climate Home, which investigated and found that BlackRock's Global Infrastructure Fund IV had acquired half of Portland's 475km natural gas transmission system, with Morgan Stanley taking the rest in a deal worth a total of \$1.14 billion.

This is not the first time that such abuses have been noted, regrets Andreas Sieber, associate director of the NGO 350.org. "The money was hidden by entrusting it to a financial asset manager and then channelling it through secondary funds. This fund was presented as a climate fund. In any case, it was presented as such by an oil industry boss".



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CoMSSA: Supporting African local authorities in financing their renewable energy projects

Florent Gallois, Expertise France



Florent Gallois, Coordinator of the CoMSSA support project at Expertise France explains how Expertise France has supported African local authorities in their renewable energy projects and looks back at the results of this support.

The Covenant of Mayors for Energy and Climate :

- 12,000+ signatories around the world
- 300+ signatories in Africa
- 137 million people impacted
- 9 to 15 largest African cities

The aim is to exchange and share experiences and best practices, to put forward the demands of local authorities in climate bodies and to identify and disseminate funding opportunities.

The role of local authorities in the energy transition:

- Plan action via diagnostic studies (data collection) and participatory approaches
- Supporting the structuring of projects through legal and administrative assistance and networking. The aim is to bring the actors together to exchange ideas, identify potential project leaders and provide them with support.
- Driving forward the transformation via the municipality's assets and public buildings, its vehicle fleet and awareness-raising activities.

It is essential for applicants for funding for renewable energy projects to have clear data, so that they can speak the same language as funding agencies.

Biogas project in Kisumu, Kenya

The project is anchored in a climate plan initiated by Kisumu, which requires an understanding of the terrain in order to size requirements:

- 77% of the population rely on biomass for cooking energy, only 0.05% of whom use biogas
- 71,000 tonnes of waste produced per year and 2 million m³ of wastewater

Thanks to funding from the Covenant of Mayors and the EU, 3 biogas units have been built, demonstrating the relevance of the solutions proposed.



Access to finance:

- Identify and understand financing opportunities by mapping them and classifying them according to accessibility
- Structuring a project taking into account the expectations and objectives of partners
- Today, the project has been selected by the EIB for financing of €11 million + feasibility study underway financed by the GAP fund for €300,000.



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The importance of local action for renewable energy in Cameroon

G rard Ntchouabia, Cameroon Renewable Energy Association



G rard Ntchouabia, President of the Cameroon Renewable Energy Association, explains the importance of local action for the deployment of renewable energies, particularly in Cameroon.

G rard reminds us of the 4 groups of non-state actors:

- associations and NGOs
- private sector actors
- the research sector
- decentralised local authorities

Several countries have established policies to attract financing for climate adaptation and mitigation. This is a pressing issue, as financing is holding back the deployment of renewable energies. It is important to include local authorities; local political players are an essential link in the coherent, locally-anchored development of renewable energies. There is a need to create a link between the local and national levels, otherwise funding will be held back.

Communities and municipal authorities are often responsible for the services that help solve the problems associated with climate change. These include transport, urban planning and water management. Local authorities can also help to assess actions and identify risks so that appropriate adaptation measures can be adopted.

The typical case of Cameroon:

- There is an institutional barrier to funding; local authorities do not have access to funding. The problem is that there is no national strategy.



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Challenges to access to finance: Examples from West Africa

Djadji Toure, Avento Conseils



Djadji Toure, Director of Development in Africa at Avento Conseils, gives us some examples of projects in West Africa that have met the challenges of accessing finance for the deployment of renewable energies.

What is Avento Conseils?

- A family-business in engineering, Avento designs, develops and installs renewable energy production plants in France and Africa.
- Established in 2011, it is a branch of Valorem (which was founded in 1994).
- They operate in France, Senegal, Côte d'Ivoire, Togo, Benin and Tunisia.

Overview of the situation in Africa:

- In 2022, more than 600 million Africans (40% of the population) still had no access to electricity.
- Africa attracts only 3% of global investment in the energy sector and only 2% in renewable energies.
- Electricity demand is set to increase by 60% between now and 2030 (IEA, 2023).

Obstacles to the development of renewable energy:

- Inadequate regulatory framework; Problem of solvency of public Offtakers; Risk relating to securing land; Exchange rate risk; Connection.

Some possible solutions: Regulatory framework to give more visibility to private players; ensuring the financial equilibrium of public electricity operators or setting up a guarantee system (international financial vehicle that would provide guarantees); mobilise more financing at concessional rates and make it more accessible...

Focus on the legal framework for renewable energies - Example of Côte d'Ivoire:

- There is a framework at national level, but there is no legal enforcement of these targets. Action is therefore very limited.

INDICATORS		
1	Legal framework for renewable energy	60
Sub Indicators	Yes/No	Feedback
Legal framework for renewable energy		
Does the legal framework allow private sector ownership of renewable energy generation?	✓	🗨️
Does an official renewable energy target exist?	✓	🗨️
Is the target legally binding?	✗	🗨️
Is the RE target linked to international commitments (e.g. NDC or regional commitment)?	✓	🗨️
Is there a renewable energy action plan or strategy to attain the target?	✗	🗨️

Focus on the risks for offtakers:

- Developers in Africa today have no guarantee of payment when they develop renewable energy projects. Developers therefore want guarantees from the State, which they don't get because of the ban imposed by the World Bank and the IMF.
- Many countries are now in deficit for this reason.

Focus on the cost of capital:

- The cost of capital is 2 to 3 times higher in Africa than in China, for example.
- Solar remains the cheapest energy source in Africa.



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Access to energy and financing for minigrids in Africa

Camille André-Bataille, Anka



Camille André-Bataille, co-founder and CEO of Anka, talks to us about access to energy via minigrids and the issues involved in blended finance to help this sector make progress towards achieving SDG7.



At Anka, we see energy as a means of financing, not as an end in itself.

Access to energy is one of Anka's core businesses:

1. Firstly, via mini grids (in Madagascar in particular), which provide better access to electricity on the African continent. This business is halfway between the public and private sectors, as Anka is delegated to provide a public service. Regulatory frameworks have allowed the market to be liberalised and the private sector to enter the market.
2. Then there are the energy applications, which represent the implementation of Anka's ecosystemic vision. In addition to developing and building energy infrastructure to produce electricity, Anka supports beneficiaries in a number of key areas: developing agriculture and cooking, and supporting entrepreneurs (especially in the informal sector in rural areas).

Anka also provides solar energy solutions for the non-state private sector:

- with technical and financial proposals, particularly for the energy transition and access to energy. The aim is to support users (e.g. a mine, the hotel sector, etc.) who wish to have a more attractive energy mix, including renewable energies.

Finally, Anka offers consulting services and technical assistance:

- They support organisations in the development and implementation of projects, as well as in improving regulatory frameworks, energy mixes, new markets, etc.

Financing:

- Combination of several financial tools: subsidies, capital, debt → mixed finance which is both all the power of the energy sector and what makes it so complex. We need to mobilise donors, the international community and local governments for subsidies.
- In Africa, there is a lack of tax incentives for renewable energies, creating a blockage.
- As far as debt is concerned, there is a lack of involvement and a lack of suitable financial products to support the development of renewable energies, particularly in local currency.
- As far as equity is concerned, the involvement of private players is too low.



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Upcoming events

21 October to 1 November
Cali, Colombia



4 to 8 November
Cairo, Egypt

**WORLD
URBAN
FORUM**



11 to 22 November in Baku,
Azerbaijan



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