



The African Energy Guarantee Facility

Improving Green Energy Investment

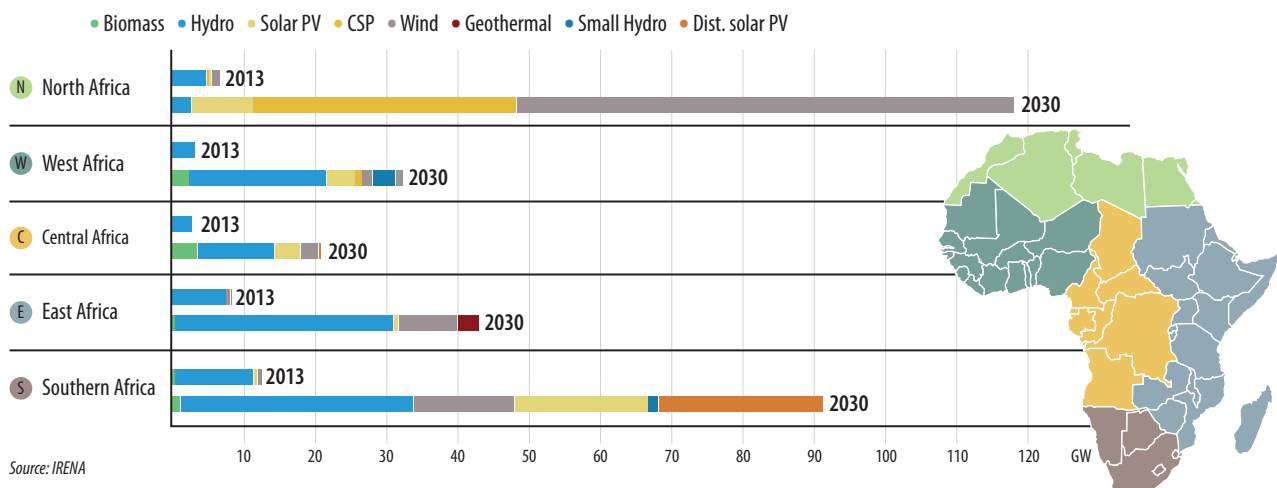
In December 2012 the United Nations General Assembly declared 2014-2024 the Decade of Sustainable Energy for All. This highlighted the importance of energy for sustainable development. In Africa, the demand for energy is expected to grow rapidly. This will lead to a sharp rise in the need for investment.

Around 600 million people in Sub-Saharan Africa lack access to electricity, and most countries experi-

ence daily power shortages. Annual investments of around \$20bn in energy infrastructure are needed.

Despite poor energy infrastructure and a growing demand for energy in many countries, **private investment and involvement in African energy remains modest because of the lack of long-term financing, political and regulatory uncertainty and weak utilities. Insurers have historically been limited in their capacity to cover such risks.**

The African Energy Gap

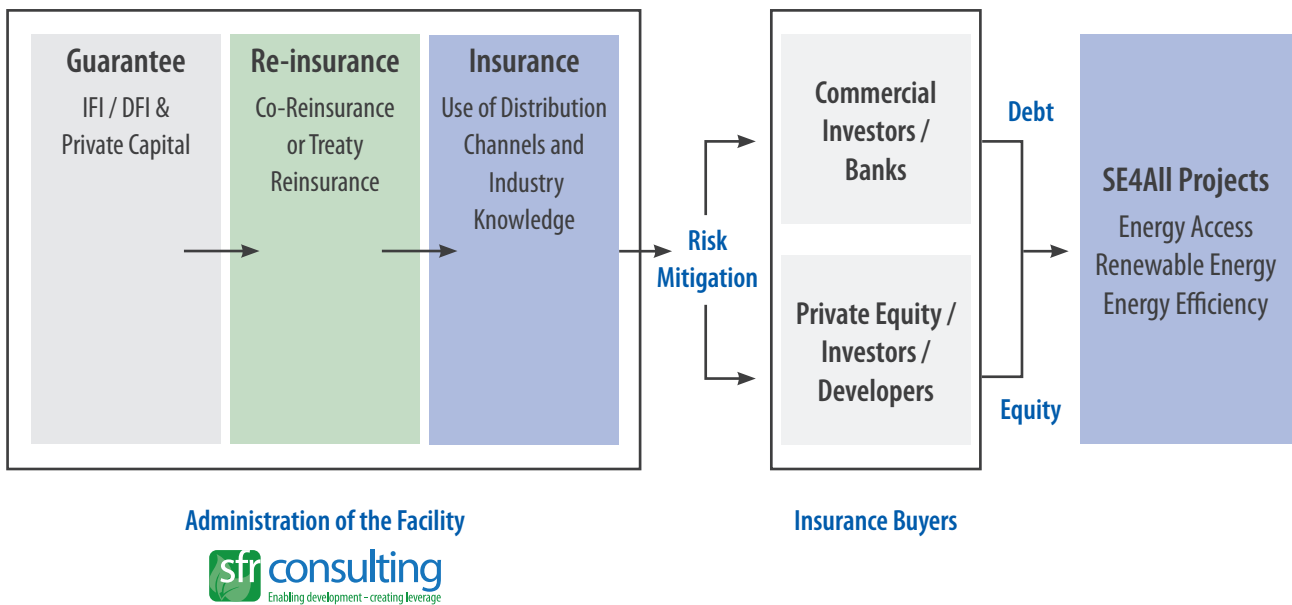


How it works

To address the insurance gap, a risk-sharing platform called the African Energy Guarantee Facility, or AEGF, was created. The aim is to boost investment insurance availability by providing up to \$1 billion in reinsurance capacity for African sustainable energy projects. The African Trade Insurance Agency (ATI), in partnership with Munich Re and the European Investment Bank (EIB), will provide significant long-term investment insurance for sustainable energy projects.

Products offered under AEGF will include insurance against sovereign or sub-sovereign non-payment and traditional political risk insurance perils like expropriation or currency inconvertibility. **The facility is expected to mobilise significant private financing in the form of debt and equity from banks and developers that are currently constrained to participate in the African energy sector.** The programme should help start many new sustainable energy projects on the continent.

The AEGF structure



Eligibility criteria

The aim of AEGF is to provide reliable and cost-effective risk mitigation coverage for projects. Participants have to fulfil some criteria to be accepted under AEGF. Each risk will be underwritten by ATI with assistance from sfr-consulting, which is the vetting institution of AEGF. New primary insurers must show a significant track record in insuring energy projects in Africa and have sufficient capabilities to do a state-of-the-art underwriting.

