



A series by the African
Private Equity and Venture
Capital Association

Achieving the SDGs through African Private Equity and Venture Capital

SDG 7: Affordable and Clean Energy



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Introduction

Over the past 20 years, AVCA has remained committed to tracking, monitoring, and reporting on the wide-reaching positive impact of private equity and venture capital across the continent. The objective of this case study series, **Achieving the SDGs through African Private Equity and Venture Capital**, is to showcase and encourage greater collaboration between fund managers, institutional investors, and entrepreneurs to **drive sustainable growth in Africa.**

It is now six years since the United Nations (UN) launched a global call to institutions and individuals to commit to creating a future of prosperity and peace for all by 2030, through the Sustainable Development Goals (“SDGs”). The 2030 Agenda for Sustainable Development (“the 2030 Agenda”) established 17 SDGs with 169 targets and 232 indicators to enable progress tracking as key global actors, including investors, businesses, civil society, and governments implement the 2030 Agenda.

According to the United Nations Conference on Trade and Development (UNCTAD), meeting the SDGs in emerging markets will require an investment up to the value of US\$4.5 trillion annually, primarily for infrastructure, education, healthcare, and agricultural development. Globally, the private sector is responsible for most investments and has played a historic role in addressing structural, social, and environmental challenges in Africa.



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The SDGs provide a practical framework to achieve inclusive growth on the continent, and the private sector has a vital part to play in mobilising African countries to achieve the 2030 Agenda while strengthening the economy. Africa-focused fund managers and institutional investors have risen to the challenge as they continue to deploy and allocate capital to support the businesses driving long-term economic growth across the continent.

Recognising the importance of businesses and investors in realising the 2030 Agenda, the UN Development Programme (UNDP) launched the SDG Impact Standards for Private Equity Funds to outline a clear system to support private equity (PE), venture capital (VC) and other private market funds to achieve impact and contribute towards sustainable development through their investments.





Where Africa is concerned, responsible investing has always been at the heart of private equity due to the origins of the asset class. As Environmental, Social, and Governance (ESG) principles became more prominent in the global investment landscape, AVCA set out to tell the story of impact in Africa. In 2018, we published our first special report, *An*

Untold Story: The Evolution of Responsible Investing in Africa, to highlight the role of development finance institutions (DFIs) and private equity fund managers in creating sustainable growth on the continent.

DFIs have demonstrated how investments in the private sector in emerging markets can have significant positive effects on job creation and

economic growth.

Furthermore, with the majority of private investors in Africa promoting and achieving both impact objectives and commercial returns, Africa-focused fund managers are uniquely positioned to contribute to achieving the 2030 Agenda by investing in companies that advance the SDGs.

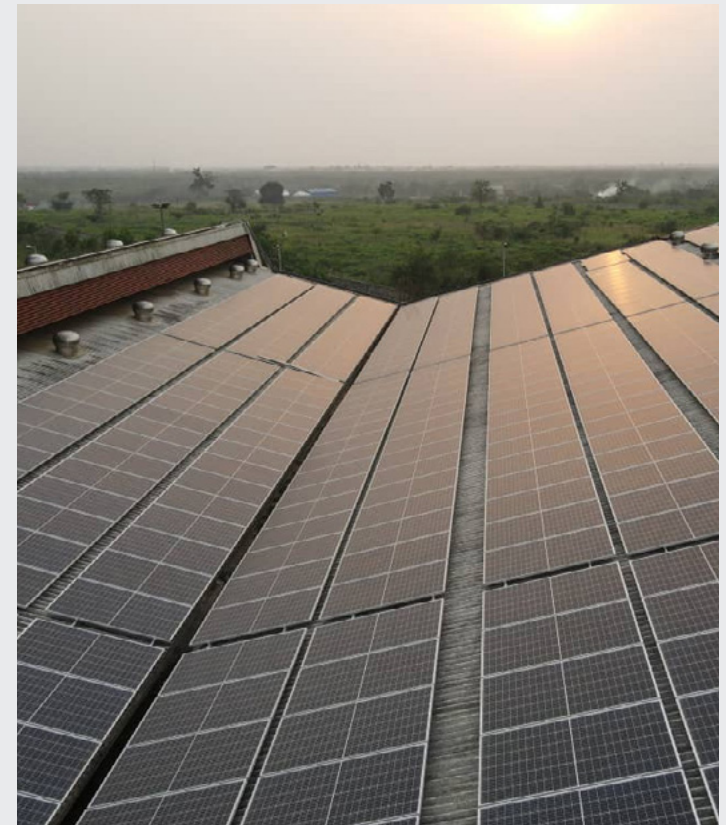


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Sustainable Development

Goal 7 – Affordable and Clean Energy

This case study highlights African Infrastructure Investment Managers' investment in Starsight Energy, a leading Commercial & Industrial solar power supplier in Africa. Starsight Energy delivers comprehensive, end-to-end solar solutions that help businesses reduce annual energy costs, boost energy efficiency, and improve their carbon footprints.





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Investor & Company Profile



Portfolio Company Name:

**Starsight Power Utility
Ltd (Starsight Energy)**

Sector:

**Commercial and
Industrial Solar**

Investor:

**African Infrastructure
Investment Managers
(AIIM)**

Year of Investment:

2018

Country (HQ):

Nigeria

Market Size:

(NGR) USD 20 Billion



Investor Engagement with the SDGs



1. What are the key drivers for integrating SDG 7 into your investment approach?

Between 1960 and 2020, Africa only accounted for 3.3% of global emissions. Yet Africa is the most affected of all world regions by droughts and the second most affected by floods, with at least 215.3 million people affected over 2010-2022. What's more, ten of the most climate vulnerable countries are in Africa.

Compounding the threat of climate change is Africa's lack of access to affordable, clean energy. 600 million people in Africa lack access to electricity. In Nigeria, more specifically, 85 million Nigerians don't have access to grid electricity, representing 43% of the country's population. This lack of reliable power is a significant constraint for citizens and businesses, resulting in annual economic losses estimated at \$26.2 billion, equivalent to 2% of Nigeria's GDP.

AIIM's approach to tackle climate change is primarily driven by two themes, the transition to a cleaner, sustainable energy mix and the reduction of our carbon footprint. Ultimately, we aim to provide more renewable energy than our carbon footprint. The Energy Transition is a key pillar of AIIM's investment strategy (transition from higher cost, higher carbon fuel sources to lower cost, lower carbon distributed energy models).

AIIM's green energy investments generate 4,747 GWh of clean power equivalent to approx. 1.4 million households. Expanding distributed solar solutions will go some way to eliminating the reliance on diesel generators which set Nigerian citizens back \$12 billion annually on fuel costs alone. Rising diesel prices in Nigeria have prompted an increase in commercial and industrial interest in solar, and shifting away from diesel and other fossil fuels will reduce the associated environmental degradation and health hazards.

AIIM directly contributes to climate action and UN SDG 7 through the Energy Transition theme. Specifically, our investments provide access to affordable, reliable and modern energy services (target 7.1) and substantially increase the share of renewable energy in the energy mix (target 7.2).



2. How did you integrate SDG7 into your investment strategy and decision-making processes for your portfolio company?

During early-stage screening, it was identified that Starsight Energy would significantly contribute to SDG 7. Through the due diligence phase the degree to which the investment would contribute, and the growth potential, was dimensioned. Using a Theory of Change approach to map the positive impact pathways, the key impacts were mapped aligning to SDG 7. As part of the process, the key metrics to be tracked against SDG 7 were identified, which include Megawatts of installed renewable capacity, Megawatt hours of renewable energy production and the tonnes of carbon dioxide equivalent avoided through clean energy provision.

During the asset management phase of Starsight Energy, AIIM has been active at the ESG Subcommittee and Board, driving roll out and production of relatively more clean power provision, having SDG 7 as a key impact outcome with the portfolio company.

3. What are the key challenges you've faced thus far implementing and measuring progress made towards promoting SDG 7 in your portfolio company?

Often companies at the beginning of the Environmental, Social and Governance journey lack the formal processes necessary to comply with different Sustainable Development Goals. As an asset manager with many years of experience and expertise in this area, AIIM worked with Starsight Energy's management to create environmental and social management systems that were fit for purpose. As a result, Starsight Energy now uses a formalised approach to deliver a positive impact through SDG 7 and effectively manage risk.

As Starsight Energy is a growth-orientated business operating in the Commercial and Industrial sectors, it faces particular challenges when forecasting future targets against SDG 7. Therefore, it was important for AIIM to work with Starsight Energy to ensure the company has a growth plan, as the ability to reach SDG 7 targets is directly linked to the business's ability to scale. A positive challenge associated with Starsight Energy's growth has been forecasting the expansion of installed Megawatts by the company. These are challenges that AIIM is pleased to help solve, as they are indicative of Starsight Energy's strong performance.



Investment Impact Profile

No	SDG 7 Goals		Starsight Energy/AIIM's Contribution
	Target	Indicator	
7.1	By 2030, ensure universal access to affordable, reliable and modern energy services.	Proportion of population with access to electricity.	Since AIIM's investment, Starsight Energy has provided energy solutions to over 540 client sites across Nigeria and Ghana, delivering over 48 megawatts (MW) of installed power generating capacity, 35 megawatt hours (MWh) of battery storage and 17,754 horsepower in cooling capacity.
		Proportion of population with primary reliance on clean fuels and technology.	Starsight Energy is designed to dramatically reduce carbon emissions primarily for businesses reliant on fossil fuel back-up generators for reliable power supply. Through the use of C&I solar, residential solar installation (in partnership with a property developer) as well as cooling-as-a-service and sophisticated energy storage systems, Starsight Energy has produced 25.2 Gigawatts of renewable energy, powering the equivalent average of 2,533 middle income households per year with clean energy and reduced emissions by 9,225 tonnes of carbon dioxide equivalent since 2019. Starsight Energy also works with customers to reduce energy consumption at their sites. Starsight Energy estimates that its clients reduce their electricity consumption by an average of 20-45%, while the cumulative cost and energy savings for all customers were USD2.7 million and 9,474MWh as of October 2021.



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No	SDG 7 Goals		Starsight Energy/AlIM's Contribution
	Target	Indicator	
7.2	By 2030, increase substantially the share of renewable energy in the global energy mix	Renewable energy share of the total final energy consumption (i.e. renewable energy consumption as a percentage of total final energy consumption).	Starsight's clean energy solutions provide cost savings between 35-50% on both energy and OpEx (diesel and grid), achieving between 20-45% energy reduction. Fossil fuel consumption is reduced by 30-50% and carbon emissions are reduced, delivering long term sustainability benefits to the local environment.



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Company View

Starsight, since its inception, has had a significant focus on people development and building a better future for our employees and commercial partners.

As a renewable energy specialist, we've invested in maximising the accessibility and reliability of modern energy (target 7.1) for C&I businesses across the entire energy grid and increasing the share of renewable energy in the energy mix (target 7.2). In more recent times, as our business has grown, our focus on ESG has evolved with the support of our shareholders.

There is a major energy infrastructure gap in Nigeria, which means large energy users cannot access energy efficiently, and power supply via the grid is highly unpredictable, making running a commercial or industrial business both challenging and costly. This has knock-on effects across the economy, affecting long-term energy accessibility, business and economic growth, and job creation. There's a direct relationship between the reliability of energy sources and the ability of companies to develop in an energy-efficient and sustainable way. That's why we have developed a 99.5% uptime guarantee on power and cooling to create the confidence required for sustainable C&I activity.

To ensure sustainable supply in the long term, we have also invested in multiple graduate and trainee programs whilst we build and develop external relationships with people such as the 'Prince's Trust International.' For example, Starsight currently has a large program with the Prince's Trust taking up to 20 cohorts every six months to give them 9-12 months of on-the-job skills training with a view to a percentage becoming full-time employees of Starsight.

In addition, our association with Nile University in Abuja has led to Starsight contributing to the development of an environmental syllabus as a new offering by the University to students.

Our 150-strong staff have benefited from various initiatives supported by our investors, be it 'Six Sigma' training offered to all staff or a select group receiving financial support to achieve MBAs locally and, in some cases internationally.

Driven by investor support, we have become an employer of choice in our markets of operation. Our belief in offering a career rather than just a job is evident in the high rate of retention we enjoy in very difficult markets.

Tony Carr,
CEO of Starsight Energy

**Starsight**



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