

Solar mini-grid companies being targeted by commercial investors

THEnergy sees the need for shortened due diligence processes and has developed a streamlined approach

Munich (Germany), April 2018 – Globally, around 1.2 billion people do not have access to electricity. Cost erosion in solar, wind, and energy storage technology is creating new opportunities for the electrification of rural areas. On the solution side, two main segments can be distinguished: solar home systems and mini-grids / microgrids. Solar home systems are self-sufficient solutions for individual households. A small solar system is typically coupled with a battery to provide power for DC appliances day and night. Mini-grids may provide DC power or more sophisticated AC power through a semi-centralized system at the village level. Intermittent renewable energy from solar, wind or hydro solutions might be balanced by integrating energy storage, biomass or diesel generators. Pay-as-you-go (PAYG) solutions allow for innovative business models with mobile payment options.

In the last few years, the appetite for investing in these segments has been growing from impact and commercial investors.

	Mini-grid developer	Investor	Year	Investment	
Microsoft	Husk Power Systems	Shell, ENGIE & Swedfund	2018	USD 20m	Shell Foundation
	OMC	Mitsui	2017	USD 9.3m	
	GVE	All On (Shell)	2017	not disclosed	
	PowerGen	DOB Equity, AHL Ventures & private investors	2017	USD 4.5m	
facebook	Standard Microgrid	InfraCo Africa & USTDA	2017	USD 4.3m	The ROCKEFELLER FOUNDATION
	Redavia	InfraCo Africa	2017	USD 5m	
	Powerhive	Total, Caterpillar & others	2016	USD 20m	
	Winch	Total Eren	2016	not disclosed	
	Devergy	Acumen, OPES Impact Fund, HERi Africa	2015	not disclosed	
	ENGIE Powercorner	ENGIE (internal)	since 2015	not disclosed	
	E.ON Off Grid Solutions/Rafiki Power	E.ON (internal)	since 2013	not disclosed	

Main investment activities and stakeholders in the mini-grid market.

At the same time, utilities like E.ON and ENGIE have built up mini-grid capabilities from scratch. Technology firms such as Facebook and Microsoft support mini-grid development: they have set up the Microgrid Investment Accelerator – a USD 50 million support vehicle. Finally, foundations like the Shell Foundation and the Rockefeller Foundation foster mini-grid improvement. These activities have triggered interest from many new investors. Sometimes, a gap between the status quo and expectations is apparent. Typically, investors realize this within rather costly due diligence processes. Rural electrification companies must also take significant efforts to collect and present relevant information that is tailor-made for the needs of investors. In addition, they are required to disclose a significant amount of information during the process.

THEnergy has been consulting investors in rural electrification-related due diligence processes lately and has developed a streamlined approach that will significantly cut costs on both sides. “The objective

is to make the process for future due diligences more efficient and to reduce transaction costs,” explains Dr. Thomas Hillig, Managing Director of THEnergy. The new methodology is based on the experience that, typically, a few factors are critical during the acquisition process. “Before the main process starts, we also provide detailed market information to investors which helps to manage their expectations and to select investment targets that correspond to their needs”, continues Hillig. The new approach will make funding for mini-grid players more cost-effective and will contribute to quicker growth. It can also be applied similarly to evaluate and optimize existing investments in mini-grid players.

About THEnergy

THEnergy is a boutique consultancy founded in 2013 focusing on microgrids/mini-grids and offgrid renewable energy. For industrial companies, THEnergy develops energy concepts and shows how to become more sustainable – combining experience from conventional and renewable energy with industry knowledge in consulting. THEnergy also advises investors and energy companies regarding renewable energy opportunities in rapidly changing markets. The initial focus was on commercial and industrial offgrid renewable energy projects, for example in mining (th-energy.net/mining), hospitality, telecommunications or on islands (th-energy.net/islands). Driven by investor needs, rural electrification and energy access have become additional consulting focusses. THEnergy has lead several large-scale due diligence processes in rural electrification.

Contact for journalists:

THEnergy
Dr. Thomas Hillig
+49-152 3618 6442
press(at)th-energy.net

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