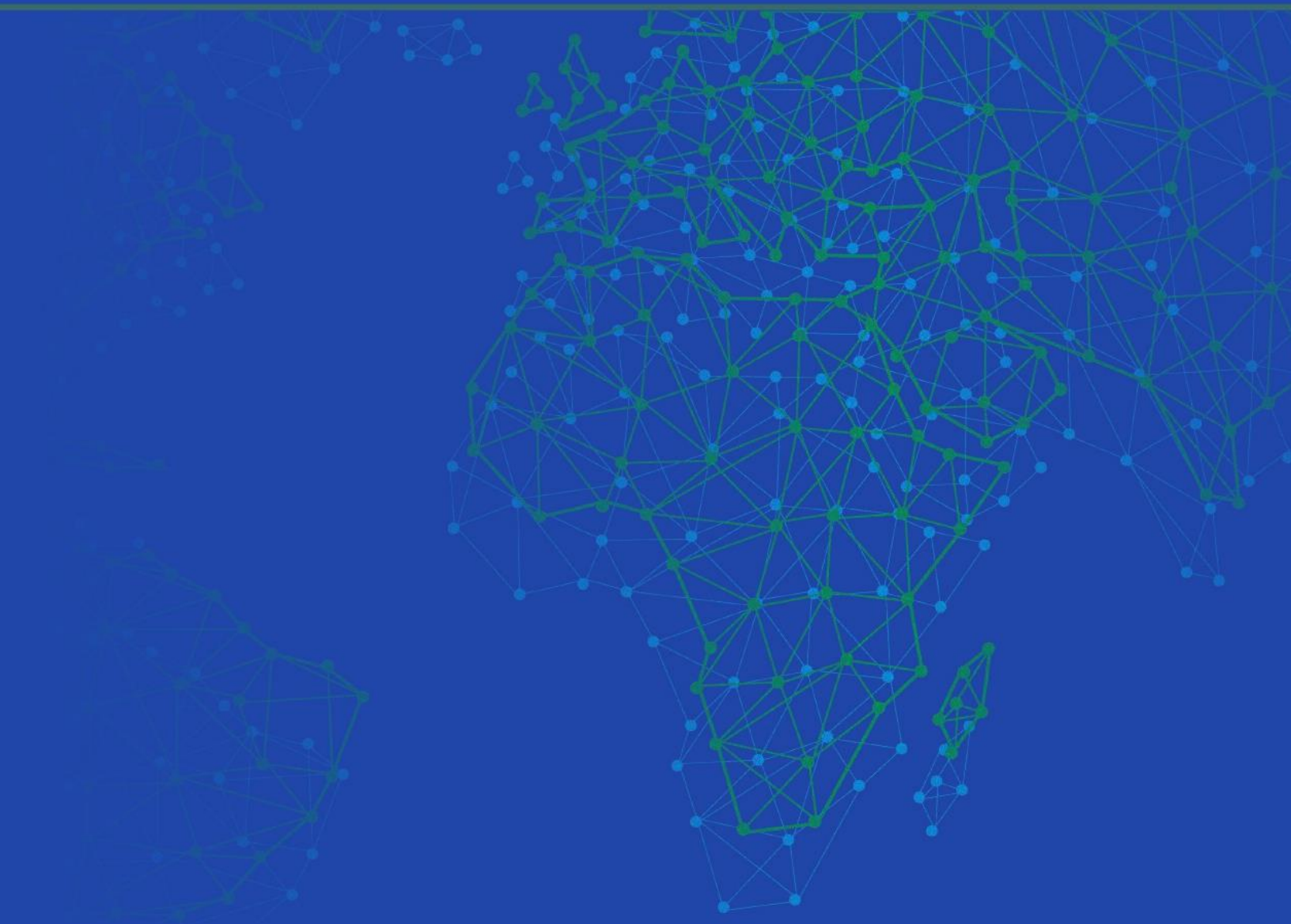
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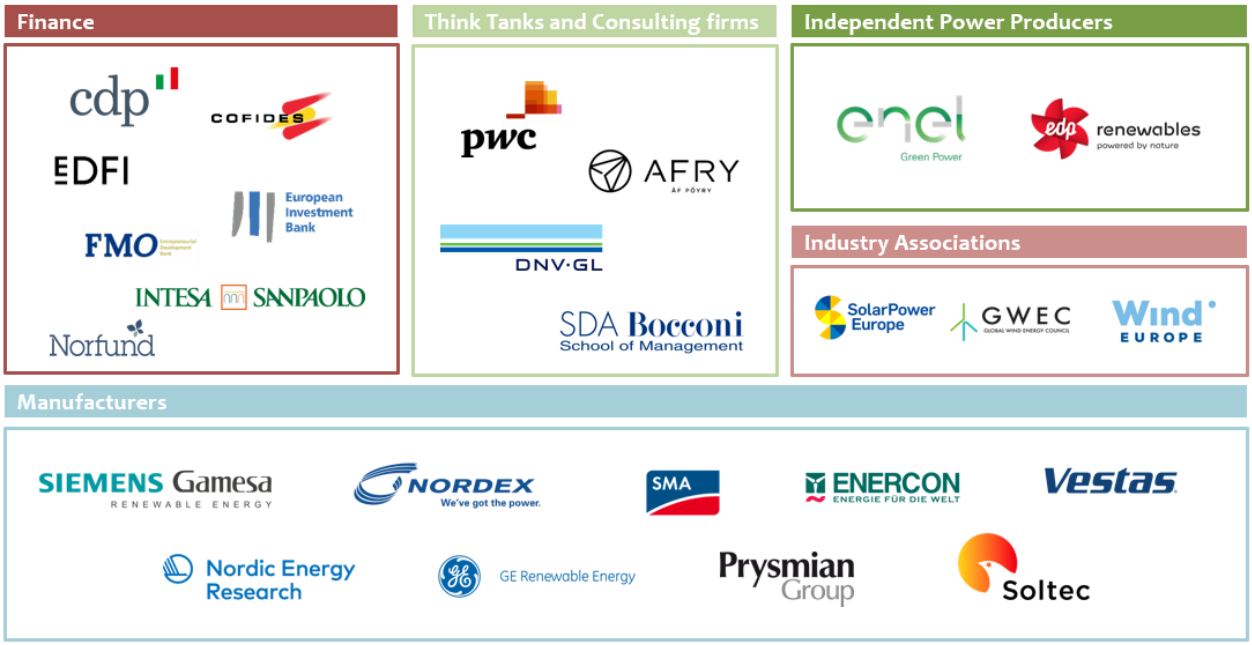
renewAfrica Initiative

ADVANCING EUROPEAN COMMITMENT TO AFRICA'S CLEAN ENERGY ACCESS AT SCALE



renewAfrica is an **industry-backed initiative** dedicated to boosting European private investments in Africa's renewable energy. Its **25 Signatories** represent leading stakeholders from across the European renewables value chain, including finance, manufacturing, think tanks, consulting, Independent Power Producers, and industry associations.

The Initiative has been launched in Rome on June 4th, 2019, and **RES4Africa Foundation has been entrusted with carrying out the duties of its interim Secretariat**.



www.renew-africa.org

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1. AN EU-AFRICA PARTNERSHIP FOR ENERGY ACCESS AT SCALE: CHALLENGES AND OPPORTUNITIES

1.1 The energy gap that hampers Africa's economic growth and social empowerment

Africa is in the midst of a transition that will have immense global repercussions. Its population is rapidly expanding and over the next two decades the continent will undergo the largest process of urbanisation the world has ever seen.[1] These profound structural changes have the potential to spur an equivalently rapid growth of African economies, but this can only happen with reliable energy availability for domestic, commercial and industrial use. The IEA projects African energy demand will grow by 60% by 2040, to fuel industrial development and the rising requirements of an urban population for cooling, mobility, and power more broadly.

Yet, currently some 600 million people in Africa, or 48% of the population, do not have access to electricity. This energy access gap is widening: following the current trajectory, **population growth will outpace the ongoing electrification effort and in 2030 more people will lack access to electricity than is the case today.**[2]

Where provided, the electrical service in Africa tends to be characterized by frequent blackouts and brownouts. IRENA estimates that outages and load shedding shave some 2% off Africa's GDP annually in terms of business disruption and foregone profits.[3] This figure would be even larger if it were to include the opportunity cost of new business applications that were not pursued due to inadequate energy access.

Access to clean, affordable and resilient energy is one of the 2030 Sustainable Development Goals (SDG 7) and a cornerstone upon which to build Africa's development and social empowerment. Either centralised or decentralised, energy production is key to feed the growth of African economies, powering industrial activities and advanced development of services in cities as well as agriculture in rural areas, to generate jobs and wealth and, ultimately, to enable social progress.

Africa's rapid population and economic growth is asking for energy, and not providing that energy in the right quantity, quality and the right time and place risks stifling the growth momentum that many countries are currently enjoying.

[1] IEA Africa Energy Outlook 2019
[2] In absolute terms. "Energy Access Outlook 2017: From Poverty to Prosperity", IEA
[3] "Africa 2030: Roadmap for a RE Future", IRENA 2015, pp. 36

1.2 Europe's and Africa's common challenge for sustainable development

Africa is Europe's closest geographical neighbour and its most natural partner. **The two continents share a long common history, and their future socio-economic prosperity hinges upon their ability to cooperate in confronting their common challenges**.

The EU is already Africa's first partner in trade, in foreign direct investment (FDI) and in development. Africa's goods trade with the EU stood at €268bn in 2018, more than double the figure with its second trading partner.[4] The EU's FDI stock in Africa of €261bn dwarfs the US position of €42bn and China's €38bn.[5] The EU and its Member States are also the largest donors of Official Development Assistance (ODA) to Africa – €24bn in 2017, nearly twice the size of US ODA.[6] All of this goes to show that Europe's partnership with Africa is deeply rooted and built upon decades of mutual trust.



Statistics on trade and FDI in Africa. Sources: IMF, Eurostat, UNCTAD, OECD

Yet, **this partnership needs a new vision for the future,** one that reflects the changing social, environmental, economic and political situations in the two continents. This vision is currently being elaborated in the Africa-Europe Alliance for Sustainable Investment and Jobs launched by the Juncker Commission in September 2018. In its flagship announcement of the European Green Deal, the new Von der Leyen Commission announced the **forthcoming Comprehensive Strategy with Africa, which will showcase Europe's readiness to turn visions into actions.** Both the Alliance and the Strategy rest upon the recognition that what happens in Africa matters for Europe, and that a partnership of equals is necessary to tackle common environmental, social, and economic challenges.

Climate change is the largest challenge the world is facing today, and one which can only be confronted through multilateral action. With the Paris climate agreement and its own Green Deal, the EU has taken a decisive stance as a global champion of climate action. It has adopted or plans to adopt far-reaching targets and policies to rewire its economic model in a way that leaves our planet safe for the next generations. But to guarantee that commitments from the Paris agreement are met,

[4] Africa's second largest trade partner is China, with an annual trade figure of €125bn. Source: International Monetary Fund
[5] Eurostat, UNCTAD World Investment Report 2019
[6] OECD DAC report 2018. No data available for China

establishing green coalitions on a global stage is crucial. An EU-Africa partnership can help build a critical mass advocating for the global need to pursue low-carbon growth models.

Europe and Africa also share social and societal challenges. Europe is demographically the world's oldest continent, Africa its youngest. Creating decent job opportunities to empower populations and secure that growth is equitably distributed across societies are daunting tasks for policymakers on either side. Partnering to stimulate investments into the renewable energy (RE) sector – which is highly labour intensive – will help both Europe and Africa generate new jobs and grow their economies in a way that is compatible with global climate ambitions.

Partnering for sustainable investments more broadly is needed in order to spur a structural transformation of both Europe's and Africa's economies. **Both continents need to find ways to keep pace with technological change.** Investing in Africa's growth opportunities, fostering technology transfer and enhancing capacity building in key technologies is a common interest for Europe and Africa, and one from which both sides can benefit.

1.3 Clean energy makes economic sense

Bridging Africa's energy access gap and unlocking the related growth opportunities will require a major expansion of its power system. Africa has the unique opportunity to do so in a far more sustainable, less carbon-intensive, and least-cost manner than many other parts of the world.

The reason for this is that 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 but has so far installed only 5GW of solar PV, which is less than 1% of total global capacity. Africa's wind potential is estimated at 1,300GW yet at the end of 2019 installed capacity amounted to only 5,5GW. In a fundamental sense, Africa has abundant RE potential, rising energy demand but not enough generation, transmission and distribution capacity.

Harnessing this rich RE potential will mean transitioning from polluting and expensive fossil fuel technologies in favour of clean and cheap sources of electricity. Indeed renewables today are the lowest-cost source of power generation. This is thanks to dramatic cost reductions that took place over the last decade for solar PV and wind technologies. The global average Levelised Cost of Energy (LCOE) for solar PV and onshore wind are presently in the range of 56 to 85 USD/MWh, while the range for thermal is significantly higher at between 75 and 140 USD/MWh.[7] Solar PV module prices have fallen by around 90% since the end of 2009, and there is reason to believe the trend will continue.[8]

Renewables are also the fastest solution to the energy access gap. Once financial close is achieved,

[7] Thermal refers to new coal, gas and lignite power plants. Enel Green Power, presentation at Eurelectric, March 2019
[8] Renewable Power Generation Costs in 2018, IRENA, May 2019

construction time for a renewable energy (RE) plant today stands at a global average of 1.8 years, while the equivalent figure for thermal generation is 4.2 years (weighed for capacity).[9] The significance of this time aspect of delivering energy must not be underestimated.

Not least, renewables are the only power generation technology **compatible with the global commitment to limit climate change.** Africa has been a minor contributor to global greenhouse gas emissions,[10] 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 outages. 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.

[9] "Average power generation construction time (capacity weighted), 2010-2018", IEA, Paris
[10] To date, energy-related CO_2 emissions in Africa represented around 2% of cumulative global emissions. IEA Africa Energy Outlook 2019

2. REQUIREMENTS FOR A PROGRAMME THAT DELIVERS

2.1 Existing European support Programmes and the gaps that need to be bridged

A preparatory study conducted in 2018 to assess market gaps identified more than 75 financing instruments supporting renewables in Africa and analysed 17 of them in depth.[11] Most of these instruments are funded by the European Union or its Member States, and some are also in partnership with other multilateral or non-EU donors. The key takeaways from the study are as follows:

Existing EU RE support schemes are characterized by a high level of fragmentation. 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.

Investors don't have sufficient support in the late stages of the project cycle. The study analysed the adequacy of support along the entire project cycle, defined as Project Preparation, Tender Process, Financial Close and Construction and Operation. 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 process.

A number of important investment barriers are chronically unaddressed. 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.

What is needed to stimulate RE investments in Africa is not just financing, but an integrated package that combines policies, regulations, financing and de-risking. The study featured interviews with key RE Independent Power Producers (IPPs) and contractors active in Africa to provide a business angle on the subject. The interviewees indicated that there is no lack of financing available in the market, but investors have difficulty tapping into these financing pools due to the above investment barriers.

[11] "A new Instrument supporting large scale RES development in Africa", a study carried out by PwC in collaboration with the RES4Africa Foundation. Oct 2018

A new comprehensive Programme is needed to build on best practices and enhance the effectiveness of existing instruments. The clear best practice is **World Bank's Scaling Solar Programme,** designed to enable African Governments to rapidly procure solar generation capacity (<2 years) while minimizing financial transaction risks. Scaling Solar does this through:

* Legal and regulatory analysis.
* Technical and economic studies for site and project size selection.
* Assistance in competitive tendering with standardised project documentation.
* Pre-set financing and insurance products, e.g. pre-approved Power Purchase Agreements (PPAs).

Despite these strengths, Scaling Solar's effectiveness remains limited on technological and geographical considerations (exclusively solar and available in only 6 out of Africa's 54 countries). Additionally there has been a range of policy hurdles that are hampering the programme's ability to effect its expected impact.

When it comes to EU programs, the EU External Investment Plan (EIP) stands out as the clear best practice. Nevertheless, the EIP needs to become more complete and its instruments need to be better tied to one another. The EIP comprises powerful instruments, yet whose impact and disbursement rates tend to be limited by their internal fragmentation. To tackle the challenge of scaling Africa's energy access, there is the need for a unified program that acts as a whole.

2.2 The building blocks of an impactful Programme

Consistently with the outcomes of the renewAfrica preparatory study, as well as the outcomes of a study done by RES4Africa Foundation and AFRY Management Consulting concerning best practices in establishing adequate regulatory frameworks,[12] several key building blocks can be identified to shape the blueprint of an impactful Programme.

Support projects of all technologies, in most countries, and of all sizes

The differentiator of the new Programme relative to the multitude of existing EU instruments needs to be **its aim to be technology neutral, cover most African countries and support RE projects development with no scale constraints.** Scale is an important consideration as it's born out of a recognition that Africa is a growing and rapidly urbanizing continent, and that rural micro-grid alone will not suffice to provide the vast amount of energy needed. Unlocking the opportunities of Africa's sustainable development means not only lighting rural homes, but also powering productive uses of energy in industry and agribusiness. To do so, both small-scale and modern utility-scale energy solutions are needed.

Offer an end-to-end support solution

The new Programme needs to **pool together and further enhance several existing EU instruments**

[12] "What does it take to accelerate RES investments in Africa", a study carried out by AFRY Management Consulting (previously Pöyry Management Consulting) in collaboration with the RES4Africa Foundation

supporting renewables in Africa into a single reference point, a one-stop-shop. It needs to be comprehensive and deploy policy dialogue, capacity building and technical assistance together with financial instruments to deliver clean energy projects. The need for this comprehensive support emerges from a recognition that potential investors in African renewables face a multitude of risks related not only to the availability of finances, but also to the broad investment, business, and political climate in a given country. For this reason, the Programme needs to **build on best practices of available solutions** to construct a de-risking solution that adequately addresses those risks.

Strengthen the political will and commitment of partner countries to energy policy reform

To ensure that investments are effective and impactful, the new Programme needs to cultivate strong ties with all types of partner country stakeholders and build commitment towards common energy goals. This can be achieved through promotion and advocacy of the environmental, socio-economic, and cost advantages of RE technologies as opposed to fossil fuels[11]. The dissemination and promotion work can also take form in specialised studies, market assessment, and capacity building of relevant counterpart institutions[12].

Enhance technical capacities of the local workforce

The new Programme needs to act as an equal partner and effect lasting improvements in the partner country's investment climate. Part of this can be achieved through specialised training and knowledge transfer concerning processes, protocols, and best practices in regulatory reform and energy tendering, within a stable long-term policy framework. Capacity building is fundamental to empower local counterparts and ensure the creation of a conducive environment for RE investment in a sustainable and structural manner.

Create a conducive environment to amplify the project pipeline

Despite Africa's immense RE potential and the existence of numerous instruments supporting investments, **the pipeline of bankable RE projects in Africa is currently scarce, volatile, and uncertain**. The new Programme needs to actively address this scarcity of projects, to make sure that the dedicated funds are successfully disbursed. More specifically, it needs to work on creating the following conditions:

- **Reliable long-term energy planning**: electricity plans of many countries are often unrealistic, outdated, uncalibrated, and politically driven. There is a need for adequate prioritisation of project size, location and technology, with projects formulated on a strong business case and with considerations about electrical system integration. Strategies need to identify viable routes-to-market to facilitate the integration of Independent Power Producers (IPPs), including but not limited to tenders, net metering, bilateral or corporate PPAs, etc.

- **Effective and clear legal and regulatory framework to select, negotiate and contract with IPPs**: in order to guarantee a return on investment, there is a need for transparent and reliable regulations, clear definition of market functioning rules, adequate determination of the

electricity purchase price, independent regulator to set the rules and mediate disputes between IPPs and off-takers, full and unimpeded currency convertibility, and free remittance of interest, dividends and capital. All these elements are often lacking or are inadequately developed.

- **Reduced financing challenges**: despite dramatic cost declines of RE technologies globally, project developers in Africa often face financing challenges due to high costs of debt, difficulty in sourcing equity investors, currency and exchange rate challenges, and political risk in a broad sense. In order to reduce costs of capital, there is a need to mitigate investment risks in a way that crowds in private investments from both Europe and Africa. Attracting African private capital towards renewable opportunities is an important aspect as it will send the right signal of commitment and buy-in. For a more detailed view of identified investment risks and ways to mitigate them, refer to Annex I.

- **Improved physical and institutional ability to absorb additional capacity:** integrating variable energy flows into the grid is technically challenging and requires investments in both physical and administrative infrastructure. The need for an adequate network infrastructure is fundamental to project success, and no degree of regulatory improvements can make up for a potentially faulty and underdeveloped grid. There could also be legal and regulatory challenges with integrating power from third-party owned generation capacity, as not all African electricity markets are fully liberalized.

- **Reduction of off-taker risk**: inefficient bill collection, cost-irreflective electricity tariffs, and general mismanagement are often causing weak credit worthiness and liquidity of the off-taker. IPPs are therefore facing a high risk of non-payment or counterparty default. The new Programme needs to offer instruments (notably by building upon existing ones) to mitigate off-taker risk in a way that takes into account liquidity concerns (e.g. lengthy recourse procedures must not lead to short-term liquidity constraints).

All these conditions will boil down to an environment where **returns on investments are better guaranteed, while ensuring power supply at the lowest LCOE.**

Maximise private sector participation

The new Programme needs to be **explicitly designed for mobilizing European and African private capital via evidence- based blended finance.** This is necessary above all because public financing alone will not suffice to provide the €65bn per year[13] needed to fund the estimated requirement of 601GW of generation capacity needed in 2040[14] to secure full energy access for all Africans. Private finance can bridge this funding gap while at the same time tapping into the many demonstrated advantages of pursuing business partnerships rather than concessional finance.

De-risking needs to be the prime design element of the blended finance approach. The current

[13] IEA, Africa Energy Outlook 2019

[14] Enerdata, EnerOutlook 2019. The figure would be even larger if it were to include related investments in transmission and distribution.

situation of underinvestment in Africa's renewables despite their immense potential is a form of market failure; resolving it requires a range of targeted actions to improve the investment climate and reduce risks. **Financial de-risking instruments such as guarantees and insurances can go a long way in reducing risks.** But the new Programme also needs to comprise elements of **policy dialogue, knowledge transfer and advisory services** to effect structural and lasting improvements in the partner country investment climate.

Ensure that investments are made in a sustainable manner

Environmental and social sustainability criteria have a double role to play in the task of amplifying the project pipeline. On the one hand, a sustainable use of local resources is the right thing to do and it will ensure that projects continue to bring a positive return over the long term. On the other hand, sustainable development will also secure a better local comprehension and appreciation of projects, which plays a substantial role in the project success.

3. RENEWAFRICA: ADVANCING EUROPEAN COMMITMENT TO AFRICA'S CLEAN ENERGY ACCESS AT SCALE

3.1 renewAfrica strategy

Reduce fragmentation and create synergies between existing instruments

renewAfrica aims to be a one-stop-shop programme that unifies under one umbrella the multitude of existing instruments of the European Commission and the Development Finance Institutions (DFIs) of its Member States. Reducing fragmentation will help create a powerful instrument able to maximize the impact of European funds currently already dedicated to supporting renewables in Africa. The comprehensive approach of renewAfrica – to include policy dialogue, capacity building, technical assistance and financing – will **allow the Programme to stimulate the creation of a pipeline of bankable projects at a scale that single instruments have not been able to do so far**.

This pooling together will also unleash synergies between instruments which may have not been able to sufficiently communicate between each other. Pooling together means both reducing redundancies as well as tapping into complementarities. Member States and their respective DFIs currently operate a series of strong schemes which, when paired together with EU instruments and strengthened where needed, can form the backbone of a Programme that delivers. In that sense, renewAfrica would be more than the sum of its constituent parts.

Bridge gaps in risk coverage

renewAfrica will also expand and strengthen existing instruments to create a comprehensive support Programme able to address the full range of risks that investors are confronted with. 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.

Run through an impactful organisational setup

renewAfrica will be equipped with the organisational resources necessary to make it impactful. **It will have a strong presence in African countries, with dedicated expert teams working on the ground.** To do so, renewAfrica will strive to pursue synergies with the existing country office presence of EU Delegations and EU Development Financing Institutions as well as build its own capacities where needed. This presence shall help build a deep institutional understanding of the partner country and also of the difficulties investors are facing. The deep understanding will better enable renewAfrica to efficiently address new bottlenecks in project formation as they start to

emerge.

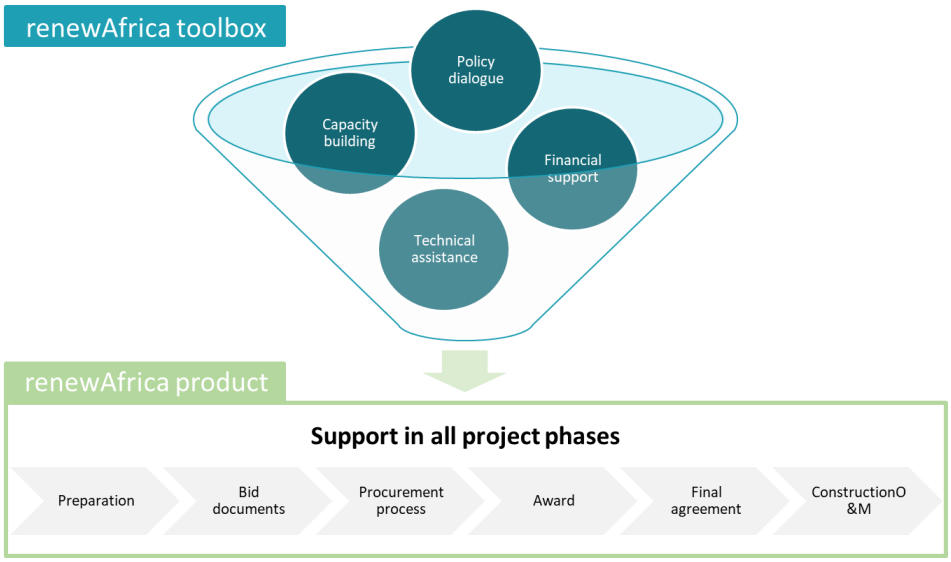
Firm country presence will also form a basis upon which to build trusted partnerships and help secure the vitally important buy-in from partner countries. As noted earlier, strong political will to pursue the renewables path tends to be the precondition for having stable and predictable regulatory environments, and is thus a factor to project success.

3.2 How renewAfrica could operate

There are two gears that explain how renewAfrica could operate:

1. The **Product** that renewAfrica will offer to governments and IPPs.
2. The **Toolbox** through which renewAfrica plans to deliver the Product to de-risk investments.

The end-result of renewAfrica's intervention aims to be a pipeline of bankable and financially sound RE projects.



Schematic representation of renewAfrica operating model. Source: renewAfrica Interim Secretariat

The Product that renewAfrica will offer to IPPs and Governments is differentiated **support along the entire energy project cycle.** Namely:

1. **Country landing**: facilitate high-level policy dialogue to set up a favourable RE investment environment and stimulate political commitment to RE technologies, also through technical assistance in regulatory framework assessment.
2. **Project preparation**: provide technical assistance for site selection, feasibility studies, tax analysis, and early stage training.
3. **Procurement process**: provide technical assistance to create structured, stable and credible power procurement processes (tenders, FiTs, etc.), design standardized project documents, supporting all phases of the tender (request for qualification, bidder consultation, request for

proposals, proposals review, award, and signing project documents).

4. **Financial close**: provide technical assistance for the financing process, negotiation, contract finalization and financial close. Where required, provide blended finance in the form of debt, equity, and grants. Make available pre-approved guarantees and/or insurance able to efficiently address all uncovered investment risks.

5. **Construction, operation and monitoring**: provide technical assistance for monitoring and evaluation of the project's development, and facilitate the set up training courses for local administration as well as the local labour force.

This Product is delivered via **four tools** designed to address, in an exhaustive manner, all types of risks that investors in Africa are exposed to.

1. **RE promotion and policy dialogue.** This tool will address risks related to the stability and predictability of the regulatory framework, investment climate, political will, and general buy- in by the government counterpart. renewAfrica will assemble capabilities (internal as well as outsourced to European best practices) needed to effectively engage with partner countries and to build a lasting, solid relationship of equals.

2. **Capacity building**. To address risks related to the availability of skills and specialized know- how related to the RE project cycle and its localization in the country. renewAfrica signatories and the European renewables industry more broadly are global leaders in RE technologies, and renewAfrica will undertake measures for effective knowledge transfer. This will include training courses to empower counterparts at line ministries and regulatory bodies to carry out tenders in subsequent rounds. It will also include trainings for local financial intermediaries as relates to renewables project finance, among other fields.

3. **Technical assistance.** To assist in the preparation and execution of the RE tender and mitigate the risks related to a potentially inadequate set-up of the auction process and project development.

4. **Financial support**. To address risks related to access to finance and perhaps most importantly to revenue stability. Under the IPP model, the private company who financed the construction of the generation plant relies on revenues from the offtaker in order to repay its debts. The major risks investors are facing is related to the lack of credit-worthy offtakers, meaning that revenues are not certain and that the project investor may be unable to repay its debts. renewAfrica will offer assistance to investors in securing a tailored financial package, as well as a package of guarantees and insurances to mitigate risks related to revenue stability.

For a detailed and schematic view of renewAfrica tools, the risk they address, and what specific actions renewAfrica will undertake to mitigate those risks, please refer to Annex I.

3.3 How renewAfrica ties into the broader vision of the European Commission

renewAfrica's mission to boost European investments in African RE echoes **two out of the six headline ambitions of the new Von der Leyen Commission**: the European Green Deal and a Stronger Europe in the World. To deliver on its stated effort to build Green Alliances abroad and use development cooperation to advance climate action, the EU will need to undertake concrete steps and measures. renewAfrica can be one of those concrete measures.

The Programme would use a limited amount of public financing in the form of guarantees and insurances in order to crowd in a much larger chunk of private capital needed to spur green investments. It would facilitate the ability of African countries to reach their Nationally Determined Contributions (NDCs) by catalysing the build out of low-carbon generation capacity. In brief, renewAfrica would contribute towards establishing Europe as a trusted leader of global climate partnerships.

renewAfrica would also be a powerful vehicle through which to implement the stated **goals of the Africa-Europe Alliance for Sustainable Investment and Jobs,** as follows.

- **Strengthening the role of the private sector**: renewAfrica's financial offering is built on the premise of blended finance rather than concessional finance, which will effectively mobilise private sector involvement. The engagement of one sector (renewables and grids) will stimulate the wider economy through a strengthened role of financial intermediaries and positive signalling on the investment climate.
- **Investing in people and educational skills**: knowledge transfer and capacity building are one of the four tools at the heart of renewAfrica, and their function is to empower counterparts in the partner country and improve equality and job creation.
- **Moving beyond a "donor/recipient" relationship towards long-term partnership**: renewAfrica is based upon a recognition that partnering for Africa's clean energy access will be mutually beneficial for economies and growth of both Europe and Africa. Indeed, the private sector is a key driver of inclusive growth and job creation, responsible for 84% of GDP and 90% of jobs in developing countries.[15]

3.4 What makes Europe the right partner for Africa

By committing to the Green Deal, the EU is positioning itself as the global pioneer of climate action. Presented in December 2019, the European Green Deal is the most ambitious set of policy measures to address climate change seen to date in any developed economy in the world. It consists of a headline ambition to render the EU economy climate-neutral by 2050 and a comprehensive set of measures for how to get there.

[15] European Commission International Cooperation and Development website, https://ec.europa.eu/europeaid/sectors/economic-growth/private-sector-development_en

In Europe's relation with Africa, **the Green Deal makes Europe a partner who walks the talk.** The EU has expressed an explicit readiness to pursue the path of green diplomacy, and to share its climate ambition with international partners. By committing to structural transformation at home, the EU is endowing this diplomatic outreach with credibility and coherence.

The **Green Deal also equips Europe with new financial muscle needed to pursue sustainable investments and crowd in private capital**. With the Green Deal and the related Neighbourhood, Development and International Cooperation Instrument (NDICI) the EU has a powerful new tool to de-risk investments in green business opportunities and increase broader investor appetite for African markets. Europe's ability to attract private capital will ultimately have the added benefit of stimulating a business partnership of equals and creating jobs.

What makes Europe the right partner for Africa is also its global leadership in renewable technologies. Decades of stringent targets concerning the share of renewables in Europe's energy mix have stimulated an unprecedented development of the EU renewables industry, and rapidly falling prices are benefitting the world as a whole. As a result of intense competition and major funds dedicated to research and development (R&D), the EU today is home to some of the most successful clean energy and utility companies out there. European companies hold 40% of all patents for renewable technologies, and 43% of all offshore wind turbines in the world are produced by a few major European manufacturers.[16] EU companies are also at the forefront of the global utilities sector, as the digitalization and tech transformation of the last decade allowed for the emergence of corporate utility champions. Europe's expertise in market design, regulating, promoting, building, operating, and integrating RE in its own home markets makes it the right partner to pioneer Africa's clean energy access.

3.5 Delivering shared value and sustainable growth

When set up in a sustainable manner, **renewables can do more than just provide power and cut emissions**. They can also fuel **job creation, innovation, better health, and broader socio-economic growth**. In Europe, the RE sector employs at least 1.4 million persons and accounts for an annual turnover of €150M.[17] Central and East Africa have seen a notable growth in job opportunities in the last decade related to RE investments. This trend has a good basis to continue especially as solar, hydro and wind power, which are particularly attractive resources in Africa, account for more than 50% of all employment in the renewable energy sector globally with over 6 million people out of the total 11 million accounting for these three technologies.

To make investments structurally and socially sustainable, they will have to enact a lasting improvement in the partner country macroeconomic environment. renewAfrica will do so by facilitating lasting knowledge transfer to empower relevant counterparts in recipient countries to structure, manage, and execute RE procurement processes in a way that will be replicable later on. From a social perspective, renewAfrica will deliver higher energy access rates and thus create potential to unleash broader socio-economic growth and improved affordability of electricity.

[16] The European Union Leading in Renewables, European Commission COP21 brochure
[17] The State of Renewable Energies in Europe, EurObserv'ER 2018

renewAfrica will additionally mean environmentally sustainable investments able to bridge Africa's energy access gap with RE and thus avoid harmful CO2 emissions. This will lock-in the cheapest available electricity source, to the detriment of polluting and more expensive fossil fuel technologies.

All the above will be accomplished in a way that is directly measurable. The impact of the Programme would be quantified not only in terms of energy-related objectives (e.g. GW of clean energy installed) but also in terms of socio-economic and environmental advantages (e.g. job creation, economic growth, investment volumes, CO2 emissions reduction or avoidance). The methodology to quantify the impact of renewAfrica will be comprehensive and take into account both private (industrial plans) and public (impact on stakeholders) perspective.

The availability of quantitative results will permit a **benchmarking of renewAfrica's impact against a number of SDGs**, including "Affordable and clean energy" (SDG 7), "Decent work and economic growth" (SDG 8) and "Climate Action" (SDG 13). A positive impact is also envisaged on the assessment of Africa's NDCs.

In conclusion, unlocking renewable energy investments at scale can generate value that is shared between industry and the broader population of the partner country in a long-term sustainable manner.

4. UNLEASHING THE RENEWAFRICA POTENTIAL: A ROADMAP

renewAfrica's strategic goal to advance European commitment to Africa's clean energy access at scale **is distinctly consistent with** two out of the six headline ambitions of the Von der Leyen Commission: **the European Green Deal and a Stronger Europe in the World**. The renewAfrica Programme is hence ideally positioned to be a conduit for the new Commission's vision to support European industrial champions while establishing a solid partnership with African governments to reduce the existing barriers to energy access, foster sustainable growth strategies and support job creation.

The time for action is now. Renewables have to become an entrenched answer to Africa's rising energy needs, and now is the time to prevent the lock-in of more expensive and polluting fossil fuel technologies. Thanks to immense R&D investments and decades of active policy measures, the European renewables industry has amassed the expertise necessary to make it a global leader in the sector. This expertise, in the context of falling technology costs, makes Europe ideally positioned for a partnership with Africa. renewAfrica is here to build on best practices in financing renewables and create a programme that delivers.

renewAfrica's two features will make it the gamechanger needed to catalyse the development of renewables in Africa. First, the renewAfrica Programme will offer a comprehensive approach, creating synergies among all the existing EU instruments, reducing fragmentation and ensuring effective support to investors and public bodies needed to deliver projects. Second, the Programme will provide targeted support along all stages of the investment delivery cycle, from the beginning of the policy dialogue activity with partner Countries to plant installation and operation phases.

The renewAfrica proposed financial package shall meet demand requirements. As noted earlier, a number of financial and de-risking instruments already exist to support the financing of RE projects in Africa. As African countries ultimately represent the final demand for a product such as renewAfrica, designing the basic toolkit of financial de-risking instruments shall include:

- Allocating adequate resources and professionals within the current renewAfrica staff and signatories to form a task-force dedicated to crafting the technical package structure.
- Focusing the work of that task-force on deepening existing financial and de-risking instruments and tailoring a balanced and impactful mix of instruments able to crowd in private financing at the required scale.

renewAfrica shall move beyond a "donor/recipient" relationship towards a long-term partnership with Africa based on business ties and investment. In this endeavour, the initiative shall:

- Deepen dialogue with high-level African stakeholders, such as AfDB and AU/UNECA, to better understand country specificities, capacities and needs.
- Develop a detailed advocacy plan to ensure that renewAfrica's value proposition is

properly disseminated across the African continent. Local conferences can be a good access point to promote renewAfrica through a bottom-up approach.

- Productively engage the European External Action Service (EEAS) to broaden renewAfrica's outreach.

renewAfrica's broad range of backers will ensure that the Programme is built in a way that capitalizes on best practices and **EIP instruments that exist already,** avoiding duplication of efforts. The initiative has been signed by 25 European stakeholders, including DFIs who themselves are involved in a number of EIP instruments. Their support to the initiative, along with the support from all other segments of the European renewables value chain, is proof that a real need for a Programme such as renewAfrica exists.

Further engagement with European stakeholders in endorsing and joining renewAfrica is a condicio sine qua non for its success. A firm support within EU borders is needed to reaffirm the European imprinting of renewAfrica. To that end, the initiative shall:

- Widen the participation of European industry and development finance players, also by leveraging the network of current signatories. A cohesive European support will translate into an even stronger renewAfrica.

- Encourage its signatories to advocate the message of renewAfrica in EU institutions, to secure the institutional backing needed to endow its outreach in Africa with credibility and coherence.

The challenge of bridging Africa's energy access gap with least-cost and low-carbon solutions is a common one. renewAfrica can be a way to start tackling it.

ANNEX I – RENEWAFRICA TOOLS AND MANAGED RISKS

Tool	Risks	renewAfrica activities
Policy dialogue	❑ Starting a business ❑ Property/concession rights ❑ Political risk* ❑ Dispute resolution issues* ❑ Regulatory and Policy Risks* ❑ Rules favouring market opening to IPPs* ❑ Grid access rules * ❑ Social acceptance*	➔Advocacy to promote the advantages and benefits of RE as opposed to fossil fuels ➔High-level dialogue to stimulate the political buy- in for RE investments promotion through improving the legal, policy and regulatory framework ➔Advisory services to governments on effective ways to design and implement public-private partnership projects ➔Support to local and national authorities in identifying comprehensive, feasible and bankable RE projects
Capacity building	❑ Availability of local skills ❑ Institutional actors' roles and responsibilities ❑ Construction flaws ❑ Logistics, security and safety risks	➔Early stage training and capacity building for partner institutions, local financial intermediaries, and local administrative staff overseeing construction phases ➔Knowledge transfer on the creation and management of an effective, transparent procurement process ➔Improve quality of technical training, particularly in renewables technology ➔Provide a map of local skills and capacities to potential project developers
Technical assistance	❑ Grid access rules * ❑ Permitting/licensing* ❑ Grid access* ❑ Clarity of environmental impact assessment procedures* ❑ Risk of curtailment*	➔Assess the right plant size according to the specific country energy needs, strategic objectives, and transmission grid capacity ➔Comprehensive tax analysis covering all aspects of a transaction, such as dividends, EPC, O&M, MSA services and SPV transfer fees attached to the project documents ➔Support the preparation of all standardized documents necessary for the tendering process ➔Support the project evaluation procedures throughout all the execution phases ➔Support the negotiation process, contracts finalization and reach of financial close, including tariff adjustment mechanism based on macro- variables over the elapsed time between the bid and the financial close
Financial support	❑ Revenue stability ❑ Risk of curtailment* ❑ Termination risk* ❑ Exchange rate risks* ❑ Non-payment risk* ❑ Counterparty/sovereign risk* ❑ Capital transfer and convertibility ❑ Financing availability ❑ Interest rate risk ❑ Inflation risk ❑ Tax regime ❑ Force majeure	➔Assistance in securing debt (senior, subordinated, soft) and/or equity ➔Endeavour to integrate, if beneficial, other kinds of financial support such as incentives, interest rate subsidies, co-guarantors/insurers etc. ➔Provide mitigation measures such as guarantees, forward rate swaps and futures, currency hedge PPAs revenues linked to foreign currency and indexing revenues to inflation ➔Create optimal conditions to facilitate IFIs and commercial banks making use of existing funds/financial facilities in the market

**this risk is mitigated by more than one Tool*

ANNEX II – REFERENCES

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The renewAfrica Initiative has been launched in Rome on June 4th, 2019, and **RES4Africa Foundation has been entrusted with carrying out the duties of its interim Secretariat.** RES4Africa promotes the deployment of large scale and decentralized renewable energy in African markets to meet local energy needs for growth. RES4Africa gathers a member network from across the clean energy value chain and supports the creation of an enabling environment for renewable energy investments and strategic partnerships.

RES4AFRICA
RENEWABLE ENERGY SOLUTIONS FOR AFRICA
FOUNDATION