Addressing energy access in the context of energy transitions

1st MENA Energy Economics Conference
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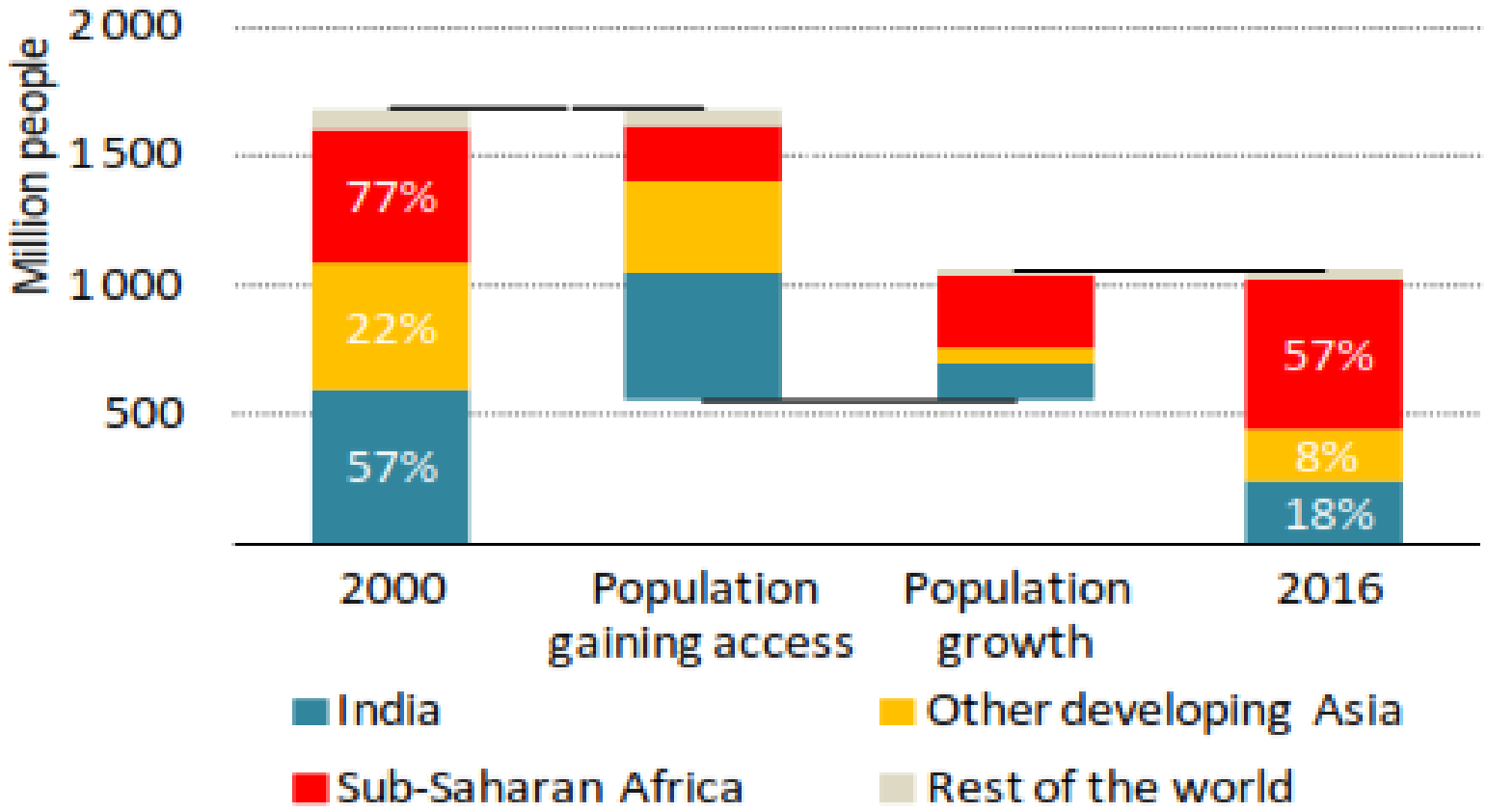
Uniting against Poverty

Outlines

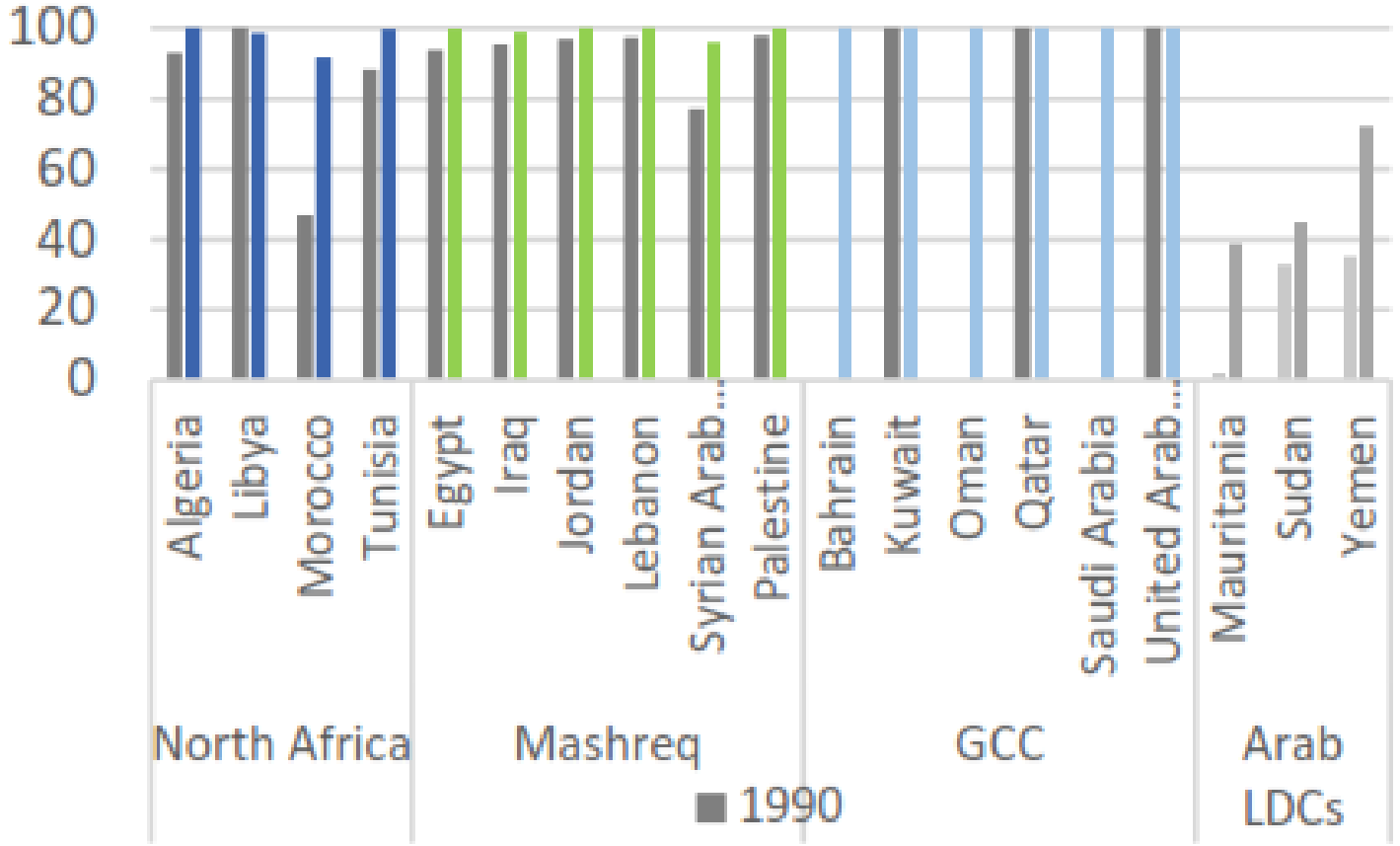
- **Energy access globally and in the Arab/MENA region**
- **Financing Universal Energy Access**
- **Innovated financing Solutions**
- **Technology solutions.**
- **OFID and the fighting against energy poverty.**

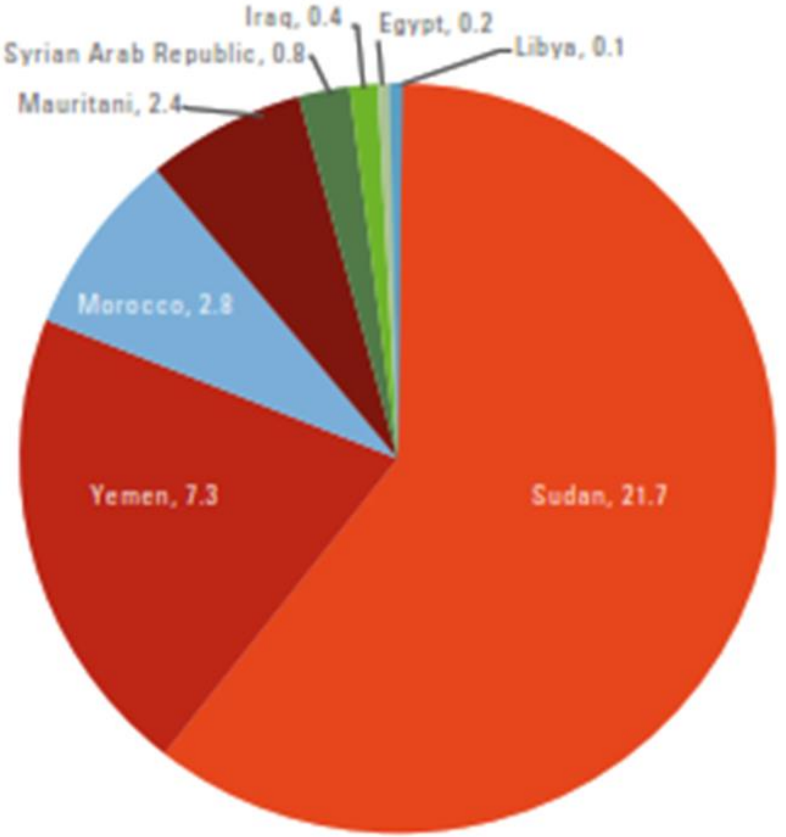
Change in population without access to electricity between 2000 and 2016



Source: IEA, Energy Access Outlook 2017

Share of population with electricity access in the Arab region, 1990 and 2014 (%)

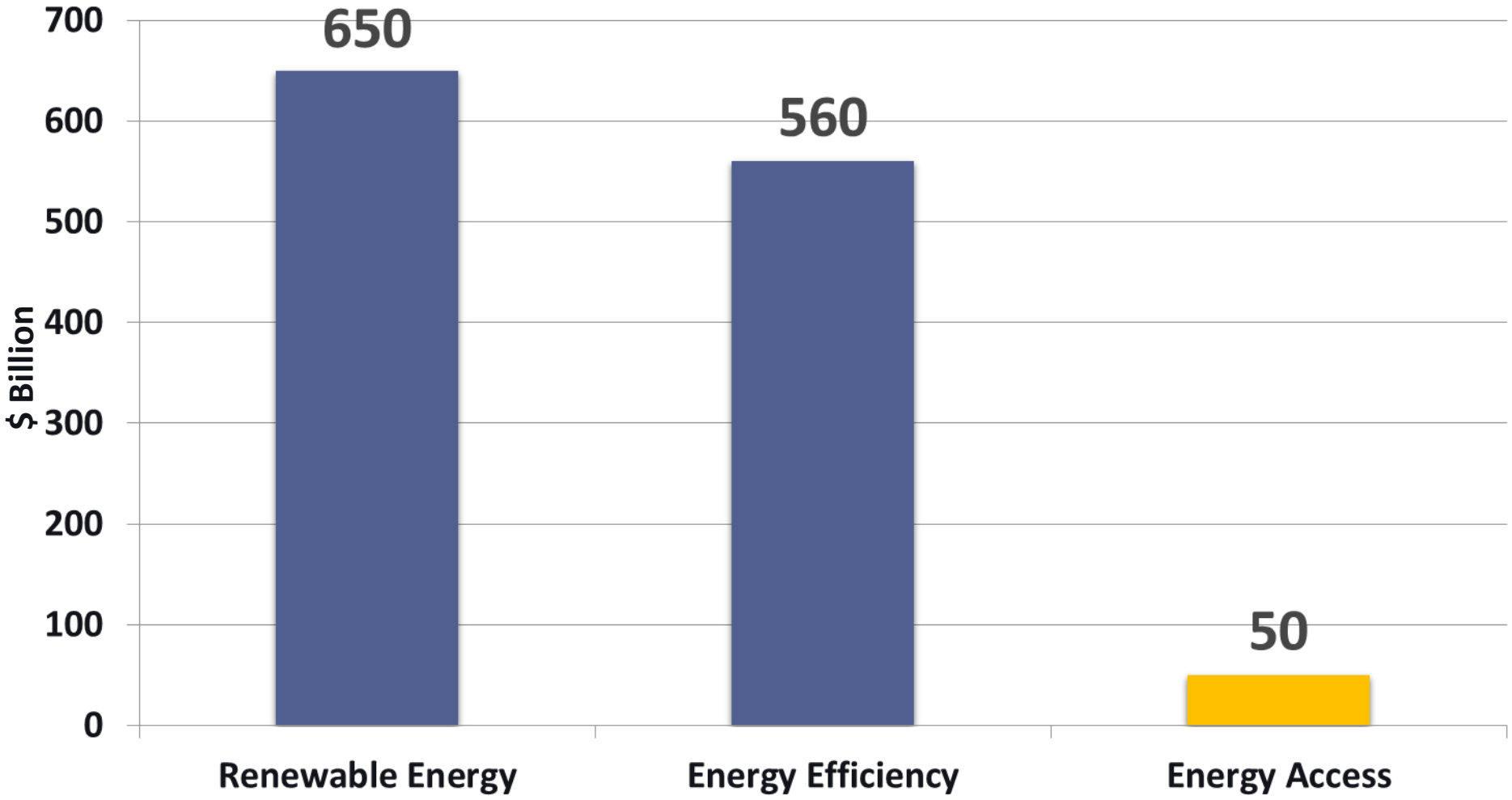




Source: UN ESCWA (2017), Global Tracking Framework Regional Report

Financing Universal Energy Access

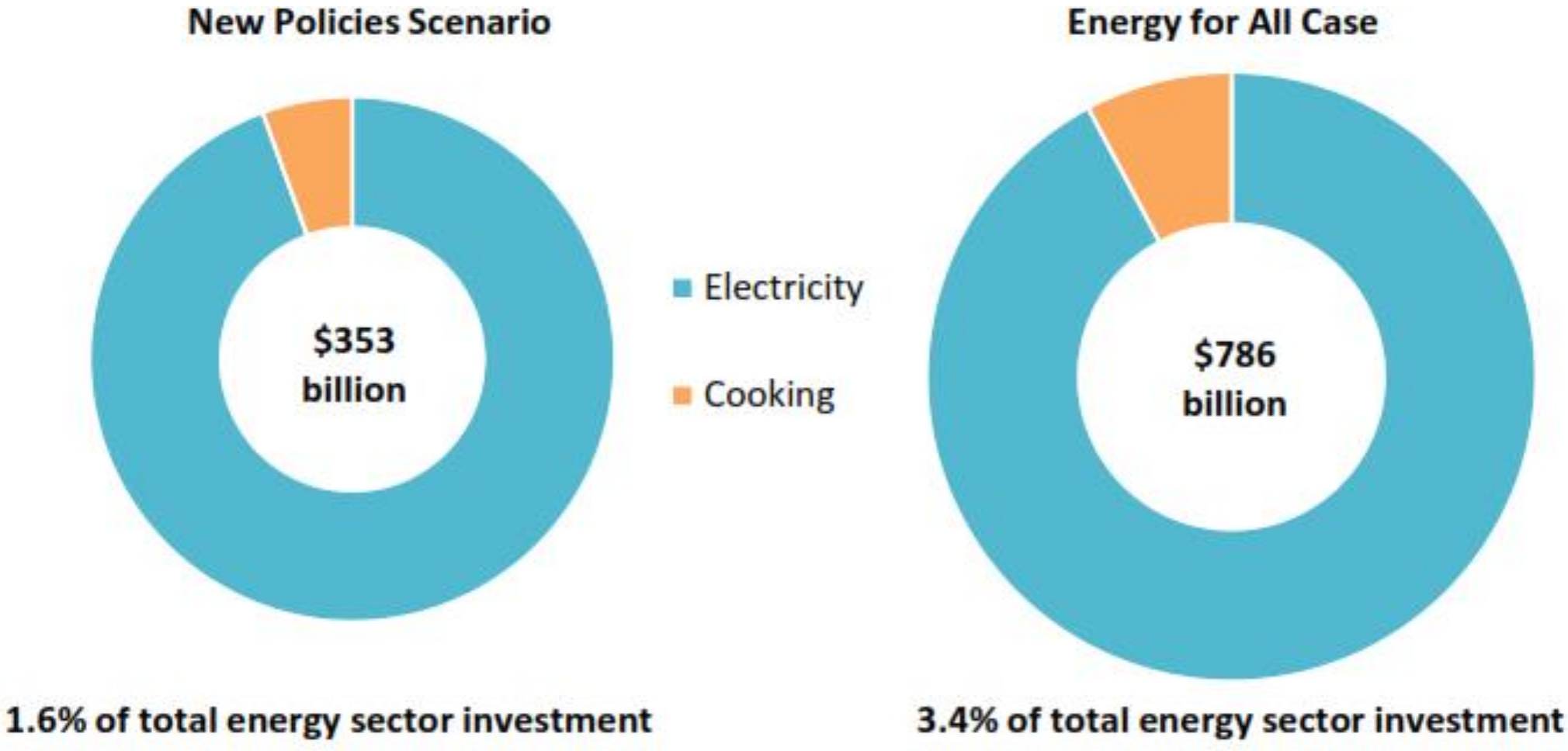
Total Annual Investment Needed to Achieve SDG7



Source: SE4All 2015

Cumulative Investment in Energy Access, 2017-2030

Finance to Close Global Energy Access Gaps to Meet SDG 7 Insufficient



Source: IEA 2017

We need more than Finance

- **Innovated financing Solutions**
- **Investment-enabling environment**
- **Technology solutions.**

Innovated Financing Solutions

OFID-REEEP Revolving Capital Pool

- Offering repayable grants to start-up entrepreneurs adopting the nexus approach in energy solutions in the agro-food value chains
- Innovative grant giving mechanism – providing very patient loans to strengthen start-ups
- Example: US$ 367,500 returnable grant to FuturePump Ltd. to bring solar irrigation to smallholder farmers in Kenya
  - Development impacts:
    - Deploy 825 solar irrigation pumps on small farms and test three alternate microfinance products, in preparation for private sector investment to unlock scale and increase uptake of solar irrigation, potentially reaching 20,000 smallholder farmers

Innovated Financing Solutions

Aggregating Loans to Finance Mini-grids

Term Loan Facility to Fund Small and Medium Enterprises (SMEs)

OFID received a financing request from an Armenian bank to provide a US$10 million Term Loan Facility to fund SMEs involved in the construction and operation of small-scale hydropower plants (SHPPs).

This project is very specific to Armenia's natural resources and requirements. However the principle of aggregating smaller loans to finance mini-grids is well demonstrated.

Around 8 SHPPS Will Be Financed

Innovated Financing Solutions

Through this Term Loan the Armenian bank will provide the necessary Funding to SMEs to construct and operate around **8 SHPPs**.

Only Possible By Aggregating the Smaller Loans

Average size of an OFID Private Sector Loan is US$10 million. It would **not have been feasible** for OFID to provide US$1-1.3 million Term loans for single SHPPs.

Investment-enabling environment

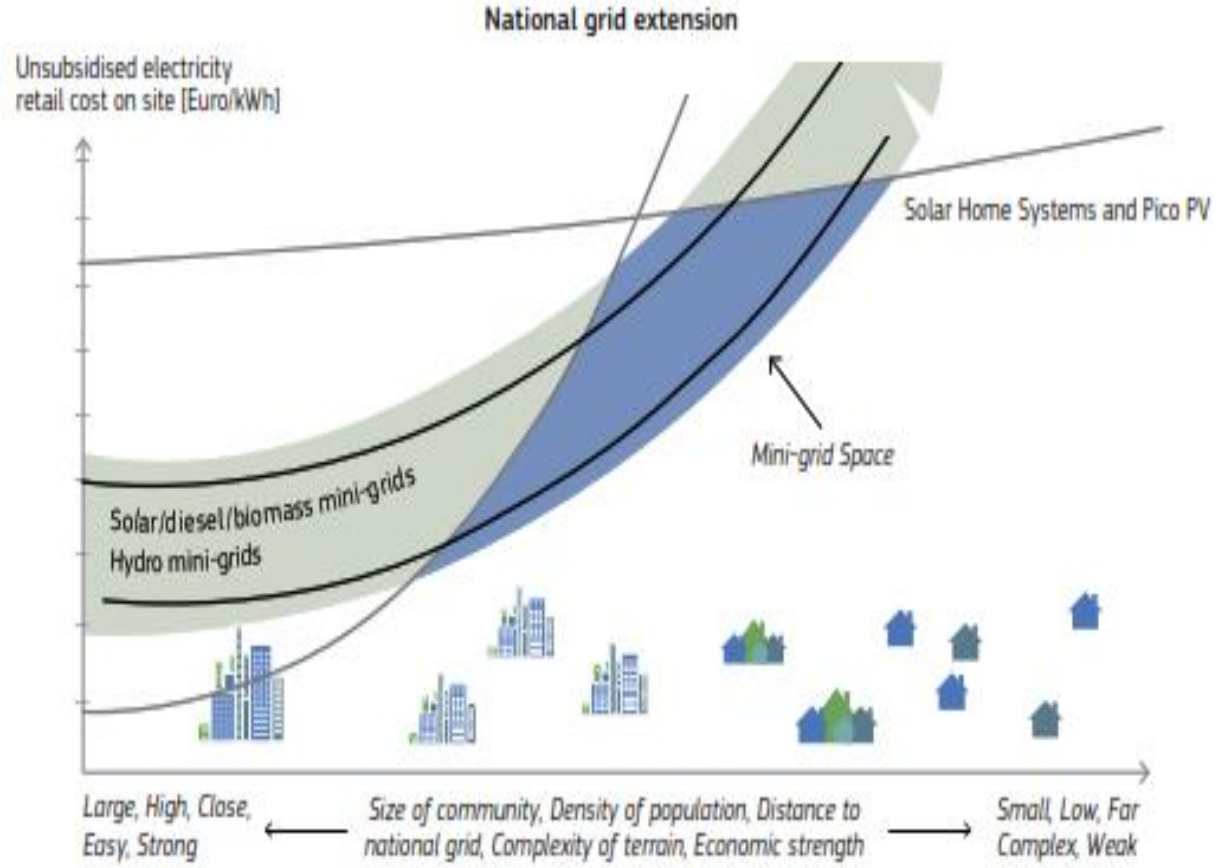
Governments need:

- **To maintain long-term policy commitments.**
- **To devise energy-access strategies and implementation plans that are linked to national development plans.**
- **To have regulatory frameworks that can attract the support of national and international financial institutions and project developers.**
- **To establish the institutional capacity to prepare and implement qualified pipelines of deals and bankable projects.**

Technology Solutions

A growing role for mini grids and distributed renewable energy systems

- Mini-grids whenever costs are lower than grid extension and stand-alone systems
- Potential to provide more than 40% of new capacity required to achieve universal electricity access, by 2030
- Structural barriers in governance, finance and business models are constricting a large scale mini-grid market
  - need to promote actions and partnerships that would help resolve these challenges



Source: Mini-grid Policy Toolkit, EU Energy Initiative Partnership Dialogue Facility

OFID and the fighting against energy poverty

Where it all began

*"Continue to align the programmes of our aid institutions, including those of the OPEC Fund for International Development, with the objective of achieving sustainable development and the **eradication of energy poverty** in the developing countries, and study ways and means of enhancing this endeavour, **in association with the energy industry** and other financial institutions"*

- 3rd OPEC Summit, ***Riyadh Declaration****, November 2007*

The Three Pillars of OFID's Energy Poverty Strategy

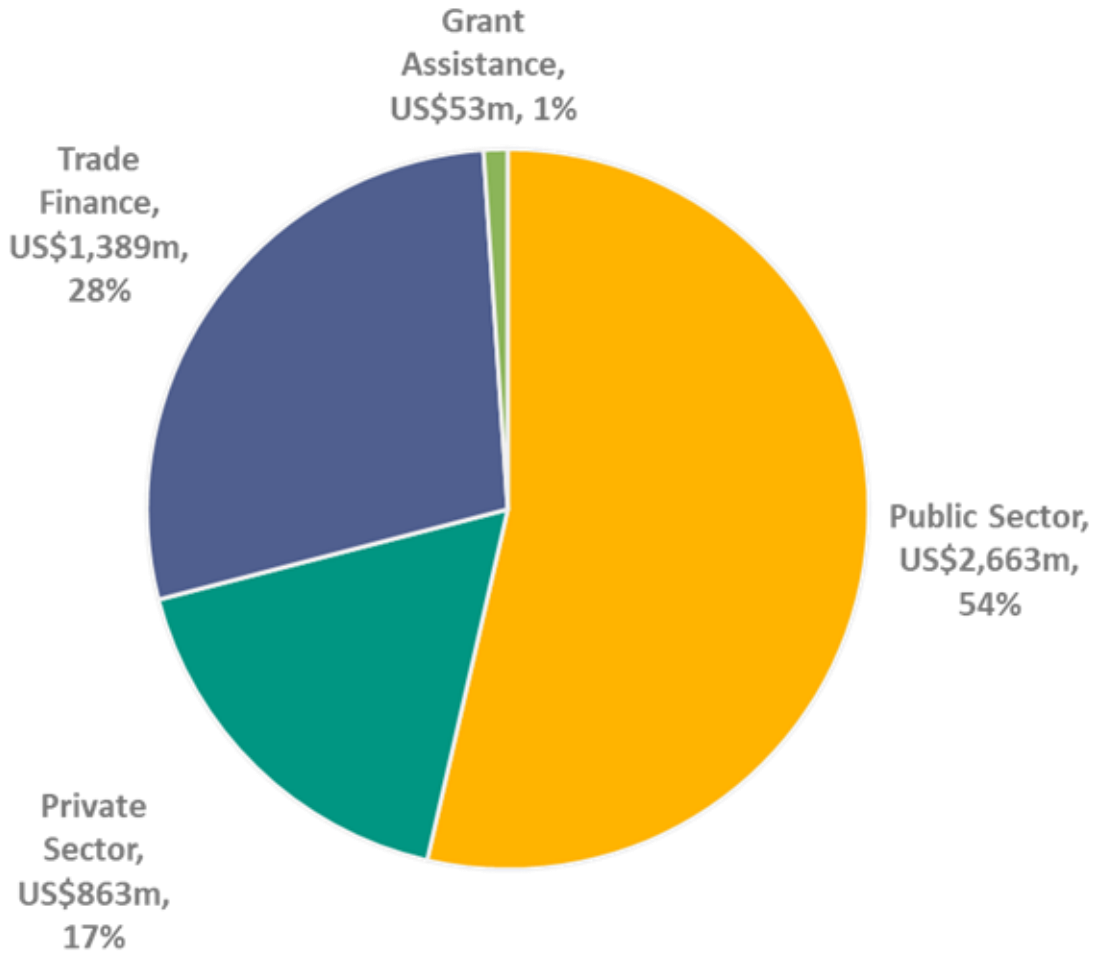
SDG7 is now at the core of the 2030 Develpment Agenda

Partnerships

Creating synergies and developing joint resources

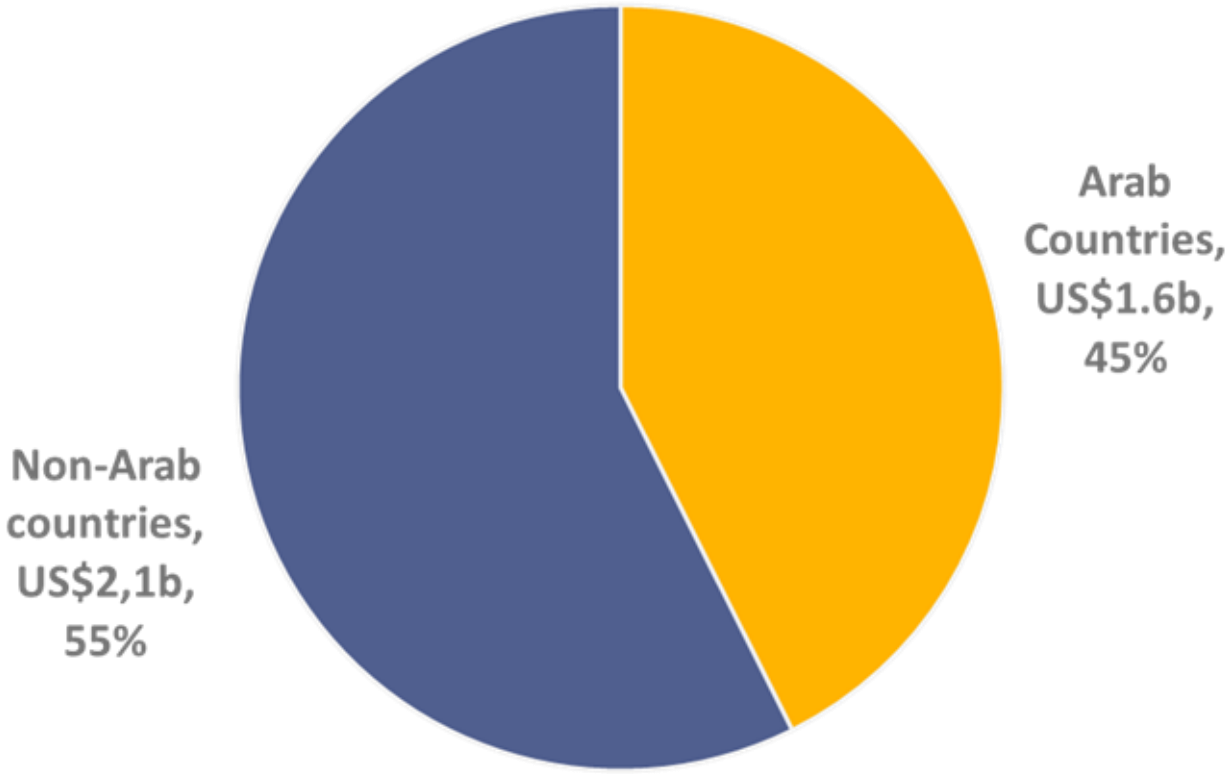
- Oil and Gas Industry Energy Access Platform (EAP).
- Deep dive process, with the ACG and the World Bank Group.
- ACG-OECD DAC Task Force on Energy Access.

OFID's energy operations by finance window since inception



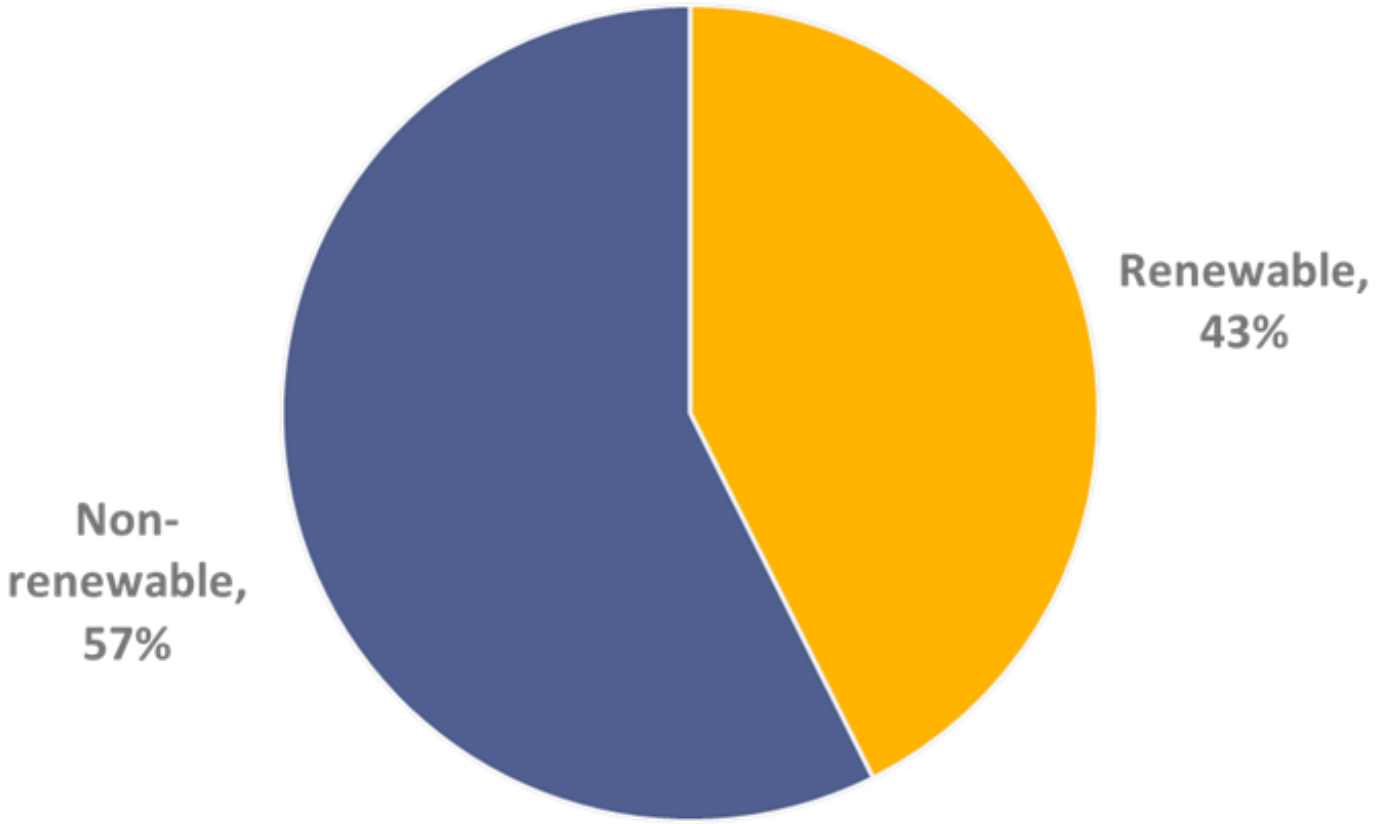
Total energy sector commitments: US$5.0B

Percentage of energy sector commitments to Arab countries since 2008



Total energy sector commitments since 2008: US$3,7b

Percentage of renewable projects since inception



OFID Operations: Public Sector Leveraging Investments

OFID Operations: Private Sector

OFID Operations: Grant Network

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@OFIDnews

Parkring 8

1010 Vienna, Austria

tel.: +43-1-515 64-0

fax: +43-1-513 92 38

info@ofid.org

SPES@ofid.org