

News+: Power Africa: Obama's energy

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Power development in one of the most energy-hungry regions of the global map is now set to be closely linked with the country which consumes the most energy per capita: this summer saw the launch of US President Obama's US\$7 billion Power Africa initiative, which intends to double the current levels of access to power in Sub-Saharan Africa.

As it stands, more than two-thirds of the population of sub-Saharan Africa is without electricity, and more than 85 per cent of those living in rural areas lack access. The ambitious scheme will at first focus its attentions on six African nations.

These are:

- Ethiopia
- Ghana
- Kenya
- Liberia
- Nigeria
- Tanzania

Between them, these six nations contain a multitude of natural resources that can be harnessed to produce clean power. Each country has wildly varying political and financial demands, but across the board, there is a yawning gap between the energy produced and the amount that is needed to power the continent forward. The US government cites the International Energy Agency's estimate that sub-Saharan Africa needs more than US\$300 billion in investments to achieve universal electricity access by 2030. Power Africa is intended to import US experience in private sector financing, renewables technologies, and regulatory reform to help build a clean power industry in Africa. The US\$300 billion figure is, of course, an unachievable investment for any one scheme or plan; nevertheless, the Power Africa initiative is highly ambitious in its targets. It intends to:

- Add more than 10,000MW of cleaner and more efficient electric generation capacity
- Enable electricity access for up to 20 million households and increase the reliability of the electricity supply to commerce and industry through grid, off-grid, and mini-grid projects
- Increase the number of countries participating in regional cross-border energy trade to at least 10
- Build up the energy resource management capabilities of selected countries

Exactly how the initiative will leverage private financing has not been made immediately obvious, but the US administration has said that it is adopting a "transaction-led" approach, and it is working directly with African development banks under the scheme. A number of private companies have also committed to the project: Heirs Holdings has committed an not-unsubstantial US\$2.5 billion to the initiative in new energy projects. Aldwych International has said that it is to develop 400MW of clean, wind power in Kenya and Tanzania – which will represent the first large-scale wind projects in each of these countries, and an associated investment of US\$1.1 billion. General Electric has also lent its name to the initiative.

An interagency 'Transactions Solutions Team' is being put together to provide transaction and insurance advice, The White House's press office has said. Transaction advisors have already started to be appointed within each target country, and the Power Africa programme at large will be run from the US Embassy office in Nairobi.

The signs are good that, if well structured and implemented, the project could quickly start delivering megawatts. Africa is already home to some highly innovative energy programmes – South Africa's [Renewable Energy Power Procurement Programme](#) has already seen thousands of green megawatts added to the grid, and enabled a plethora of project finance transactions taking place in a country that had previously little experience of the sector. However, despite the Obama administration's focus on clean energy, oil and gas development will also fall under the remit. Separate oil and gas management projects are set to take place in Uganda and Mozambique, and this inclusion of more carbon-heavy projects has drawn criticism from some quarters.

What's in it for Obama? Well, the trade benefits to the US are clear. As is the implications of the US very visibly and vocally aligning itself with emerging African nations that are becoming increasingly powerful on the global stage. The scale of the task makes the project seem almost impossible, and it remains to be seen how the initiative will unfold, as solid projects are yet to be announced. The implications of a raft of new energy sources in Sub-Saharan Africa is huge. One thing is certain: if Power Africa delivers on its promises, Africa's energy sector, and its relationship with the US, is set for exponential growth and a very busy few years.

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