

SHAPING RENEWABLE ENERGY MARKETS IN AFRICA – A CENTRAL ROLE FOR THE PRIVATE SECTOR IN ACHIEVING SDG 7 ON ENERGY

African SMEs have a crucial role to play in achieving the seventh Sustainable Development Goal of the United Nations that aims at ensuring access to affordable, reliable, sustainable and modern energy for all until 2030 along with substantial increase in the share of renewable energy in the global energy mix. Rural electrification strategies in Africa focus increasingly on providing access to modern energy services by using renewable energy sources. In fact the business case for deploying off-grid renewables in rural areas has never been stronger. Renewable energy technologies are becoming increasingly cost competitive. They are often turning into the first best economic option for off-grid electrification vis-à-vis diesel-fired generation or kerosene-based conventional lighting in most rural areas. Decentralized renewables present an immense opportunity to expand climate friendly, reliable and cost-effective electricity supply in rural and peri-urban areas.

Estimations say that in order to achieve universal energy access by 2030, Africa needs up to \$40–50 billion of annual investment into sustainable energy. In reality, current and predicted public and private investment volumes combined fall short by 80 % and have to be quintupled. A dramatic increase of private sector investments and entrepreneurial activities are required, in particular when it comes to scalable renewable energy based on off-grid and mini-grid energy supply.

Tapping into this will require collective efforts to create an enabling environment that encourages the engagement of private actors in setting up businesses, securing financing and developing projects. Governments have a critical role in implementing market-promoting measures, including dedicated policies, a clear and realistic long-term electrification strategy, targeted support for (M)SMEs and projects, rethinking subsidies for fossil fuels, innovation and addressing administrative challenges the private sector faces.

The scarce public finance that is available will have to be used in a way that it leverages a maximum of private investments, using instruments that are as commercial and as indirect as possible. This could be, inter alia, concessional or commercial guarantees, project development grants or equity. Both instruments can help mitigating risks of renewable energy projects for the private sector.