

European Development Days 2015 Side Event Summary

Financing of Innovative Sustainable Energy Solutions

Bridging the gap between the potential and investments for renewable energy projects in developing countries

4th of June 2015, Brussels

The EU Energy Initiative – Partnership Dialogue Facility ([EUEI PDF](#)), in cooperation with Alliance for Rural Electrification ([ARE](#)) organised a side event at the European Development Days 2015 on **how to bridge the gap between innovative renewable energy business models and existing financing instruments**, addressing one of the forum's topic '*Sustainable Energy for Growth*'. The event was hosted by the EC's Directorate General for International Cooperation and Development (DG DEVCO) and accompanied by a stand, show-casing ARE members' initiatives in Energy Access Services.

Achieving access to modern energy for all is currently one of the key development challenges and it will not be possible without mobilising substantial private investment in renewable energy. The side event, linked to the EC's high level panel on [Energy for Africa: New partnerships for EU-Africa investment](#), reflected the apparent contradiction of today's reality: While financiers struggle to find viable projects and to disburse available funds, project developers struggle to access funding. Bridging the gap between project opportunities and actual investments will unfold the renewable energy potential in developing countries and will result in benefiting not only end-users, but also investors and companies in the supply chains. This will subsequently result in job creation, economic growth and social benefits for communities, while contributing to climate change mitigation and adaptation - through enhanced value chain and energy system resilience.

The debate's key points

After initial introductory remarks by Michael Franz (EUEI PDF) and David Lecoque (ARE), Vivian Vendeirinho ([RVE.SOL](#)) presented Kudura, an off-grid hybrid, clean energy and water solution, followed by Adriaan Tas ([Carbon Africa](#)) who outlined his plans for establishing an *early-stage* project development company. The presenters then engaged in a lively debate with the financing experts, Alain Six (Hexafin) and Thomas Andre (Schneider Electric), with following outcomes:

- ▶ Inconsistencies from early stages of project development render projects less attractive to financiers who avoid investing in projects that lack a solid foundation. Project developers on the other hand often lack capacity to develop quality documentation due to time and cost constraints. There is thus a **need for support to early-stage project preparation for**

innovative small-scale business models leading to viable project proposals and standardised applications for funding at finance institutions.

- ▶ The focus should further shift towards **small- and medium-scale projects to meet the direct demand for energy access in Africa**. There is a strong need to attract ‘patient’ capital for small-scale innovative projects and accept longer financing timeframes. Currently, many development finance institutions (DFIs) focus on funding the public sector that is not (yet) equipped to develop and operationalise smaller scale projects.
- ▶ Project developers should **consider specific cultural contexts of developing regions and avoid the replication of ‘foreign’ models and approaches** without respectful adaptation. Community management is absolutely crucial and **engaging community members throughout the whole decision-making process** from early stages of project conceptualisation to the O&M (incl. trainings of local workforce on installing, operating and maintaining the systems) will facilitate long and mutually beneficial provider-customer relationship. To support community ownership, there is a **need to focus on commercial aspects of projects** to make them more attractive for the community, leading to economic benefits of energy access as well as to social improvements in communities.
- ▶ Social enterprises, such as RVE.SOL and its [Kudura](#) project, **struggle to access financing, as they are too small to be financed by large DFIs and too big to obtain micro-financing**. One evident and yet innovative solution is to bundle several projects, i.e. through holding into a bankable portfolio that would meet the threshold set by DFIs. However, these effort and cost of bundling still need to be borne by project developers who often lack the human and financial resources for such activities.
- ▶ From the financier’s perspective, the **regulatory framework** enabling project developers to launch their projects in African countries is essential.
- ▶ Both project developers and financiers, agreed on the **existence of a gap between innovative projects and available finance due to:**
 - a) the **perception of various types of risks** from the financier’s perspective,
 - b) **too much effort** required from developers to mitigate risks on their own costs, needed prior to seeking financial support and leads to increased overall project costs
 - c) **time and effort required on both sides** to gain the confidence in developer’s ability to assess the risk and to fully analyse potential cash-flows
 - d) **limited capacity of local actors to conduct research** and comprehend often scattered and inconsistent information on available funding opportunities for their projects
 - d) **the lack of valid data on performance** of the new technologies used for small-scale projects

- ▶ **Improved dialogue and coordination** between policy makers, financiers and project developers is needed. It is important that the respective perspectives are known and inform each other.

Agenda



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9:00 Session Opening

Welcome by the moderator and info on approach of the session

- ▶ **Michael Franz**, EUEI PDF

Welcoming on behalf of ARE

- ▶ **David Lecoque**, ARE

9:10 Sustainable Energy Solutions: Practical Examples

Presentations highlighting renewable energy projects and their development

- ▶ **Adriaan Tas, Carbon Africa**: On-grid project show case
- ▶ **Vivian Vendeirinho, RVE.SOL**: Off-grid project show case

9:35 Panel Discussion: Mobilising Financing for Innovative Energy Projects

Moderated discussion, following the course of practical examples presentations

- ▶ Previous presenters: **Adriaan Tas, Vivian Vendeirinho**
- ▶ **Thomas Andre, Schneider Electric** –Investor in Energy Projects
- ▶ **Alain Six, Hexafin bvba** - Financing renewable energy projects

Guiding questions for the debate:

- ▶ What is the innovative aspect in the presented projects?
- ▶ What implications can be drawn from successful project development in context of financing possibilities?
- ▶ What key challenges emerge with respect to the project financing; how are they being addressed in practice?

10:10 Highlights and Closing remarks

- ▶ **Michael Franz**, EUEI PDF

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The full-length podcast of the debate is available [here](#).