

High-profile bankruptcies in the off-grid sector: Where do we go from here?

Over a billion people in the world remain without access to electricity to this day, perpetuating energy poverty and making local economic growth, and thus sustainable development, nigh impossible.

It has been found that for the majority of this enormous tranche of the global population living mostly in rural areas of Sub-Saharan Africa and South-(East) Asia, the best approach to electrification, is through renewable energy off-grid systems. These are independent electricity production and distribution systems serving everything from small villages to medium-size town.

In recent months, some of the leading companies in the off-grid sector (Mobisol and Solarkiosk) have gone bust, raising concerns among investors regarding the long-term viability of current off-grid business models as such.

In its [new article](#), the Alliance for Rural Electrification (ARE)¹ remains justifiably optimistic about the long-term prospects of off-grid market and argues that the question is not if, but how, the off-grid sector can be turbocharged so that the UN Sustainable Development Goal 7 (SDG7) on universal energy access can actually be achieved.

Moreover, it appears off-grid systems are often the best fit when looking to enable productive use and interlinking sectors such as energy and agriculture or water, thus laying the groundwork for long-term local economic development.

Financial challenges:

The recent shift of the public sector from providing grant-like instruments to blended finance has incentivised some improvement in current business models. However, the expectation of full commercial viability in the near-term, in a sector which targets hardest-to-reach clients and faces market distortion due to heavily subsidised fossil fuels and central grid, is likely overambitious.

Moreover, access to finance remains a huge barrier, compelling off-grid projects and companies to complement partial public funding with costly short-term venture capital. In combination with often inadequate and unsupportive policies and regulations, all of this hinders the upscaling and deployment of new and existing off-grid solutions, and dramatically slows down the electrification of the world's energy poor.

Positive trends:

The International Energy Agency (IEA) notes that renewables have become the technology of choice and that electricity is the fastest-growing source of final energy demand, that will continue to outpace energy consumption as a whole over the next 25 years.²

In particular, as per REN 21's Global Status Report, the off-grid electricity access sector attracted a record USD 512 million of corporate investment in 2018, up 22% from the previous year, despite the abovementioned challenges.³ Indeed, distributed renewable energy systems will remain the core

¹ The [Alliance for Rural Electrification](#) (ARE) is an international business association that promotes a sustainable decentralised renewable energy industry for the 21st century, activating markets for affordable energy services, and creating local jobs and inclusive economies.

² <https://www.iea.org/weo2018/electricity/>

³ https://www.ren21.net/wp-content/uploads/2019/05/gsr_2019_full_report_en.pdf

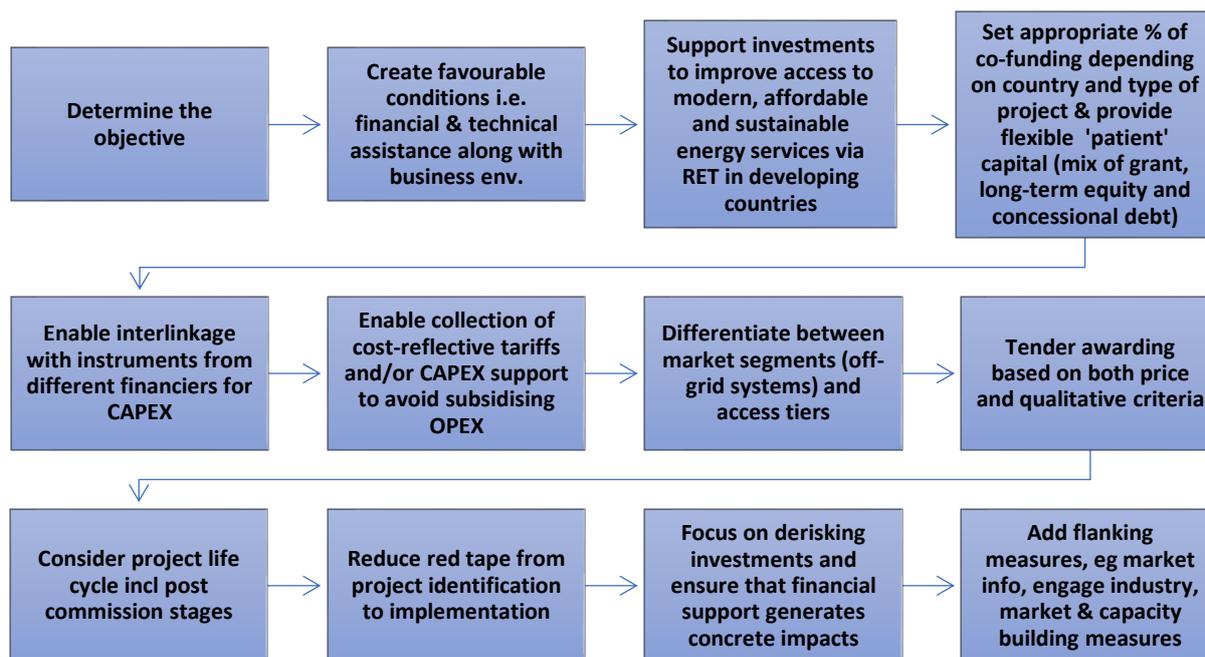
solution to provide power where the traditional grid is non-existent, inadequate, not cost-effective or too distant. The energy needs and corresponding market size remain enormous, and the unelectrified population and small and medium enterprises (SMEs) will need to be electrified rather sooner than later to enable the productive use of renewables and thus local economic development.

Above all, the IEA has found that decentralised systems, led by solar PV in off-grid systems, will be the least-cost solution for three-quarters of the additional connections needed to provide universal electricity for all.⁴

Way forward & recommendations:

What needs to be done to turbocharge the off-grid sector and hence enable universal energy access? In essence, public investors should drive the development of innovative financing mixes, crowding in private capital, accelerate their internal procedures, and set up mechanisms to de-risk investments in the off-grid sector. Initiatives such as the recent EU External Investment Plan and ElectrIFI are great examples of this. Other ideas include more public-private-partnership (PPP) pilots and result-based financing (RBF), containing a healthy combination of smart grants and concessional finance.

To advise policymakers, ARE developed the key recommendations to encourage investment in decentralised renewable energy (DRE), building on a stronger public-private partnerships:



In conclusion, DRE is the best and, in many cases, only option available to bridge the energy access gap and boost sustainable development for most of the 1 billion people still lacking electricity. To achieve universal energy access by 2030, public and private stakeholders must come together now to make investment in DRE a top priority and ensure the right conditions for the off-grid market to realise its full potential and overcome persisting challenges. Decentralised energy solutions are the answer to move forward towards SDG7, and its successful development will power the future of hundreds of millions of lives.

⁴ <https://www.iea.org/energyaccess/>

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Note to the editor

[The Alliance for Rural Electrification \(ARE\)](#) is an international business association that promotes a sustainable decentralised renewable energy industry for the 21st century, activating markets for affordable energy services, and creating local jobs and inclusive economies. We enable improved energy access through business development support for more than 130 Members along the whole value chain for off-grid technologies.