
POWER FOR ALL RESEARCH SUMMARY

Sustainable Energy for All: "Energizing Finance"

**POWER
FOR
ALL**

Sustainable Energy for All (SEforALL) published an *Energizing Finance* report series, which tracks and analyzes the flow of finance for electricity access using data from international financial commitment databases.¹ The report finds:

- » Commitment to electricity access is a fraction of annual need
- » Investments in DRE make up a miniscule fraction of total financial commitments
- » Evidence shows per-household cost of providing electricity access via DRE solutions is cheaper than centralized solutions.

\$25.6 billion

ADDITIONAL ANNUAL FUNDING
REQUIRED TO PROVIDE
SUSTAINABLE ENERGY FOR ALL

Below we outline key findings of SEforALL's body of research:

Finance for electricity access: While on the rise, financial flow towards all solutions for universal electricity access is far from the level that is needed.

- » High-impact countries (HICs) refer to 20 countries with the highest absolute gaps in access to electricity, measured by population. These countries represent 80% of those living without modern energy and serve as good approximation of the total global challenge.
- » Finance commitments for electricity in the HICs rose to USD 20.1 billion in 2014, increasing but not keeping pace with the estimated USD 45 billion needed annually for global electricity access.
- » International finance made up over half of all commitments tracked (60%). Most financing took the form of debt (65.4%), followed by equity (16.5%), and grants (8.8%) (Vol 1, pg. 24).

1%

CURRENT PORTION OF DIRECT
FUNDING FOR DRE SOLUTIONS

Finance for DRE: Lacking the necessary policy and financial support, DRE solutions are woefully underinvested.

- » Per-household cost of grid-tied electricity access is ~ 50x more expensive than basic Solar Home System (SHS) access (Vol 1, pg. 31).
- » DRE can expand access in rural areas, delivering significant development benefits faster and more affordably (Vol 1, pg 31).
- » Yet DRE projects received just 10% of total financial commitments (USD 1.8 billion), with only 1% (USD 200 million) going to direct DRE investment and the rest used for indirect market support activities (Vol 1, pg. 11).
- » One-third of multilateral institution financing went to grid-connected electricity generation (transmission and distribution and energy market support to local governments), of which renewable energy projects accounted for 70% (Vol 3, pg. 40).
- » Yet multilateral finance for DRE is staggeringly low: 0.1% of all finance tracked (Vol 3, pg. 40).

50x

AMOUNT NEEDED FOR
PROVIDING GRID ELECTRICITY
COMPARED TO A BASIC SOLAR
HOME SYSTEM

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A comparative analysis of Kenya, Ethiopia, Bangladesh, and Nigeria highlights DRE sector challenges.

Investment needs do not automatically lead to investment opportunities.

- » Without the right market and policy mechanisms, need for energy access investment will remain just that—needs.
- » Nigeria, Africa's largest economy and most populous nation, has over 35 million households without electricity access. A lack of mobile money and financing support limits development of market opportunities (Vol 4, pg 53-55).

The DRE sector faces specific challenges and requires specific solutions. A one-size-fits-all approach won't work.

- » Lack of diversity in financing, strong reliance on consumer finance products, and high sensitivity to policy (e.g. import duties, VAT, quality assurance challenges) are unique to the DRE sector, composed of small-and medium-sized enterprises (Vol 1, pg. 31).
- » In Kenya for instance, the mini-grid sector is severely lacking investment due to absence of regulatory and policy focus (Vol 4, pg 30-31).

Stronger emphasis on domestic debt funding can lead to more mature DRE markets.

- » DRE enterprises require not only more financing but different financing. Currently, most are supported through equity. On the contrary, SEforALL found that DRE enterprises require debt more than any other type of finance (Vol 1, pg 29).
- » Yet access to reasonably priced debt is extremely limited—if existent—especially compared to larger grid-level projects (Vol 1, pg 31).

Share the Message: Despite recent gains, the global finance community is still not doing enough to provide universal, clean, sustainable electricity.

- » Access to debt is the primary obstacle for DRE sector.
- » Governments need dedicated policies and institutional support to reduce policy uncertainty, instill investor confidence and direct funding to DRE.
- » International financiers should work with local institutions to offer local currency financing, consumer finance products, and support to innovative business models.

Source:

1. Financial commitment databased used include the OECD Creditor Reporting System, Bloomberg New Energy Finance, and market surveys for domestic data.