HIGHLIGHTS FROM CTF

Modern energy is key to Africa's economic transformation, yet fewer than 40% of Sub-Saharan Africans have access to electricity. Across the continent, around 600 million people do not have access and, outside of North Africa and South Africa, the continent has only 40 GW of generating capacity. While generating capacity is increasing, it is still being outstripped by population growth. By 2040, even though 950 million people will have gained access to the grid, some 530 million people will still be living off-grid.

Small-scale renewable energy projects offer an unparalleled opportunity to address this challenge and the African Development Bank's 'New Deal on Energy for Africa' aims to achieve universal access to energy by 2025. However, despite the large market opportunity, the Bank has found that small-scale renewable energy projects are still not scaling up fast enough, for a variety of reasons, including a lack of bankable small-scale Independent Power Producer (IPP) projects, a lack of debt financing and a wariness of investors, who are more comfortable with larger deals.

FACILITY FOR ENERGY INCLUSION

Multinational

The Facility for Energy Inclusion (FEI), as the African Development Bank's first blended finance programme dedicated to increasing access to renewable energy, is seen as a key instrument to help achieve the on-grid and off-grid connection targets of the New Deal, through increased co-financing and private sector investment in innovative on-grid and off-grid clean energy access solutions.

The African Development Bank, the European Commission, KfW, CTF, Norwegian Investment Fund — also known as Norfund, and other investors have committed nearly $160 million to the first close of FEI, in 2020.

FEI is a targeted $400 million fund to improve energy access across Africa through small-scale renewable energy and mini-grid projects. Spearheaded by the African Development Bank, FEI serves as a financing platform to catalyze financial support for innovative energy access solutions. The Bank, as the Facility's anchor sponsor, has put up $90 million in financing. That sum includes $20 million that the Bank is providing in its capacity as the implementing agency of CTF.

The Facility supports small-scale IPPs delivering power to the grid, mini-grids and captive power projects. Projects in sub-Saharan African countries where electricity access rates are comparatively lower receive priority. Other eligibility criteria include the requirement to use renewable energy technology, to have capital expenditure of less than $30 million and generation capacity below 25MW.

FEI On-Grid Window will support small-scale IPPs, mini-grids and captive power projects by providing long-term debt through project finance structures.

Key results

9,452 tonnes CO_2 avoided	**5.1 MW** installed	**1,667 jobs** created


Photo courtesy of Lions Head Global Partners

As of 30th September 2021, FEI On-Grid had approved 5 transactions and had 15 active transactions at an advanced stage in the pipeline representing over 18 countries and a potential total debt exposure for FEI of $169 million.

AFRICA RENEWABLE ENERGY FUND II

Multinational

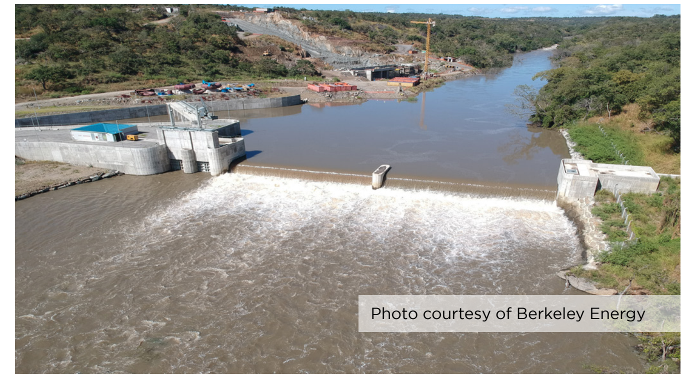
Photo courtesy of Berkeley Energy

Africa Renewable Energy Fund (AREF) II is a 10-year closed-ended renewable energy Private Equity Fund with a $300 million target capitalization. AREF II, managed by Berkeley Energy, invests in early-stage renewable energy projects, thereby not only de-risking the most uncertain phase of power projects, but also promoting increased green baseload in Africa's generation mix.

AREF II has achieved its first close at €130 million in 2021, following a joint investment of €17.5 million from the Sustainable Energy Fund for Africa (SEFA) and CTF through the African Development Bank. SEFA will also contribute financing to the AREF II Project Support Facility, which funds technical assistance and early-stage project support to improve bankability.

It benefits from a significant owner pipeline and an experienced team. It mainly targets run-of-river hydropower, wind and solar projects, as well as battery storage opportunities. Its focus is on medium-sized grid-connected projects.

AREF II will contribute to reducing this deficit by improving access to clean electricity for underserved populations in Sub-Saharan African countries. It will also support economic growth and job opportunities in these countries by supplying reliable electricity to companies in rural and periurban regions. The project is expected to create around 1,000 direct jobs and 4,500 indirect jobs during the life of the Fund. The average of annual emissions reductions is estimated at 928,00 tCO_2.

The other investors are the U.K's CDC Group, Italy's CDP, the Netherlands Development Finance Company, SwedFund and Proparco.

AREF I

The $205 million AREF I was sponsored and anchored by the African Development Bank and SEFA in 2012, effectively acting as SEFA's equity component until December 2019.

564 MW	**16 companies**	**2,000 jobs** created at fund and project levels

Sustainable Energy Fund for Africa

SEFA is an African Development Bank-managed special fund providing catalytic finance for renewable energy. SEFA's overarching goal is to contribute to universal access to affordable, reliable, sustainable, and modern energy services for all in Africa, in line with the Bank's New Deal on Energy for Africa and SDG 7.

"We are proud to be associated with Berkeley Energy and other like-minded investors, and look forward to AREF's continued success and leadership in promoting sustainable power development on the continent."

Kevin Kariuki
Vice President for Power, Energy, Climate and Green Growth, African Development Bank

"We are very excited to have reached this milestone with strong support from our backers. The catalytic tranche from the Sustainable Energy Fund for Africa and the Climate Technology Fund will assist in mobilising private institutional investors up to full fund size of €300 million. We now look forward to concluding the fundraising and delivering projects that will provide clean, reliable and affordable energy across African markets."

Luka Buljan
Berkeley Energy's Managing Director