



ENERGY

IN SOUTHERN AFRICA

Energy Policy Brief No. 2, October 2010

How can SADC meet the region's energy challenges?

1. The Challenge

SADC's overall objective in the energy sector is "to ensure the availability of sufficient, reliable and least cost energy supplies." This is a broad and ambitious goal, and numerous studies have been carried out to find viable solutions.

The challenge can be identified on two levels.

Large scale

The inadequate availability of electrical power to meet the demand from industry, commercial activity, public institutions and households, generally perceived as the region's "Power Crisis", and extensively described and discussed over the last decade. Remedies include mega-projects requiring huge investments.

Small scale

The inefficient use of basic primary energy, essentially biomass, among the majority of households in the region (more than 80 percent) that are not connected to the power grid. This crisis is less visible as it affects a part of the population without capacity and ability to speak up for their needs.

Both of these levels represent a hindrance to economic and social development, as well as having substantial climate change impacts. Whereas the large-scale challenge calls for regional action, the small-scale challenge is more national and local by nature, but still to benefit from regional solutions based on transfer of technology and best practice solutions. From a regional perspective a key question is: *Can SADC be instrumental in tackling these challenges, and how?*

2. The Background – Where are we?

Infrastructure in general, and energy infrastructure in particular, is a vital instrument to strengthen regional integration. Huge savings are identified by adopting a regional approach instead of national. The SAPP Regional Generation and Transmission Expansion Plan ("Pool Plan") indicates that the total discounted cost savings over a 25-year period would be approximately US\$8 billion, depending on some key assumptions. This is an obvious rationale for extensive regional energy cooperation, in which all the participants are winners.

The Pool Plan identifies the needed elements in terms of generation and transmission projects, as well as the optimum timing. Most of these projects have been on the

drawing board for years, and have reached an advanced level of studies and documentation. Various investor conferences and similar events have promoted the same projects, and confirmed that they are technically, economically and financially viable. Nevertheless, the region is in the middle of a power crisis that was foreseen years ago, and the solution does not require more studies.

3. SADC Developments – Status and shortcomings

3.1 Guiding principles

The SADC energy strategy is built upon the guiding principles from the SADC Treaty, the SADC Protocol on Energy (1996) and the SADC Energy Co-operation Policy and Strategy (1996). A SADC Energy Action Plan was prepared in 1997, identifying initiatives and measures necessary to reach the overall goals. Due to a variety of factors, the activities were not implemented and a new Action Plan was prepared in 2000. Identified initiatives have partly been implemented, but mainly those involving studies and capacity building, and to a very modest extent initiatives comprising physical infrastructure.

Concern has been raised at various fora including the Energy Ministers meeting in Luanda in April 2010 that SADC energy strategy papers and action plans have not been updated to reflect developments in the sector. This has now received ministerial attention and a decision has since been reached to review the guiding principles. Terms of Reference have already been drafted for the review of the SADC Energy Protocol and the SADC Strategy.

3.2 Institutional structures for project implementation

In terms of institutional structures, SADC Council in 2004 constituted a ministerial Task Force to develop a road map aimed at addressing the then projected decline and deficit in power in the region. The Task Force met in 2008 and approved a road map promoting a series of energy efficiency policies as well as envisaging structures for implementing projects, primarily to report and review the pace of implementation of projects. However, in their 2009 meeting in Maputo the SADC Energy Ministers noted that the structures were not functioning as intended in most of the Member States and action plans are not followed up.

Partly based on this concern, the SADC Electricity Subcommittee was re-established in December 2009 to consolidate the power sector activities in the region.



According to the Terms of Reference, the subcommittee is to meet at least bi-annually, as regular meetings are needed for this initiative to produce substantive results. However no meeting was held during the first half of 2010.

3.3 High-level decisions

SADC energy actions and priorities are generally reflected in discussions and proceedings from the annual meetings of SADC Energy Ministers. The Ministers met most recently in Luanda in April 2010, highlighting some of the challenges impeding progress in this sector. The level of attendance was low, despite the fact that energy shortage is identified as one of the top three risk factors for investors in the region, and hence a substantial barrier for economic and social development. The approved list of regional priorities is very broad, and includes 11 priority areas, thus making it difficult to identify the more urgent priorities. The action matrix does not have a strong relationship to the priority list, and thus actions appear to be driven by ad hoc interventions.

Decisions related to the region's most severe energy challenge – the diminishing surplus installed capacity – require resolute commitment and ability to action. Thus, SADC as a regional institution needs to be accorded higher profile, shown among other ways, by a high level of attendance at its meetings and would need to be sufficiently empowered to ensure that optimum regional solutions are chosen, for the benefit of all Member States.

4. Finding Solutions – A role for SADC

4.1 Capacity

There is a mismatch between the expectations of SADC as an institution and its capacity and capabilities. This was one of the main findings in three capacity-development assessments carried out in 2007. There are two obvious solutions: (a) increase capacity or (b) reduce expectations and limit priorities to enable the Secretariat to produce results.

4.2 Strategy

SADC's energy strategy and action documents are outdated, and there is an obvious need to update the SADC Energy Strategy and Action Plan. Steps are being taken to review both the Protocol and the Strategy to ensure clarity on what are regional issues and what should be left for national follow-up.

4.3 Empowerment

An action plan needs implementing power if it is to succeed in achieving results. An obstacle for regional goal achievement is that no regional institution is empowered to ensure that regional priority projects are implemented, and there are no penalties against non-compliance with regional action plans. A good illustration is the SAPP Pool Plan which draws up the optimum sequence of project implementation in a regional least-cost perspective, but this serves only as guidance, it is not a binding document. A corresponding plan in ECOWAS

approved at Head of State level gives the West Africa Power Pool (WAPP) a clear mandate to ensure that projects are implemented according to the plan.

4.4 Project implementation structures

Efforts to boost project implementation through regional structures for project implementation are not showing sufficient results, and thus the most fruitful solution would be to empower and capacitate SAPP to take a more proactive role in regional priority project implementation.

4.5 Mediation

Regional cooperation may require mediation if the parties cannot agree, thus giving substance to regional integration. The Mozambique-Malawi interconnection is an example of a priority project brought to financial closure, but where the two parties could not agree on mutual contractual terms. This serves as a good example of a case where SADC has an important role to play as mediator, similar to what is instituted on a political level, a role that should be more clearly mandated also within the energy sector.

5. Conclusions and Recommendations

Power supply in the SADC region is lagging behind in several aspects:

- o Despite abundance of energy resources, installed capacity per capita is the lowest in the world, about one-third of South Asia's, yet the two regions were equal in 1980;
- o The prevailing imbalance between regional power supply and demand is devastating for economic and social development, and will still persist even though the crisis was predicted many years ago;
- o The number of people not connected to electricity will continue to increase as population growth outranks electrification rates;
- o Electricity supply remains dramatically unreliable, as customers in some countries report more than 60 days of power outages per year.

SADC is taking a proactive role in meeting these challenges, but the situation calls for reflection.

- o The SADC energy sector priorities should be reduced considerably to give the Secretariat a fair chance to produce results;
- o The SADC Energy Strategy and Action Plan should be updated in line with the prevailing situation, giving room for firm prioritising and a clear distinction between national and regional responsibilities;
- o The SADC Secretariat and SADC institutions such as the Southern African Power Pool (SAPP) and the Regional Electricity Regulators Association (RERA) should be mandated to secure compliance with regional priorities, including penalties for non-compliance;
- o The SADC Secretariat should be mandated and capacitated to play a more catalytic and mediating role in regional power project implementation. r

This policy brief is published by the Southern African Research and Documentation Centre (SARDC) with support from the Norwegian Ministry of Foreign Affairs through the Embassy in Maputo, Mozambique, as part of the project Communicating Energy in Southern Africa. The policy brief and related information on energy are available in the Virtual Library for Southern Africa at www.sardc.net Knowledge for Development.