Africa's energy industry needs a clear policy environment

Meeting the demands for Africa's critical energy infrastructure was in the spotlight at the annual Infrastructure Africa Business Forum which was recently held at the Sandton Convention Centre in Johannesburg.

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According to the Africa Progress Panel in its recent 'Power, People, Planet' report, sub-Saharan African governments should be aiming to increase electricity generation capacity tenfold and achieve universal access to electricity by 2030. The International Energy Agency recommends that Africa raise energy generation by 4% per year to 2040.

Sub-Saharan Africa has only 90GW of electricity generation capacity and energy constraints are costing the continent 2-4% of GDP per year. But some progress is evident. There are now 130 independent power providers in sub-Saharan Africa and about 27 private equity investments were made in energy between 2010 and 2013, valued at $1,2bn.

This boost is partly due to President Barack Obama's Power Africa initiative, increased energy cooperation between Europe and Africa, Chinese project finance for large-scale power projects, and South Africa's renewable energy programme.

A key enabler

"Energy infrastructure changes the economy, it adds from a jobs and employment perspective. It's a key enabler and the rest follows. Good infrastructure also makes us more competitive at a global level. Energy infrastructure needs to lead rather than lag," said Kribs Govender, vice-president for business development for power and new energy at Sasol.

According to Romain Py, head of transactions at African Infrastructure Investment Managers, Africa's lack of infrastructure development comes down to policy failures and the stability of the regulatory environment. "No one will invest without clear policy environment. We are talking long-term investments of large amounts of money. If we as investors feel the policy is unclear or not sustainable, we will not invest."

"We need to meet the needs of energy in Africa from an African perspective," Ian Curry from Basil Read Energy said. "The challenges that Africa has from primary resources through to consumers must be solved by Africans and on a regional basis. This historical nationalistic focus we have in South Africa and sub-Saharan Africa is not healthy and we must think beyond our borders, not just as South Africans, or Zimbabweans, but as Africans."

Three crucial aspects

"From a policy and consumer level and from a planning perspective, three things need to be looked at with regards to energy infrastructure, namely security of energy supply; secondly, how affordable your energy source is; and lastly, what is the impact of your energy source on local environment and sustainability? Keeping these three in balance is important in policy considerations," said Shaun Nel, director at the Energy Intensive Users Group.

"We need to align ourselves regionally. Regional integration needs to be looked at right down to the consumer level, but national pride often stands in the way. But our wealth and economic prospects lie within the region," Curry added.

Regional integration will come under the spotlight and will further be explored at the 2016 Africa Energy Indaba, the sister event to the Infrastructure Africa conference and taking place in Johannesburg on 16 and 17 February 2016.

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