



AREI Panels COP 27

November 9 - 18, 2022

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COP27
SHARM EL-SHEIKH
EGYPT 2022

AREI'S VIRTUAL EVENT AT THE COP27

Theme: The regulatory and policy option to support renewable energy financing

Context

With significant renewable energy resources, Africa can adopt innovative and sustainable technologies and play a leading role in the global effort to shape a sustainable energy future. Africa's renewable potential could massively help overcome one of the continent's major socio-economic development challenges, namely the lack of access to electricity, particularly in the sub-Saharan region.

However, Africa's renewable energy potential is still largely untapped due to multiple and interrelated challenges and barriers. Political uncertainties, inadequate infrastructure including power grids, unstable financial situations, and limited access to private and foreign financing are just some of the major obstacles to the full exploitation of renewable energy in Africa.

The successful implementation of AREI will create the conditions for renewable energy to make a significant contribution (300 GW) to meeting the continent's energy needs, estimated at around 600 GW in 2030.

In this regard, the African Renewable Energy Initiative (AREI), in cooperation with the Egyptian Consumer Protection and Electricity Utilities Agency, is organizing an event on "Regulatory and Policy Options to Support Financing of renewable energy". The main objective of the proposed event is to exchange knowledge and establish consultation mechanisms for effective sustainable regulations in order to enrich the context and capacity of stakeholders to successfully develop a coherent and synergistic set of regulations that are realistic and maximize the benefits and welfare of the African continent.

Date & Place

The event was held virtually on the sidelines of COP27 in Sharm El-Sheikh, Egypt.
November 09, 2022 at 14:00 (Egyptian time) - 12:00 (GMT)



Chairman of EgytERA Egyptian
Electricity Utility and
Regulatory Agency, Consumer

Dr. Mohamed Moussa Omran

Member of the AREI Technical Committee

North Africa Region

He had the pleasure of moderating the African Renewable Energy Initiative (AREI) side event at COP27. The theme of this event, which was the regulatory and policy option to support renewable energy financing, ties in with the theme of the COP27 agenda, because today the discussion at COP27 revolves around financing. When we talk about financing renewable energy projects, we first need to talk about **the right regulation and the right policy** to bring in that money. We always hear that there is no problem with finance and the money is available, so what is the problem?

This is a great opportunity to talk about RE, to incite private RE investments, to address different challenges and risks faced by RE projects and to identify the most appropriate regulatory framework, incentive mechanisms for different stakeholders, financial instruments and how to mobilize these funds and natural resources to attract private investments?

This is the problem we are facing.

During his speech, Dr. Mohamed Moussa Omran stressed that investment in renewable energy projects needs an enabling environment and financial attraction to fund potential projects, these funds depend on the credibility of institutions that develop and implement RE policy. Hence the great importance of energy regulators in Africa to encourage private sector investment, and to address the various challenges and risks faced by renewable energy projects, and to define the most appropriate regulatory frameworks, incentive schemes, the role of different stakeholders, financial instruments and how to mobilize these financial and natural resources to attract private investment.

Investments in clean energy infrastructure will need to be significantly increased in the coming years to support the broader development, economic and climate agenda.

Given the strain on public finances, the commitment of private sector capital will be essential.

Several barriers such as fossil fuel subsidies, lack of supportive policies as well as existing barriers to international trade and investment still hinder investment in renewable energy.

A major challenge for host governments to catalyze investment flows into clean energy is to design and implement clear and predictable national policy frameworks.

We can say that "**effective regulation is a key factor in an improved business environment for the private sector.**"



25 years of
experience in the
European Union

Dr Ridolfi Roberto

Expert Consultant

IDU/AREI

We have talked at length about risk mitigation at previous conferences and that has led to these next steps:

- Good governance
- A favorable environment
- Competition-friendly laws
- Simple and clear procurement rules

But in the end, public funding will not be sufficient to achieve the desired objective, private investment becomes essential.

We often hear bankers say that money is not a problem, it is available. However, if we don't have bankable projects, there is a problem.

In this sense, AREI has developed a document on the bankability of a project. It is a long process, but 90% of a bankable project is reduced to having all the necessary authorizations, the necessary permits for the area used, for the workers, for the agreement of a network, for the tariffs and for the installations.

In his remarks, Dr. Roberto talked about the importance of creating an enabling environment through de-risking, he indicated that private money is available when there is a bankable project, he also talked about the following important points:

- Political will
- Energy planning,
- Mobilization of national resources
- Simplicity of the process
- Capacity building and training.



Managing Director, Regional Association
of Energy Regulators for Eastern and
Southern Africa (RAERESA), COMESA

Dr. Mohamedain Elnasr Seif

Multiple constraints need to be removed to improve market access and production capacity in the African energy sector, including

- Capital market challenges such as insufficient physical energy infrastructure due to insufficient investment in the energy sector, unreliable existing energy infrastructure services, and the inefficient use of existing energy services
- The market design, which continues to hamper the development and efficient functioning of the energy sector and some of the problems surrounding market design includes tariffs that do not reflect costs, problems with improving regulatory frameworks to address the issues and challenges of opening the market to private sector participation in power

1. Renewable Energy and Energy Efficiency Strategy and Action Plan (REEESAP)

The intention is to improve renewable energy and energy efficiency (strategy, policies, regulatory guidelines and actions to promote energy efficiency and facilitate investment as well as build capacity for renewable energy in the Region),

It identified the following strategic areas of intervention which were informed by the above strategic situation:

- Strengthening of reference, problems raised and are in fulfillment of the mission and objectives and harmonization of national, regional and continental systems frames
 - o RE/EE policies/strategies/plans
 - o Legal/regulatory frameworks for RE/EE
 - o Institutional frameworks
- Standardization and Accreditation
- Investment and financing of RE/EE
- Technical know-how and transfer

Utilize renewable energy technologies for income and job creation, using the benefits of small-scale applications on a large scale.

2. Guidelines for the development and enactment of incentive policies/legislation

Renewable Energy Supply Mechanism (RES) in EA SA-IO Member States The draft guidelines include the following:

- Regional Guidelines for the Integration of Renewable Energy in the Africa-Australia-Indian Ocean Region (AA-IO)
- A guideline on credit facilities to support renewable energy projects
- Renewable Energy Supply Guidelines for the Eastern and Southern Africa and Indian Ocean Region (EA-SA-IO)

- Gender Mainstreaming Strategy and Action Plan for Renewable Energy (RE) and Energy Efficiency (EE) in the Eastern Africa-Southern Africa-India Ocean Region (EA-SA-IO)
- the revised monitoring and evaluation framework for the Renewable Energy Strategy and Action Plan (REEESAP) and an online tracking tool to monitor the implementation of the Renewable Energy and Energy Efficiency Strategy and Action Plan (REEESAP) - EA-SA-IO Region

3. COMESA Guidelines for Private Sector Investment in Renewable Energy Projects

- Feed-in Tariff (FIT) Guidelines
- Guidelines for negotiating a Power Purchase Agreement (PPA)
- Guidelines for attracting public-private partnerships (PPPs)
- Multi-country guidelines for joint development projects
- Guidelines for the development of the necessary off-grid electrification regulatory framework
- Regulatory best practices for renewable energy development

One of the intentions is to increase investments in decentralized renewable energy and to stimulate their growth and promote clean energy initiatives in order to facilitate achieving the following:

- encourage private sector investment and trade in renewable energy technologies
 - promote the use of renewable energy technologies to mitigate global climate change
- Renewable energy technologies such as solar, wind, small hydro, geothermal, and biofuels are essential to increasing access to energy in Africa, especially in rural areas



Acting Director, Economic Regulation
and Strategy at the Energy and
Petroleum Regulatory Authority
(EPRA)

Dr. John Mutua

In his presentation, Dr. John shared Kenya's experience and the regulatory and policy frameworks Kenya has put in place to support renewable energy. He also discussed renewable energy financing, including public finance, development finance, climate finance, and trade finance.

Faced with the following obstacles and risks related to the financing of Renewable Energies:

Obstacles to the financing of renewable energies

- Lack of long-term funding
 - Lack of funding for projects
 - 🔗 High and uncertain project development costs
 - Lack of equity financing
 - Small-scale projects
- Risks related to the financing of renewable energies

- Regulatory risk
- High operational risk
- 🔗 Resource risk
- Political risk
- Commercial risk, he recommends:

Promote new and additional concessional funds for renewable energy. This will be a key factor in increasing renewable energy financing activity.

🔗 Addressing regulatory risk, especially with respect to renewables. Guaranteed grid access, adequate tariff levels and clear rules for passing on the additional costs of renewables are essential to increase market penetration, especially for independent power plants.

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Director of Pricing and Investments at the National Electricity Regulatory Authority.

Ms. Mina Ouattassi

Ms. Mina, in her speech, shared with the participants the successful experience of Morocco in developing the renewable energy sector in the country, starting with the establishment of a national energy strategy for the country and having a dedicated regulatory agency to support the renewable energy sector. The share of renewable energy in the energy mix has reached 20% in the last 6 years.

The key success factors for RE in Morocco are:

- Strategic vision and follow-up at the highest level of the State
- The institutional framework
- Mobilization of the national and international private sector
- The guarantee of an attractive, non-discriminatory and transparent regulatory framework
- Autonomy and power of the National Regulatory Authority
- Establishment of a free market
- Equitable access to the transmission and distribution system
- Setting the rates for these networks
- The implementation of a multi-year program for managers



Chairman of the Board of Directors of Apix, (Agency for the Promotion of Investments and Major Projects)

Mr. Abdou Fall

Mr. Fall shared his experience in the private sector and his work in Senegal where he is installing a 30 MW renewable energy project. He informed the assembly that Senegal has been able to reach 31% of renewable energy in its energy mix

He also spoke about the challenges of financing in developing countries referring to the important fact that the energy transition in Africa cannot be the same as other developed countries. He also indicated that it is not right now to prevent countries from using their resources.

He also spoke about the importance of industrialization in Africa.

For having been a private sector renewable energy Senegalese, for having been the promoter of a solar power plant of 30 megawatts and for having also, with my partners in the private sector, set up the Employers' Council for Renewable Energies, which has been a major player in the transition energy in Senegal. Because they have set up a framework for consultation between private actors, the State, civil society where, together, to implement the objectives of universal access to energy that the government had set. On the one hand, but on the other hand, the specific objective of pressure of the State and the government of Senegal to achieve the goal of 30% of clean energy in its installed capacity by 2019, objectives that we have achieved, and even pass because today, Senegal is at 32, 31% of clean energy in its installed capacity. The main products are solar and wind power.



Senior Energy Advisor,
AUDA NEPAD

Mr Crispin Zana,

In his speech, Mr Crispin stressed the importance of coordination between also stressed the importance of raising awareness among all stakeholders.

Mr Crispin stressed the importance of coordination between all initiatives

He also stressed the importance of raising awareness among all stakeholders

He emphasised the importance of setting up a much more dynamic South cooperation that could help the countries most in need of capacity building regulatory frameworks in the RE sector to follow in the footsteps of countries Morocco, Egypt or Kenya.



Technical Director,
African Forum of Utility Regulators

Mr James Manda,

In his speech, Mr James stressed the importance of regulation, which varies from country to country.

Mr James welcomes the experience of Morocco and Egypt as well as Kenya. As these countries are excellent models of continuity and should share their experience with other countries.

He stressed ***that without supportive policies and adequate regulation, there will be no private sector in addition to the national energy strategy.*** He also added the importance of regional and continental interconnection.

Conclusion

In conclusion, we need 'a range of policy interventions to enable transition. Africa's electricity sector policies and regulations need to be refined to improve efficiency and attract investment. And we can start together to prepare guidelines for African countries on a roadmap for a strong regulatory agency and share our knowledge and best practices.