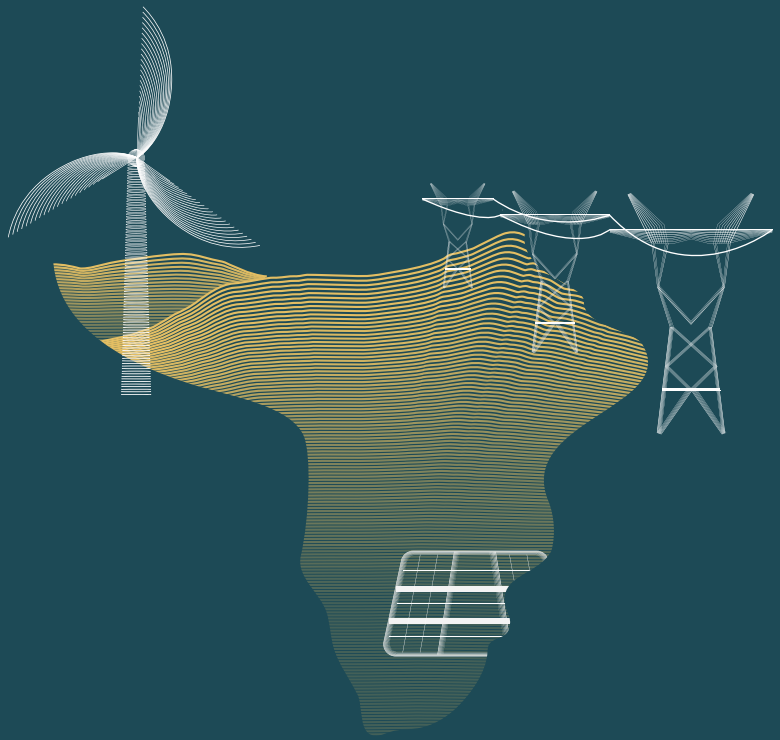
Rolling Out renewAfrica: Leveraging Synergies with RES4Africa's Initiatives

An Action Plan



RES4AFRICA FOUNDATION

renewAfrica Initiative

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Foreword

The purpose of this document is to provide the guidelines of the outreach program of the RES4Africa Foundation in selected African countries. The Foundation aims to deepen its well-established dialogue with African countries on the need to speed up and bring to scale impactful solutions to the current energy access gap in African continent; and to support the countries in their commitment with a sustainable, just and inclusive energy transition. Building on the results of other programs promoted by RES4Africa, these outreach programs will be directed to present the findings developed by the renewAfrica Initiative. The document will guide the reader through the operative phases intended to build a multi-stakeholder dialogue with Africa regarding the challenges and opportunities for the continent to attain a green transition.

Working with Africa for RE Investments at Scale

01 /

What is the renewAfrica Initiative? A Holistic Approach for Africa's Clean Energy Development

Launched in 2019, the renewAfrica Initiative is an **industry-backed Initiative advocating for the creation of a European comprehensive Programme for renewable energy investments in Africa to be promoted and owned by EU institutions.** The ultimate goal of the 27 leading European actors (working across the RE value chain, including manufacturing, IPPs, finance, trade associations and services sector with a sound experience in Africa) supporting the Initiative, is to stimulate the EU to create and adopt a programme able to support Africa's clean energy development.

To actively contribute to the effective advancement of climate action and scaling up renewable energy access through joint private and public investment, the RES4Africa Foundation and renewAfrica initiative members will deepen its outreach to African stakeholders to gain a deeper understanding of their needs and to offer tailored support that efficiently addresses national and local challenges. This document "Rolling out renewAfrica: leveraging synergies with RES4Africa's initiatives. An action plan" aims to provide a plan to mobilize key stakeholders across the RE value chain both in Africa and in Europe to act effectively for impactful results on increasing investment for wider energy access in Africa.

The renewAfrica Initiative proposes an **integrated and holistic approach to de-risking** that could enable the acceleration of RE investments and scaling energy access on the continent. The Initiative builds on the awareness of the main barriers perceived by investors and reforms needed to improve the existing policy and regulatory framework to make it more conducive to investment in Africa's power sectors. renewAfrica stems from the principle that **technical assistance, capacity building, policy dialogue and the financial de-risking approaches and instruments** need to be delivered in a combined fashion. The ultimate goal is to create an environment that facilitates the deployment of RE projects tailored to each country's specific needs, which will be instrumental in delivering a low-carbon, resource efficient and climate-resilient future.



Why now? Africa's Energy Context and the Need to Accelerate the Clean Energy Transition

As Covid-19 spreads across Africa, 600 million people still do not have access to energy, further complicating daily survival and jeopardizing the hopes for economic recovery. In this context, RE are the key to boost economic recovery while meeting climate ambitions. Africa is richly endowed with vast renewable resources. The continent is blessed with the richest solar resources on the planet, and benefits from an incomparable potential in terms of wind, hydropower, geothermal and biomass. Yet, **only 2% of the total RE generation capacity added in the past 10 years was installed in Africa.** The untapped potential leaves the continent at the margins of the renewable energy sector, while there is an urgent need to address the modernisation of the electricity sector – digitizing the infrastructure & grid network – in order to enable the access to affordable, clean and secure energy safe electricity.

Post-Covid 19 recovery plans provide a unique opportunity for a **green and inclusive energy transition and expanding energy access in Africa.** However, public funding will not suffice in meeting these goals, but the **willingness of the private sector to invest in Africa is hampered by persistent market challenges.** Most African electricity markets are perceived as risky environments, and investors struggle to identify sustainable pipelines of bankable projects offering

viable financial return rates. Investment barriers are represented by market structure, legal issues, inadequate long-term policies and weak regulatory frameworks. All these elements need to be addressed and mitigated to draw in substantially increased renewable investments.

In this regard, a study conducted in 2018 by RES4Africa, Enel Foundation and PwC highlighted that the existing RE supporting schemes are characterized by a **high level of fragmentation** and **lack of coverage** across the key phases of the project cycle in terms of technology covered - both RE sources and grid network and infrastructure - financing, risk mitigation and geographical perspective.

Moreover, support appears to be weaker during the later phases such as contract negotiation, preparation of project documents, and implementation of a tender. The great number of existing instruments and their complexity minimize their attractiveness and use from investors, representing yet another obstacle to boosting RE investments in the continent. There is the need to **reconsider the design of existing de-risking instruments in order to develop a holistic and tailored support** able to effectively address all the needs of the stakeholders involved in RE investment in Africa. The renewAfrica Initiative proposes an approach and a set of instruments that can help mitigate risks and remove barriers while creating synergies for impact between African countries and the EU.



2%

only 2% of the total RE generation capacity added in the past 10 years was installed in Africa

The renewAfrica Initiative is committed to boost Africa's Green Objectives

renewAfrica advocates for the creation of an EU-led Programme which should **include and deliver comprehensive end-to-end support along the entire project lifecycle for all RE technologies, infrastructure and grids, in all African countries, with a priority focus on utility-scale** projects. The Initiative proposes an integrated de-risking support package based on four pillars: **policy dialogue, capacity building, technical assistance and financial de-risking.** This structure should help create the conditions for a sustainable pipeline of bankable RE projects and greater use of Public-Private Partnerships (PPPs) models. Partnering in Africa with Africa, renewAfrica seeks to multilaterally support countries and governments in creating the right facilitating environment. The renewAfrica Initiative seeks the creation of a level playing field capable of boosting RE investments in Africa. In building the renewAfrica Initiative, input and collaboration have been provided by African regional institutions such as the United Nations Economic Commission for Africa (hereinafter **UNECA**), the African Development Bank (hereinafter **AfDB**) the involvement of the relevant **DGs** of the European Commission, and participation into relevant EU-African policy platform such as the High-Level Platform on Sustainable Energy Investments (**SEI Platform**).

Anchoring Sustainable RE Investments in Country Realities

02 /

Supporting countries in creating an enabling investment environment for increased RE infrastructure and access involves **identifying basic country conditions that provide the foundation for change.** It involves a deep understanding of economic, infrastructure and market dynamics of a country with the awareness that one-size doesn't fit all. In that regard the renewAfrica Initiative undertook an **in-depth analysis of the country market and investment environment across Africa's different regions.** A comprehensive methodology, including more than 40 KPIs and covering quantitative indicators, qualitative assessments and feasibility tests was used to select the first group of countries considered as front-running in this effort. Six countries were identified as Tier 1 front-runners: Ethiopia, Kenya, Ghana, Ivory Coast, Senegal and Mozambique.

The specific assessment criteria are linked to the areas of macroeconomics, investment environment, RES development potential, regulatory and market conduciveness, and sustainability. The spirit of the exercise was to identify countries with the greatest potential to develop best practices and lessons learned to guide our subsequent approach to all other African countries. The results of the analysis were discussed both with relevant African stakeholders such as the AfDB as well as with the variety of European actors promoting renewAfrica.

Building a sustainable future with Africa in the RE sector requires the creation of **shared responsibility and long-term engagement among all the stakeholders both public and private**



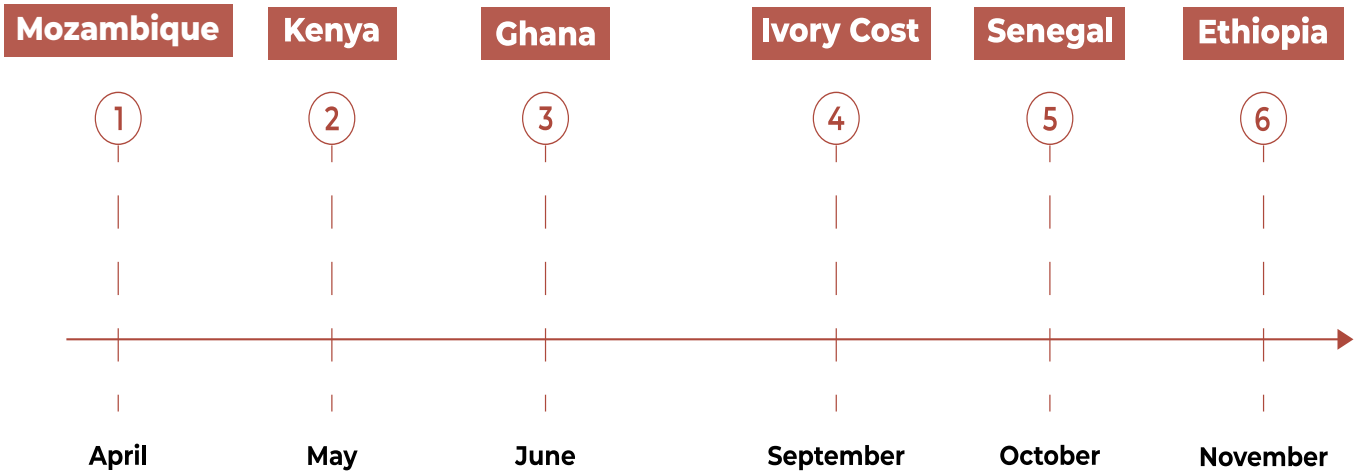
6 front runners

Ethiopia, Kenya, Ghana, Ivory Coast, Senegal and Mozambique

Creating momentum involves sharing with African countries the barriers faced by investors and the best instruments to deliver de-risking ambitions, including those proposed by renewAfrica. In that regard the RES4Africa Foundation together with renewAfrica members will **roll out and build a dialogue with a wide variety of African stakeholders involved in the energy sector.** The dialogue also has to bring on board multilateral and private sector partners in Africa and in Europe. The Initiative will be **introduced in a selected number of African countries through customised country packages**, each consisting of a launch event and a series of closed meetings with stakeholders, based around custom content blocks.



The renewAfrica outreach programme will entail a series of launch events in each of the selected countries of Tier 1. The process will start in late spring **2021** and will be structured as follows:



In order to ensure a continuous dialogue, every launch event will be followed by a closing meeting. This latter will be organized based on a content-driven approach and at consistent intervals so as to facilitate the consolidation of the local stakeholder network.

Building Consensus for Multi-Stakeholder Action

A Multi-layered Stakeholder Approach

There are two groups of stakeholders with the ability to build the appropriate consensus around the social, economic and environmental benefits of renewables, which can be framed on different geographic levels. First, key stakeholder groups include **multilateral institutions** which dedicate resources and engage in sustained policy and regulatory dialogue with the countries around the energy sector, namely the African Union, European Commission and corresponding Directorate Generals, EU Delegations, financial institutions such as the AfDB, the World Bank and private banks.

The second group is composed by **national government institutions** involved in energy sector governance and interest-based groups, which are crucial to create bridges across public and private interlocutors in support of the creation of renewable energy investments at scale in Africa. In particular, the renewAfrica outreach programme will focus on the following actors:

- **Government institutions:** relevant ministries and regulatory agencies which can ensure the scaling up of energy-transition related targets and the consistency of the goals of renewAfrica with Nationally Determined Contributions (NDCs). While providing strategic guidance, the dialogue with the above mentioned authorities should guide the implementation of policies and regulations able to attract the necessary energy investment.

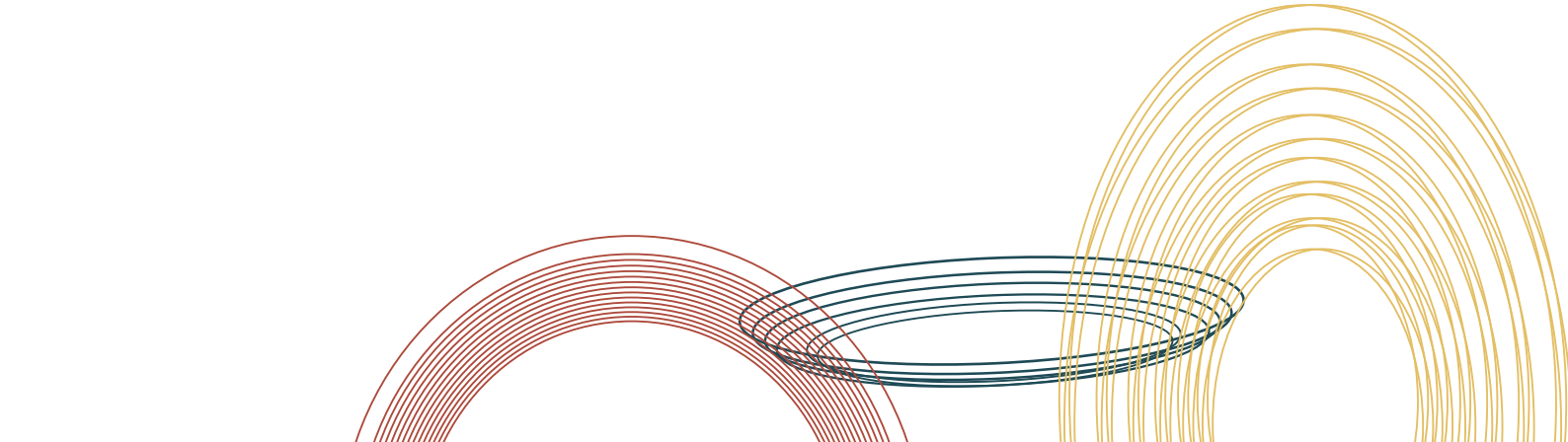
- **Electricity companies:** representing the incumbent off-takers and crucial actors in moving forward along a trajectory of financial and operational efficiency to meet Africa's rising demand of electricity.

- **Regional power pools:** which are key players in the roadmap toward fully integrated and efficient electricity markets in Africa. Out of many preconditions to allow the deployment of a sustainable pipeline of RE projects, a deep knowledge of the electricity system needs and features is a fundamental one. Gathering information from the "demand" side on a more aggregated level will provide priceless information to better inform decision making at policy and technical assistance level.

- **Industry associations:** with a focus on renewable energy or other relevant areas. The outreach activities envisage the involvement of African private sector actors to share technical and economic information and knowledge to support cross-company dynamics among the actors involved in the RE field. Additionally, industry associations can play a key role in the further dissemination of knowledge and the activation of local stakeholders.

- **Financial sector institutions:** local banks and financial intermediaries, which can deal with key investments risk and underlying barriers, therefore being critical to guarantee a continuous and sustained flow of financing to RE projects in the long term. Furthermore, they can facilitate raising awareness on existing risk mitigation instruments and streamlining relative application procedures.

- **Research & innovation institutions:** sharing knowledge means creating awareness. These institutions are the best placed to contribute to fostering Africa's RE agenda and create new domains of knowledge while addressing social concerns about the fall-outs of the green transition. Moreover, they prove crucial in disseminating knowledge through education and training to create high-skilled professionals and researchers specialized in renewable energy technologies.

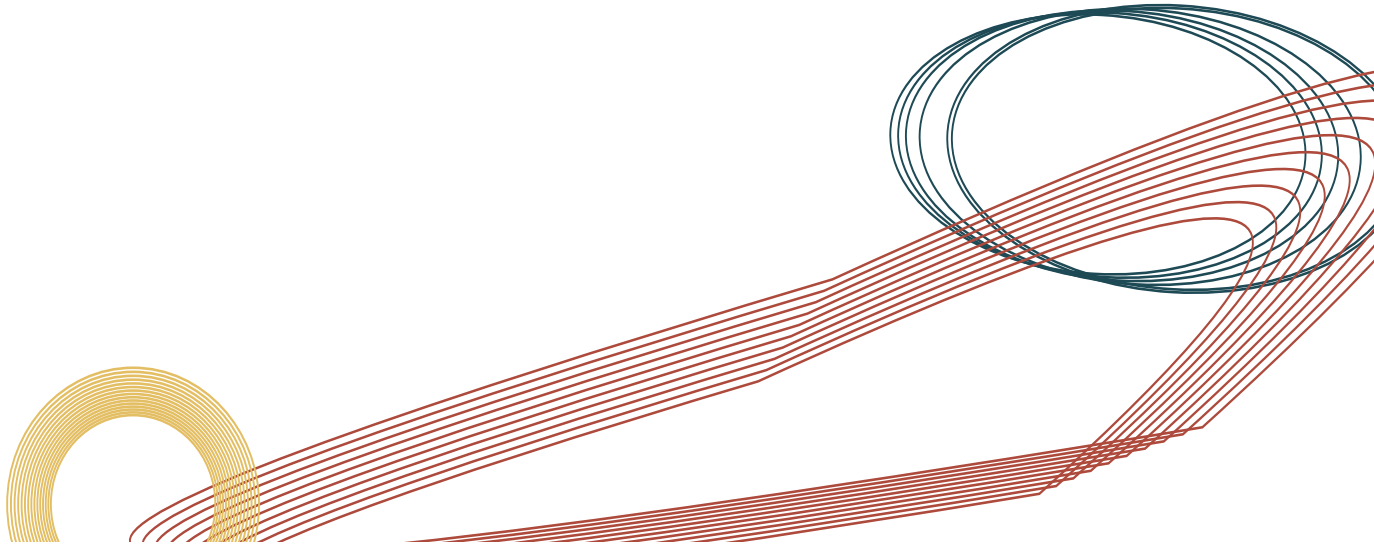




6 actors

Government institutions, electricity companies, regional power pools, industry associations, financial sector institutions, research & innovation institutions

The combination of local leadership and high-level commitment is instrumental to boosting and consolidating the success of the RE sector. The outreach programme will leverage on African partner institutions, the renewAfrica signatories, RES4Africa members, to specifically identify key national stakeholders and to help build robust, trusted partnerships. The involvement of high-level stakeholders from each country will be complemented by the presence of EU representatives and multilateral development institutions and financial institutions.



A Comprehensive Approach to De-Risking RE Investments

A Two-phased Approach to be Developed in Tier 1 Selected African Countries

The outreach programme consists of two main phases, in which the combined body of data and analysis developed by the RES4Africa Foundation, renewAfrica members and UNECA will provide a robust and integrated knowledge package. The recommendations are focused on policy and regulatory environment, key areas for capacity building and technical assistance, as well as proposed financial de-risking instruments.

Phase One comprises **launch events in each of the target countries** included in Tier 1 countries. Phase Two entails a **series of closed-door stakeholder meetings in each country**, serving to enhance dialogue with the relevant stakeholders by presenting in-depth technical details.

While the launch events will aim to attract as wide an audience as possible about possible solutions for scaling up RE investments, Phase Two will target more specific segments of stakeholders convened in line with tailored content for each meeting.

The meetings will be conducted through electronic means until the current health circumstances change and in-person meetings can be held.

Phase One: Raising Awareness

Phase One provides an overview of investment barriers and possible solutions, based on RES4Africa and renewAfrica's work, through launch events in each country. The events will present research referring to all phases and aspects of renewable project development.
It will open with the presentation of the responses to a renewable energy investor survey conducted for each country, revealing the **main barriers to investment perceived** by renewAfrica signatories, as well as other relevant stakeholders both within and outside of RES4Africa. This will be followed by discussions on **the regulatory gaps** identified in each country and the countries' policy and regulatory frameworks for public and private investment across the power sector value chain.

Additionally, the launch events will provide the **context for the introduction of renewAfrica as a comprehensive de-risking investment approach**, including areas where technical assistance and capacity building can help increase project viability and effectiveness; financial de-risking tools and instruments for project implementation success. These introductions will be customised to the specific situation of each country. The launch events will also include discussions on the importance of socio-economic impacts of the energy transition, presenting RES4Africa's work on **social impact and job creation in the context of a Just Energy Transition**, based primarily on the RES4Africa 2021 Flagship Report.

Phase Two: In-depth Understanding of renewAfrica Potential

Phase Two will entail country-based, multi-stakeholder closed-door meetings in each of the Tier 1 countries. The meetings will provide **technical content on the regulatory barriers in each country and the more specific details** of the renewAfrica Initiative. The analytical results of the priority focus areas of renewAfrica will be presented during these series of closed-door meetings, each covering a different aspect of the Initiative in terms of policy dialogue, financial support, technical assistance and capacity building.

From high-level diplomats, local private business community, to African civil society representatives, will be involved in the different meetings. The content-based format of the meeting will entail the presence of relevant local experts, RES4Africa and renewAfrica stakeholders, to ensure the creation of synergies among communities, private sector representatives and the public sector.



Outreach Program Content

The below template of the key areas and issues will constitute the core content programme for all outreach activities; in **Phase 1** they will be presented in a more general-introductory manner, while in **Phase 2** content and discussion will be done in a more granular way and adapted to the countries' condition and the audience attending the specific closed-doors meetings.

Policy and Regulatory Barriers to Private Investment in the Power Sector

- There is a need for an enabling environment for Africa to attract the private investments needed in the power sector, and policy and regulation are a crucial aspect of this.
- Introduction to the strengths and weaknesses of the national regulatory environment based on a private-sector perspective assessment with 3 key dimensions:
  - "**Openness**", looking at **power sector structure and governance**: policies, laws and regulations to define the strategic priorities for energy policy, and to regulate market structures and entry, infrastructure planning and procurement, and sector governance;
  - "**Attractiveness**", assessing **sector economics**: policies, laws and regulations that ensure the economic viability of electricity infrastructure investments, as well as the existence of fair conditions for competition among market operators;
  - "**Readiness**", evaluating **sector maturity**: technical regulations to ensure a correct implementation and efficient integration and management of electricity infrastructures.

Blending Public and Private Finance for impact

- **Mobilizing private capital** (including domestic investment) has become a widely accepted solution to bridging the financing gap.
- **Remove barriers to private capital inflow** in Sub-Saharan Africa. **Mitigate risks associated to**:
  - **legal framework enabling investments** (e.g. political risks, dispute resolutions issues)
  - **revenues** (e.g. sovereign, exchange rate risks, counterparty off-taker)
  - **constructions and operational costs** (e.g. logistics etc)
  - **financial structuring**
  - **environmental and social issues** (e.g. natural force majeure, lack of social acceptance etc.)
- renewAfrica proposal for a **composite financial instrument to galvanise private investments** based on the best features of existing EU instruments.

Technical Assistance to Deliver end-to-end Project Cycle Support

- Provision of **Technical Assistance** activities in the form of **multi-disciplinary set of services** aiming to develop conducive policy frameworks and markets to attract private direct investment and financing.
- Standard project development flow **process and services** to be provided across all phases of the project lifecycle from Project Inception until Operation.
- Technical Assistance **activities of RE project development**, including resource mapping, electrical & network, financial, environmental and social constraints; and sustainability.
- Comprehensive **catalogue of best practices, principles and guidelines** adapted to different legislation, country maturity (development and frameworks).
- **Sustainability** embedded across the entire development process.

Sustainability and Just Energy Transition

- Embedding **sustainability and shared value creation** across the entire project development cycle.
- Developing sustainability criteria: tender selection criteria to include economic values and sustainable performance.
- Measuring and monitoring of IPPs performance on sustainability criteria.
- Socio-economic impact of the energy transition with a focus on job creation and re-skilling of workers.



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