International Finance Corporation
World Bank Group

Financing Energy Access: Needs & Options

October 2014

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Energy access gap: a $37bn market opportunity?

Addressing the lack of access to clean, modern energy, has typically been seen as a development challenge and, thus, large-scale approaches to closing the gap government-led

IEA estimates that it achieving universal energy access by 2030 will cost $48 bn annually

But, **the poor spend $37 bn each year on kerosene** for lighting and **biomass fuels** burned on inefficient stoves

…this constitutes a **market opportunity** that an increasing number of companies are serving profitably…

IFC's engagement in Energy Access cuts across inter-related Investment & Advisory activities

Advisory services

1) Business models

Develop innovative business models with a view to demonstrating proof-of-concept

- Remove barriers to market scale-up
  - Financing
  - Legal and regulatory
  - Standards-related
  - Capacity building
  - Consumer education

2) Market transformation

- In a given country or region, take a programmatic perspective to removing critical barriers for market to develop, be they at consumer, company and/or regulatory levels

Blended investments

3) Concessional financing

- IFC investments booked on own as well as on donor accounts
  - Earth Fund
  - CTF
- Project development costs

4) Venture investments

- Equity investment with downside risks shared with donors and Advisory role (Cleantech Pilot)
- Equity investment with support for upfront project development costs (Infraventures)

Mainstream investments

5) Mainstream loans and equity investments

- In power utilities (for grid extension and/or off-grid access "add-ons")
- In manufacturing companies that produce devices and access systems
- In financial institutions which, in turn, provide micro-loans for access

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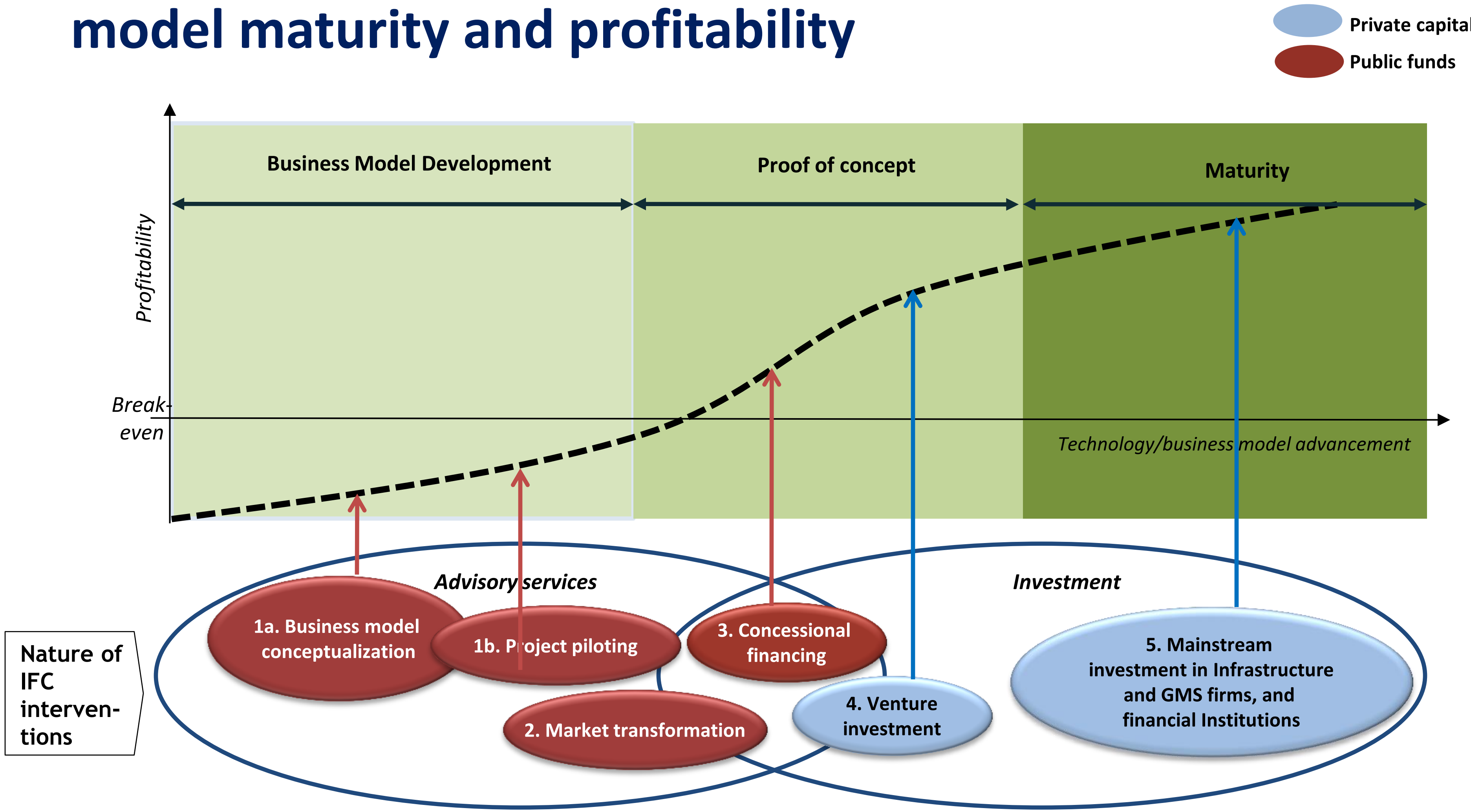
Source: IFC team analysis

Interventions can be mapped along a curve of business model maturity and profitability



Source: IFC team analysis

So, what does it take to attract (non-altruistic) financing?

Robust business model	Demonstrated (or believable) profitability	Experienced management
✓ Understanding of the market ✓ Credible approach to serving customers ✓ Clear strategy for growth	✓ Steady revenues ✓ Manageable costs ✓ Generate income, without over-reliance on unpredictable subsidies	✓ Knowledgeable leaders ✓ Good management skills ✓ Sectoral expertise

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Source: IFC team analysis