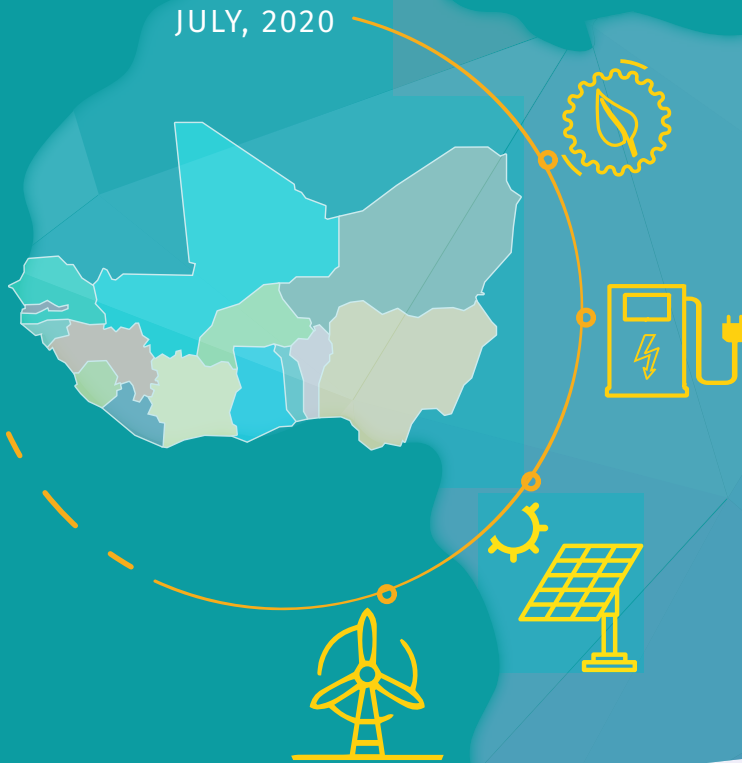


BRIEF

THE IMPACT OF COVID-19 ON THE ECOWAS ENERGY SECTOR

JULY, 2020



THE IMPACT OF COVID-19 ON THE ECOWAS ENERGY SECTOR



The COVID-19 pandemic has disrupted the world-system and impacted our way of life like never before. Across the globe, airports, borders, and businesses were shut down and people were mandated to stay at home, as countries took measures to fight the pandemic and preserve lives—some still remain in different stages of a lockdown.

The ECOWAS region is not spared, with all 15 ECOWAS countries recording COVID-19 cases and, sadly, mortalities. As of July 20, 2020, the region had a total of 107,716 confirmed cases and 1,710 deaths.¹ Besides the citizen health and healthcare sector impacts, COVID-19 has also compounded other developmental challenges, leading ECOWAS member states to seek long-term solutions that will ease the effects of the pandemic on their economies.

As ECOWAS countries grapple to slow the spread of the virus, they must also face the fact that without adequate energy, it is much harder to sustain measures needed to fight a virus like this one. Being confined without electricity, water, and fuel for cooking and other uses is the reality for millions in the region. Those living in rural off-grid communities, those served by weak and unreliable grid networks, and those without access to clean cooking systems are bearing the brunt of the pandemic.

Long before COVID-19, energy poverty has been prevalent in the region, with 47% of its population lacking access to electricity and almost 80% relying on tradition biomass for cooking. Other pre-COVID energy challenges include the constant deficit in production and transmission of electricity, high electricity prices, high reliance on hydrocarbon resources, and lack of adequate investment in clean energy.

The pandemic has revealed even more underlying vulnerabilities in the region's energy sector. We have seen delays in the implementation of energy strategies, including the postponement of planned generation capacity and, of course, for some countries, a reduction in public revenues due to the global

¹ July 20, 2020. Daily Situation of COVID-19 Within ECOWAS Member States. ECOWAS. Retrieved from: <https://www.ecowas.int/covid-19/the-status-within-ecowas-member-states/>

decline in oil prices. In addition, energy demand reduced significantly in the industrial and economic sectors but increased in the domestic sector, creating a new wave of energy-vulnerable citizens and, at the same time, reiterating the fragility of utilities in the region. As countries in the region try to cope with the surging numbers of infected persons, there has been a need for constant electrification of traditional health centres and makeshift health facilities.

COVID-19 also complicates efforts to attain the targets of the ECOWAS Regional Sustainable Energy Policies that were adopted by ECOWAS heads of state in July 2013. The ECOWAS Renewable Energy Policy (EREP) and the Regional Energy Efficiency Policy (REEP) aim to reach a share of renewable energy (excluding large hydro) that accounts for 10% and 19% of the region's electricity mix by 2020 and 2030 respectively. The policies also aim to phase out inefficient incandescent lamps; reduce losses in electricity distribution from the current range of 15-40% to under 10% by 2020; and achieve universal access to safe, clean, affordable, efficient, and sustainable cooking by 2030. Another goal is to implement measures that free 2,000 MW of power generation capacity by 2020.

Following the adoption of the regional policies, all ECOWAS member states developed their National Renewable Energy Action Plans (NREAPs), National Energy Efficiency Action Plans (NEEAPs), and Sustainable Energy For All (SEforALL) Action Agendas to achieve the policies.

Prior to COVID-19, the region was a long way from attaining these targets. For instance, assessment of the regional progress in 2019 showed that grid-connected renewable energy (small hydropower, solar PV, wind, and biomass) contributed only 2% in the overall installed capacity in 2018. This revealed that more effort was required in the short term to achieve the target of 10% by 2020 and 19% by 2030. However, due to the impact of the pandemic on 2020 efforts and targets, the region is now planning for the next 10 years to ensure that 2030 targets are achieved.



COVID-19 AND ENERGY CHALLENGES IN THE ECOWAS

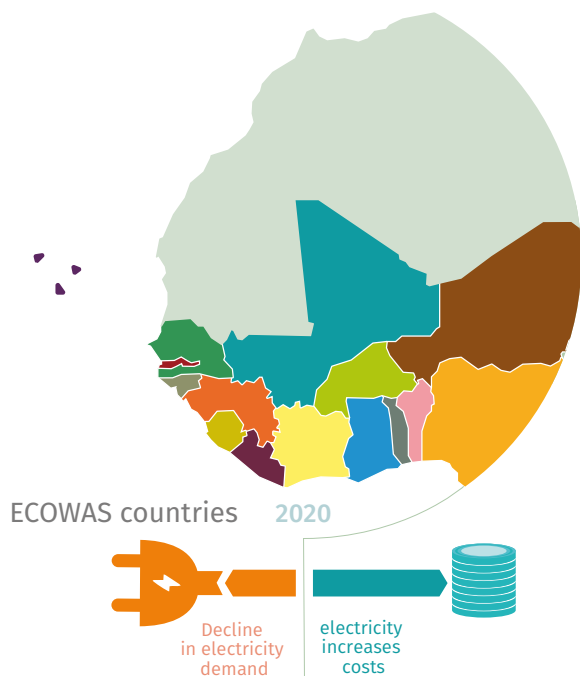


On June 30, 2020, ECREEE convened its National Focal Institutions (NFIs) for its yearly NFI consultative meeting. Since NFIs (mostly Directors of Energy at the Ministries of Energy) are at the front lines of the fight against energy poverty, their views and contributions are critical to the regional energy response to COVID-19. At the meeting, NFIs discussed the implications of the pandemic on the West African energy sector, speaking specifically about their countries' experiences and their actions going forward.

The full impact of the COVID-19 pandemic on the ECOWAS energy sector cannot yet be established; it will only become apparent with time. However, some key features have emerged as observed in the countries:²

Drop in Demand

All ECOWAS countries have experienced an overall reduction in electricity demand due to COVID-19 economic lockdown policies. The drop in demand is particularly high in smaller countries like Cape Verde and Gambia, which have tourism-driven economies. As many hotels and resorts temporarily shut down, electricity consumption significantly declined. Cape Verde, in particular, reports a 70% to 80% decline in electricity demand on two tourist islands.³ In addition, the electricity demand from industrial and commercial customers declined while the residential demand increased. In countries where electricity is subsidised, the economic burden of the increase in residential demand is on the government; where electricity is cost-reflective, the economic burden on families has become a socioeconomic issue.



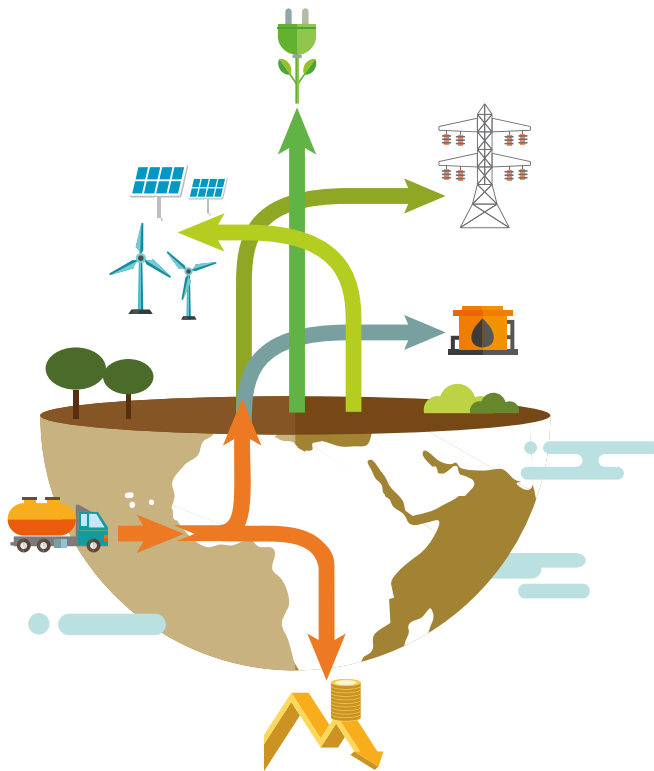
² Results are the outcome of discussions held with representative of ECREEE's National Focal Institutions, many of whom are Directors of Energy.

³ Cape Verde is made up of 10 islands.

Disruption in Supply

Across the globe, lockdowns have impacted supply chains for major commodities, including energy technologies and fuels. In the ECOWAS region, a number of countries report unavailability of spare parts for energy generating plants. In Gambia, this unavailability disrupted maintenance schedules and caused the capital city to experience unusual blackouts. In Benin Republic, it increased the country's reliance on its neighbouring country, Nigeria, for a significant volume of electricity supply. Due to strict movement policies, rural and semi-urban areas in countries are also experiencing disruption of access to clean cooking equipment and fuels such as charcoal.

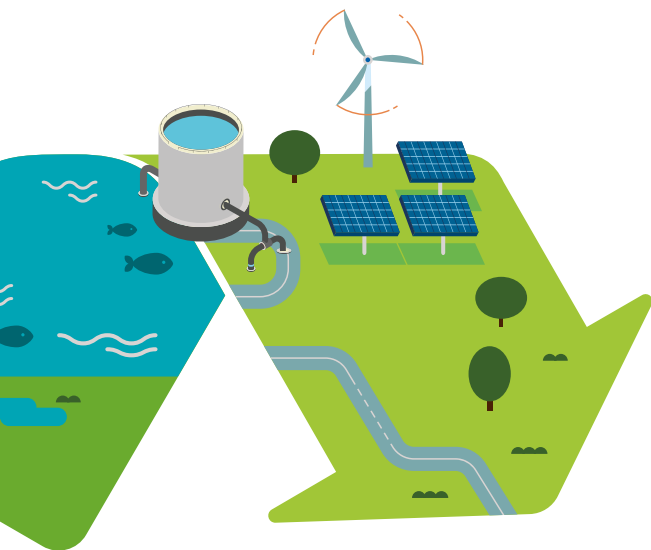
All ECOWAS countries are fuel-importing countries; they rely on fossil fuels to generate power. Even with lower oil prices, countries faced significant disruption in fuel supply due to procurement logistical problems. Fears of fuel supply disruption have many countries reconsidering the importance of renewable energy in their overall electricity mix.



Utilities' Cash Flow Risks

Before COVID-19, many utilities in the region were already experiencing high technical and commercial losses and thus struggling to maintain their financial viability. With the reduction of electricity demand from the commercial and industrial customers, utilities are now facing further dwindling revenues. This loss of revenue affects effective tariff implementation, especially in countries where cross-subsidies exist. Besides low consumption, many countries effected social protection policies that mandated utilities to reduce tariffs or to exempt or suspend billing for some customer categories. These policies have also affected the financial viability of utilities. The cash flow risks of utilities will have an impact on their long-term ability to attract investment into the sector and deliver efficient services.

(Figure 2 shows the energy sector measures and responses implemented by countries, including reduction of tariffs and exemptions).



Disruption and Revision of Projects and National Strategies

In the wake of the pandemic, energy projects being implemented across the region were suspended. Movement restrictions, reduction in business activities, and all round uncertainty slowed the implementation of ongoing energy and energy efficiency projects. Generally, the procurement, construction, and commissioning of grid and off-grid projects by both the public and private sectors were put on hold. Specifically, in Ghana, the pandemic slowed down the government's efforts to close the energy access gap of 15%, an achievement slated for 2020. The ministry of energy had planned to use renewable energy to reach the last mile communities but progress has stalled in the wake of COVID-19. Gambia also experienced significant delays in tendering and contracting of planned projects. In addition, expatriate workers were repatriated to their countries, causing a reduction of critical skills in the sector. In Nigeria, in the bid to avoid power disruptions, utility workers were locked down on some sites, inciting rumours of a violation of labour rights.⁴ However, countries are now seeking innovative ways to exercise flexibility and creativity in delivering their energy sector goals. For example, in Togo, tender activities were done by videoconferencing with stakeholders.

Besides project implementation, COVID-19 has also impacted planned government strategies. Regarding planned actions to increase renewable energy penetration, some countries have adopted a 'wait and see' approach, due to the significant decline in demand that affects the viability and sustainability of renewable energy technologies. Ghana is revising the Renewable Energy Act adopted in 2011 to make the off-grid sector viable, while Nigeria has plans to implement large scale residential solar PV systems due to the impact of the pandemic. Another impact on government strategy in Nigeria and Senegal is the suspension of planned increase of electricity tariffs.

⁴ Young, V & Adelaja, B. (2020). Wives protest 3-month COVID-19 'detention' of husbands at Egbin Power Plant. Vanguard Nigeria. <https://www.vanguardngr.com/2020/06/wives-protest-3-month-covid-19-detention-of-husbands-at-egbin-power-plant/>

SPOTLIGHT

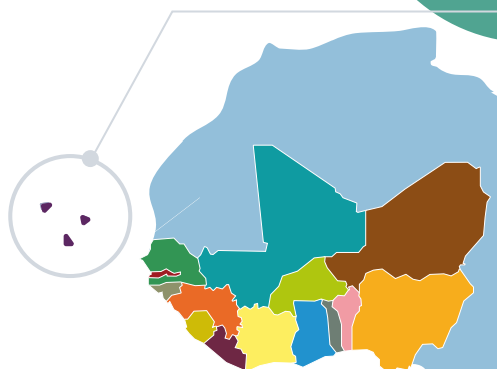
CAPE VERDE

In Cabo Verde, energy plays a key role in the COVID-19 context. It enables the productivity of workers and students despite the lockdown. It is also essential for the desalinisation of water for domestic supply and health uses, a necessity for curbing the spread of COVID-19.

Despite the drop in oil prices, the country experienced disruption of fuel supply at the beginning of the pandemic, leading the government to maximise the uptake of renewable energy (RE) and increase the minimum stock of fuel in the country for up to 19 days, to avoid disruption.

However, the pandemic represents both a challenge and an opportunity. The major challenge is to determine the level of renewable energy penetration that is feasible in the country, while the major opportunity is the need for storage initiatives to increase resilience of energy supply and energy security. Already, due to prioritising RE, the level of RE penetration has increased by almost 40% on some islands, hence the need for storage facilities to manage excess generation.

Post-COVID, the country will accelerate closing the energy access gap with grid electrification and, for isolated places, with off-grid electrification. It will also adjust the implementation rate for its sustainable energy targets, depending on how energy demand recovers, given that the country's strong reliance on tourism has meant that energy demand has been strongly affected in the most touristic islands since March. Projections on how it will evolve and impact current and future projects will depend on the resolutions made in the areas of health and travel restrictions.



COUNTRY CHALLENGES AND ACTIONS GOING FORWARD



Poor access to energy in rural areas.		BENIN
Develop and implement national plans for clean cooking/bioenergy decentralized RE infrastructure.		
Disruption in fuel supply and significant decline in demand.		CAPE VERDE
Test limits of RE penetration and develop pilot storage facilities.		
Disruption in fuel supply and significant decline in demand.		GAMBIA
Prioritize RE in sector development plans.		
Slowdown in progress in reaching 15% unserved communities.		GHANA
Revision of RE Act to make off grid sector investment attractive.		
Delays in the implementation of Renewable Energy projects and solar power projects.		MALI
Review of Energy Policy to prioritize renewable energy and energy efficiency for energy security.		

NIGERIA		Decline in revenue due to fall in oil price.
		Development of power sector recovery program.
SIERRA LEONE		Slowdown in investments and expiration of grants due slowdown in project implementation.
		Community engagement and promotion of leasing system for productive use.
SENEGAL		Delays in the implementation of Renewable Energy projects and solar power projects.
		Develop activities to boost the bioenergy sub-sector.
TOGO		Slowdown in development of new grid and off grid generation capacities.
		Accelerating the implementation of major renewable energy projects.

SPOTLIGHT

NIGERIA

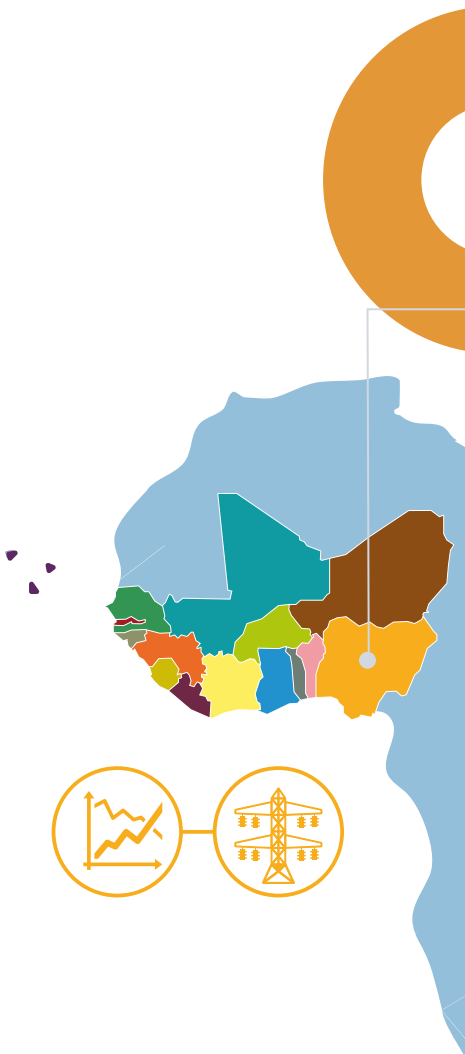
Nigeria faces both economic and social COVID-19 challenges. From an economic perspective, Nigeria has experienced falling oil prices, extra budgetary issues associated with the health sector response to COVID-19, and foreign exchange increase, all of which negatively impacted the energy sector. As a result of these challenges, the country reports jobs losses in the sector.

The main challenge for Nigeria is ensuring that utilities can survive by generating more revenue to pay along the value chain of generation, transmission, and distribution. This was already an issue pre-COVID, and it has been compounded by the pandemic.

To mitigate these challenges, Nigeria is working extensively with key development and financial partners such as the African Development Bank (AfDB) and the World Bank to develop a power sector support and recovery programme. The programme will put in place interventions to reset the electricity sector through policy and regulatory measures including meter asset provider, eligible customer, and franchising.

Nigeria has also put in place 1.5 Billion USD financing, with support from the World Bank, to alleviate the short-fall in revenue so that generating companies can receive 100% of their invoices and support distribution companies with revenue collection through metering. On the operational side, Nigeria is engaging the transmission and distribution companies to determine how to deal with excess power generation that cannot be delivered to customers.

Post-COVID, Nigeria aims to increase tariffs to make the sector more financially viable, instead of remaining a heavily subsidised industry.



TRACKING ECOWAS COVID-19 ENERGY SECTOR MEASURES/RESPONSES

BENIN

Social Protection



- No suspension of the electricity supply due to non-payment
- Subsidy on electricity tariffs for all customers including hotels, restaurants and travel agencies

CABO VERDE

Social Protection



- No suspension of the electricity supply due to non-payment
- Suspension in increase in Electricity Tariffs in March

[more information](#)

GHANA

Social Protection



- 50% rebate for all customers for 3 months

[more information](#)

Fiscal Stimulus



- Cut of key interest rate to 8-year low from 16% to 14.5%; favorable to RE business.

[more information](#)

BURKINA FASO

Social Protection



- The 50% reduction in electricity bills for social strata using 5 and 10 amp single-phase connections
- Cancellation of penalties on SONABEL and ONEA invoices
- A 50% reduction in the cost of solar kits for the Solar Home System project for vulnerable households.

[more information](#)

Fiscal Stimulus



- Establishment of an economic recovery fund for companies in the amount of 100 billion FCFA

[more information](#)

CÔTE D'IVOIRE

Social Protection



- Postponement of electricity bills for all households from April to August 2020.
- No suspension of the electricity supply due to non-payment, from April until the new date payment limits.
- State payment of electricity bills of households subscribed to the social electricity tariff to be paid in April and May 2020 (This concerns 40% of electricity subscribers or around 6 million people)

[more information](#)

GUINEA

Social Protection



- The State payment of three months of electricity and water for all.
- 3 months suspension of water and electricity bills for all non-commercial subscribers

[more information](#)



TRACKING ECOWAS COVID-19 ENERGY SECTOR MEASURES/RESPONSES

MALI

Social Protection



- Support of the electricity and water bills of the categories belonging to the so-called social groups, mainly vulnerable poor
- Exemption from Value Added Tax (VAT) on electricity and water bills, of all consumers from April to June 2020

Fiscal Stimulus



- Established the Private Sector Guarantee Fund of 20 billion CFA francs to guarantee the financing needs of SMEs / SMIs, Decentralized Financial Systems, industries and large companies
- The credits of all companies affected by the Covid-19 will be restructured and guidelines will be given to banks, so that Malian companies can benefit from the concessions granted by the Central Bank of West African States (BCEAO)
- All of the domestic debt due on December 31, 2019 will be discharged, as long as the payment of the mandates for fiscal year 2020 is to the amount of 100 billion CFA francs

[more information](#)

NIGER

Social Protection



- State will provide electricity and water for the months of April and May

[more information](#)

NIGERIA

Social Protection



- Suspension of new electricity tariffs
- 2 months free electricity for poor and vulnerable

[1>](#) [2>](#) [3>](#) [more information](#)

Fiscal Stimulus



- Creation of N50 billion target credit facility for affected households and small and medium enterprises

[more information](#)

Revising National Strategies



- Plans Large Scale Installation Of Residential Solar Systems.

[more information](#)

SENEGAL

Social Protection



- The State will cover the electricity costs of the 975,522 households in the social bracket for a value of 15.5 billion. More specifically, the measurement affects 506,203 post-payment customers and 469,319 pre-payment customers (Woyofal) and covers the two months March-April.
- The same for water bills of 662,000 households in the social bracket, also for a two-month period, for a value of 3 billion.

[more information](#)

TOGO

Social Protection



- Free electricity for about 350,000 households.

[more information](#)



CONCLUSION VIS-A-VIS ECREEE'S ROLE

The COVID-19 pandemic has revealed the need for more reliable and available energy resources and the need to leap frog fossil fuels and accelerate development across ECOWAS countries. Despite the challenges currently being faced, it also provides a unique opportunity for the countries to accelerate action and build the resilience of their energy systems in order to avoid future shocks. The opportunities for utilising the locally available renewable energy resources can alleviate immediate energy challenges, create jobs, and advance industrial development while promoting human welfare.

In addition, the challenges faced by ECOWAS countries show that the development of energy infrastructure must no longer be ad-hoc; they must be well-planned and forward-looking. The emphasis on resilient energy systems requires unceasing political commitment and support for distributed energy for the vulnerable poor and electrification of critical sectors. For example, health facilities should be prioritised in electrification master plans. They must have constant energy supply, not only for equipment but also to store vaccines. To achieve the necessary solutions in the energy sector, innovation and private investment also need to be ushered in.

To reduce vulnerabilities, most ECOWAS governments have put in place diverse measures in the energy sector, mostly social protection measures to protect the energy poor during the pandemic, with economic stimulus packages to curb recessions as a result of the pandemic. These packages include tax breaks, tax cuts and increased government spending that can also benefit the energy sector. The stimulus efforts could support the growing number of small and medium renewable energy enterprises operating in the region. As of 2018, there are, approximately, 500 energy companies registered in the ECOWAS region. Steering the stimulus packages towards more green recovery is key. Green stimulus can drive socio-economic recovery through clean energy development because without these recovery packages, many of these enterprises may no longer be able to operate post-COVID. (See link in **figure 2** for examples of country stimulus packages).



As economic activities resume, ECOWAS countries may need to prioritise diversification of their energy mix to include domestic energy resources. However, increasing the use of renewable energy comes with its own attendant challenges on the electricity systems, such as intermittency and variability. Energy storage will therefore become important in power system management and national development strategies.

The ECOWAS Centre for Renewable Energy and Efficiency (ECREEE) therefore recognises that further actions will be required to accelerate the ability of the region's energy sector to recover and become more resilient. Post-COVID economic recovery will require the availability of adequate and stable electricity supply; therefore, renewable energy will play a key role in empowering long-term sustainable recovery.

ECREEE therefore recommends that, to combat the impact of COVID-19 on the sector, countries should accelerate efforts to implement their renewable energy and energy efficiency national action plans, including the SEforALL agendas to which they have committed. Countries should also take advantage of the various recovery mechanisms and instruments from bilateral development partners and international banks to implement projects. There is need for further actions to improve an enabling environment so as to attract private sector actors to support utilities, SMEs, and other industries affected by the COVID-19 pandemic.

ECOWAS energy systems need to be strengthened to avoid future shocks but unfortunately, countries in the region may face higher risk profiles due to weak health infrastructure, leading to low investment and less capital available for clean energy projects.

ECREEE was established to contribute to the region's sustainable development by improving access to modern, reliable, and affordable energy services. The need for ECREEE in West Africa is more pressing today than ever, in light of the COVID-19 pandemic and the huge energy deficit in the ECOWAS region. ECREEE will, therefore, continue to work with ECOWAS countries to structure bankable projects that will ensure the move to a sustainable energy future.

ECREEE remains dedicated to improving access to modern, reliable, and affordable energy services. This was true pre-COVID-19 and will even be more vital in the aftermath of the pandemic. Through a coordinated effort, the delivery of much-needed energy solutions to the vulnerable in the region must be achieved.





Document Produced by

The ECOWAS Centre for Renewable Energy and Efficiency (ECREEE)

VISION

Universal Access to Reliable and Affordable Energy by 2030

MISSION

Contribute to the Sustainable Economic, Social and Environmental Development of West Africa

Achada Santo Antonio
Electra Building, 2nd floor
C.P. 288, Praia, Cape Verde

Tel: +238 2604630, +238 2624608

Fax: +238 2624614

E-mail: info@ecreee.org

Skype: info-ecreee

Web: www.ecreee.org

