

News release

10 June 2019

CDC launches new company, Gridworks to invest in electricity networks across Africa

Capitalised by CDC, Gridworks will aim to invest over US\$300 million to improve the transmission and distribution infrastructure that delivers reliable and sustainable power -

CDC, the UK's development financial institution, has today announced the launch of Gridworks, a new company dedicated to developing and investing in transmission, distribution and off-grid electricity infrastructure.

Focused primarily on Africa, Gridworks' ambition is to invest over \$300m of long-term capital in viable projects over the coming years.

Sustainable, affordable and reliable power is one of Africa's biggest challenges with over 600 million people (two-thirds of its population) going without electricity and the benefits it brings. Despite recent investment and improvements in electricity generation, the lack of progress in developing transmission and distribution infrastructure has become a significant bottleneck to economic development across the continent.

Electricity networks have suffered from decades of historic under-investment in many countries, and a recent McKinsey report estimates that US\$345 billion of investment in transmission and distribution is required by 2040 to absorb current and planned power generation. Once generated, electricity still needs to reliably and safely reach its intended users, who in turn need to be able to pay for it in a practical and efficient way. CDC's investment in Gridworks will contribute to Global Goal 7 of the Sustainable Development Goals: Affordable and Clean Energy.

Traditionally, the public sector and multilateral institutions have been responsible for financing the electricity network in Africa, but the scale of the challenge means there is a need for complementary investment from the private sector. Gridworks will work with governments, multilateral organisations and other investors to bring flexible, patient capital and private sector expertise to the sector. It will develop and then invest in commercially sustainable infrastructure, bringing affordable, reliable power to the people and businesses who need it.

Gridworks' remit will see it develop and then invest in critical electricity network infrastructure, whether on or off-grid. This could include utility concessions, public private partnerships (PPPs), management contracts, rural electrification programmes, isolated grid systems, off-grid-to-on-grid investments, or utility services companies.

Welcoming the creation of Gridworks, CDC's Chief Executive, Nick O'Donohoe said:

“For African countries to reach their economic potential they need reliable and affordable power. Getting that power to households and businesses requires well-financed, efficient electricity networks. CDC has a long history and expertise in investing in African power, so I'm proud that we're capitalising Gridworks to support their ambition to invest over US\$300m of long-term capital develop and invest in transmission and distribution infrastructure in the years ahead.

“The sector is challenging but the impact than can be achieved will improve the lives of people in the countries in which Gridworks invests. Providing capital for infrastructure is a central part of CDC's investment strategy. We've built a team that offers both equity and project finance, as well as investment to off-grid solar companies.”

The UK Government's Minister for Africa, Harriet Baldwin, MP added:

“Gridworks is a fantastic initiative using British expertise and finance to connect millions of people across Africa to electricity. The provision of reliable and affordable power is a real barrier to economic development and by providing capital and expertise, CDC is supporting the growth of businesses and jobs in some of the poorest countries in the world.”

CDC has appointed Simon Hodson as the CEO of Gridworks. Simon has three decades of experience making and managing direct investments in developing countries in Africa, Asia and Latin America. Prior to Gridworks, Simon held leadership roles at a London based family office and at IPS (part of AKFED, the Aga Khan Fund for Economic Development) where he was involved in African infrastructure investments. Simon also worked for CDC Group in his early career and is a qualified Chartered Accountant.

Simon will speak at the Africa Energy Forum in Lisbon on Wednesday 12 June, where Gridworks will be formally launched. He will talk about how private sector capital can help drive improvements in electricity networks on the African continent.

Simon Hodson said:

“The need for investment in electricity networks in Africa cannot be underestimated. Creating sustainable and investable opportunities in transmission and distribution means building the right environment and the right regulatory framework to attract private investment. I want to see Gridworks play a central role in transforming Africa’s power infrastructure by working with key stakeholders across the continent to bring much needed capital and expertise. This will improve the quality of networks, create the demand necessary for further generation and improve the lives of individuals and businesses alike.”

CDC has played an important role in bringing power infrastructure to Africa. In recent years, CDC has invested in and helped develop:

- **Globeleq**, Africa’s largest power platform with eight power plants in five countries
- **Virunga**, an isolated hydro-power grid in the north-east of the Democratic Republic of Congo.
- **Umeme**, Uganda’s national electricity utility which CDC helped establish in 2005
- **Eneo**, Cameroon’s national utility, which it is supporting as it expands the country’s power supply and power efficiency
- A joint venture with AFKED, which includes two power plants in East Africa

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Notes to Editors:

1. CDC Group plc is the UK's development finance institution. Wholly owned by the UK Government, it invests in Africa and South Asia with the aim of supporting economic development to create jobs. CDC Group plc has invested in Africa since its establishment in 1948. Find out more at www.cdcgroup.com
2. CDC takes a flexible approach and provides capital in all its forms, including equity, debt, mezzanine and guarantees, to meet businesses' needs and achieve development impact. CDC has net assets of £5.1 billion.
3. Today's announcement is the latest application of CDC's recently introduced approach to using catalytic capital to shape new markets.
4. CDC has previously identified in its Infrastructure Sector strategy that investments in the T&D subsector should be an area of focus. In 2015, Dr Hanaan Marwah came to CDC with a proposal for how CDC could implement its strategy, including further development of the platform approach; some of this work has now led to the setting up of Gridworks. As a consultant to CDC, Dr Marwah has been leading the project development, transaction execution and strategy since then to help make this vision of a new T&D investment platform become a reality. Dr Marwah said: 'CDC is uniquely positioned to make a major impact in this underfunded area. Gridworks' specialist investment team will be a strong partner for governments across Africa'.
5. Gridworks Development Partners LLP is a limited liability partnership incorporated in England and Wales. Find out more about Gridworks at: www.gridworkspartners.com