

# Energy and development: A rallying call to action

By **Suleiman J. Al-Herbish**

Director-General, OPEC Fund for International Development (OFID)



**A**ccess to modern energy was a notable omission from the Millennium Development Goals (MDGs) launched in 2000 amid great fanfare and expectation. Now, more than a decade later, the global community has finally woken up to the irrefutable fact that poverty eradication and sustainable development are impossible to achieve without access to reliable and affordable sources of energy.

At long last, energy poverty has penetrated the global consciousness and rides high on the international agenda. Moreover, it is now acknowledged that a new sustainable energy paradigm represents the key to a secure, equitable and prosperous future for our planet and its people.

Coordinating the global response is the United Nations Sustainable Energy for All Initiative (SE4ALL). Launched by Secretary-General Ban Ki-moon in late 2011, SE4ALL seeks to make universal access to modern energy services a reality by 2030. It also addresses two additional and equally important goals: improving energy efficiency and boosting the share of renewables in the global energy mix.

As the initiative turned from an action plan to implementation on the ground in 2013, SE4ALL has grown into a powerful movement, supported by governments, development finance institutions, civil society organisations and the private sector, headed by an Advisory Board and co-chaired by the president of the World Bank and the secretary general of the UN. Its objectives – including energy poverty alleviation – will form a core component of the Sustainable Development Goals being drawn up to replace the MDGs after 2015. While such action is welcome, few would deny that it is long overdue. The facts speak for themselves.

Despite living in an age of unprecedented scientific and technological progress, some 1.4 billion people around the world are still without access to electricity. Moreover, almost 40 percent of the global population relies on the burning of biomass for cooking and heating.

As if these statistics were not damning enough, new research shows that there are around four million premature deaths every year from household air pollution – proof that energy poverty does not just deprive; it kills.

In terms of human development, access to modern energy is quite simply life-changing. It can be the difference between a girl going to school, or spending the day collecting firewood, and between a mother giving birth with life-saving equipment to hand, and delivering her baby by candlelight.

Crucially, modern energy is also the engine that drives economic growth, as clearly demonstrated by the experiences of the BRIC countries and the manufacturing economies of east and south east Asia. In these countries, the mechanisation of industry – through increased investment in energy – has reduced production costs and increased competitiveness, leading to higher productivity, more jobs and greater wealth.

There can be no doubt that energy could have the same transformational effects on the agriculture-dependent economies of sub-Saharan Africa and elsewhere, by powering irrigation and adding value to crops by enabling their drying, processing and packaging.

Indeed, this potential is borne out by studies conducted by both the World Bank and the United Nations Industrial Development Organization, which estimate that energy poverty costs Africa 2-3 per cent of its GDP.

For well over a century, the oil and gas industry has been a leading player in the energy mix, advancing industrialisation and social progress around the world. As we move forward with the creation of a new energy paradigm, the industry has an even more critical role to play. Beyond being a provider of fuel, it must also serve as a source of technical expertise, business solutions and funding. Indeed, some would argue that this is more than a responsibility; it is a moral obligation. Curbing gas flaring can both save the environment and provide clean energy at cheap costs. Shipping and distributing LPG can stop deforestation of woods and stop premature deaths. Using existing retail outlets for providing all forms of energy can help lower costs.

## OFID's Energy For the Poor initiative

As an institution that has pioneered energy poverty alleviation since 2007, OFID is a key partner in SE4ALL, serving on the advisory board and lending its expertise and leveraging power to the campaign. With the full backing of our member countries, we are committed to using all resources at our disposal to step up interventions both at an advocacy and an operational level.

Already, in the past two years alone (2012-2013), our energy sector approvals across all financing mechanisms have amounted to over US\$915 million. These funds are supporting a broad range of projects, from large, capital-intensive investments such as power plants and grid expansion to local, small-scale renewable solutions, where speed is of the essence.



The strategic framework for these activities is OFID's five-year-old Energy for the Poor Initiative (EPI), which is funded through a revolving endowment of US\$1 billion, a sum pledged by the institution's governing body, the ministerial council, in its June 2012 Declaration on Energy Poverty.

We are already seeing results. These confirm the soundness of our strategy. Nevertheless, our contribution is but a ripple in a very wide ocean. If SE4ALL is to be successful, unprecedented supplementary resources will have to be mobilised – an estimated US\$50 billion annually to achieve universal access; a total US\$600 billion – US\$800 billion every year to realise all three goals (including targets for energy efficiency and renewable energy) by the deadline of 2030.

Equally important will be close cooperation amongst all stakeholders in order to maximise synergies and avoid wasteful duplication and overlap.

### OFID's co-operation with the oil industry

OFID, for example, enjoys a highly successful partnership with the Shell Foundation. Both Total and ExxonMobil are co-financiers in other projects we are supporting. The Global LPG Partnership is also a recipient of an OFID research grant to expand the use of LPG as a clean and modern fuel. We would like to see this kind of collaboration replicated and to explore other avenues of cooperation between the oil and development finance industries. Later this year, in partnership with the WPC, we will host a forum at our headquarters in Vienna to do just that.

As urgent as the energy problem is, however, there is wide acknowledgement that it is a challenge that should not be tackled in isolation. Water and food security are equally pressing and form an inseparable part of the same equation. Just as water is needed for almost all kinds of energy production, so energy is required to treat and transport water. Meanwhile, both water and energy are essential for growing and processing food.

Such interdependence can only increase in the future, as population growth and urbanisation create increasing demand for these three key resources. By 2030, it is predicted that the world will need 30 percent more water, 40 per cent more energy and 50 per cent more food.

An integrated, holistic approach can address the challenges across the board. For this reason, OFID has placed the water–food–energy nexus at the heart of its 2016–2025 strategic plan. Already in 2013, we committed

US\$752m to projects across all three elements of the nexus. Political will alone, however, does not deliver results. We need resources – financial, human and technical – and we need definitive, coordinated action from all actors. Waves, not ripples, will carry us to a better future for our planet and its people.

### Pooling synergies to shine a light in Africa

OFID recently teamed up with the Shell Foundation and social enterprise d.light to distribute solar lanterns in Kenya and Tanzania, two of the most severely energy-poor countries in sub-Saharan Africa. The aim of the twelve-month project was "to empower formerly energy-poor consumers to live a life of new freedoms and opportunity."

By the end of the period, almost 85,000 units had been sold, empowering the lives of some 424,000 people, more than triple the original target.

Donn Tice, CEO of d.light, says a new financing strategy contributed to the overwhelming success of the project. This involved the setting up of a revolving capital pool, which made low-interest loans available to rural distributors to boost their working capital and enable them to buy and stock large supplies of the lanterns.

As all loan repayments, including interest, are re-injected back into the revolving fund, the scheme is not only self-sustaining but growing year on year. Another crucial element of the project was the training programmes that were organised for distributors and brand activators to help them develop more professional business skills and become more effective sales agents. To promote consumer awareness, potential customers were given free home trials of the d.light lanterns. ■

#### Family reading using d.light solar lanterns in Tanzania

