

Addressing Energy Poverty: The OFID Approach



4th IEF-OFID Symposium on Energy Poverty
Cape Town, South Africa
May 2-3, 2019

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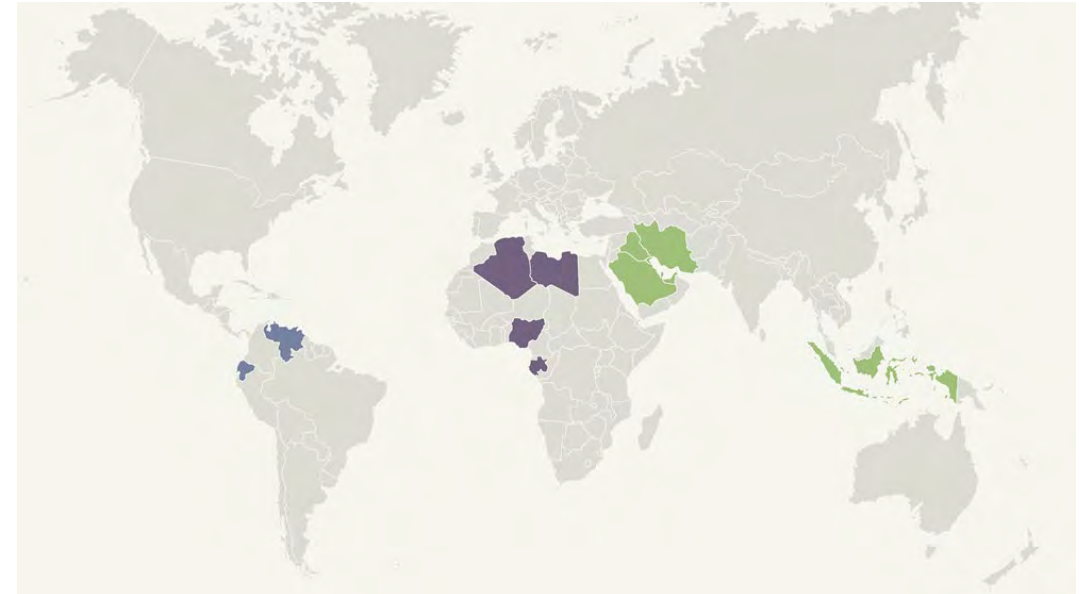
Uniting against Poverty

Outlines

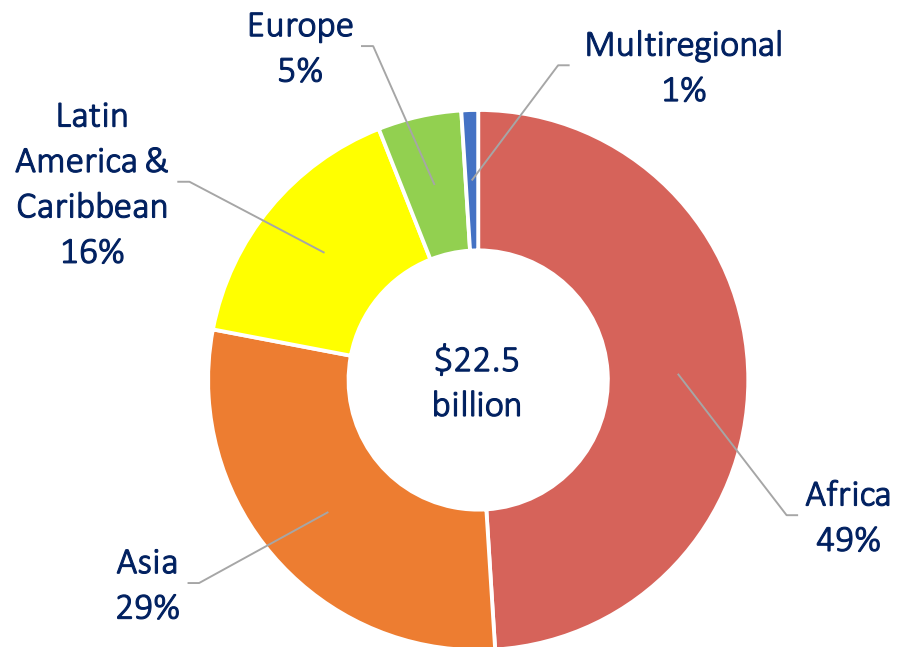
- **OFID at a glance**
- **Energy access: Where we are today?**
- **Financing Universal Energy Access**
- **Beyond financing**
 - Investment enabling environment
 - Innovated financing Solutions
 - Technology solutions.
- **OFID... A pioneer in fighting energy poverty.**

OFID at a glance

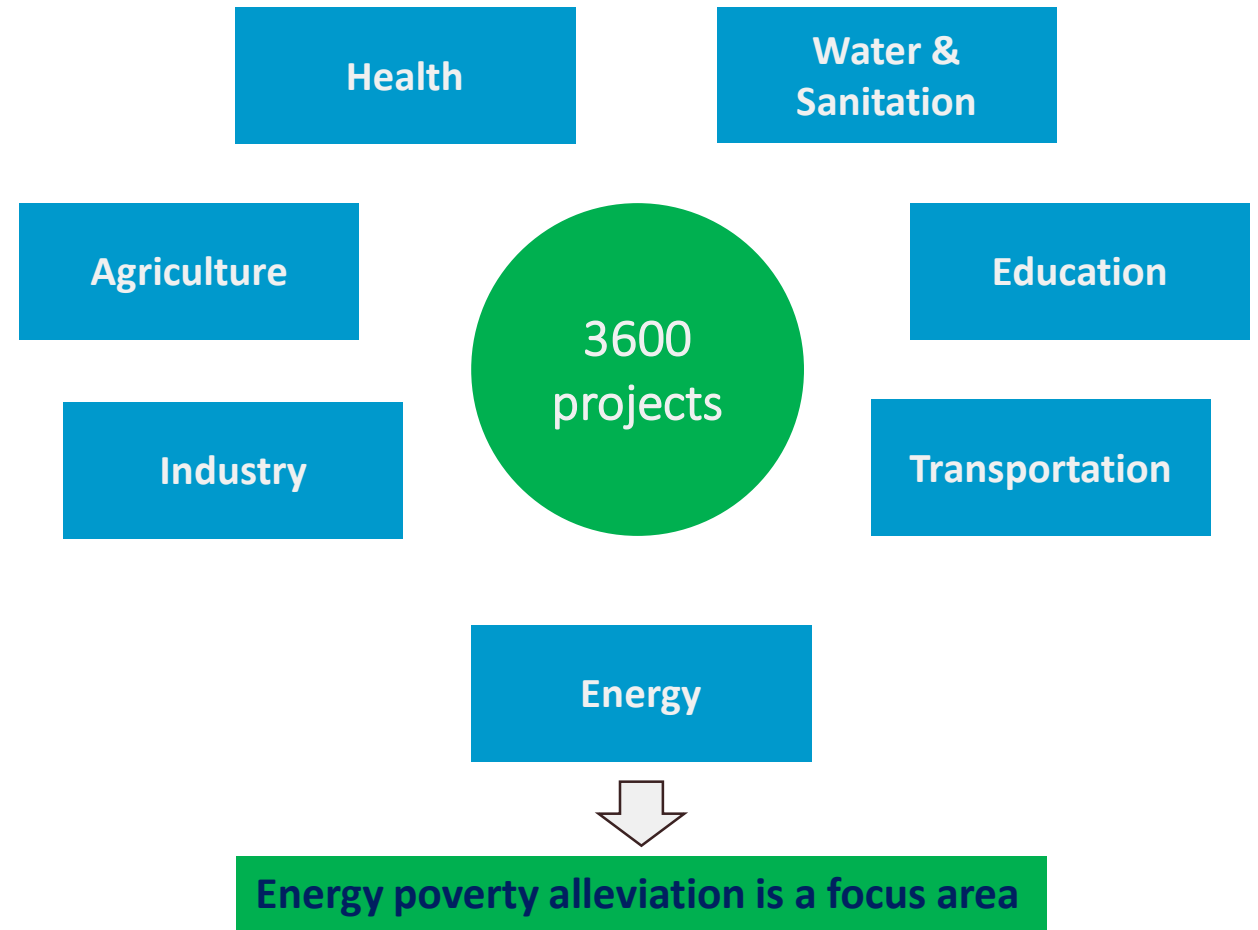
- Established in 1976 by OPEC Member Countries
- The Vision: To aspire to a world where sustainable development centered on human capacity-building is a reality for all.
- The Mission: To foster South-South partnership with fellow developing countries worldwide with the aim of eradicating poverty.



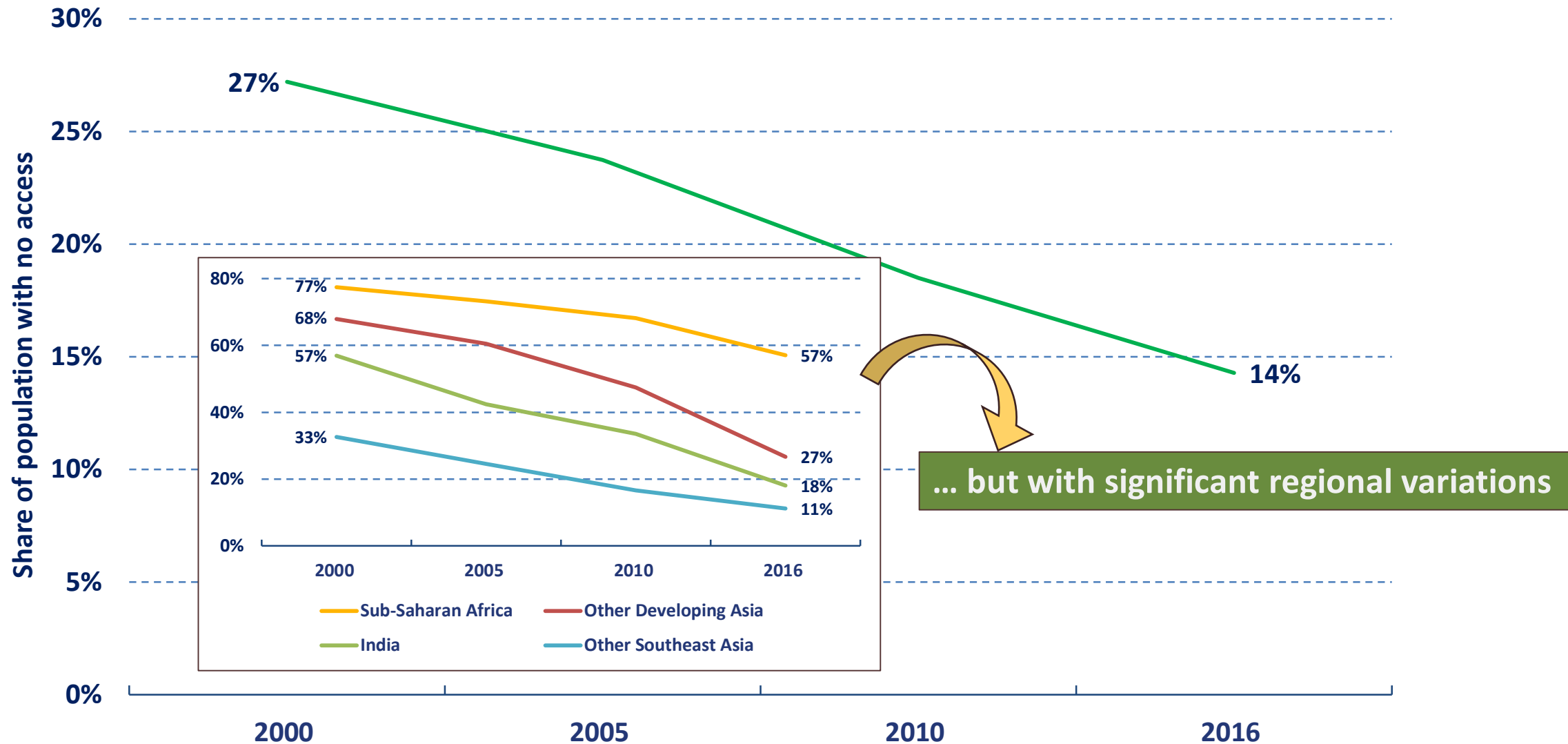
All regions and all sectors..



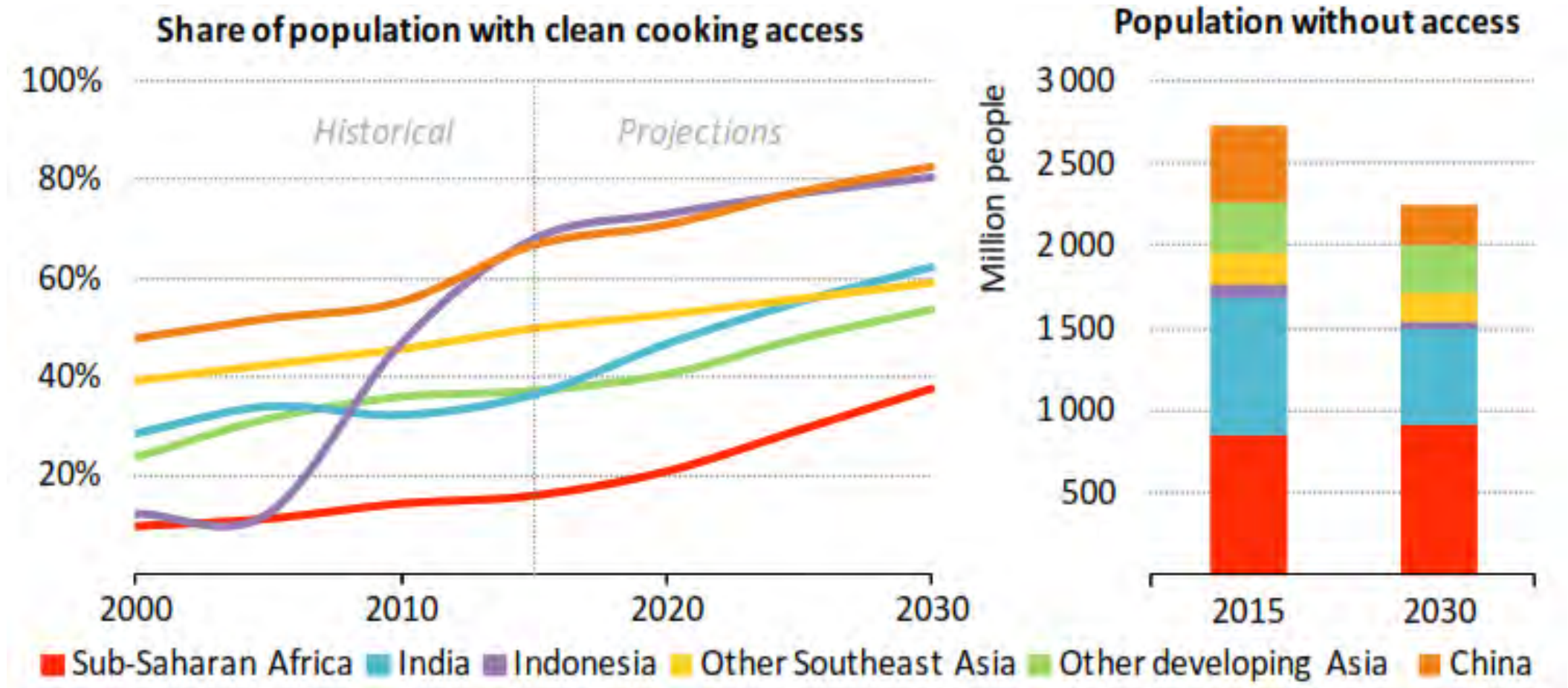
- 134 developing country partners
- US\$22.5 billion committed since inception



Significant reduction in non-access to electricity between 2000 and 2016

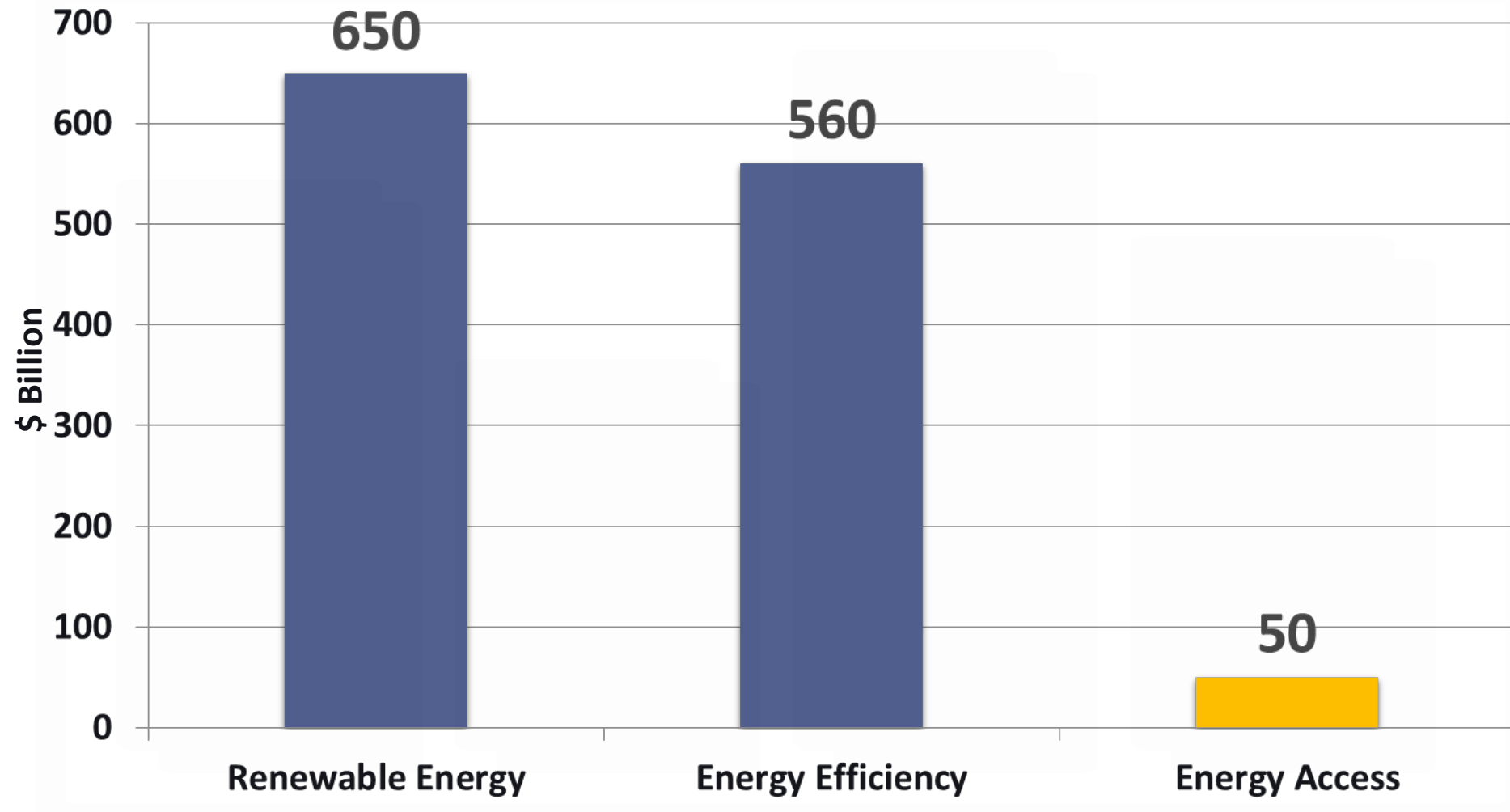


2.7 billion people with no access to clean cooking fuels



Financing Universal Energy Access

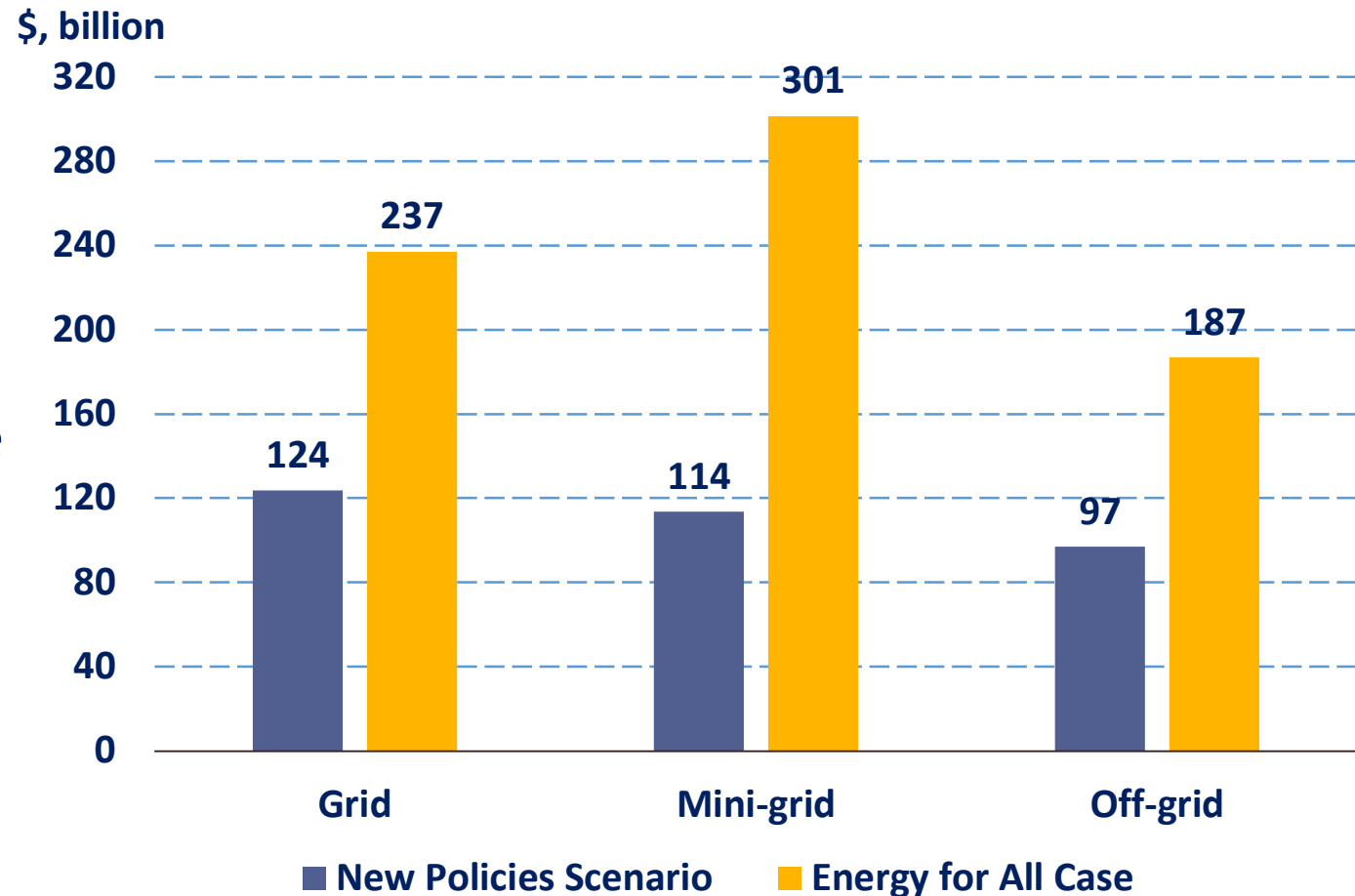
Total Annual Investment Needed to Achieve SDG7



Electricity access investment requirements (2017-2030)

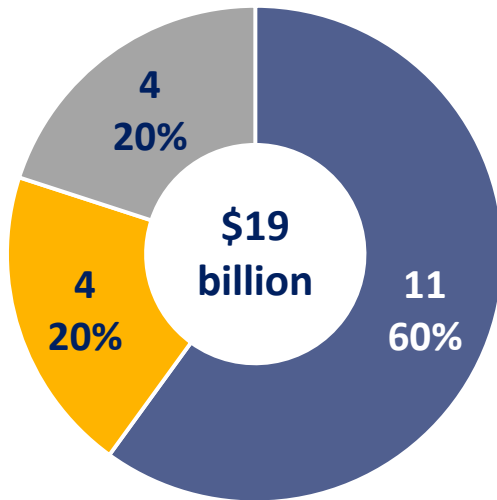
Finance to Close Global Electricity Access Gaps to Meet SDG 7 Insufficient

- \$334 billion in NPS
- \$725 in Energy for All case



Clean cooking investment requirements (2017-2030)

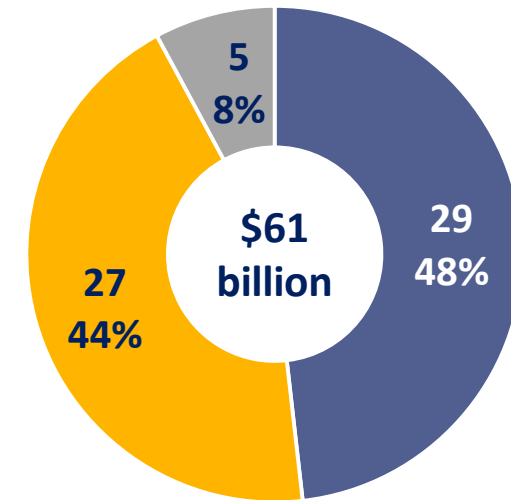
New policies scenario



■ LPG ■ ICS & Biogas ■ Others

- LPG penetrates urban areas in NPS
- Strong growth in ICS in Energy for All Case
- But LPG also grows in absolute terms, reaching rural areas

Energy for All case



■ LPG ■ ICS & Biogas ■ Others

Beyond financing

- Innovated financing solutions
- Investment-enabling environment
- Technology solutions

Innovated Financing Solutions

OFID-REEEP Revolving Capital Pool

- Offering **repayable grants** to start-up entrepreneurs adopting the nexus approach in energy solutions in the agro-food value chains
- Innovative grant giving mechanism – providing very patient loans to **strengthen start-ups**
- Example: US\$ 367,500 returnable grant to FuturePump Ltd. to bring solar irrigation to smallholder farmers in Kenya
 - Development impacts:
 - Deploy 825 solar irrigation pumps on small farms and test three alternate microfinance products, in preparation for private sector investment to unlock scale and increase uptake of solar irrigation, potentially reaching 20,000 smallholder farmers



Innovated Financing Solutions

Aggregating Loans to Finance Mini-grids

Term Loan Facility to Fund Small and Medium Enterprises (SMEs)

OFID received a financing request from an Armenian bank to provide a US\$10 million Term Loan Facility to fund SMEs involved in the construction and operation of small-scale hydropower plants (SHPPs).

This project is very specific to Armenia's natural resources and requirements. However the principle of aggregating smaller loans to finance mini-grids is well demonstrated.

Around 8 SHPPS Will Be Financed

Innovated Financing Solutions

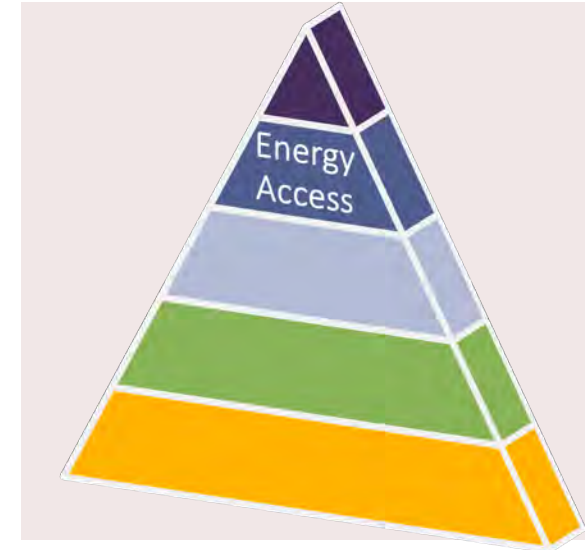
Through this Term Loan the Armenian bank will provide the necessary Funding to SMEs to construct and operate around **8 SHPPs**.

Only Possible By Aggregating the Smaller Loans

Average size of an OFID Private Sector Loan is US\$10 million. It would **not have been feasible** for OFID to provide US\$1-1.3 million Term loans for single SHPPs.

Investment enabling environment

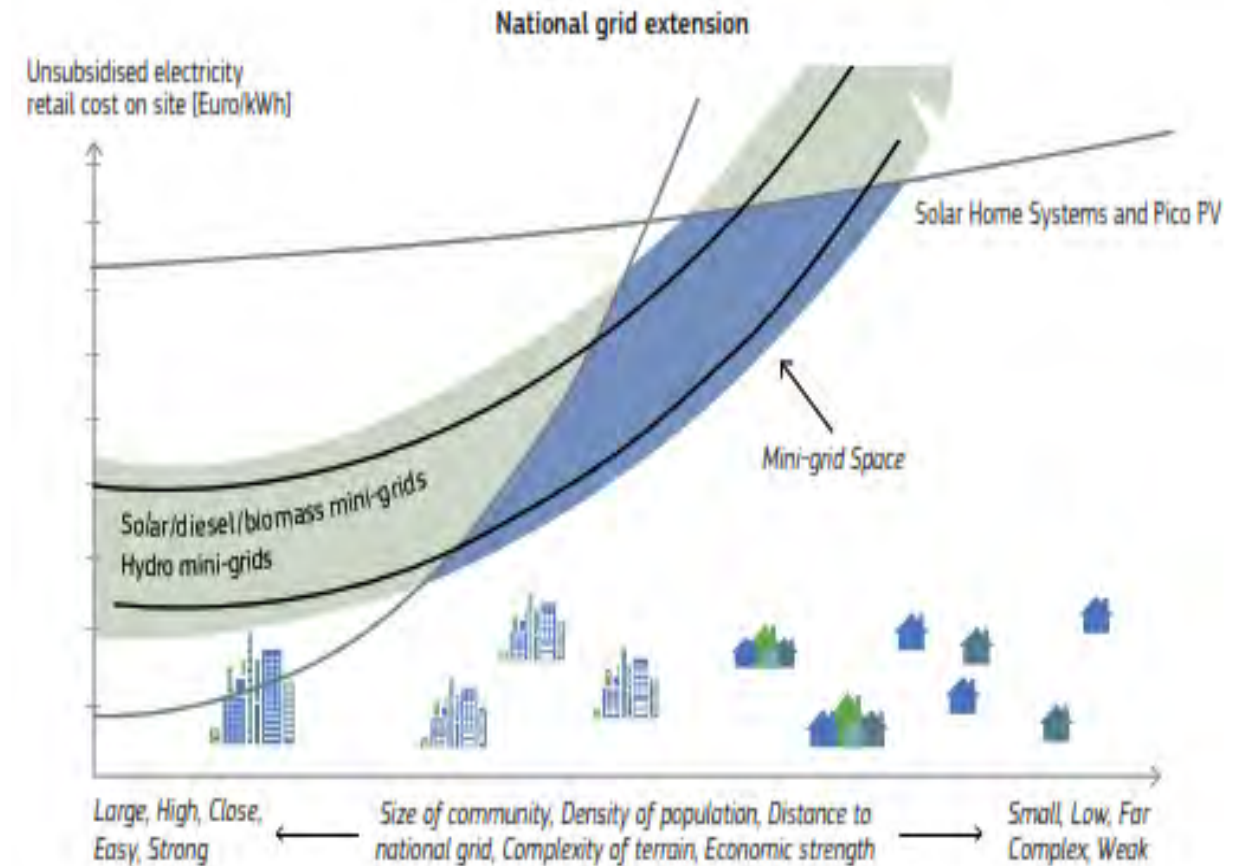
- Achieving universal access to modern energy services needs to be higher on the development agendas of countries
- Energy-access strategies and implementation plans linked to national development plans
- Governments need to remove structural barriers that constrain more investment in energy access:
 - Regulatory frameworks that can attract the support of national and international financial institutions and project developers
 - Enhancing local and regional capital markets
 - Institutional capacity to prepare and implement qualified pipelines of deals and bankable projects



Technology Solutions

A growing role for mini grids and distributed renewable energy systems

- **Mini-grids** whenever costs are lower than grid extension and stand-alone systems
- Potential to provide more than 40% of new capacity required to achieve universal electricity access, by 2030
- Structural barriers in governance, finance and business models are constricting a large scale mini-grid market
 - **Need to promote** actions and partnerships that would help resolve these challenges



OFID.. A pioneer in fighting energy poverty

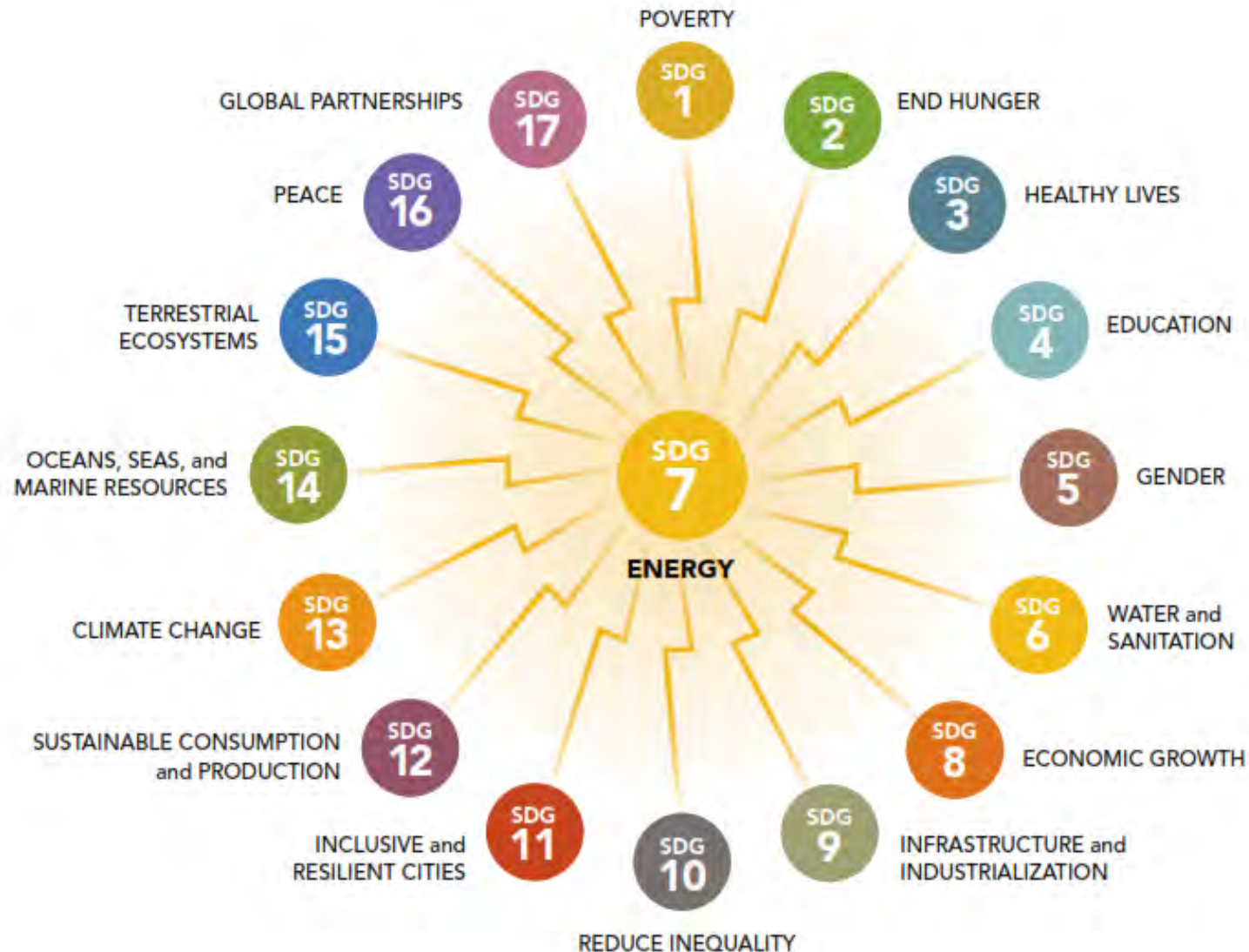
- Alleviation of energy poverty is a central theme in OFID's work
- November 2007: Declaration of the 3rd OPEC Summit
- *“Continue to align the programmes of our aid institutions, including those of the OPEC Fund for International Development, with the objective of achieving sustainable development and the **eradication of energy poverty** in the developing countries, and study ways and means of enhancing this endeavour, **in association with the energy industry** and other financial institutions”*

- 3rd OPEC Summit, Riyadh Declaration, November 2007

The Three Pillars of OFID's Energy Poverty Strategy

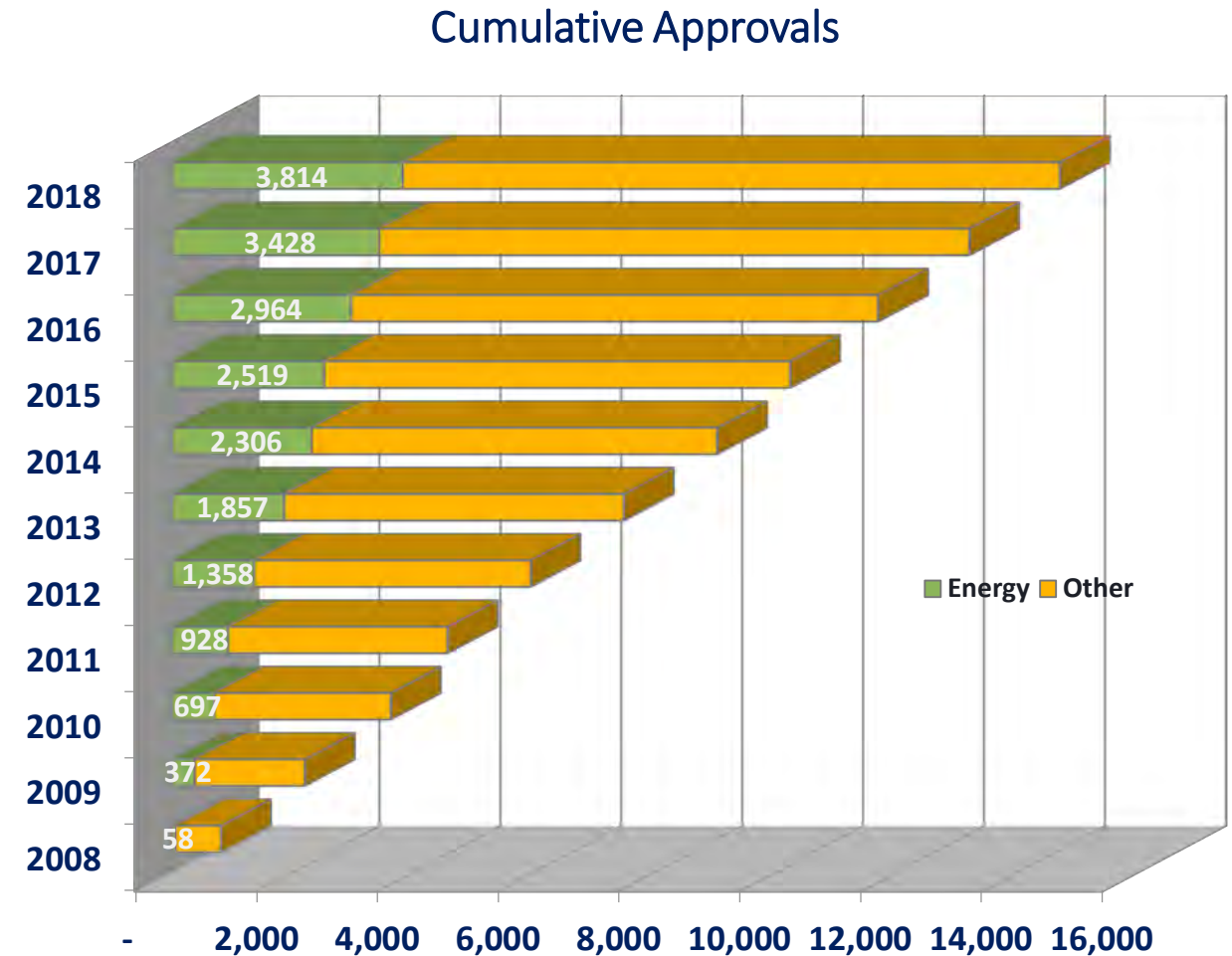


SDG7 is now at the core of the 2030 Development Agenda

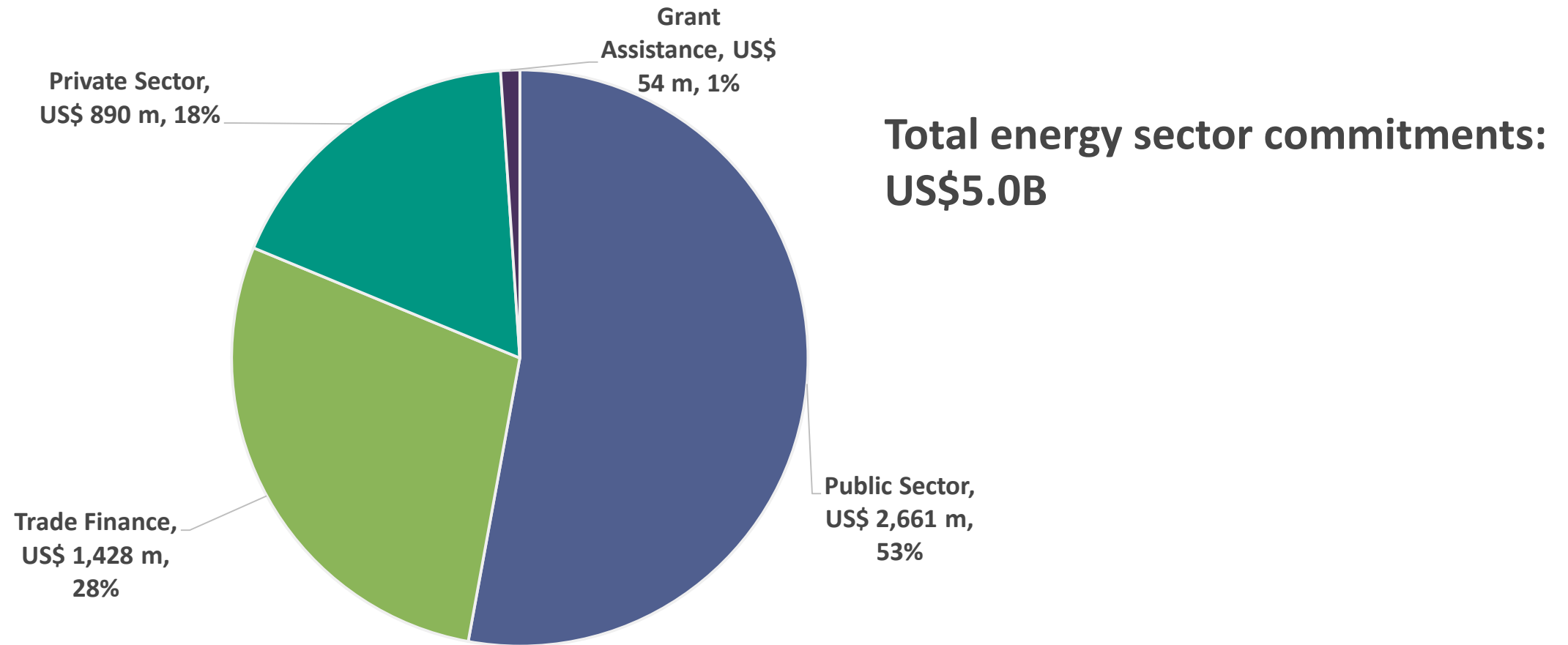


Significant growth in energy operations

- Total energy approvals grew at an average 52% pa since 2008
- By December 2018, total energy approvals reached \$US 3.7 billion
 - This represents 26% of all operations for the period

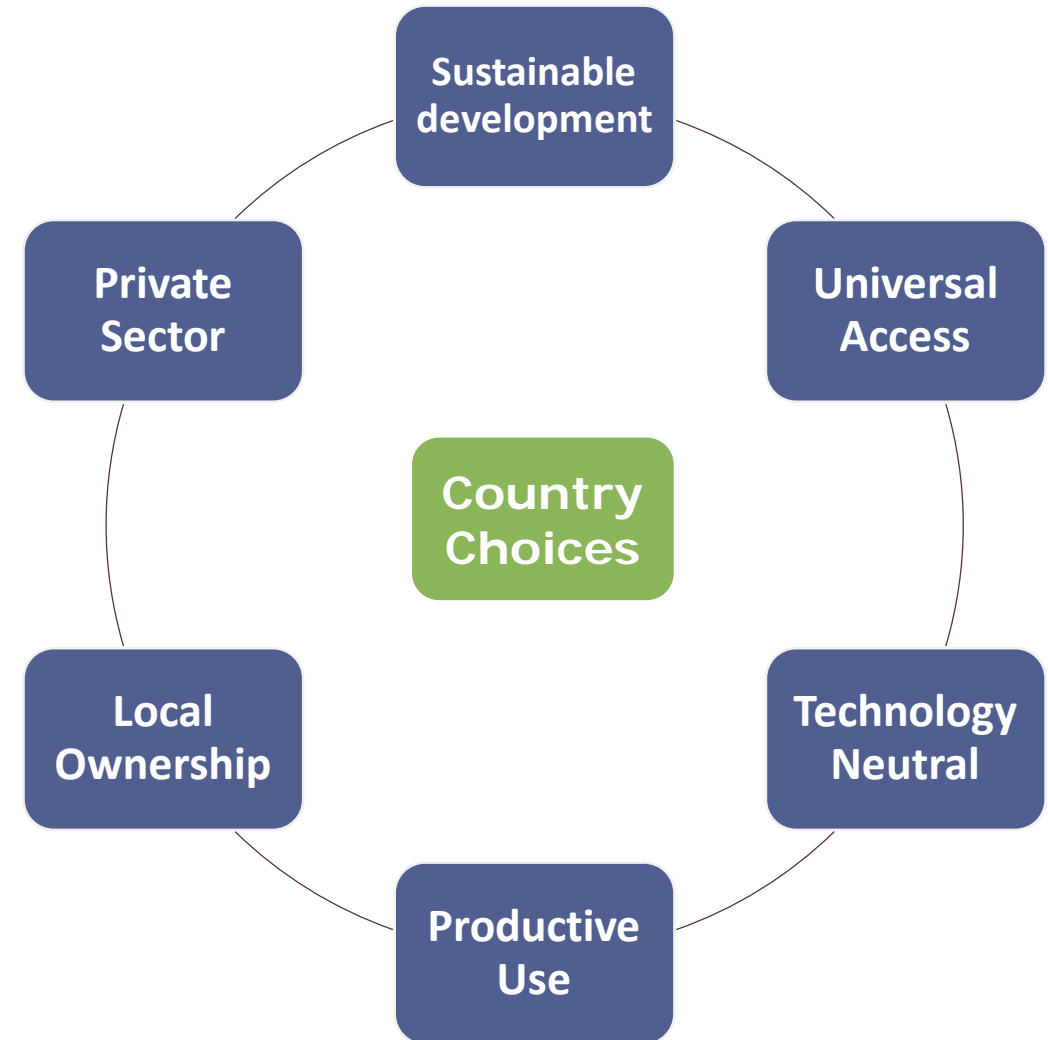


OFID's energy operations by finance window since inception



Guiding Principles

- Access to affordable and reliable modern energy services is a prerequisite to sustainable development.
- The aim is to alleviate energy poverty – universal energy access.
- The approach should be pragmatic, based on the technology-neutral principle.
- Projects should target productive uses of energy and be income generating.
- Projects should target inclusive development and promote local ownership.
- Universal energy access requires all sources of funding, and private sector must play a significant role.
- Respects choices of beneficiary countries and respond to their wishes based on their own priorities.



Partnerships: Creating synergies and developing joint resources

Public sector leveraging investments



Partnerships: Creating synergies and developing joint resources

Private sector partners



Partnerships: Creating synergies and developing joint resources

Grants network



Partnerships: Creating synergies and developing joint resources

Oil and Gas Industry Energy Access Platform



www.energyaccessplatform.org

- Share best practices, data and disseminate knowledge about energy access solutions.
- Leverage industry capabilities to support access to energy.
- Help the industry in identifying corporate social responsibility opportunities in host countries, and harmonize robust, practical and cost-effective approaches for facing energy access challenges.
- Foster communication of industry on energy access solutions.
- Contribute to better integrate energy access in policies and projects at country level.

- EAP launched in March 2016 by OFID and WPC
- The goal of the EAP is to contribute to the achievement universal energy access through the potential of the industry to build upon its leadership, technology and much relevant business experience.
- The EAP provides a platform for the Oil and Gas Companies to collaborate with other stakeholders on specific actions



An example of collaboration:

Supporting innovative technologies and business models

SmartGas™ LPG: Increase Access to Affordable Clean Cooking

A pay-as-you go-model would create a system to reduce the upfront cost of LPG through daily payments



- OFID, ARAMCO and Shell Foundation, members of EAP, joined in supporting Envirofit International
- Initiative enables families to pay-as-you-cook in India
- Smart Valve measures and regulates the flow of LPG
- Prepayment via mobile phone for the amount of gas used
- Meter also measures how much fuel remains. Information transmitted back to the customer and the central database, allowing for cost efficient delivery plans to be made.

OBJECTIVE:

To evaluate how the solution could ultimately be scaled to increase adoption for target customers both within and beyond the Government's PMUY scheme

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