

Donald Trump's arbitrary foreign policy results in a renewables-peak for industrial offtakers in Africa

THEnergy not only sees an increasing number of onsite renewable projects, but also observes an increasing downstream consulting demand, mainly from mining companies

Munich (Germany), September 2018 – In recent months, oil prices have been rather unstable. To some extent this has been related to Donald Trump's foreign policy – mainly in respect to Iran. Oil and as a consequence also global diesel market prices have become very volatile with a tendency to increase long-term.

In Africa, many remote sites are powered by diesel or heavy-fuel oil (HFO). This not only applies for mines and factories but even for large metropolitan regions. For industrial off-takers and utilities, recent diesel price developments are critical. Fuel represents one of their main operational costs. Price increases have direct adverse effects on their business. Even higher volatility represents a major concern by affecting plannability.

Solar power does not display a high level of volatility. Today's investments determine the electricity costs over the next 20-25 years. Industrial consumers often do not have to invest their own capital. It is sufficient to sign power purchase agreements (PPAs) with third party investors that finance the solar power plants and sell electricity.

THEnergy sees in its daily consulting practice that renewables are becoming more and more established in African power markets. Even traditional fossil fuel companies like diesel suppliers, diesel genset providers and rental companies have been changing their business models by integrating renewable energy solutions. Today, in Africa many offtakers specifically ask for combinations of diesel and solar before signing or prolonging their diesel supply contracts. In solar-diesel hybrid solutions, solar energy is used to reduce diesel consumption. Most of the large-scale projects still do without energy storage systems and rely on solar only during daytime. Falling battery prices will gradually add more and more energy storage in solar-diesel hybrid solutions and increase the renewable energy share in the system until finally all the energy will come from renewable energy sources: "solar-diesel hybrid" would turn into pure "solar-plus-storage".

"On paper, replacing diesel by solar in remote locations has made sense for years," adds Dr. Thomas Hillig, managing director at THEnergy. "However, temporarily low oil and related diesel prices were a major issue. These unintentional effects of US foreign policy are tipping the scales at the moment. No one expects stable framework conditions in the near future. We see a high consulting demand from downstream stakeholders, mainly from remote offtakers such as mines and also from fossil fuel companies."

For more information please have a look at <http://www.th-energy.net>.

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.

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