Enhancing energy access through RE & DRE: *Is finance the missing link?*

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Context

- Over 50% of the population, nearly 600 million people, in SSA lack access to electricity. *(World Bank)*

- 40% of the globe's potential for solar power is in Africa, yet it has under 2% of the total global solar capacity for electricity generation. *(IRENA)*

- In 2021, USD 200 billion was invested in the solar sector globally, of which only 5% was invested in Africa. *(ISA)*

- Over USD 1 trillion in investments in clean energy in emerging and developing economies is needed, annually, to reach net-zero objectives by 2050. *(IEA)*
Gaps

- Lack of investments from the private sector
- Weak policy and regulatory structures
- Lack of adequate institutional capacity and trained manpower
- Mismatch between consumer affordability and supplier’s financial viability
- Non-cost reflective tariffs, with mini-grid tariffs often bound to on-grid tariffs by regulations
- Limited profitability or viability of business models for DRE solutions, leading to limited pipeline of bankable projects
Mobilizing Public Finance

Mainstreaming DRE solutions and solar mini-grids into the national energy policies for achieving multifold development impacts.

Rationale:

- Improve health and education service deliveries, and agricultural resilience
- Building the national power system’s resilience
- Improved livelihood opportunities and new revenue generating activities

Measures:

- Climate Budget tagging/ SDG Budget tagging to allocate funds for DRE, and to enable impact assessments
- Develop an institutional capacity strategy for RE
- Engaging with and upskilling local communities to operate DRE & explore new income generating activities
- Correctly targeting subsidies to enable access to electricity
Mobilizing Investments in DRE

- Mechanisms to facilitate access to affordable finance
- Pipeline of bankable projects with viable business models
- Trained manpower for installing, operating and maintaining the systems
- Building a supportive local ecosystem for DRE units by engaging the local communities
- Clear policy signals with facilitative measures, such as - feed-in tariffs, net metering, tax incentives, subsidies, etc.
- Standardise administrative documents and streamlined procedures to reduce transaction costs
- Aggregation and standardisation of projects so that larger investment packages can be allocated
Positive Indicators

- A significant shift from diesel to solar hybrid systems is taking place, with almost all mini-grids in the future projected to be solar powered.

- Cost of capital have already halved since 2010 and are continuing to fall due to declining component costs.

- MDB’s, governments and other development partners are all increasingly focusing on solar mini-grids for ensuring universal energy access in SSA.

- Digitalisation of payment mechanisms and innovative business models are emerging to make mini-grids profitable.

Sources: ESMAP survey in Africa and Asia; ISA report- “Solar for All: Boosting Solar Investments in LDCs and SIDS”
Thank you.