Challenges and Options in Financing Geothermal Projects in Africa

Kigali November 1, 2018—African countries continue to encounter hurdles in attracting financing for geothermal projects. Yet, there are plenty of options. As the ARGeo-C7 conference entered its second day, geothermal financing options and access challenges dominated the morning plenary discussions. A panel comprising Dr. Humphrey Ndwiga of African Development Bank, Rajiv Garg of Climate Technology Network (CTCN), Gunnar Gunnarsson, CEO Reykjavik Geothermal and Darrell Boyd of Meridiam passionately addressed the subject. One point of agreement by the panel chaired by Engilbert Guðmundsson from Iceland was that countries need to explore different options since financing geothermal projects is not a one-size-fits-all undertaking.

To attract funding, governments need to put in place friendly policies and an enabling regulatory framework as a catalyst. However, panelists cautioned that policies and legal framework are not a panacea for overcoming all funding challenges. Other factors such as unresolved environmental and social issues and a small power market could impede robust involvement by financiers.

To mitigate market-related challenges, one panelist advised countries to collaborate to expand the power market, making their projects more attractive to financiers. Thankfully, countries in the eastern Africa region are working towards an integrated grid by 2020, which will exponentially expand the power pool. A larger power pool will enhance the feasibility of geothermal projects and ensure speedier payback for investors and financiers. However, the various African countries need to harmonize their policies and legal frameworks for the integrated grid to function well. Still, using an incremental and stepped development of geothermal projects is another option that countries need to explore as they seek to overcome current financing challenges.

CTCN Announces a Funding Mechanism for Geothermal Direct Use Projects

Countries with lower temperature geothermal resources have something to smile about. The UN Environment Climate Technology Center and Network (CTCN) today announced an innovative funding mechanism for direct use applications of geothermal resources. Direct utilization of geothermal resources is one way countries can meet their greenhouse gases reduction quotas since it will displace the use of biomass and fossil fuels. It is also great for fighting hunger and poverty by enhancing the livelihoods of communities living in geothermal-rich localities.

In a side-event held during the ARGeo-C7 conference happening in Kigali Rwanda, and attended by countries from most of the African rift countries, CTCN gave details of the innovative funding mechanism. CTCN is looking to financing projects that will use climate-related technology for non-conventional direct use applications. Specifically, CTCN is keen to provide technical assistance on resource assessment, financing appropriate technology and assessment of markets for crop drying, chilling of agricultural produce and fish farming, among a host of other applications.

To qualify, CTCN has urged all countries to submit a request using the CTCN template because this is a multi-country process that requires at least four countries for it to kick off. Countries should submit fully completed applications through the ARGeo programme to CTCN, after getting an endorsement by their National Designated Entities (NDFs). They should submit applications by 15th December 2018. Once the review is complete, countries can access up to USD 1 million through GCF for a techno-feasibility study that will pave way for Direct Use project implementation.
Companies showcase geothermal technology and progress

Exhibitions are a great way for companies to interact with conference delegates at close range. They provide an avenue for delegates to ask questions and for organizations to receive enquiries and feedback. The Rwanda Minister for Infrastructure Amb. Claver Gatete and the UN Environment Regional Representative and Director, Dr. Juliette Biao officially opened this year’s exhibition on the first day of the conference.