

**SIXTH GLOBAL FORUM ON SUSTAINABLE
ENERGY**

VIENNA AUSTRIA

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KEYNOTE ADDRESS

ON

**THE STATUS OF THE ENERGY SECTOR IN
AFRICA: KEY ISSUES, CHALLENGES AND
MEASURES PLANNED FOR INCREASING
ENERGY ACCESS.**

Presented by

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&

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Your Excellencies,
Distinguished Guests,
Ladies and Gentlemen.

1. I thank the organisers of this Forum for inviting me as Chairperson of the Forum of Energy Ministers of Africa (FEMA) to talk about the status of energy on the African continent.
2. Most countries in Africa, South of the Sahara are currently faced with an energy supply crisis. This is mainly due to the prolonged drought, delayed implementation of energy projects and limited financial resources to support investment.
3. We are glad therefore to note that the 6th Global Forum on Sustainable Energy is focusing solely on Africa. Secondly that this Forum will seek to identify means of supporting Africa's aspirations at the forth coming 15th Session of the Commission for Sustainable Development to be held next year in New York.

Why was FEMA formed?

4. Realising the importance of Energy as the engine for development in Africa, crucial to achievement of the Millennium Development Goals and Sustainable Development, and that the level of coverage and access to modern forms of energy is as low as 8%, Ministers responsible for energy met in March 2005 and resolved to form FEMA.
5. Consequently FEMA held its inaugural meeting in Entebbe, Uganda in August 2005 where 17 countries were represented. The Ministers came up with a Memorandum of Understanding, Rules of Procedure and a work plan for FEMA. The Ministerial Forum complements other regional efforts by the African Energy Commission, NEPAD and the Regional Economic Commissions implementing various energy programmes.

6. The Forum was therefore formed to provide a platform for political leadership and policy direction in the energy sector; for collaboration and the exchange of experiences; and for advocacy in the provision, access, use and management of energy resources for sustainable social and economic development.

What has FEMA achieved so far?

7. Considering that energy is critical to our pace of development and has been high on the international agenda, FEMA has done its advocacy at a number of meetings such as:
 - a) UN MDG+5 Summit in September 2005;
 - b) Energy Week 2005 and 2006 organised by the World Bank;
 - c) Commission for Sustainable Development 14th Session in May 2006;
 - d) Side Event at the Infrastructure Consortium for Africa (ICA) meeting held in June 2006 in Addis Ababa.

At these meetings, the need for increased investment in the sector, urgency/efficiency in implementation of energy projects and the regional approach to investment has been highlighted as a means of ensuring energy security in Africa.

Challenges

8. Due to the prolonged drought, electricity generation capacities in many countries in Sub-Saharan Africa which were dependant on hydropower, cannot meet their own demand. This has resulted in power deficits necessitating load shedding. To reduce on the shortfall in power supply, a number of countries have introduced emergency thermal plants using fossil fuels which have led to increased tariffs.
9. Escalating oil prices on the international market have had serious consequences for Non-oil producing countries. Oil prices have risen by over 200% in the last five years. This has had a negative impact on the economies of 80% of the African countries, which import all their petroleum products.

10. The transmission and distribution networks in many countries in Sub-Saharan Africa are old and weak generally characterized by high technical and non technical losses. These losses translate into reduced electricity and therefore high tariff. More importantly, networks cannot enable inter-regional energy trade which is vital in enhancing security of power supply.
11. Over the last few years, there have been limited public and domestic financial resources to invest in large infrastructure power projects. It had been assumed that direct foreign investments (DFIs) would replace public investment in the power sector once the sector was reformed. As you are all aware, attracting private sector investment has not materialised as had been anticipated.
12. In the Sector of Rural Energy and Renewables; it should be noted that there is over dependence on traditional biomass energy with 80% of countries in Sub-Saharan Africa dependant on fuel-wood and charcoal for cooking and water heating. This has numerous challenges of a health nature added to the massive environmental degradation.

Way Forward in Addressing the Challenges

13. Financing:

- a) The New Partnership for Africa's Development (NEPAD) has an Action Plan aimed at developing infrastructure to address the challenges above. The energy projects planned for development cover the short, medium to long term as we shall hear in one of the presentations during this forum. Financing of these projects will go along way in meeting the aspirations of our people.
- b) Investment – Domestic resource mobilisation and development of financial instruments to facilitate investment in the energy sector should be mainstreamed by African Governments. Governments

should come up with innovative products to attract additional financing and investment in the energy sector.

- c) Pace of Decision Making and Implementation- Together with our Development Partners, there is need to review the process leading to appraisal and decision making with a view of ensuring faster implementation of Energy Projects. The Chinese and Indians are providing good examples in this regard. Indeed at the recently concluded Sino-African Summit this matter was underscored.

Structuring of Projects

- 14. We need to adopt Policies that encourage Public-Private partnerships since most developing countries are constrained in mobilising adequate public resources to invest in the development and extension of modern energy services.
- 15. We need to accelerate the implementation of cross-boundary, sub-regional and regional cooperation initiatives relating to the energy sector. This will enhance energy security in the region.

Development of Indigenous Fuels:

- 16. There have been discoveries of new oil and gas reserves in some African countries such as Uganda, Zambia and Tanzania. Exploration efforts should be stepped up so that more reserves are identified and developed to increase production of petroleum products from our indigenous resources.
- 17. We need to harmonize the Production Sharing Agreements between our governments and the oil companies ensuring that maximum benefits are obtained.
- 18. It is our hope that some of the benefits arising out of oil production by African countries will permit the early operationalization of the African Petroleum Fund put in place by the African Union in Jan 2006 to help mitigate the ever rising oil prices affecting a number of African countries.

FEMA's Work plan

19. FEMA has prepared a work plan highlighting activities to be undertaken in the short and medium to long term. The Key actions in this work plan include:
 - a) Setting up of an Energy Emergency Fund.
 - b) Holding an Energy Security Conference in March 2007. Among other things, the conference will provide an input into the CSD 15th Session.
 - c) Facilitating and engaging in key activities that promote reliable, affordable and sustainable energy supply in Africa.

Conclusion

20. Africa together with its partners has a huge challenge to mobilise the required human and financial resources to put in place energy services to facilitate sustainable development. I am glad this forum will give us an opportunity to explore ways and means which will enhance energising Africa.
21. In particular we request the forum to come up with specific interventions aimed at promoting the following:
 - a) AU/NEPAD's Energy Programme targeting increasing energy supply capacity and interconnections as a way of enhancing energy security in Africa.
 - b) Efforts being undertaken by the various power pools engaged in programmes aimed at strengthening the transmission and distribution grid networks.
 - c) Identifying financing options to support various regional organisations implementing programs aimed at scaling up energy access.
22. African countries should be encouraged to expend more efforts in diversifying energy sources, generating local financing and in contributing to solutions such as the African Petroleum Fund in order to overcome the energy problems on the continent.

23. Ladies and gentlemen, I am very optimistic that this Forum which has brought together a number of experts in the energy sector will come up with workable solutions to overcome the power supply crisis and prepare Africa for the forthcoming CSD15th session.
24. I thank you for listening to me.