Speech (read on behalf of)
Hon David Mahlobo, MP
Minister of Energy of the Republic of South Africa,
at the Africa Energy Indaba,
held at the Sandton Convention Centre, Johannesburg, South Africa,
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Programme Director, Mr Brian Statham, SANEA
Honourable Members of Parliaments
Captains of Industry
International Guests and Speakers
Representatives of various international and local institutions
Officials from the various Government Departments
Members of the Media
Honoured Guests
Ladies and Gentlemen
Good morning.

1. I welcome you to South Africa, Johannesburg and the African Energy Indaba. I am honoured to address you, on such an important topic relevant to our continent and us as energy stakeholders. We are focusing on how to Realise Africa's Energy Potential and to light up the continent.

2. Energy is the golden thread that runs through the economy stimulates and sustains economic growth and development of any country especially developing economies. The primary purpose of energy is to contribute to a better quality of life. Modern energy unlocks access to improved health care, education, economic opportunities and longer life. Lighting up the content of Africa lights the lives of millions.

3. The United Nations predicts that world population will grow from 7.3 billion in 2010 to 9.2 billion by 2040 and global demand for energy is expected to increase substantially over that period. In African population will grow from 1 billion to 1.8 billion during the same time, an increase of 0.8 billion, nearly a billion. Urbanisation will increase from 40% to 56%. Africa needs to move from a position where only 39% of the population is electrified compared to 70-90 % in other regions.

4. Energy demand in Sub-Saharan Africa grew by around 45% between 2000 and 2012, but accounts for only 4% of the world total despite being home to 13% of the global population. Access to modern energy services though increasing remains limited with more than 650 million people in the region without access to electricity and nearly 730 million relying on the traditional use of biomass for cooking.

5. The anticipated population growth will be made possible by supply of secure, clean and sustainable energy. Given this scenario, energy access is the “golden thread” that weaves together economic growth, human development and environmental sustainability.

6. The global adoption of the Sustainable Development Goals in 2015, and the adoption of the goal to ensure access to affordable, reliable, and modern energy for all by 2030 – established a new level of political recognition for energy’s central role in development. As a continent we need to ensure that we have universal energy access to clean, sustainable and affordable energy by 2030. This universal target should not elude us. Africa and the AU in particular supports the UN initiative of energy access for all by 2030. It is our commitment as a continent and individual countries that we increase generation capacity to meet energy needs now and in the future.

7. As a continent, I am proud to mention that the African Union and various regional energy power pools in the continent have approved the Programme for Infrastructure Development in Africa (PIDA). The majority of projects under PIDA focus on energy. The continent has an energy policy, strategy and plan with identified projects for implementation. The energy strategy requires an investment of approximately $42.2 billion annually to meet the universal access to energy by 2030.

8. The PIDA has identified 15 priority energy programmes with over 50 projects. These projects focus on hydropower, geothermal, renewable

energy and regional interconnectors (transmission lines) and pipeline infrastructure.

9. The African Energy Ministers met in September, 2011 to deliberate on energy issues among which the issue of clean and sustainable energy access was top of their agenda. At this conference, the Ministers identified some of the important projects. For instance the MphandaNkuwa hydropower with total installed capacity up to 2600 MW, the Grand Inga in the Democratic Republic of Congo has the potential to generate 40 000 MW of hydroelectricity. Once realized, those projects will contribute greatly to change the access to electricity in the region. The Kingdom of Lesotho has substantial wind capacity that can produce electricity to not only meet the needs for the country, but generate excess for export in the region. , Zambia and Angola have also hydro potential which is untapped. In Ethiopia there is huge hydro potential as well West and East Africa has hydro, solar and wind potential. The continent has substantial clean energy potential. Some of these projects are now included in the PIDA.

10. The major challenge is securing the funding for the identified projects. This is where Africa needs genuine development partners from international organisations including financial institutions, non-governmental organisations, other governments and private business. Without the private public partnerships, it is not possible for our utilities and governments to fund the energy infrastructure requirements.

11. The investments in energy should also focus on skills development, technology transfer, job creation and transformations to ensure that Africans, women and youth benefit from business opportunities that will emerge from investments in the energy sector. A skilled labour force will drive implementation of energy projects across the energy sector value chain through local value addition, manufacturing, assembling, project designing, operation and maintenance and vocational training. For instance empirical studies have concluded that renewable energy market penetration is capable of creating more than 6.5 million jobs worldwide.

12. The African Energy Ministers at their meeting held in Johannesburg in 2011, Ministers noted that it is important to have financial resources dedicated to supporting Africa's low-carbon energy development agenda. The Energy Ministers Declaration further notes that many projects rarely

progress beyond the feasibility study stage, remaining undeveloped or indefinitely stalled. This is often the result of insufficient access to financing for project preparation.

13. African governments are typically not in a position to advance resources or borrow money for project preparation and private sponsors are unwilling to take the significant risks involved in sinking large sums of money up front. Existing donor project preparation facilities are difficult to access, have different eligibility priorities and are rarely able to provide grants of more than $1–10 million to fund feasibility studies. For instance one of the largest bottlenecks for transformational projects such as hydropower is the high upfront capital requirement, including high preparation costs.

14. Besides high upfront costs, energy projects in Africa lack sufficient access to energy project financing sources. This is mainly due to private sector investment financing gaps in energy in Africa driven by unfavorable investment climate. Investors lack confidence in the absence of a reliable investment climate due to various perceived investment risks. These include limited access to finance, inadequate supply of infrastructure, tax regulation and rates, and an insufficiently skilled workforce with requisite technical skills. The energy sector in Africa needs to improve its investment climate in order to provide certainty to investors to ensure that the perceived risks can be minimised.

15. Besides the traditional barriers to financing, the power sector in Africa is particularly prone to high perceived risk and high transaction costs that may arise from a range of issues. Energy projects face comparatively tougher upfront funding gaps than do many other infrastructure projects because of investors lack of confidence in long-term expectations on secure revenue streams. High investment risk may also result in undervalued assets, leaving reduced financial incentives for the investor. Some of these perceived risks include non-performance of contractual obligations, regulatory risk, capital-intensive technology choices and procurement problems.

16. It is also important that political leaders and institutions establish appropriate enabling environments in order to facilitate private sector investment. The lack of policy harmonisation within Africa and also regionally is critical to attract investment in the energy sector, and the policy framework in the region is conducive to investment in the energy sector and the clean energy in particular.

17. The region needs to fund feasibility studies and ensure that they have clean energy bankable projects. This should be done through the regional power pools and also driven by individual countries in the case of projects that are manageable. Given the funding gaps, it is also important for international communities and organisations to develop new instruments that can enhance investment in the energy sector in Africa.

18. Development partners can play an important role to improve the investment climate by expanding their traditional concessional financing function to include risk mitigation, capacity building and selective finance. For example, by enabling project developers to meet industry and international standards in project preparation, establishing benchmarks for policy formation, and facilitating open cross-party engagement, international institutions can help increase the probability of positive returns and thereby increase investment attractiveness.

19. Innovative financial products such as partial risk and partial credit guarantees, green bonds, or climate and carbon-linked supply-side support instruments can significantly lower financing costs and enhance the bankability of projects. Guarantees from multilateral banks such as the World Bank Group have proven successful at leveraging substantial investment for various climate financing projects, including both public sector and private-participant projects.

20. New innovative instruments are being added to the energy financing toolkit. They can play an important role in providing additional incentives toward meeting the revenue requirements of investors. Ultimately, new instruments need to address several specific risks: capacity building, investment risk, and guaranteed returns. Regulatory risk support is also important. A few of the new funding initiatives include the South African Renewable Energy Initiative, the Energy + and the Global Green Growth Forum - all mechanisms exploring the possibilities of securing funding for low carbon energy economies.

21. Such initiatives will enable the developing countries and Africa in particular to develop the basis for implementable arrangements to provide financial instruments and resources to support an ambitious development and deployment of renewables in the Africa.

22. Africa contributes less than 4% of global CO2 emissions but, it is the most vulnerable and least prepared continent to deal with the impacts of climate change. It is important that clean energy development in Africa be pursued but, the financing of this should be private public partnership as well as soft loans from developed countries. The funding mechanism needs to be innovative to accommodate the different dynamics in the region. This will be the way towards a low carbon energy sector on the content which will facilitate energy access for all. This approach can be promoted and used to fund green projects in Africa.

23. For instance, in South Africa, we have launched a Renewable Energy Independent Power Producer Programme (REIPPPP) which has been highly successful. This programme has been supported by other governments who assisted us to develop renewable energy roadmaps which provided investors with information on the renewable energy opportunities in the country. Government provided a clear policy framework which guided the procurement process and communicated to the public the opportunities available. The private investors showed willingness and took the risk to invest. The procurement process was well documented and removed all the risks and perceived uncertainties.

24. Since the renewable energy programme inception, a total of 6 422 MW of electricity have been procured from 112 RE Independent Power Producers (IPPs) in seven bid rounds (as at June 2017). Out of these projects, 3 162 MW of electricity generation capacity from 57 IPP projects are already connected to the national grid. Investment to the value of R201.8 billion, of which R48.8 billion (24%) is foreign investment has been spent on the projects. A total of 32 532 jobs have been created for South African citizens. Socio-economic development contributions of R403.7 million to date have been made to develop rural communities in particular.

25. In the continent large investments are anticipated in the energy sector now and in the future. Such investments should embrace the transformation agenda of the country and meet the strategic imperatives of job creation and skills development, localization and local resource exploitation and transformation.

26. The African continents population will have grown by 800 million by 2040. The middle class is forecasted to increase and this will trigger economic growth, urbanization, industrialization and modernization. This phenomenon, can be realised if we have adequate energy to fuel the African economies. Energy has the potential to stimulate economic growth and development, job creation, industrialisation of the continent and transformation of the African people. Energy investments should have as an integral part social change which benefits the indigenous people including youth and women.

27. Infrastructure development is pertinent to the development agenda of African countries. Apart from providing critical social and welfare services, infrastructure is an important enabler of economic growth by creating a supportive platform for the growth of business, facilitating job creation, enhancing trade opportunities, attracting investment and ultimately reducing poverty. Energy is an enabler for all this.

28. Energy security, access to affordable, reliable and sustainable energy for all will usher economic growth and job creation in our continent. This can be achieved in partnership with development partners, private sector, other governments support and the African continent providing an enabling environment.

29. I thank you and God Bless You