



Special focus II

AFRICA





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ALTERNATIVE ENERGY FOR AFRICA

By Inês Pinto da Costa, Partner in the Corporate M&A and Project and Energy practices

Inês has almost 20 years' experience in project finance, M&A and private equity operations.

Her work includes projects in the areas of infrastructure, energy, PPPs, and projects for industrial plants in Portugal and in Portuguese-speaking African countries. Inês has advised on many international M&A deals and worked with some of Portugal's largest private equity firms.

She has great experience in the African market, dealing not only with questions of financing, but also in construction contracts and private investment.

Inês has postgraduation in securities law and in international trade law at the University of Lisbon. She also has an executive master's in management for lawyers from Universidade Católica Portuguesa.

By Neylla Gulamhussen, Associate at the Corporate M&A practice

Neylla has great experience in the Mozambique market advising primarily on corporate and commercial law, real estate and employment and labour.

Neylla has experience in drafting, reviewing and negotiating various types of contracts, and in incorporating companies in Mozambique. In the area of employment and labour law, she advises on drafting, revision and termination of employment contracts, and on the procedures to recruit foreign labour.

Neylla is admitted to the Portuguese Bar Association and to the Mozambican Bar Association.

The African continent is very rich in natural resources, with proven oil reserves representing 8% of the world's stock and those of natural gas

amounting to 7%. The continent also has an immense capacity when it comes to renewable energy sources, such as hydro, sun, wind, biomass and others. It has enormous potential to

enable the development of several projects (be it on a larger or a more local scale) that will empower local communities, bringing prosperity and opportunities to the rural population. Despite the potential for renewables,

due to several discoveries of fossil resources, there is still a continued dependence on oil and gas and, in reality, this dependence will lead to certain constraints, as it has done in other regions. However, this situation should not prevent or limit the development of other energy projects.

Most of the rural communities have little or no access at all to electricity and the use of modern renewable energy sources can also be used on a smaller local scale, contributing to rural development (such as that of agriculture) and improving the population's living conditions. The fact is that, with a growing population and economic progress, Africa is currently facing an increasing demand for all forms of energy.

The continent now has the opportunity to develop several alternative types of sustainable energy projects on a long-term basis.

This will require a firm and appropriate commitment from each country – not only regarding large scale and backbone infrastructures – but also regarding the accelerated implementation of modern renewable energy projects by adopting the right measures to enable the growth of this sector and make it possible for such potential projects to succeed and prosper, while providing a cost-effective transformation to a cleaner and more secure energy sector.

As an example, the Mozambican Government has committed to providing quality, affordable and sustainable energy to all Mozambicans by 2030, within the scope of the Sustainable Development Goals

advocated in the 2030 Agenda, mandated by the United Nations and of which Mozambique is a subscriber.

For this purpose, the Mozambican Government has launched the Energy for All Program, coordinated by the Ministry of Mineral Resources and Energy, under which the Government aims to ensure that, by 2024, over 10 million Mozambicans will have electricity. This will result in increased productivity, contribute to creating adequate employment and bringing about an improvement in the living conditions of the populations, particularly in rural areas. To this end, the Mozambican Government has been working to guarantee an increase in the availability of electricity, promoting public-private investment in new generation infrastructures and the contribution of renewable energies to the national energy matrix, with plans to mitigate the impact of climate change. In light of this, the Mozambican Energy Fund (FUNAE) is currently developing and implementing projects to invest in solar and hydropower for social infrastructure and to promote the market development of small renewable energy products. Specifically, it is developing the market for solar systems for households and small businesses, and it is seeking alternative ways to provide electricity access and/or electricity services to rural areas that can be scaled up in the short run.

The way forward
For a successful renewable energy uptake, it is crucial for Governments to create an investment friendly environment that enables businesses and is

designed to overcome the significant obstacles that African countries currently face. This should be done by developing clear, new public and private policies, a suitable framework of laws, and regulations and an institutional set-up. It is also essential to empower highly-qualified local experts and put in place viable foreign investment protections. This is, in fact, what has been argued by the International Renewable Energy Agency (IRENA), in its comprehensive report for Africa's energy transition named "*Africa 2030*", which recommended the adoption of enabling policies, a regulatory framework to catalyse investment, investors-friendly measures, and promotion of off-grid renewable solutions to increase energy access and reduce poverty in the short term. The second item to be addressed relates to the financing of energy revolution and development. Even though their cost has been decreasing, renewable energy projects are cost intensive and the access to finance is quite limited. To date, the investments in the energy sector have always been planned on a larger scale, with financing being provided by the country's government or through multilateral entities. At the same time, African countries need to create the necessary conditions to finance and develop smaller scale local renewable energy projects that will have dramatic effects on a smaller (but more rapid) scale. In this way, they can reach local populations and make it possible to change their living and working conditions for the better.