RESEARCH NOTE

Financing Africa’s Energy Transition through the Public Markets

SUMMARY

- MOBILIST - sponsored technical assistance, in collaboration with Revego Fund Managers, and delivered by Wood Mackenzie, shows that Africa’s ambition to achieve universal energy access and shift towards greener sources is a major economic opportunity for the continent, but also one of its greatest challenges.

- The total addressable market for sub-Saharan Africa’s (SSA) renewable energy transition could reach US $193 billion over the period 2023-2031, with indicative internal rates of return for new built utility-scale assets in the region of 15-21%.

- South Africa represents the most mature market for solar, though approximately 60% of commercial and industrial (C&I) capacity tracked by Wood Mackenzie is located elsewhere on the continent. Kenya has close to 2 GW of operational or announced wind capacity.

- Financing Africa’s energy transition is a significant opportunity. While Africa accounts for almost 20% of the world’s population, it is currently the destination for just 3% of global energy investment. Equity capital is particularly scarce and has largely been financed by Developmental Finance Institutions.

- Secondary markets could increase the volume of capital available and ultimately accelerate deployment through ‘farm downs’ of de-risked assets. However, currency and regulatory risks compound the early stage of development of many assets – appropriate secondary market structures and strategies will be vital.

- Development finance actors have critical roles to play in building secondary markets to help finance SSA’s energy transition, as originators, investors, pioneers, and providers of hedging solutions and technical support.