



UNIVERSITY OF CAPE TOWN



Africa's Power Investment Landscape

Why Scaling Renewable IPPs is Essential

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Africa faces a massive electricity investment gap

- Around 600 million people still lack electricity access
- Demand will grow 40–50% by 2030 and double by 2040
- Africa needs to add ~182 GW of new capacity by 2030

Current investment levels far from what is needed to close the gap

- Required: ~USD 64 billion/year
- Actual: ~USD 35 billion/year
- Gap: ~USD 25–30 billion/year
- Governments face severe fiscal constraints

Renewable IPPs offer most practical path to rapidly scale investment

- Solar and wind driving new generation capacity
- Competitive procurement & auctions attract investment
- Scale remains far below what is required

Africa-Europe partnerships can unlock much larger investment

- European investors, DFIs and EPC firms deeply involved
- European sponsors hold large share of IPP equity
- Partnerships can mobilise larger private investment



6 Priorities for Scaling RE IPPs

01

Strengthen Competitive Procurement

Support transparent, repeatable auction programmes with standardised documentation and clear evaluation processes.

02

Improve PPA Bankability & Payment Security

Standardise PPAs and deploy guarantees or liquidity mechanisms to manage offtaker and sovereign risk.

03

DFI Instruments: Crowd In Private Capital

Leverage DFI balance sheets to mobilise commercial and local-currency lenders — not crowd them out.

04

Support Early-Stage Project Development

Fund development facilities that move projects from concept to bankable design.

05

Invest in Grid Readiness for IPPs

Prioritise transmission and grid investments that enable IPP project deployment.

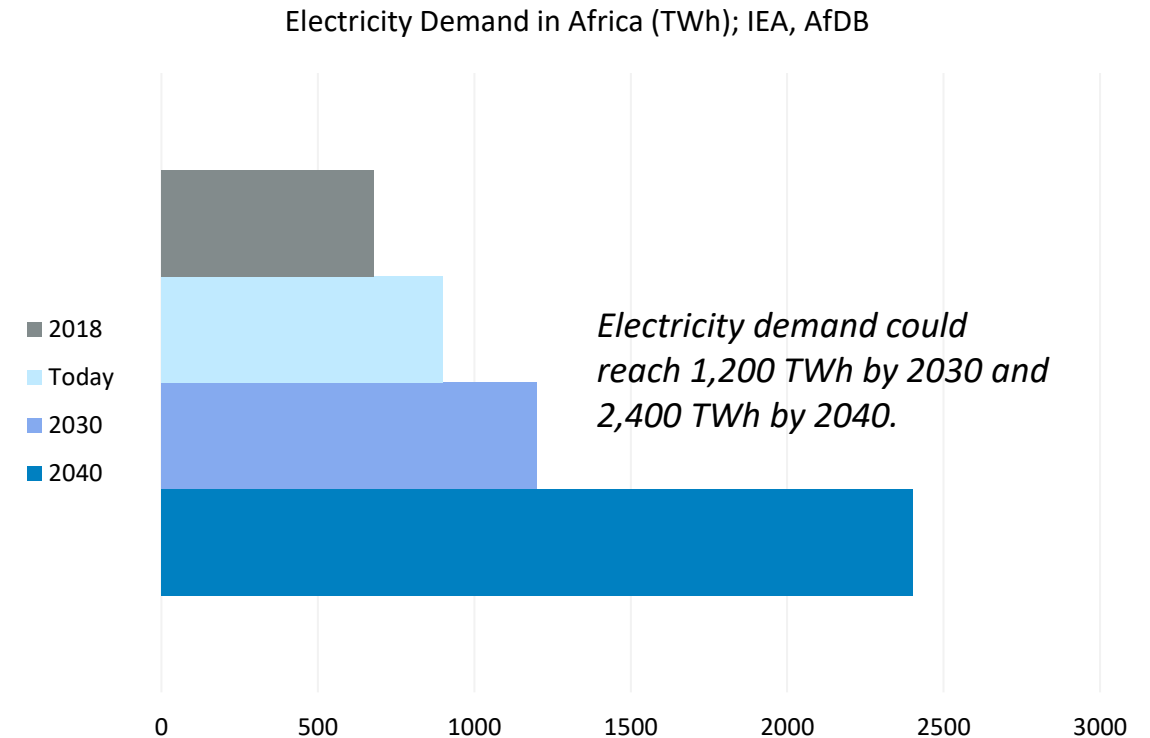
06

Deepen African–European Partnerships

Strengthen collaboration across finance, development and project delivery along the full value chain.

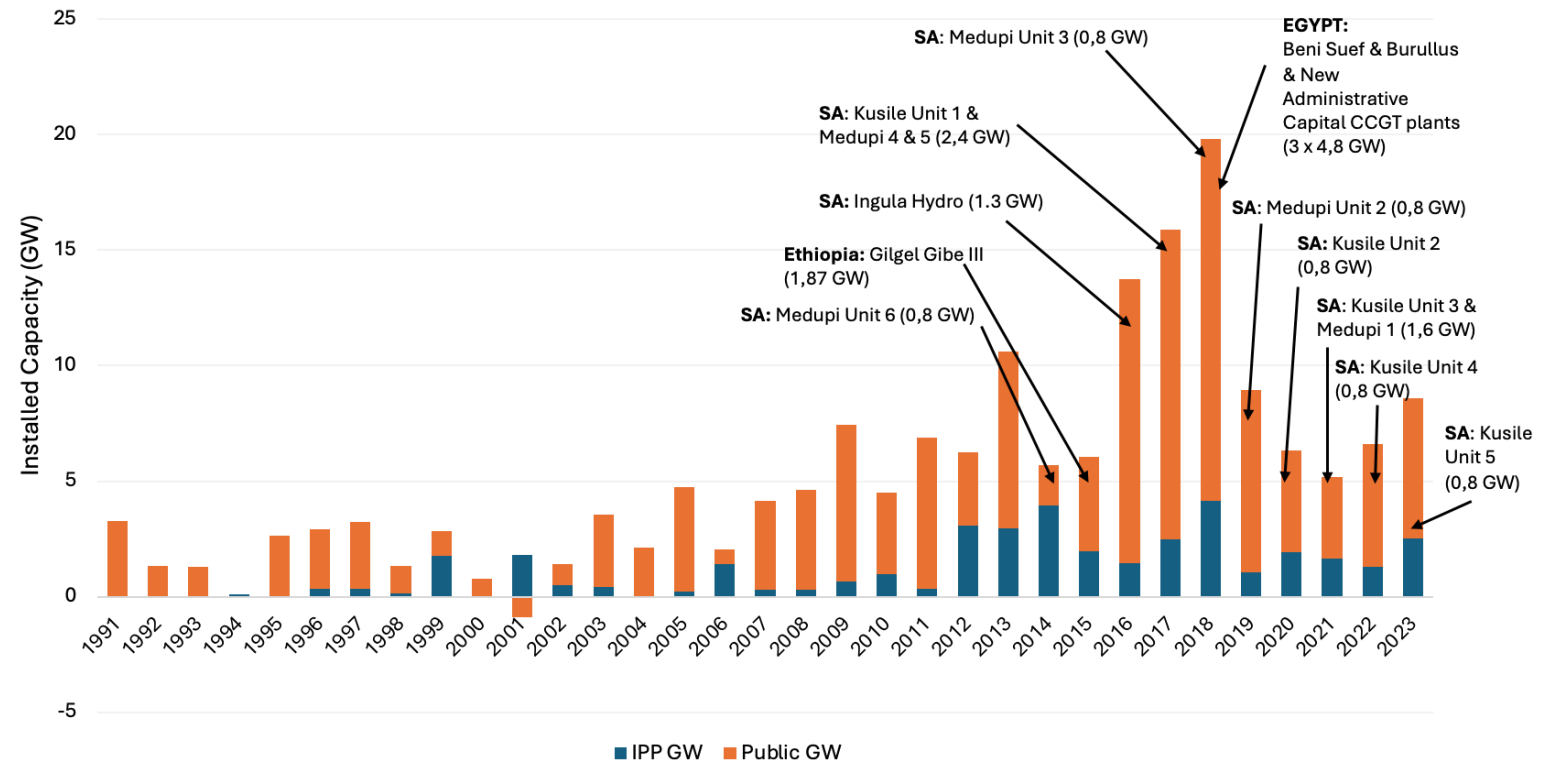
Africa's Power Sector Faces a Massive Expansion Challenge

- **Africa must scale electricity investment** and infrastructure deployment much faster than current trends allow.
- Increasing demand **while 600 million people still lack electricity access.**
- **Africa needs to add around 26 GW of capacity annually** and **increase investment** from approximately **USD 35 billion today to USD 64 billion.**
- Additional investment **needs include grid expansion**, climate-resilient infrastructure and last-mile access.



Where Investment Is (And Isn't) Happening – Africa

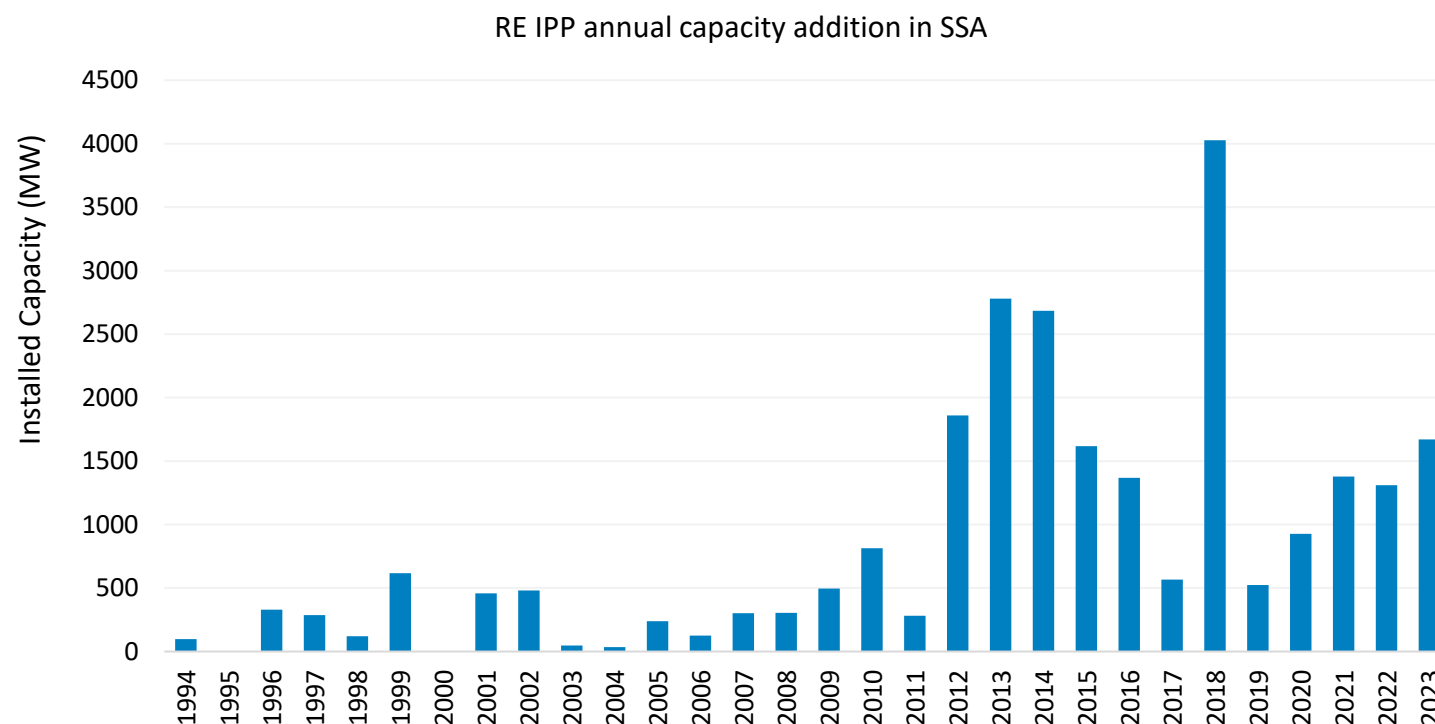
- Aggregate data hides regional realities.
- Large public projects dominate headline statistics:
 - **South Africa:** Medupi and Kusile coal plants
 - **Egypt:** large combined-cycle gas plants
 - But these skew the overall picture of investment trends.



The Reality in Sub-Saharan Africa

Once **large public projects** are **removed** from the analysis, **trends become clearer:**

- **Meaningful** capacity additions have come from **renewable IPPs.**
- **However,** the absolute **volumes remain small** (<200 MW in many countries).



The Case for Renewable IPPs: Necessity, Mechanism And Enablers



Governments and utilities face significant financial limitations

Rising public debt and limited fiscal space
Weak utility balance sheets and low revenue collection
High technical and commercial losses

IPPs use project finance structures that attract private investment

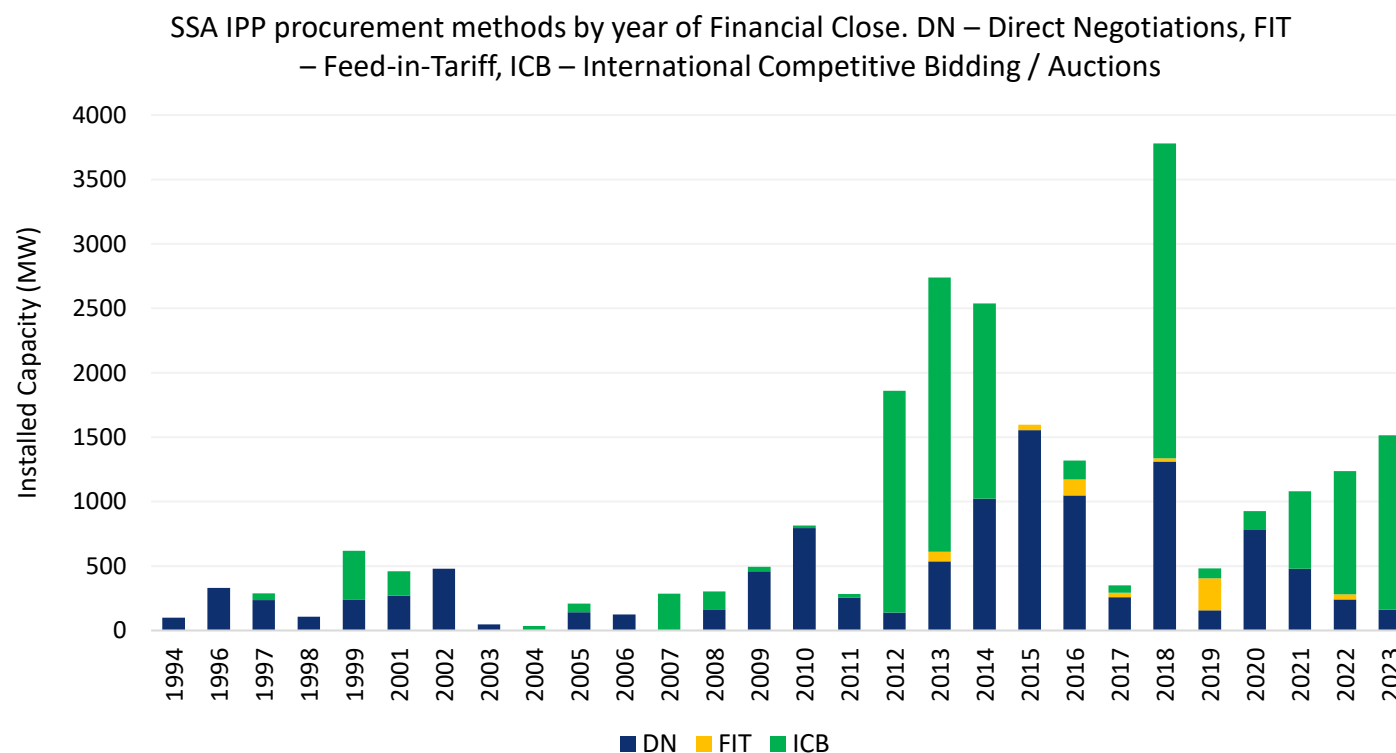
Typical financing: 20–30% equity / 70–80% debt
Capital from developers, DFIs, commercial banks and ECAs
Reduces reliance on government balance sheets

Private investments scales where enabling market conditions are in place

Competitive procurement (auctions)
Bankable PPAs and payment security mechanisms
Clear regulation and grid access

IPP Procurement Matters

- Auctions outperform direct negotiations.
- Competitive procurement delivers:
 - Lower tariffs
 - Greater investor confidence
 - Repeatable project pipelines
- Main Examples: South Africa – REIPPPP, Morocco – MASEN programme

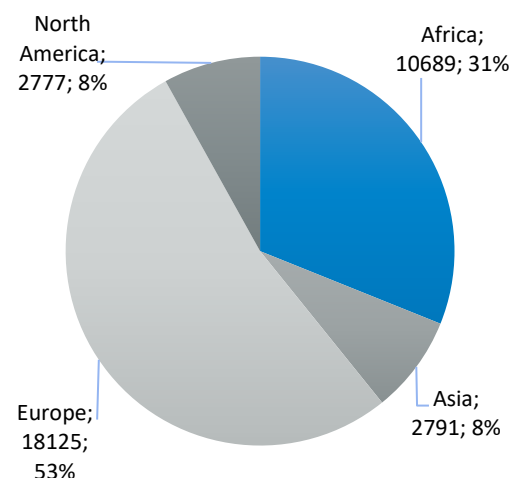


Who Invests in SSA IPPs?

Let's look at the investment value chain

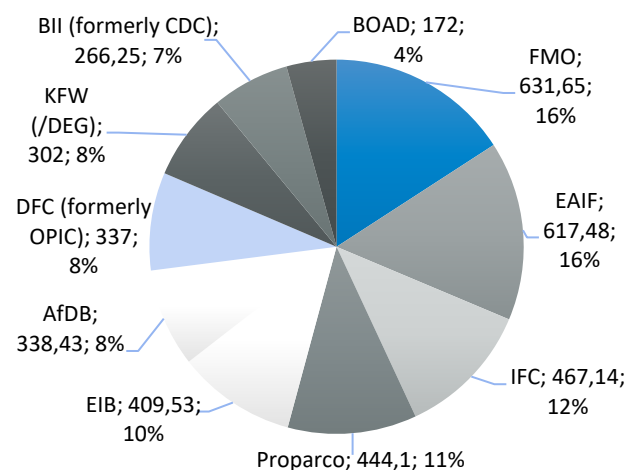
Zooming-in on SSA, the picture that emerges is one of strong European presence alongside growing African participation

Equity: Majority Project Shareholding by Region (HQ) – IPP SSA Total \$m



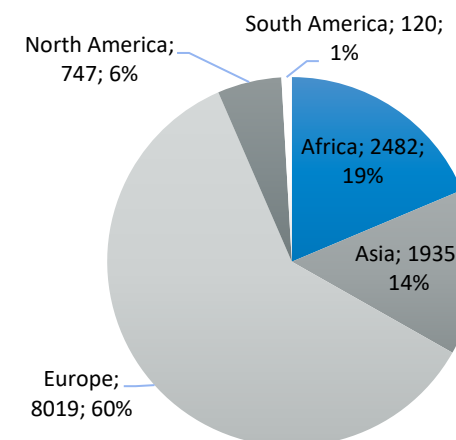
Leading countries: France, South Africa, UK, Italy, and USA.

Debt: DFI Volume of Investment Contribution in SSA IPPs



Leading institutions: FMO (Netherlands), EAIIF (majorly EU), IFC (global), Proparco (France), and EIB

EPC: Geographic Origin of EPC Firms in SSA IPP Projects (MW)



Leading countries: Spain, South Africa, Norway, and China

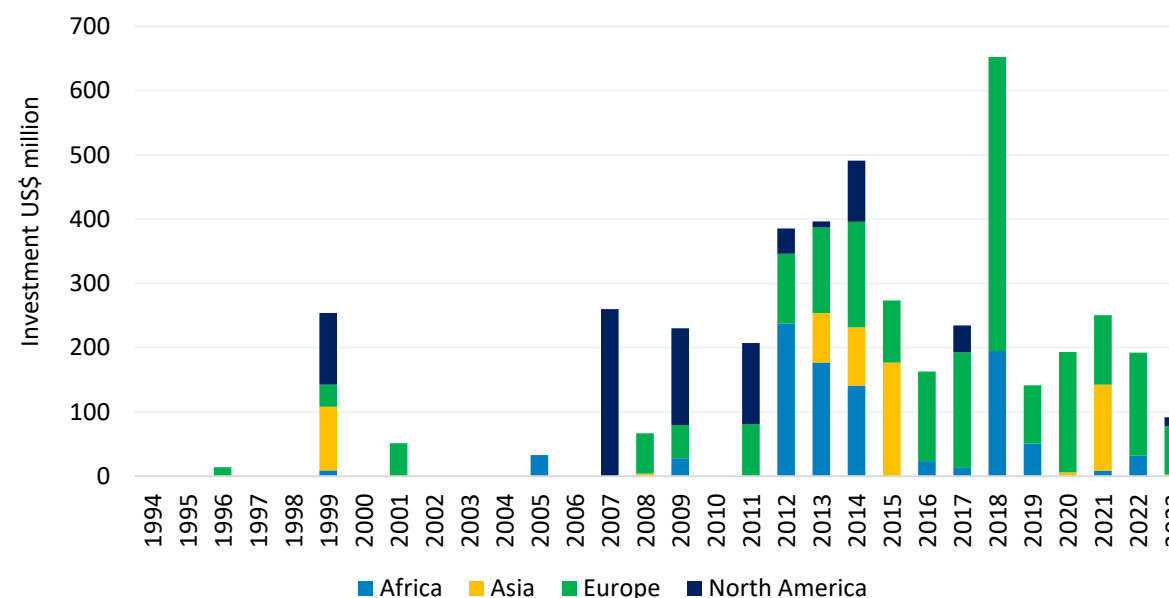
Note: China also plays a prominent role on the equipment supply and manufacturing

➔ The **value chain** analysis **excludes equipment manufacturing**, as project-level data for these segments is very limited. Instead, the value chain here is **defined** within the boundaries of **IPP project structuring, financing and delivery components**, namely **equity, debt, and EPC**.

Equity Investment in RE IPPs

- **European sponsors hold the largest share of majority equity** in SSA renewable IPPs, particularly on a total-investment basis.
- African sponsors play a sizable and growing role, especially in South Africa and Kenya.
- When actual equity contributions are tracked, European investors have been dominant since the mid-2010s.
- North American investors were prominent in the 2000–2009 period but have since declined in relative terms.

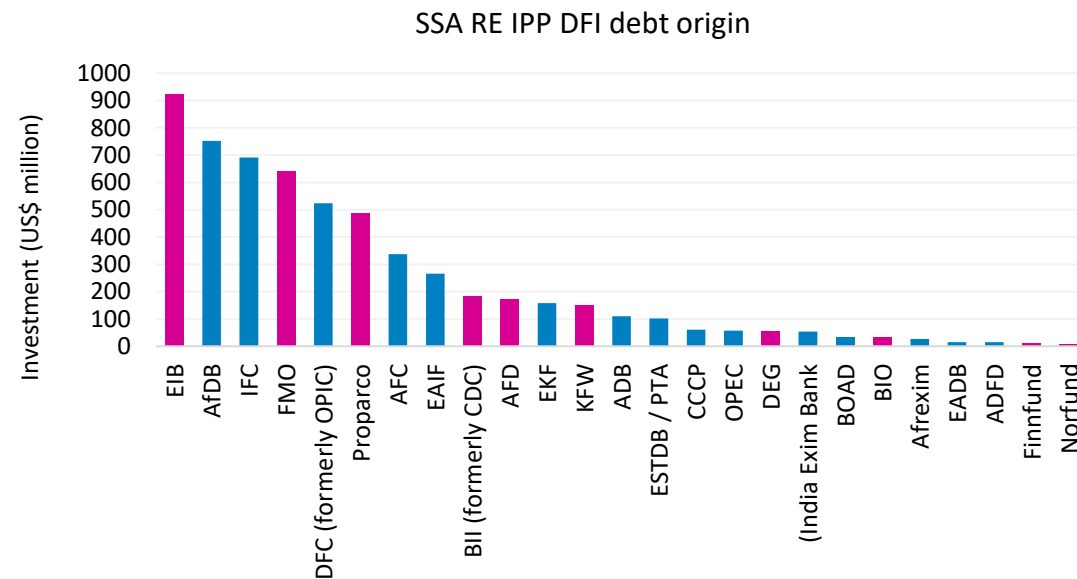
Origin of actual IPP equity contribution in SSA



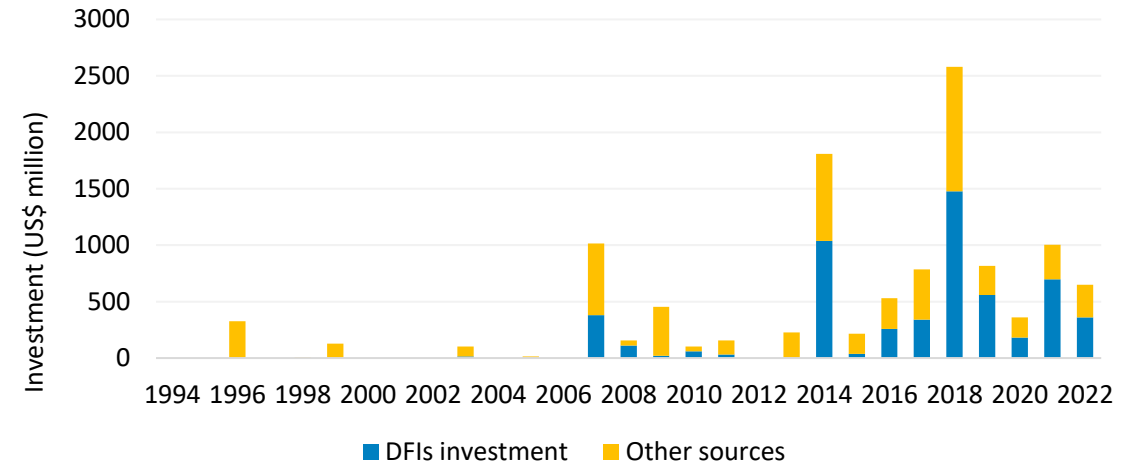
DFIs are central to SSA RE IPP debt financing



- **European DFIs (FMO, Proparco, EIB, BII, KfW/DEG, etc.) collectively provide IPP debt financing at a level comparable to that of all multilateral and regional DFIs combined.**



SSA RE IPP Debt - DFI vs other sources



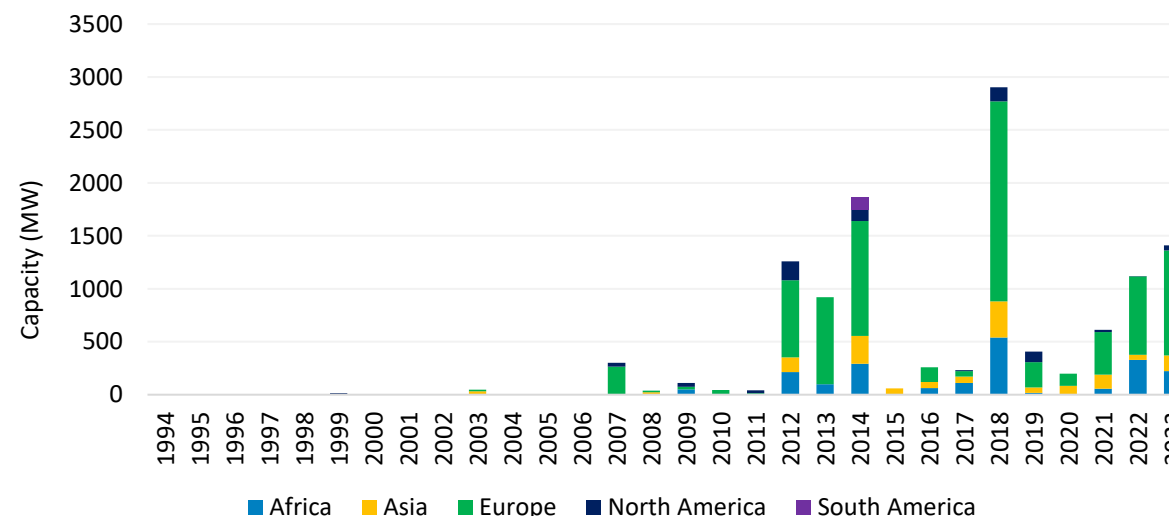
- **More than three-quarters of European DFI IPP debt goes into renewable-based projects**

EPC Market for RE IPPs



- **European EPC firms have emerged as dominant players** in RE and donor-aligned projects.
- **Asian firms retain a strong presence in fossil fuel projects;** fossil capacity is twice their RE capacity.
- **African EPC firms (mostly South African)** play a modest but **growing role in RE.**

SSA IPP EPC Firm origin – Renewables



Main Takeaways on the Investment Ecosystem



- **Europe is Already Deeply Embedded:** European firms are leading equity investors, DFI lenders and EPC contractors in Africa’s renewable IPP sector, providing a strong base for further scale.
- **African Partners are Essential but Face Structural Constraints:** African developers play a growing role but face capital constraints, limited long-tenor finance and higher early-stage development risk. Targeted support can shift the balance.
- **Strategic and Developmental Interests are Aligned:** Africa needs clean power at scale; Europe has the capital and technology to help deliver it, making renewable IPPs both a development imperative and a strategic opportunity.

Call To Action

- **For Africa – A Developmental Imperative:** Africa must close a massive power investment gap while expanding access and scaling low-carbon energy, requiring investment beyond public finance alone.
- **For Europe – A Strategic and Industrial Opportunity:** European DFIs, investors and EPC firms are central to Africa’s IPP markets. Initiatives such as Global Gateway can scale this engagement and strengthen a rules-based investment environment.
- **The Pathway:** Stronger procurement frameworks, bankable PPAs, grid investment and risk-mitigation tools can unlock significantly larger volumes of private renewable investment.



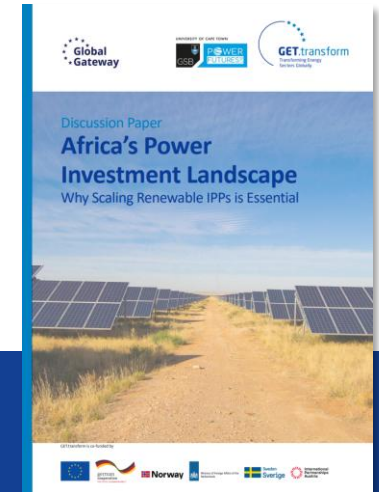
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