

Somaliland energy storage investment trends

Global investors are often hesitant to invest in Somalia, deeming it too risky due to security concerns, political instability, and ambiguous business regulations. While this is, in part, justifiable given the East African nation's last 30 tumultuous years, the future looks bright for private investment in energy in Somalia.

Somewhat paradoxically, those challenging times in Somalia led some sectors to pave their own unique path to survive and succeed, with solutions tailored to their context, rather than importing solutions from the developed world. Somalia's power sector is no exception.

While many developing countries are only beginning to realize the innovation and efficiency associated with private sector participation in the power sector, Somalia's power sector has been entirely privately owned and operated for decades, while the government's role is confined to a high-level supervision.

When these mini-grids first emerged, many of them were operating in the same cities but via separate distribution networks. Realizing how wasteful it was to operate separately in the same locations, mini-grids in major cities decided to merge into metro-grids, also known as Electricity Service Providers (ESPs). Major ESPs such as Banadir Electric Company (BECO) and SomPower emerged from dozens of mini-grids operating in the same areas.

The merger not only enabled them to reduce their operating costs by consolidating networks, but it also allowed them to pool resources to invest in and improve their power facilities. After the mergers, many ESPs invested a considerable amount of capital in energy generation to meet the growing demand for electricity, including in clean energy sources such as wind and solar.

For example, in 2016 the National Electric Cooperation of Somalia (NECSOM) in Garowe City in northeastern Somalia invested US\$6 million on hybrid wind and solar as well as the battery storage capacity needed to deploy them efficiently. According to the company, an additional 2 megawatts (MW) of renewable energy has resulted in an annual increase of 14-24 percent in connections.

SomPower, Somaliland's largest ESP with multiple branches in major cities, also invested in a hybrid solar and diesel system, including a 4 MW solar photovoltaic system. Many other ESPs throughout the country are committing significant funds to similar generation projects with no external help from global investors or government subsidies.

The extensive self-investment, paired with a decentralized distribution model, has enabled Somalia's ESPs to bring energy access to millions of households over a short period. A 2017 survey conducted by UKAID found that more than 50 percent of households in Somaliland have access to electricity, a rate higher than most other



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East African countries.

While ESPs have figured out how to be successful, they are not without faults: They have the highest electricity losses in East Africa, estimated to be around 40 percent, or more than four times the global average. They also rely on imported diesel as a primary source of power generation, an expensive and polluting source of energy.

These shortcomings not only are wasteful, but they also lead to expensive electricity tariffs for consumers. The average price per kilowatt of electricity in Somalia is around 60 cents--three times more expensive than in neighboring Kenya and six times more expensive than the United States.

While ESPs are sparing no effort to address their challenges, they cannot solve them alone. Developing an adequate distribution network with large-scale power generation plants and manageable losses requires significant private capital. The Power Africa East Africa Energy Program (EAEP), funded through the United States Agency for International Development (USAID), is taking a dual-tracked approach to help facilitate such investments.

Building on work conducted by the USAID-funded Somalia Growth, Enterprise, Employment and Livelihoods (GEEL) Program to improve Somalia's energy sector, EAEP aims to increase investment into ESPs, reduce prices for consumers, and increase access to clean energy.

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