

Africa's energy sector - significant investment opportunity for financiers

The number of people without access in sub-Saharan Africa has declined for the first time in absolute terms in recent years, with countries such as Ethiopia, Kenya and Rwanda pave the way for their African counterparts. Moreover, Africa is ahead of the curve with distributed energy systems that can rapidly increase energy access in rural areas. This proves more cost effective than conventional grid extension solutions, driven by innovative business models and rapidly diminishing technology costs. Further, renewables are concurrently on the rise across the continent with considerable renewable generation capacities being added in countries such as Egypt, Morocco and South Africa.



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However, while such progression concerning escalating investments in renewables remains promising, the rate of energy access falls short of achieving the universal energy access target by 2030. This said, bridging the gap on Africa's energy constraints presents substantial opportunities for investors focused on engaging with the continent, particularly on supporting Africa in meeting the deficit required to achieve universal energy access goals.

Evidently, such financing stipulations are of such magnitude that no solitary entity is capable of meeting them in isolation. Accordingly, development finance institutions are required to proactively modify how they conduct business coupled with leveraging scarce public resources to raise private sector financing at scale.

Barriers

Various barriers hamper investments and private sector engagement which could potentially accelerate energy access. Such challenges include inadequate policy conditions for investors and other systemic impediments that retard transactions and increase project costs. Transforming the African energy landscape necessitates a versatile approach to unlock private sector capital by addressing these barriers in order to create an enabling environment for continental investments and calling on African policymakers to move promptly and enable investors to reach financial close in a timely manner.

In close collaboration with other development partners, The African Development Bank is geared towards building a marketplace that delivers sustainable energy transformation fundamental to Africa's progression. The bank is committed to not only minimising but ultimately removing barriers for investors, predominantly through financial instruments to de-risk transactions, share knowledge and market data, as well as promote learning and networking amongst peers. Further to this, private sector participation is escalating, stimulated by multiple partnerships such as the New Deal on Energy for Africa.

Influential stakeholders have the power to profoundly impact the continent's energy sector through engagement of collaborative discussions, thereby establishing the necessary foundation for expediting private sector investment in Africa's energy realm with the purpose of attaining universal energy access. This will ultimately place the continent on a solid path towards socio-economic development and sustainable growth.

The virtual Africa Energy Indaba Business Networking event from 1-5 March 2021, represents the ideal platform to meet and engage with relevant stakeholders of the realm that is energy.

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