

AFRICAN BUSINESS ENTREPRENEURSHIP NETWORK



ABEN



Renewable Energy Finance & Investment Forum

27 - 28 April 2012

Final Report





Final Report

of the

African Business Entrepreneurship Network (ABEN)

on

„ECOWAS¹ – Renewable Energy Finance & Investment Forum”

27 – 28 April 2012

¹ Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali Niger, Nigeria, Senegal, Sierra Leone, Togo

I. Introduction

1. **“Renewable Energy Finance & Investment “**, was the topic of the networking event organized by the JANERO Consultancy (JC) in cooperation with the ECOWAS Regional Centre for Renewable Energy and Energy Efficiency (ECREEE) and the African Business Entrepreneurship Network (ABEN) from **27 – 28 April 2012** in Bonn, Germany.
2. The number of African descendants living in Germany is growing and so are the demands. What unfortunately is still not recognized is the involvement of African Diasporas in the business development climate of their country of origins. African Diasporas are limited to remittances to African countries, as the sole involvement in business development in African countries. It is in this context that the management of the JC, decided to hold a business network event under the theme:

“African Business and Entrepreneurship Network (ABEN) “

with a focus on **Renewable Energy Finance & Investments**.

The need was identified by the JANERO Consultancy due to the numerous enquiries from the Diaspora youth, entrepreneurs, civil societies, Institutions and organizations. The fourth ABEN event in this series was organised in a form of an interactive open forum.

II. Aim

3. The aim of the **Renewable Energy Finance & Investment Forum** was to enable producers, developers, utilities, manufacturers, suppliers, large energy consumers, investors & lenders, municipalities, and governments, explore the business and investment potentials of the West African markets especially the ECOWAS markets, to build new business relations and also strengthen the Diaspora position of African and European entrepreneurs in the ECOWAS countries.
4. A platform for African Diasporas in Europe as well as Africans on the continent, to look at alternative partnerships, rather than the sole role of development aid which hasn't unfortunately, aided or developed Africa as expected.
5. The focus was on:
 - Renewable energy markets available in the ECOWAS countries;
 - Strategic and institutional investment available to the renewable energy market;
 - Federal and state funding available and how to get it;
 - Private equity and expansion capital;
 - Early stage Venture Capital investment;
 - Where and how to obtain tax equity investment;
 - Balancing project finance with tax equity, debts, and other methods.

A fourth-time event of its kind, the theme was necessarily broad in its focus and in participation in terms of participant's interests and areas of involvement. The organisers however, managed to structure the event to benefit from the cross-fertilisation possibilities of broad thematically streamed presentations that enabled interaction and action pointers.

III. Morning Session 27th April 2012

6. The Renewable Energy Finance & Investment Forum started at 10:20 a.m on 27th April 2012. The event was opened by the Moderator, **Mr. Joseph Kugbe, PhD;** *Zentrum für Entwicklungsforschung (ZEF), Bonn-Germany.*



Mr. Joseph Kugbe, PhD;
*Zentrum für Entwicklungsforschung
(ZEF), Bonn-Germany.*

7. **Mr. Peter Finger,** *Former Mayor of the City of Bonn, and Municipal Councillor of the Bündnis 90 / DIE GRÜNEN,* welcomed participants to the fourth event in these series and remarked in his opening speech, that the need to view the important issues of energy financing and energy supply from different perspectives should be addressed. The situation in Africa in his opinion, is very different from Germany, in that in Africa many towns are not on the national grid. Renewable energies such as biomass, wind-energy, solar energy and hydro-power offer opportunities for these areas as they are decentralized. There are likely to be several possible models, but structures must be set up to make these possible.



Mr. Peter Finger, *Former Mayor of the City of Bonn, and Municipal Councillor of the Bündnis 90 / DIE GRÜNEN*

a. According to him, looking at it from a German perspective, Germany is very aware of being watched by the rest of the world, because of the decision to move away from fossil and uranium based energy, towards totally feeding the grid with renewable energy by 2050. The discussions going on in Germany concerning this transformative process may also benefit the ECOWAS countries. He ended by wishing the delegates a fruitful event as they work out options and develop ideas which can be passed on to their respective governments.

8. **Dr. Paulyn Jansen,** *Chief Executive Officer, Janero Consultancy,* in her opening remarks, mentioned the fact that, the issue of renewable energy was already highlighted in an AYP/ABEN in 2006. At a time, when renewable energy issues were not yet a global catch phrase. It has now become hip and Africa has to take advantage of it. Africa will no longer be staved off as the time to keep waiting for development aid is over. It was time, Africans took the lead in addressing the theme, and secondary issues such as finances were not supposed to be a hindrance.



Dr. Paulyn Jansen, *Chief Executive Officer, Janero Consultancy GmbH*

a. In her words, many were the countries that went to war because of oil, but none went to war because of the sun, wind and rivers. Why seek nuclear power when all these renewable energy resources are available naturally? Regardless of how small we start, this forum has an aim to build a platform and develop a road-map for ECOWAS countries, Africans in the Diaspora and Europeans, to pave the way for renewable energy usage in Africa.

IV. Open Forum and Discussions

Strategic and institutional investment available to the renewable energy markets

9. The first open forum for this session was moderated by **Dr. Luca Brusa**.

The Discussion Forum was opened with the panelists who gave their input first. Panelists were:

- **Dieter Grau**, *Germany Trade and Invest (GTAI), Germany; and*
- **Sylvester Eze**, *Deutsche Vermögensberatung, Germany.*



Mr. Dieter Grau, *Germany Trade and Invest (GTAI), Germany*

- **Mr. Grau** commented on the issue of the negative media about Africa which still has an impact in restricting potential investors in terms of insecurity, extensive bureaucracy and lack of fluid cash. According to him, - German investors are not high risk takers and especially not when it comes to investing in African countries. At least, Ghana has been successful in working to change that image in West Africa, which could be a chance for the gateway to be opened to most investors.

He also reiterated that, African countries may benefit from observing the discussion going on in Germany which is:-- moving away from fossil and nuclear energy towards total renewable energy. The African market has to be presented to Germany in a more attractive way. Information about these markets is likewise not easily available, thus making long term plans of African governments, which are into the sectors that are coming into focus currently, not available for investors use. The lack of infrastructure is another well known issue including extreme high transport costs in West Africa. African embassies in Germany, need to make efforts to provide more information on professional levels. Africans in Diaspora could also be a bridge because they understand both sides. And Yes, China is competing more with Germany in the field of renewable energy just to get its hands on African resources. The Chinese may not have the same standards as western companies and therefore have lower costs which at the end of the day, is of no advantage to the African countries.

- **Mr. Eze**, in his presentation, informed participants that, there is a need to look beyond the state and public sector for funding. The main issue about funding is not risk but rather: can investors expect a return on their investments is the issue. Challenges are the same for all investors regardless of whether they are foreign or local. There is no way to get round international standards such as creditworthiness and security. Investors are not using “their own money” it’s money from pension funds and the general public.

Institutional hindrances according to Mr. Eze were:

- Lack of common policies in ECOWAS countries.
- Tax levels that vary and import taxes that are too high.
- The poor payment records of African countries making financing through big global institutions such as the World Bank and IMF less likely.

On Solutions & Strategies:

- The need to look towards multilateral source of funding.
- Capital can also come from the private sector, local African banks, in Germany there are not just federal but also regional institutions.

- The possibility of Credit financing.
- Power purchase agreements as long term security.
- Required policy and regulations to protect investments.

Funding:

- In Germany there are 6000 policies to promote energy which also contributes to the secured subsidies for the renewable energy sectors.
- Projects are not executed by just one company. There must be bonding agreements.

V. Afternoon session

Investment opportunities across some key sectors

The Panelists were:

- **Chris Addy-Nayo**, *ACP Business Climate (BizClim)*; and
- **Dr. Philipp Schuller**, *Partner, Africa Enablers*.

The panel discussion was on renewable energy incentives and financing mechanisms.

- In the opinion of **Dr. Schuller**, Africa had to focus on late stage development, as well as working with local developers to solicit funds to execute projects. German government and any western government is not the best place to seek project funding. African governments are going to the wrong places as the money is in the private sector of the western countries. Should the investment environment be safe and conducive, there will be less

risk. From the financial point of view, in the end, it does not matter which country or who wants to invest. It depends on what the investment brings, in what profits can be made.



Dr. Philipp Schuller,
Partner, Africa Enablers



Mr. Chris Addy-Nayo,
ACP Business Climate (BizClim), Brussel

- According to **Mr. Chris Addy Nayo**:

Governments should concentrate on providing technical assistance to open up the economies. They should provide opportunities, work on their policy framework to encourage the economic competition, as well as invest in sectors that encourage the economy to grow. In his view, if policies and regulations are put into place, countries will benefit if they meet the standards. These policies are related to worldwide agreements. Most of the environments in Africa are not competitive with regards to other countries on other continents, with respect to meeting the standards. The investor is not secured with his investment because it is unknown whether he will get his returns in that

environment. Funding in his opinion is not the issue in Africa. The question is; is the idea feasible? And is the environment ripe for ideas to take off? Is the environment conducive and competitive?

The afternoon session ended with a **Business round table**. The aim was to explore the business and investment potentials of the West African markets. Moderated by **Dr. Luca Brusa** and **Dr. Paulyn Jansen**, the Panelists included:

Mr. Chris Addy Nayo, *ACP Business Climate (BizClim)*;

Mr. Dieter Grau, *German Trade and Invest, and*

Mr. Sylvester Eze, *Deutsche Vermögensberatung*.

Mr. Chris Addy Nayo opined in the opening of the business forum that, good policies and regulations must be put in place in ECOWAS countries. An investment in renewable energy projects must be feasible with regards to the different climatic environments within the different countries.

The African Diaspora could engage their governments in a special investment that can be made



**Dr. Luca Brusa, Dr. Paulyn Jansen and
Mr. Sylvester Eze**

for the African Diaspora community, to enable their knowledge base to be transferred back to their original countries. The sector must be identified and then explored as to how contacts could be made.

Mr. Grau also contributed that, if a government wants to invest in renewable energy, the said government should offer more incentives to investors. Renewable energy does not need more experts but investment. He also proposed that, the

Western world needs to work with the African Diaspora and vice versa, if things need to work with regards to proper investment and execution of projects in Africa.

Mr. Sylvester Eze concluded that, Africans need to come up with their own concepts. ECOWAS countries need to come up with policies that can help their concepts. The governments do not seem to have experts in the renewable energy sector as it has not been exploited yet. There are people in some of the ECOWAS countries that have the investment capacity, and we do not have to wait for the European or American investors to inject any funds into the system. If concepts could be well proposed to investors, then maybe the concepts can be executed.

He further reiterated that, having a good and secure environment would also make it better for investment, as good policies that impact the population positively, are better for the investor and the customer.

Passionately discussed in this forum was the concept of commerce by African banks in both ECOWAS countries and Europe. It was identified that the ECOWAS countries contributed to an international arena that didn't help in creating jobs or developing technologies for their needs, and thus mostly remained at the disadvantaged edge. Cite the number of European banks that are active in Africa as compared to the number of African banks that can break through in the European arena.

It was also mentioned that the private sectors were those who were calling the shots in most countries as most private sectors were richer than some governments. An opportunity which most African Diasporas could make use of. Although in most ECOWAS countries, the governments are the largest employer for several areas, a few businessmen are also dictating the rules.

Examples were Nigerian banks and business sectors that are currently very fluid. It was noted that, should Nigeria alone spearhead any of such project investments in the ECOWAS countries, no ECOWAS country will need foreign investments be them from China, Brazil, Europe or North America.

The forum on the first day ended at 18:00 p.m. with a reception which gave participants the chance to network and socialize.

VI. 28th April 2012
Morning Session
Solar Africa: The race or the success??

Africa's renewable energy agenda is envisaged to have a huge expansion of solar capacity. Solar energy may offer innovative opportunities for applications that expand baseload utility-scale power development, increase resources, conversion efficiency, and offer more dynamic load support to the utilities. But which technologies will ultimately emerge as the winners in the race for solar? Its benefit as a baseload renewable resource as well as a geologically-derived resource was discussed in this session.

Presented by **Mr. Alexander Sipua**, the *Director of African Affairs in YANDALUX GmbH, Germany*, the questions about how solar energy technologies could be transferred to ECOWAS countries was the main enquiry. Participants were also interested in being informed about opportunities to promote solar energy investment in Africa, the new technologies that are coming up to solve solar panel problems, and if solar energy could be the success story in ECOWAS countries as the sun shining all year round in Africa didn't imply automatic solar energy success?



Mr. Alexander Sipua, the *Director of African Affairs in YANDALUX GmbH*

Mr. Sipua explained to participants that, to work properly in Africa, the efficiency of solar panels has so far been an issue with regards to the weather conditions, for example, if it is too warm the efficiency is low. These and several others, causes challenges at the technical level.

In his opinion, products are mostly not suitable for the African market. In Europe, panels are connected to the grid and the users are compensated from the states. There are feed in tariffs as well. Whereby in most African countries in general, there are no feed in tariffs, thus making off grid solutions problematic. Rural electrification programmes are established, making the electrification of whole villages a success story that requires recommendation.

Mr. Sipua suggested that, ECOWAS countries needed an approach which takes care of the situation in Africa. It's up to the people to speak about their preferences and what works for them; a need for transparency to talk about the solutions.

He folded up with the message that, with lots of success stories regarding solar energy in Africa, there could be no alternatives to renewable energy especially in rural areas in African countries. African counties in general, do not need an immediate large scale solution but can work on small scale technologies.

VII. *Afternoon Session* **Biomass - Challenges to Biomass Sustainability**

The biomass value chain requires innovation, efficiency, resource stewardship and robust defense of market positions for success. Sustainability strategy is evolving quickly in order to connect sustainability objectives with organizational goals. This session provided multiple perspectives on the attainment of sustainability in biomass applications and ventures.

Presented by **Dr. Linus Mofor** of the *IRENA Innovation and Technology Center in Germany*, Dr.



Dr. Linus Mofor, *IRENA Innovation and Technology Center in Germany*

Mofor informed participants that Renewable energy can be set up to facilitate business for profit, especially in existing agri-processing facilities, where enormous opportunities exist for waste to energy value chains. A large part of the energy resources in Africa are not used. The energy chain using renewable energy is endless.

Further to his comments, Dr. Mofor informed participants that, there are several aspects to come up with, in which gases are being emitted. Registering biomass residues waste to energy project for CDM under UNCCC for example, ensures that, the environmental issues are being tackled and regulations are followed properly. The cost of the value chain has not yet been evaluated.

He advised that, funding recommendations could be brought to Member states, the private sector (including various agri processing SMEs), financial institutions including MDBs and private sector investors and development funds such as the Abu Dhabi Fund for Development.

VIII. **The way forward:**

The session ended with a round of questions and answers. The moderator gave time for some participants to give their comments about the event. It was suggested and agreed by participants that:

Project 1: A network platform with all stakeholders, to include African countries involved in renewable energy projects, to be established for future deliberations.

Project 2: An institution that can coordinate a fund, like a Diaspora investment fund as already initiated by the AYF/ABEN at: http://www.aben.ayf.de/ABEN_DIF.html is also needed.

Project 3: Getting the African Diaspora involved in the EU trade agreements and regulations.

Project 4: Creating an invest platform for investments for renewable energy project in ECOWAS countries.

Participants thanked the organizers for organizing such a high level business forum especially in Bonn, Germany to involve African Diasporas in the development of the ECOWAS countries, and expressed their interest in attending such events in future.

The CEO of the Janero Consultancy, Dr. Paulyn Jansen, took the pult after the deliberations to share with participants some of the intricacies in organizing such events with major players involved. Problems ranged from visa issues through institutional competition to culture and psychology of some African Diasporas.

She also elaborated on the need for Diaspora involvement in such projects other than always looking for western institutions to approve and support such projects.

She finally reminded participants that; **ABEN**, as aimed by the organizers, and with the agreement of some participants, has become a new development paradigm, based on broad participation of the masses in market driven economic activities. This paradigm is expected to contribute to how continental and Diaspora Africans can offer a road map to the creation of entrepreneurs and business asset owners through education and investments.

Become a partner in promoting success and entrepreneurial spirit in Africa and Europe!

The forum ended at 18:00 p.m on 28th April 2012. The next event in this series is planned for June 2013.

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