



THE FORGOTTEN LINK

Why Transmission and Distribution Is Africa's Next Big Investment

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A Continent That Generates but Does Not Deliver

Africa has made real, measurable progress in developing its power generation capacity. Within a decade, hydroelectric dams, solar farms and gas-fired plants have come online across the continent, carried by a combination of national ambition, multilateral financing and a growing appetite among international private investors for African renewables. In Cameroon, the commissioning of the Nachtigal dam (420 MW) in 2024 — the largest independent hydroelectric project in sub-Saharan Africa — illustrates both the scale of the effort and, paradoxically, the limits of a strategy that continues to focus almost exclusively on generation.

Nachtigal reveals with striking clarity a reality that African energy strategies have been slow to internalize: **generating energy is not enough to power a country**. Between the dam and the factory, between the plant and the household, there is a grid. And that grid is, by a wide margin, the poor relation of African energy investment.

This positioning note explores why the transmission and distribution (T&D) segment constitutes, today, one of the continent's most significant investment opportunities for African and sub-regional private players — and what would need to be put in place for that opportunity to become reality.

The Nachtigal Case: When Generation Outruns the Grid

The Nachtigal dam, financed by eleven international institutions for a budget of 786 billion FCFA, is a first-rank facility. Since its progressive commissioning, it has supplied roughly 30% of the consumption of Cameroon's Southern Interconnected Grid (RIS). A considerable contribution — but one that does not, on its own, solve the national energy equation. Hydroelectric generation remains subject to hydrological variability: in low-water periods, dams run well below nominal capacity, and generation deficits remain a recurring reality. The generation challenge is not behind us.

What Nachtigal does reveal, with striking clarity, is that this generation challenge is aggravated — and sometimes masked — by a structural failure of the transmission and distribution network. Load shedding persists even when hydrological conditions are favorable and installed capacity should suffice to cover demand.

The situations of Yaoundé and Douala illustrate two faces of the same problem.

Yaoundé: the energy is there, the grid cannot keep up

The Centre region benefits directly from Nachtigal's output. The outages that persist there are not linked to a generation deficit. They result from the inability of the transmission and distribution network to carry the available energy all the way to customers. The transmission lines designed to evacuate power from the dam site to the Nyom II substation, on the outskirts of the capital, long remained incomplete — physically capping the value the facility could deliver. Nachtigal is not the problem: the problem is the link that comes after it.

Douala: the double burden

The country's economic capital and largest industrial basin suffers from a more complex situation. Its distribution network is aging and saturated — several strategic substations operate in permanent overload. Added to that is a dependence on thermal plants whose availability hinges on the fragile financial balance of the payment chain between the distributor and independent producers.

When that balance breaks, the consequences are immediate and massive: in early June 2026, the withdrawal of 304 MW from the grid by the producer Globeleq — following payment arrears from SOCADEL — instantly deprived 40% of customers in the Littoral and West regions of electricity. The economic cost of such an interruption in the Douala industrial basin runs to tens of millions of FCFA per hour. Douala thus bears the double constraint of a degraded distribution network and a local generation base structurally insufficient to meet industrial demand.

These situations are not the reflection of a governance failure to be blamed on anyone. They are the logical result of a financing imbalance that took hold progressively: capital — public, multilateral, international private — has concentrated massively on generation, leaving the T&D segment insufficiently funded to play its role as the infrastructure that turns capacity into value.

Distribution Efficiency: An Indicator Too Rarely Watched

There is one figure that by itself sums up the scale of underinvestment in African distribution networks: distribution efficiency — the share of energy actually delivered to customers relative to the energy injected into the grid.

In Cameroon, this rate stood below 70% in 2014. Investments have since raised it to around 72% — real progress, which shows what a resolute commitment to modernization can produce. But 72% still means that more than 28% of all the energy generated, transmitted and injected into the grid disappears before reaching its recipient. The international norm generally observed in well-run grids sits around 10%. The gap represents a colossal destruction of value: every megawatt "lost" in the grid is a megawatt that had to be financed, built and operated — for nothing.

These losses are of two kinds. Technical losses stem from aging equipment, overloaded transformers, and the absence of redundancy in the lines. Non-technical losses — fraud, illegal connections, billing failures — constitute a different but equally real challenge: in Cameroon, they alone are estimated to cost the distributor more than 60 billion FCFA in foregone revenue every year — resources that cannot be reinvested in maintaining and extending the network.

This circle is vicious but not inescapable. It is above all the reflection of chronic underinvestment in the modernization of distribution infrastructure — and therefore a **structural opportunity** for any investor prepared to commit to it with the right tools.

Why Investment in Generation Depends on T&D

There is an economic truth that African energy financing strategies have not yet fully internalized: **the profitability of an investment in power generation is fundamentally conditioned by the quality of the downstream T&D networks.**

The mechanism is simple. A power producer — whether a hydroelectric plant, a solar farm or a gas-fired plant — signs a Power Purchase Agreement (PPA) with a national distributor. That contract guarantees the producer a revenue for every megawatt-hour delivered. But if the transmission network cannot evacuate the energy produced, or if the distribution network cannot carry it to solvent customers, the PPA becomes an empty shell: the distributor pays for capacity it cannot turn into value, deepens its deficit, and eventually stops paying altogether. That is precisely the dynamic observed in Cameroon with the cash-flow difficulties of SOCADEL, the national distributor, vis-à-vis its energy suppliers.

Conversely, a well-performing, well-financed T&D network turns every newly installed megawatt into real value: it widens the accessible consumption base, improves the distributor's collection rate, reduces losses, and secures

producers' revenue streams. It creates the conditions in which an African PPA becomes genuinely bankable for a private investor.

Investing in T&D means securing the profitability of the entire energy chain — including that of the producers who have already invested or are considering doing so. T&D is not an infrastructure cost: it is a value multiplier for the whole sector.

The African Private Investor: A Central Player Still Absent

Faced with this opportunity, the fact is that the African private investor — pension funds, insurance companies, industrial conglomerates, family offices, national retirement funds — is largely absent from the T&D segment. This is not a question of financial capacity: African pension funds collectively manage hundreds of billions of dollars in assets, a large share of which is placed in illiquid or low-yield instruments, often outside the continent.

A particularly revealing indicator of this redirection potential is the allocation structure of African asset managers. In almost every country of the region, asset-management funds — pension funds, life insurers, mutual funds — show a very high concentration in government bonds. The preference is understandable: sovereign securities offer immediate liquidity, a regulatorily accepted rating, and a reassuring institutional familiarity. But it has a cost. First, it concentrates systemic risk on the financial solidity of states whose budgetary capacities are already stretched in every direction. Second, and above all, it deprives the real economy of a source of long-term financing it precisely needs.

Yet regulated grid assets share with government bonds several of the characteristics that make them attractive — contracted revenues, long duration, captive demand — while offering a backing in the productive economy rather than in public debt. For an African asset manager, T&D infrastructure represents a natural alternative — provided the projects are structured with the same level of legibility and legal security as the sovereign instruments to which it is accustomed.

Three explanatory factors behind this gap deserve to be named.

The historical bias

Electrical infrastructure was long experienced as the exclusive domain of the state. This perception, inherited from decades of administered economies, has led African private players to censor themselves before a sector perceived as sovereign territory — opaque and politically complex. It no longer reflects the reality of a sector in deep transformation, where private operators already run distribution networks in several countries of the continent.

The visibility bias

Investment in generation — a dam, a solar farm — is visible, named, inaugurated. It confers a prestige and a social recognition that investment in a distribution network does not. Yet grid assets often present more attractive financial characteristics: regular, regulated revenues, long asset life, captive demand, low exposure to market shocks.

The structuring deficit

T&D projects are perceived as complex to put together, hard to evaluate, and insufficiently prepared to meet the requirements of an institutional investor. That perception is partly founded — but it points to a capacity need, not to a structural impossibility.

What a Suitable Institutional Framework Makes Possible

The missing link between available African capital and the T&D projects to be financed is not primarily financial. It is **institutional and technical**: it is a matter of making projects bankable — that is, capable of satisfying the due-diligence, structuring and risk-mitigation requirements a private investor is legitimately entitled to demand.

Contractual structuring

It is the starting point — and must be designed around each country's institutional reality. In environments where the regulatory framework is sufficiently mature, a well-constructed concession contract, with clear tariff-revision mechanisms, regulatory stabilization clauses and credible arbitration procedures, gives the private investor the predictability it needs to commit for the long term.

In many African countries, however, transmission and distribution networks formally remain under public monopoly, entrusted to state entities whose public-service mandate is constitutionally or regulatorily protected. Demanding a formal private concession in these contexts would be both politically unrealistic and institutionally counterproductive. Effective alternative approaches nonetheless exist: performance contracts backed by private financing, financing mechanisms dedicated to sub-segments of the network, co-investments structured around specific assets — transformer substations, evacuation lines, network extensions — coupled with rights over the revenues generated. These structures give the private investor access to a secured revenue stream without the state having to transfer ownership or overall operation of the network. Mastery of both approaches — concession in open environments, monopoly-backed structuring in the others — is what makes it possible to support investors effectively across the diversity of African institutional contexts.

Managing counterparty risk

The solvency of the national distributor — the buyer of network services — is often the main deterrent for a private investor. Partial-guarantee mechanisms, revenue escrow accounts, or the interposition of a guarantor of sufficient quality can turn this risk from prohibitive into manageable.

Local financial engineering

Instruments exist — project bonds, dedicated infrastructure funds, senior and mezzanine debt tranches — that make it possible to aggregate local and sub-regional capital on T&D projects, allocating the risk so that each class of investors finds its place in the structure.

Technical project preparation

Robust feasibility studies, reliable financial models and rigorous technical audits are the prerequisites of a credible investment file. Yet this preparation phase — costly, lengthy, demanding sharp expertise — is precisely the one most often missing from the African T&D project pipeline.

It is in this space — between the capital available and the investable project — that specialized players in energy structuring and strategic advisory intervene. They substitute neither for the state nor for the donors: they build the bridge between the willingness to invest and the ability to do so under secure conditions.

The Role of Sub-Regional Investors

The challenge of financing African T&D crosses national borders. Regional interconnection networks — between countries of the Congo Basin, West Africa or the Horn of Africa — represent projects whose scale and asset life naturally call for sub-regional investors able to frame their commitment within a long-term development logic.

A Cameroonian, Congolese or Gabonese pension fund investing in a transmission line linking two CEMAC countries is not doing philanthropy. It is placing its capital in an infrastructure asset whose value is indexed to the economic growth of the sub-region — the very growth on which the future pensions of its members depend. It is a logic of economic solidarity doubled with a perfectly rational return calculation.

This type of sub-regional investment also helps create a form of financial multipolarity: instead of African infrastructure financing being entirely conditioned on the agenda and requirements of external donors, it builds a base of African sovereign capital that can evolve according to its own priorities and on its own time horizons.

The Conditions for a Shift

For African and sub-regional private investment in T&D to move from intention to reality, several conditions must be met simultaneously.

On the states' side, continued regulatory reform is indispensable — not as a concession to outside demands, but as a competitiveness imperative to attract capital that will otherwise go and invest elsewhere. The creation of transparent tariff environments and the guarantee of regulators' independence are the two pillars on which everything else rests.

On the side of African institutional investors, what is needed is a revision of asset allocation: integrating regulated energy infrastructure as a fully-fledged asset class in portfolios, on a par with real estate or sovereign bonds — with a risk/return profile often comparable or superior, and a direct economic impact on the very economies from which these funds draw their substance.

On the side of structuring and advisory players, the challenge is to build a pipeline of genuinely investable T&D projects — documented, evaluated, structured — that can be presented to local investors with the level of legibility and security they are entitled to expect.

Conclusion: The Grid as the Condition of Industrialization

Africa's industrial ambition — transforming its raw materials on the continent, creating high value-added jobs, diversifying its economies beyond extractive rents — rests on energy infrastructure that is reliable, affordable and available where businesses set up.

Nachtigal has shown that generation alone is not enough. What Douala is waiting for, what the sub-region's industries are waiting for, is not one more plant: it is a grid able to deliver, at every connection point, the energy already produced, with the quality and regularity that industrial competitiveness demands.

That grid will be built with African capital — or it will not be built to the scale of the continent's ambitions. Not because external donors should be pushed aside, but because the financing of African infrastructure by Africans themselves is the condition of its durability, of its coherence with local priorities, and ultimately of the economic sovereignty the continent calls for.

The African private investor has the capital. The sector has the need. What remains is to build the path between the two — with the players, the instruments and the institutional framework that make it possible.

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