ACCELERATING SDG 7 ACHIEVEMENT

ACTION BRIEF 5

DECENTRALIZED RENEWABLE ENERGY FOR ACCESS

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DECENTRALIZED RENEWABLE ENERGY FOR ACCESS

Developed by

HIVOS, The Netherlands, BMZ, and Kenya

In collaboration with

Multi-stakeholder partners

Summary

The Ministerial Declaration of the 2018 High-Level Political Forum[1] underlined the potential of decentralised renewable energy solutions for closing the energy access gap. As a result, a Global Action Plan for Decentralised Renewable Energy was established, which aims to catalyse the full potential of decentralised renewable energy in: 1) reaching universal energy access by 2030; 2) ensuring the provision of decentralised renewable energy in line with needs for inclusive sustainable growth, productivity and employment; and 3) advancing achievement of the other SDGs.

The Action Plan has four priorities: supportive policy and regulation; unlocking finance; working in a multistakeholder approach; and strengthening the role of people. The Action Plan will provide a platform for bringing together key stakeholders and initiatives to discuss energy system transformation and the design of future energy systems, taking into account the essential roles of individual citizens, and the changing roles of finance, governments and utilities.

To enable the acceleration of the deployment of decentralised renewable energy (DRE), the actors involved in the Action Plan call upon business, knowledge institutes, civil society and governments to increase their commitment to support the uptake of DRE solutions. Experts, organisations, platforms and associations that have the capacity to increase the uptake of DRE are asked to join or support the working group.

Background and Achievements of the Global Action Plan for Decentralised Renewable Energy

By 2030, more than 71% of new electricity connections will be via off-grid or mini-grid solutions, according to IEA estimates. Currently, 28 out of 54 RISE (regulatory indicators for sustainable energy) access deficit countries, mainly in sub-Saharan Africa, are lagging behind in the provision of enabling policies and financing facilities for DRE solutions. In addition, SEforAll research shows that only 1.3% of the total tracked financial flow for energy access goes towards DRE. It is thus crucial to accelerate the deployment of DRE through supportive regulatory, financial and policy frameworks, by involving all stakeholders, and by enabling a decentralised and citizen-oriented organisation of the energy sector.

Investing in DRE solutions has a lot of benefits:

- it leapfrogs the fossil fuel phase
- it unlocks co-benefits in areas related to other SDGs (such as education, food security, health, gender, jobs) to wider socio-economic development (through productive use of energy), and to the Paris Agreement
- it fuels a disruptive transformation of the energy sector towards a multi-actor set-up, involving communities.

A broad group of stakeholders working on the topic of DRE indicated support for the Action Plan, from the private sector, civil society, academia, governments and international (financial) institutions. These include UNIDO, IRENA, PowerforAll, BMZ/GIZ, Schneider Electric, SNV, the University of Bergen, REN21, the European Commission, The World Bank, KFW, AfDB, University College London, ENERGIA, GET.Pro and UNDP.

Representatives of DGIS The Netherlands, the Ministry of Energy Kenya and civil society organisation Hivos lead the Action Plan, supporting the sharing of knowledge and best practices, as well as identifying major opportunities to strategise and prototype possible solutions.

1 https://www.un.org/ga/search/view_doc.asp?symbol=E/HLS/2018/1&Lang=E

A few work streams have been created under the four identified priorities to accelerate the uptake of DRE. Working in a multistakeholder way will be a cross-cutting theme for all work streams:

1. Energy transformation and future design of the energy sector. Topics and initiatives include:

- Crowd-Grid pilots in Tanzania, giving communities control over their energy costs (and potential revenue) and providing energy for productive uses with possibilities for income generation – Energy Change Lab Hivos and the International Institute for Environment and Development (IIED)
- DRE Data network, consisting of a group of research institutes – focus area of PowerforAll, University of Bergen (Centre for Climate and Energy Transformation)
- Better Power - Research on how increased transparency and accountability can spur the energy transition – Hivos and IIED
- Utility of the Future - pilots on potential business models – PowerforAll, Shell Foundation
- Bottom-up community-led initiatives including strong focus on working in a multistakeholder way - as seen in countries such as Indonesia, Cambodia and Nepal – Research by IRENA & Sumba Iconic Island Initiative in Indonesia by Hivos and Government of Indonesia

2. Strengthening the role of people throughout the energy value chain, from producers to users, from consumers to prosumers. This work stream will cover topics and initiatives like:

- Campaign on jobs in the DRE sector led by Schneider Electric and PowerforAll
- Strengthen Productive Use of Energy – focus area of The World Bank, Hivos
- Energy for life - SDG 7 as an enabler of multiple nexuses including health, agriculture and water, developing catalytic actions to unlock productive use of energy – research in Kenya initiated by the Ministry of Energy of Kenya
- Youth energy leadership programme – Energy Change Lab Hivos and IIED
- Green People's Energy Initiative focusing on DRE solutions for rural communities, by involving (local) authorities, supporting investments and creating new, future-proof jobs – BMZ Germany.

3. Supportive policy and regulation. Initiatives include:

- Collect and learn from emerging ways to roll out DRE at scale notably through auction processes – focus area of the AfDB
- Using the RISE framework - outreach on the data highlighting best practices – The World Bank
- Classification of supportive measures for accelerated deployment of mini-grids, along with policy analysis and showcasing trends, best practices and challenges - IRENA
- Providing support to developers and policy makers through the Green Mini-Grid Helpdesk – an initiative of the AfDB
- The Cooperation On Science and Technology (COST) Action European Energy Poverty: Agenda Co-Creation and Knowledge Innovation.

4. Adequate Finance Instruments. Initiatives include:

- High level platform on sustainable energy investments serving as the Task Force for the Africa-Europe Alliance for Sustainable investments and jobs – led by the European Commission

- Creating a level playing field for different electricity solutions, including through results-based financing approaches – focus area of the AfDB
- Developing ways to provide funding to strengthen off-grid players and to enhance community based energy access – KFW, Hivos, Selco
- Development of energy access solutions that meet the special needs of the poor – EnDev
- Results-based finance incentives to drive business-led innovation in using decentralised renewables towards universal energy access – SNV, DGIS and EnDev.

Call to Action

To enable the acceleration of DRE deployment, the actors involved in the Action Plan call upon business, knowledge institutes, civil society and governments to increase their commitment to support the uptake of DRE solutions, raise the profile of DRE and strengthen the focus on DRE in finance, policy and regulation, and ensure a people-centred and multistakeholder approach.

To be more specific:

- Countries with a large energy access deficit will need to increase support for mini-grid and off-grid in national electrification plans, and address shortcomings in regulatory, financial and administrative frameworks for renewables.
    1. Policy and regulation: create policies and regulations at the local and national level which will support DRE and stimulate productive uses of DRE
    2. Financial: promote incentives which support DRE deployment
    3. Institutional: create a dedicated institution to display DRE deployment as a policy goal and, hence, attract the attention of key public and private actors, including investors
    4. Administrative: deploy standard procurement documents to fast-track contractual arrangements
- Increase the focus of integrated energy planning and monitoring on value maximisation, considering both grid improvement and extension as well as decentralised electrification of rural areas. The international community will need to refine the instruments for multistakeholder participatory planning and monitoring of SDG 7.
    1. This implies understanding the entire value chains affected by DRE deployment. One should abstract from sole cost of energy as $ per kWh to also consider the provision of energy services and embrace further related benefits linked to SDGs achievement.
    2. It also means targeting job creation and developing human capital, with special attention for youth and women.
    3. Special attention needs to be paid to operation and maintenance, recycling and proper waste management.
- The financial landscape needs to shift towards inclusive financial frameworks and smart financial incentives, taking into account the needs of local SMEs and more remote and poor people to generate, distribute and sell DRE. For governments, this translates into introducing clear investment frameworks tailored to different DRE solutions, cost-reflective tariff settings or provision for viability gap funding, and dedicated funding facilities.
    1. Feasible business models that include local SMEs, productive use of energy, as well as (small)

commercial and industrial end-users should be developed. Local producers should be trained accordingly to create transformation at the local scale

2. Incentivise the discussion on impact vs. volume of financing for the off-grid sector and find smart ways and scalable approaches for IFIs, donors and domestic governments.

- Going forward, it will be critical to strengthen the role of people throughout the entire energy supply chain—from producers to users —to achieve a long-lasting, equitable transformative change in energy access, by:
    1. Including local communities, women and youth and empowering them with knowledge of sustainable energy to drive the transformation from the bottom up.
    2. Ensuring planning based on demand, driven by consumers and entrepreneurial needs, with joint planning and budgeting from different ministries and donor departments, and integrated with the wider development agenda.

Experts, organisations, platforms and associations that have the capacity to increase the uptake of DRE are asked to join the working group, share experiences and support the transition to DRE solutions in countries and regions of need, thus ultimately supporting the achievement of the Agenda 2030 and Paris Agreement.

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HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT

7 AFFORDABLE AND CLEAN ENERGY