

African energy investment set to grow

By [Kieran Whyte](#)

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In Africa, greenfield investment continues in the energy sector, particularly in renewables, which is forecast to grow in coming years. The extent of the power deficit across Africa is well known and increasing electricity generation, whether on-grid or off-grid, across the continent is the focus of a number of initiatives.



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The African Development Bank's (AfDB) New Deal on Energy for Africa has set as its target universal access to electricity across Africa by 2025. To achieve this, 160GW of new on-grid generation and some 75 million new off-grid connections will be needed, through a mix of conventional and renewable energy sources. Complementary initiatives by Power Africa, the EU and other multilateral and development finance institutions will also play a greater role.

There is clearly a lot of opportunity for the energy sector in Africa. However, investment in the sector had in some instances stalled due to regulatory and political uncertainty, as well as economic conditions in particular countries in Africa.

In South Africa, uncertainty surrounding the country's future energy policy, the delay in the publication of the Integrated Resource Plan, anticipated additional political changes, as well as financial and governance concerns at the state-owned electricity supply company, Eskom, have all resulted in an uncertain energy landscape and a loss of potential direct foreign investment in the electricity sector.

Policy certainty

It is hoped that under the leadership of new South African president, Cyril Ramaphosa, investors in the sector will receive the clarity they are looking for, which will act as a catalyst for renewed investor confidence.

The recent appointment of Pravin Gordhan as public enterprises minister and Jeff Radebe as energy minister is considered to be a very positive move for the energy sector in that both men are highly experienced and respected. In addition, changes in leadership at Eskom, and Ramaphosa's commitment to finalising mining regulation, closing the fiscal gap, stabilising debt, addressing unemployment and restoring state-owned enterprises to health are all moves that will encourage investment in the sector.

What the South African energy sector needs is more certainty and consistent implementation of energy legislation and policies. Certainty is also needed across other sectors that rely on the energy sector including the mining, industrial and commercial sectors. This will restore confidence in South Africa as an investment destination and facilitate direct foreign investment, which will in turn assist in much needed job creation and skills development. It will also be necessary to ensure transparency and integrity in the procurement of all goods and services as well as robust and independent energy regulation.

In addition, the government must support and breathe new life into the stalled renewable energy programme, which will be the catalyst for the implementation of other energy programmes. This will ensure South Africa an energy mix that is progressive, capable of meeting customer demands, and that will assist in South Africa discharging its sustainability obligations.

Clarity was also needed on whether, how and when the South African nuclear programme would go ahead. Ramaphosa said at the World Economic Forum in early 2018 that the country's economic situation meant that South Africa could not afford to build a major nuclear plant and this sentiment has been echoed in recent announcements by the minister of finance.

Fit for purpose

Going forward, bearing in mind the World Economic Forum's theme of Creating a Shared Future in a Fractured World, and the evolution of the Fourth Industrial Revolution, we need to ensure that energy sector infrastructure investment in Africa is fit for purpose, and based on sustainable development principles.

This means taking cognisance of technological innovation, decarbonisation and climate change, connectivity and digitisation, regionalisation and integration, urbanisation and industrialisation and inclusive economic growth models. We also must ensure that we adhere to the UN Sustainability Development Goals and principles for responsible investment.

Civic participation in the entire process is essential to ensure that there are no trust deficits across all the supply chains. This will help to ensure procurement integrity and further bolster South African energy sector investment.

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