IFI's role to accelerate RE investments, what additional tools?

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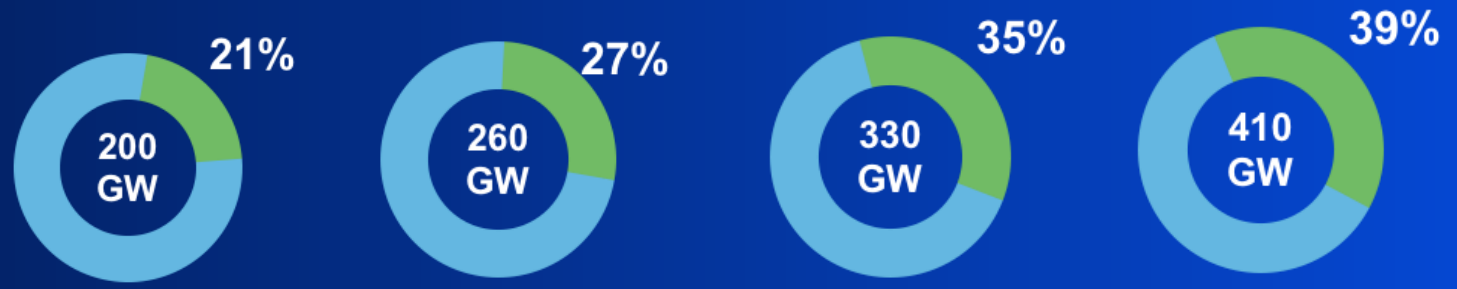
IEA RIAB Special Session
Africa's renewable energy transition: What does it take?

Rome October 24th 2018

Renewable Evolution in Africa

Cumulative Installed Capacity – GW



	2017	2020	2025	2030
GW	42	70	115	160

	2017	2020	2025	2030
Geothermal	1	2	5	5
Bioenergy	2	2	5	5
Solar	4	15	30	55
Wind Onshore	5	10	20	35
Hydro	31	40	55	60
RES Totale	42	70	115	160

CAGR 17-30	
Hydro	5%
Wind Onshore	17%
Solar	23%
Bioenergy	10%
Geothermal	14%
Totale RES	11%

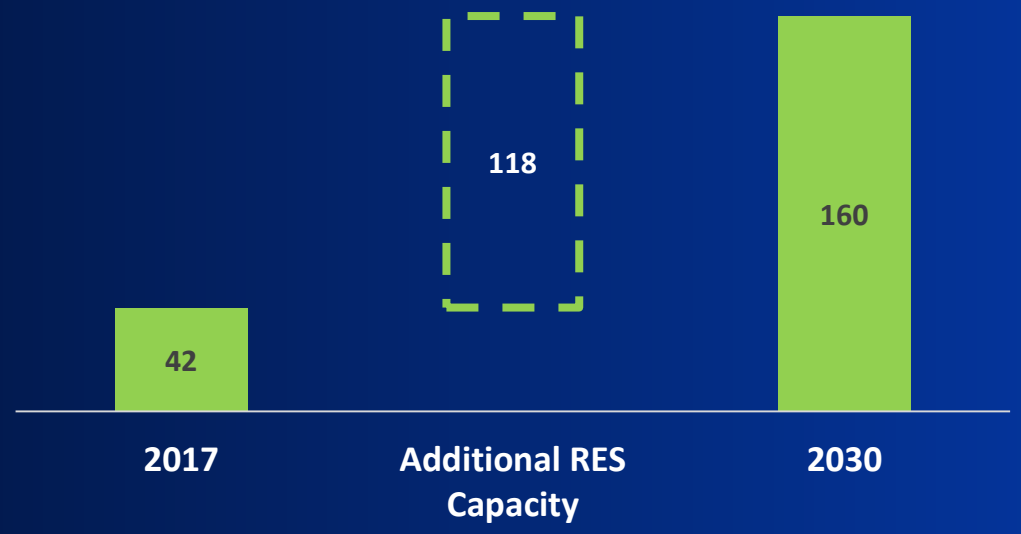
2030 RS Market Share
3%
3%
34%
23%
37%

RES Capacity: EGP estimate based on external info provider
No RES Capacity: Enerdata
Pump capacity not included

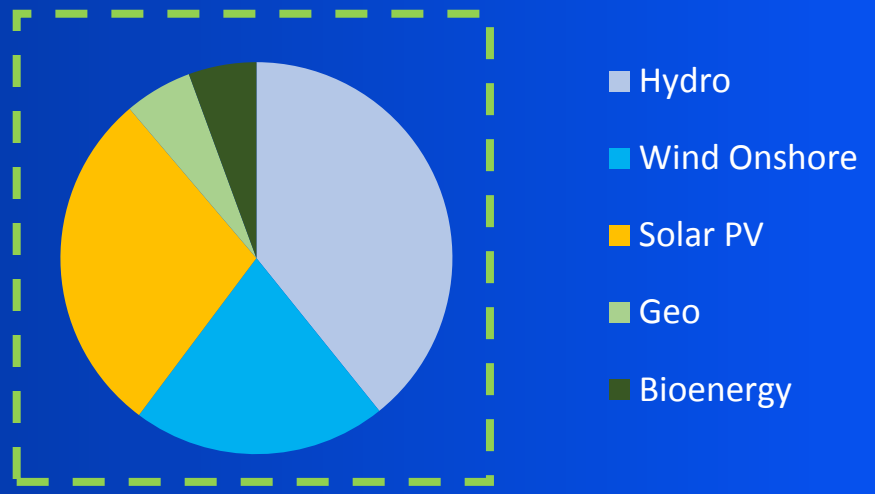
Renewable Evolution in Africa

Expected RES Investment

RES GW Installed In Africa



Investments in RES Generation Capacity



~150 bn€ to be invested in order to meet the expected RES capacity growth

Source: Enerdata, EGP estimates
Note: Pump capacity not included

A new Instrument supporting large scale RES development in Africa

Analysis of the financial existing instruments to identify a new instrument supporting further RES developments in Africa: the analysis has been conducted by PwC for RES4Africa&Med

Existing RE Support Programs for Africa

Over 75 existing Support Programs

Covering Different

- **Geographies**
- **Large Scale Plants (>50MW)**
- **Risks**
- **Support Service**

17 significant Programs Supporting RE in Africa with EU members support

EU External Investment Plan

Scaling Solar – IFC World Bank

Public – Private Infrastructure Advisory Facility

Infrastructure Project Preparation Facility - ADB

Infrastructure Development Fund - FMO

Project Preparation and Development Facility

ACP – EU Energy Facility

EU Africa Infrastructure Trust Fund

Clean Technology Fund - World Bank, AfDB, ADB, EBRD, IADB

Energy Sector Management – World Bank Group

NEFCO Carbon Fund

Danish Climate Investment Fund

Climate Investor One - FMO, Government of the Netherlands

Africa Energy Guarantee Facility – ATI EIB and Munich

FISEA Invest and Support Fund for Business in Africa

Terawatt Initiative

West Africa Clean Energy Corridor – IRENA, ECREE, WAPP, ERERA and IADB

35% Available in all the countries

29% Cover all technologies

Identified Risks

01 — Legal framework

Starting a Business
Property Permits
Political Risk
Dispute Resolution
Regulatory/Policy
Rules Favoring IPP entrance to market
Breach of Contract
Institutional Actors Involvement

02 — Revenues

Revenue stability
Risk of curtailment
Exchange rate risks
Counterparty/Sovreign risk
Capital transfer and convertibility

03 — Construction and Operational Risks

Permitting/licensing
Grid access
Construction flaws
Availability of Local skills
Logistics, Security and Safety Risks
Logistics, Security and Safety Risk

04 — Financial Structuring

Financing availability
Interest rate risk
Inflation risk
Tax regime

05 — Environmental and Social Issues

Environmental impact assessment procedures clarity
Social acceptance
Force Major risk

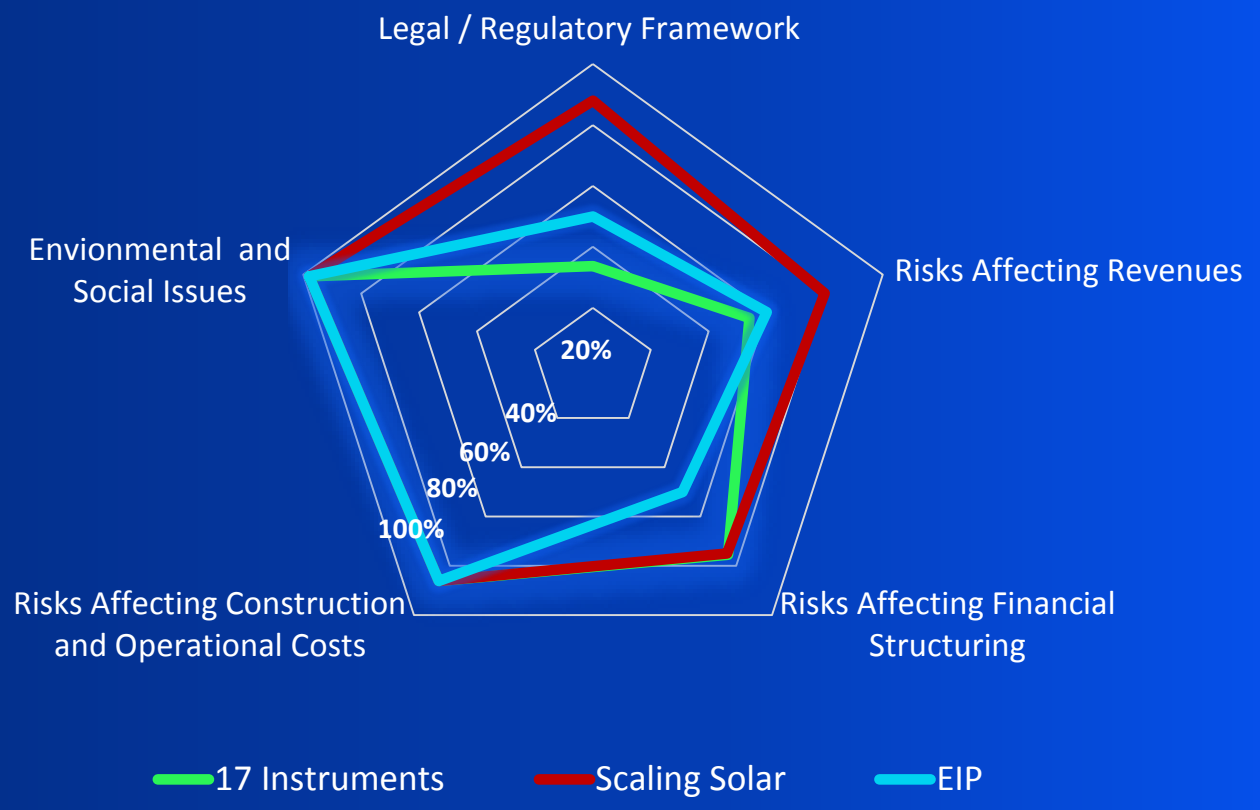
Existing Programs Risk Coverage

None of the 17 analyzed instruments cover all tipical risks.

The **legal**, **regulatory** and **political** framework is the most uncovered risk.

EIP and Scaling Solar programs, overperformed in comparisson to other instruments regarding the risk mitigation mechanisms offered.

Level (%) of Coverage by main area



Support provided to IPPs & Manufacturers

Activity	Preparation	Bid Documents	Tender Process	Award	Final Agreements	Construct and O&M
Milestone	Analysis Legal, Technical and E&S	Tender Information & Documents	Bidder Consultation RFP	Proposal Review Signing	Signing: Loan, insurances, PPA, PPA and Guarantees	Construction Commissioning, O&M
Level of Support # of programs supporting this phase/ total programs	100%	29%	18%		65%	41%
Type of Support	• High Level dialogue • Feasibility study • Capacity building	• Bankable / standardized documents negotiation	• Transparent and clear tender procedures • International RFP standard • Active stakeholder engagement		• Technical assistance • Transparent and clear standardized documentation • Insurance • Guarantee • Debt	• Training for the availability of local skills

IPPs Experience

IPPs have been interviewed on the existing support programs

IPPs Experience

Main identified gaps

- Lack of clear legal & regulatory framework for RES.
- Governments commitment to set up a suitable investment environment.
- Complex Private-Public dialogue and negotiation.

General Highlights

- Africa needs real long term planning for RE and real political will
- DFI's involvement is essential to accelerate growth
- A well structured PPA is essential
- The high number of existing facilities discourage their use due to complexity
- Transmission grid needs to be ready to support the projects.

Manufacturers experience

Manufacturers have been interviewed on the existing support programs

Technology Providers

Main identified gaps

- Technical and Legal advice.
- Clarity on Documentation/ Contracts/ Agreements and on time.
- Guarantees and insurance to cover specially political risk.
- Capacity building and availability of skilled local workforce.

General Highlights

- Governments need to be educated about RE technologies, impacts and grid requirements.
- IFIs involvement accelerate the projects
- IPPs need a stable and secured tariff scheme in the long term ensuring their profits back.
- Debt guarantees are a must in large scale projects
- A transmission system – grids to sustain the produced power.
- Cooperation between national, supranational and EU institutions.

Scaling Solar

Benefits and Criticalities

STEPS 1 - 3
8 months
Project & Bid Prep
Tender Process & Award

STEPS 4
6 months
Financial Close

STEPS 5
10 months
Construction
& Operation

FINAL PROJECT
2 years

Scaling Solar	Governments and Utilities			Project Developers and Investors	
BENEFITS	STANDARDIZATION AND SPEED	HIGH-LEVEL COMPETITION	STANDARDIZED CONTRACTS	REDUCED DEVELOPMENT TIME AND COSTS	CREDIT ENHANCEMENT AND OFF TAKER RISK MITIGATION IN PLACE
IMPROVEMENTS	EARLY STAGE DEVELOPMENT TO BE DONE BY GOVERNMENT		GUARANTEES AND LIQUIDITY SUPPORT TO BE PUT IN PLACE	SITE SELECTION RISK PASSED TO DEVELOPER	NO PROTECTION FOR DELAYS BETWEEN BID AWARD AND FC

What could be improved?

1. Right Investment Environment: high level dialogue with the private and public sectors.

2. Technical assistance and advice: Capacity building and structured tender procedures.

3. Financial Support: Staple finance, concessional terms and blended finance.

4. Risk Mitigation Tools: (currency, repatriation, counterparty) terms and implications of these risks are not well defined along the project evolution.

5. The geographical scope: open to all the African territory.

6. Available for any RE technology

New Instrument for RE in Africa?

Set the stage for the right investment environment

High level dialogue with the private and public sector

Structured tender processes and standardized documentation

Provide financial support and risk mitigation tools

That covers more African countries and technologies

Promoting Capacity Building and Knowledge Transfer

Impactful program supporting larger projects

The New Instrument

Project Preparation

Enables dialogue and partnerships between public-private entities.

Promotes Capacity Building and Knowledge Transfer

Helps local authorities to build a clear and feasible renewable energy projects portfolio.

Creates optimal conditions to facilitate IFIs and commercial banks to allocate the existing funds .

Tender Process

Supports the preparation of all standardized documents necessary for the tendering process (including bid documents).

Supports the project evaluation throughout all the execution phases of the tender process.

Financial Close

Supports the negotiation process for the contracts finalization and for tariff adjustment mechanism.

Provides guarantees and insurances to cover also political risks and country risks.

Construction & Operation

Supports the monitoring and evaluation of the different activities of the construction and operation phase.

Improves capacity building and technical trainings to stimulate the development of local skilled workforce

The new instrument shall operate as a de-risking instrument covering all the investment phases and enabling market entry for investors and financers