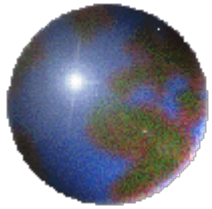


Towards an Energy Initiative for Africa



Investment Framework for Clean Energy and Development

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Investment Framework for Clean Energy and Development – a Progress Report

- Pillar 1 - Energy For Development and Access to the Poor
 - Includes a five-track action plan for SSA
- Pillar 2 - Transition to a Low Carbon Economy
- Pillar 3 - Adaptation to Climate Change

Pillar 1: Costs and Financing Gap

- Electricity supply needs \$165 billion p.a. (including \$35 billion for electricity access for the poor)
- Current private and public sector resources fund \$80 billion p.a.
- The challenge is the adequacy of the energy sector policy and regulatory framework for to enable current financial instruments to bridge this financial gap
- Review of IFI financial instruments indicated that by stretching current instruments by removing constraints, it may be possible to mobilize about an additional \$11 billion p.a. from private sector, IFIs, donors, and other agencies.

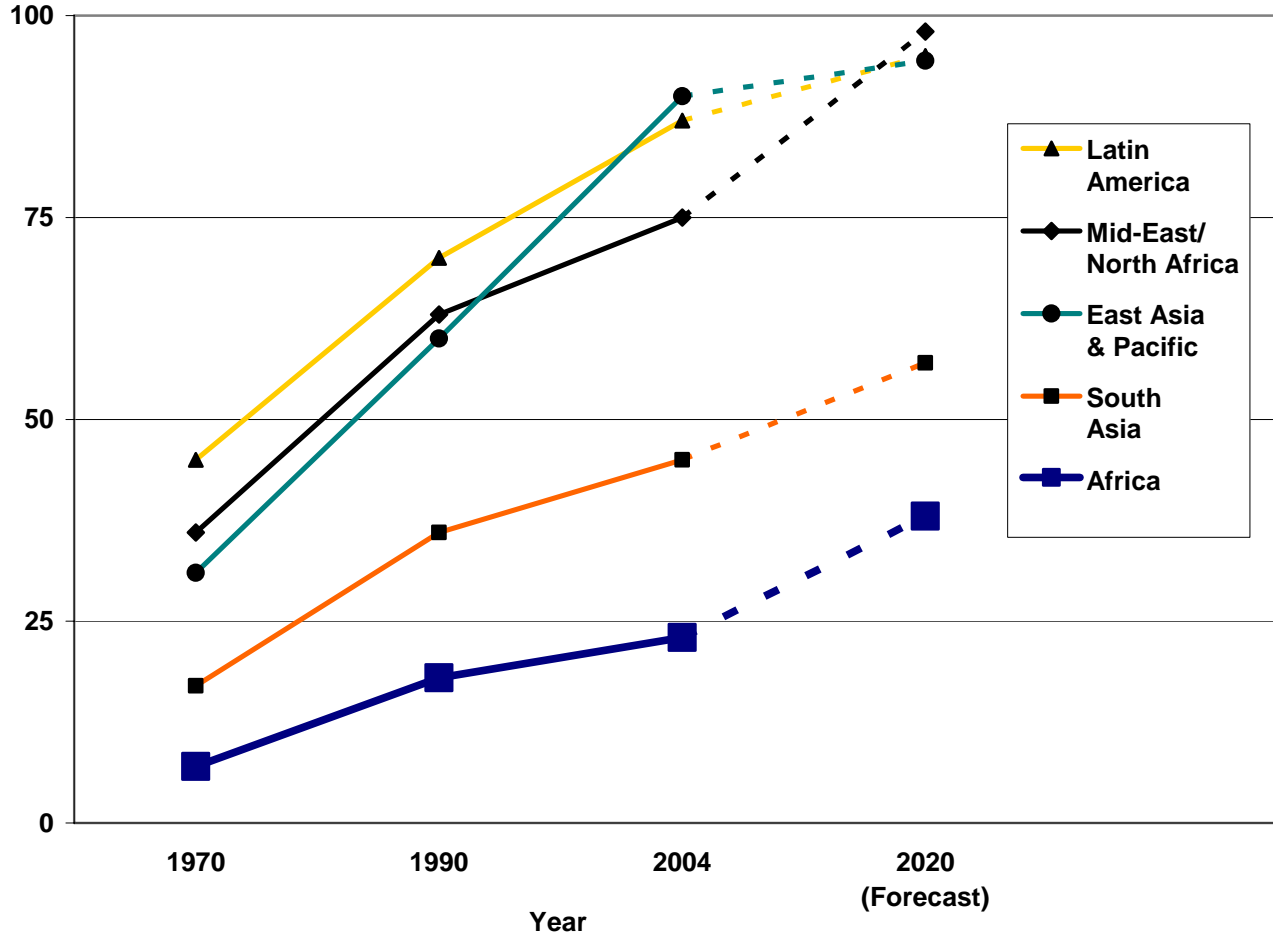
Pillar 1: What does it mean for Africa?

- Increased funding is needed for electricity access in Sub-Saharan Africa by doubling current level of investments to \$4 billion p.a. from the current level of \$2 billion p.a. to increase access rate
- There is a need for increased IDA support (soft loans) for energy access that cannot be funded under the present portfolio, meaning that additional mobilization of resources will be required

Africa's access to energy is lagging behind

Global Electricity Access Rates

% of population with access to electricity



- 500+ million in sub-Saharan Africa lack access to electricity
- Connection rates as low as 2-3% in rural areas

Africa lags behind on energy access because of country and funding constraints

- Governments' multiple competing priorities and in some cases weak capacity to roll out access programs
 - Sub-optimal policies, regulation and planning
 - Operational limitations: weak capacity
- Inadequate and fragmented donor response
 - Ad hoc interventions, driven by donor priorities
 - Financing inadequate and unpredictable

The near-term crisis compounds the challenge

- Electricity supply shortages reducing GDP growth by up to 4% p.a.
 - Natural causes such as drought
 - High oil prices
 - Degraded systems emerging from conflict
- In parallel with long-term response, a package of measures over 3-4 year timeline needed
 - Emergency generation measures
 - Rehabilitate systems & improve management efficiency

Comprehensive approach-Expanding to energy access : 3 overarching goals

Increase access from 23% to 47% by 2030

Electricity for Growth

- Increase coverage for enterprises & households

Powering the MDGs

- Connect public facilities - clinics, community centers, schools - using least cost mix of grid extensions & decentralized solutions

Meeting Basic Needs

- Equip households with affordable, modern lighting
- Boost use of improved stoves, increase access to cleaner fuels & make bio-mass fuel supply sustainable

An Action Plan for Energy Access in Africa

Objectives

5 Implementation Tracks

Electricity for Growth

- 1) Increase coverage for enterprises & households via electrification programs
- 2) Enhance generation capacity, including via regional projects

Powering the MDGs

- 3) Provision of energy services for key public facilities such as schools and clinics

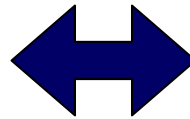
Meet Basic Needs

- 4) Equip unconnected households with affordable, modern lighting
- 5) Push for cleaner, sustainable cooking & heating technologies

Success will require effective partnerships...

Country Ownership

- Accelerated reforms and energy efficiency
- Costed, realistic scale-up plans
- Credible self-financing commitments
- A strategic/ pragmatic approach to private sector participation



Donor Commitment

- Programmatic, co-ordinated & sector-wide approach
- Champion regional approach
- Expanded, more predictable funding: ~\$2 billion to ~\$4 billion p.a.
- Build client capacity to achieve results

Pillar 2: Transition to a low carbon economy

- A transition to a low-carbon energy economy requires annual incremental investments of tens of billions of dollars in the energy sector, particularly in power generation.
- Technologies are currently, or will soon be, commercially available to transition to a low-carbon economy
- The Carbon Market (CDM) can help finance the transition
 - Africa is just now starting to reap the benefits of the market

Pillar 3: Adaptation to Climate Risks: The Challenge

- Poor countries are disproportionately affected by climate variability
 - 300 million people per year in developing countries are affected by climate related disasters (droughts, floods, wind storms) and the rate is increasing
- Failure to adapt to changing climate risks will threaten progress in development and the MDGs

Pillar 3: Adaptation to Climate Risks: Costs

- Tens of billions dollars per year of ODA & concessional finance investments are exposed to climate risks – at least \$1 billion per year is needed to climate-proof the development portfolio
- Much larger exposure of private sector investment
- Response by private sector constrained by
 - Lack of information on the nature of the risks and adaptation options
 - Insufficient risk spreading mechanisms – e.g. insurance

Pillar 3: Adaptation to Climate Risks: Funding

- Primary financial instruments available –
 - ODA
 - GEF special funds for adaptation
 - Adaptation Fund funded by a 2% tax on the Clean Development Mechanism
- Funds flowing through these instruments need to be substantially increased

Summary

Energy Access

- **‘Business-as-usual’ ➔ Africa will continue to lag behind in energy access**
- **Countries, FEMA, AU, NEPAD and other regional institutions in Africa can make the access agenda a priority.**
- **Containing the near-term crisis is crucial**
- **Increasing access is crucial to improve health and education and to provide opportunities for improved livelihoods.**

Low carbon energy and adaptation

- **Potential to benefit from the carbon market (forestry, land management, energy)**
- **Integrating adaptation to climate variability and change to protect development gains**