

World Bank plan to support solar power investments ‘set to benefit Africa’

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The World Bank Group has said the launch of a new initiative, ‘Scaling Solar’, will establish a “one-stop shop” for governments that want to attract private investors to build large-scale solar plants in sub-Saharan Africa and other regions, but lack the purchasing power of bigger emerging markets. 10 May 2016

The Bank’s International Finance Corporation (IFC) said Scaling Solar includes a package of technical assistance, pre-approved financing, insurance products, and guarantees “that take the guesswork out of whether a solar project is viable and bankable for both governments and investors”.

“Solar power has enormous potential to quickly and affordably meet the energy needs of emerging markets – including in sub-Saharan Africa, where two out of three people lack access to electricity and existing grids are under strain,” the IFC said.

Under the programme, the IFC said a country can assess a project, manage a competitive tender, build a plant, “and start generating cheap, sustainable solar power within two years”. The IFC said this was “a fraction of the time it would take to do so independently and faster than other generation sources such as hydro and thermal”.

Helen Bone of Pinsent Masons, the law firm behind Out-Law.com, said: “The Scaling Solar initiative presents a real opportunity for private investors to develop vital solar projects which will impact on the populations of sub-Saharan countries which have historically lacked the purchasing power to attract such investment.”

The IFC said Scaling Solar projects in a country begin with its advisers launching feasibility studies and working with governments “to establish how much solar capacity should be added to the grid, and select suitable sites”. “The IFC also helps structure and plan a competitive bidding process for developers, who enter the tender with a clear and complete picture of the project. The winning developer can then access financing from IFC should they choose it, as well as partial risk guarantees from the World Bank, and political risk and other insurance products from the Multilateral Investment Guarantee Agency.

According to the IFC, Zambia “is on track to have two 50-megawatt solar facilities up and running about two years after having engaged in the programme”. Zambia’s needs “are urgent as several years of drought have significantly reduced the output from hydropower plants Zambia has traditionally relied on”, the IFC said.

Zambia’s first tender attracted 48 interested groups including international power sector developers EDF of France, Italy’s Enel group and Arizona-based First Solar, the IFC said. Eleven groups prequalified to bid, the IFC said. “This has provided an important boost for the country, which desperately needs new sources of energy but has otherwise struggled to attract investors given the impact of falling copper prices on its economy.”

The chief executive officer of Zambia’s Industrial Development Corporation Andrew Chipwende said: “For quite a long time, we’ve had interest from the private sector to invest in renewable energy including solar. But we haven’t had the coherent structure to implement this. With Scaling Solar, what we’ve been able to do is develop a transparent process that the private sector and public institutions can work towards.”

Investment principal with African Infrastructure Investment Managers Ashwin West said Scaling Solar offered “a robust process, contracts that have been pre-negotiated and which are ultimately going to be bankable, and transparency and speed”. Ashwin said: “For us, as investors, that’s exactly what we are looking for. It is a robust framework that creates confidence in the market.”

Scaling Solar is supported financially by the US Agency for International Development’s (USAID) Power Africa initiative, the foreign affairs ministries of the Netherlands and Denmark and the Infrastructure Development Partnership Fund, which is a multi-donor facility managed by IFC.

The IFC has said previously that the cost of solar photovoltaic (PV) technology “has fallen dramatically... and solar PV can now deliver power at less than 15 US cents per kilowatt hour (US¢/kWh) with long-term price

certainty, compared to more than 25 US¢/kWh for diesel fired power that is also subject to volatility with global oil markets".

Professional services firm PwC said in a report published in 2014 that long-term investors, including pension funds and wealth managers, were becoming increasingly involved in the equity and debt of wind and solar projects. PwC's 'Low Carbon Economy Index Report' (20-page / 1.06 MB PDF) said falling costs, especially in solar, have triggered a withdrawal of subsidies from governments, but "institutional investors have filled the space".

Last month, the Overseas Private Investment Corporation, the US government's development finance institution, approved a \$15 million loan to a new investment vehicle managed by solar energy finance business, SunFunder Inc, to benefit several African nations.

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