LIGHT UP AND POWER AFRICA
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2018 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 thank African heads of state and government, our board of Governors, and the boards of directors of the African Development Bank and the African Development Fund, and their advisors for the phenomenal support they have accorded the New Deal on Energy for Africa and the Bank’s work generally to light up and power 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.

We have committed to invest about $12 billion between 2016 and 2020. We expect to leverage between $45 billion and $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. We need 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.
What is the New Deal on Energy for Africa?
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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 towards achieving the goals of universal energy access in Africa. There are 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.

Why the New Deal?

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 between 2% and 4% of GDP annually, undermining economic growth, employment creation and investment. Companies in Tanzania and Ghana lose 15% of sales value 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% of Africa’s primary schools have no electricity. Lives are at risk in many African hospitals, as life-saving equipment and services lie unused due to the lack of electricity.
At the same time, Africa is rich in energy resources. The continent has over 10 terawatts of potential solar power, 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 also provide some of the continent’s cheapest electricity. Africa cannot power its homes and businesses unless it realises this huge renewable energy potential, and combines it where necessary 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, insufficient innovative bankable projects, inappropriate policy and regulatory environments, pricing incentives, and coordination, severely limit 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 and achieve the High 5 objective of lighting up and powering Africa.

**What does the New Deal aim to achieve?**

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% 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.
What underpins the New Deal?

The New Deal is built on five inter-related and mutually reinforcing principles.

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 COP 21 in Paris in December 2015.

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.

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 $30 billion to $55 billion annually in domestic and international capital. This is a significant increase on the $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.

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.

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

Over the past five years, the African Development Bank has invested some $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 $12 billion and leverage about $50 billion in public and private financing for investments in the energy sector. In addition, it will triple its climate finance to almost $5 billion per annum, and leverage about $20 billion in private and public sector investments in climate mitigation and adaptation by 2020.
Progress on the New Deal

The establishment in 2016 of a dedicated complex for power, energy, climate and green growth (PEVP) has increased the Bank’s capacity to deliver on its New Deal on Energy for Africa and advanced towards its goal of universal energy access, as well as delivering the Bank’s strategy on moving towards green growth.

Key achievements (2016-2018)

Operations

Approvals amounting to $4.48 billion (80% public sector; 20% private sector) to deliver:

- Additional 1,843 MW installed generation capacity, of which 1,703 MW from renewable energy sources.
- 31,314 km of distribution lines and associated substations/transformers.
- Construction/rehabilitation of 4,280 km of transmission lines, of which 2,580 km for regional interconnections.
- 80% on-grid and 20% off-grid (Solar Home Systems and Green Mini Grids).
- 2.4 million additional electricity connections, providing electricity access to around 11.5 million people.
- Approval of innovative programs for off-grid and mini-grid energy access e.g. local currency financing, and Results-Based Financing.
- Mobilized ~ $560 million for energy projects from the Bank’s co-financing facilities.
- Leveraged $7.56 billion for energy projects from Bank’s public and private partners.
- Over $840 million non-sovereign energy lending.

Light up & power Africa
Launched the Electricity Regulatory Index (ERI) to monitor and benchmark regulatory performance.

Launched the Facility for Energy Inclusion (FEI) for small-scale energy projects: first close of the off-grid window at $55 million.

Launched the Africa Energy Market Place (AEMP) to strengthen policy dialogue and the Africa Energy Portal (AEP), a one stop shop for Africa’s energy data.

Expand cooperation and partnership for the Sustainable Energy Fund for Africa (SEFA) with Norway and the United Kingdom.

The Bank enhanced focus on knowledge products, policy dialogue and enabling environment work for increased private sector investments.

2018

NOOR solar complex project in Ouarzazate, Morocco
The Bank has enhanced capacity to mainstream climate change into operations, mobilise climate finance at scale and increase its support to African countries on implementing their climate commitments through a dedicated department on climate change and green growth.

Increased climate finance from 9% in 2016 to 33% in 2018.

Invested in strengthening the capacities of 14 national climate centers to generate and use high quality climate data for Severe Weather Forecasts and Disaster Risk Management and benefit at least 300 million people living in vulnerable areas.

The Bank is on track to meet the 2020 target of 40%, the most ambitious target of all MDBs, in line with the Climate Change Action Plan II.

Mobilised ~ $532 million from global climate finance facilities to co-finance Bank’s projects across various sectors including energy, agriculture and forestry.

Supported the establishment of a regional climate centre for the Economic Community of Central African States in Douala, Cameroon.

Increased climate finance from 9% in 2016 to 33% in 2018.

Launched the Africa Nationally Determined Contributions (NDC) hub in 2017 to providing technical assistance to RMCs in the implementation of their NDCs.

Launched the African Financial Alliance for Climate (AFAC) initiative to encourage African financial institutions to commit to shifting their portfolios towards climate-resilient and low-carbon investments.

The Bank participated actively at the Conference of Parties (COPs) and deepened its engagement with partners while positioning itself to attract more resources for RMCs.
Khalida Taofiq Oujam, owner of Habous restaurant  
Ouarzazate, Morocco

“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 centre of the plant. Other projects are in progress. I can say that MASEN has helped us a lot.”

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 in Ouarzazate.”
Menengai geothermal development project
Kenya

“If we had electricity, things would be easy, same for me and my siblings. I can help my mum do the cooking.”
- *Lucy*, schoolgirl, 14

“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*, home maker
Caroline Muliro, plant operator at Menengai Geothermal Project, Kenya.