

AfDB approves funding for medium-scale independent power producers in SSA

The African Development Bank last week approved \$15m from the Sustainable Energy Fund for Africa (SEFA) and \$10m from the Clean Technology Fund (CTF) to advance the African Renewable Energy Fund (AREF) II's projects in Sub-Saharan Africa.



Image source: Gallo/Getty

SEFA's contribution will comprise a package of \$10m in equity and a \$5m reimbursable grant. CTF, part of the Climate Investment Funds (CIF), will provide \$10m in equity. The combined contribution of \$20m from SEFA and CTF will go to capitalise AREF II's catalytic tranche. The reimbursable grant is earmarked for AREF II's project support facility. The CTF contribution was approved by the CTF Trust Fund Committee on July 2020 under its Dedicated Private Sector Programme (DPSP III).

The financing aims to help small and medium-sized producers to add more than 800MW of hydropower, solar and wind power and battery storage in countries across Sub-Saharan Africa.

Risk of under-investment

"We are very excited to support AREF II at a time when, due to competing financing needs, on account of the cost impacts of the pandemic and for post Covid-19 recovery efforts, there is real risk of under-investment in the African power sector, including in renewables," said Dr Kevin Kariuki, the AfDB's vice president for power, energy, climate and green growth. The bank manages SEFA, a special fund, and is also a CTF implementing entity.

Capitalising the fund's catalytic tranche is expected to attract critical private investment at a time of investment uncertainty and economic disruption owing to the ongoing Covid-19 pandemic and to ensure capital flows to support the delivery of sustainable power infrastructure to meet the region's growing energy needs. The AREF II Project Support Facility will work to bring projects to the required level of readiness and bankability.

AREF II, the second generation of the pan-African Renewable Energy Fund, is targeting a \$300m market capitalisation, and will be managed by Berkeley Energy.

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