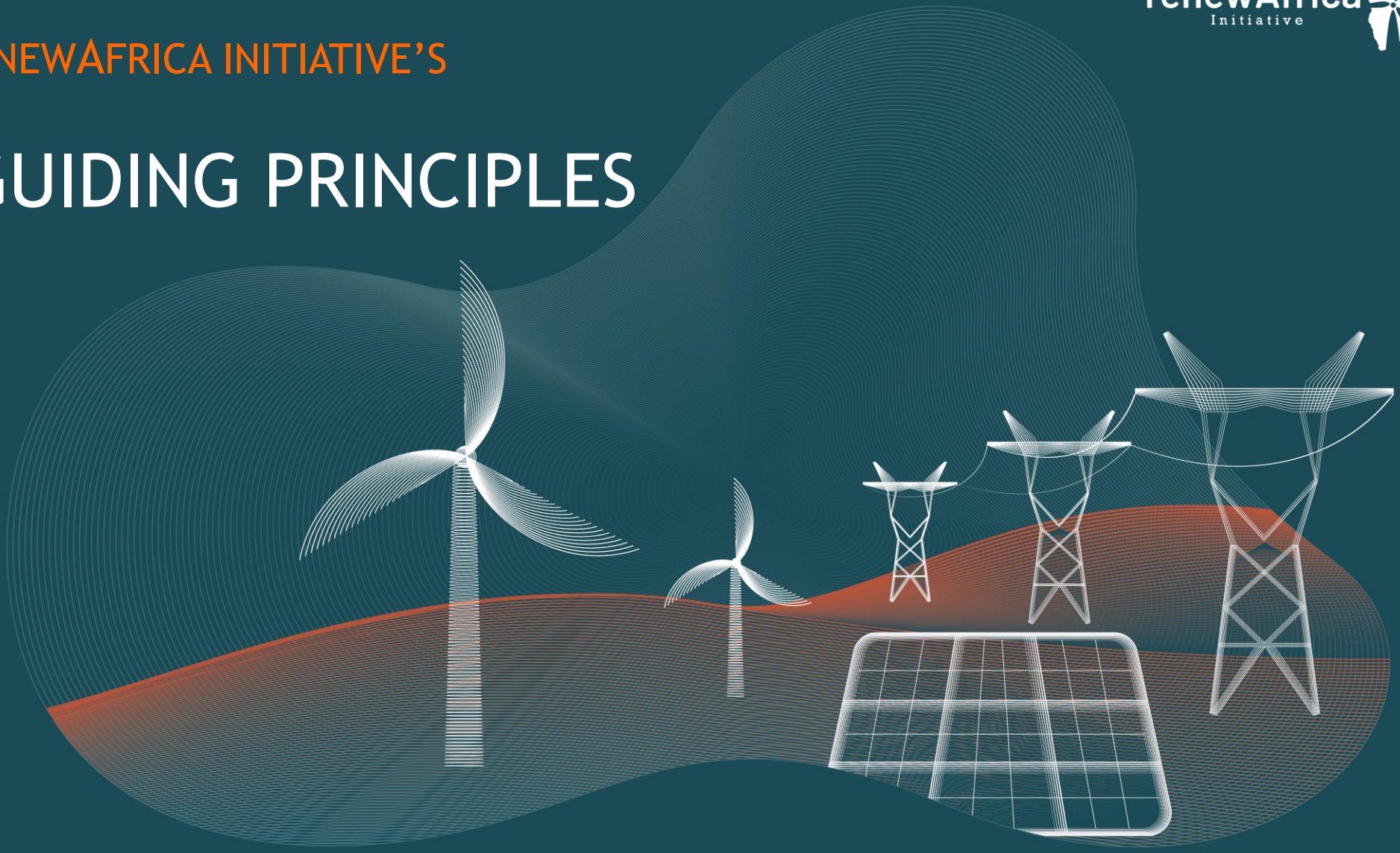
THE RENEWAFRICA INITIATIVE'S

10 GUIDING PRINCIPLES



About this document

The times we live in are truly unprecedented. In the EU, the new policy and financial cycle brought by the Commission's European Green Deal and the forthcoming 2021-27 Multiannual Financial Framework are ushering in an era where Africa and the green transition are taking top spot in the European agenda. At the same time, the Covid-19 global pandemic is aggravating Africa's already dire need for energy. Some 48% of Africa's population lives without access to energy, and the recent economic and urban growth is oftentimes hampered by inadequate energy access. Yet the investments needed to spur deployment of renewables, which are the cheapest and cleanest source of energy with the shortest time-to-market, are not materializing at the scale and magnitude that Africa needs.

renewAfrica is an industry-backed initiative seeking to advance European commitment to Africa's energy access. It seeks to do so via the creation of a European one stop shop for financing renewables in Africa. The initiative is born out of a conviction that Europe can and should be a partner in Africa's quest for universal energy access and broader sustainable growth. In times of Covid-19, Europe's commitment to energy in Africa can serve to create a new, sustainable and carbon-neutral economy that leapfrogs polluting technologies while at the same time creating decent jobs and contributing positive socio-economic impact in line with Sustainable Development Goals.

renewAfrica and its members are driven by a relentless commitment to sustainability and creating shared value by providing jobs and investments in the African continent.

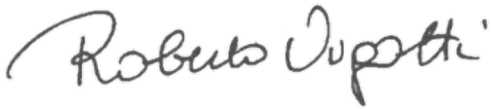
This document tells the story of renewAfrica, its vision and how it aims to get there, through 10 Guiding Principles. The document is intended as a sequel to our Presentation Card published in January 2020. The pages that follow are the result of the work of the members and contributors of renewAfrica Task Forces. They are rich with facts and figures that support our mission and provide a hands-on insight on our proposal to both European industry and policy makers.

Now is the time to step up our collective effort towards providing the investments that Africa needs. Africa can no longer wait, time for action is now.

We invite you to join us.

Roberto Vigotti

Secretary General of the RES4Africa Foundation and the renewAfrica Secretariat



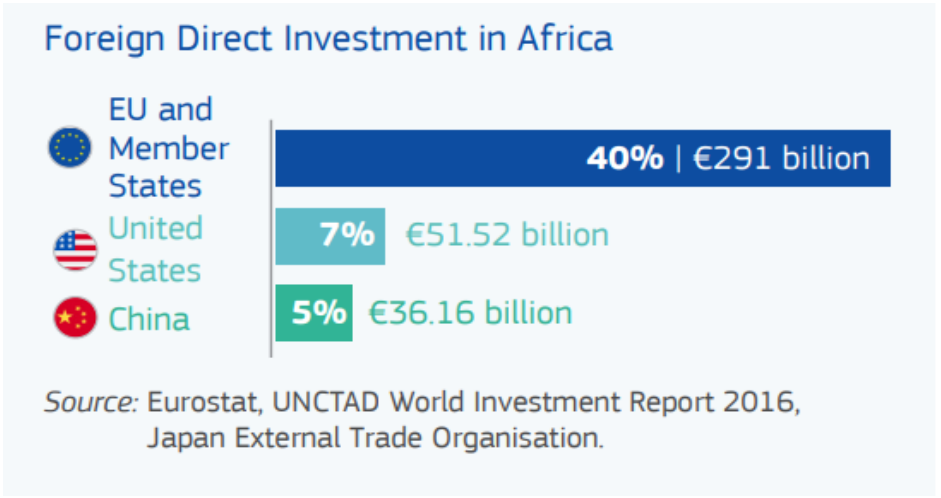
1 renewAfrica is a means for Europe to create green alliances in the spirit of the Green Deal and the Strategy with Africa

Africa is Europe's closest geographical neighbor and its most natural partner. The two continents share a long common history, and both are confronting new prospects and challenges emerging from economic, political, social, technological, demographic, climate and environmental changes. Their future socio-economic prosperity hinges upon their ability to partner in confronting these **shared global challenges**.

To address the needs of its growing population and economy, Africa has committed to double its energy supply by 2040 while ensuring access to electricity for 600 million people. Renewable energy (RE) offers a way to do to so in the cheapest, cleanest, and fastest manner out there.

The EU is already Africa's first partner in trade, in foreign direct investment (FDI) and in development. The European Green Deal and the Strategy with Africa will **further step up the EU-Africa partnership** in the direction of sustainable, equitable and climate-resilient growth. renewAfrica can be a concrete, hands-on measure to put into practice





the 1st out of 5 partnerships that make up the EU Strategy with Africa: *A partnership for green transition and energy access.*[1]

Through the **creation of a comprehensive one-stop-shop programme** to support renewables investments, renewAfrica can catalyze investments at scale in African RE at a transformative level. By combining existing instruments with new instruments geared towards investments at scale, renewAfrica aims to unleash synergies and create a powerful programme whose impact can exceed the sum of its constituent parts. In line with the stated goal of the Africa-Europe Alliance for Sustainable Investment and Jobs to strengthen the role of the private sector, renewAfrica has what it takes to **mobilize private investments**.

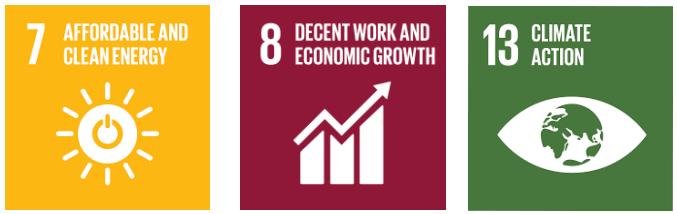
Our 26 signatories include leading utility-level European companies and institutions from across the European renewables value chain, who are ready to provide investments, technology, and expert know-how. They are already making visible impact in Africa with over €40bn invested. renewAfrica has already offered its contribution to the ongoing EU energy initiatives with Africa. It has participated in crafting the High Level Platform for Sustainable Energy Investments **(SEI Platform)** and it is currently striving to develop the Clean Energy Initiative within the EU Strategy with Africa.

2

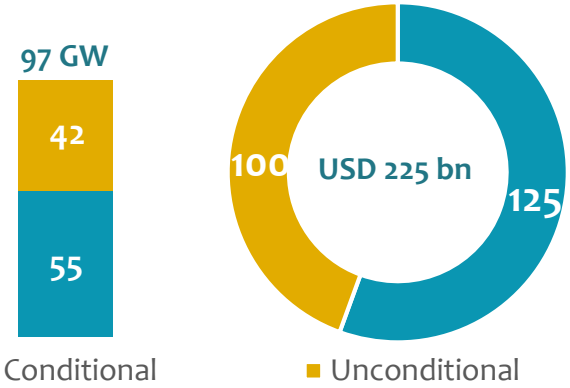
renewAfrica can also support African states meet their sustainability commitments on SDGs, Paris Agreement, and Agenda 2063

Sustainability and climate action are not only European ambitions; they are embedded in national strategies of nearly all African countries. All 54 African countries signed the 2030 Agenda for Sustainable Development and the 2015 Paris Agreement. 53 countries submitted Nationally Determined Contributions (NDCs) towards the achievement of the Paris agreement. Additionally the Agenda 2063, in which sustainability plays a central role, was adopted by 54 Heads of State and Governments of the African Union (AU). renewAfrica can play an instrumental role in supporting African countries meet the sustainability goals and ambitions they embraced and committed to.

In seeking to increase renewable generation capacity, **renewAfrica has a direct impact on SDG 7 - providing affordable and clean energy**. At the same time it also impacts on SDG 13 - climate action, in that renewables help countries avoid carbon emissions and leapfrog polluting technologies. Indeed a sum of Africa's 53 NDCs targets foresees the installment of a cumulative 97 GW of renewable energy (RE) capacity. To do so, an estimated $225bn of investments will be needed by 2030.[3] renewAfrica will serve to leverage the private and public the investments needed, and thus contribute a part of the targeted generation capacity.



Africa's NDCs: GW of RE capacity additions and investments needed[4]



As per NDCs. unconditional contributions is what countries could implement without any conditions and based on their own resources. Conditional contributions is what countries would undertake if international support is provided.

Jobs and wider economic impact for Africa

renewAfrica will **contribute directly to job creation** in the contracting, construction and operation of RE infrastructure. renewAfrica projects will also **create jobs indirectly** through supply chains and boosting economic activity within local communities. Increased energy supply will enable businesses to boost their operations and output, providing yet additional jobs. renewAfrica will make a **positive impact on the wider economy** by creating shared value enhancing local capacity among developers and suppliers, through the contributions made to local governments in the form of taxes and royalties, or by creating fundamental changes in capital markets.

Creating shared value

renewAfrica will also create shared value building on the premise that the competitiveness of a company and the health of the communities around it are mutually dependent. By contributing to increased private sector participation and showcasing willingness to invest and take on risk, **renewAfrica will mainstream green investments** and thus raise awareness and knowledge about the benefits and bankability of renewables in the wider investment community of the country of operation.

3

Renewables investments generate more jobs than fossil fuels, distributed across a long value chain

Even before the Covid-19 crisis, Africa was confronting a major development challenge. Nearly 600 million of its people didn't have access to energy and the effects poor quality of the electricity service were estimated to be reducing the continent's GDP by 2%. There is no question that **after Covid-19, Africa's need for investments and growth will be higher than ever**. At renewAfrica, we are convinced that a recovery package for Africa - just like the one currently being formulated for Europe - can and should entail investments into a sustainable, low-carbon and climate-resilient future.

The reason is **that investment decisions made today will shape the future to come**. Missing out on the chance to invest in RE would mean locking in polluting and expensive technologies for the next 4-5 decades, which is the average lifetime of a fossil fuel plant. This would be the wrong outcome for the planet, and for African citizens.

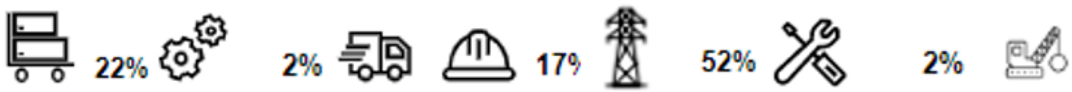
Employment effects in the Solar PV value chain for 50MW plant[5]

Total

229,005

Persons-days

Project planning 1%



Procurement & Manufacturing | Transport | Installation & Grid Connection | O&M | Decommissioning

Number of jobs created by $1 million spending (FTE)[6]

2,65
Fossil fuels industries

7,49
Renewables

Investing in RE is not only good for the planet; it is also good for the economy and jobs. The renewables sector currently employs 1.2M Europeans and some 330K Africans,[7] **and further investment can have tremendous employment effects**. For instance, per $1M of expenditure, spending on renewable energy will on average create nearly three times more jobs than spending on fossil fuels. A recent study projected the number of renewables jobs in Africa to grow five-fold by 2022.[8]

RE jobs are likely to be spread across a long value chain. Due to the diversity of technologies, the **renewable energy sector requires a wide variety of technical, administrative, legal and financial skills and occupations.** Relevant jobs range from construction workers to plumbers, electricians, technicians, engineers, planners, administrators, legal experts and financial specialists (see graph on the left). In practical terms, this means that the **benefits of job creation will be spread widely across societies** to create a balanced distributional effect.

Not all technologies have the same employment effect, and the **geographical distribution** of jobs will hinge upon several factors including procurement processes. To tap into Africa's full potential for job creation, **knowledge transfer is needed to further build and boost local skills** across all relevant occupations.

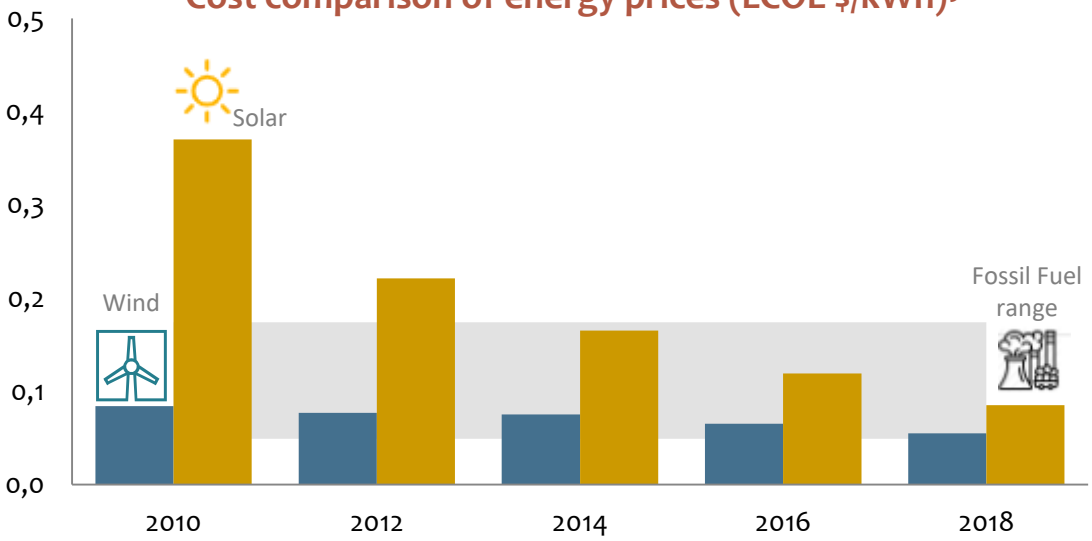
4

Renewables are the cheapest source of energy with the shortest construction time, compatible with climate ambitions

To meet the target of doubling its energy supply by 2040, African countries will need to decide on the kind of power generation mix they want. **Renewables today are the lowest-cost source of power generation available on the market, even without public subsidies**. This is thanks to dramatic cost reductions that took place over the last decade for solar PV and wind technologies. Onshore wind and solar PV are set by 2020 to consistently offer a less expensive source of new electricity than even the least-cost fossil fuel alternative.

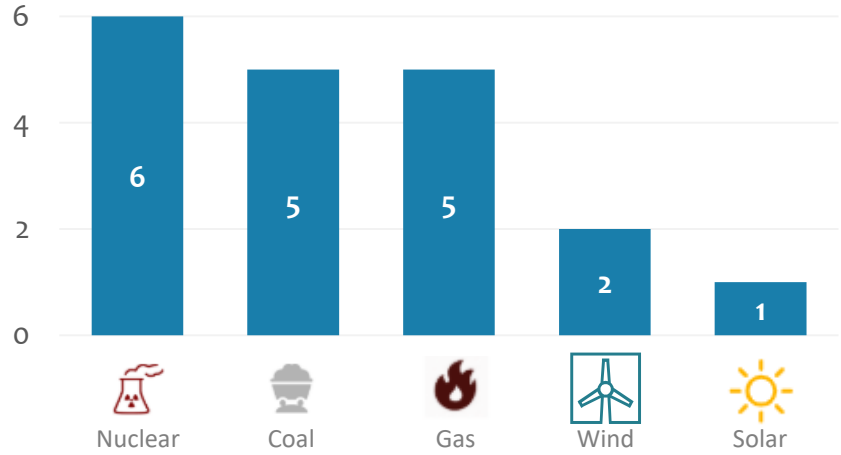
Renewables also have by far the **shortest time to market** out of all commercial power generation technologies. This is due to both shorter pre-

Cost comparison of energy prices (LCOE $/kWh)[9]



-development procedures, as environmental permits for fossil fuel plants take much longer to complete, as well as shorter construction times. This matters for several reasons. Firstly, because failing to provide sufficient energy quickly enough risks stifling the ongoing momentum in Africa's industrial and economic growth, and **power is needed quickly**.

Plant construction time by technology (years)[10]



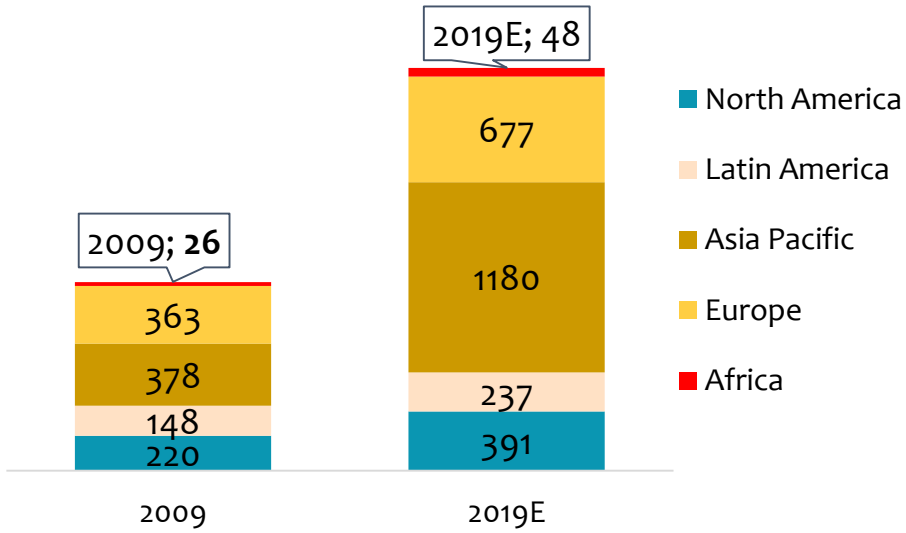
Secondly, because a **shorter commissioning time reduces investment risk** and therefore cost of capital. Therefore the bankability of renewable power generation projects has a basis to be inherently more favorable than that for fossil fuels.

Africa has been a minor contributor to global greenhouse gas emissions, but many of its regions have faced some of the harshest adverse effects of a changing climate. Severe droughts are expected to reduce food security amid lower crop yields and production. Droughts also tend to reduce output at the continent's many hydropower plants, resulting in power brownouts and blackouts. This underlines the **need to build a resilient fleet of power generation capacity** able to withstand the challenges of localized extreme weather events, while at the same time contributing to global climate targets.

5 Despite Africa's immense renewables potential, a range of barriers are standing in the way of investments

Africa benefits from immense solar, wind, hydropower, geothermal and biomass potential. The IEA estimates that the continent has **the richest solar resources on the planet** and about 1,3 TW of wind potential. Yet existing RE installations in Africa amount to 48GW, or only 2% of the world total. Also, out of the 1.5 TW of RE capacity installed globally over the past decade, **only 2% was in Africa.**

Global RES capacity by region (GW)



African countries are making notable strides in electrification. Yet out of all generation capacity added in 2019, only 52% was renewable, vs a global average of 72%.[11] This means that many African **countries are locking themselves into polluting and expensive technologies.**

So what is standing in the way of greater investments into renewables?

There is broad consensus among the investment community that availability of financing is not the problem. In fact in a sample of 13 African countries, on average **only 60% of total committed financing for electricity projects gets disbursed.** This implies that a considerable chunk of available financing remains unused, despite an acute need for investment.[12]

Investment barriers can be grouped in four categories:

1. **Inadequate long-term policies and incentives** and lack of clarity, consistency and visibility on policy measures supporting a renewable energy industry

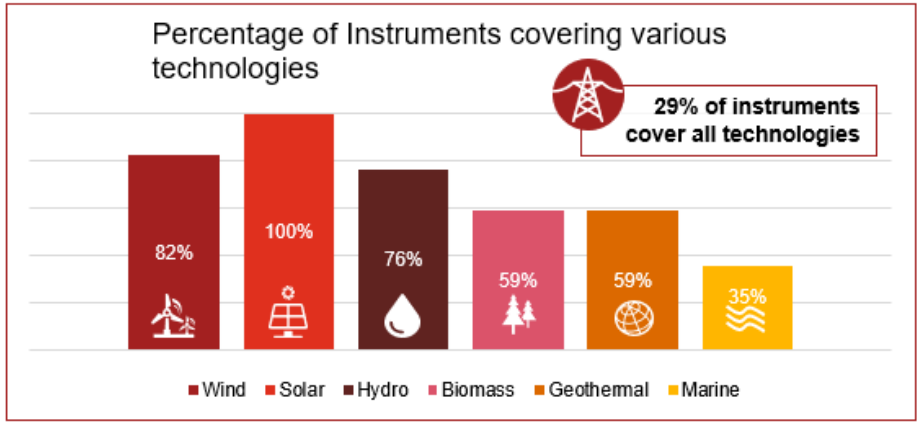
2. **Weak administrative capacity**, skills and resources within the local administration needed to support the often technical requirements of RE projects

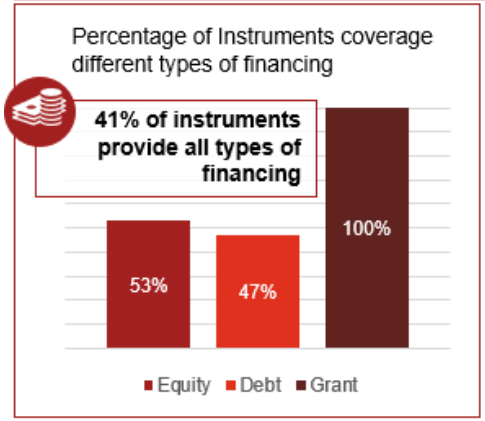
3. **Inability to find bankable projects mature for investment,** indicating the need for greater project development and facilitation services.

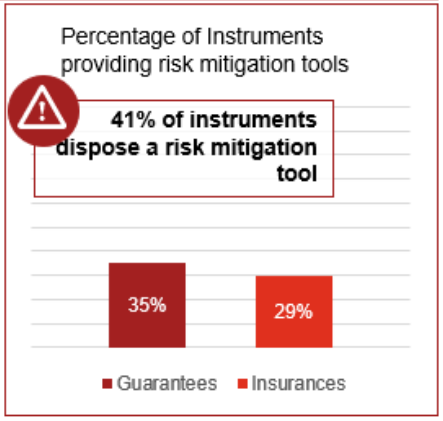
4. **Low credit worthiness of power offtakers** amid artificially low electricity tariffs and operational inefficiencies, exposing the IPPs to high financial risk

6

A number of European investment support schemes exist, but fragmentation reduces their potential impact







A preparatory study conducted by PwC and the Res4Africa Foundation in 2018 to assess market gaps identified more than 75 European financing instruments supporting renewables in Africa, and analysed 17 of them in depth.[13] The key takeaways from the study are as follows:

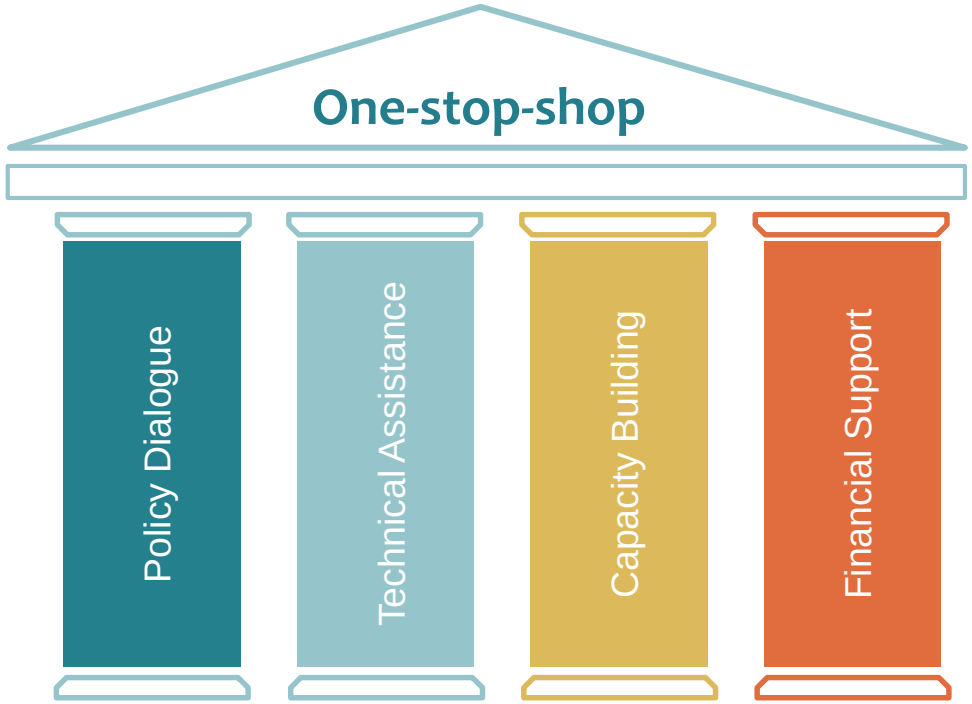
Existing EU RE support schemes are highly fragmented. Of the 75 instruments, only 35% offer support for utility-scale RE projects. Of the 17 instruments deemed most relevant, less than half provide a full financing package or at least one insurance instrument, only 29% are technology neutral, and less than a third cover all African countries. Existing instruments considered as best practices (e.g. Scaling Solar) retain limits on technology and geography.

Investors don't have sufficient support in the late stages of the project cycle. The study analyzed the adequacy of support along the entire project cycle. It found that all 17 instruments offer some form of support in the early project stages, such as feasibility studies or capacity building, while large room for improvement remains in the core project phases such as contract negotiation, preparation of project documents, and implementation of a tender (see figure left).

Project cycle phase	Preparation	Bid documents	Tender process	Award	Final agreements	Construction and O&M
Level of support	100%	29%	18%	18%	65%	41%

The study identified **28 major investment barriers** observed in utility-scale RE projects in Africa and found that all 17 instruments offer support in the early stages (e.g. starting a business, revising permitting/licensing). However, only a third of the 17 instruments cover barriers related to dispute resolution, capital transfer, currency convertibility, inflation, construction flaws, tax regime, and force majeure. Interviews with stakeholders additionally emphasized policy and regulatory barriers, and barriers related to the incomplete or ineffective liberalisation of electricity markets.

7 renewAfrica aims to offer a comprehensive approach – a one stop shop



renewAfrica seeks to create a conducive environment for impactful renewable energy projects and investments which expand energy access for households and industries. It is working with stakeholders to create **an integrated programme that combines policy and regulatory dialogue, technical assistance, capacity building, financing and de-risking.** The new Programme will pool together and further enhance several existing EU instruments supporting renewables in Africa into a single reference point, a one-stop-shop. Its ambition is to be technology- and geography- neutral, and to include sustainability and social impact as its cornerstone.

The three features of a one-stop-shop

1. Potential investors in African renewables face a multitude of barriers related not only to the availability of finances, but also to the broad investment, business, and political climate in a given country. **The comprehensive approach of renewAfrica** – to include policy dialogue, capacity building, technical assistance and financing **– will stimulate the creation of a pipeline of bankable projects** at a scale that single instruments have not been able to do so far.

2. The one-stop-shop approach will bridge existing **gaps in existing EU instruments** concerning risks and barriers that remain unaddressed. renewAfrica's approach is to identify ways in which existing instruments can be strengthened to improve their effectiveness, especially with regards to utility-scale investments. In this process of expanding and strengthening, **renewAfrica's key asset is the diversity of first-hand investment experiences** of the EU RES industry players. These experiences are endowing renewAfrica with an evidence-based review of which risks are most pronounced, where the need for improvement is strongest, and what it will take to mobilize private capital at the scale required.

3. Reducing fragmentation and bringing existing European instruments under a single umbrella programme will help create a powerful instrument that maximizes the impact of the ongoing effort. The EU and the DFIs of its Member States operate a series of strong schemes. **Combining them into a one-stop-shop will generate clear synergies and complementarities**. This will make renewAfrica more impactful than the sum of its constituent parts.

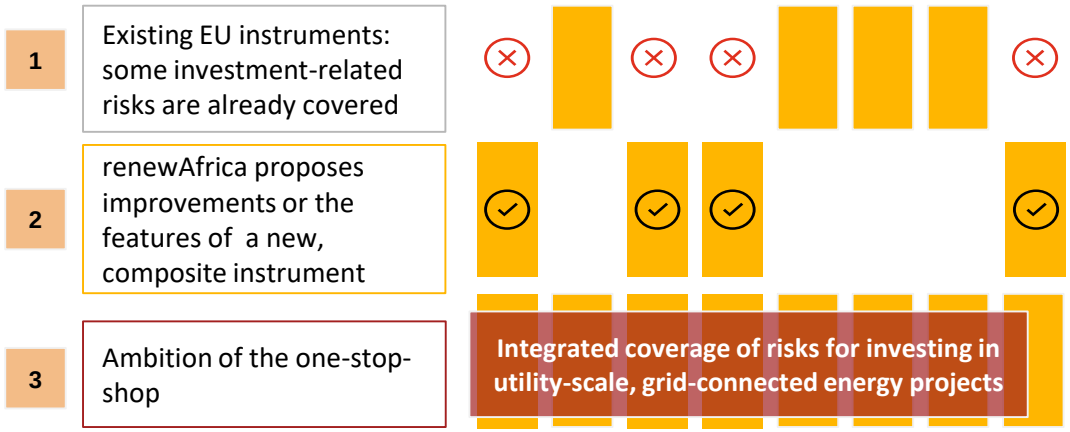
8 The financial component of the one-stop-shop needs to bridge the risk mitigation gap

A **Financial Support Task Force (FSTF), composed of** financial experts from across the renewables value chain, is actively working on the financial instrument component of the renewAfrica one-stop-shop.

By the end of 2020, the FSTF aims to **propose the financial component of the one-stop-shop approach** to enable the main risks for utility-scale investments to be covered, in a way that effectively mobilizes private sector debt and equity investment. The proposal will include either:

- specific improvements to selected existing European instrument(s) or
- propose the main features of a composite financial instrument that could, for instance, come under the umbrella of EFSD+ and be incorporated into the EU 2021-27 budget cycle.

Composition of the financial instrument component of renewAfrica



The work on this financial instrument is guided by the following three principles:

1. Strive to address the risks that debt and equity investors need mitigated for investing in utility-scale, grid-connected energy infrastructure in Africa
2. Identify existing EU instruments that best suit the needs of debt and equity investors interested in utility-scale private sector projects
3. Propose enhancements to existing instruments or the main features of a composite instrument.

To meet these principles, the FSTF has produced the following:

Demand-side analysis: identified and ranked, in order of priority, a list of 35 of the most prominent risks for utility-sized investments that need to be addressed from the point of view of both potential lenders and project sponsors/developers. The key finding is that the **non-honoring of financial obligations by the purchasing counterparty stands out as by far as the most significant risk**, in the light of the weak credit worthiness of potential purchasers / offtakers (mostly state-owned utilities). We have also found interesting divergences of priorities between lenders and sponsors/developers.

Supply-side analysis: involved the screening of 75 existing European instruments down to a shortlist of 12. Currently performing more in-depth analysis to determine if 2 or 3 of these instruments are suitable potential candidates to act as a base instrument, which can then be enhanced to cover any key risks identified from the demand side they do not currently address. Alternatively, the main features of a composite financial instrument could be provided. The key finding is that the vast **majority of existing instruments are tailored to off grid and/or small or medium scale energy investments rather than the utility-scale grid connected** energy projects that Africa's rapid economic, demographic and urban growth requires.

9 The one-stop-shop will also contain a technical assistance pillar to enhance local capacity and de-risk investment

Investments in Africa are also hindered by **a range of non-financial risks and barriers**, differing from one country to another. These relate to the adequacy of local legal and regulatory frameworks, the level and rigor of energy planning, and the capacity of national administrations to carry out and implement complex investment procedures. Therefore, an extensive set of Technical Assistance and Capacity Building tools must be the backbone of a comprehensive one-stop-shop Programme aiming to (1) ensuring full de-risking throughout the project development cycle, while (2) strengthening and developing local capacity.

The **Technical Assistance Task Force (TATF)** is composed of experts providing multi-faceted insights on renewable investments, ranging from DFIs to private IPPs. The goal of the TF is to develop and offer to African countries a comprehensive catalogue of technical assistance and capacity building services which can be tailored to specific country needs taking into account, amongst others, the following considerations:

1. Differences in jurisdictions (i.e. anglophone, francophone, lusophone)
2. Adequacy of the existing legislative and regulatory frameworks
3. Existing / preferred RES tender model: fully liberalized (i.e. REI4P), partially liberalized (GetFit), fully regulated (IFC Scaling Solar).

The renewAfrica **technical assistance framework will be developed in cooperation with national Governments** and transaction advisory experts, and will be adapted to the level of market maturity. This is based on the understanding that some countries require more support in upstream activities (e.g. development of a conducive regulatory framework) while for others the priority will be to complement the existing RES transaction framework as well as building the capacity of the offtakers on a needs basis.

For the purpose of reaching the highest level of effectiveness and efficiency, the **TATF will propose guidelines** to support transaction and technical advisors in developing RES tenders, least cost power generation and network capacity plans, Environmental and Social Governance requirements in renewAfrica host African countries etc. This set of tools, coupled with an extensive policy dialogue effort, capacity building and information sharing will serve as a platform for amplifying a fruitful dialogue between European development partners and industry players with African governments.

Sample catalogue of renewAfrica technical assistance services

Project phase \ Assistance area	Country technical assessment	Electrical network	Environmental and social
Inception phase	Tariff studies	Improvement of legal, regulatory framework	
Upstream phase		Feasibility studies, network studies	Capacity building: training and advisory services
Transaction phase		Interconnection agreement, off take agreement	
Project implementation	Capacity building tariff studies and review	Implementation follow up	Training and advisory services to the offtaker
Operation			

The three assistance areas listed above are non-exhaustive

10

Moving the agenda forward requires strong partnerships across the board, and this is what renewAfrica can offer

What makes renewAfrica uniquely positioned to make a transformational impact is **its nature as a coalition of stakeholders across the renewables value chain** and all phases of the investment cycle. The initiative is backed by manufacturers able to provide top global technology, IPPs with rich experience operating in a liberalized market, corporate and development finance looking to invest, and a range of industry associations, think thanks and consulting firms able to contribute sector expertise.

Taken together, **we have a proven track record of creating jobs, experience in investing in Africa**, the technological know-how, and appetite needed to make European renewable financing for Africa truly impactful.

Headline figures on our signatories' impact and experience

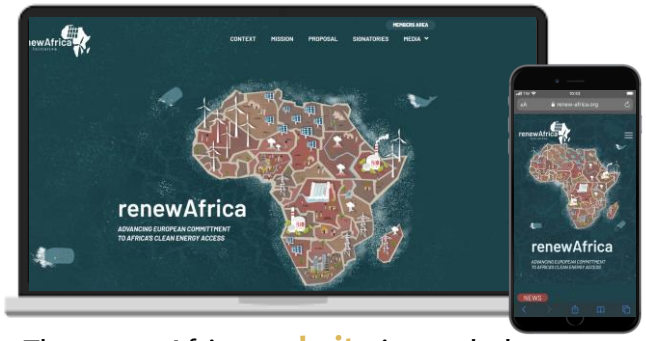
203,600
Jobs provided, of which 18,100 in Africa and 185,500 in Europe

11.5 GW
Of renewable energy projects in Africa (installed or manufactured)

€40 bn
Investments in Africa (overall exposure)

48 countries
Operating in 48 out of 54 African countries

Follow the work of the renewAfrica Initiative on several channels



The renewAfrica **website** is regularly updated: www.renew-africa.org



The work and the governance structure of renewAfrica are represented in our updated **brochure**

YouTube

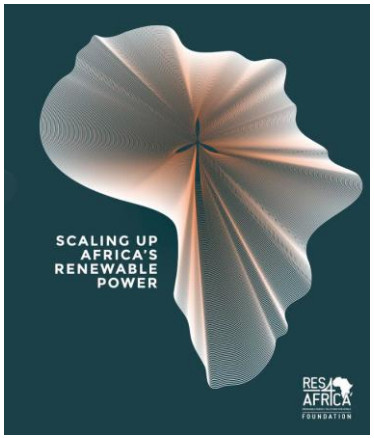


The new renewAfrica **video** was released on the 19th of May with a joint communication campaign involving RES4Africa members and renewAfrica partners

Email us for further information!
secretariat.renewafrica@res4africa.org



The renewAfrica **Presentation Card** was presented in front of European Commission officials for the 2nd meeting of renewAfrica Signatories



Chapters 3 and 4 of the RES4Africa Foundation **2020 Flagship publication** are dedicated to the objectives and work in progress of the renewAfrica initiative

References

1. The remaining 4 partnerships are: (2) A partnership for digital transformation; (3) A partnership for sustainable growth and jobs; (4) A partnership for peace and governance; and (5) A partnership on migration and mobility. European Commission: Towards a comprehensive Strategy with Africa. March 2020.

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4. An "unconditional contribution" is what countries could implement without any conditions and based on their own resources and capabilities. A "conditional contribution" is one that countries would undertake if international means of support are provided, or other conditions are met.

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6. Green versus brown: Comparing the employment impacts of energy efficiency, renewable energy, and fossil fuels using an input-output model. Heidi Garrett-Peltier (2017)

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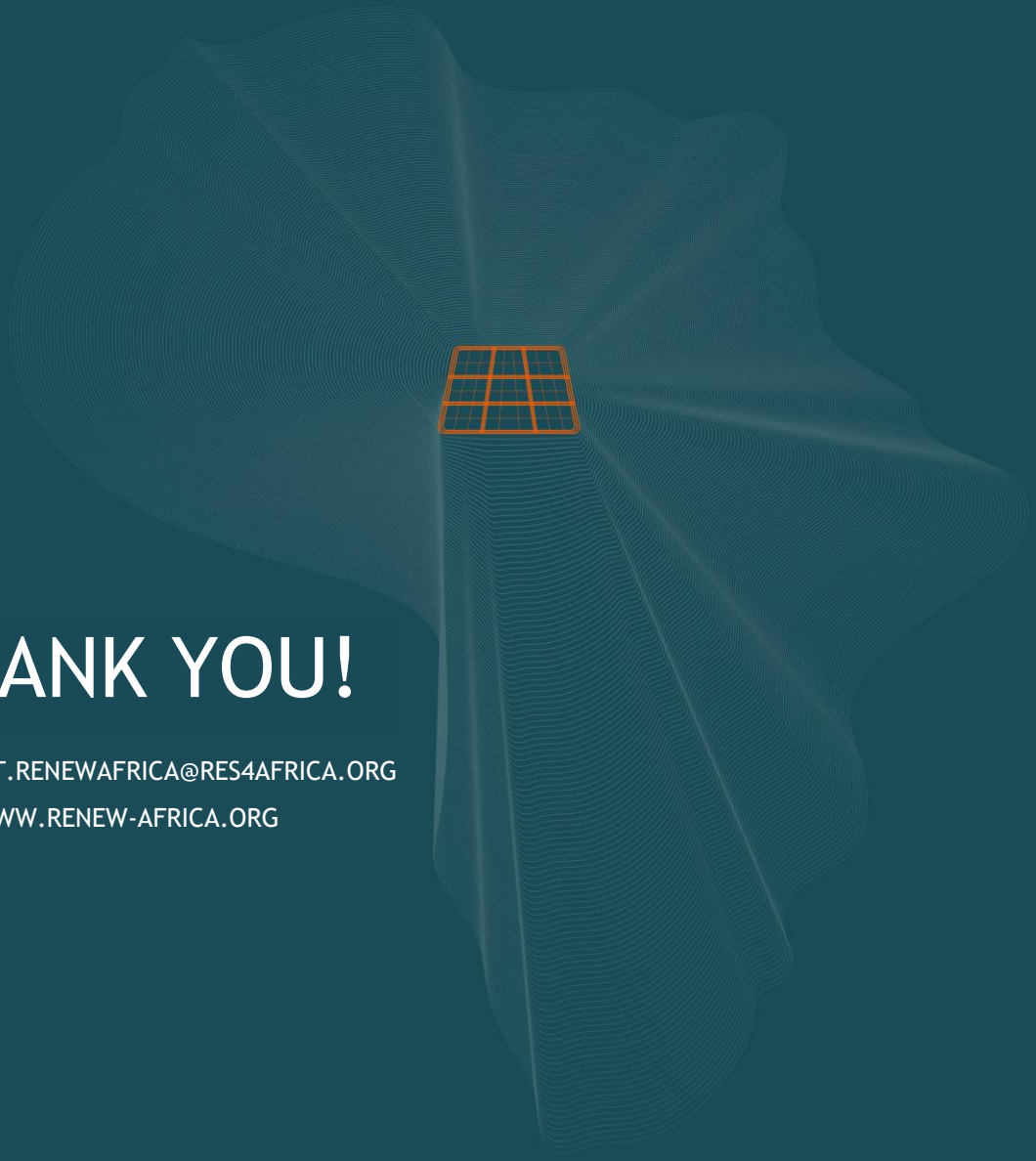
9. IRENA, Renewable Power Generation Costs (2019)

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THANK YOU!

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