

# Energy Facility — the Position papers

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## Position papers: what are they?



- In line with EF objectives, some specific Position Papers have been prepared for the 2009 CFP
- For critical areas which need clarification:
  - **Governance**
  - **Private sector**
  - **Biofuels**
  - **Biomass**
  - **Rural and periurban electrification**

Actions **not limited to those areas** indicated in position papers! See main objectives of the Energy Facility

# Position Paper: Governance and capacity building (1)



*Energy Facility aims at providing increased assistance to ACP countries where improvements are needed to develop/implement sound policies and frameworks in the energy sector.*

Issues to be addressed:

- *Inadequate institutional and regulatory schemes*
- *Weak planning and organisational capacity of the energy sector authorities*
- *Low performing national utilities with reduced investment capacity*
- *Restricted number and low capacity of private local actors*

Needs in capacity development in energy sector:

- *Different **levels**: institutional (governance), organisations (performance) and individuals (competences);*
- *And different **functions**: policy, strategy, planning, service delivery (technical aspects) and service management*

# Position Paper: Governance and capacity building (2)



## Needs in capacity development in energy sector:

- *Support to **public policies** of the Ministries in charge, the local authorities, the regulatory bodies and the rural electrification agencies, notably: Institutional approaches, Tariff setting and Investment planning.*
- *Support to national **utilities**, to achieve improved technical, managerial and commercial performance, to increase their investment capacity and to secure private investment.*
- *Support to the emergence of **new operators and investors***
- *Development of local **technical skills***

## Possible orientations:

- *At the **institutional** level: Energy policies, legislation and market conditions for enabling poverty alleviation in developing countries*
- *At the **technical** level - Strengthening local energy expertise in ACP countries*

# Position Paper: Private sector intervention (1)



*Investment needs in the energy sector are much higher than the financing capacity of ODA and developing countries*

*Energy Facility (EF) as **leverage for private finance** by trying to increasingly involve the private sector in energy service provision and by supporting public-private partnerships and innovative mechanisms*

## **Barriers for the private sector investment and possible actions:**

*The weakness of the **institutional frameworks** of the rural electrification.*

*✓Promote the legal and institutional frameworks for the rural electrification, which establish the adequate role for the private sector and local actors.*

*The absence of regulatory frameworks which **promote investments***

*✓A sustainable contractual **public-private** relationships framework (concessions and tariffs) adapted to the needs of the population.*

# Position Paper: Private sector intervention (2)



## Barriers for the private sector investment and possible actions:

**Competition sometimes distorted** in order to promote **fossil energy**, due to favourable customs and fiscal conditions but not in favour of sustainable energy

✓ *Electrification policies must take into account **social and environmental benefits** of renewable energy and integrate them in economic calculations.*

The **lack of financial instruments** suited to these projects specificities

✓ *A variety of **long term** instruments should be put in place to finance the investments.*

**Insufficient local competences** of the authorities in charge of the sector, of the financial system or the private sector.

✓ *It is necessary to promote the **transfer of technologies** at international level*

# Position Paper: Biomass (1)



*Used by a large majority of the population to meet its energy needs, it represents 80% of the total energy consumption in Sub-Saharan Africa.*

## Issues to be addressed:

- Widespread use of biomass as energy source is often linked to severe unwanted side effects on the **health** of the consumers and on the **environment**.
- **Traditional** cooking methods use only **10 to 15%** of the energy potential from the combustion of wood

# Position Paper: Biomass (2)



## Possible actions

- ✓ *Sustainable forest management schemes*
- ✓ Infrastructure development
- ✓ Energy saving
- ✓ Technology/ experience transfer
- ✓ biomass alternatives of wood fuels

To tackle the biomass sector the Energy Facility will welcome innovative projects possible to **scale-up**, provide a long-term support and, when possible, be guaranteed through the commitments of the local private sector / micro-entrepreneurship.

Within the scope of the Energy Facility, projects should mainly focus on **1°) improving governance** systems and **2°) access to modern energy services**



# Position Paper: Biofuels (1)



**Biofuels are neither THE universal solution nor the devil...** At certain conditions, they could represent an **opportunity for ACPs** (access to energy services in rural areas, increased energy security...).

□ **Focus on first-generation** liquid biofuels (include **Straight Vegetable Oil**, SVO , biodiesel and bioethanol). **Second generation biofuels not** considered here.

□ **Issues to be addressed:**

- **Biofuels and food security:**
- **Biofuels and environment:**
- **Biofuels and social impacts, including land tenure**

# Position Paper: Biofuels (2)



## Conclusions and Recommendations

- ✓The project has to contribute to increase access to energy services in rural and periurban areas. This implies a **local production for a local use**.
- ✓Biofuel production shall follow all **applicable laws** of the country and shall endeavour to follow all international treaties relevant to biofuels.
- ✓**Participatory** processes that involve all relevant stakeholders.
- ✓Biofuels shall **contribute to climate change mitigation** by significantly reducing GHG emissions (35%) as compared to fossil fuels.
- ✓Biofuel production shall not violate labour rights
- ✓Biofuel production shall contribute to the social and economic development of **local**, rural and indigenous peoples and communities.
- ✓Biofuel production shall **not impair food security**
- ✓Biofuel production shall **avoid negative impacts** on biodiversity, ecosystems and areas of high-nature-value areas, optimize surface and groundwater resource use, including minimizing contamination
- ✓Bioenergy crop development must **not result in conversion of forests, into agricultural land**.

# Position Paper: Rural and peri urban electrification (1)



Rural areas of ACP countries suffer from a low rate of electrification, which in most ACP countries is **less than 10%**

## Issues to be addressed:

Financial issues	Governance issues	Technical Challenges
<ul style="list-style-type: none"> <li>o <b>Rural electrification is often not a profitable business</b></li> <li>o <b>Inadequate tariffs</b></li> <li>o <b>Limited investment capacity of the national utilities</b></li> <li>o <b>Inadequate size of projects (small)</b></li> <li>o <b>Lack of credit for independent local producers</b></li> </ul>	<ul style="list-style-type: none"> <li>o <b>Insufficient attention to rural electrification</b></li> <li>o <b>Coordination between the national utility and the rural electrification agency/fund</b></li> <li>o <b>Political interference in the choices made by the company</b></li> <li>o <b>In peri-urban areas, reduction of losses (unpaid electricity) is a huge challenge</b></li> </ul>	<ul style="list-style-type: none"> <li>o <b>Improving capacity of private local actors (decentralised solutions)</b></li> <li>o <b>development of new management modalities</b></li> <li>o <b>Training of qualified staff</b></li> </ul>

# Position Paper: Rural and peri urban electrification (2)



## Possible actions to be supported by the EF:

### 1. Access to energy:

#### - **Provision of electricity to dispersed populations in isolated areas**

✓ Small solar / wind / bio-energy / hydro power **plants** in combination with a rural distribution network;

✓ Technical **innovations** for rural electrification in areas such as bio-fuels for village diesel motors (e.g. multifunctional platform), micro-hydro, new types of electricity distribution technology, decentralised grids, etc.;

#### - **Electrification of rural growth centres**

#### - **Access for poor population in peri-urban areas**

### 2. Activities for improving governance and capacity development for rural and peri-urban electrification:

✓ Actions aiming at improving **policies**, legislation and of stakeholders' capacity building;

# Position Paper: Rural and peri urban electrification (3)



- ✓ Actions promoting **communication and exchanges** of views between stakeholders of the rural and peri-urban electrification sector;
- ✓ Actions aiming at improving regulation and promoting innovative **financing** and organisational schemes which can allow for sustainable rural and peri-urban electrification;
- ✓ **Training** of entrepreneurs, development of markets, awareness campaigns in rural and peri-urban electrification and renewable technologies;
- ✓ Actions aiming at promoting **small and medium enterprises** to engage in small scale power generation (renewable energy), distribution networks, operation and maintenance of decentralized systems etc.
- ✓ Actions likely to **encourage private** national and foreign companies to be more involved in rural and peri-urban electrification;
- ✓ Actions to provide **technical assistance** with the aim of improving key functions of rural electrification funds and agencies (planning, project design, management, control, reporting...) and their **negotiation capacity** with financial institutions.



**Thank you for your attention !**

**More info on:**

[ec.europa.eu/europeaid/energy-facility](http://ec.europa.eu/europeaid/energy-facility)