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ENABLING RENEWABLE ENERGY FOR UNIVERSAL ACCESS

THE POLICY CHALLENGE

Mozambique's vertically integrated national utility, Electricidade de Moçambique (EDM), services only 30% of the population on the national grid, with coverage falling to 6% in rural areas. The utility is not able to cover operating costs and lacks the capital and the capacity to expand. Off-grid renewable energy opportunities abound but are stifled by the concession and licensing process. The same 22 step process is required for community solar installations and for large-scale diesel power generation, costing an average of \$2 million over a 3 year period. Renewable energy projects are also undermined by Mozambique's high customs duty and VAT rates which add 30% to the cost of imported equipment. Simultaneously, the national Energy Fund's subsidized solar panel factory allows them to maintain a de facto monopoly on this profitable aspect of solar project development, which crowds out private sector full-service renewable energy companies.

Mozambique has committed to the Sustainable Development Goal of Universal Access to Power by 2030. A dynamic private sector, off-grid approach is needed to start delivering on the \$20 billion investment required to power up all Mozambican citizens.



✓ LEGAL & REGULATORY REFORM

- SPEED+ technical assistance to the Ministry of Mineral Resources and Energy (MIREME) resulted in a full re-drafting of the Electricity Law that will enable scaling up of off-grid renewable energy (RE) projects. Passage of the law is on the Parliament's priority list for 2020.
- Mini-grids and commercial self-consumption systems below 4MW will enjoy a streamlined, 3 step licensing process consolidated within the National Energy Regulatory Authority (ARENE). Renewable energy projects of any size will be exempted from concession requirements.
- Renewable energy projects will have reduced environmental impact assessment requirements, reducing one of the costliest aspects of project development.
- The framework for net metering was established, particularly important for commercial self-consumption installations to connect to the grid.
- Mini-grid regulation will be the sole responsibility of the independent ARENE, increasing efficiency and consistency while eliminating potential conflicts of interest with MIREME or EDM.

✓ FACILITATING GROWTH OPPORTUNITIES

- SPEED+ supported the Energy Fund (FUNAE) Renewable Energy Roadshow which highlighted 190 investment-ready off-grid projects totaling 108MW and 150,000 connections. The national Roadshow educated communities, local governments and businesses about the potential to quickly and affordably power up their communities. Renewable Futures LP and BCI Bank contributed practical expertise on equipment and business models.
- SPEED+ is piloting the transition to solar power for private water providers, promoting BCI Bank's renewable energy finance facility and assisting local solar companies to target small business productive use opportunities.
- The SPEED+ Review of Fiscal Regime for Renewable Energy Equipment provided the foundation for an exemption to duties and fees that increase costs by 30% and turn feasible projects into lost opportunities. SPEED+ supported multiple legal and regulatory strategies to remove this burden, and the formation of a government task force as part of the Energy Africa Compact.

✓ BUILDING INSTITUTIONS

- The SPEED+ training on Independent Power Producer Regulation and Management addressed both standard on-grid IPPs and the unique aspects of off-grid and renewable IPP projects. Training was delivered to staff from MIREME, ARENE, and the Ministries of Economy and Finance and of Public Works, Housing and Water Resources; and from the Tax Authority, Energy Fund, Investment and Export Promotion Agency and the Federation of Business Associations.
- Direct technical assistance to MIREME enabled approval of a public-private concession for a 40 MW, \$56 million solar power plant in Cabo Delgado.
- Capacity building for ARENE supports building the RE sector regulatory framework. Improved capacity will also enable ARENE to carry out the public tender process for 8 solar, hydro and wind projects delivering 330MW and 340,000 new connections in partnership with the GetFit and PROLER programs.
- Technical assistance and education for EDM on IPPs and PPPs for small-scale renewables and on the grid code for interconnected renewable energy systems.

KEY INSIGHTS

- **Advocacy for reform is weak due to the small number of Mozambican firms in this primarily donor-driven sector.**
- **The private sector is eager to learn practical and feasible business models.**
- **The policy environment constrains access to renewable energy financing.**

SPEED+

Supporting the Policy Environment for Economic Development in Mozambique