

Meeting Summary

From Idea to Access: Energy Project Development in Practice

Discussion Forum with Practitioners operating in African Renewable Energy Markets

EUEI PDF Discussion Forum, 15.05.2013, BTC Conference Centre, Brussels

Issue

Results

Background

- ▶ The energy access gap in developing countries persists. End-users are paying high prices for often inefficient, unreliable and expensive energy.
- ▶ Recognition of energy as a prerequisite for reaching the MDGs is rising in the political realm. The EU Agenda for Change puts an emphasis on private sector and sustainable energy. Private sector is seen to have an essential role in reaching the SE4All targets.
- ▶ In 2012, EUEI PDF's Discussion Forum already highlighted a variety of issues facing private sector participation in these markets. It culminated in a call by participants to focus on specific aspects in more detail at the next opportunity.
- ▶ Concerns are arising with regards to the project pipeline. Will we "run out" of bankable projects in the medium term, with adverse effects for disbursement of financing, and ultimately jeopardizing the outlook to reach access / energy sector development targets?
 - ⇒ The EUEI PDF Discussion Forum 2013 invited four project developers from four different market segments to share their views on energy market development in Africa, providing a unique opportunity for exchange between project developers, European policy makers, as well as business associations and development practitioners.

Local Project Developers' Capacity

- ▶ As project development in Africa is a very local business, reliable local partners, qualified service providers, and competent staff members are essential; however, they are in short supply. Even if present, they are often difficult to identify, both for European and African project developers.
- ▶ Know-how transfer between local partners and subcontractors as well as international partners is key. In particular during the later stages of the project lifecycle. E.g. grid connection still is one of the least understood issues.
- ▶ Unrealistic budgets, timelines and implementation / operation strategies are a recurrent issue in the work with partners. On average, it takes project developers 2 to 3 times as much time and money to develop the project than had been initially estimated.

⇒ **Messages from project developers to development partners:**

- 1) Project developer's prevailing lack of information (or access to the same), capacity and often realism need to be addressed within new and on-going interventions – particularly with respect to local project developers and subcontractors.
- 2) Donors are in a unique position to facilitate learning between projects / market segments / countries / regions as they work simultaneously with various project developers and other stakeholders; they should make more use of this position.
- 3) Donors can / should support tailored capacity development, with a need-based and hands-on approach as well as preferably being project- or at least market-segment specific.
- 4) Governments should still give more preference to private sector participation, or at least PPPs.

Market Analysis

- ▶ Access to information (baseline data, resource mapping, actor / stakeholder / partner identification, project monitoring) is crucial at all stages of the project lifecycle.
- ▶ Specifically, there is a need for improved data at consumer level.
- ▶ National utilities at times have gathered market information, but do not necessarily share it with the general public or the private sector.

⇒ **Messages from project developers to development partners:**

- 5) The provision of consumer research and information on existing projects / possible local partners is an effective and non-discriminatory support to project developers.
- 6) National utilities should be supported in cooperating with the private sector and share information on the market and consumers.

Policies, Regulation and Support

- ▶ Enabling (transparent and predictable) policy and regulatory frameworks is a key success factor and continues to be inadequate in most countries and market segments.
- ▶ Delays in the project development process caused by changes in the framework can make the difference between bankable and non-bankable projects.
- ▶ Regulators and project developers are both in a time-consuming learning process, varying on a case-by-case basis.
- ▶ Rural electrification agencies often have the potential of to act as partners / facilitators, but vary vastly in capacity and resources.
- ▶ The capacity of policy-makers and regulators for addressing the specific requirements of project developers needs to be further improved.

⇒ **Messages from project developers to development partners:**

- 7) Support interventions should always be checked against the project developers' need to manage and reduce risk and complexity.
- 8) In the case of new or re-adjusted regulation, the issues of transparency in the formulation process and general predictability remain most pressing.
- 9) Development partners should provide hands-on support to local project developers to navigate the complexities of nascent policy and regulatory regimes.
- 10) While maintaining predictability and transparency, subsidies and incentive schemes

should be reviewed in a timely manner to match real needs.

- 11) Ideally, the national government sets up one coherent support mechanism, irrespective of the different donors, and asks donors to participate.

Innovative Financing

- ▶ The reality of many renewable energy technologies as “front-loaded” investments must be reflected in the financing instruments (i.e. long-term maturity).
- ▶ Risk and risk perception (especially pre-construction) continue to drive renewable energy and energy access financing costs. For example, the ability of the off-taker to pay for the electricity that is generated by the project is a major concern for the lenders. There is a need for tailored instruments such as guarantee / risk management facilities.
- ▶ Access to finance for small projects, e.g. under 1MW, continues to be difficult. Support to local commercial banks should be an area for increased focus.
- ▶ There is a need for innovative financing approaches, including blending of public and private financing sources, venture capital attraction, and availability of both project development and project implementation financing with backing of donors.
 - ⇒ **Messages from project developers to development partners:**
 - 12) Increase focus on project development and project preparation financing, while involving local banks in order to reach small projects.
 - 13) The risk associated with project preparation financing could be partly mitigated through portfolio diversification and partnerships, as well as blending with public funding.
 - 14) Adapt financial instruments to the business models of renewable energy projects in developing countries; long-term financing remains the mayor issue.

Gender

- ▶ Project developers are generally aware of their work’s gender dimension.
- ▶ For project developers, gender issues concern mostly the access of women to energy, not of the specific relevance of gender, i.e. involvement of women as such during the development and implementation phases.
 - ⇒ **Messages from project developers to development partners:**
 - 15) Practical advice on the inclusion of gender issues in project development is very welcome if it differentiates between the different stages of the project lifecycle, focussing on the projects’ impact itself.

Impressions from the meeting



Keynote speech by Peter Robinson
(Economic Consulting Associates' Director
for the African Region)



Wiebke Krüger (juwi), one of the four
presenting practitioners



Participants during the session ...



... and the reception



Panel discussion with Ingmar Stelter (EUEI-PDF) and project developers



Participants discussing during the coffee break



Introductory remarks by Mike Enskat (GIZ)

Alphabetical list of participants

	Name	First name	Institution / Company
1.	Hannes	Bauer	ADA
2.	Steffen	Behrle	EUEI PDF
3.	Fatma	Ben Fadhl	EUEI PDF
4.	Edgar	Blaustein	AFD
5.	Lukas	Bretzinger	EUEI PDF
6.	Jerome	Broutin	GDF
7.	Peter	Cattelaens	EUEI PDF
8.	Ina	De Visser	EUEI PDF
9.	Valentine	Delcoustal	European Commission - DG DEVCO
10.	Luc	Dewilde	3e
11.	Amelie	D'Souza	KfW
12.	Mike	Enskat	GIZ
13.	Gunter	Fischer	GEEREF
14.	Michael	Franz	EUEI PDF
15.	Jonas	Frederiksen	Joint Africa-EU Support Mechanism
16.	Annelie	Gabrielson	Sweden - SIDA
17.	Patricia	Grobben	Federal Public Service Belgium
18.	John	Holmes	European Academies Science Advisory Council
19.	Alexander	Huppertz	GIZ
20.	Florian Peter	Iwinjak	UNIDO
21.	Michael	Koeberlein	Germany - BMZ
22.	Wiebke	Krüger	JUWI
23.	Victoire	Lejzerzon	AFD
24.	Philip	Mann	EUEI PDF
25.	Jon	Marks	Cross Border Information
26.	Márcio	Matos	Martifer Solar
27.	Luis-Carlos	Miro-Baz	ARE

28.	Wolfgang	Moser	Austria - Austrian Foreign Ministry
29.	Annette	Mutombo	EU-AFRICA Chamber of Commerce
30.	Michaël	Mutombo	EU-AFRICA Chamber of Commerce
31.	David	Otieno	EUEI PDF
32.	Peter	Robinson	ECA UK
33.	Michael	Rourke	European Commission - DG DEVCO
34.	Susanne	Schroth	KfW
35.	Ingmar	Stelter	EUEI PDF
36.	Sara	Stenhammer	Sweden - SIDA
37.	Lucy	Stevens	Practical Action
38.	Adriaan	Tas	Carbon Africa
39.	Yannick	Thomas	BTC
40.	Barbara	Ungari	EUEI PDF
41.	Robert	Van der Plas	MARGE
42.	Frederik	Vanheerzele	BTC
43.	Annemie	Vermeulen	C-Power NV
44.	Rogier	Verschoor	ETC
45.	Angelika	Wasielke	GIZ
46.	William	Whitworth	European Investment Bank
47.	Marcus	Wiemann	ARE
48.	Napoleon	Winja	Netherlands - Ministry of Foreign Affairs
49.	Alistair	Wray	European Investment Bank