

Accelerating renewable energy investment in Africa through a tailor-made approach

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Africa Renewables Investment Summit (ARIS 2024) was successfully held at Cape Town, South Africa on 25 - 26 November 2024 with the theme: Re-imagining the investment approach for African renewables . ARIS 2024 and similar forums including African Energy Dialogues , Accelerated Partnership for Renewables in Africa (APRA) Investment Forum , and Powering Africa Summit 2024 (PAS 2024) seek to accelerate renewable energy investment in African countries by providing platforms that bring together institutional investors, project developers, policy makers, energy utilities, regulators, corporates and the most influential energy sector decision makers to brainstorm on best fit models of renewable energy investment for the continent. At ARIS 2024, key renewable energy stakeholders from across the globe including investors from China and advanced economies were connected with an aim to help catalyze investment for Africa.

A tailor-made approach for renewables investment in Africa has become topical due to the complex issues surrounding African countries' energy transitions. These complexities include financial challenges, infrastructure gaps, and policy barriers. Africa stands at a crucial crossroads in its developmental trajectory, and energy plays a pivotal role in shaping its future. Despite having the world's largest renewable energy potential, the continent faces a significant energy access deficit, accounting for more than 80 percent of the world's population without access to electricity, according to the World Bank Group . Insufficient investment compounds this issue, with the continent receiving less than 2% of global investments in renewable energy over the last two decades . At COP29 in Baku, the United Nations Secretary-General called for action to transform Africa into a global renewable energy leader, emphasizing the continent's untapped potential and the urgent need for investment and reforms.

Africa's huge renewable energy financing gap necessitate timely practical steps to scale up investments directed to the renewable sector of the continent. Although Africa hit a record year for renewable energy investment in 2023, with USD 15 billion representing 2.3% of the global total, that still falls far below the estimated USD 70 billion renewable energy investments required yearly for Africa to meet its electrification targets by 2030. For instance, to achieve the African Union's target of increasing Africa's total renewable energy installed capacity from 72 Giga Watts (GW) as at 2023 to at least 300 GW by 2030 (figure 1), in order to align with the COP28 goal of tripling renewable energy and doubling efficiency by the end of the decade. Delivering on this goal is essential for both decarbonization and energy access outcomes but will require a rapid acceleration in project financing activities and clean energy investment instruments workable in the continent.

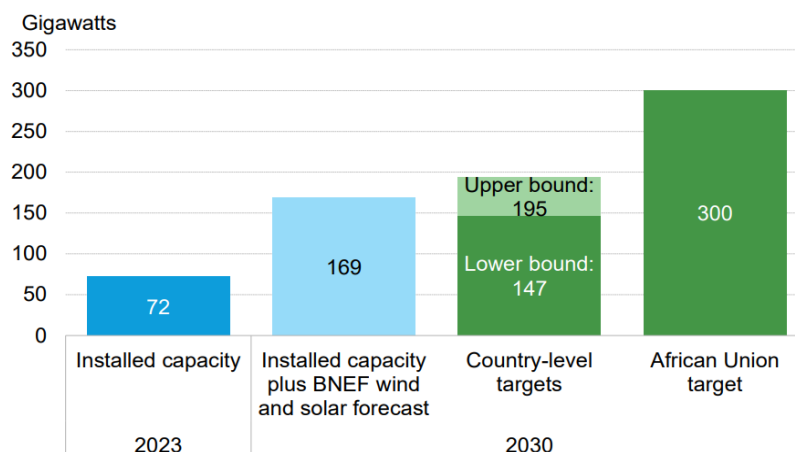


Figure 1: Renewable energy installed capacity in Africa versus 2030 targets (Source: BloombergNEF, 2024)

To achieve the 300GW target, the African continent must add an average of 32.6GW of new renewable capacity per year over 2024-2030, quadruple the deployment achieved in 2023. Though Africa’s installed renewable energy capacity doubled over the last decade, from 34GW in 2014 to 72GW in 2023, both country-level targets and BNEF’s deployment forecast are not aligned with the AU’s ambitious 300GW goal. Substantial renewables investment is needed for annual deployments to spike from 8GW in 2023 to 32.6GW per year for the rest of the decade (figure 2) . Hence, for clean energy deployment rates to quadruple to meet this target, renewable energy investment must take a momentum leap and be sustained going forward.

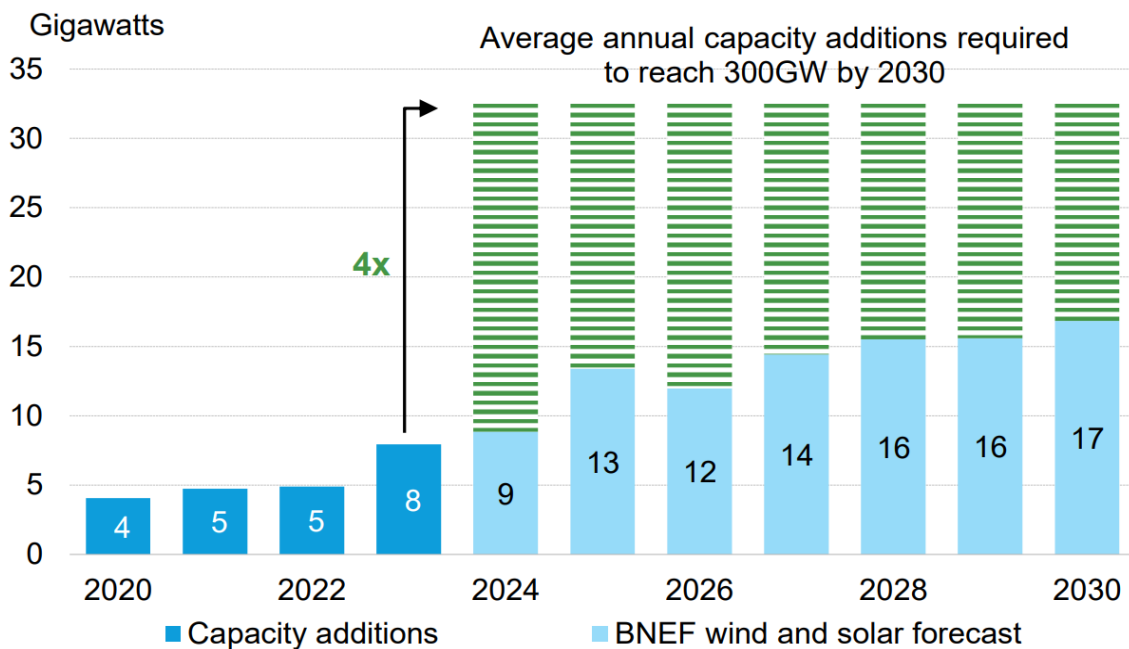


Figure 2 Net renewable energy capacity additions versus additions required to meet AU target (Source: BloombergNEF, 2024)

To unravel these challenges, de-risking investments in the region and decreasing the cost of capital to improve accessibility of finance for African renewables are essential. This calls for innovative strategies to lower the cost of capital, address financial barriers and enhance access to funding for renewable energy projects in Africa through tailored approaches. There is the need to identify cost-effective capital sources, fostering favorable regulatory environments and leveraging international financial instruments.

At ARIS 2024, several renewables investment mechanisms were proposed including development of a pipeline of investment-worthy green hydrogen projects under conducive policy and regulatory frameworks for Africa to harness its hydrogen potential, utilizing wheeling to bolster investments in commercial and industrial (C&I) renewables market to attract power purchase agreement (PPAs) for wheeling projects and cross-border energy trading, commercializing Battery Energy Storage Systems (BESSs) in an African context taking lessons from South Africa’s successful Battery Energy Storage Independent Power Producers Procurement (BESIPPP) programme, and developing innovative ways to improve the commercial viability of mini grids to provide reliable electricity to unserved populations by stimulating demand for energy in rural communities and improving access to finance.

In conclusion, Africa stands on the brink of a transformative energy revolution, with renewable energy investment at its core. While the continent's renewable energy potential is unmatched, achieving its ambitious targets—such as the African Union’s 300 GW capacity by 2030—requires a concerted and strategic effort. The discussions and proposals at ARIS 2024 underscore the importance of tailoring investment approaches to address Africa’s unique challenges, including high capital costs, policy and infrastructure deficits, and the complexities of de-risking projects. Scaling renewable energy deployment from 8 GW in 2023 to 32.6 GW annually will require innovative financing, such as commercializing green hydrogen, leveraging Battery Energy Storage Systems, and

expanding rural mini-grid networks. Success hinges on mobilizing diverse financial sources, fostering conducive policy environments, and leveraging international partnerships to lower the cost of capital. Additionally, lessons from regional successes like South Africa's BESS program demonstrate the viability of targeted interventions. The path forward requires not just increased investment but also a reimagined vision of Africa's energy future—one that aligns energy access and decarbonization goals. With robust action, Africa can emerge as a global renewable energy leader, setting a benchmark for sustainable energy transitions worldwide.

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