

Spotlight

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Rolling out Africa's
Continental Masterplan at
Scale: The Role of Energy
Tendering Systems

AEEP Energy Talks

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AEEP Energy Talks **Spotlight**

Rolling out Africa's Continental Masterplan at Scale: The Role of Energy Tendering Systems

Key findings from the 16th AEEP Energy Talks on 11 September 2024

SUMMARY

The 16th AEEP Energy Talks on 11 September 2024, titled "Rolling out Africa's Continental Masterplan at Scale: The Role of Energy Tendering Systems", examined the role of energy tendering systems in Africa's quest to deploy and expand access to clean energy.

Opening remarks were given by **Marion Schiller-Probst**, International Relations Officer at the Directorate General for Energy (DG ENER) of the European Commission, and **Sara Elhag**, Head of the Energy Division at the Infrastructure and Energy Department of the African Union Commission (AUC). Both emphasised the importance of the Continental Power Systems Master Plan (CMP) to achieve an affordable, reliable, and clean energy future in Africa, while also highlighting the successful collaboration between the African Union and the European Union regarding clean energy access. Following the opening remarks, **Dr Amine Idriss**, Senior Director at the African Union Development Agency-NEPAD (AUDA-NEPAD), stressed in his keynote speech the importance of efficient procurement mechanisms to achieve Africa's climate goals and build a sustainable energy future.

Valuable insights into the opportunities and challenges of tendering systems were presented by **Ene Macharm**, Head of Global Partnerships of GET.transform, and **Olakunle Alao**, Research Consultant at the Power Futures Lab (PFL), in their summary of a joint report titled "Driving Growth: Effective Renewable Energy Tendering in Africa".

A panel discussion followed, where Olakunle Alao and Ene Macharm were joined by **Claire Nicolas**, Senior Energy and Climate Change Economist at the Energy Sector Management Assistance Program (ESMAP) of the World Bank, and **Antony Karembu**, Principal Investment Officer and Renewable Energy Specialist at the African Development Bank (AfDB). The discussion delved into the effectiveness of auction systems, the need for transparent regulatory frameworks and capacity building, suitable risk management, and the critical role of international partnerships in accelerating sustainable growth across the continent.

Introduction

Access to reliable, affordable, and clean energy is a key factor for Africa's economic growth, improved living standards, and sustainable development ambitions. Yet, despite the continent's rich energy potential, energy poverty remains a pervasive challenge. [600 million Africans continue to live without access to electricity](#). To increase access to electricity, the African Union Development Agency (AUDA-NEPAD) has developed the African Continental Power Systems Masterplan ([CMP](#)), which aims to achieve universal access to electricity in Africa by 2040. The financing requirements of the power sector, however, surpass the limited resources of many countries' public finances. Thus, the private sector has become a significant source of investments in Africa's electricity sector.

In the same vein, the continent's renewable energy sector has recently witnessed substantial growth, mainly driven by the expanding role of these privately funded projects and declining technology costs. The procurement mechanisms employed in contracting independent power producers (IPPs) have proven to be a key factor in determining their successful realisation. Amongst these methods, tendering systems and auctions have emerged as a powerful tool for accelerating the deployment of renewable energy projects, fostering competition, and enhancing project realisation rates. With African countries looking to address the double challenge of energy security and climate change, energy procurement has become a critical aspect of shaping the energy landscape for Africa's future.

Opening Remarks

Marion Schiller-Probst, International Relations Officer at the Directorate General for Energy (DG ENER) of the European Commission, commenced the Energy Talks by affirming that energy is central to the ambitions and long-term planning of the African and European continents, both from an economic and a sustainability perspective. Thus, optimising energy procurement is a central challenge. She further explained that competitive bidding systems have emerged on both continents, which has generally led to extremely competitive pricing alongside sensible risk allocation between stakeholders. In addition, Ms Schiller-Probst underlined that the EU continues to support the policy decisions by the African Union Commission, through for example the EU Technical Assistance Facility's (EU TAF) work with AU institutions on developing the CMP. She emphasised that the success of bi-continental energy collaboration requires political dialogue, for which the Secretariat of the AEEP plays a crucial role.

Sara Elhag, Head of the Energy Division, Infrastructure and Energy Department of the African Union Commission (AUC), accentuated that renewable energy provides the opportunity to simultaneously promote development, sustainable energy access, and climate change. She explained that the CMP will leverage Africa's abundant clean energy resources to achieve universal access to clean energy. However, to reach the goal of adding 220 GW of clean electricity generation capacity by 2040, current investments need to be tripled, which requires innovative approaches and an enabling environment. In this regard, the use of energy tendering and auctions has the potential to lead to market-reflective, efficient, and low energy costs. To reach their full potential, tendering systems need to be well-designed and accompanied by transparent policies and regulatory frameworks.

Keynote Speech

Succeeding the opening remarks, the keynote speech by **Dr Amine Idriss**, Senior Director at the African Union Development Agency-NEPAD (AUDA-NEPAD), highlighted the importance of energy procurement mechanisms for the objectives of SDG7 – affordable, reliable, and modern energy for all – and the African Union's energy and climate goals. Specifically, he explained that significant

increases in investments are needed, and that private capital will be required to meet these ambitions. Dr Idriss continued to explain that tendering systems have proven to be very successful in achieving these ambitions. Examples for fruitful tendering processes can be seen in South Africa with the Renewable Energy Independent Power Producer Procurement Programme ([REIPPPP](#)), the Noor power plant in Morocco, and finally the Azito power plant in Côte d'Ivoire. In these examples competitive tendering attracted large sums of private investment, driven by clear policy frameworks, strong institutional governance, and international financing. This shows that tendering systems have the potential not only to enhance national energy security, but also to foster regional cooperation in energy matters.

Dr Idriss, however, also explained that a major obstacle in energy project developments remains the lack of early-stage project preparation. Specifically, he identified financial and political risks as one of the main issues in private investments in the energy sector. To mitigate these, sovereign guarantees, credit enhancement mechanisms and political stability are essential. Assisting in these matters is the main goal of the Service Delivery Mechanism ([SDM](#)), an instrument developed by AUDA-NEPAD together with partners, to provide early-stage assistance through viability studies, environmental and social impact assessments, and procurement preparation.

Dr Idriss offered three suggestions to better integrate tendering systems in current procurement mechanisms: Firstly, regulations need to be stable and transparent, while also clearly defining the role of the private sector. Secondly, national energy planning needs to be aligned with procurement to ensure a consistent output of projects. Thirdly, and finally, capacity building is required to establish well-resourced, competent, and independent entities which can design and manage successful tenders. Dr Idriss concluded by emphasising that well-structured tendering systems are essential to unlock Africa's renewable energy potentials and to build a sustainable and prosperous energy future.

“Early support from SDM reduces project risk, accelerates financial closure and enhances investor confidence.”

– Dr Amine Idriss



New Report on Tendering Systems in Africa

Ms Ene Macharm, Head of Global Partnerships of GET.transform, and **Mr Olakunle Alao**, Research Consultant at PFL, presented key results of a joint report titled “[Driving Growth: Effective Renewable Energy Tendering in Africa](#)”, offering guidance on successful auction practices. Specifically, the study aims to identify success elements of tendering systems and better inform interested countries to improve their capabilities for successful renewable energy procurement. The study investigated success factors on three levels: at the country level, the programme level, and the project level.

The main recommendations of the report are that clear and stable regulatory frameworks need to be established, while also merging energy planning and energy procurement. In addition, governments should invest in the institutional capacities of implementing agencies and equip them with sufficient resources, expertise, and independence. Finally, lender requirements should be

included in the procurement process at an early stage, as project financing remains a major factor for project realisation. Ms Macharm also underscored the need for continued international cooperation in expanding clean energy access, as the global energy transition cannot be achieved in isolation. Instead, she emphasised, partnerships are what enables us to tackle these challenges.

“We cannot afford to think in silos. We need to learn from each other to achieve our climate goals.”

— Ene Macharm



Panel Discussion

A panel discussion followed with insights from **Mr Antony Karembu**, Principal Investment Officer and Renewable Energy Specialist at the African Development Bank (AfDB), **Ms Claire Nicolas**, Senior Energy and Climate Change Economist at the Energy Sector Management Assistance Program (ESMAP) of the World Bank, **Ene Macharm**, Head of Global Partnerships of GET.transform, and **Olakunle Alao**, Research Consultant at the Power Futures Lab (PFL).

The discussion was moderated by the Head of Secretariat for the AEEP, **Mr Johan van den Berg**.

Enhancing Energy Procurement through Tendering Systems

Mr Karembu initiated the discussion by pointing out that energy serves as a catalyst for industrialisation and economic development, including the creation of new employment opportunities. He added that Africa has a lot of potential for reliable and affordable energy due to its rich natural resources. This will not only enhance energy security, but also facilitate access to electricity at a lower cost in the future. He emphasised that energy is pivotal to generate sustainable and inclusive growth, while prioritising human wellbeing and livelihood. Specifically, he argued that access to clean energy – including clean cooking – is also crucial for achieving gender equality and health improvements.

Following these remarks, **Ms Nicolas** steered the discussion towards procurement mechanisms that will enable Africa to reach its energy goals. She noted that the AU has a very strong instrument at hand with the CMP. In particular, she identified the CMP's regional and continental scope as a major advantage. Indeed, energy planning on a supranational level is crucial to deploy variable renewable energy (VRE), i.e. solar and wind power, at a large scale while minimizing the need for frequent curtailment. In addition, **Ms Nicolas** advocated for the CMP to be endorsed at country level, which would enable governments to derive investment plans in the medium-term. This, in turn, would facilitate auction design and enhance visibility to investors.

Ms Nicolas, however, also stated that launching a tendering process in a country for the first time may prove challenging, as it requires building capacities of all power sector actors, including regulators, utilities, and other public actors. Nevertheless, once in place, tendering systems may be scaled up rapidly while ensuring efficiency and transparency. She also noted that direct negotiations, too, usually require a lengthy process, thus putting into perspective the efforts required to initiate tendering systems. She concluded by suggesting that risk allocation remains an unsolved issue, which was taken up at a later point by the panel.

Mr Alao agreed that tenders offer many advantages, the first one being that they encourage competition, which in turn leads to lower prices. In addition, he argued that tendering processes increase the chances of project realisation as long as strict qualification criteria are applied in terms of technical and financial capabilities. Finally, **Mr Alao** stated that tendering enhances attractiveness for investors, which has the potential to significantly increase investment volumes. Specifically, comprehensive institutional and regulatory frameworks, including well-structured procurement programmes, create an attractive environment for investors and facilitate fast renewable energy deployment.

Building on the fruitful discussion, **Ms Macharm** emphasised that tenders and auctions are crucial to implement the CMP. She argued that implementing the CMP will create large synergies between national, regional, continental energy planning, which will further facilitate investments. On a final note, **Ms Macharm** pointed out that the specific procurement mechanism must depend on the technology that is to be employed. She gave the example of large-scale hydro plants, for which procurement mechanism other than tenders might be more beneficial due to the large project size and duration.

Creating an Enabling Environment

The discussion moved towards the question of project realisation, and specifically, how to remove existing barriers. **Mr Karembu** stressed the need to simplify administrative processes, as bureaucracy often creates obstacles for project finance. He also took up a point made by **Ms Macharm** earlier, suggesting that tendering systems and power purchasing agreements need to be tailored to specific technologies. In addition, he underscored the need to improve the capacities of utilities to understand how auctions are designed. Furthermore, **Mr Karembu** proposed to encourage private sector participation through tax incentives, better access to finance, and credit enhancements. On a final note, he stressed that local participation is important and may provide benefits for the general population as seen in certain procurement processes in South Africa, where tendering criteria required 20% of project components to be manufactured locally.

“We need to encourage private sector participation through tax incentives and easy access to finance, if we want to scale up renewable energy.”

— Antony Karembu



Following up on this matter, **Ms Nicolas** noted that the private sector requires clear and stable regulations which specify the public institutions responsible for launching the tendering process, and clearly define the ownership structure of the project. In addition, she pointed out that many utilities in sub-Saharan Africa are overburdened with debt and thus often not creditworthy. To mitigate these bottlenecks, governments must provide guarantees or similar securities.

Ms Macharm agreed that regulatory frameworks need to be straightforward and added that they need to align with specific market needs, rather than relying on regulations from other countries. **Ms Macharm** also added that monitoring progress is critical to assess implemented regulations. This is an issue where development partners may provide their assistance.

To conclude, **Mr Alao** stressed the importance of an independent regulator to set cost-effective tariffs, ensuring that the sector remains viable and attractive to the private sector.

Mr van den Berg raised the question of broader socio-economic benefits for the local population that may result from tendering systems. **Mr Alao** noted that an analysis of socioeconomic metrics from auction systems showed that additional jobs have been created during construction of the procured energy systems, but further assessment is needed to fully understand the broader impacts of auctions and tendering systems.

Risk Management and Mitigation in the Context of Tendering Systems

On the topic of risk management and mitigation, **Ms Macharm** argued that risks should be allocated to the parties best suited to manage them, which increases the likelihood of project success. She stressed the need to assess risks at different stages of the project and to utilise available risk management tools, such as sovereign guarantees and letters of credit. She suggested that development partners can provide technical assistance in risk assessment.

While agreeing with this, **Ms Nicolas** emphasised that risk allocation must be tailored to each project or country, as there is no one-size-fits-all approach. Risks must be identified, mitigated, and reduced before tenders are launched. She noted that some risks, such as currency convertibility risks, are unforeseeable and require innovative solutions. Such solutions may include financing from multilateral development banks (MDBs), climate finance mechanisms, trust funds, or donor funding. Existing mechanisms like those provided by the Multilateral Investment Guarantee Agency (MIGA) may also be beneficial. **Ms Nicolas** was confident that success of early projects will attract further investment once risk management is successfully implemented.

Mr Karembu agreed, additionally calling for comprehensive risk management frameworks that address regulatory, financial, technical, social, and environmental risks at once.

Putting the discussion into perspective, **Mr Alao** identified currency risks as a major concern, citing issues of currency volatility, depreciation, and convertibility and transfer issues. Specifically, he explained that while MIGA covers political and social risks, and credit risks are largely accounted for by other mechanisms, currency risks remain difficult to manage. He also mentioned site selection as a growing risk factor, particularly in relation to grid constraints. This can be seen in examples from South Africa and Mauritius, where energy deployment projects were halted due to lacking grid extensions.

“What really matters for scaling up auction systems is government ownership, capacity building, and South-South exchange.”

– **Claire Nicolas**



Ms Nicolas added that currency risks are complex to solve, and while domestic lending and capital expenditures in local currency would be ideal, the domestic lending market is often too expensive. She indicated that alternative financing solutions beyond donor funding are required.

Outlook on the Future of Tendering Systems

The panel emphasised the importance of international partnerships in enhancing tendering systems. **Mr Karembu** stressed that partnerships are key for technical assistance and capacity building, while **Ms Macharm** suggested that South-South cooperation could be particularly fruitful, as countries may exchange experiences and learn from each other through these channels. She also highlighted

the potential for AU-EU partnerships to further encourage and assist with regional integration. **Mr Alao** pointed out that multilateral cooperation, including Development Finance Institutions (DFIs), still accounts for 70% of all loans outside of South Africa, demonstrating the importance of increasing private funding in the energy sector.

In closing, the panellists shared their ambitions and hopes for the future of tendering systems. **Ms Nicolas** emphasised the importance of government ownership and capacity building, along with international collaboration to launch tendering programs in the medium to long term. **Mr Karembu** expressed the need for knowledge sharing, especially within African countries. **Mr Alao** underscored the need to consider the unique contexts of countries in Africa when driving projects forward and implementing new regulatory frameworks. Finally, **Ms Macharm** emphasized the urgency of closing the electricity access gap, noting that over 600 million people still lack access to electricity. She stressed that energy is crucial for improving livelihoods, and it is essential to remember that these are more than just statistics—energy access is key to strive towards the African Union’s Agenda 2063: The Africa We Want.

“In Africa, most contexts are unique. We need to create bespoke solution that speak to the realities of the countries.”

— **Olakunle Alao**






Conclusions of the AEEP Energy Talks: “Rolling out Africa’s Continental Masterplan at Scale: The Role of Energy Tendering Systems”

- **Expanding access to clean energy remains a key priority** for the African continent.
- **Tendering systems enable the African continent to achieve its ambitious energy and climate goals** by facilitating and increasing private investment in the energy sector.
- **Regulatory frameworks need to be put in place to ensure transparent and efficient energy procurement** while taking into account the individual context of energy projects.
- **Risk mitigation**, especially regarding currency risks, remains a **pervasive challenge for private investments**.
- **International cooperation**, both on the AU-EU level and South-South level, **is crucial to enhance capacity building** and to ensure continuous knowledge and technology transfer.

About

The Africa-EU Energy Partnership (AEEP) is Africa and Europe’s gateway for joint action on a green energy future. With an unmatched overview of the political processes and initiatives across both continents, the AEEP maps, monitors and convenes the actions and stakeholders that drive the African and European energy transformation. Providing a forum for political dialogue, knowledge sharing and peer connections, it enables Africa and Europe to make progress on their path to a sustainable energy future.

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-  africa-eu-energy-partnership.org
-  info@aEEP-secretariat.org
-  [@AfricaEUEnergy](https://twitter.com/AfricaEUEnergy)

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