

SDG 7

Governing the path towards Sustainable Energy for All

BY ARTHUR MULIRO WAPAKALA, SOCIETY FOR INTERNATIONAL DEVELOPMENT (SID)

The world is not on track in meeting the Sustainable Energy for All targets. It is time to shift the focus to the governance realm and reshape it to ensure that the decisions taken, the policies promulgated and the finances leveraged are actually contributing more to the goal of ensuring access to affordable, reliable, sustainable and modern energy for all and less to the profits of the private companies involved. This also means taking a hard look at public-private partnerships (PPP) in the energy sector. The record of PPPs to date shows that they have been long on promise and short on results. Essentially, achieving SDG 7 will mean investing much more public resources into renewable off-grid and mini-grid solutions and make them affordable for all, particularly for poor households in remote areas.

Speaking in September 2015,¹ then UN Secretary General, Ban Ki-Moon identified three goals the Sustainable Energy for All agenda sought to attain by 2030: provision of universal energy access to all; the doubling of energy efficiency; and the doubling of renewable energy sources in the global energy mix. The Secretary-General in the same breath acknowledged that achieving these goals was an ambitious task, but one that was doable if “we work together”.

In May 2018 the *Tracking SDG 7: The Energy Progress Report* highlighted the fact that despite “impressive progress in expanding access to electricity in the least developed countries”, the world is not on track to meet these targets. Speaking at its launch, the then Director-General of the International Renewable Energy Agency (IRENA), Adnan Z. Amin acknowledged that the tracking report was “an important signal that we must be more ambitious in harnessing the power of renewable energy to meet sustainable development and climate goals, and take more deliberate action to achieve a sustainable energy future”.

According to the Executive Summary:

While overall progress on meeting all targets *falls short*, real gains are being made in certain areas. Expansion of access to electricity in poorer countries has recently begun to accelerate, with progress overtaking population growth for the first time in sub-Saharan Africa. Energy efficiency continues to improve, driven by advances in the industrial sector. Renewable energy is making impressive gains in the electricity sector, although these are not being matched in transportation and heating – which together account for 80 percent of global energy consumption. Lagging furthest behind is access to clean cooking fuels and technologies – an area that has been typically overlooked by policymakers. Use of traditional cooking fuels and technologies among a large proportion of the world’s population has serious and widespread negative health, environmental, climate and social impacts.²

1 UN (2015).

2 International Energy Agency et al. (2018).

This is the context and background within which to examine how to ensure that we can achieve SDG 7 on access to affordable, reliable, sustainable and modern energy for all and the role that governance and institutions play in this regard.

Contextualizing access

Much has been made of the need to embrace public-private partnerships (PPPs) as a premier vehicle for countries to achieve SDG 7. In this respect, there has been no shortage of investments in the sector ostensibly to boost energy production and availability. However, it is evident that investments to date have not made any significant headway in tackling energy poverty in spite of the many promises that accompanied them. The reason is simple: energy investments do not necessarily prioritize issues of access in those places where there are huge energy needs – indeed, the Energy Progress Report says as much when it says that the biggest gap that needs to be addressed is that of providing access to clean cooking fuel and technologies. The existing PPPs might make a significant amount of additional megawatts available to national grids, but they have yet to bother seriously with issues of how this energy is accessed and under what conditions.

As the International Energy Agency report *Funding Clean Energy Access for the Poor* noted, there is a fundamental mismatch between the goals of PPPs and ensuring access to energy by those who need it most. Moreover, according to its authors:

it is not clear that large-scale PPP projects in the energy sector are well suited to address energy access because the World Bank has not provided any guidance on how to align the private sector objectives, i.e., aimed at profits, with government objectives to provide energy access to the poor.³

Furthermore, critics have noted, to date, the predominance of ‘dirty-energy’ PPPs is responsible for “devastating the environment, undermining progressive environmental conservation efforts and exacerbating

climate change. PPPs have also led to forced displacement, repression and other abuses of local communities, indigenous peoples, displaced farmers and labourers among others”.⁴

This situation is not sustainable: the damage wrought by PPPs not only compromises and complicates progress made to reach the SDGs, but signals the need to challenge the predominant logic that privileges these partnerships and investments considering their poor track record of delivering goods in the public interest. It is therefore imperative to ensure that there is increased investment in renewable energy technologies – notably off-grid and mini-grid solutions that not only hold greater prospects of delivering clean and sustainable energy for those populations that remain unable to access the main grids – but also to reverse or avoid the environmental and social damage that has accompanied the majority of PPP projects to date.

It could be argued that this is beyond the scope of the PPPs and more appropriately a local governance question, but it nonetheless begs a reflection on the purpose of the enterprise if those who are in greatest need remain unable to benefit from the gains. If anything, the logic of the precautionary principle must accompany PPPs and every effort should be made not to harm either the environment or society in the pursuit of partnership goals and the accompanying profits. The PPP model has also been used to circumvent public scrutiny of privately funded projects and has become a convenient way to ensure that private financing is privileged over public and/or concessional funding. In its report *History RePPPeated*, Eurodad noted:

Many projects have been procured as PPPs simply to circumvent budget constraints and to postpone the recording of fiscal costs. Some accounting practices allow governments to keep the cost of the project and its contingent liabilities “off balance sheet”. This ends up exposing public finances to excessive fiscal risks... Every single PPP studied was riskier for the state than for the private

3 Bank Information Center Europe et al. (2017).

4 Sundaram (2019).

companies involved, as the public sector was required to step in and assume the costs when things went wrong.⁵

Going forward therefore, the PPP model must be challenged and questions of how to ensure access to clean energy, particularly through renewable means, must once again come front and centre of the SDG 7 debate and not be a mere afterthought.

Setting priorities

This challenge necessitates that we tackle much more incisively the broader questions of what gets financed and how. This requires processes that enable much more inclusive conversations between governments, financing partners and communities. If anything, the kind of large-scale energy projects that many governments have favoured to date have tended to exclude the communities (save through narrowly construed consultative processes with limited scope to alter the trajectory of the project they were being consulted on). Perhaps if the communities were given a much more central role in helping to set energy project priorities, a different set of initiatives would emerge that would possibly privilege different technologies. This generally is a function of the degree and capacity for constructive and collaborative dialogue between the various parties involved (and whom it might be said, do not necessarily have the same outcomes in mind when they are conceiving these projects). Therefore, investing in processes that help establish common ground and which give more than a token role to the communities targeted is critical, if only for the fact that a more complete feedback loop can be established which in turn will strengthen the accountability of all parties involved.

The financing question

It is increasingly evident that there needs to be a much larger investment made in financing renewable energy technologies and solutions if the gaps that the Energy Progress Report identified are to be narrowed. This means that we also have to take a

magnifying glass to the total amount of financing that is being made available for SDG 7-related investments and understand its composition as well as the sub-sectors to which it is being allocated. As a recent article on financing renewable energy points out:

It is important to understand the consequences of different types of financial investments for the direction of [renewable energy] innovation. If policies favor a subset of financial actors, these actors will come with their particular priorities of financing... Awareness that finance can create directions – whether planned by policy makers or not – is an important point to heed when designing policies. To map the effects that policies have on the direction and not just the amount of financial funds before implementing policies, will help prevent surprises and lock-ins later.⁶

As such, the role of policy in conditioning the financing terrain needs to be analyzed much more attentively and adjustments made as necessary to ensure that those areas where there is a greater need (renewable energy in this case) are privileged. In particular, it is important to acknowledge that investing in renewable energy will require a different risk approach than has been the case hitherto with traditional (fossil-fuel based) projects. In an article on financing renewable energy (RE) in Africa, Schwerhoff and Sy remind us:

Financing risks play a much larger role for RE than for fossil fuel energy. This might appear somewhat surprising as fossil fuel-based energy projects are exposed to almost the same risks. The difference is, again, the investment profile. RE requires a much larger initial investment while fossil fuel-based energy has higher annual costs. When financing costs increase, RE projects become much more expensive, while costs for fossil fuel energy projects become only moderately more expensive. RE investors are thus exposed to higher risk when the project fails early on.⁷

⁵ Eurodad (2018).

⁶ Mazzucato/Semieniuk (2018).

⁷ Schwerhoff/Sy (2017).

We should also not neglect the issue of cost when looking at access. If we consider the number of new connections to the grids (however established), the ability of the new households connected to afford their connections also needs to be considered. The Energy Access Report notes that the ability of the poor to pay for electricity is a concern across many countries. Quoting the World Bank's Energy Directions Paper it reports that "many countries in Sub-Saharan Africa face electricity costs as high as US\$ 0.20-0.50 per kilowatt-hour, against a global average closer to US\$ 0.10. Such high electricity costs are a barrier to further electrification."⁸

The affordability question is likely to remain a sticky and persistent problem for years to come and is likely to challenge governments to think much more creatively about how to price electricity so as to ensure that newly-connected households do not remain mere statistics, but can actually benefit in a much more productive manner from the newly obtained energy access.

Gender issues in access and financing

There is a significant gender question that also needs to be considered and redress sought. Needless to say, in many countries, particularly developing countries, it is women (and girls) who bear the brunt of the absence of clean energy for households. Today, clean and efficient cookstoves are available, yet they continue to be a niche item, not accessible to those who need them most. This continued lack of availability is a crowning failure of business models, finance and policy. Decision-making in the energy, finance, transportation and infrastructure sectors continues to be gender-blind and dominated by male viewpoints. This lack of diversity contributes in a significant way to the inappropriate solutions that are being rolled out.

Rethinking institutions and governance

The reality is that ensuring electricity access for populations currently not serviced by central grids

will be an expensive affair. Putting up the necessary transmission and distribution infrastructure will neither be cheap, nor immediate – particularly considering that the bulk of the populations unserved by grids are in places where the terrain is difficult and/or where populations are dispersed and densities low. Given all this, investment logic will tend to avoid such places and therefore if modern and efficient energy is to be made available to these populations, it will have to be the fruit of explicit political decisions.

Furthermore, traditional measures of energy access which have focused on grid connections (the degree to which the government makes electricity infrastructure accessible to the public), still do not capture broader deficiencies in the affordability, reliability and quality of service. It is here that the governance gap becomes increasingly evident in that the challenges that are present today are in many respects a function of the fact that not enough attention has been given to solutions to overcome the challenges, and a frequent excuse has been the exorbitant cost that would be involved in doing so.

Yet the continued neglect of provision of modern energy to unserved segments of the population comes with costs which, it can be argued, also need to be taken into account in weighing a non-investment decision. Needless to say, the ongoing economic, social and environmental costs are great and in many respects damaging to the future prospects of the countries involved. Referring to the situation in Africa, Schwerhoff and Sy make a clear case for governance mechanisms to enable greater investment openings for renewable energy:

We have shown that RE has a great potential to simultaneously achieve economic, social and environmental objectives as formulated in SDG 7. RE thus constitutes an extremely promising investment opportunity from a social point of view. Only a small portion of these social benefits, however, can be reaped by those investing in African energy facilities. From this it follows that substantial further efforts are required both by domestic and by international actors ...

⁸ Bank Information Center Europe et al. (2017).

African governments can improve their ability to finance crucial projects for the future of their populations. One important step is to improve governance with the objective to achieve a better credit rating and thus reduce their financing cost. A second important step is to improve the quality of local financial markets in order to increase the domestic funding capacity. As long as the domestic funding ability in Africa is still developing, international funding agencies need to increase the volume of investment. Currently available funds fall considerably short of needs to achieve full electrification and a shift towards RE.⁹

Commenting on this situation, Ahlborg et al. remark:

One of the central debates in research on the drivers behind public goods provision concerns what kinds of governments – democratic or autocratic – that provide public goods, such as basic infrastructure and social services, most effectively. Clearly, democratic institutions – through which the leaders of a country are held accountable to the citizens – create a strong incentive among leaders to deliver, for example, generally demanded public goods such as affordable electricity.¹⁰

Their article also identifies a number of studies which have identified poor organizational structures and corruption as barriers to successful electrification, along with political interference having a negative impact on the performance of public electric utilities.

In seeking to ensure guaranteed access to affordable, reliable, sustainable and modern energy for all, we cannot avoid looking at the quality of institutions that are responsible for ensuring that there is a successful push towards ensuring universal access. To the extent that we focus on the financial and technical solutions without considering the impact of the political and organizational context, we risk failure. Indeed, one could argue that these latter two factors are perhaps much more important in ensuring

that we achieve SDG 7. As the authors of ‘History RePPPeated’ recommend, there is a need to ensure that “good and democratic governance is in place before pursuing large-scale infrastructure or service developments”.¹¹

Meeting the governance challenge

In a 2015 article titled *How can we stop the Sustainable Development Goals from failing*,¹² the authors warned that the SDGs were likely to fail if the governance challenges that are crucial to their implementation were not tackled. In this respect, they highlighted three critical challenges which remain just as urgent and pertinent as they were when the article was published:

- How can the right actors be brought together at the right time in the right place? With respect to SDG 7, they asked: Who will need to be involved in developing, producing, installing and maintaining the technologies to provide universally accessible energy? Who is involved in determining what is ‘reliable and affordable’ for different communities in different parts of the world? How do governments, the private sector, and communities interact in deciding on appropriate and sustainable energy systems, and how does this differ in different contexts?
- How will trade-offs be negotiated? Implementing actions leading to achieving the SDGs will involve painful trade-offs involving the various actors. How would these trade-offs impact governance processes, particularly where responsibilities are dispersed and interests clashing? The authors submitted that achieving the SDGs will require national governments, the private sector, the nonprofit sector, and communities to make difficult decisions based on thoughtful and genuine commitment to the SDGs.

⁹ Schwerhoff/Sy (2017).

¹⁰ Ahlborg et al. (2015).

¹¹ Eurodad (2018).

¹² Patterson et al. (2015).

■ How do we build in accountability for action? The authors argued that there is a need to ensure that there are mechanisms that link across local, national and international levels and that can ensure responsibility and accountability for progress towards the SDGs. How would information flow back into policy and political spaces in order to ensure that those responsible are held to account? In the absence of feedback loops, it would be difficult, they argued, to know that the SDGs were actually being implemented.

The SDGs are a political project and as such, attaining them (or not) will be function of the extent to which politics and the political process align to make them happen. With respect to SDG 7, there needs to be more attention focused on the spaces in and conditions under which decisions are being made. While the past years have seen a larger focus on putting together finance and vehicles to lead energy investments, it is time to shift the focus to the governance realm and understand how to reshape this to ensure that the decisions taken, the policies promulgated and the finances leveraged are actually contributing more to the goal of ensuring access to affordable, reliable, sustainable and modern energy for all and less to the profits of those involved in putting together the projects and infrastructure. This also means taking a hard look at the PPP vehicles that have been set up, and question whether such partnerships can truly take decisions in the public interest, divorced from the profit-driven motives of the private sector actors involved in them. The record of PPPs to date shows that they have been long on promise and short on results.

Essentially, achieving SDG 7 will mean investing a larger chunk of resources into renewable off-grid and mini-grid solutions to enable populations to access clean energy in countries where there is limited access to the conventional grid. Additionally, the linkage between the SDGs and the role of energy in meeting them needs to be continually made clear: if we are unable to solve the energy problem, it is highly unlikely that we will find lasting solutions to the challenges in health, food production/security, education and water provision, as well as reducing inequalities within and between countries. But

above all, we should not fall prey to the poverty of ambition – the quest for SDG 7 is not about providing energy to light a household bulb or two, or to power a phone charger, but to ensure that we have sufficient energy to power and sustain our economic activities. This means that we have to shift the metrics to look much more keenly at how access is being established and whether this is sustainable in the long run. An example from Kenya highlights the challenge – while over 880,000 households were connected to the grid in a push to electrify the last mile, the utility company has been left with a US\$ 30 million debt due to the fact that these households are not able to afford to access it.¹³ It is one thing to provide reliable, sustainable and modern energy ... but is it affordable? This is a critical question upon which the success of SDG 7 hinges and to which answers will have to be found – if we are to have any hope of achieving this goal in the next decade.

13 Alushula (2018).

References

- Ahlborg, Helene/ Boräng, Frida/Jagers, Sverker C./Söderholm, Patrik (2015):** Provision of electricity to African households: The importance of democracy and institutional quality. In: *Energy Policy*, Volume 87, December 2015, pp. 125-135.
<https://doi.org/10.1016/j.enpol.2015.09.002>
- Alushula, Patrick (2018):** Connecting the poor hands Kenya Power Sh3bn debt. In: *Business Daily*, 3 December 2018.
<http://bit.ly/2WrUCed>
- Bank Information Center Europe/Swedish Society for Nature Conservation/The Big Shift Global (2017):** Funding Clean Energy Access for the Poor: Can the World Bank Meet the Challenge?
<https://bigshiftglobal.org/file/69/download?token=9jxka1Hy>
- Eurodad (2018):** History RePPeated – How Public Private Partnerships are failing. Brussels.
<https://eurodad.org/files/pdf/1546956-history-reppeated-how-public-private-partnerships-are-failing-.pdf>
- International Energy Agency et al. (2018):** Tracking SDG 7: The Energy Progress Report (Executive Summary) – A joint report of the custodian agencies. Washington, D.C.
https://trackingsdg7.esmap.org/data/files/download-documents/executive_summary.pdf
- Mazzucato, Mariana/Semieniuk, Gregor (2018):** Financing renewable energy: Who is financing what and why it matters. In: *Technological Forecasting and Social Change*, Volume 127, February 2018, pp. 8-22.
<https://doi.org/10.1016/j.techfore.2017.05.021>
- Patterson, James/Koch, Florian/Bowen, Kathryn (2015):** How can we prevent the UN's Sustainable Development Goals from failing? In: *The Conversation*, 30 July 2015.
<http://bit.ly/2WqdFFM>
- Schwerhoff, Gregor/Sy, Mouhamadou (2017):** Financing renewable energy in Africa – Key challenge of the sustainable development goals. In: *Renewable and Sustainable Energy Reviews*, Volume 75, August 2017, pp. 393-401.
<https://doi.org/10.1016/j.rser.2016.11.004>
- Sundaram, Jomo Kwame (2019):** Public-Private Partnerships Fad Fails, In: *IPS News*, 21 May 2019.
<http://bit.ly/30Huhls>
- UN (2015):** Achieving Affordable, Sustainable Energy for All Essential to Meeting Development Goals, Secretary-General Says at Award Ceremony. Press release, 14 September 2015. New York.
<http://bit.ly/2K4Yb3r>

Arthur Muliro Wapakala is Deputy Managing Director of the Society for International Development (SID), based in Nairobi, Kenya.