Solar Minigrids in Malawi: Policy Commentary and Advocacy

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Overview

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- Summary of Regulatory considerations for minigrids in Malawi
- MERA and tariff setting
- Environmental and Social Management Plans
- MAREP and Identification of sites
- Need for Subsidies
- Other recommendations

Overview of Regulatory and Local Approvals

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Key Policy Documents

- Malawi Minigrids Framework (2020)
- National Energy Policy (2018)
- Environmental Management Act (2017)

Approvals required

- Malawi Energy Regulatory Authority (MERA) – tariff approval
- Malawi Environmental Protection Agency (MEPA) - ESMP
- Government of Malawi and MAREP – site selection
- District, Traditional Authority and Village level

Government of Malawi

MERA and tariff setting

- Submission of Project brief to MERA
- For small projects, tariff is an agreement with the community
- MERA still want to check the process for designing the tariff
- Good initiative that small minigrids can charge cost reflective tariffs
- More support and capacity building needed for tariff design
- Quality of installation checked my MERA

Environmental and Social Management Plans

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- ESMP are recognised as necessary for ensuring microgrid developers actively reduce their environmental impact and increase the social impacts of the project.
- Requirements to produce an ESMP were found to take up significant resources relative to the size of the microgrids.
- A sector wide Environmental and Social Management Framework for mini-grids in Malawi would allow microgrid developers to streamline development timelines.

Need for designated spaces for minigrids in Electrification planning

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- Uncertainty exists regarding future plans for grid expansion
  - Draft rural electrification plan in place and the newly published Integrated Energy Plan for Malawi are helpful, but still uncertainty.
  - Minigrid developers at risk of grid encroachment leading to stranded assets.
- Clearly defined geographic areas for minigrids will alleviate this threat
  - de-risking the sector will attracting more investment.
  - Additional confidence can be gained through clear understanding of what happens when the grid does arrive, with procedures set in place for microgrid to grid interconnection.

Need for subsidies

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- Minigrids in Malawi currently have high costs and low revenue
- High cost to customer and lack of investment to scale
- Subsidies will address this
- Subsidies for grid connected electricity supply globally are universal
- Unfair for poor communities to shoulder the burden of cost reflective tariffs
- By sharing and aggregating key financial and performance data will help in subsidy design

Other recommendations

- Remove barriers from VAT and FOREX;
- Invest in research and capacity building.

THANK YOU!