The New Deal on Energy for Africa
A transformative partnership to light up and power Africa by 2025
2017 was a year of milestone achievements for the New Deal on Energy for Africa, the transformative partnership to light up and power Africa by 2025.

I am pleased with the progress so far. I want to thank our Heads of State and Government, our Board of Governors, and the Boards of Directors of the African Development Bank and African Development Fund, and their Advisors for the phenomenal support they have accorded the New Deal on Energy for Africa.

I also want to thank the staff of the African Development Bank, our institutional partners and stakeholders around the world for the hard work and commitment in co-developing and co-implementing the New Deal on Energy.

We have committed to invest about US$12 billion between 2016 and 2020. We expect to leverage between US$45 billion and US$50 billion in co-financing for energy projects in Africa during the period.

The plan is clearly laid out, and our leaders have assured the political will. What we need now is to work together to significantly increase the pipeline of bankable projects that will attract the financing needed to accelerate universal access to energy services in Africa. With universal access to energy, the Sustainable Development Goals and the COP21 Agreement will become a reality in Africa.

Let us stand together, invest together, and work together to light up and power Africa.
The New Deal on Energy for Africa is a partnership-driven effort with the aspirational goal of achieving universal access to energy in Africa by 2025.

To achieve this goal, the African Development Bank has worked with governments, the private sector, and bilateral and multilateral energy sector initiatives to develop a Transformative Partnership on Energy for Africa. This is a platform for public-private partnerships for innovative financing in Africa’s energy sector.

The New Deal on Energy for Africa helps to unify all the other initiatives that are currently geared toward achieving the goals of universal access in Africa. It focuses on the following five key principles:

- raising aspirations to solve Africa’s energy challenges
- establishing a Transformative Partnership on Energy for Africa
- mobilising domestic and international capital for innovative financing in Africa’s energy sector
- supporting African governments to strengthen energy policy, regulation and sector governance
- increasing the African Development Bank’s investments in energy and climate financing.
If we had electricity, things would be easy. Same for me and my siblings. It can help my mum do the cooking.

- Lucy, School girl, 14

Menengai geothermal development project - Kenya -
Over 645 million Africans lack access to electricity. Power consumption per capita in sub-Saharan Africa is the lowest of all continents. It is currently estimated at 181 kilowatts per annum, paling significantly in comparison to 6,500 kilowatts per annum in Europe and 13,000 kilowatts per annum in the United States.

Energy sector bottlenecks and power shortages are estimated to cost Africa 2 to 4 percent of GDP annually, undermining economic growth, employment creation and investment. Companies in Tanzania and Ghana lose 15 percent of the value of sales as a result of power outages. In recent years, severe electricity generation capacity constraints and frequent ‘load-shedding’ have hobbled South Africa’s economic growth.

An estimated 600,000 Africans - mostly women and children - die annually due to indoor air pollution associated with the use of fuel wood for cooking. Children under-perform for lack of electricity, since over 90 percent of Africa’s primary schools lack electricity. Lives are at risk in many African hospitals, as life-saving equipment and services lie unused due to a lack of electricity.

At the same time, Africa is rich in energy resources. The continent has well over 10 terawatts of solar potential, 350 gigawatts of hydroelectric potential, 110 gigawatts of wind potential, and an additional 15 gigawatts of geothermal potential. This does not include coal and gas, which can provide some of the continent’s cheapest electricity. Africa cannot power its homes and businesses unless it unlocks this huge renewable energy potential, and combines it with conventional energy to light up and power the continent.

Energy is the engine that powers economies

While a number of programmes and projects exist, and more are emerging, the lack of sufficient innovative and appropriate financing of bankable projects, appropriate policy and regulatory environments, pricing incentives, and coordination, severely limits the scale and speed at which energy is generated and distributed on the continent. It is for these reasons that the African Development Bank has established the New Deal on Energy for Africa to address these issues.

Why the New Deal?
To reach the goal of providing energy access to over 645 million people and sufficiently powering business, Africa must achieve four targets:

• Increase on-grid generation to add 160 gigawatts of new capacity by 2025.
• Increase on-grid transmission and grid connections by 160 percent in order to create 130 million new connections by 2025.
• Increase off-grid generation to add 75 million connections by 2025, an increase that is twenty times more than what Africa generates today.
• Increase access to clean cooking energy for 130 million households.

“Having electricity at home is going to make our lives easier. It will be easier for us to cook and have light in the house. I am really looking forward to it because it will help me manage household tasks better.”

The children will no longer have to sleep late. And when I wake up in the morning, I’ll be able to quickly make breakfast and get them off to school on time.

- Anita Kariuki, 52 years old
The New Deal is built on five inter-related and mutually reinforcing principles.

1 Raising aspirations to solve Africa's energy challenges

The New Deal calls on partners to raise aspirations and mobilise political will and financial support to solve Africa’s energy challenges. This is a prerequisite for achieving the UN’s Sustainable Development Goals (SDGs) agreed in New York in September 2015. It is also a prerequisite for implementing the global climate change deal reached at the UN Climate Summit (‘COP 21’) in Paris in December 2015.

2 Establishing a Transformative Partnership on Energy for Africa

The New Deal is being implemented through a partnership designed to provide a platform for coordinated action among private and public partners and for innovative financing. The Partnership will unlock Africa’s energy potential and eventually foster a transition to low carbon energy futures. It will help reduce duplication, and pool resources to achieve economies of scale in Africa’s energy investments.

3 Mobilising domestic and international capital for innovative financing in Africa’s Energy sector

To achieve universal access by 2025, innovative mechanisms are required to mobilise an additional US$30 billion to US$55 billion annually in domestic and international capital. This is a significant increase on the US$22.5 billion invested in the sector in 2015. Achieving this scale of energy financing requires that all
stakeholders – public and private – take collective action to create enabling conditions for financial flows, to develop bankable projects, to reform utilities, and to enhance African countries’ absorptive capacities.

4 Supporting African countries in strengthening energy policies, regulation and sector governance

The New Deal builds on and further scales up the African Development Bank’s investments in the “soft” infrastructure of national governments and institutions, to enhance energy policies, regulations, incentive systems, sector reforms, corporate governance, and transparency and accountability in the energy sector.

5 Increasing the African Development Bank's investments in energy and climate financing

Over the past five years, the African Development Bank has invested some US$6 billion in the energy sector. Under the New Deal, the Bank will ramp up its investments to provide finance and guarantees, co-financing, and syndication. Between 2016 and 2020, the Bank will invest approximately US$12 billion and leverage about US$50 billion in public and private financing for investments in the energy sector. In addition, it will triple its climate finance to almost US$5 billion per annum, and leverage about US$20 billion in private and public sector investments in climate mitigation and adaptation by 2020.
Institutional Innovation to Achieve the New Deal. In 2015 the African Development Bank established a new vice presidency complex – the Vice Presidency for Power, Energy, Climate Change and Green Growth. It is staffed by international energy, climate change and green growth experts to deliver on the New Deal. The African Development Bank is the first multilateral development bank to do this, positioning itself to lead Africa’s energy transformation. Five directorates have been established under the new vice presidency complex.
The implementation of the Noor solar complex project allowed us to record a 20% increase in our turnover. In addition, our workforce has almost doubled with the creation of a new sales outlet in the center of the plant. Other projects are in progress.

Khalida Taofiq Oujam, owner of Habous restaurant
- Ouarzazate, Morocco -
Key Dates

1 **September 2015:** First High Level Consultative Energy Stakeholders Meeting hosted to co-design the New Deal.

2 **January 2016:** Appointment of a Senior Advisor to the President on Inclusive and Green Growth Strategy, Policy and Implementation to advise on and guide Bank-wide implementation strategy and activities.


4 **May 2016:** The New Deal Strategy approved by the Board to deploy US$12 billion, which will leverage US$45 billion to US$50 billion by 2020.

5 **August 2016:** Appointment of the Head of the Independent Delivery Unit of the Africa Renewable Energy Initiative.

6 **September 2016:** Presidential Task Force for the implementation of the New Deal launched to fast track implementation.

7 **November 2016:** Establishment of a new Complex on Power, Energy, Climate Change and Green Growth by the Board to implement the New Deal.

8 **November 2016:** Appointment of the Vice President to lead the Power, Energy, Climate Change and Green Growth Complex.

9 **December 2016:** Approval of a US$500 million debt-fund Facility for Energy Inclusion with an initial Bank contribution of US$100 million targeting small-scale renewable independent power producers (IPPs), mini-grids and off-grid solutions by the AfDB’s Board of Directors.

10 **January 2017:** Recruitment of Directors for the five directorates of the Power, Energy, Climate Change and Green Growth Complex, to lead specialised activities on:

   - Power Systems Development
   - Renewable Energy and Energy Efficiency
   - Energy Financial Solutions, Policy and Regulation
   - Energy Partnerships
   - Climate Change and Green Growth
Key Achievements in 2016

29 Energy Sector operations approved amounting to US$1.7 billion to deliver:

- 546 MW of additional installed capacity, of which 526 MW are from Renewable Energy Sources
- 300,000 prepaid meters to be installed
- 21,264 km of distribution lines
- More than 1,600 jobs created
- 641 km of transmission lines and associated substations
- 800 staff trained
- 7,800 public lighting units
- 700,000 tonnes CO2 avoided
- 688,950 new households / businesses receiving electricity access
- 300,000 prepaid meters to be installed
- 700,000 tonnes CO2 avoided

Policy based operations for energy sector reforms commenced in five (5) countries.

Over the course of 2016, the Bank’s investments in the energy sector (public and private) have leveraged US$1.4 billion in additional financing, including US$57 million from external funds channeled by the Bank (e.g. Bank-administered trust funds, co-financing arrangements, climate finance facilities) and US$1.36 billion in other external co-financing (including US$965 million in syndication for Eskom, in addition to other public and private co-financing, and recipient country counterpart funding).
The African Development Bank has pledged to commit US$12 billion of its resources to implement the New Deal by 2020, and to leverage US$45 billion to US$50 billion. In 2017, the African Development Bank expects to invest up to US$2 billion in the sector from its own resources. It expects a strong emphasis on private sector operations as well as significant leverage to attract additional financing.

The African Development Bank will look at new innovative financing structures. Indeed, on 28 March 2017, the Bank convened 150 representatives from distributed energy service companies, governments and financiers to discuss how enabling environments, business models and financing could be improved to scale up the “off-grid energy revolution.” The aim is to provide 75 million households and businesses with affordable electricity using decentralised renewable technologies. In 2017, we are working towards supporting projects that will contribute:

- 2 gigawatts of power capacity
- 2,500 kilometres of transmission lines, including regional interconnections
- 1,250 kilometres of distribution lines
- 500,000 solar home systems

Also, under the Japan-Africa Energy Initiative, Japan stands ready to provide US$6 billion in both concessional and non-concessional finance for a variety of energy operations for the support of electricity for homes, schools, hospitals, industries, and clean cooking.
Mouhamed Moumen, Beneficiary and entrepreneur  
- Ouarzazate, Morocco -

“I received welding training before working at the Noor Power Plant for a year. I then started my own business and recruited two employees, all thanks to the Bank’s support. It is my firm intention to train young people in welding, because few of them have this expertise.”
The High 5 Agenda

Five priority actions for the African Development Bank and for Africa. The High 5 Agenda is the African Development Bank’s channel for focusing and scaling up its 2013-2022 Ten Year Strategy, to bring about the social and economic transformation of Africa.

The High 5 are designed to deliver the twin objectives of the Ten Year Strategy: inclusive growth that is shared by all; and the gradual transition to green growth.

The High 5 are: Light up and power Africa; Feed Africa; Industrialize Africa; Integrate Africa; Improve the quality of life for the people of Africa.