

FIELDSTONE

AFRICA



RENEWABLES INDEX

Third Edition, March 2017

There is no shortage of positive signals for African renewables in this FARI edition ... Initiatives that are poised to move forward seem to be more credible than earlier efforts, and there is certainly a variety – from large-scale, systemic programmes to incremental build-up based on long-term goals.

As always, it will be a question of careful structuring and execution in order that international capital and governmental support can be tapped (hopefully linked with an ever-greater role for local capital – the long-term

goal). Perhaps, by the next Edition, the Big Five will actually reach five entries from the many candidates in Honourable Mention and Countries to Watch . A reminder: FARI aims to index future opportunities where private investors and institutions may play a role, although purely public programmes are noted.

Please note that arrows indicate a country's movement from a previous position/category on the index. Side facing arrows mean a country has not changed position from the previous edition of the publication.

Further information on previous rankings see www.fieldstoneafrica.com/FARI

The Big 5

1. Morocco ↔

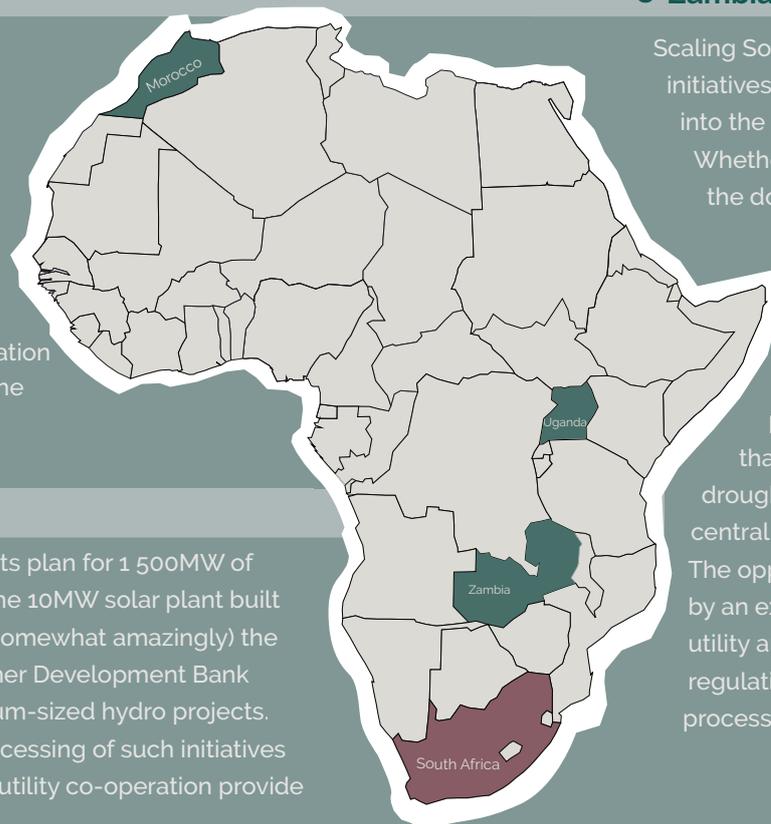
Morocco continues to pioneer in renewable base load in Africa with its commitment to CSP. The scaling effect has brought down the CSP power cost, although it remains expensive compared to standard PV (up to five times as high). Bearing this cost seems necessary in order to realise the ambitious 2020 renewable generation goals. Further rounds might see the CSP price fall even more.

2. Uganda ↔

Uganda continues to implement its plan for 1 500MW of renewable generation by 2020. The 10MW solar plant built in Uganda since the last FARI is (somewhat amazingly) the largest facility in East Africa. Further Development Bank support is pushing forward medium-sized hydro projects. The relatively straightforward processing of such initiatives by the regulatory authorities and utility co-operation provide a strong example.

3. Zambia ↑

Scaling Solar is just one of the initiatives that push Zambia up into the Big Five for the first time. Whether the programme opens the door to further private development or is viewed as an end in itself, remains a vexing question. In addition, several hydro projects are progressing that aim to spread the drought risk from currently centralised production region. The opportunities are assisted by an experienced counterparty utility and more transparent regulation and approval processes.



... (Fitfully) Waking Giant: South Africa

To predict what will happen next in the lapsed leader of FARI is not possible, hence South Africa continues to get a category of its own. If one were only to read its Independent Resource Plan in current form, South Africa would rocket back to the top as the plan calls for more than 1, 000MW a year for the next several years. To add to that impression, Eskom has acknowledged the Government's desire to sign additional PPAs with renewable producers and seems ready to do so. However, the utility is wily and is now trying to play old coal plants to be decommissioned against additional renewables and threatening to call in the Government guarantee provisions for existing IPPs. How this will end might be clearer in the coming months, but for now we must be pleased that the small IPPs have been fast-tracked and the (too) long-outstanding Round 4 bids seem likely to be greenlighted. What happens next is an open question.

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Honourable Mention

Algeria ↔

Algeria has proposed a monumental 4,000MW programme to utilise the country's enormous solar potential.

The first round of tenders, which propose a 43% stake for international investors in projects, is scheduled for April. Preliminary review suggests the proposed terms will need to be revisited if this programme is to truly draw broad international participation.

Ethiopia ↑

Ethiopia has taken its own initiative in developing thousands of MW of hydro power, paid for in part by national subscription. Looking forward, Ethiopia has been looking to establish an IPP programme for PV and geothermal, which continues to make slow steady progress. Centralised decision making and broad investor interest leave domestic peace as the big issue.

Nigeria ↔

The Nigerian solar programme seems thus far to be a serious initiative that may yield several projects of scale. Considering the macro-economic headwinds in the country, this programme stands out as a sign of what can be done by mobilising international interest and establishing reasonable terms. Success depends on an identifiable set of system reforms.

Egypt ↓

Egypt's aspiration for further development of its programme has suffered from recent currency deregulation. The battle to not denominate in dollars is key, but the devaluation of currency in this case has led to an exodus of international investors.

Senegal ↔

Senegal has made significant progress in the past year, commissioning a 20MW PV at the end of last year and signing a wind project of the same size. There are significant national goals – but, more importantly, evidence of progress.

Ivory Coast ↑

Ivory Coast joins the list with its advanced plans related to biomass and seven major hydro projects, including a 275MW project in construction phase.

Kenya ↑

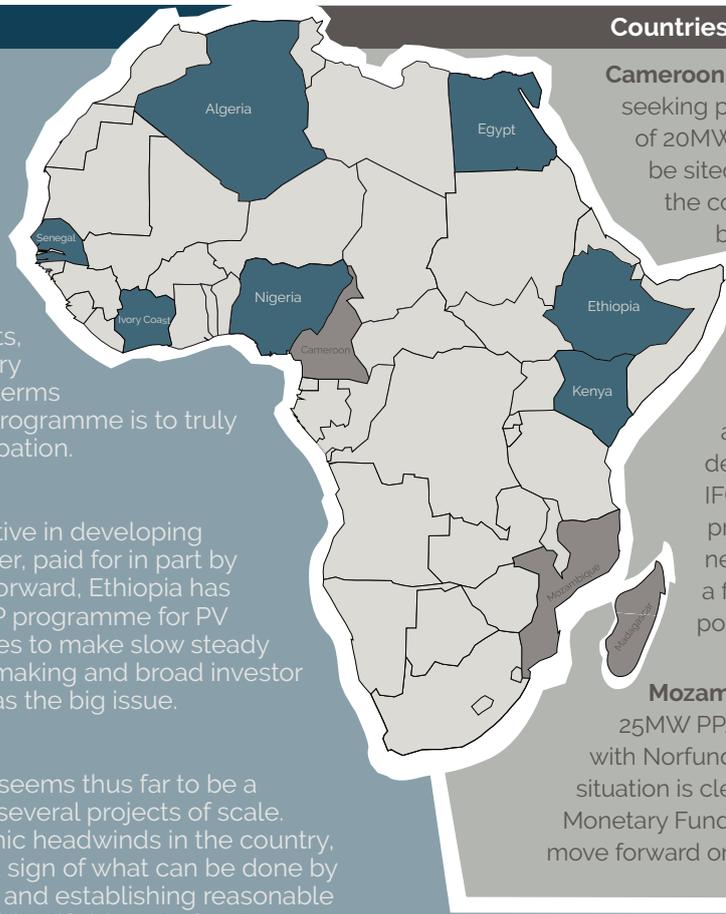
Kenya has issued up to seven licences for PV projects after years of sorting through the 3,000 original renewable submissions. Completing these licensed projects will come down to reinforcing the form of the Government support letter currently offered and confirm a big bet on the country by the private sector.

Countries to Watch

Cameroon's ↔ utility, ENEO, is seeking partners for development of 20MW of solar generation, to be sited in the northern part of the country. This promises to be a template for further development.

Madagascar (new) is actively evaluating solar, hydro and wind, and soliciting assistance in developing a programme; IFC is active in driving the first projects forward. The size and need of the country suggest a future private sector role is possible.

Mozambique (new) has signed a 25MW PPA for solar in conjunction with Norfund. Once the current financial situation is cleared with the International Monetary Fund (IMF), there is room to move forward on a range of projects.



Best Intentions (Not Best Results)

FARI also needs to make note of plans that do not work in order to be a useful tool.

Tanzania – which is rightly praised for its anti-corruption drive – has tried a very aggressive tactic to keep its electricity prices low: simply do so in the face of all economic evidence to the contrary. This has meant firing the Head of its Utility, rolling back planned price increases and abrogating an existing PPA.

These measures might seem to make short-term sense in a country striving to develop industry with low-cost power, but not reflecting true costs sends a chilling effect to all participants in the market. Hopefully, this is recognized by the next FARI edition.

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