

Africa Practice Alert

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Electrify Africa Act: Catalyzing Investment Opportunities in Sub-Saharan Africa

On February 27, 2014, the House Committee on Foreign Affairs passed H.R. 2548, the Electrify Africa Act, to improve access to electricity in sub-Saharan Africa, through a comprehensive U.S. government approach to electricity projects in the region. The bipartisan legislation would establish a U.S. strategy to support affordable, reliable electricity in sub-Saharan Africa in order to improve economic growth, health and education in Africa, while helping job creation in the United States through greater exports.

The main purpose of the Electrify Africa Act is to make government-backed credit more accessible to the private sector in order to deliver access to energy for more than 50 million people in sub-Saharan Africa. This important development could help interested investors access a \$300 billion energy market in sub-Saharan Africa and tap into the demand for an additional 20,000 megawatts in the region.

Changing How the United States Does Business in Africa

If enacted, the Electrify Africa Act will declare that it is the policy of the United States to encourage access to electricity in sub-Saharan Africa. It will also require that the administration create a comprehensive strategy to help increase electricity in sub-Saharan Africa.

More important, the Electrify Africa Act would change how certain U.S. agencies do business in Africa:

- Direct the U.S. Agency for International Development (USAID) to prioritize existing tools like loan guarantees, partnerships and grants to increase electricity in sub-Saharan Africa while also encouraging USAID to develop national, regional and local electricity policy plans.
- Instruct the U.S. Department of Treasury to direct its Director at the World Bank and African Development Bank to increase electricity investments in Sub-Saharan Africa and to coordinate with the private sector.
- Direct the Overseas Private Investment Corporation (OPIC) to prioritize electricity projects and expedite review and approval of loans, guarantees and insurance by investors in sub-Saharan Africa.
- Instruct OPIC to increase loans, guarantees, insurance programs and commitments in sub-Saharan Africa, including the creation of an advisory council to assist its board.
- Direct the U.S. Trade and Development Agency to promote US private sector participation in energy sector development and to seek opportunities to fund project preparation activities including power generation.

Opening a \$300 Billion and 20,000 MW Energy Market

The Electrify Africa Act would assist investors in accessing sub-Saharan Africa's untapped \$300 billion energy market and demand for more than 20,000 additional megawatts of electricity. If enacted, the Electrify Africa Act will:

- Encourage the installation of an additional 20,000 megawatts of power in sub-Saharan Africa by 2020
- Promote first-time access to electricity for 50 million people in sub-Saharan Africa by 2020
- Promote efficient institutional platforms to provide electrical service to rural and underserved areas.

This U.S. government assistance is critical to sub-Saharan Africa:

- Sub-Saharan Africa requires more than \$300 billion in investment to achieve universal electricity access by 2030
- In sub-Saharan Africa, approximately 589 million people, or 68 percent of the population, do not have access to electricity
- Africa's consumer base of one billion people is rapidly growing and creating demand for U.S. goods, services and technologies.

Holding the U.S. Government Accountable for Electrification Projects in Africa

Putting policy into practice, the U.S. government will closely monitor the expenditure of funds and associated projects under the Electrify Africa Act. After three years from enactment, the president would be required to report to the Committee on Foreign Relations with a list of power sector and electrification projects the USG is supporting. The report would include:

- A description of the project and the partner country
- The total cost of each project
- A breakdown of the project cost among USAID, OPIC, Treasury and other USG agencies
- Certain outputs like MW, environmental and social impact, number of beneficiaries.

Bipartisan Support for Electrify Africa Act

When the House Committee on Foreign Affairs reported H.R. 2548 to the full House, it represented a rare moment of bipartisanship during the 113th Congress. Committee Chairman Ed Royce (R-CA) intends to solicit additional Member support in the coming weeks with anticipated consideration by the full House as early as April or May of this year. Even without action by the House Financial Services Committee, which shares jurisdiction over the bill, House leadership is expected to proceed with the bill's consideration. In June 30, 2013, the Obama administration announced the Power Africa Initiative which similarly dedicates federal resources to the development of sub-Saharan Africa's electrification. Although the Power Africa

Initiative includes different targets and additional private-public partnerships, President Obama will likely support any bill similar to H.R. 2548 that comes out of Congress.

What Does the Electrify Africa Act Mean for Investors?

The main purpose of the Electrify Africa Act is to make government-backed credit more accessible to the private sector in order to deliver access to energy for more than 50 million people in sub-Saharan Africa. This means easier access to credit for those investors who are not only interested in exploring projects in the region, but who also understand African development and working with U.S. agencies. It also means a likely increase in the number of privatized power projects within sub-Saharan Africa as the U.S. government works with partner countries to reform and open energy markets.

The firm's Africa Practice can help interested investors capitalize on this opportunity based on our experience in African energy projects, strong relationships with those U.S. agencies tapped to implement the Electrify Africa Act, and team of professionals working with African governments and opening markets in sub-Saharan Africa.

Contact Information

If you have any questions regarding this alert, please contact:

Tom Trimble

ttrimble@akingump.com

+1 202.887.4118

Washington, DC

Henry Terhune

htherhune@akingump.com

+1 202.887.4369

Washington, DC

Elliot Hinds

ehinds@akingump.com

+1 310.229.1035

Los Angeles, CA

Carl Fleming

cfleming@akingump.com

+1 202.887.4163

Washington, DC