

# The changing face of power in Africa

 By [Greg Nott](#)

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Africa's energy landscape is rapidly changing. New gas and oil finds in countries outside the traditional resources footprint in North and West Africa have fuelled a flurry of activity among energy investors from Europe, China and India.

The latest headline-grabbing news is that of America's interest: President Obama's USD7 billion pledge to upgrade power in Africa. Power Africa is the signature tune. The pledge, USD7 billion is significant and deserves attention. The pledge made in the Mother City of Africa's largest economy, Cape Town, South Africa, speaks to a distribution of funds to the African economies of Ethiopia, Tanzania, Uganda, Liberia, Kenya, Mocambique and Nigeria. Power is by far Africa largest infrastructure challenge with 30 countries facing regular power shortages and many paying high premiums for emergency power.

The programme will include USD1.5 billion from the US Overseas Private Investment Corporation and USD5.5 billion from the Export -Import Bank. The Overseas Private Investment Corporation is a key player in enhancing US investments in Africa. It supports investment in Africa through direct loans and loan guarantees, political risk insurance and private investment funds. It has supported over USD2 billion in financing for Africa since 2009 and in 2012 committed USD1.5 billion to financing new renewable energy projects in Africa. The US Export Bank plays an increasingly important role to Africa and for the last two years Ex-Im Bank has supported records amounts of exports in, exceeding USD1.6 billion.

## South Africa's much lauded Renewable Programme

Both entities have played a role in the funding of renewable projects in South Africa's much lauded Renewable Programme, which recently closed its second window of project closings; some 47 projects are now under way totalling 2450Mw. Round three of the programme is in progress and the procurement of gas, coal and hydro independent power producers will, in the coming months, grab further investment attention.

The South Africa REIPP, hailed universally as a success, has managed to capture the imagination and excitement of the market. Administrative efficiency, a transparent and well-run competitive, complex bidding process has gone hand-in-hand with high-level political support. This has not been lost on investors, advisors and other players who have flocked to take part in the programme.

The South African Department of Energy has drawn widespread praise for its capable handling of the process, which has been immaculately executed with industry watchers noting the comprehensive bid specifications, inclusive consultation process and disciplined approach to deadlines, as well as the integrity of the process of selecting preferred bidders.

## Obama struck a chord

President Obama struck a chord with the university audience as he did with African watchers. Access to energy is the key. In eradicating energy poverty one combats the scourge of Africa-poverty itself. As the president remarked: "Access to electricity is fundamental to opportunity in this stage; it's the light that children study by the energy that allows an idea to be transformed into a real business - it's the lifeline for families to meet the most basic needs and it's the connection that's needed - it plugs Africa into the grid of the global economy."

Nelson Mandela equated the fight against poverty as that against slavery and apartheid: "Overcoming poverty is not a task of charity; it is an act of justice. Like slavery and apartheid, poverty is not natural. It is manmade and it can be overcome and eradicated by the actions of human beings. Sometimes it falls on a generation to be great. You can be that great generation. Let your greatness blossom."

He called on our generation and called for inspiration in the fight. The task is immense as Professor Eberhard of Cape Town University highlighted in a recent conference paper: "Power infrastructure is underdeveloped; electricity supply is often unreliable; power costs are high and access to electricity is low and unequal."

And so, while the message from the leader who made the phrase "We can do it" famous, a lot of hard work lies ahead for the continent. The scale of the challenge, Professor Eberhard goes on to argue, implies that ideological debates around public versus private investment are irrelevant and meaningless; that all sources of finance have to be mobilised. This he goes on to say means an integrated approach of fixing public utilities; improving regulation and accelerating private sector participation which welcomes non-OECD sources of finance and projects. I couldn't agree with the distinguished professor's statement more.

Given the size of the challenge of power in Africa the president's initiative has its work cut out. Energy poverty is the single biggest obstacle to sustainable growth and development on the continent. Africa has a population of 1 billion people, a number expected to double by 2050. The consumption of electricity per capita is one of the lowest in the world, as 70% of the population is not connected to a power grid. The situation in sub-Saharan Africa is of particular concern as the region has the majority of the least developed countries in the world. Rapid and concerted action is needed.

Given the situation, Power Africa must be welcomed as an initiative. It can, however, be only part of the story.

The legacy of Africa and its story lies in the hands of an active citizenry. It is they who must ensure that investors from abroad, who want to take advantage of the global appetite for Africa and its primary energy sources, who must institutionalise the skills, the projects and the development for all of Africa. They must make it African in all its meaning.

## Africa must innovate

And to ensure this enduring African story of hope and sustainability, Africa must drive and strive to innovate.

As in ICT services, African countries must find inspiration to do things in new ways. The mobile telephone sector is a handsome example of what innovation can do in a particular sector and what it can mean for different African regions. One need only look at the power house Kenya has become in mobile phone services, in ICT.

Interventions, inspired by innovative mindsets, a desire to become a trendsetter, are keys to unlocking the potential of Africa in the energy sector. Kenya, Ethiopia, South Africa and Morocco have made significant strides in setting trends. The renewable or clean-energy sectors in these countries provide inspiration to other countries to surge ahead with next-generation technology.

The interventions in this sector can be both public and private, as the undertaking is just too big for a single player. It demands a collaborative effort as sign of intent and active work of the government and private forces.

Aside from innovative technology, there must be a clear mindset to change and innovate the market. Market reform needs to take place; there has to be continuity and planning, and political commitment in policies and strategies. Any successful strategy must embrace independent power producers. Energy regulators, institutions and the like all supplement the build out of a sustainable sector. Investors look for a market that is certain, even though it may appear strange and at times, volatile. An investor needs to know the rules.

The officials implementing the rules must be free from corrupt practices, competent, able and have the capacity to implement and apply them. The sector is so vital to the growth of the continent that these characteristics of a regulatory regime are non-negotiable.

Africa enjoys a change in landscape, arguably for the better. Africa promises to perform, the game has seemingly changed.

To keep winning at it, active citizens need to hold dear the good institutions that are created and above all, have that mindset to innovate.

It is time to make true that well-used phrase of Pliny the Elder: "Ex Africa semper a liquid novi" - Out of Africa always something new.

## ABOUT GREG NOTT

Greg Nott is power and energy director of Werksmans Attorneys. He specialises in mining, power, and telecoms and cross-border transactions. In 2010, he was named Lawyer of the Year by Legal Business UK. He is also recognised in Chambers and Legal 500 publications.

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