

What kind of beast will the African utility of the future be?

The future of African power utilities and the challenges they face has highlighted four possible scenarios of what the continent's energy sector will look like by the year 2030. In the whitepaper, titled: [The Future of Energy and Power Utilities in Africa](#), utilities are envisioned to either become the lions of Africa, hungry hyenas, an elephant herd or white elephants, with each scenario having different consequences for both the African energy industry at large as well as the consumer.



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The research project was conducted by the [Gordon Institute of Business Science](#) (Gibs) at the University of Pretoria, in collaboration with [Clarion Energy](#).

Can utilities remain relevant?

“African states and the power stakeholders operating within this sector realise that the impact of providing universal access to affordable energy will not only lead to accelerated economic development but significant social improvements. Yet, to achieve universal access executives have many strategic decisions ahead of them,” says Natalie Bacon, programme director at African Utility Week.

“Until now, business as usual for utilities has meant bulk energy production and distribution through coal-fired power plants, centralised grids and public sector monopolies. However, this is quickly coming under threat from new models of energy production and distribution. The four scenarios outlined by the study will help utilities and the wider industry visualise what African utilities could look like in 2030 and try to answer the important question of how utilities can remain relevant, effective and lead the African energy revolution”.

Four scenarios of future of utilities

Short summaries of each of the four scenarios identified in the study are:

- **Scenario 1: The lions of Africa**

In 2030 African utilities have become a pride of agile lions, hunting for new opportunities in collaboration with business and community partners.

- **Scenario 2: Hungry hyenas**

In 2030 African utilities have become a pack of hungry hyenas, scavenging for short-term returns and manipulating the interests of their business and community stakeholders.

- **Scenario 3: Elephant herd**

In 2030, African utilities have become a herd of African elephants, dominating the energy landscape in Africa with bold investments funded from abroad. Businesses and communities have little choice but to pay a premium to cover the rising cost of sovereign debt that accompanied the rapid expansion of bulk energy infrastructure between 2020 and 2040.

- **Scenario 4: White elephants**

In 2030, African utilities have become a herd of white elephants, struggling for survival and relevance on a vibrant African continent.

Major uncertainties in sector

The research revealed that there are four major uncertainties that form the backdrop for the alternative future scenarios for African utilities and will determine their trajectory in a changing energy landscape:

1. Fiscal stability and viability of alternative models

Will the precarious fiscal position of utilities be resolved in ways that produce long term sustainability and will viable alternative funding models be created in this process?

2. Governance and regulatory readiness

Will the low quality of governance in the sector be improved and will this coincide with an appropriate regulatory response that is enabling and facilitating of new opportunities in the sector?

3. Partnership and collaboration across social partners

Will the private sector and social actors such as communities consider partnership with utilities as an attractive prospect or will they seek to take advantage of new avenues for energy provision in isolation?

4. Climate change: A wildcard/shock scenario

Will climate change and the effects thereof, such as extreme weather, persist, desist or accelerate, and what will be the effects?

Some of the major current trends in the sector that were identified include:

- **Production and infrastructure**

The private sector leads, as affordable renewable alternatives go mainstream due to power-purchase agreements.

- **End users**

New producers, led by smart urban developments, provide power directly to consumers and by that threaten state-monopoly in the sector.

- **Key technological advances**

Big data and the resultant AIR (artificial intelligence research) capabilities for smart and responsible management and policy.

- **Macro environment**

The shift from dictatorship and pseudo-democratic one-party states to technocratic authoritarianism.

- **Labour relations**

Major labour movement backlash as renewable energy and alternatives, both in terms of production as well as management and distribution, to state-ownership, undermine job security in the mining sector in particular.

- **Financing and revenue**

Non-payment by government users, municipalities and state-owned companies severely undermine state producers, placing pressure on the fiscus and leading to a public outcry.

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