



Op-Ed: What Africa needs to do to generate the right conditions for its development

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By: Romain Py, Head of Transactions at AIIM [CNBC Africa](#) June 28, 2018

Business leaders and government ministers have gathered this week at the World Economic Forum (WEF) in Johannesburg to discuss reforms that aim to restore investor and consumer confidence in South Africa and create a more inclusive and sustainable future for the country. But the debate at the WEF will extend way beyond South Africa's development and will address the future of the continent as a whole.

One of the biggest issues common to most African countries is a shortage of power (approximately 600 million Africans do not have access to a power supply), and this is becoming especially important as populations continue to increase quickly.

It may surprise you to learn that Africa is the world's fastest urbanising continent, with its populace growing faster than either China's or India's. There'll be something like an additional 187 million Africans living in cities over the next decade.

The sheer scale of African population growth presents as many opportunities as it does challenges, but the African leaders at the WEF will need to discuss how they can create more energy generation capacity that meets all this extra future demand. Of course, the electricity needs of businesses are as important as the needs of people's homes, if Africa is to deliver transformative GDP growth.

To reduce its existing energy deficit, the challenge is already considerable. Africa will have to unlock large-scale investment in its power sector. This requires the implementation of reliable domestic policies and the involvement of international investors.

Africa is of course blessed with plentiful supplies of energy: from solar to wind and thermal. These are sustainable and affordable renewable energy sources with low environmental impacts.

As renewable technologies have developed, energy tariffs are now either on a par or even lower than standard fossil fuel grid electricity costs in a number of Sub-Saharan African countries. In fact, renewable energy is expected to make up 40% of Sub-Saharan African generation capacity by 2040 (compared to 20% in 2012), accounting for almost half of the growth in overall power supply in the region.

The South African Renewables Programme (REIPPPP) is one of the country's major successes. It has attracted investors from all over the world providing them with long-term pricing certainty. And it has successfully widened the pool of investors in the renewable market, with a new class of African financial investors such as my firm AIIM entering the sector.

AIIM currently has a renewable energy portfolio of around 3,000MW (in construction and operation) including the Umoya Wind Farm outside of Cape Town, the Cookhouse Wind Farm, SA's largest wind power facility, in the Eastern Cape. It has invested in REISA, SA's largest solar plant in the Northern Cape.

Other countries, such as Ghana, have over the past 10 years completely reformed its entire power sector in order to attract new investors. This includes the establishment of an independent utility regulator, and setting cost-reflective tariffs.

Starsight Power Utility is another example of efforts in renewables across the continent. The Nigeria-based energy services company (into which AIIM recently invested) offers a solar-diesel-battery hybrid and efficient cooling and lighting solutions to its commercial and industrial clients. The company is in the process of rolling out its services to a number of core clients in the financial services and energy sectors, and has a target pipeline of over 1,000 sites in the medium term.

At AIIM, we leverage dynamic private sectors and entrepreneurial spirit by teaming up with local developers, management teams and partners. This has been a key ingredient to our success in renewable and other independent energy project investments such as Azura-Edo, Cenpower and Albatros Energy.

As long-term infrastructure investors, our goal is to make both a positive and sustainable impact. We have built considerable expertise in environmental, sustainability and governance (ESG) matters, which we embed in our investment processes, investment decisions and daily operations. And Africa's sustainable and renewable energy sources point to a bright future for the continent, in more ways than one.