BIZCOMMUNITY

Partnership to secure private investment in renewables

A platform aimed at boosting private sector investment into on- and off-grid renewable energy production in Africa was launched in Geneva recently.

The African Renewable Energy Scale-Up facility is an AFD Group partnership with the European Union (EU) to meet the continent's constantly increasing energy requirements. Especially the mass development of the renewable energy technologies - especially solar energy - that will play such a key role over the coming years, given the recent drop in prices and the emergence of new innovative business models.

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The EU's electrification funding initiative, ElectriFI, helps to harness and stimulate private sector investment to enhance access to renewable energy. More specifically, it focuses on poorly-served rural populations and regions that suffer from an unreliable electricity service.

AFD Group has secured €24m from the fund to deploy the facility, and, with the help of the EU, AFD it will use this lending facility to partner the early-stage development of innovative electrification projects. While priority will be given to solar energy projects, other technologies (including biomass and mini-hydro) will also be considered.

ARE Scale-Up has been designed with a view to unlocking synergies between AFD and its private sector financing subsidiary, Proparco, and rallying stakeholders in both the public and private sectors.

Seed funding

Of the total funding, €12m will be used by AFD to provide technical assistance facilities to strengthen regulatory and institutional frameworks in the countries concerned and to prepare financing of private or public sector renewable energy initiatives in Africa. the other half will be used by Proparco to fund back-stop facilities for venture capital investments in private off-grid electricity providers.

This should provide around 1m African households with access to energy and add additional renewable energy capacity of 50MW for the continent as a whole. Over the next five years, Proparco will provide seed funding for between five and 10 businesses with innovative, high-potential projects.

These types of models are growing rapidly in rural zones where they can provide solutions to the rural/urban energy divide and also address the needs of the poorer sections of the population. They significantly enhance living conditions for families thanks to the positive benefits in terms of health, productivity and education," Emmanuelle Matz, head of Proparco's energy and infrastructure division.