Access to energy services through renewable sources in LAC

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Hotel Alvear Icon - Salón Onyx 1

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Opportunities for LAC

- **Thanks to IDB** for its support for the new ARE Publication ‘Access to Energy Services through Renewable Sources in Latin America and Carribean’

- Results from analysed 29 business cases in 14 LAC countries:
  - Covering basic to advanced energy access solutions (PURE)
  - Increasing energy access can be combined with advanced energy efficiency
  - RE are apt to be used for electrification and empowerment of remote areas
  - ‘no one fits all approach recommended but need for mix of supporting instruments’ as LAC is still in early phase (market activation + bridging public and private capital)
The PURE sector as a whole is currently not considered as “bankable” as the solar lantern or SHS market segments. In addition to the fact that financial needs for rural (not connected) areas are higher than for urban areas, there are several reasons for this, including:

1. **Lack of mini-grid developers that have demonstrated a commercially viable** and scalable model of mini-grid development;

2. **Solar lanterns and SHS operate under comparatively few regulatory constraints** critical to profitability, such as pricing; and

3. **Most mini-grids effectively compete with grid-based power either directly or indirectly** in terms of price, quantity and quality of service.

4. **National tariffs are often subsidized**, it can be extremely difficult for mini-grid projects to achieve profitability, forcing them to rely heavily on grants or government subsidies.

5. **Political and regulatory risks** surrounding issues such as the introduction of fixed tariffs or the extension of the national grid
Attracting RE Investments (1/2)

Action Points to start with in the short term:

- Integrate off-grid electrification in general government energy policy
- Create a level playing field that adequately address the needs of off-grid business solutions
- Follow a technology neutral approach including the importance of hybrid models
- Avoid mismatch of system size and load profile mismatches
- Integrate new initiatives in existing policies
  - Example 1: Replace or open existing diesel subsidies for RETs
  - Example 2: Concession non-connected areas like areas Assigned exclusively to distribution companies
- Apply regular multi-stakeholder dialogue for planning and policymaking
Attracting RE Investments (2/2)

Action Points to consider for mid- & long-term planning:

- Safeguard stable political and regulatory frameworks
- Provide State guarantees to cover dissimilar information and unpredictable risks
- Offer flexible financing instruments to cover different kinds of investments
  - Access to working capital and to finance products that facilitate access for SME businesses
erge to local capital markets
  - Training for local financial institutions
- Training to advance technical/managerial skills of local beneficiaries, in particular to the young
- Define all necessary rules with long-term impact (e.g. what happens when the grid arrives?).
Making achievements accountable:
Impact on the ground = impact for the off-grid operator

- **Energy business sustainability**
  - % increase and kW increase in demand for energy
  - % increase in operator revenue
  - % increase in operator profitability

- **Household income**
  - Average % increase in income of microentrepreneurs and employees
  - Total number of microenterprises founded
  - % of microenterprises founded that are women-owned

- **Job creation and skill development**
  - Number of employees working for new enterprises or for enterprises that have been able to expand and hire due to electricity access
  - Total number of microentrepreneurs trained

- **Sustainability**
  - % of microenterprises that remain in operation after 12 months
  - Average time it takes microenterprises to generate a profit
Looking forward to meet you at the ARE Energy Access Investment Forum (Sicily, 13-15 Mar 2018)!
Please apply for ARE Awards!
About the Alliance for Rural Electrification

Established in 2006 and since summer 2017 Proud Partner of SEforALL, the Alliance for Rural Electrification (ARE) is the only global business association that represents the whole decentralised renewable energy sector for rural electrification in developing and emerging countries.

ARE is acting as a off-grid matchmaking and knowledge sharing hub for RET and sustainable business model solutions. With its concept of Productive Use of Renewable Energy (PURE), ARE aims to create win-win situations for communities by combining international expertise and investment power with local contents and skills development for the benefit of socio-economic development.

ARE offers market development support services around policy advise, private sector cooperation, capacity building and finance access.

ARE currently unites 120+ committed and passionate companies active worldwide. Find out more about which ARE Members are active where with the ARE Off-grid Matchmaking Platform.
ARE runs a Policy & Business Development WG to support its Members based and active in LAC

Based in Latin America

Active in Latin America

More info: Off-grid Matchmaking Platform
Building Markets = Building Opportunities

**STEP 1: Market Activation**
Activating markets starts with building government capacity and consumer awareness, while skill-up businesses.
1. Target-setting
2. Tax incentives
3. Awareness-raising
4. SME-NGO partnerships
5. SME training
6. SME grant funding
7. Support to women’s groups
8. Industry associations

**STEP 2: Bridging Public and Private Capital**
Creating links between public and private capital by building commercial financier understanding of rural energy access businesses, promoting MFI consumer energy finance, and training and financially supporting new rural enterprises.
1. Concessional local currency debt and equity
2. Consumer financing
3. Loan guarantees
4. Market intelligence
5. Sector coordination groups
6. Public-private partnerships

**STEP 3: Scaling Private Capital**
Rapidly expanding rural private-sector penetration and national business development with increased private capital through, for example, PPPs and bundling rural energy investments to test securitization.
1. Harmonized quality standards
2. Licensing and regulatory frameworks
3. Training institutions
4. Bundled project investments

**STEP 4: Mature Ecosystem**
Once rural energy and non-energy enterprises are thriving, with easy access to all forms of commercial and consumer finance, subsidies and guarantees can be reduced. Support will still be required for remote locations and poorest communities.
1. End-user price subsidies for the remote and vulnerable
2. Commercial local currency debt and equity
General Key Recommendations of ARE

Lessons learnt and recommendations from ARE Energy Access Investment Forum (Lisbon, 22-23 March 2017)

1. Encourage cross-sectorial partnerships (See ARE partnerships)

2. Support governments in implementing clear policy frameworks for off-grid solutions (more info).

3. Mobilise more investment in education, research, development and capacity building. see ARE publications; ARE trainings

4. Empower women and youth as key change agents to achieve SE4All objectives.(see ARE position paper on Women & Sustainable Energy, Young Leaders in Energy Access Awards)

5. Develop innovative financing mixes and strong investment structures to de-risk investments in the off-grid sector. (more info)

6. Develop and promote matchmaking as well as knowledge sharing tools. (more info on ARE B2B events, case studies, best practices)