



## **Opportunities for the private sector in ACP countries**

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### **Instrument for pre-accession assistance (IPA)**

- Preparation for accession.
- Few of the IPA beneficiaries have identified Energy as a priority under national programmes.
- Most of projects are multi-country facilities, activities or programmes.

## IPA - Exemples



- **IPA Energy Efficiency Finance Facility 2007** - *Horizontal programme to provide Energy Efficiency Finance*
- **Volume:** €34,7 million
- **Beneficiary region:** Western Balkans and Turkey
- **Type of contract:** Contribution Agreements
- **Contractor/ Supplier/ International Organisation:** EBRD, EIB, KfW/CEB
- **Duration of activities:** November 2008 - December 2016
- **Purpose :** to assist the countries to promote energy efficiency (EE) and renewable energy (RE) investments in the building and industry sector generating highest opportunities for energy savings and reduction of CO2 emissions.
- **Activities :** provision of financing to commercial banks in the region to increase their portfolios in EE and RE projects for on-lending to final borrowers. The IFI credit lines under the Programme are combined with IPA grants in the form of financial incentives both to partner banks and end-borrowers to facilitate investments.

## IPA - Exemples



- **IPA Green for Growth Fund 2009** *Management of a Participation in the Green for Growth Fund*
- **Volume:** €20 million (a further €5 million is the EU Contribution to the Technical Assistance Facility of the Green for Growth)
- **Beneficiary region:** Western Balkans and Turkey
- **Beneficiary Institutions:** financial institutions for on-lending to households and small and medium enterprises, or Energy Service Companies, other companies and municipal entities
- **Type of contract:** EU Mandate (Trusteeship agreement)
- **Contractor/ Supplier/ International Organisation:** European Investment Fund (EIF)
- **Duration of activities:** December 2009 – November 2015 (Participation in GGF); December 2010 – November 2015 (TA Facility)
- **Purpose :** Fund initiated in 2009 by the European Investment Bank (EIB) and KfW with the support of the European Commission to provide financing for energy efficiency and renewable energy projects to help the target countries reduce CO2 emissions and energy consumption.
- **Activities :** lending to businesses and households via financial institutions and through direct funding. These investments are made in the Fund's first-loss tranche ensuring that finance remains available to the public and private energy sector and countries keep high their potential to achieve the EU's 20/20/20 energy targets. The activities of GGF are complemented by a TA Assistance Facility.

## IPA - Exemples



**National programmes (from the 2011-2013 MIPDs) :** projects are yet to be identified.

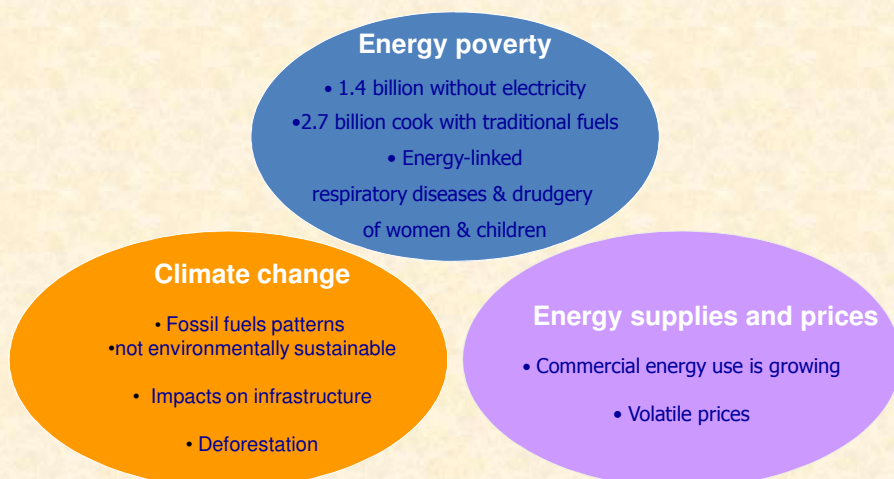
**•Turkey (€129.35 million) :**

- The first objective is increased capacity and better alignment in the energy efficiency field.
- The second objective is further alignment with and implementation of *acquis* on the internal gas and electricity market.
- A third objective is to bring nuclear safety in line with EU standards.

**•Serbia (€99 million, covering energy but also environment and climate change)**

- To help Serbia align with the EU environmental and climate *acquis* and the requirements of the Energy Community Treaty: reform energy policy and increase competition in the sector;
- To improve environmental infrastructure : environmental standards in air, water and waste management;
- To strengthen regional and cross-border cooperation;
- To contribute to Europe 2020 targets in energy and climate change; To prepare overarching financing strategies for the sub-sectors, viable projects for investment and attract FDI; and to promote adaptation to climate change.

## Energy for development - key issues



## Millennium Development Goals



## ENRTP within the current DCI and Distribution of Budget



The ENRTP within the current DCI was divided into 2 phases: 2007-2010 and 2011-2013 with 2 different sets of activity areas.

2007-2010 : 5 Activity areas:

Priority/Activity	Indicative Financial Allocations
1. Working upstream on MDG7: promoting environmental sustainability	EUR 13.7 Million
2. Promoting implementation of EU initiatives and internationally agreed commitments	EUR 362.1 Million
3. Improving expertise for integration and coherence	EUR 5.9 Million
4. Strengthening environmental governance and EU leadership	EUR 38.3 Million
5. Support for sustainable energy options in partner countries and regions, and GEEREF	EUR 122.4 Million
	Total- EUR 542.4 Million

## ENRTP within the current DCI



### 2011-2013 – 3 Activity areas

Priority/Activity	Indicative Financial Allocations
Climate change and sustainable energy	EUR 237.5 Million of which 48 million for Energy
Environment for development	EUR 154.5 Million
Strengthening environment and climate governance	EUR 125.0 Million
	Total– EUR 517 Million

## Global Gas Flaring Reduction Partnership -GGFR



### • Background

Created in 2002 at the WSSD, the GGFR partnership, facilitates and supports national efforts to use currently flared gas by promoting effective regulatory frameworks and tackling the constraints on gas utilization, such as insufficient infrastructure and poor access to local and international energy markets, particularly in developing countries.

### • Main Objectives:

Reduce carbon emissions and environmental impact  
Contribute to energy efficiency and climate change mitigation  
Avoid waste of valuable resources  
Monetization of associated gas through domestic use or export alternatives

### • Means:

World Bank-led Public – Private Partnership  
Includes a large number of countries and private enterprises

### • Budget: 2010 – USD 2.96M 2011 – USD 2.95M





## Global Energy Efficiency and Renewable Energy Fund - GEEREF



- Strategy – To invest in private equity funds that finance renewable energy and energy efficiency projects in developing countries and emerging markets.
- €108 Million in commitments to date (EC/ENRTP, Germany, Norway)
- Tripple Bottom Line
  - Development, Climate Change
  - Access to sustainable Energy
  - Private Sector initiatives
- Advised by dedicated EIB/EIF Team
- Investments
  - €45 Million already invested in 4 funds (South Africa, India, East Africa, Latin America)
  - Projects – Wind Power, Biomass, Mini-hydro in India, Africa and Asia

## The future of the DCI



Public consultation on future funding for EU external action

Responses suggested no need for a substantial change in the current structure of the existing instruments.

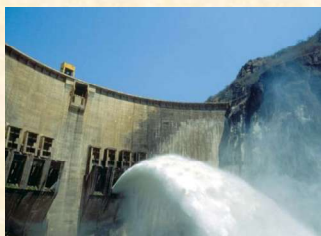
### Objectives:

- Reducing and, in the long term, eradicating poverty;
- Fostering sustainable economic, social and environmental development; and
- Promoting democracy, the rule of law, good governance and respect for human rights.

### Internal breakdown :

- Geographical envelope for non-ACP developing countries.
- Thematic envelope, for all developing countries comprising:
  - (i) Global Public Goods and Challenges, with the following sub-programmes: Investing in people; Climate action and environmental protection; Sustainable Energy; Food security; and, Migration and asylum.
  - (ii) Civil Society Organisations and local authorities.
- A Pan African envelope supporting the implementation of the Joint Africa-EU Strategy.

## Energy in Africa – an overview

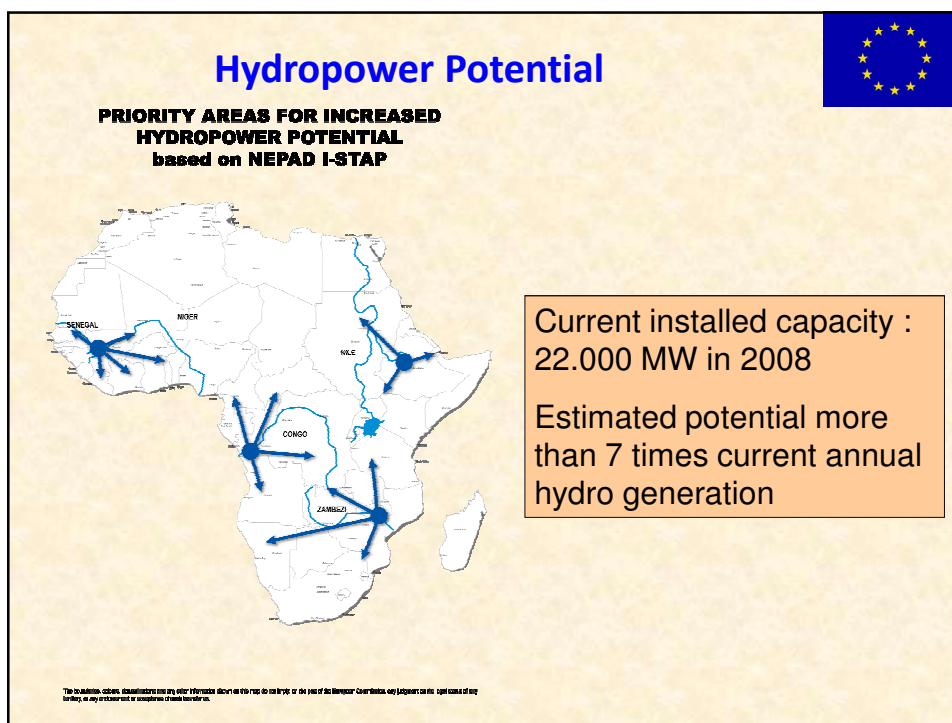


- Low energy use per capita, fight against energy poverty remains a major concern
- Almost 600 million people still without access to electricity
- Biomass represents almost 50% of TPES in Africa, burned inefficiently
- Substantial and diverse resources but potential largely unexploited
- Concentration of (fossil fuel) sources in particular regions and countries


## Energy in Africa – an overview



- Investment required for the power sector in SSA is estimated \$36-41 billion a year (including operation & maintenance) over 20-30 years
- Regional power trade: a cost-effective way to expand Africa's power generation
- Increase hydro-power's share for electricity generation (currently 20%)
- Only a fraction of support will come from ODA: increased efficiency by blending grants and loans
- Private sector involvement is critical to success, thus good framework conditions



## Policy background : Africa-EU Energy Partnership



**Main objectives:**

- Dialogue on energy access and security
- Improved access to energy services
- Increased investment in energy infrastructure in Africa, including promotion of renewable energies and energy efficiency

**Priority clusters with targets for 2020**

- Access to modern Energy services for at least 100 million people
- Energy security : doubling electricity interconnections within Africa and between Africa and Europe – doubling African Natural Gas use and exports towards EU
- Renewable energies : add a 10000MW of Hydro, 5000 MW wind, 500MW solar, increase threefold other RES
- Improving Energy Efficiency notably in the electricity sector



## Energy financing instruments



- National and Regional Indicative Programmes under the European Development Fund: **national, cross-border and regional** projects
- ACP-EU Energy Facility: **local scale**
- EU-Africa Infrastructure Trust Fund (ITF) : **regional and continental scale**, e.g. interconnections,
- EU **Thematic programme** (ENRTP) addressing energy

## EU-AFRICA Infrastructure Trust Fund



**The ITF can support infrastructure projects with the following characteristics:**

- Trans-border infrastructure projects (or a national project with a demonstrable regional impact)
- African ownership (e.g. AU, NEPAD)
- Carried out by public, private or mixed-capital entities
- Targeted infrastructure sectors:
  - Energy
  - Transport
  - Water & Sanitation
  - Telecommunications / IT
- Managed by the EIB

## EU-AFRICA Infrastructure Trust Fund



### Grants from the ITF can take one or more of the following forms:

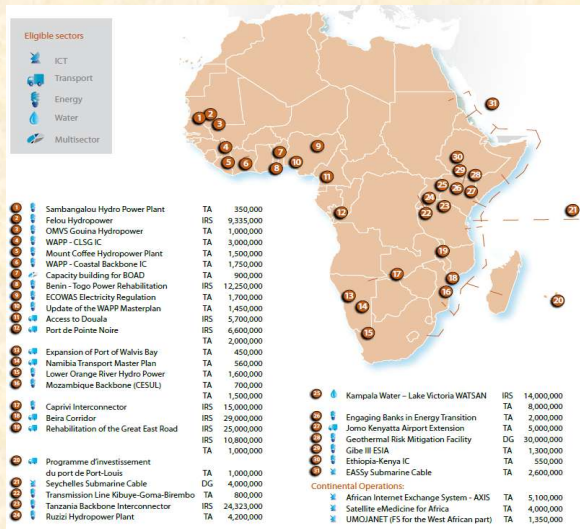
- Interest rate subsidies (IRS) – can be applied in flexible ways to reduce the total amount of debt payable by the borrower
- Technical assistance (TA) – preparatory work for eligible projects, project supervision and targeted capacity building
- Direct Grants (DG) – to finance project components with social or environmental benefits
- Insurance Premia (IP) - facility mitigation measures covering project stakeholders and Project Financiers on all kinds of risk, thereby fulfilling an important catalytic role to mobilise financing for projects

## EU-AFRICA Infrastructure Trust Fund



Donor (together: The Executive Committee)	pledged contribution amount (EUR)	Financier (together: The Project Financiers Group – PFG)
Austria	2,000,000	Austrian Development Bank
Belgium	1,000,000	Belgian Investment Company for Developing Countries (BIO)
European Commission	308,700,000	European Investment Bank
Finland	5,000,000	Finnfund
France	10,000,000	Agence Française de Développement - AFD
Germany	5,000,000	Kreditanstalt für Wiederaufbau - KfW
Greece	1,000,000	Ministry of Economy and Finance
Italy	5,000,000	SIMEST
Luxembourg	2,000,000	Lux-Development S.A.
The Netherlands	2,000,000	Private Infrastructure Development Group (PIDG)
Portugal	1,000,000	SOFID
Spain	10,000,000	COFIDES, S.A.
The United Kingdom	40,000,000	African Development Bank
	<b>392,700,000</b>	

## EU-AFRICA Infrastructure Trust Fund



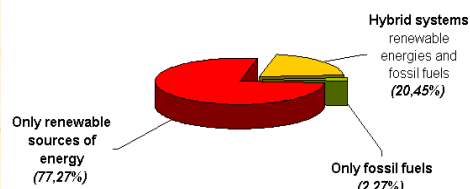
## The ACP-EU Energy Facility



### First Energy Facility 220 M€

- Poverty reduction through increased access to modern energy
- Main method: Call for Proposals
  - Small-scale initiatives
  - Large infrastructure
  - Management and Governance
  - Cross-border cooperation

### Technologies used in generation projects



### Second Energy Facility 200 M€

(of which 40M€ for a pooling mechanism)

- Increased access to modern energy services in rural and peri-urban areas
- Focus on renewable energy
- 667 proposals received, evaluation on-going

## DEEP: Developing Energy Enterprises Project in East Africa



### Action

- The Developing energy enterprises project East Africa (DEEP EA), works to create a sustainable and widespread industry of micro and small energy enterprises, providing energy services and employment in rural and peri-urban areas.

### Countries

- Kenya, Uganda and Tanzania

### EC Partners

- GVEP International
- The Aga Khan Foundations' Coastal Rural Support Project, Kenya (CRSPK)
- IT Power East Africa
- Practical Action East Africa
- The East African Energy Technology Development Network (EAETDN)

### ACP-EU Facility contribution

- €2 million (50% of total)



## DEEP: Developing Energy Enterprises Project in East Africa



### Impact

- Nearly 1.4 million beneficiaries now have access to energy in rural and peri-urban areas.
- Almost 900 energy enterprises have been started up.
- Over 1900 people now have access to employment opportunities in energy enterprises supported by DEEP.
- Cooking facilities have been improved.
- The project has led indirectly to a decrease in proportion of population living below poverty line.



## Increasing Sustainability of the Energy Sector in the Caribbean - OAS



### Action

- The project seeks to promote a transition away from a dependency on imported fossil fuels towards the use of sustainable energy technologies as a means of achieving poverty alleviation and security for the Caribbean.

### Countries

- Caribbean

### EC Partners:

- OAS
- REEEP
- CARILEC
- CARICOM

### ACP-EU Facility contribution

- €1.4 million (71% of total)



## Increasing Sustainability of the Energy Sector in the Caribbean - OAS



### Impact

- Total final beneficiaries - nearly 860,000 people.
- It is estimated that at least 200 MW of renewable energy projects among the project countries will be installed within ten years of the conclusion of this project.
- It is estimated that energy demand will be reduced by 15% versus the projected baseline during the same period, and also significant reductions in greenhouse gas emissions (GHG) are anticipated.





## Cross-Border Supply of Electricity to Rural Communities in Togo (Benin)



### Action

- The Project concerns Cross-border supply of electricity to rural communities and grid extension for delivering electricity to non connected people of rural communities.

### Countries

- Togo (Benin)

### EC Partners

- West African Power Pool (WAPP)
- Communaute Electrique du Benin (CEB)
- Compagnie Energie Electrique du Togo (CEET)
- Electricity Company of Ghana (ECG) Ltd

### ACP-EU Facility contribution

- € 1.5 Million (42% of total)



## Cross-Border Supply of Electricity to Rural Communities in Togo (Benin)



### Impact

- Electricity supply to; 4 hospitals, 3 water pumps, and generation capacity- Badou 116 kWh; Danyi Apeyme: 47 kWh; and Batoume: 95 kWh
- National utilities of 2 neighbouring countries cooperate in order to use the supply facilities of one to satisfy demand of the other.
- Adaptation of rural standards to produce 30% efficiency gains.
- 40 km of MV network constructed in Ghana and 63 km of MV grid in Togo.
- 3 metering points installed in each country.
- 1,200 households connected to the LV grid and 200 street lights installed.



### ACP-EU Energy Facility: short term



- Pooling mechanism: Medium-size (€10-50 million)  
Increased access to energy services in ACP peri-urban, rural areas and growth centre. Projects presented by European Development Banks. Priority to projects relying on renewable energy solutions and energy efficiency measures.
- The possibility for further Call for Proposals under discussion.

### Africa –EU Renewable Energy Cooperation Programme



- Integrated programme to promote Access to modern Energy services through Renewable Energy Sources
- 4 areas :
  - Policy Advisory Services
  - Private sector cooperation
  - Project preparation and funding
  - technology, innovation and capacity development

## New perspectives in access to energy



- UN initiative “Sustainable energy for all”
- Renewable Energy sources enhanced role
- Current challenges call for innovative solutions including the private sector

Agenda for Change: “the EU should offer technology and expertise as well as development funding, and should focus on three main challenges: price volatility and energy security; climate change, including access to low carbon technologies, and to secure, affordable, clean and sustainable energy services.”

## Issues of importance



- Multiannual Financial Perspectives 2014-2017 under definition
- More energy as focal sector in the National Indicative Programmes and Regional Indicative programmes. Focus on RES.
- Donor coordination in countries and impact measurement.
- Environment favourable to private investment both from beneficiary countries and EU Member states is essential.
- More resources devoted to blending mechanisms and guarantees
- IFIs and Development / Commercial Banks will remain main actors for energy projects in Africa. Increased collaboration with European Financing Institutions