Energy access gap: a $37bn market opportunity?

Addressing the lack of access to clean, modern energy, has typically been seen as a development challenge and, thus, large-scale approaches to closing the gap government-led

IEA estimates that it achieving universal energy access by 2030 will cost $48 bn annually

But, the poor spend $37 bn each year on kerosene for lighting and biomass fuels burned on inefficient stoves

...this constitutes a market opportunity that an increasing number of companies are serving profitably...
IFC’s engagement in Energy Access cuts across inter-related Investment & Advisory activities

**Advisory services**

1) Business models
   - Develop innovative business models with a view to demonstrating proof-of-concept
     - Remove barriers to market scale-up
     - Financing
     - Legal and regulatory
     - Standards-related
     - Capacity building
     - Consumer education

2) Market transformation
   - In a given country or region, take a programmatic perspective to removing critical barriers for market to develop, be they at consumer, company and/or regulatory levels

**Blended investments**

3) Concessional financing
   - IFC investments booked on own as well as on donor accounts
     - Earth Fund
     - CTF
     - Project development costs

4) Venture investments
   - Equity investment with downside risks shared with donors and Advisory role (Cleantech Pilot)
     - Equity investment with support for upfront project development costs (Infraventures)

**Mainstream investments**

5) Mainstream loans and equity investments
   - In power utilities (for grid extension and/or off-grid access “add-ons”)
   - In manufacturing companies that produce devices and access systems
   - In financial institutions which, in turn, provide micro-loans for access

Source: IFC team analysis
Interventions can be mapped along a curve of business model maturity and profitability

Nature of IFC interventions

1a. Business model conceptualization
1b. Project piloting
2. Market transformation
3. Concessional financing
4. Venture investment
5. Mainstream investment in Infrastructure and GMS firms, and financial Institutions

Advisory services

Profitability

Business Model Development

Proof of concept

Maturity

Technology/business model advancement

Private capital

Public funds

Source: IFC team analysis
So, what does it take to attract (non-altruistic) financing?

**Robust business model**
- Understanding of the market
- Credible approach to serving customers
- Clear strategy for growth

**Demonstrated (or believable) profitability**
- Steady revenues
- Manageable costs
- Generate income, without over-reliance on unpredictable subsidies

**Experienced management**
- Knowledgeable leaders
- Good management skills
- Sectoral expertise

Source: IFC team analysis