



# How regional power trade can boost renewable energy resources deployment in Africa

**T**he push towards an energy efficient and sufficient future anchored on renewables such as wind, geothermal, solar and gas gained momentum this year at the gathering of energy experts, academia and decision makers from all over the world at the International Renewable Energy Conference (IREC) 2023 in the Spanish capital, Madrid, also, dubbed the SPIREC 2023.

This was augmented by a high-level side event - the Policy Dialogue on facilitating renewable energy generation by releasing the potential of regional power trade in Africa, spearheaded by the Africa School of Regulation (ASR). The events took place from February 21 to 23.

The policy dialogue on “Renewable generation and regional power trade in Africa” aimed at identifying the key improvements that are necessary at institutional and regulatory level, and to explore the paths to implementing them, including efforts in capacity building to disseminate and adapt the best international practices to the African context.

The Policy Dialogue was premised on converging voices from experienced participants from the power pools, system operators, ministries, regulatory agencies, development financial institutions, think tanks, private companies, and academia, who would debate under the Chatham House rule.

The discussions of the Policy Dialogue spread over the duration of the SPIREC conference, where broader discussions, interactions and networking were leveraged on the same days with participants of the conference.

The IREC is a biannual event, and this time it was held for the first time since COVID-19. But it had a more significant backdrop to it this time around – the war in Ukraine, which just entered its second year. The Russian invasion has exacerbated the energy crisis by making gas and oil more expensive globally.

For all the delegates to the SPIREC, whose main objective was to advance renewables at the international, national and sub-national levels, the war in Ukraine and its consequences was just another cue to speed up their efforts to transition to renewable energy, and to fulfil the decarbonisation agenda.

And as it has been echoed by various world

leaders now, time is of the essence.

The need to transition global energy resources has never been greater, and is increasingly becoming a topic of discussion at high-level gatherings.

And so for three days, and with the clock ticking, the delegates explored ways to make energy transition attainable, reduce emissions and make energy more affordable.

The Policy Dialogue discussions were centred on three key areas – power trade and contracts, developing power pools and transmission cost in Africa.

Professor Ignacio Perez-Arriaga, interim director of the ASR, emphasised the need for African countries to pool their energy resources.

He said regional power pools are particularly relevant in the context of Africa, because of the small size of many national power systems and the uneven geographical distribution of the abundant energy resources.

“When properly designed and implemented, regional power pools can lower the cost of electricity supply and improve the quality of delivered electricity services, thereby driving socio-economic development. However, these prerequisites can only be met under sound power pool rules and governance,” he said.

And although five power pools are already under development in Africa, with the current ambition to bring the entire continent into a single electricity market, there are hurdles that must be overcome before this can benefit the continent.

And the experts did not just focus on advancing renewable energy, but emphasised on the need for ‘Just Energy Transition’ in Africa, which means that as countries transition to renewable energy, no-one should be left behind. People – including vulnerable communities – must be placed at the centre of the transition.

This is particularly critical for Africa, where the penetration of electricity is still very low. About 600 million of the continent’s 1.3 billion inhabitants still lack access to electricity.

This, despite the fact that the continent has immense renewable energy resources that can be utilised to close, or at least minimise this gap.

But any effort to close this gap calls for collaboration - countries joining their efforts in planning and building transmission interconnection capacity and generation plants at regional scale and establishing common rules to trade power.

It is becoming increasingly clear that a challenge on this scale requires a regional as well as a national approach, and that trading power is of the essence. However, complex coordination both within and among countries is required in investment, regulations, and system operations and this will only be possible with political leadership.

According Mohamed A. Eltahir Elabbas, ( to insert position), in theory, the case for power pools is strong, but the benefits are limited by weak implementation.

“There are many issues with the African power systems that render power pooling challenging,” noted Mr Elabbas.

He said member states have a significant role to play in creating an enabling environment in which regional benefit is maximised.

“This does not necessarily mean greater state intervention but the use of pragmatic policies and actions aimed at addressing sector failure and socioeconomic imbalances.

In the regional context, governments should avoid protectionist policies that inhibit regional trade. Policies should be introduced to allow IPPs (perhaps under some conditions) to participate in the regional market to increase competition. Harmonisation of pricing and adoption of cost-reflective tariffs are strongly recommended for economic efficiency,” he said.

But pooling resources is not the end all be all solution in itself, there are challenges to do with power trade that must be overcome.

Mr Elabbas said when it comes to power trading, developing common standards is necessary to avoid technical failures, avoid economic distortions, and efficiently manage the regional network.

Despite its potential benefits, regional integration in Africa is hampered further by the absence of strong regional institutions and enabling regulations.

“Existing power pools generally lack executive powers and capacity in two key regional institutions: the system operator and the regulator.

This institutional weakness inhibits harmonization in areas such as regional market trading rules and capacity mechanisms or the coordination of operating reserves. It undermines a regional perspective on generation expansion, effective transmission planning, utilisation of the massive renewable resources and coordinated regional operation.

He said equally flaws in the rules for regional trading and network cost allocation discourage investments in transmission infrastructure and regional-scale generation plants.

The answer, he said, is to give executive responsibilities and resources to regional institutions, as well as to identify barriers and vested interests that impede progress, and build the capacity to regulate and operate regional systems.

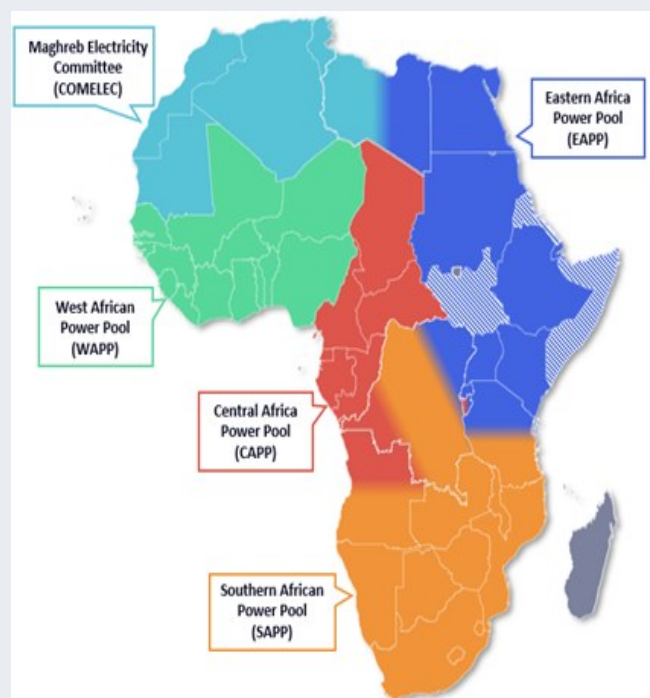
The Policy Dialogue was organised by ASR, in collaboration with the Africa-EU Energy Partnership, the Tony Blair Institute for Global Change, REN21,

GET.transform, the Institute for Research in Technology at Comillas (IIT), RES4Africa, the Enel Foundation, European Commission and the Florence School of Regulation, also with strong presence of the ESMAP, World Bank Group, IRENA and the African Development Bank.

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To learn more about the ASR Policy Dialogue visit the website: <https://africanschoolregulation.org>