

Meeting Summary

Private Sector and Energy Access

Potential, Challenges and Needs of Private Sector in promoting Energy Access and Renewable Energy Markets in Africa

EUEI PDF Discussion Forum, 21.03.2012, Hotel Bloom, Brussels

<i>Issue</i>	<i>Results</i>
Background	<ul style="list-style-type: none"> - The energy access gap in developing countries persists. End-users are paying high prices for inefficient, unreliable and expensive energy. Comparing industrialized with developing countries, energy inequality is much greater than income inequality. - Political context: recognition of energy as a prerequisite for reaching the MDGs is rising. The EU Agenda for change puts an emphasis on private sector and sustainable energy. The UN Sustainable Energy For All initiative attributes to the private sector an essential role for increasing access to modern energy, renewable energy, and energy efficiency. - Need: to identify and support practical and scale-able approaches for private sector in all relevant market segments, and to design efficient and effective support interventions. - The Discussion Forum was held to learn from experiences of the private sector and establish dialogue between private sector and development partners in the context of the EUEI. <p>⇒ Messages from private sector to development partners:</p> <ul style="list-style-type: none"> - "More such dialogue events are needed, focused more on specific market segments with similarities in terms of needs & solutions." - "Timely action, addressing the points highlighted below."
Developing European markets with African partners	<ul style="list-style-type: none"> - In particular in the meso-level market ranges, European private sector continues to be in the lead, and has solutions for both on-grid and off-grid energy supply. - This represents an enormous potential for business partnerships between European and African companies, for joint business development, technology transfer and job creation. - However, competition is high and rising, in particular from Asia. It is therefore important to move fast and pool resources from both private and public sector. <p>⇒ Messages from private sector to donors/public sector:</p> <ul style="list-style-type: none"> - "Support meso-level energy access / renewable energy project and market development."
Time constraints and requirements	<ul style="list-style-type: none"> - Time constraints: <ul style="list-style-type: none"> ○ for project developers and investors (delays cost money); ○ for the public sector/donors (delays are difficult to justify to the tax payers). - Time requirements: <ul style="list-style-type: none"> ○ Developing economically viable projects takes time. Delays can make the difference between bankable and non-bankable projects; ○ Developing markets (policy frameworks, human and institutional capacity) also takes time.

⇒ **Messages from private sector to donors/public sector:**

- “Move fast and keep it simple where possible, but have endurance and patience where necessary (Don’t think 4 years, think 10 years!).”
- “Emphasize, but not solely focus on, quick wins to demonstrate feasibility and allow for replication and scaling-up.”

Good people and strong partners matter

- Strong and reliable partners, qualified service providers, and competent staff members are essential prerequisites for doing business in Africa; however, they are in short supply.
- Education of, and information for, decision-makers, potential business partners and end-users are required to develop markets.
- Even if good human resources and reliable potential partners exist: it is very difficult for European companies to find them.

⇒ **Messages from private sector to donors/public sector:**

- “Support human capacity development. However, not in a “shotgun approach” but tailored to concrete needs, preferably project- or at least market-segment-specific.”
- “Help us to find good people and partners, e.g. by providing the right fora through business-to-business meetings, targeted match-making etc.”

Complexity

- Project and business development is complex across all market segments.
- The same applies to institutional frameworks and capacity development.
- Procedures and frameworks should be kept as simple as possible while maintaining transparency and predictability. Both micro-management by policy-makers as well as constant re-adjustment effectively increase complexity for private sector.
- Development partners should not get lost in tackling a multitude of issues at the same time, but focus coherently on key success factors.

⇒ **Messages from private sector to donors/public sector:**

- “Help private sector manage and reduce risk and complexity.”

Financing

- Transaction costs for structuring financing for a meso-/small-scale project are often almost equivalent to the transaction costs of a large scale project. Thus, these market segments require more (new) target-oriented financing mechanisms.
- 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, thus the need for tailored instruments such as guarantee / risk management facilities.
- Capacity development for financial institutions is required to support them in understanding and subsequently financing renewable energy and energy access projects; this should include efforts towards reducing the complexity in accessing financing for project proponents.
- 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 private sector to donors/public sector:**

- “Develop and make accessible financing instruments that correspond with the need of energy access / renewable energy markets in Africa.”
- “Shift focus from project implementation to project development and project preparation financing.”

Enabling frameworks

- Enabling policy and regulatory frameworks continue to be an essential prerequisite for private investment in many market segments.

- Misperceptions about the role, potential and economic characteristics of access to energy and renewable energy markets remain a barrier for ownership and willingness of public decision-makers towards improving these frameworks. There is, thus, a need for sensitization and information of public decision-makers.
- The capacity of policy-makers for addressing the specific requirements of private sector actors when designing policies and regulatory frameworks needs to be further developed.
- Frameworks and sector regulations continue to be shaped predominantly for the benefit of conventional power sector structures and energy sources, often operating as monopolies. There is a need for further liberalization and increased transparency.
- Quality of public tenders, both in terms of the technical quality as well as transparency, needs to be improved.

⇒ **Messages from private sector to donors / public sector:**

- “Improve policy and regulatory frameworks for private sector participation in energy access / renewable energy markets, but talk to private sector before doing so,”
- “Keep it simple, transparent and reliable / steady,”

Technologies

- Not all energy access products are based on renewable energy, for example LPG as a clean cooking energy source. Other applications function best in combination with traditional and renewable energy sources, for example rural mini-grid electrification based on diesel-/renewable energy hybrid systems.
- Renewable energy technologies and their respective maturity and economic competitiveness are highly diverse. While some applications in certain market segments are competitive without the need for support, others rely on direct or indirect subsidies.

⇒ **Messages from private sector to donors/public sector:**

- “The choice of technology should be based on a set of criteria, including economic viability, speed and complexity of implementation, as well as social and environmental criteria.”

Support instruments

- The energy access gap is not closing (yet): current instruments of development partners have not yet spurred rapid growth of the renewable energy and energy access markets in developing countries
- No one-size fits all: different technologies, scales of operation and market segments require different solutions
- However: synergies and learning are possible and replicability should be exploited
- Access to information (baseline data, resource mapping, actor / stakeholder / partner identification, economic information including project feasibility) continues to be a key need of private sector

⇒ **Messages from private sector to donors/public sector:**

- “Tailor interventions to the real needs of private sector, e.g. in a value chain / project cycle-based approach.”
- “Focus on *enabling* interventions which effectively support private sector to move quickly.”

Impressions from the meeting



Keynote speech by Jean-Paul Joulia,
European Commission DG DEVCO, Head of
C5 Energy Unit



Speech by Andrew Reicher, Berkeley
Energy



Participants during the session



Participants during panel discussion



Panel discussion with Moderator Mike Enskat (GIZ) and private sector representatives



Closing remarks by Ingmar Stelter, EUEI PDF

Alphabetical list of participants

	Name	First name	Institution / Company
1.	Abrantes	Marta	European Commission - DG ENER
2.	Altmann	Matthias	European Commission - DG DEVCO
3.	Arnould	Cyrille	GEEREF
4.	Baumann	Felix	Novis
5.	Behrens	Arno	CEPS
6.	Blaustein	Edgar	France - AFD
7.	Bodenbender	Mirka	EUEI PDF
8.	Buono	Matthieu	PHOTALIA
9.	Cattelaens	Peter	EUEI PDF
10.	Costa	Rui	European Commission - DG DEVCO
11.	De Broe	Alex	3E
12.	Deveaux	Remi	Schneider Electric
13.	Dreke	Damon	FRES
14.	Enskat	Mike	GIZ
15.	Franz	Michael	EUEI PDF
16.	Fuentes	Manuel	IT Power
17.	Gaubinger	Irina	EUEI PDF
18.	Hahne	Kai	Germany - BMZ
19.	Hakala	Rainer	European Commission - DG DEVCO
20.	Hansen	Mathias	France - Ministry of Foreign and European Affairs
21.	Hassinen	Anu	Finland - Ministry for Foreign Affairs
22.	Hilgert	Ole	EUEI PDF
23.	Hüls	Marco	Germany - BMZ
24.	Iwinjak	Florian Peter	UNIDO
25.	Joulia	Jean-Paul	European Commission - DG DEVCO

26.	Karner	Andreas	Austria - ADA Energy Consultant
27.	Klimbie	Balthasar	Wind Energy Solutions B.V.
28.	Lambert	Nicolas	European Commission - DG DEVCO
29.	Larsson	Kjell	European Commission - DG DEVCO
30.	Mann	Philip	EUEI PDF
31.	Miró	Luis-Carlos	EUEI PDF
32.	Neuser	Norbert	Member of the European Parliament
33.	Nolasco	Joao	European Commission - DG DEVCO
34.	Otieno	David	EUEI PDF
35.	Peyredieu du Charlat	Johanna	European Commission - DG DEVCO
36.	Picaud	Yves	European Commission - DG DEVCO
37.	Prien	Thomas	European Commission - DG DEVCO
38.	Raach	Jürgen	SOLAR23
39.	Reicher	Andrew	Berkeley Energy
40.	Reizine	Stanislas	France - AFD
41.	Rolland	Simon	ARE
42.	Sánchez	Teodoro	Practical Action
43.	Schiermeyer	Ingo	European Parliament
44.	Schönfeld	Janna	European Commission - DG DEVCO
45.	Shanker	Anjali	IED-SA
46.	Skuler	Leehe	E+Co
47.	Stelter	Ingmar	EUEI PDF
48.	van Nes	Wim	SNV
49.	von Harrach	Wichard	WKN AG
50.	Winia	Napoleon	Netherlands - Ministry of Foreign Affairs
51.	Wray	Alistair	European Investment Bank
52.	Ziegler	Jan Okko	Italy – Ministry of Foreign Affairs