

SOUTHERN AFRICA



Malawi

GDP: **\$3.7bn**

Five-year economic growth rate: **-6%**

Population: **16.4m**

Total clean energy investments, 2006-2013: **N/A**

Installed power capacity: **306.7MW**

Renewable share: **28.3%**

Total clean energy generation: **456.6GWh**

Top energy authority:

Ministry of Natural Resources, Energy and Environment

OVERALL RANKING
2014

34

OVERALL SCORE
2014

0.92

★ **Lilongwe**



PARAMETER	RANKING	SCORE
I. Enabling Framework	24	1.21
II. Clean Energy Investment & Climate Financing	54	0.12
III. Low-Carbon Business & Clean Energy Value Chains	27	1.62
IV. Greenhouse Gas Management Activities	28	1.01

SUMMARY

Malawi finished 34th and scored 0.92 on *Climatescope* 2014. Its highest ranking was 24th on Enabling Framework Parameter I, where its best scores were for its distributed energy regulatory framework and energy access policies.

Malawi has aging power infrastructure that suffers from reliability issues and requires new investment to meet demand. The country depends heavily on large hydro power, which accounts for 70% of generation; small hydro comprises most of the rest. Due to the unreliability of the grid, many businesses and industrial companies operating locally have opted to invest in

diesel generators. Nonetheless, there has been activity in the off-grid sector due to Malawi's favorable regulations and the government's rural electrification fund, which amounted to \$17m in 2013.

In September 2012, the government released its feed-in tariff (FiT) policy alongside a standardized power purchase agreement. The FiT offered attractive tariffs for developers, but since its publication there has been little action on implementation. The precarious financial situation confronting the national utility has contributed to this status.

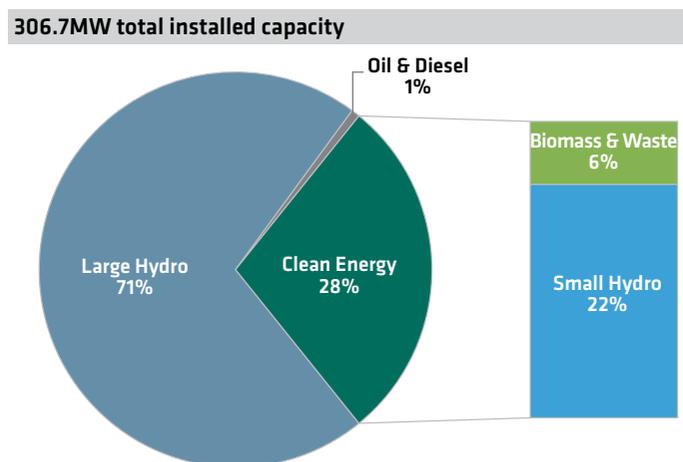
For further information, access www.global-climatescope.org/malawi

PARAMETERS AT A GLANCE

Malawi's *Climatescope* performance highlights include its relatively high scores for its distributed energy policies and distributed clean energy value chains. The distributed energy sector has grown through the government's Malawi Rural Electrification Programme (MAREP) and companies operating in the off-grid market have emerged. However, Malawi lags behind on clean energy investment as the government has yet to introduce policies that support the growth of utility-scale renewable energy projects.

Malawi's entire power sector is run by national utility ESCOM, which owns all on-grid generating assets. Two sugar companies have a combined capacity of 18.5MW of captive biomass plants. Clean energy sector growth has been hindered in part by low electricity tariffs, with retail prices averaging \$0.086/kWh in 2013.

INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)



Source: Bloomberg New Energy Finance, Electricity Supply Corporation of Malawi, Sucoma, Dwasco

Within Enabling Framework Parameter I, Malawi scores well on the policy and regulation indicator thanks to its open laws for small power producers. Those allow developers to build up to 5MW plants and charge tariffs deemed acceptable by the regulator. The country has an energy access target of 30% for 2030 (from a current rate of 9%) but makes no explicit reference to clean energy. Malawi produces approximately 457GWh of non-large hydro clean energy a year out of a total of 1,900GWh.

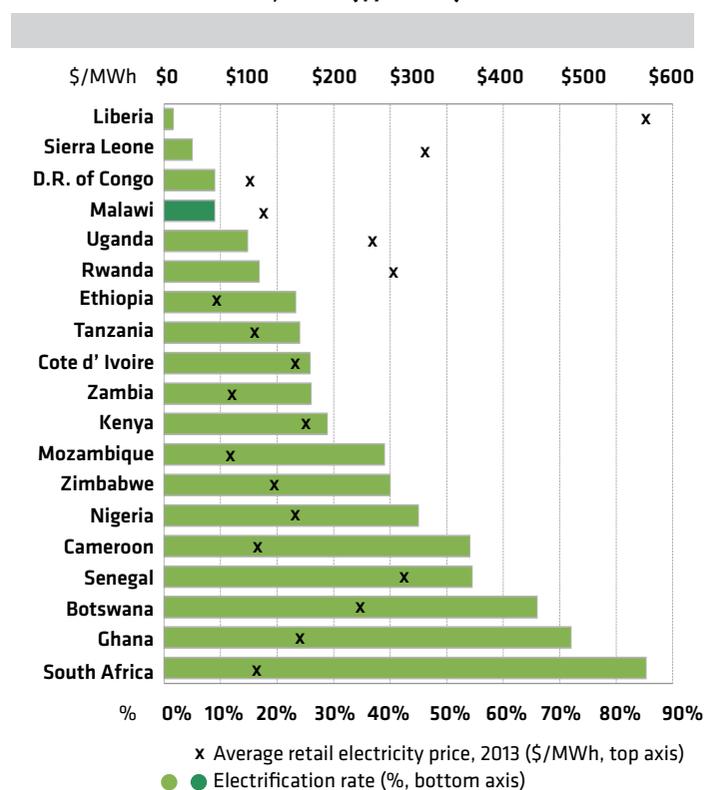
KEY POLICIES

Feed-in Tariff	Drawn up by the regulator in 2012 but the 20-year fixed tariffs have yet to be implemented.
Biofuels	A mandate to blend 10% ethanol with gasoline since 2004, often not met due to short supply.
Debt/Equity Incentives	The Rural Electrification Fund has provided grants for grid extension and mini grids since 2004.
Tax Incentives	Investors are eligible for a range of tax reductions and import duty exemptions.

Source: Bloomberg New Energy Finance Policy Library

Malawi does poorly on Clean Energy Investment Parameter II, finishing 54th with just \$8.3m committed to projects locally since 2006. Green microfinance is emerging with two institutions offering loans for green products totaling almost \$0.75m to date. Like its neighbors, Malawi's clean energy value chains are underdeveloped given lack of investment. Its two strongest scores on Low-Carbon Business and Clean Energy Value Chain Parameter III are in distributed energy where it has a growing industry that offers a host of services, which helped it finish 27th overall. The country places 28th on Greenhouse Gas Management Activities Parameter IV, with carbon-related business training and think tanks locally active.

ELECTRIFICATION RATES (%) VS AVERAGE RETAIL ELECTRICITY PRICES, 2013 (\$/MWh)



Source: Bloomberg New Energy Finance