Summary of the Project Launch Event
“Sustainable Energy Investment Study in Malawi”

7 February 2019
Lilongwe, Malawi

Introduction
The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) and the Ministry of Natural Resources, Energy and Mining hosted the launch event of the “Sustainable Energy Investment Study in Malawi” project on Thursday, February 7th 2019, in Lilongwe, Malawi.

The launch event was held at the Bingu International Convention Centre and was attended by distinguished guests including government officials, UN staff, development partners, DFIs, and representatives from academia, the private sector and civil society.

Malawi’s current access to energy is limited. Although the country has an abundance of resources with which a sustainable energy sector could thrive, only 11% of Malawi’s population has access to electricity, with just 2% of the population with access in rural areas. In line with national and international objectives, every Malawian deserves full access to adequate and reliable energy.

The investment study will support Malawi’s efforts in accelerating Malawi’s progress towards achieving Sustainable Development Goal 7: access to energy. The main objective of the ‘Sustainable Energy Investment’ study is to assess how to increase investment in sustainable energy in Malawi and create a highly actionable roadmap to increase investment in sustainable electricity, accelerate the energy transition, and significantly increase electricity access. The study will articulate how Malawi can leapfrog to clean energy, while contributing to the objectives of the Paris Agreement.

The investment study in carried out in the margins of increasing investment in least developed countries to achieve Sustainable Development Goal 7 by 2030. The findings of this report and lessons learnt and best practices on financing sustainable energy in LDCs will be discussed at the Global Conference on “Scaling-up Energy Access and Finance in Least Developed Countries” on 30-31 May 2019, in Beijing, China.
Opening Session
Mr. Joseph Kalowekamo, Acting Director of Energy Affairs, Department of Energy Affairs, Ministry of Natural Resources, Energy and Mining, welcomed warmly all the participants and provided an introduction to the investment study and an update on Malawi’s energy sector. He then invited the distinguished opening session speakers to give their remarks.

Ms. Maria Jose Torres Macho, UN Resident Coordinator for Malawi noted that with regards to global energy markets, the pace of energy transformation is growing stronger every year. She added that, renewable energy sources are now competitive with conventional energy sources, especially in sub-Saharan Africa where affordable technology solutions are breaking barriers to modern energy services. Ms. Torres Macho highlighted that the scope for energy investment has never been more favourable. She emphasised that Malawi needs to be positioned to make strategic and targeted use of its public finance to catalyse private investments.

She added that the UN team in Malawi is supporting all efforts related to energy innovation through various initiatives and projects such as:

- Assisting the deployment of clean energy mini grids in remote areas in partnership with Malawian social enterprises such as Community Energy Malawi, Practical Action and the Mulanje Electricity Generation Agency (MEGA).
- Engaging the government to action regulatory and policy reforms to better attract private investment.
- Collaborating with UNDPs Growth Accelerator Initiative, Malawian energy businesses are linked to equity investors in Africa and Europe while strengthening business development services for young entrepreneurs in the sector.
- UNDP and UNICEF have partnered with the Ministry of Health, Department of Energy, ESCOM and MERA to accelerate the adoption of renewable energy in the health sector under the Power for Health Masterplan.

Ms. Torres Macho concluded that these interventions and the contribution of all the organisations participating at the launch event are shaped by Malawi’s plans to crowd-in finance to achieve SDG 7. She then welcomed the Under-Secretary-General and her Office as they partner with the Government of Malawi to build on existing momentum to increase investment in sustainable electricity, accelerate the energy transition, and significantly increase electricity access across the country.

Ms. Fekitamoeloa Katoa ‘Utoikamanu, Under Secretary-General and the High Representative for LDCs, LLDCs and SIDS, informed participants of her strong support for accelerating Malawi’s progress towards achieving Sustainable Development Goal 7: access to energy. USG ‘Utoikamanu stressed that access to energy remains a major challenge for the 91 vulnerable countries that UN-OHRLLS represents, with Malawi as no exception. She underlined that poor access to energy has a direct impact on poverty eradication, climate change, health, water and economic transformation. The 2030 Agenda, Istanbul Programme of Action for LDCs, Paris Climate Change Agreement and the Addis
Ababa Action Agenda all underline the importance of sustainable energy as part of the global blueprint towards sustainable development.

USG ‘Utoikamanu emphasised UN-OHRLLS’s high priority on promoting sustainable energy in vulnerable countries. She updated the participants that the Office has successfully brought together the leaders and policy makers from these countries to discuss the challenges they face in enhancing their energy access and from these meetings it was concluded that although there is national ownership and political will for energy transition, access to finance remains a key challenge due to constraints such as lack of institutional capacity and skills, lack of local investment, and poor or non-existent credit ratings.

USG ‘Utoikamanu concluded that SDG7 in Malawi is within reach. While she commended the progress made so far, she noted that further efforts are needed in creating an enabling environment and regulatory frameworks, scaling up existing initiatives, establishing new partnerships, adopting new technologies and gaining better access to financing. Also, improved regional collaboration can strengthen energy security, and be an important tool to reach the needed economies of scales to attract investments.

USG ‘Utoikamanu called upon all participants including the UN system to work together and forge even stronger partnerships to ensure that energy transitions reach the poorest and most vulnerable communities. She acknowledged the presence of the participants as a commitment to support Malawi in its energy transition. USG ‘Utoikamanu ended her remarks with a personal hope, that the investment study will take into consideration the linkages between energy access, health and gender equality and find solutions to improve access to clean fuels and technologies for cooking.

Ms. Chimwemwe Banda, Chief Director, Department of Energy Affairs, Ministry of Natural Resources, Energy and Mining, welcomed all distinguished guests and noted that she was greatly honoured to officially launch the study on increasing investment into sustainable energy in Malawi.

Ms. Banda informed participants that Malawi is committed to achieving the targets set under the UN Sustainable Energy for All initiative (SEforALL) and the SDGs to ensure access to affordable, reliable, sustainable and modern energy for all by 2030. However, country’s energy sector faces many challenges including low electricity generation, over reliance on hydro-electricity generation and on the Shire River, poor transmission and distribution and inadequate financing.

Ms. Banda explained to the participants that in order to address the challenges, the Ministry of Natural Resources, Energy and Mining developed the National Energy Policy (NEP) which was approved by Cabinet in August 2018. The policy highlights strategies to achieve the goals related to the energy sector. She added that prior to the NEP, in 2017 the Ministry developed the Country’s SE4ALL Action Agenda with financial and technical assistance from the African Development Bank. This agenda also outlines specific targets and priority actions to achieve targets by 2030.

Ms. Banda stressed that the priority actions stated in the NEP and SE4ALL Action Agenda are not enough to achieve SE4ALL initiative and SDG7. The country needs a comprehensive package of investable projects to attract both public and private investments in the energy sector.
She expressed gratitude towards UN-OHRLLS that Malawi was shortlisted in 2018 to benefit from the study under the facilitation of Rocky Mountain institute. She added that the study has the approval of the Malawi government and SE4ALL African Hub.

Ms. Banda highlighted that the study is expected to crowd-in investment and accelerate sustainable energy transition by combining different investment opportunities into one package. Additionally, the study will identify a set of implementable programmes and projects aimed at achieving targets sets by SE4All, SDG7 and the Malawi Growth and Development Strategy (MGDS III). She noted that these projects and programmes will include investment requirements that can be presented to potential investors. Ms. Banda concluded that it is the expectation of the Ministry that stakeholders in the energy sector will collaborate with Rocky Mountain Institute appropriately during the study. She also urged that the same stakeholders in-country and internationally should make use of the results from the study to inform their interventions that are aimed at achieving SDG7 by 2030.

Mr. Eric Wanless, Principal of the Sustainable Energy for Economic Development Program from the Rocky Mountain Institute, presented the objectives and expected outcomes of the project. He explained that RMI’s goal in Africa is to increase access to affordable and reliable electricity for economic development, education, health, and overall quality of life. He noted that Malawi is at an electrification and development inflection point and the study aims to accelerate the energy transformation. He then highlighted four goals for the work in Malawi:

1. Clear and specific investment prospectus for meeting SDG7 prepared;
2. Opportunities to make rapid progress and unlock investment in Malawi identified
3. Malawi supported in securing the right finance at the right time;
4. Success scaled broadly across LDCs facing similar challenges.

Mr. Wanless also presented the work of RMI. RMI has almost 40 years’ experience in providing impartial technical and economic analysis and advice on transforming energy systems to increase efficiency, sustainability and resilience. The not-for-profit institute employs over 200 scientists, engineers, and business and policy leaders.

Mr. Mongameli Mehlwana, Energy, Infrastructure and Services expert from UNECA, presented regional priorities and best practices. He started by underlining the high potential Africa has in terms of energy access and the importance of regional approach, political will and robust policy framework. Progress has been made in increasing access, but the investment flows remain low and more investments are needed from non-traditional sources. Mr. Mehlwana then discussed IPPs in renewable energy and how they have become more widely used in Sub-Saharan Africa in the past years, especially in hydro (small <20MW) and wind. He then discussed lessons learnt in facilitating private sector participation and reforms in the power sector; stressing the below four points:

- Effective and strong regulation of the power sector to enable renewables to compete and level playing fields;
- Address power pricing to reflect the costs of production – particularly ensuring the competitiveness of renewables;
• Address the financial and governance state of the main offtaker, the national utility;
• Adopt flexible business models as determined by specific context of operation.

Project presentations and Q&A

Mr. Ed Borgstein, Mr. Alexander Komakech-Akena, Ms. Scarlett Santana from the Rocky Mountain Institute presented the scope, methodology and the deliverables of the project. It was underlined that Malawi has started to put in place policies, strategies, and frameworks to enable power sector growth, and even if the current access rates are low (only 11% of Malawi’s population has access to electricity, 46% in urban areas and 2% in rural areas) there is true opportunity for change. Key infrastructure projects including improved maintenance of existing assets and market development activities laying the foundation for rapid growth of the power sector are ongoing.

Despite these positive developments, progress must be accelerated, as energy is a strategic priority for Malawi and a key enabler for economic development. It was underlined that Malawi is at a critical point and poised to accelerate progress towards meeting the SDG7 targets. However, challenges in raising finance have slowed progress towards national goals, including off-taker finance challenges and underdeveloped off-grid market. To overcome these challenges greater coordination is needed to align efforts and increase cost-effectiveness and impact. Also, increased capacities are needed to implemented sector plans. The experts then underlined that investment study will identify and drive key actions to unlock further investment for the sector focusing on four main building blocks: 1) define short-term actions to capture quick wins and unblock projects 2) deepen the understanding of energy procurement and planning 3) improve coordination and map the available finance landscape and 4) integrate on- and off-grid strategies and allocate priorities.

After the presentations, the floor was opened for discussion, questions and exchange of ideas moderated by Mr Kalowekamo. Some of the key points raised during this discussion included:

• The importance of involving the private sector in the preparations of the investment study was highlighted together with creating bankable projects. It was noted that in general, the private sector in Malawi, knows how to create bankable projects. Lending to the bottom of the pyramid is much more difficult and riskier. Examples on how this has been done in other countries would be helpful, i.e. have other countries put subsidies in place to make this possible.

• Definition of access, considering ability to pay and affordability, not just proximity to distribution line. The multi-tier framework for defining and measuring energy access was then discussed.

• It was noted that Malawi’s primary energy consumption is dominated by biomass and it would be beneficial to involve the Department of Forestry be involved in the conversations. The participants enquired whether energy for clean cooking will be considered in the study. It was discussed that electrification is only a small part of the need for solutions to cooking, and that deforestation is intimately linked to Malawi’s power issues and they study will aim to incorporate these aspects as well.
• How to find the best balance between renewable energy and energy efficiency. A simple analysis of the Malawi Rural Electrification Programme would suggest that the electricity demand does not justify the cost of electrification. Overall, in terms of finding the best balance between centralized and decentralized energy, what models can Malawi learn from?

• It was stressed that the study should include all renewable energy sources; waste-to-energy, geothermal, gas cooking as wells as issues linked to deforestation.

After the discussion and debate, the next steps and timeline were elaborated. It was explained that the Rocky Mountain Institute want to engage actively with all stakeholders. The experts will be back in Malawi again in March. It is envisaged that the first version of the report will be presented at the Global Conference on Scaling-Up Energy Access and Finance in Least Developed Countries, on 30-31 May 2019, in Beijing, China, and the final version of the report would be presented in June/July. Also, a validation workshop would take place before that.

H.E. Dr. Perks Ligoya, the Permanent Representative of Malawi to the United Nations in New York, then gave some closing remarks and noted that based on the discussion and presentations, there is a good opportunity for Malawi to make quick progress. He underlined the need to move fast and increase coordination. H.E. Dr. Ligoya also conveyed his experiences in chairing the Group of LDCs in New York as well as noted the discussion within the Group of Friends of LDCs. He noted the strong will from the development partners to support LDCs in their development efforts and expressed his wish that development partners would similarly support Malawi in the next steps to be identified in the study to increase investment into sustainable energy in Malawi and ultimately achieve energy access for all.

Mr. Kalowekamo then thanked all the attendants for their active participation and closed the meeting.

Further information regarding the investment study and the launch event can be accessed at: http://unohrls.org/event/project-launch-sustainable-energy-investment-study-in-malawi/
ANNEX I – Agenda

Project Launch

Sustainable Energy Investment Study in Malawi

7 February 2019, 9:30 a.m., at BICC

Agenda

Opening Session

Opening remarks by the Moderator, Mr. Joseph Kalowekamo, Acting Director of Energy Affairs, Department of Energy Affairs, Ministry of Natural Resources, Energy and Mining

09:30

Remarks by Ms. Maria Jose Torres Macho, United Nations Resident Coordinator, Malawi

09:35

Remarks by Ms. Fekitamoeloa Katoa ‘Utoikamanu – UN Under-Secretary- General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

09:40

Speech by Ms. Chief Director, Mrs. Chimwemwe Banda, Chief Director, Department of Energy Affairs, Ministry of Natural Resources, Energy and Mining

09:45

Project presentations

Project presentation: objectives and expected outcomes by Mr. Eric Wanless, Principal, Sustainable Energy for Economic Development Program, Rocky Mountain Institute

09:55

Regional priorities and best practices by Mr. Mongameli Mehlwana, Energy, Infrastructure and Services, Private Sector Development and Finance Division, UN Economic Commission for Africa

10:15

Coffee Break

10:30

Review of the project scope, methodology and deliverables by Mr. Ed Borgstein, Mr. Alexander Komakech-Akena, Ms. Scarlett Santana, Rocky Mountain Institute

10:50

Open discussion on the project and exchange of ideas

11:20
12:00 Next steps and wrap up by Mr. Eric Wanless, Principal, Sustainable Energy for Economic Development Program, Rocky Mountain Institute

12:30 Closing by the Moderator, Mr. Joseph Kalowekamo, Acting Director of Energy Affairs, Department of Energy Affairs, Ministry of Natural Resources, Energy and Mining

Annex II – List of participants

- African Development Bank (AfDB)
- Bankers Association of Malawi (BAM)
- Chinese Embassy
- EU Delegation
- German Embassy
- GIZ
- Malawi Broadcasting Corporation (MBC)
- Malawi Energy Regulatory Authority (MERA)
- Malawi News Agency (MANA)
- Malawi Police Service
- Ministry of Finance, Economic Planning & Development
  - Department of Economic Planning and Development
- Ministry of Foreign Affairs
- Ministry of Natural Resources, Energy and Environment
  - Department of Energy Affairs
- Mzuzu University
- Nation Publications Ltd
- Polytechnic Electrics Department
- Practical Action
- Renewable Energy Industries Association of Malawi (REIAMA)
- Rocky Mountain Institute (RMI)
- Times Group
- United Nations, Malawi
- United Nations Development Programme (UNDP)
- United Nations Economic Commission for Africa (UNECA)
- United Nations International Children's Emergency Fund (UNICEF)
- United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)
- University of Malawi
- USAID
- World Bank
- Zodiak Broadcasting Station (ZBS)