



## Tackling the energy challenge in Africa

Sustainable energy is a key priority for the EIB in Africa. Almost a quarter of recent EIB operations in sub-Saharan Africa, and over a third of recent operations in North Africa, support the energy sector. The EIB offers both finance and technical assistance for projects which help meet Africa's need for accessible and efficiently used energy, whilst developing the continent's considerable renewable energy potential.

### The EIB and energy in Africa

Access to sustainable and modern energy services is a prerequisite for meeting basic human needs and for economic and social development across Africa. Energy has long been a central focus of the EIB's operations in both North and sub-Saharan Africa, with nearly EUR 3bn invested in energy sector operations there in the last five years.

Africa has abundant renewable energy sources, such as hydropower, wind and solar. The EIB supports projects that help to responsibly exploit these natural resources to provide clean affordable energy, whether through renewable energy and energy efficiency initiatives, or through generation and transmission projects, which provide regional benefits and stimulate economic growth.

The EIB also promotes greater sustainability by supporting high-efficiency natural gas power plants and other environmentally sound projects in the gas sector, helping to meet growing energy demands.

### The EIB: Supporting EU development cooperation in Africa

As the bank of the EU, the EIB works to support the implementation of EU development policies. It contributes to the EU response to the UN Sustainable Energy for All (SE4All) initiative, as well as to the EU Agenda for Change and the Joint Africa-EU Strategy.

In Africa, the EIB works under its External Lending Mandate (North Africa and Republic of South Africa), the "Cotonou Agreement" (sub-Saharan Africa), and its climate change mandate.

In sub-Saharan Africa, the EIB finances and advises projects under the Investment Facility revolving fund, as well as from its own resources. It also blends loans with grant funding for technical assistance, including from the EU-Africa Infrastructure Trust Fund.

In North Africa, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) groups together all of the Bank's services for the region. Alongside lending operations, FEMIP provides technical assistance and advisory services, notably through the FEMIP Trust Fund and the FEMIP Support Fund. The European Commission's Neighbourhood Investment Facility (NIF) is an important additional source of resources for blending with EIB financing.

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## Africa's energy challenge

57% of Africa's population still lacks access to electricity, presenting a key constraint to economic development. The energy sector across the continent is characterised by inefficient use, while below-cost pricing often limits investment. The national power systems of many sub-Saharan countries fail to reach a minimum efficiency scale of electricity generation, resulting in high costs. However, the region has enormous unexploited potential for renewable energy.

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## The EIB's energy priorities

Electricity generation has to be greatly expanded to meet and keep up with needs and growing demands on the continent. In line with its commitment to climate action and the need to ensure affordability, the EIB favours the development of cost-effective renewable resources, including solar, wind and hydropower. In North Africa, **renewable energy** currently accounts for a very small share of total energy provision. However, its role, particularly for energy efficiency and small-scale renewable energy projects, is expected to increase substantially in the short to medium term, based on the results of a study supported by the FEMIP Trust Fund, which builds on the highly successful European Local Energy Assistance (ELENA) programme.

Sub-Saharan Africa has enormous, and largely unexploited, potential in this area. For example, around 90% of the continent's economically feasible hydropower potential (equal to a tenth of the world's total) remains unexploited. The Bank focuses on large regional and national generation and transmission projects that tap into these abundant resources to stimulate economic development.

Investments in **energy networks** and their upgrades are required, both to support the integration of renewable sources and

to ensure the quality, efficiency and security of supplies. The EIB favours energy projects that promote **regional integration**, and regional cooperation on energy can alleviate the small market problem facing many countries.

Investments in **energy efficiency**, including domestic, industrial and public usage, help to increase energy availability and reduce energy bills. This in turn promotes wider access, economic competitiveness, and growth. Resource efficiency considerations are incorporated into all EIB projects in African countries, not only those in the energy sector.

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## Developing new instruments

The EU-Africa Infrastructure Trust Fund (ITF) provides grant funding to regional infrastructure projects in sub-Saharan Africa in support of the African-owned Programme for Infrastructure Development in Africa (PIDA).

The ITF has been equipped with a specific funding window dedicated to activities that contribute towards the UN's **Sustainable Energy for All** (SE4All) objectives. Under this window, the EIB manages a EUR 25m capital contribution invested as equity in the 300 MW Lake Turkana Wind Farm project in Kenya.

The Bank is also developing a set of **innovative financing instruments** including for smaller renewable energy and energy efficiency projects.

These include technical assistance and risk sharing with local banks (Africa Sustainable Energy Facility), advisory and performance-based credits (Renewable Energy Performance Platform) and technical assistance to mobilise credit enhancement (Africa Energy Guarantee Fund). The EIB will also continue its advisory role to the Global Energy Efficiency and Renewable Energy Fund (GEEREF), which leverages

private equity investment in small energy efficiency and renewable energy projects.

In North Africa, the **FEMIP Sustainable Energy facility** aims at providing credit lines to local financial intermediaries (FIs) in Jordan and Morocco to finance energy efficiency and small renewable energy investments in the industrial, SMEs, agribusiness, commercial services and residential sectors. The project, which is co-financed by the EBRD (lead IFI), AFD and KfW, will contribute to the reduction of greenhouse gas emissions and the enhancement of security of supply.

Since 2007, the **Energy Sustainability and Security of Supply Facility (ESF)** has enabled the Bank to contribute more effectively to the implementation of key EU policies in the sector. In Africa, the EIB has signed three projects under the ESF for a total amount of over EUR 15m.



## The CLSG Interconnection project

### Pooling power in West Africa

Between them, Côte d'Ivoire, Liberia, Sierra Leone and Guinea have significant potential for renewable hydro power generation. But they also suffer from a high dependence on imported fossil fuels, and access to reliable mains electricity is a challenge for households and businesses alike.

The CLSG Interconnection project, part-funded by the EIB, is creating a 1,300 km high-voltage electricity transmission backbone between these countries as part of the West African Power Pool. It will allow the export of low-cost renewable energy from Côte d'Ivoire and Guinea to Liberia and Sierra Leone, replacing expensive diesel generation and increasing access.

This is a good example of how the EIB's advisory services have an essential role to play in the design and construction of infrastructure projects. Technical assistance from the EIB and the EU-Africa Infrastructure Trust Fund has been vital for advancing the preparation of this complex regional project, be it for the feasibility study, the planning of the transmission routes or the environmental and social impact assessment.



## The Mediterranean Solar Plan Renewable Energy and Energy Efficiency Project Preparation Initiative

### Technical assistance to improve access to project financing

The EIB has led the establishment of the Mediterranean Solar Plan Renewable Energy and Energy Efficiency Project Preparation Initiative (MSP-PPI). Our support is based on experience gained over 30 years in the region. This initiative, funded by a grant of EUR 5m from the European Union under the NIF, is designed to support the preparation of energy efficiency and renewable projects, accelerating the implementation of up to 20 related projects in the Mediterranean partner countries.



## The Khi Solar One Tower project

### Bringing cutting-edge solar technology to South Africa

Supported by a EUR 50m loan, this is the first implementation in South Africa of a new technology which will offer the potential of dispatching electricity outside the hours of direct sunlight by using heat storage facilities. Located on a 600 hectare site in the province of Northern Cape, it is able to store energy for two hours and will supply renewable energy to an equivalent of 37 000 middle income households during peak hours of consumption, as well as saving 180,000 tonnes of CO<sub>2</sub> emissions per year.

The project will create 35 full time on-site jobs, and some 140 indirect jobs. Khi Solar is an important project in the context of Africa's Renewable Energy IPP Procurement Programme. In addition, a special purpose community trust will own 20% of the project company. The revenues accruing to the trust will be used to promote the economic and social welfare of the local communities.

### Press contacts and general information

#### Information Desk

Corporate Responsibility and Communication  
Department

☎ (+352) 43 79 - 22000

✉ (+352) 43 79 - 62000

✉ [info@eib.org](mailto:info@eib.org)

#### European Investment Bank

98 - 100, boulevard Konrad Adenauer  
L-2950 Luxembourg

☎ (+352) 43 79 - 1

☎ (+352) 43 77 04

[www.eib.org/femip](http://www.eib.org/femip) - [www.eib.org/acp](http://www.eib.org/acp)