



Uganda Energy Credit Capitalization Company (UECCC)

Presentation at EAC & UNFCCC
Technical Workshop on Needs-Based Climate Finance
for East Africa

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19th February 2020

Purpose of Presentation

To Share:

- I. Background,
- II. UECCC Experience from a Renewable Energy Financing Point of View, and
- III. Priority Needs in Climate Finance

Background: Statistics on Biomass Energy Resources

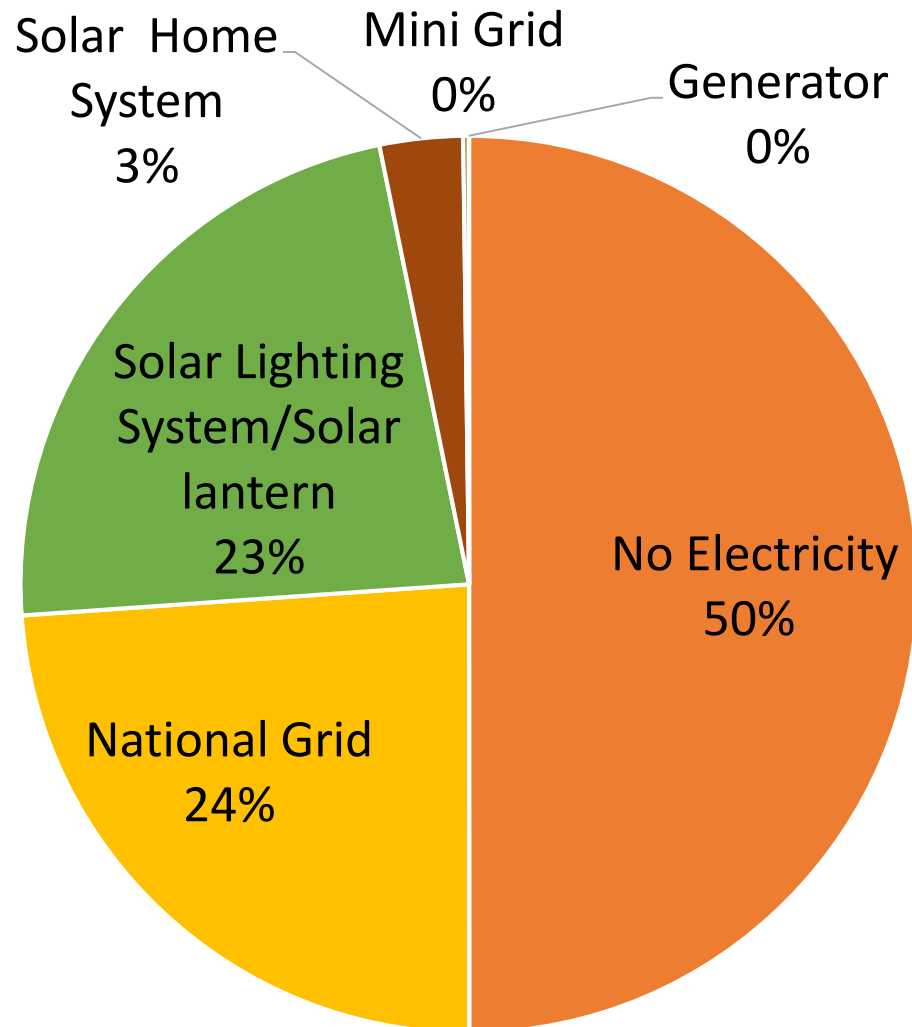
There is a growing recognition that access to clean energy services is important for the achievement of the Global Climate Change Goals and for Poverty Alleviation

- About 90% of Uganda's total primary energy consumption is generated through biomass, which can be separated in:
 - firewood (78.6%),
 - charcoal (5.6%) and
 - crop residues (4.7%).
- The above means massive **Deforestation**
- Overall, Uganda has been losing on average 122,000 ha/year of forest from 1990-2015.

Source: State of Uganda's Forestry Report 2016, Ministry Of Water And Environ

Source: Energy Sector Development Plan- 2015-2020

Background: Access to Electricity by Source



50% of households in Uganda have access to at least one source of electricity

Background: Policy & Strategy Framework

Uganda already has the core policy and strategy documents in place to promote renewable energy investments

- **Energy Policy, 2002 (under review):** “Meeting the energy needs of Uganda’s population for social and economic development in an environmentally sustainable manner.”
- **Renewable Energy Policy, 2007 (under review):** To increase the use of modern renewable energy..
- **National Climate Change Policy (NCCP) 2015:** “to ensure a harmonised and co-ordinated approach towards a climate-resilient and low-carbon development path for sustainable development in Uganda”.
- **National Development Plan (2015/16 – 2019/20)** aims at “promoting Renewal Energy and Energy Efficiency, as well as increasing the share of modern energy.”
- **SE4ALL Action Agenda, 2014:** Aims at supporting Uganda achieve the SDG 7. The objectives of SE4ALL are:
 - (i) providing universal access to modern energy,
 - (ii) doubling the global rate of improvement in EE and
 - (iii) doubling the share of RE in the global energy mix by 2030.
- **Electricity Connection Policy:** Increase the number of connections made annually from the current average 70,000 to 300,000 connections.

UECCC Experience

Innovative Financing Mechanisms for Renewable Energy

Background

Why UECCC?

- In 1999, Government adopted a new strategic approach to the power sector, with the publication of the Power Sector Restructuring and Privatization Strategy (PSRPS);
- The background to the reforms was the urgent need to attract investment into the power sector, both in generation and distribution, to underpin economic growth in Uganda;
- One key feature of the strategy was the introduction of private sector participation in the industry – both in existing operations as well as the financing and management of future investments;

Background

Why UECCC?

- However, private sector participation in the sector was hampered by a number of barriers to investment, including but not limited to the following:
 - Lack of Project Finance or long term debt in the local market to meet the financing requirements of the energy projects;
 - Lack of sufficient equity on part of the project developers, especially during the start up phase of the projects;
 - Lack of technical capacity by local financial institutions to appraise energy project;
 - Lack of transaction advisory services to enable project developers reach financial closure.

Background

Why UECCC?

- The Company was set up to provide an institutional framework to facilitate participation of the private sector in the financing of renewable energy projects, through use of limited public resources to leverage private capital.
- UECCC thus provides innovative financing options for renewable energy projects and rural electrification on business principles.
- The Company enables Government to mobilize resources from Development Partners that would otherwise not be achievable through mainstream Government ministries. In this regard, the Company is the Administrator of the Uganda Energy Capitalisation Trust, which is a framework for pooling resources from Development Partners and Government and channeling the same to Renewable Energy programmes.
- It thus facilitates financing of Governments priorities in the power sector, especially in the area of renewable energy.



UECCC Vision, Mission and Objectives

Vision:

To be the leading provider of financing solutions and technical assistance to facilitate Renewable Energy development and access

Mission:

To provide Innovative financing initiatives and technical assistance that enables participation of the private sector and other stakeholders so as to enhance development and access to Renewable Energy

Key Objectives :

To Serve As a Credit Support institution to promote private sector led Renewable Energy infrastructure devt

To Introduce into the Ugandan Financial Market new and innovative financing modalities including Credit Enhancement Instruments.

To Provide financial, technical and other support to renewable energy projects in Uganda



GOU Priority

**Increasing
access to
Renewable
Energy**

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

Facilitated local Financial Institutions (FIs) to adopt energy lending.

So far, UECCC has partnered with 14 Financial Institutions to provide a financing mechanism for acquisition of renewable energy technologies including solar, biogas and grid electricity

6 Commercial
Banks

4 MFIs

4 SACCOs



GOU Priority

**Increasing
access to
Renewable
Energy**

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

Solar End-User Financing Program:

- The objective of the Program is to address the affordability barrier posed by the initial upfront cost of acquiring a solar system;
- Total No. of loans/solar systems installed under the programme is 10,176 loans/solar systems valued at USD 1.35M



GOU Priority

**Increasing
access to
Renewable
Energy**

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

Solar Working Capital and Guarantee Facilities

- The objective of the Facilities is to address the working capital and collateral challenges faced by Solar Companies.
- UECCC has disbursed so far USD 630,351 for working capital and partial risk guarantees since 2018



GOU Priority

Increasing access to Renewable Energy

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

Connection Loan Program:

- The objective of the Program is to address the affordability barrier posed by the initial upfront cost of electricity connections.
- 593 loans/ on-grid connections valued at USD 485,000 have been registered.



**GOU
Priority**

**Increasing
access to
Renewable
Energy**

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

Pilot Biogas Financing Programme

- The objective of the Facility is to address the affordability barrier posed by the initial upfront cost of acquiring a Biogas System. The facility targets to finance domestic biogas systems.
- Twenty (20) demonstration biogas systems have been installed under the programme to promote awareness creation.
- Sixty eight (68) biogas loans/systems have been registered by EBO Sacco (UECCC is piloting the scheme with EBO Sacco)



**GOU
Priority**

**Technical
Assistance
Programs for
Development of
local Project
Developers**

The company has facilitated private partnerships in the financing of the Renewable Energy for achievement of Government priorities as follows:

- **Technical Assistance** support is extended to local project developers to undertake early stage transaction advisory services including but not limited to:
 - ✓ Full pre-feasibility Study,
 - ✓ Technical Evaluation of Milestone Project Studies,
 - ✓ Business Plan Preparation and
 - ✓ Financial/Economic Modeling.
- Six (6) Renewable Energy Projects (64.8 Mw) have been supported with: Full pre-feasibility Studies, Technical Evaluation of Milestone Studies, Business Plan Preparation and Financial/Economic Modeling.

Climate Finance

Priority Needs

Identified Financing Needs

- i. Innovative financing schemes for clean cooking technologies (improved cook-stoves, domestic and institutional) for both the supply and demand side through targeted banks, microfinance institutions, SACCOs or other agencies.
- ii. Innovative financing schemes for Solar Home Systems acquisitions and also working capital support to the Solar Companies.
- iii. Financing for household and institutional biogas and bio-latrines installations.
- iv. Support the growth of women as promoters, suppliers, leaders and manufacturers of clean cooking equipment and resources.

Government Priorities/Financing Needs

- v. Provide fiscal incentives e.g. subsidies and tax incentives to the clean cooking sector to facilitate private sector involvement.
- vi. Need to train Charcoal Burners. Efforts to train charcoal burners have mainly been unsuccessful as most of them do it on an individual basis.
- vii. Research, Development and Dissemination of information on efficient and modern biomass technologies are not yet at the desired level, hence the need for promotion and awareness creation.
- viii. Support for market development – energy entrepreneurs and SMEs for sustainable biomass energy technologies.
- vi. Provide incentives for increased LPG usage, including free starter-kits distribution for first time users.
- vi. Provide Training opportunities to Financial Institutions on Green Financing to encourage lending for acquisition of clean energy technologies.



Thank You!