AFRICAN ENERGY MARKET
- A golden Investment Opportunity

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AFRICA - The Misunderstood Continent

- Africa accounts 15% of the world's population (1.2 Billion People)
- It has a population density of 40 people/km² compared to Europe and Asia with 72 and 90 people/km² respectively
- Africa’s Population is set to double by 2050
- Area of 30.37 million sq km. More than China, USA, India, Germany, Italy, France, UK, Portugal, Spain combined
AFRICA - Perceived Realities

The narratives of Africa in the media are mostly of
- War and disease
- Dusty roads and wild animals
- Failing economies and dictatorship

In reality
- Fewer civil wars and violent coups
- Growing Middle Class: Africa’s urbanization rate is already at 37 percent, comparable to China’s and larger than India’s. It’s expected to be the fastest urbanizing region from 2020 to 2050. Over the last decade, real income per person jumped 30 percent after shrinking 10 percent in the preceding 20 years.
- There are thriving and prosperous economies in every region of Africa. Nigeria, South Africa, Egypt, Kenya and Rwanda are few good examples
AFRICA – More than Just Mineral Resources

Diverse Economy

• The services sector contributes 45% to the continent's economy
• Transportation and logistics a big contributor
• Renewable energy showing promise of becoming a major contributor

Source: AfDB, Data Portal, 2015

Contribution of different sectors to Africa’s GDP
AFRICA – More Than Just Mineral Resources

• Renewable Energy
AFRICA - More Than Just Mineral Resources

The African Consumer

• Large Population size
• Youngest population in the world (60% under 25)
• Consumer expenditure has grown at a compound annual rate of 3.9 percent since 2010 and reached $1.4 trillion in 2015
• 400 companies earning revenues of $1 billion or more and nearly 700 companies with revenue greater than $500 million (McKinsey & Co)


Growth in electricity demand by region, 2012–40
The Energy Gap

*Note: statistics refer to 2013, except for access to electricity which refers to 2012.*
Bridging the Gap
There are several Sustainable Energy Development Efforts by African Countries and the African Union

• Programme for Infrastructure Development in Africa (PIDA)
• Energy market reform in many African Countries
• Transparent and Enforceable National energy strategies, laws and regulations among which are
  o The International Energy Charter – where countries pledge to:
    ➢ Promote and protect investment through stable and transparent legal frameworks
    ➢ Regulate their energy resources
    ➢ Commit themselves to diversify energy sources
    ➢ Enhance energy efficiency policies
Bridging the Gap – Regulatory structures in Africa

African Development Bank (AfDB) through its Power, Energy, Climate Change and Green Growth Complex has produced an Electricity Regulatory Index (ERI) for Africa that can effectively serve as a guide to investors in the sector. It measures:

**REGULATORY GOVERNANCE INDEX**
- Legal Mandate
- Clarity of Roles and Objectives
- Independence
- Accountability
- Transparency of Decisions
- Participation
- Predictability
- Open Access to Information

**REGULATORY SUBSTANCE INDEX**
- Economic Regulation
- Technical Regulation
- Commercial Quality of Electricity
- Licensing Framework

**REGULATORY OUTCOME INDEX**
- Financial Performance
- Commercial Quality
- Technical Quality
- Electricity Access
Bridging the Gap – ERI Indices of Sample Countries
Energy Investment Opportunities

While there are many different individual programmes and projects that investors can key into in the different regions and countries that make up the continent, this paper will point out the different areas where investors can look into for participation in the African Energy Market:

• Oil & Gas
• Electricity Generation & Transmission (equipment manufacture, infrastructure installation etc.)
• Renewable Energy and Energy Efficiency Initiatives
• ICT in Energy and Infrastructure
• Distribution and sales of energy commodities
• Energy Efficiency Improvement
• Promotion of Circular Economy Principles
Energy Investment Opportunities – Oil & Gas

• Upstream sector already highly developed. Still opportunities are available in the service sector as:
  i. Maintenance
  ii. Well Service
  iii. Transportation support services
  iv. Construction and installation
  v. Pipelines

• Mid Stream and Down Stream sectors like in:
  i. Domestic production and marketing of LPG as well as the cylinders, valves and regulators
  ii. processing plants and industries for production of refined mineral oil, petroleum jelly and grease. The manufacture of bituminous based water/damp-proof building materials such as roofing sheets, floor tiles, rubber products, tarpaulin. Building of asphalt storage, packaging and blending plants to handle the product for export.
  iii. process industries for linear alkyl benzine, carbon black and polypropylene

Source: Rystad Energy, 2018; Fitch Solutions, 2018; EIA Markit, 2018.
Energy Investment Opportunities – Electricity Generation & Transmission

• With 13 percent of the world’s population, but 48 percent of the share of the global population without access to electricity, Africa is an investors dream in Electricity generation and transmission infrastructure provision

• There are many country specific generation and transmission projects as well as a continent wide programme designed by the African Union in its Priority Action Projects under PIDA

• Renewable energy presents investors with some of the most mouthwatering opportunities in the energy sector.

• Numerous funds, grants and loans exist to support sustainable energy provision internationally, regionally and at National levels among which are:
  o African Renewable Energy Fund (AREF) invests in small hydro, wind, geothermal, solar, stranded gas and biomass projects across Sub-Saharan Africa, excluding South Africa.
  o The Sustainable Energy Fund for Africa (SEFA) is a multi-donor trust fund administered by the African Development Bank - anchored in a commitment of USD 95 million by the Governments of Denmark, Denmark, the United States and the Norway - to support small- and medium-scale Renewable Energy (RE) and Energy Efficiency (EE) projects in Africa.
Incentives for Investors

• 100 percent repatriation of profit net of taxes in most countries
• 3-5 years tax holiday with room for further negotiations
• Capital allowance not restricted. Granted in full - 100%
• Africa offers the highest return on foreign direct investment in the world (OPIC & UNCTAD)
• Africa has some of the world’s fastest growing economies (2017 IMF Data Mapper)
• African countries specifically offer enhanced tax incentives to new businesses involved in infrastructure provision with Egypt, Morocco, Nigeria and South Africa notably offering cash grants in addition to tax incentives (EY Africa Incentive Survey 2017)
• In Nigeria for example, some of the various investment incentives provided under the relevant laws and regulations include tax holidays; tax credits; capital allowances; investment allowances; tax exemptions; duty drawback; subsidies; export expansion grants; export development funds; double taxation reliefs; and investment promotion and protection agreements, among others.
Conclusion

With 1.2-billion-person market, Africa is the World’s Next Big Growth Market

on the cusp of transformative growth.

With over 600 million people without access to electricity, there is a huge gap in the generation, transmission and distribution infrastructure as well as the electricity sales

It already has more big companies than imagined and room for many more.

entrepreneurial energy pulses throughout the continent.
Thank You.

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