African Development Bank Group

BUSINESS OPPORTUNITY SEMINAR

POWER, ENERGY CLIMATE AND GREEN GROWTH COMPLEX

STRATEGY AND PROJECT PIPELINE

Abidjan, Côte d’Ivoire
March 22-23, 2018
AfDB Headquarters, Auditorium
African Development Bank launched the New Deal on Energy for Africa in 2016

- Lighting up and powering Africa is the first of the Bank’s High-5 Priorities
- The Bank has launched the New Deal on Energy for Africa (NDEA), which aims to achieve universal access to energy in Africa by 2025
- The NDEA has four aspirational goals:
  1) On-grid generation to add 160 GW of new capacity
  2) On-grid transmission & distribution that will create 130 million new connections
  3) Off-grid generation to add 75 million new connections
  4) Access to clean cooking energy for around 150 million households
# THE NDEA IS FOUNDED ON TRANSFORMATIVE PARTNERSHIPS

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**WITH GOVERNMENTS**
- The Bank supports integrated sector planning and enabling environment

**WITH OTHER DEV. PARTNERS**
- The Bank increases co-ordination on shared priorities

**WITH THE PRIVATE SECTOR**
- The Bank catalyzes more private investment & leadership

**WITH CIVIL SOCIETY**
- The Bank partners to reach the “base of the pyramid”
Energy and other High 5s need to be considered from a climate perspective.

- Light-up & Power Africa
  - Sustainable energy, food security, water & sanitation, health and education

- Feed Africa
  - Eradication of hunger & poverty

- Industrialize Africa
  - Agri-industry and strengthened value chain

- Integrate Africa
  - Enhanced regional infrastructure & trade

- Improve the quality of life
  - Scale up adaptation, improve access to finance, capacity, skills, education & health

Adaptation & Climate Resilient Development

- Mitigation and Low Carbon Development
  - Climate energy investment & energy efficiency
  - Smart agriculture & management of natural resources
  - Increased access to green technology policies & capacity

- Sustainable regional transport & urban development

Leverage financing / concessional resources / maximizing market mechanisms / catalyzing private capital

Sustainable energy, food security, water & sanitation, health and education

Industrialize Africa

Integrate Africa

Improve the quality of life

Mitigation and Low Carbon Development

Adaptation & Climate Resilient Development

Climate Finance

Climate Finance
Climate Change comes with Huge Opportunities

- Nationally Determined Contributions (NDCs) highlight national priorities for development — many using new technologies
- Green investments opportunities of about $23 trillion by 2030 in emerging markets with about $2 trillion in Sub-Saharan Africa
- Private sector investors and institutional capital want to invest in low-carbon climate-resilient assets
- Capital is becoming cheaper for the “right” kinds of projects and more expensive for the “wrong” kinds
THE BANK’S CLIMATE CHANGE AND GREEN GROWTH PROGRAM CAN HELP THE PRIVATE SECTOR TO:

- Access a wide range of concessional finance to blend with private sector capital
- To support the development of new business opportunities
  - Which address the challenges of adaptation and / or mitigation and
  - Which contribute to low-carbon climate-resilient development in Africa
The Role of the Private Sector

- Achieving the NDEA objectives requires a significant increase of private sector investments.
- Both sovereign and non-sovereign operations are undertaken in one operational unit to enable public sector operations to attract private investment.
- In 2017, the Bank’s annual approvals in the energy sector reached almost USD 1.4 bn, of which USD 400 mn was in private sector operations.
- The 2018 lending target is USD 2.4 bn, of which USD 800 mn will be in private sector operations.
Looking Ahead

- The Bank will pledge USD 12 bn by 2020, which will leverage USD 45-50 bn

- Around 50 opportunities have been identified and will be funded as part of the 2018 pipeline
2018 KEY INITIATIVES

**FACILITY FOR ENERGY INCLUSION**
- Umbrella debt program for on & off-grid segments of the small-scale energy market

**DESSERT-TO-POWER INITIATIVE**
- Aims to provide energy access to 250 million people while building resilience along the Great Green Wall

**RE/EE FUND OF FUNDS**
- Fund that will invest in national sustainable energy/minigrid funds; likely partners include GCF and EU

**SUPPORT TO IPP PROCUREMENT PROGRAMS**
- TA to support IPP procurement at the national level for one specific project and two governments

**OFF-GRID REVOLUTION**
- Convening TA and finance for green mini-grids and household solar in five countries

**ELECTRICITY REGULATORY INDEX**
- Identifying gaps and areas of improvement in regulatory environments

**SUSTAINABLE ENERGY FUND FOR AFRICA 2.0**
- Consolidating SEFA to increase flexibility and focus on investment catalyzation

**AFRICA ENERGY MARKETPLACE**
- Five tri-partite energy sector consultations leading to national energy compacts
**FACILITY FOR ENERGY INCLUSION (FEI)**

**FACILITY FOR ENERGY INCLUSION**

- **TARGET**: RAISE USD 500M IN DEBT FOR SMALL-SCALE RENEWABLES AND ENERGY ACCESS PROJECTS
- **BANK APPROVED CONTRIBUTION**: USD 100M (EQUITY/DEBT)
- **FOCUS ON TRANSACTION EFFICIENCY IN RESPONSIBLE MANNER**: REDUCE TRANSACTION COSTS FOR SMALL-SCALE PROJECTS WITHOUT SACRIFICING E&S PRINCIPLES OR PROCUREMENT INTEGRITY

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**ON-GRID WINDOW**

- SMALL-SCALE IPPS, CAPTIVE POWER PROJECTS, COMMERCIAL & INDUSTRIAL PROJECTS AND MINI-GRIDS.
- PROVIDE LONG-TERM STRUCTURED DEBT INTO PROJECTS (NON RECOUSE AND FULL RECOUSE)
- TOTAL PROJECT SIZE OF LESS THAN $30M
- RE TECHNOLOGIES, BUT PRIMARILY SOLAR PV, SMALL HYDRO, BIOMASS/ BIODIGESTER AND WIND

**TARGET SIZE OF USD 400M** (USD 160M FIRST CLOSE)

**AFDB PARTICIPATION**: USD 40M EQUITY AND USD 30M DEBT

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**OFF-GRID WINDOW**

- PAYGO AND OTHER ENERGY ACCESS PRODUCT DISTRIBUTION COMPANIES;
- OTHER INTERMEDIARIES STRUCTURING SECURITIZED RECEIVABLES TRANSACTIONS (I.E. SPVS)
- PROVIDE SHORT-TERM DEBT INSTRUMENTS

**TARGET SIZE OF USD 100M** (USD 60M FIRST CLOSE)

**AFDB PARTICIPATION**: USD 10M EQUITY AND USD 20M DEBT

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**TECHNICAL ASSISTANCE FACILITY (~$10M REIMBURSABLE GRANT)**

- TRANSACTION STRUCTURING SUPPORT PRE-FINANCIAL CLOSE
- FOCUSING PRIMARILY ON 3RD PARTY LAST MILE TRANSACTION COSTS

- FUND MANAGER RECRUITMENT — Q4, 2017
- LEGAL DOCUMENTS — Q1, 2018
- FIRST CLOSE — Q2, 2018

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**TECHNICAL ASSISTANCE FACILITY (~$2M)**

- CAPACITY-BUILDING OF BORROWERS AND LOCAL BANKS
- INDEPENDENT ADVISORY COSTS (LEGAL / ACCOUNTING)

- FUND MANAGER RECRUITMENT COMPLETED — Q1, 2017
- LEGAL DOCUMENTS — Q1, 2018
- FIRST CLOSE — Q2, 2018
AFDB’s AFRICA ENERGY MARKET PLACE (AEMP) IS AN ENERGY SECTOR PLATFORM INVOLVING COUNTRY GOVERNMENT, PRIVATE SECTOR, AND DEVELOPMENT PARTNERS WITH THE OBJECTIVE TO:

1. Establish a **SECTOR REFORM** dialogue, discuss sector reforms, and commit to a pathway for reforms to increase private participation.

2. Create an **INVESTMENT PLATFORM** listing concrete opportunities, and help fast track/close on-going transactions to bankability.

3. Develop an **ENERGY COMPACT**, documenting tripartite conclusions and action steps to fast track investments with monitoring.

4. Re-launch **AFRICAN ENERGY LEADERS GROUP** to help address Africa’s power deficiencies and support for universal access objectives.

AEMP ADOPTS TRIPARTITE DELIVERY FORMAT THAT BUILDS ON **EXISTING INITIATIVES** AND DRIVEN BY 3 PILLARS

**ENHANCEMENT**

Builds on previous and existing in-country initiatives to create a trilateral dialogue/forum.

**OPPORTUNITY**

Aims to foster an environment that provides clarity and bankable investment opportunities for private sector.

**ACCOUNTABILITY**

Fosters accountability and timeliness for all stakeholders.
The Bank has now a dedicated energy complex that focuses on key areas.

- **VP Power, Energy Climate Change & Green Growth**: Amadou Hott
- **Power Systems Development**: Henry Paul Batchi Baldeh
- **Renewable Energy & Energy Efficiency**: Ousseynou Nakoulima
- **Financial Solutions, Policy & Regulation**: Wale Shonibare
- **Energy Partnerships**: Astrid Manroth
- **Climate Change & Green Growth**: Anthony Nyong
PROJECT PIPELINE
PRIVATE SECTOR / NON SOVEREIGN OPERATIONS

**CHAD - SOLAR PV PROJECT**

- Design, construction, operation and transfer of a PV solar power plant, with a maximum electrical capacity of 28 MW.
- It includes the construction of a new substation (to be transferred on completion of the work) that will connect to the 66kV line by way of a 200m connection.

**KENYA - SOLAR POWER PROJECT**

- Design, construction and operation of a 40 MW solar power plant project under the renewable energy feed-in-tariff (FiT) policy in Kenya.
- It involves the construction of 2 km transmission line from the existing 132kV high voltage network.

**MAURITIUS - DOWA COOLING PROJECT**

- Construction, operation and maintenance of a Dowa cooling system. The extraction of Dow through an offshore HDPE pipe. The cold Dow will be extracted through an open loop and will feed an energy transfer station whereby a heat exchanger captures the cold energy and transfers it to another closed loop of fresh water that subsequently services the buildings with cold energy.
**BURKINA FASO - DESERT-TO-POWER SOLAR PROGRAM**

- The project is developed under the Desert to Power Program.
- The main objective of the project is to promote access to electricity and local development opportunities (agriculture, water pumping and livestock) through on grid PV, off-grid solar home systems and mini grid solutions.

**TANZANIA – HYDRO POWER PROJECT**

- Construction of a run-of-river 87 MW hydro power plant, a 38 km transmission line to evacuate power and a 27 km access road to the project site.
- Feasibility study report dated November 2014: potential capacity to produce 87 MW. The dam will be associated with construction of 40 km of 132 kV transmission line.

**TANZANIA – GEOTHERMAL DEVELOPMENT PROJECT**

- Development of 2 potential geothermal sites with the potential of up to 100MW of electricity production. It entails test drilling of up to 5 holes, 6 appraisal wells and detailed feasibility studies to generate steam, and 6 shallow holes to determine which correct direct-use program is suitable for the area.
Let us work together to light up and power Africa

Thank you!

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