

CBEA TANZANIA



Location
Tanzania

PROJECT SUMMARY

Thousands of Tanzanians are receiving first-time access to clean energy after a landmark deal was struck to provide long-term finance for solar PV mini-grids.

Historically, mini-grid developers have struggled to attract long-term financing due to the perceived risks involved and the small-scale nature of individual installations. Now a new funding vehicle is breathing life into Tanzania's promising mini-grid sector.

As of 31 March 2022, 932 homes and microbusinesses in rural Tanzania had been connected via eight mini-grids, providing electricity to approx. 4,660 people.

The funding vehicle – which was established by CrossBoundary Energy Access (CBEA) in partnership with PowerGen Renewable Energy, and is being supported with a USD 3 million results-based long-term senior loan from REPP – purchased eight existing mini-grids in Tanzania. PowerGen will continue to provide long-term customer and asset management services to the mini-grid customers.

The pioneering business model means CBEA – which was set up in 2019 with investments from the Rockefeller Foundation and Ceniarth – committed to acquire the mini-grids from PowerGen soon after completion. The certainty of a long-term owner ready to acquire their projects enables PowerGen to develop and construct projects at scale, continually recycling its capital.

As the operator, PowerGen is incentivised to ensure the efficient operation of the sites and quality customer care via a base services fee with the potential for a performance bonus where the grids' revenues exceed projections. The agreement also includes a developer premium in the form of a share of the distributions from the portfolio.

REPP's USD 3m commitment in CBEA was arranged by the programme's manager Camco. The platform previously provided early-stage funding assistance and support for PowerGen in 2016.

In December 2020, CBEA open sourced its investment approach to mini-grids in Africa, which was developed with its strategic partners, including REPP. It is hoped that by open sourcing the approach, it will help accelerate universal access to electricity in Africa by unlocking access to the USD 1 trillion infrastructure capital markets that mini-grids need to scale.

This white paper is the first key document released by CBEA, with term sheets and a template project finance model to follow in early 2023.



Country policy alignment

Supports Tanzania's Updated NDC (2021) targets to reduce GHG emissions by up to 35% by 2030, explore options for diversification of the energy system and promote climate-smart rural electrification. Also contributes to achieving the 60% by 2026 electrification target, set out in National Five-Year Development Plan 2021/22 – 2025/26. Project's numerous productive use customers and social service providers support sustainable economic growth in rural communities, which aligns with Tanzania's Development Vision 2025.

AT A GLANCE

Technology:

Solar PV
mini-grids



Project type:

Off-grid

Offtaker:

Off-grid rural
communities

KPIs



GHG emissions avoided:
2,321 tCO₂e per year (target) /
Achieved: 231 tonnes CO₂e
(cumulative)



People with first-time access
to clean energy: 39,725
(target) / **Achieved: 4,660**



Planned capacity: 1.1MW
(target) / **Achieved: 0.04MW**

FUNDING STRUCTURE

INITIAL FUNDING*

Contracted date: 31 December 2016

Lending type: Development capital

REPP funding: USD 345,000

* Recipient: PowerGen Renewable Energy

LONG-TERM LOAN**

Contracted date: 5 July 2019

Lending type:

Results-based senior loan

REPP funding: USD 3m

** Recipient: CrossBoundary Energy Access

"This groundbreaking approach – bringing project finance to the sector for the first time – provides a repeatable, long-term sustainable model that is needed for mini-grids to scale. We hope that this facility becomes a template that can benefit the whole sector."

Sebastian Deschler, General Counsel, CrossBoundary