

WORLD ENERGY OUTLOOK 2014 FACTSHEET

Sub-Saharan Africa – main areas for policy action

- ▶ **Our main scenario sets a demanding agenda for Africa's policymakers, but does not come close to meeting the full potential of energy to act as an engine for prosperity.** Power supply remains unreliable, and more than half a billion people are left without access to electricity and clean cooking facilities. Energy consumption per capita in sub-Saharan Africa remains well below one-third of the global average.
- ▶ **The energy picture in sub-Saharan Africa is diverse, but certain themes recur.** A better-functioning energy system will require action in three key areas:
 1. **A step-change in investment in domestic energy supply:** since 2000, we estimate that two out of every three dollars invested in sub-Saharan Africa went to produce energy for exports. In our projections, \$3 trillion is invested in the sub-Saharan energy sector to 2040. This annual average of \$110 billion per year is almost double what has been seen over the period since 2000. Crucially, the pattern of investment also changes, with more than two-thirds of an enlarged total directed towards providing energy to be consumed within sub-Saharan Africa itself (a reversal of the current trend).

Investment in the power sector is key; this rises to an average of \$45 billion per year, compared with current levels below \$10 billion per year. Bringing investment in at these levels will require governments to make good on their ambitions to improve the investment climate (better strategic planning, governance, regulation, pricing) and to bring in a new cast of investors, including private companies.
 2. **Better management of the region's resources:** sub-Saharan Africa has ample energy resources, both fossil fuel and renewable, but the opportunities that these offer to support sustained economic growth are often missed. Oil and gas output generates \$3.5 trillion in fiscal revenue to 2040 (90% of this generated from oil production). An influx of revenue at this scale has the potential to be transformative in allowing countries to reverse deficiencies in essential infrastructure. Set against this, however, are questions over the institutional capacity of resource-rich countries to pick projects well and to spend funds efficiently, as well as navigating the pitfalls associated with fluctuating international prices.
 3. **Deeper regional energy co-operation:** expanding cross-border trade can be a very cost-effective way to increase the reliability and affordability of energy supply, but this is often hindered in practice by a range of technical and political barriers. The lack of regional scale is a particular obstacle for the development of sub-Saharan Africa's large hydropower potential.
- ▶ **A brighter vision of how energy can contribute to inclusive economic growth in sub-Saharan Africa is presented in the African Century Case.** Here, improved governance opens the doors to a faster pace of progress in all of these areas:
 - **an additional \$450 billion in cumulative power sector investment**, reducing power outages by half and achieving universal electricity access in urban areas (an extra 230 million people gain access compared with the main scenario)
 - **better resource management**, more investment in the upstream combined with more effective use of oil and gas revenues results in a faster improvement in essential infrastructure
 - **deeper regional integration**, electricity trade triples as new large-scale regional generation and transmission projects (notably for hydropower in Central Africa) go ahead
- ▶ **These measures boost the size of the sub-Saharan economy by 30% in 2040 compared with our main scenario, an extra decade's worth of growth in per capita incomes.** The outcome is an energy system in which uninterrupted supply becomes the expectation rather than the exception. This translates into increased productivity in the economy and a major boost to economic activity: every \$1 invested in the power sector generates more than \$15 in incremental GDP.