

Malawi solar energy project to add 46MW to local power supply

After attracting \$67m in investment, one of Malawi's first solar projects has reached financial close. Initial site works have begun in Nkhotakota, and construction of the first phase is targeted for completion by March 2020. Once complete, the project will add 46MW of clean energy to the local power supply.



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Developed by UAE-based Phanes Group in collaboration with responsAbility Renewable Energy Holding and the Overseas Private Investment Corporation (OPIC), the project was the result of the first power purchase agreement (PPA) signed with Malawi's national utility (ESCOM) in February 2019. This was Malawi's first competitive tender in the power sector, and the PPA is projected to last 20 years.

Phanes Group and its partners were awarded the project in May 2017 following an international tendering process which attracted bids from 21 companies globally. Phanes Group will work closely with its partners throughout development of the project: responsAbility is supporting with the provision of equity financing, while also taking on the role of co-developer. OPIC is contributing debt financing, and Natsons is the local development partner.

Empowering underserved communities

"This project will empower underserved communities in some of Africa's poorest regions through access to affordable, reliable, and diversified energy," commented Tracey Webb, OPIC vice president for structured finance and insurance. "OPIC is proud to play a role in the growth of Malawi's budding solar industry, which will advance our efforts to foster prosperity and stability in Sub-Saharan Africa."

The Nkhotakota project is part of a push by the Malawian government to use solar power to strengthen the country's electricity infrastructure. Currently only 15% of the population has access to power, and the national capacity is estimated at 362MW. The new capacity added will make a significant contribution to the government's target of increasing power access to 30% of the population by 2030.

The project will also move Malawi away from its traditional reliance on hydropower, which currently comprises over 95% of the country's energy mix. This has left the country vulnerable to droughts, particularly considering a recent drop in the water level of Lake Malawi which has threatened the region's supply of power. The new plant will address this challenge and play a critical role in securing Malawi's daytime electricity supply.

Driving economic development

Joseph Nganga, MD at responsAbility Renewable Energy Holding remarked: "Access to reliable and affordable electricity is a key prerequisite for economic development - when power is out, organisations either shoulder high opportunity costs from lost output, or resort to much costlier backup power, usually from diesel. Our aim in supporting this project is to simultaneously contribute to climate change mitigation and accelerate the development of Malawi."

"Lack of power has been a real obstacle to Malawi's social and economic development," added Phanes Group's CEO, Martin Haupt. "This project demonstrates that solar energy offers a viable path to bringing power to those communities which need it most. We are thankful to our partners responsAbility and OPIC, who have been instrumental in realising our aim to electrify new markets in Africa. We hope the Nkhotakota project will serve as a model for future private investment into the local solar sector."

CSR initiatives

Phanes Group will allocate part of its annual budget to CSR initiatives for the communities which will be served by the project. Some of these resources will be dedicated to initiatives with local NGOs such as Vision Fund Malawi to help tackle local challenges and support the area's future development. In partnership with these organisations, Phanes Group will provide structures for access to water and electrification of key community buildings.

In addition, the company will support activities to empower women in the community; for example, through increasing access to HIV testing and counseling, as well as providing financial and business management training to women's savings and loans groups and supporting vocational skill-building initiatives.

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