



Globeleq¹

Globeleq is a developer and operator of independent power projects in Africa. When Norfund and BII took direct ownership over Globeleq in 2015, their goal was to significantly increase the resources dedicated to power project development in the areas with the greatest needs, and to provide the patient and risk-bearing capital needed to fund their construction.

Investment Summary

Region: Africa

Sector: Energy and Infrastructure

Total size: \$1.322 million

Established: 2015²

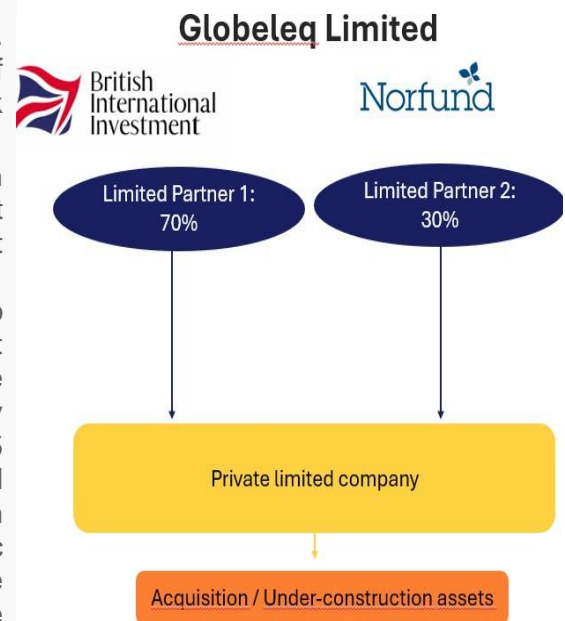
Structure: Private limited company

Private capital mobilised: At least \$835 million at asset level

Impact rationale: BII and Norfund see their investment in Globeleq as an essential contribution to closing the power infrastructure gap and expanding renewable energy in Africa. In many African countries, the markets suffered from a lack of operators and developers with the right mandates, risk appetite and funding.

When BII and Norfund took ownership of the business in 2015, they brought the patient and risk-bearing capital that Globeleq needed to increase spending on project development, which could take years to bear fruit (or fail to). The support from BII and Norfund allowed Globeleq to dramatically increase the allocation of resources to project development in “hard” countries where Globeleq could have the most impact. Since 2015, Globeleq has approximately doubled its power assets from 1.2 GW to 2.3 GW, including 0.5 GW in construction. Globeleq’s portfolio now provides critical baseload, cost-effective and cleaner energy in multiple African countries. In addition, Globeleq invests in socio-economic development programmes in education, health, income generation and professional development for the communities around Globeleq’s plants.

Structure



Mobilisation rationale: Globeleq mobilises equity and debt at the asset level to finance construction. Typically, Globeleq would target majority equity ownership of a project’s equity and mobilise other equity partners and project finance lenders. For example, alongside its equity investment in the development of the Azito power plant, phase IV, in Abidjan, Côte d’Ivoire (which reached financial closure in 2020), Globeleq mobilised \$270 million in debt from a range of lenders, mostly development finance institutions and multilateral development banks. In the Temane thermal power station in Mozambique (financial closure in 2021), Globeleq mobilised \$490 million in debt, again from DFIs and MDBs (including FMO, IFC, EAIF, DFC and OFID). The Menengai Geothermal project in Kenya (financial closure in 2023) mobilised \$72 million in loans from the African Development Bank, Eastern & Southern Africa Trade Development Bank and Finnfund.

¹ The facts and figures contained here are sourced from BII documents and interviews with BII staff conducted with the purpose of this study.

² Globeleq was founded in 2002 by BII. Between 2004 and 2015 Globeleq was managed by Actis – a global investor in sustainable infrastructure, founded in 2004 as a spinout from BII (at the time, the CDC Group). In 2015, BII and Norfund took direct ownership of Globeleq.

Financial and legal structure: Globeleq Limited is registered as a private limited company in Guernsey (and is a UK tax resident), which 100% owns Globeleq Africa Limited, a private limited company registered in the UK, which is the main operating entity within Globeleq's group. In 2015, BII took control of Globeleq (70% stake) alongside Norfund (30% stake) from Actis³. Up to date, BII has invested \$1.001 billion in Globeleq, while Norfund invested \$321 million, making a total of \$1.3 billion. Since its inception, Globeleq has almost doubled in size, adding twelve power assets to its portfolio, of which eleven are in the renewables sector. Globeleq funds its ongoing operations and expansion through both equity and the mobilisation of project-level debt finance.

Governance: The governance structure of Globeleq includes a board and an executive committee dedicated to overseeing Globeleq's operations and new business development. The board comprises experienced professionals, including representatives from both BII and Norfund and other independent expert members with expertise in the energy sector. The Board has also formed several subcommittees with distinctive areas of focus such as ESG Committee, Audit and Risk Committee, and Remuneration and People Committee.

Operational experience: Since 2015, Globeleq has added ~850 MW of power through greenfield projects and an additional ~280 MW through acquisitions and rehabilitation of assets. In total, the company has almost doubled its power assets from 1.2 GW to 2.3 GW today (including 625 MW of renewables), in operations and construction across seven countries (Cote d'Ivoire, Cameroon, South Africa, Mozambique, Tanzania, Kenya, and Egypt). Considering the projects under construction (485 MW), once fully operational, Globeleq's portfolio would generate enough electricity to supply an estimated 13.8 million consumers and support over 220,000 jobs.

Globeleq has faced a challenging change in strategy driven by its shareholders' evolving fossil fuel policies, which now restrict fossil fuel projects to Paris-aligned gas-to-power projects. Globeleq's strategy has pivoted towards increasing the deployment of renewables — all whilst staying within required risk and return parameters — was a challenging and transformative exercise.

The Temane gas-to-power project in Mozambique has been criticised for its reliance on natural gas, which some are concerned could lock Mozambique into fossil fuel dependency. Temane will provide round-the-clock power at scale and at a price that would be a fraction of what it would be if attempted, with a combination of renewables and storage, which a low-income country could ill-afford to pay. Furthermore, the variable supply of baseload and dispatchable power will allow variable renewable energy to be added to Mozambique's grid while maintaining reliability in the future. Temane's project qualified as Paris aligned.⁴ In parallel, Globeleq has developed renewables projects in Mozambique, such as the Cuamba solar and storage project, which was only the second grid-scale battery project to close in Africa, and is in the final stages of developing a 120MW wind project in Namaacha, west of Maputo, which will be the first grid-scale wind project to reach close anywhere between South Africa and Kenya.⁵

In relation to financial risks, Globeleq ensures all projects would have a contractual risk allocation/transfer for limited recourse finance at the time of financial close, including, for example, government guarantees to protect against any termination risk. In addition, the risk allocation/transfer is supplemented by active asset management support (central support provided by internal experts in construction management, engineering, and operations) to manage residual risks and deliver/protect the value of the related operations.

³ More details available in Actis Press Release "Actis announces exit of Globeleq Africa to CDC and Norfund consortium", 14/09/2015, available here: <https://www.act.is/2015/09/14/actis-announces-exit-of-globeleq-africa-to-cdc-and-norfund-consortium/>.

⁴ BII's guidance for the Paris-alignment of gas to power projects can be found here: https://assets.cdcgroup.com/wp-content/uploads/2020/12/12145227/CDC_GasGuidance_December2020.pdf

⁵ See information about the Namaacha Wind Power, <https://globeleq.com/power-plants/namaacha-wind/>.

Key insights

The need for a patient long-term player focused on greenfield projects remains important, and would still require DFI support for some time: Credible international developers and investors in the power sector continue to leave Africa, due to the limited supply of investable projects. DFIs could fill in this gap by supporting a credible, financially strong and technically experienced long-term developer with a development mandate and champion the developments of power projects that would otherwise fail to make it.

- **Be realistic about geographical breadth:** Entering a new country is very difficult and time-consuming. Expanding in existing jurisdictions is typically much easier. With Globeleq, BII and Norfund set out to pursue a pan-African strategy to develop the power sector in the region. Yet in practice, expansion was slower than expected for various reasons, including legal and regulatory problems and inadequate transmission infrastructure. Globeleq currently has operating or under construction projects in seven countries.
- **Demonstration effects:** Successfully executing power projects in underdeveloped African countries, where Globeleq's projects are among the first and may involve improvements to the enabling environment, encourage other developers and private investors to enter these markets (e.g. Mozambique).