International Solar Alliance
Expert Training Course

PV Technology: Productive Use in Rural Environments

In partnership with the Clean Energy Solutions Center (CESC)

Carbon Trust

September 2019
Supporters of this Expert Training Series
This Training is an additional module under Module 4, and focuses on the issue of Productive Use/Rural Environments.
1. Introduction: Learning Objective

2. Rural Environments: Status Quo

3. Productive Energy Use (PEU) & PV Technology

4. PV Technology & PEU Implementation Challenges & Opportunities

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Introduction: Learning Objective
Objective

- Understand the **application of PV technology** in the global rural electrification context and its potential use in productive energy use applications.
Rural Environments: Status Quo
Currently ca. 1 billion people are without access to electricity

People without access to electricity, 2016 (millions)

- Most of the population without access are from the global South
- A majority are from Africa & Asia

(IEA, 2017)
A significant portion of the unelectrified population reside in rural areas and are from the lower income bracket.

- A comparison between % of populations having access to electricity shows that a larger % of people residing in rural areas have no access to electricity or are connected to off-grid electricity sources, when compared to urban areas.

- Further, it is evident from the figure above, that out of the top 20 electricity access deficit countries, a significant portion of the population without electricity are from low to lower middle income bracket.

Source: MTF, World Bank
Electricity in rural areas is primarily used for residential electrification purposes

- **Uses:**
  - Pico-solar systems
  - Solar Home Systems – lighting, solar home charging
  - Mini-grids

- **These uses are mostly powered using PV technology**

- **Residential purposes are the major source of energy consumption because the technology is affordable, and business models have been developed to facilitate financing for low-income consumers.**

- From the diagram, **higher income groups** are observed to **consume a significant amount of energy for productive energy use** applications.

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Notes: Mtoe – million tonnes of oil equivalent; toe = tonne of oil equivalent. Productive uses include industry, services and agriculture.

(IEA Energy Outlook, 2017)
Productive Energy Use (PEU) creates opportunity for impactful rural development

Productive use activities for electricity access can be defined as “activities that create goods or services or that enhance income potential or value” (IEA, 2017).

PEU promotes socio-economic development by enabling and/or increasing income generation.

PEU can be differentiated from ‘consumptive use’ (i.e. the use of energy services such as household lighting, cooking and private entertainment), and the use of energy for ‘community services’ (such as health and education).
PEU can broadly be broken down into 3 main categories:

Primary Industries

Solar Fences
Estimated retail price range: 62 – 120 €

Animal Husbandry: Milking machines
Estimated retail price range: 545 – 950 €

Poultry farming: Egg incubation
Estimated retail price range: 250 – 688 €

Retail Prices Reference: (GIZ, 2016)
Light manufacturing activities are generally the most expensive category.

Light Manufacturing Industries

- Ice-making
  Estimated retail price range: 1200 €
  Retail Prices Reference: (GIZ, 2016)

- Grain milling
  Estimated retail price range: 400 - 2900 €

- Tailoring: Sewing machines
  Estimated retail price range: 170 – 540 €

- Carpentry & Welding: Workshop tools
  Estimated retail price range: 200 – 1000 €
Commercial and retail enterprises vary in scale and retail prices range

**Commercial and Retail enterprises**

Solar water pumping
Estimated retail price range: 355 €

Freezers – 700 – 3500 €
TV & radio – 10 – 150 €
Fans – 20 – 90 €

Hair salon equipment – 20 – 300 €
Charging stations - 100 – 300 €

Retail Prices Reference: (GIZ, 2016)
PEUs in rural environments, for the most part, do not exist or are powered primarily by fossil fuels.

From the chart, it can be seen that productive uses are currently energy intensive.

- Further, for rural settings, renewable-powered mini-grids have high upfront infrastructure and installation costs and finding funding for mini-grids is challenging, as demand from residential use is too low to finance long-term sustainability of the grid.
- This makes access to productive energy uses in rural areas difficult.

Retail Prices Reference: (IEA, 2017)
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Productive Energy Use (PEU) & PV Technology
Productive energy use can support PV economics – day time load

• With regard to energy use, residential demand is highest at night and productive uses are primarily carried out during the day

• High energy intensity of productive energy during the day and can increase revenues for project developers makes solar PV a good technical and economic fit
PV Technology & PEU Implementation Challenges
Access to finance is a major hindrance to implementation of PV based PEU technology

- **High tariffs** and **import duties** on appliances and equipment = High **upfront infrastructure** and **installation costs** for renewable mini-grids.

- **Proof of business case is required** to secure finance from investors

- With limited budgets for rural electrification, governments are attempting to bridge this investment gap with innovative public, private, and blended investment arrangements.
Lack of policy certainty makes it difficult for project developers to invest in PEU

At international level…
The United Nations has set a target to “ensure universal access to affordable, reliable and modern energy services” by 2030 under SDG 7, however it quantifies the indicator for this target as the “proportion of population with access to electricity” (United Nations, 2016), and not the electricity-enabled services.

At national level…
There are no policies in place in most countries in the global south (to our knowledge), directed towards productive energy use, that have been developed to drive uptake in rural areas. Most are usually targeted towards electricity access.

Consequently, investors and project developers are reluctant to invest in productive energy uses.
Matching of available standard PEU technology to different rural environments remains a challenge.

- Developed standardised product, usually imported
- Uncertain demand profiles in rural areas (especially newly electrified ones)
- Poorly sized grid due to low level of certainty in demand
- Lack of local supply chain to manufacture products
- Lack of reliable data and replicable demand profiles

- Brown outs for end-users if undersized
- Poor return on investments for developer and investors if oversized.
Energy users need access to secured affordable modern energy…

• to drive enterprises with higher productivity and improved margins…
• to realise opportunities for profit and growth…
• and contribute to local socio-economic development.

Possible Actions:
• Development of policies & regulation that provide a conducive environment for uptake of productive energy use technology
• Identification of opportunities for direct collaboration between energy users and developers to identify energy service solutions that meet both parties’ needs

Energy developers need…

• secured increased overall and daytime demand…
• to improve operational economics…
• to achieve financial viability…
• and reach operational sustainability.
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Case studies
Case Study: The Mini-Grid Innovation lab is exploring appliance financing to drive up mini-grid demand

**Mini-grid Innovation Lab, 2018**

- Project Developer: Mini-Grid Innovation Lab
- Date Implemented: 2018
- Project detail: Pilot project testing the impact of appliance financing – the lab helped seven mini-grid developers to sell 663 appliances on credit across 25 sites in East Africa and Nigeria
- **Success indicator**, mini-grid customers who purchased appliances nearly doubled their consumption and total grid revenues increased by 18% after eleven months

- **Challenge**: Overcoming the finance barrier to drive up electricity demand for mini-grids in rural environments
- **Solution**: The lab is funding developers to offer appliances to customers on credit

- The below graphs show the change in consumption of energy users who purchased appliances compared to those who did not in East Africa and Nigeria over 11 months.

Case study: Overcoming the demand uncertainty barrier through partnerships and value chain analysis

Mini grid on Ukara Island, Tanzania

- Project Developer: JUMEME
- Date Implemented: 2016
- Type & quantity of power: Modular 60 kWp solar plant, 33kVA diesel genset, and 240 kWh battery bank
- **Success indicator**, currently expanding to operate 11 similar mini-grids across the Lake Victoria.

- **Challenge**: Overcoming demand uncertainty for mini-grids through productive use
- **Solution**: Partnerships with SACCOS and non-profits in the region to understand demand and drive uptake
- **Partners**: Energy 4 Impact and Excel Hort Consult analysed existing production, transportation, and production methods.
  - For instance, Energy 4 Impact successfully partnered with diesel vendors to identify businesses that owned generators and approached entrepreneurs to make the switch to electricity

Further, JUMEME set up their own shop on the island to sell appliances and increase consumer education about technology

Source: (OCA Capital Advisors, 2017)
Conclusion
Main conclusions

• PEU provides great opportunity for development in rural areas as it is source of income generation
• PEU can also support PV economics as most productive energy uses are carried out during the day
• There are major barriers in finance and policy that need to be overcome to enable uptake of productive energy use in rural areas
References

- https://www.iea.org/energyaccess/database/
- http://www.selco-india.com/what-we-do
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