



PPPs IN AFRICA

From Diagnosis to Method

Four Levers for Risk Sharing That Holds

Strategic positioning note | July 2026

From Diagnosis to Method

We showed, in a previous note, that unallocated risk in African energy PPPs does not disappear: it falls back onto the state, then onto the local private sector, then onto the industrial ecosystem that should have been the project's reason for being. That diagnosis is not revisited here, and this note does not dwell on it.

It turns instead to the question that logically follows: how, concretely, does one structure a project so that this risk is identified, priced and allocated before signature, rather than discovered afterwards? Asking that question forces us to look at a factor we had not yet named explicitly, and which largely explains why the problem persists despite years of warnings: the portfolio logic of the developers themselves, whatever their origin.

The Weight of Imported Models

One clarification is needed from the outset, to avoid any misunderstanding: the difficulty described here is not a matter of the geographic or cultural origin of development teams. It stems from a portfolio logic, common to any developer building projects across several markets at once — whether based in Europe, North America, the Gulf or Asia, or a pan-African group active in several countries of the continent. This multi-market portfolio logic brings real benefits: pooled technical expertise, access to financing that few strictly national players could mobilize alone, a structuring discipline honed on other projects.

The difficulty arises elsewhere. These developers most often arrive with models already proven elsewhere: standard risk matrices, standardized PPA structures, financing schemes that have worked on other markets. Those models have genuine merit: they speed up structuring, reassure investment committees and lenders, and allow faster closings. They also have a structural weakness: they were designed for environments where the transmission grid was mature, where industrial demand was already connected, and where the national distributor had enough financial depth to absorb shocks. Transposed as-is into a context where none of those three conditions holds, they are no longer a guarantee of robustness. They are an unverified assumption, dressed up as certainty by experience acquired elsewhere.

A model that worked eight thousand kilometers away is not proof of local success. **It is a hypothesis that remains entirely to be verified on the ground in question.**

What makes matters worse is not only the importation of the model — it is the frequent resistance to the contextualization exercise that a genuine local analysis would demand. That work is costly, lengthens development timelines, and requires fine-grained knowledge of the terrain (a precise map of industrial demand, the real condition of the transmission grid, the distributor's effective capacity) that a team absorbed by the demands of several parallel projects on other markets has neither the time nor always the incentive to conduct in depth. A standardized model, already validated by internal committees and familiar to the usual lenders, is easier to defend internally than a bespoke one whose every departure from precedent must be justified. The result is predictable: demand and distribution risk — which is precisely what would require that contextualization work to be properly priced — remains unanalyzed, therefore unallocated, therefore transferred by default to the sovereign guarantee.

It is this entry point that must be addressed if risk sharing is to stop being a pious wish and become a structuring practice. The four levers that follow each attack a different link in that chain.

Lever 1: Make Real Demand an Object of Due Diligence

The first necessary break is methodological. As long as demand is treated as a national macroeconomic projection (so many additional gigawatt-hours needed by such-and-such a year, spread evenly across the territory), it remains a variable no party can truly secure — and therefore one that nobody wants to carry.

A demand due diligence worthy of the name starts from the other end: it identifies, industrial customer by industrial customer, the demand actually mobilizable within the economically viable evacuation radius of the production asset. That means going to talk directly with employers' associations, chambers of commerce and the industrials themselves (miners, cement makers, agro-industrials, special economic zones) to document not their theoretical need for electricity, but their real capacity and willingness to commit to a volume, a duration and a price. It is field work, closer to a commercial survey than to financial modeling — and it is precisely the type of work an imported model, built on macro assumptions validated elsewhere, tends to skip.

This work has a direct operational translation: the possibility of structuring, alongside the PPA with the national utility, direct purchase agreements with one or more anchor industrials — direct supply contracts, with or without wheeling across the distributor's grid depending on the country's regulatory framework. A project backed, even partially, by identified and solvent industrial offtakers no longer has the same risk profile as a project resting solely on the payment capacity of a weakened national distributor. It becomes easier to finance on its own merits, and less dependent on a sovereign guarantee whose value is eroding.

Lever 2: Transmission, Between State Monopoly and Structured Opening

The second lever calls for an important clarification, which must not be dodged. In almost every African country, electricity transmission (unlike generation, largely opened to independent producers since the 1990s) remains a legal monopoly of the state, exercised by a public transmission company or by the national utility itself. Bringing a transmission player into a project structure therefore cannot mean, in most cases, introducing a private competitor to the national grid: that would be both outside the current legal framework of most countries and beside the point. Two situations must be distinguished, and each treated according to its own logic.

Case 1: When Transmission Remains a State Monopoly

This is the most frequent situation on the continent today, and it must be treated as such, without waiting for a hypothetical reform. Here, the developer's job is not to replace the monopoly but to treat it as a project risk in its own right, with the same rigor applied to demand analysis: assessing the public transmission company's real capacity to deliver, within the project's timeline, the required evacuation infrastructure — its documented investment plan, its financial situation, its execution track record on comparable projects. Where that capacity is lacking or undemonstrated, the structure can provide for ring-fenced financing of the evacuation works by the project itself: the infrastructure is then built to the monopoly's technical standards, transferred to it and operated by it, with a debt-recognition or capacity-tariff mechanism that repays the private investor over time. This option does not bypass the monopoly; it finances and equips it, while documenting the delay risk contractually rather than discovering it after commissioning.

BOX: WHAT ALREADY EXISTS

Copperbelt Energy Corporation (Zambia). This type of arrangement has a real precedent, even if it arose from a particular historical trajectory rather than a deliberate reform. Copperbelt Energy Corporation (CEC) has owned and operated, since the 1950s under successive legal forms, a dedicated transmission network in the Copperbelt region (more than 900 kilometers of 220 kV and 66 kV lines) directly supplying eight mining customers with a combined load of 520 MW. This network does not compete with the national monopoly: it coexists with it. CEC buys electricity from ZESCO, the national utility, and wheels it over its own dedicated assets to a strictly identified industrial demand. It is this coexistence — not a general opening of transmission to competition — that has allowed CEC to finance its extensions on its own merits, including recently through Zambia's first green bond, roughly 200 million dollars, raised by its subsidiary CEC Renewables.

But this precedent must not, in turn, become an imported model applied without contextualization. CEC was built on particular ground: a concentrated mining geography, pre-existing and already measurable industrial demand, and a specific legal framework rooted in the colonial and post-colonial copper economy, with no automatic equivalent elsewhere. ***Verifying that comparable conditions (genuinely identifiable industrial demand, geographic concentration justifying a dedicated network, a compatible legal framework) are met on the ground in question is a prerequisite, not a formality.***

Case 2: When Regulation Evolves Toward a Structured Opening

The first case must not be treated as fate, and this note does not argue for settling for it. Several countries are now exploring mechanisms allowing certain transmission lines to be financed, built and sometimes operated by private investors, without dismantling the strategic role of the public operator. The most advanced example to date is South Africa, where the Independent Transmission Projects (ITP) program allows private investors to finance, build and operate, under BOOT-type concessions (Build-Own-Operate-Transfer), lines identified in the national grid development plan. The public transmission company, the National Transmission Company South Africa (NTCSA), remains the buyer and sole contractual counterparty through long-term transmission service agreements — a structure that applies to transmission the contractual logic already proven for independent generation, without stripping the state of its grid planning and supervision role.

BOX: A POSSIBLE EVOLUTION

Independent Transmission Projects (South Africa). Since 2025, the South African regulatory framework (section 34 of the Electricity Regulation Act, supplemented by a ministerial determination) allows private investors to bid to finance and build 400 kV transmission lines identified in the grid development plan, under BOOT-type concessions. The program's first phase covers roughly 1,164 kilometers of lines. Investors are remunerated through predictable contractual flows paid by NTCSA, rather than from the utility's consolidated balance sheet — a risk structure close to that of independent-generation PPAs.

The mechanism is recent and has not yet delivered a line: it illustrates a possible direction, not a model proven over time. ***But it shows that opening transmission financing to private players does not require dismantling the state's operational monopoly — only accepting to make it a contractual counterparty rather than a sole contracting authority.***

In either case, the principle remains the same: transmission risk must be documented and allocated before signature — whether that means securing the commitments of a monopoly that remains sole contracting authority, or structuring a concession for the part of the grid where regulation now allows it.

Lever 3: Translate These Levers into Contractual Mechanisms

A finer demand due diligence and a serious treatment of transmission risk (whether securing the state monopoly's commitments or structuring an ITP-type concession) have value only if they translate into enforceable clauses — not good intentions recorded in a memorandum of understanding.

Concretely, this can take several forms. The commercial operation date can be explicitly tied to verifiable transmission-availability milestones, rather than to the mere completion of the production asset, so that capacity payments do not start on a plant that generates without being able to deliver. Part of the remuneration can be indexed no longer on technical availability alone, but on energy actually delivered to and consumed by identified offtakers, moving the contract toward a service logic rather than one of pure installed capacity. Performance gain-sharing mechanisms with the national distributor (when improvements in billing and collection exceed an agreed threshold) align the developer's interest with the utility's, instead of placing them in pure contractual opposition. Finally, review and revision clauses, triggered if the demand or transmission assumptions prove wrong in the first years of operation, prevent the entire residual risk from falling — as it does today — on the sovereign guarantor alone.

None of these mechanisms is exotic: they exist, in various forms, in well-structured energy PPPs in other regions of the world. Their absence from most African projects reflects no contractual impossibility, but the fact that they presuppose, upstream, the demand analysis and transmission integration described in the two previous levers. Without that work, there is nothing to index, nothing to milestone, nothing to share.

Lever 4: A Local Structuring Capacity to Challenge the Imported Model

The last piece of the framework is perhaps the most decisive, because it conditions the effective implementation of the other three. An international developer, however well-intentioned, will not spontaneously do the contextualization work that runs against its proven model — unless a competent counterpart obliges it to, or accompanies it in doing so.

That counterpart cannot be the sector administration alone, whose teams, however qualified, are rarely sized to challenge, line by line, the risk matrix of an international consortium seasoned in these negotiations. It requires an independent structuring capacity, able to model the complete value chain before the developer's model is presented as the only reasonable option: quantifying real industrial demand, assessing the effective maturity of the transmission grid, and pricing what each clause proposed by the developer would cost the state in residual risk. This is work that must be carried out by players who know the grammar of international project finance as well as the local economic reality — and who have no interest in seeing the imported model pass unquestioned.

It is also, over time, an investment in the local ecosystem we called for in our previous note: the earlier local structuring teams, local transmission developers and employers' organizations are involved in this contextualization work, the less the next projects will start from an unverified imported model — and the sooner contextualization will become the norm rather than the costly exception a developer seeks to avoid.

Conclusion: From Goodwill to Contractual Obligation

None of the levers presented here rests on the assumption that international developers will, of their own accord, become more inclined to contextualize their models. That would ignore the perfectly rational incentives pushing them the other way. Change will come not from the developer's goodwill, but from the ability of the state (or of those who advise it) to make this contextualization a condition of entry into the project: a requirement for documented demand due diligence; a serious and enforceable assessment of transmission risk (whether securing the existing state monopoly's commitments or opening the way to a structured concession where regulation allows it); contractual clauses that turn this work into verifiable commitments; and a local structuring capacity seasoned enough to demand it and to evaluate it.

This is a change of negotiating posture, not a reform of law or of international finance. It is within reach of any state that decides to stop accepting, as the starting point of the discussion, the model the developer puts on the table — and to require, before any financial close, the demonstration that this model has been verified for the ground on which it will apply.

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