

MANAGEMENT AND IMPLEMENTATION

13. Type of financing²	<p>Indirect management with the entities to be selected in accordance with the criteria set out in section 4.4.1</p> <p>This contribution to the Regional Blending Platform shall be implemented in indirect management by the entities indicated in the annex to this Action Document, in accordance with the Regional Blending Platform's award procedure.</p> <p>Budgetary guarantees as set out in section 4.4.3.</p>
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1.2 Summary of the Action

Mozambique's energy sector is critical for its development, yet access to modern energy remains limited, particularly in rural areas. Despite abundant energy resources, such as hydroelectric potential and natural gas reserves, only around half of the population has access to electricity while electricity accounts for 10 to 20% of primary use of energy and most of the population still rely on biomass.

Mozambique has made progress in expanding energy access, but significant disparities remain between provinces, the northern regions being particularly underserved. Cabo Delgado, Mozambique's northern province, grapples with a multifaceted crisis stemming from insurgent attacks since 2017, causing casualties and displacing over a million people. Severe damage to infrastructure, including the electrical network, exacerbates challenges in accessing essential needs like food, water, and healthcare. Restoring the grid is crucial for economic recovery, demanding infrastructure repair, upgrades, and resilience measures to address future disruptions.

The government aims for universal access by 2030, primarily through grid expansion and off-grid solutions like Solar Home Systems and mini-grids. The underdeveloped transmission and distribution grid limits access to electricity, highlighting the need for more investment, including sovereign debt funding, to reduce the infrastructure gap. The off-grid energy sector has seen rapid growth, supported by government regulations and Result-Based Financing programs. This has attracted new players and is expected to drive further innovation and expansion in renewable energy solutions. Regulatory gaps and the premature ending of grant support hinder sustainability. The need for a long-term electrification vision, planning, coordination, and strengthening of data generation and management are also high on the agendas of both the Ministry of Energy and the Regulator.

In 2023, Mozambique's energy landscape featured hydropower as the dominant source, comprising 77.2% of installed capacity, followed by gas at 15.6%. Other renewables, including solar and wind, constituted a mere 2.6% of grid-connected capacity, projected to rise to 10.7% by 2030. While renewables contributed 62% to electricity generation in 2022, the increasing use of gas for domestic purposes (37% today), alongside factors like Mozal's coal-fired plant consumption from South Africa, may lead to a rise in emissions, conflicting with emission reduction goals outlined in the Nationally Determined Contribution.

The Government presented to the COP28 its Energy Transition Strategy (ETS) to decouple energy sector growth from the country's emissions growth. The main objectives of the strategy are to 1) promote and accelerate universal access for national development; 2) position Mozambique as an energy hub for the Southern African region and help supply low carbon energy to the Southern African Development Community (SADC) mainly through hydro power plants and to 3) contribute to the energy transition globally in exporting its abundant gas resources. The strategy features 14 energy transition programmes covering the all spectrum of energy, out of which 8 high priority programmes.

The Action, whose planned duration is 72 months, aims at increasing production of electricity from renewable energy in the centre of the country (outcome 1), increasing and improving inclusive access to affordable, reliable, sustainable, and modern energy in Nampula and Inhambane Provinces (outcome 2), increasing, and improving inclusive access to affordable, reliable, sustainable, and modern energy for the most vulnerable women and youth,

² Art. 27 NDICI