



African Trade Insurance Agency  
Agence pour l'Assurance du Commerce en Afrique

## ATI supports USD67m solar plant in Malawi to fill a critical energy gap

- COVID-19 has highlighted the extent of the critical energy gap in Africa, where diversification is needed to ensure more stable and broader energy access.
- Malawi's USD67 million Nkhotakota Solar Power Plant, backed by an international consortium, is expected to set a regional standard and considerably reduce the country's energy deficit.
- This is the 2<sup>nd</sup> renewable energy project supported by ATI's Regional Liquidity Support Facility (RLSF), designed to cover the late-payment risks of publicly owned power utilities.

**NAIROBI, 5 November, 2020** – The COVID-19 pandemic has shown the urgency to ramp up energy access and to diversify the existing energy mix in many African countries. In sub-Saharan Africa, electricity access stands at just 43%, or roughly half the global access rate. While challenges remain, COVID-19 is also revealing the importance of increasing more affordable renewables within the energy mix. A recently announced USD67 million solar power project in Malawi, which is backed by an international consortium, is leading the charge.

The Nkhotakota Solar Power Plant, one of Malawi's first commercial scale independent solar power projects, is expected to add a significant 37 MWac of clean energy to the national capacity, currently estimated at 362 MWac. The solar plant, which is being developed in two phases of 21 MWac and 16 MWac, is the second renewable energy project to be backed by the African Trade Insurance Agency's (ATI) Regional Liquidity Support Facility (RLSF). ATI, through the RLSF, is providing liquidity cover for a tenor of up to 10 years. The completed project will supply electricity for up to 150,000 Malawian households.

The first project to benefit from RLSF was a partnership with Gigawatt Global on Burundi's first private grid-connected solar plant, which was the country's first permanent power station in 30 years. RLSF encourages investments in renewable energy in ATI member countries through a unique and innovative guarantee product that protects Independent Power Producers (IPPs) against the risk of late payment by national power companies.

The Nkhotakota Solar Power Plant is part of the Malawian government's plan to move the country from its reliance on hydropower, which currently represents over 90% of its energy mix. Hydropower has left the country vulnerable to frequent power supply cuts in times of drought. The solar power plant aims to provide a more sustainable solution for stable and consistent energy access.

The project stems from Malawi's first competitive tender in the power sector leading to a 20 year Power Purchase Agreement (PPA) signed between the Project Company and Malawi's national utility, Electricity Supply Corporation of Malawi Limited (ESCOM), in February 2019. The successful tender process demonstrates global best practise and serves as a potential model for the region in attracting critical foreign direct investment to the sector.

The international consortium behind the project consists of two project developers, Kenya-based responsAbility Renewable Energy Holding (rAREH), the primary equity partner providing equity financing and UAE-based Phanes Group. The two developers are collaborating with the U.S. International Development Finance Corporation (DFC) – formerly the Overseas Private Investment

Corporation (OPIC) – which is contributing debt financing, and Natsons which is the local development partner.

In 2017, ATI and the German Development Bank, KfW, with financing from the German Federal Ministry for Economic Cooperation and Development (BMZ), launched the RLSF. The Facility was created to help tackle climate change and attract investments by supporting renewable energy projects in ATI's member countries. RLSF has an initial capacity of EUR 63.2 million and it supports small and mid-scale renewable energy projects with an installed capacity of up to 50 MW (and in exceptional cases up to 100 MW) by protecting the developers against the risk of delayed payments by public off-takers to ensure more projects reach financial close.

The Facility can be accessed by IPPs located in countries that sign onto the RLSF Memorandum of Understanding (MoU). To date, seven countries have signed on – Benin, Burundi, Côte d'Ivoire, Madagascar, Malawi, Uganda and Zambia, with several others in the pipeline including Ethiopia and Ghana. ATI is actively encouraging other countries to sign on as a way of providing more cost-effective and clean energy solutions.

**QUOTE from Benjamin Mugisha, Chief Underwriting Officer, ATI**

*“COVID-19 has laid bare the link between social infrastructure and economic development. Access to adequate electricity underpins both. This project demonstrates that there is still opportunity and demand for renewable energy projects in Africa. ATI is excited to be part of this potentially transformative project, particularly now, when it is so important to show the world that it is still possible to build sound renewable energy projects that can have lasting change.”*

**QUOTE from Dr. Thomas Duve, Director - Southern Africa, KfW**

*“The investments required to meet Africa’s growing demand for sustainable energy based on renewables is far greater than the funds available from public sources. But African governments and their development partners can facilitate the private sector investments necessary to bridge this gap. Together, we can build stable, predictable enabling frameworks and we can offer targeted de-risking instruments. KfW’s support with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ) to the RLSF demonstrates our commitment to this process, and to the development of a sustainable energy market in Africa. Only with that in place can we address the fundamental challenges of energy access, energy security and climate change.”*

**QUOTE from Martin Haputs, CEO, Phanes Group**

*“Lack of power increased the challenges that Malawi faced during the COVID-19 pandemic. This project demonstrates that solar energy offers a viable path to bringing power to those communities which need it most, supporting social and economic development. We are thankful to all the partners in the Nkhotakota project, who have been instrumental in realizing our aim to electrify new markets in Africa. Our goal is for this project to serve as a model for future private investment into the local solar sector.”*

**QUOTE from Chris Bale, CEO, rAREH**

*“rAREH is delighted to be working with our partners to actualize this project. rAREH is committed to long-term investments to renewable power plants in Africa. We very much look forward to continuing to work with the government and people of Malawi to fulfil the country’s appetite for clean, economical renewable power.”*

**QUOTE from Andrew Herscowitz, Chief Development Officer, U.S. International Development Finance Corporation (DFC)**

*“We are pleased to support this important project, which will help expand renewable power generation to benefit the people of Malawi. Increasing electricity generation and access are key to*

*increasing economic growth in Malawi. This project is a great example of the U.S. Government coming together, with DFC building on the work of the U.S. Agency for International Development and Power Africa as well as the Millennium Challenge Corporation, to facilitate private sector investment to support prosperity.”*

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## **Press Release 2020/1510/Nairobi**

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### **Note to editors:**

#### **About The African Trade Insurance Agency**

ATI was founded in 2001 by African States to cover the trade and investment risks of companies doing business in Africa. ATI predominantly provides Political Risk, Credit Insurance and, Surety Insurance. In 2019, ATI closed the year with exposures of USD6.4 billion and continued to post record results for the eighth consecutive year with 132% growth on the net profit over 2018 owing to strong demand for ATI's insurance solutions from the international financial sector and from African governments. Since inception, ATI has supported USD62 billion worth of investments and trade into Africa. For over a decade, ATI has maintained an 'A/Stable' rating for Financial Strength and Counterparty Credit by Standard & Poor's, and in 2019, ATI obtained an A3/Stable rating from Moody's.

[www.ati-aca.org](http://www.ati-aca.org)



#### **About KfW & KfW Development Bank**

KfW is one of the world's leading and most experienced promotional banks. Established in 1948 as a public law institution, KfW is owned 80 per cent by the Federal Republic of Germany and 20 per cent by the federal states ("Länder").

KfW Development Bank is Germany's leading development bank and an integral part of KfW. It carries out Germany's Financial Cooperation (FC) with developing countries on behalf of the Federal Government. The more than 600 personnel at headquarters and 370 specialists in its 68 local offices cooperate with partners all over the world. Its goal is to combat poverty, secure the peace, protect the environment and the climate and make globalisation fair. KfW is a competent and strategic advisor on current development issues.

<https://www.kfw-entwicklungsbank.de>