

TO MEET ITS BIG ENERGY CHALLENGES, *Africa needs to think differently*



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Mike is a CA (SA) who spent 10 years at Arthur Andersen and has had 20 years investment banking experience, with the past 16 years being primarily focused on the financing of large scale infrastructure projects in Africa. He has been extensively involved in most of the large scale infrastructure projects in South Africa and over the past five years has originated and led a number of landmark transactions, which have secured in excess of 20 international awards for Nedbank Corporate and Investment Banking.

There may be many reasons why Africa has, as yet, been unable to realise its full economic growth and development potential – not least of which are almost certainly a history of poor, or no, infrastructure development, ongoing political uncertainty and, some might contend, a lack of will by Africa itself.

Right at the top of that list, however, has to be the lingering energy deficit experienced by the vast majority of countries, communities and businesses across the continent.

Without energy, economic growth and the social upliftment it should deliver is all but non-existent. In recent years, this inhibitive role that a lack of sustainable energy access is playing in Africa's growth path has been thrown under a bright spotlight. Despite undergoing a lengthy period of good economic growth and diversification, accompanied by real social transformation, the continent remains limited in terms of its ability to realise its full potential as the global economic growth driver it can, and should be.

The reason is simple. Africa doesn't have the energy it needs to maintain and increase its forward momentum. There are many reasons for this, including a historical lack of investment into energy both by Africa and into Africa. Furthermore, a general lack of access to coal in large parts of the continent, and possibly most significantly, the prohibitively high costs of energy distribution across vast expanses to reach the many rural communities and villages that characterise so much of the African landscape.



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While that landscape is undoubtedly transforming as urbanisation increases at a stellar pace across the continent, the African population reality will always be a vast and extensive one. Against that backdrop, the massive limitations of Western-style, centralised, big-grid power supply solutions become patently obvious. Coupled with the world’s insistence that Africa meet its energy needs through various means other than fossil fuels, this presents the continent with a real challenge. However, as is so often the case with challenges, this is also a unique opportunity for Africa to harness the extensive experience of all the countries – including South Africa – that have achieved success in the area of renewable energy, apply the lessons provided by that experience, and deliver sustainable alternative energy solutions that can power the continent into the future.

The timing for developing and implementing these types of energy solutions could also never be better because Africa now has the opportunity to capitalise on the global alternative energy resources that are becoming available. In many developed regions and countries, electricity demand has now effectively been met as large scale renewable energy projects have been completed and activated. This means that the resources – human and technological – that were developed as part of the completion of these renewable energy projects are now available to be redeployed elsewhere in the world, where unmet energy demand remains high. This can, and should, be leveraged to Africa’s advantage, particularly given the concurrent focus by governments and private sectors in many of these regions on investing in the development of Africa’s energy potential.

The bottom line is that Africa is receiving more of the world’s attention and focus, in the energy sector in particular. Massive and growing demand for power presents the investors of the world with high levels of opportunity. The onus, now, is on Africa to do whatever is necessary to capitalise on the situation.

To do that, three key things are required from every country in Africa that has energy as one of its procurement priorities.

The first is a significant commitment to the development and implementation of an enabling policy framework. Given the continent’s limitations in terms of ‘traditional’ forms of energy provision, such frameworks have to now include significant allowance for alternative and renewable energy investment of varying scales. Otherwise, Africa will only be able to meet its energy needs through alternative and renewable energy if it is absolutely committed to doing so, and it puts in place the policies to demonstrate this commitment.

The second requirement for real energy development in Africa is enabling regulatory frameworks. Many of the countries on the continent have a global reputation for being extremely difficult in which to do business. This has to change if alternative energy is to have any hope of changing the African economic landscape and powering its future development. Investors and developers need to enjoy the security of knowing that they are welcome, and able, to enter into government contracts without fear that regulatory grey areas might derail their efforts, and cost them dearly.

Pleasingly, many African countries have made great strides forward in terms of these two essential aspects of international business enablement, and this augurs well for the future of energy provision in many parts of the continent.

The final, and possibly most challenging component is the availability of bankable energy projects in Africa. This, in many cases, is where a paradigm shift away from big-grid electricity provision is needed in many parts of Africa. When one considers the large, and growing, numbers of energy solution developers and investors that are approaching banks – particularly in South Africa – to provide the financial backing that will allow them to build smaller-scale energy projects in Africa, it is clear that this is the most logical and viable way forward for countries and communities. The success of this approach is already evident in many rural villages where basic solar power systems, many without after hours storage facilities, are delivering the energy needed to support households and enable businesses to function, grow and create employment.

The success of the pilot projects in the World Bank's Scaling Solar initiative offers further evidence of the viability of this small scale, privately funded, approach to meeting Africa's very large scale energy needs.

The recent success of South Africa's Renewable Energy Independent Power Producers Programme (REIPPP) is another example of what is possible in terms of renewable energy provision in Africa. It also serves as a good example of how renewable and alternative energy success can be achieved if the above three components are established as cornerstones. And, while it's unlikely that many African countries could simply replicate REIPPP as a way of delivering renewable energy solutions, the programme's success can, and should, help to address the reticence by many of these countries to prioritise renewable energy because of any historic failures or shortcomings of previously attempted renewable projects.

The success of REIPPP stemmed primarily from the preparation that went into its development. The programme offered a clear view of what it aimed to achieve, where it would start and, just as importantly, where and when it would end. The bidding process was comprehensively thought through and set out, and offered full transparency in terms of what was required of bidders and what they could expect in return. And the processes and frameworks were put in place, upfront, to expedite regulatory approvals and procurement to ensure the projects of winning bidders could come online and

contribute to meeting the country's energy requirements as quickly and efficiently as possible.

While most of the renewable and alternative energy projects that will be implemented across Africa in the coming years won't be to the same scale as the South African REIPPP programme, these basic principles that underpinned its success will be essential for the similar success of Africa's emerging renewable energy reality.

Obviously, the importance of putting such an alternative energy reality in place goes way beyond merely giving all Africans access to the power – although this is obviously a significant benefit. A fully powered Africa will also finally be in a position to fully capitalise on the massive economic opportunities that are already waiting to be exploited. Importantly, these opportunities are amplified if alternative energy projects are allowed to play a key role in the continent's future. The business- and job-creating spin-offs of renewable energy projects, for example, can be immense, as can the employability benefits of knowledge creation within a globally relevant industry.

Add to these the obvious positive consequences of an entire continent meeting its energy needs in ways that do not impact negatively on global climate change levels, and the case for renewable and alternative energy projects to be given the priority they deserve in Africa has become more than compelling.

And it all starts with thinking differently. ■



Image submitted by Chaim Motzen, Gigawatt Global Rwanda. Photographer: Ido Herman