

Vienna Energy Forum 2015 Side Event Report

New Partnerships for Rural Electrification

Under the auspices of EU Energy Initiative (EUEI), the [EUEI Partnership Dialogue Facility](#), Alliance for Rural Electrification ([ARE](#)) and [Club ER](#), in collaboration with the European Commission's DG DEVCO C5 organised a side event at the biannual Vienna Energy Forum, addressing facets of successful partnerships for rural electrification in Africa.

The panel comprised of entrepreneurs and representatives from the policy and financing realms who discussed challenges and solutions for providing energy in rural areas in Africa. In his keynote speech, Mr Felice Zaccheo (EC DG DEVCO C5) pointed out the importance of accelerating progress in Africa's electrification and the need to shift to decentralised and innovative business models, such as mini-grids and stand-alone systems, for which not only national funding but, more importantly, private capital needs to be leveraged. He stressed the urgency of scaling up successful projects from African countries, together with adapting existing technology to the African environment.

Following the keynote speech, practitioners Mr Thomas Duveau ([Mobisol](#)) and Mr Guilherme Collares Pereira (Energias de Portugal - [EDP](#)) presented their innovative business models focusing on Mobisol's off-grid stand-alone solar home system successfully operating in Kenya and Tanzania and a pilot hybrid mini-grid project for clean energy to be implemented by EDP and UNEP in Mozambique. The presenters then engaged in a discussion with Mr Ernesto Macias (Alliance for Rural Electrification), Mr Benon Bena (Uganda's Rural Electrification Agency) and Mr Daniel Schroth (African Development Bank), resulting in following key messages:

- Innovative, scalable and bankable business models are the key for deploying renewable energy in rural electrification
- Contributions by donors and development partners can leverage capital for new small-scale business models, i.e. by support from development financial institutions (DFI) for initial phases of project development, for risk mitigation and to address the challenge of upfront financing
- Obtaining grants for Clean Energy Projects should depend, inter alia, on their sustainability, which is included in the initial project design (i.e. by assumed costs of O&M supported by electricity sales)
- A key barrier remains the mind-set of decision-makers, which continues to focus on grid-based approaches, as opposed to decentralised solutions. Advocacy and awareness creation through showcasing functional and attractive models is required.
- Proper national frameworks for technology standards and policy regulations for enabling environment would allow scaling-up private projects faster, with focus on continuous phasing out fossil fuel subsidies
- Small projects are held back by the structural disadvantage of transaction costs, both at the political level (e.g. for rural electrification agencies in terms of reviewing and

approving projects) as well as on the financing side (i.e. in terms of financiers appraising and ultimately financing projects)

- In terms of specific financing instruments, interest rate subsidies and currency risk mitigation play a particularly important role: while local resources are needed in supporting the project development, high interest rates hinder accessing the local finance in Africa. Business models relying on local currencies, particularly those relating to rural electrification need currency hedging instruments as a prerequisite for financing.
- New innovative finance mechanisms for small scale renewable energy projects (i.e. impact bonds) act as additional tools for projects deployment
- Supporting actions to reduce the costs of available technology, i.e. by local manufacturing of technical components in Africa, are needed to stimulate renewable energy deployment in Africa
- Partnerships and cooperation between local and national African governments, entrepreneurs and development partners are an essential element for providing energy to rural communities and achieving the access to sustainable energy for all

Agenda

17:00 – 17:05 Welcome and Introduction

- ▶ **Michael Franz**, EUEI PDF (Moderator)

17:05 – 17:15 Keynote Speech

- ▶ **Felice Zaccheo**, Deputy Head of Unit, European Commission DG DEVCO

17:15 – 17:45 Rural Electrification Projects and Initiatives

- ▶ **Guilherme Collares Pereira**, Energias de Portugal (EDP)
- ▶ **Thomas Duveau**, Mobisol
- ▶ **Ernesto Macias**, Alliance for Rural Electrification (ARE)

17:45 – 18:15 Moderated Panel Discussion

- ▶ Previous presenters
- ▶ **Benon Bena**, Rural Electrification Agency, Uganda/Club ER
- ▶ **Daniel Schroth**, African Development Bank (AfDB)

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