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Addis Ababa, Ethiopia, October 15 2015 (ClimDev-Africa) – Energy specialists and policy makers will have a lot to talk about at the forthcoming Conference on climate Change and Development in Africa, according to the organizing committee (CCDA 5).

The draft agenda for the conference proposes to adopt a three-prong approach for a comprehensive discussion on the energy nexus of sustainable development as a whole:- the critical role of bio-energy transition and all resulting environmental benefits; opportunities for renewable energy for climate mitigation and resilience; and, the policy and regulatory framework required to unlock transformative financing.

Discussions on the policy and regulatory framework required to unlock transformative financing first came to the fore in Africa last July at side event organized by ACPC on margins of the Third International Conference on Financing for Development which took place in Addis Ababa from 13 to 16 July 2015.

It would be recalled that during the side event on the theme *“Unlocking Transformative Financing for Renewable Energy and Climate Resilience in Africa: From Evidence to Widespread Replication*, Dr. Carlos Lopes, UN Under-Secretary General and Executive Secretary of the Economic Commission for Africa.

Dr. Lopes cautioned that although Africa is well endowed with all forms of renewable energy resources – hydropower, solar, wind, geothermal, biomass and even marine energy, “we cannot achieve structural transformation and inclusive green growth if we do not find sustainable solutions to the current energy deficit.”

“The African region is brimming with resources, and we know that Africa is now home to some of the fastest growing economies. The question is: can the strength of these rising economies, coupled with Africa’s plentiful resources, light up the continent and power Africa’s economies to achieve the industrial transformation that we want”, he asked.

The objective of the discussion was to frame a replicable blueprint that African countries could use to develop strategies for unlocking and catalyzing public–private partnerships, domestic resources, foreign direct investment and climate finance for renewable energy deployment in support of sustainable and inclusive development on the continent beyond 2015.

It highlighted experiences and evidence on the ground on mobilizing transformative financing to invest in low-carbon, climate-resilient development in Africa, building on lessons learned from renewable energy deployment in countries such as South Africa, Ethiopia, Kenya and Rwanda, among others.

Panelist came from the business world, representatives of international financial institutions, UN agencies and think tanks including Mr. Achim Steiner, Executive Director, UNEP; Director, Knowledge, Policy & Finance Centre, IRENA; Hela Cheikhrouhou, Executive Director, Green Climate Fund; Solomon Asamoah, Vice President, Infrastructure, Private Sector & Regional Integration, AfDB; Magnus Asbjornsson, Regional Director, Middle East and Africa, Reykjavik Geothermal Limited; Jacques Moineville Deputy Director General, Agence Française de Développement; Andrew Norton, Director, IIED; and Simon Zadek, Co-Director of the UNEP Inquiry into the Design of a Sustainable Financial System.

The key messages from the discussion included:

- The energy strategy adopted by African countries is fundamental to how the continent responds to climate change while transforming its economies for inclusive green growth.
- The 22% share of renewable power installed capacity in Africa is remarkably low, given its rich endowments and potential thereof. More African countries need to take immediate steps now and put in place appropriate policy and regulatory frameworks to accelerate the uptake of renewables on the continent, resulting in multiple environmental, social and economic benefits, including those arising from localization of the deployment value chain.
- The energy deficit must be addressed at all scales – from standalone home and off-grid systems to large scale interconnected power grids. Africa's rich and variedly distributed renewable energy resources provide an opportunity for energy security on the continent through socially inclusive energy corridors and interconnected power systems that optimize the continent's energy resources in favour of higher shares of renewables.
- Policy coherence, certainty and clarity are essential for investor confidence to ensure that transformative deployment of renewable energy takes off in Africa to close the energy deficit, as demonstrated by oversubscription of South Africa's recent round of the Renewable Energy Independent Power Producer Procurement Programme.
- Structuring the energy market by governments must be integral to national development plans and will only have tangible results by scaling up across the continent.
- It is vital that administrative and policy bottlenecks are removed to reduce high project transaction costs and reduce the project pipeline on the continent.
- Local financial resource mobilization can play a key role in the deployment of renewable energy and climate resilience projects on the continent as demonstrated by the experiences in South Africa and Ethiopia to date.
- Although feed-in tariffs have played catalytic roles in attracting investments in renewable energy projects, public tenders are having a more transformative impact, resulting in falling prices and value for money.
- The cost of capital for projects in Africa, typically at 15-20% compared to 6-12% in OECD countries is too high - partially attributable to a high level of perceived risks. Reducing this risk level will help accelerate renewable projects on the continent. The Green Climate Fund and other sources of funds could provide pivotal instruments for mitigating these risks.
- In this regard, development banks and DFIs need to up their game and put the "D" in development finance by closing the gap between perceived and real risks on the ground, rather than operating on similar basis as commercial banks.
- Countries need to urgently address the severe lack of capacity in Africa to develop bankable projects, and strengthen the capacities and financial health of national utilities to make them bankable and ready to engage with investors.
- In closing the energy deficit in Africa sufficient attention must be paid to mobilizing substantial investments for sustainable bioenergy development, especially in the context of the energy, food, climate, and land nexus.

Specialists and policy makers going to Victoria Falls will work hard to put some flesh on these messages by way of policy recommendations.

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