

Challenges facing the African Energy Sector

African governments need to overcome challenges in energy sector to improve job creation and attract investors, ultimately contributing to socioeconomic development

FOR IMMEDIATE RELEASE

Johannesburg, 26 November 2018; Many African countries have seen rapid and meaningful economic growth in the last decade, and to ensure the continued sustainability of this growth, these economies rely heavily on accessible, affordable and efficient energy. Unfortunately, the continent is trailing behind most others with regards to energy security, bringing about an increase in awareness to provide energy to the millions of African people without it.

A major challenge the African energy sector continues to face is funding for energy projects. Political and credit risk remain critical factors hindering potential investors from investing in the energy space of Africa. Alleviating this investment challenge necessitates the development of new and innovative funding solutions and approaches that befit the African landscape. If successfully employed, these funding initiatives should assist in terms of bankability, ultimately bolstering project development in Africa's energy sector. These initial funding efforts will

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expediate direct foreign investment by renewing investor confidence in Africa, ultimately contributing to job creation and skills development.

The opportunity for privatisation to support the demand for reliable energy supply is becoming more feasible to address the lack of supply in many African countries and regions. Privatisation tends to improve the productivity and quality of power supply, which remain imperative components in recovering the financial feasibility of power utilities. Moreover, management performance runs at its highest when strong incentives and governance systems of privatised entities are firmly in place. Earlier this year, South African Energy Minister, Jeff Radebe, signed 27 outstanding power purchase agreements representing a total investment of R56 billion, with renewable energy independent power producers (IPPs). These agreements form part of the South African government's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP), which has been on hold since 2015. This clearly indicates the government's commitment to economic development and prosperity. By adopting renewable energy initiatives, the government creates approximately 61 000 jobs over the next few years. The signing of these profound agreements also signifies the government's interest to potentially accept small-scale IPP projects, focusing on broad-based black economic empowerment, local procurement and local operation, resulting in economic development for local economies. This should prove to implement serious legislative reforms to increase private sector confidence, stimulating increased participation in Africa's energy space.

Inaccessibility of power remains another major challenge on the continent. Many outlying rural areas lack access to electricity owing to poor grid infrastructure and vast distances between which power needs to be distributed. This wanting of energy leads to a multitude of socio-economic problems. For starters, the development of projects and public investments, such as schools and community centres remain unfeasible without electricity. Power inaccessibility also deems basic tasks like charging mobile phones and powering households with water or heat impossible. Fortunately, the development of mini and off-grid power supply solutions is starting to address this challenge and overcomes the lack of grid connectivity. Country governments are focusing on broadening household access to electricity, thereby ensuring modern energy services are more equitable, affordable and accessible to the poor, ensuing the energy sector remains central to economic structural development.

Furthermore, up until recently, energy supply hasn't featured very high on the priority lists of many African countries but nations have realised that higher ranked issues such as efficient healthcare, water supply, agriculture and farming as well as employment all require energy to render themselves successful. As provided for in the Constitution, the South African government is set to make a marked effort to incorporate energy as a pillar of their national developmental strategies, so they will be able to support investments in other developmental areas.

The above challenges and their solutions will be unpacked and addressed in detail at the upcoming **Africa Energy Indaba** to be held at the Sandton Convention Center in Johannesburg, Africa's economic hub, on the **19th and 20th February 2019**. Attendees will be privy to interactive discussions pertaining to how the nation can enhance its investment appeal to attract funding as well as how Africa can improve access of power in their respective countries. The conference will stand as a supportive platform to educate market players about how they can contribute to increasing energy security to not only create jobs and attract investments but to improve socio-economic development in Africa as a whole.

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Press Release Ends

ABOUT AFRICA ENERGY INDABA

An African Energy event for Africans and by Africans

2019 Theme: Africa's Energy Future

Africa's power and energy sector is a critical driver of growth and development across the continent. With vast natural energy resources ranging from coal, oil, gas, hydro, solar, wind and geothermal, there is ample choice for the discerning energy investor. Lack of access to electricity means that there is an opportunity for regional governments, energy businesses, organisations and financiers to unlock electricity access to millions of people who have don't have power. **The Africa Energy Indaba** is the continent's premier energy conference and exhibition: bringing together leading African and global energy players to unlock energy and business opportunities across the African continent. The event is the World Energy Council (WEC) regional event for Africa and has strategic partnerships with the South African National Energy Association (SANEA) and the NEPAD Planning & Coordinating Agency (NPCA).

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19 -20 February 2019 at Sandton Convention Centre, Johannesburg

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