

Policy Watch

Issue 4, November 2024



Poverty of Energy in Lesotho



HIGHLIGHTS

Lesotho faces an energy scarcity challenge attributed to its rugged and demanding topography. Urban areas enjoy substantial access to grid electricity, standing at an 80.6% access rate. However, the rural regions experience a notably lower access rate of 37.7%.

01

Accelerating access to grid and off-grid electricity, especially in the highlands and foothills, is key to improving children's nutrition, health, and learning outcomes, as well as to increasing connectivity.

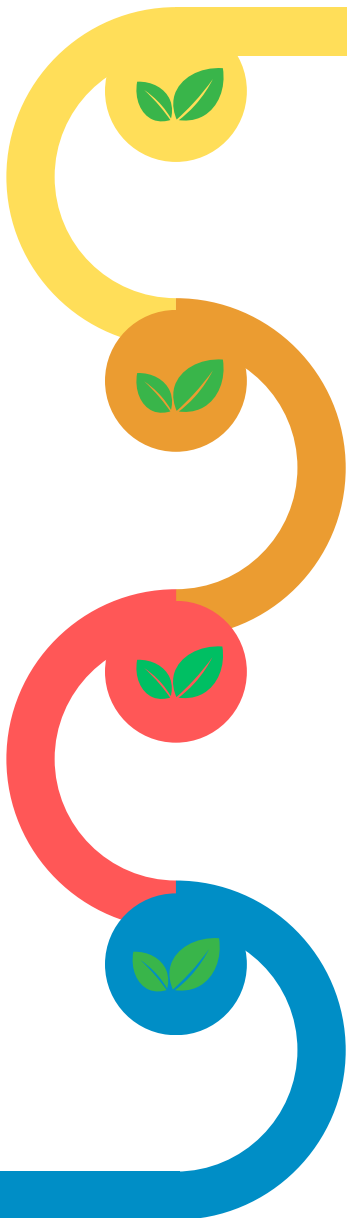
02

Challenges have surfaced within Lesotho's energy regulatory and policy framework. A notable concern is the limited capacity to navigate the swiftly evolving landscape of technology and legal considerations. Another critical issue contributing to the energy landscape's complexity is the ineffective implementation of the national off-grid plan to provide rural areas with access to off-grid electricity. Access to finance is another hurdle that needs to be tackled.

03

The Lesotho Energy Policy is aimed at contributing to the improvement of livelihoods, economic growth and investments, at ensuring security and supply, and at moving towards the protection of the environment guides provision/access to energy.

04



Background

UNICEF and the Bureau of Statistics in Lesotho used the Multiple Overlapping Deprivation Analysis (MODA) to measure child multidimensional poverty, considering factors like nutrition, housing, health, and education in different developmental stages of children aged 0 to 17 years.

The child multidimensional poverty analysis highlighted that electricity access significantly contributes to multidimensional child poverty. This insight shapes a roadmap for policy options, aiming to inform government reforms that reduce poverty and enhance human development. These policies focus on targeted social service investments for low-income families with children, aiming to improve nutrition, health, learning outcomes, and connectivity, particularly in highland and foothill areas.

The Department of Energy, part of the Ministry of Energy and Meteorology, oversees various energy sector programs. Its main goal is to ensure all Lesotho citizens have effective and efficient access to energy. While grid-based electricity is standard, providing energy to remote rural areas with challenging terrain is a significant challenge. Lesotho's energy balance relies heavily on biomass fuels for cooking and heating in rural areas with limited grid access. As grid expansion in these areas is costly, alternative solutions are being explored.

According to the World Bank Energy Progress Report, urban areas in Lesotho have a high electricity access rate of 80.6% (2021), while rural areas lag significantly at 37.7% (2021). Exploring environmentally cleaner renewable energy sources is crucial to address this divergent access.

Off-grid or distributed energy solutions are gaining popularity due to their potential developmental benefits at a lower cost. Initiatives like the Lesotho Renewable Energy-Based Rural Electrification Project and others aim to provide clean, affordable, and sustainable energy, especially in rural areas.



Challenges

Green energy initiatives and providers include, among others, the Lesotho Renewable Energy-Based Rural Electrification Project; the ongoing Development of Cornerstone Public Policies and Institutional Capacities to accelerate Sustainable Energy for All (SE4All) project; African Clean Energy (ACE); One Power Africa (The Energy and Environment Partnership Trust Fund – EEP Africa); Eternal Flame Worldwide Ltd.

Several challenges have surfaced within Lesotho's energy regulatory and policy framework, demanding focused attention and proactive measures. A notable concern is the limited capacity to navigate the swiftly evolving landscape of technology and legal considerations. With the continuous emergence of new technologies, it is imperative for the regulatory framework to not only keep pace but also adapt swiftly to ensure relevance and effectiveness.

A critical issue contributing to the energy landscape's complexity is the ineffective implementation of the national off-grid plan to provide rural areas with access to off-grid electricity. The failure in executing this plan introduces uncertainty into the energy sector, potentially

dissuading future investments in off-grid initiatives. This uncertainty can hinder progress and realising sustainable and inclusive energy solutions for remote and underserved communities.

Addressing these challenges becomes crucial for fostering a conducive environment for technological advancements and ensuring the successful implementation of national plans.

Access to finance is another hurdle that needs to be tackled. Commercial banks currently perceive financing mini-grids and the off-grid market as risky, resulting in a lack of support from local commercial banks. Limited access to finance for solar companies also hinders their ability to establish a presence, finance stock and receivables, and develop a distribution network. Inadequate market intelligence challenges business planning, customization, targeted support and investment. More significant market mobilization and campaigns will be necessary to increase product awareness. Furthermore, the need for more regulations for selling surplus energy to local communities in rural areas hampers the growth of off-grid installations. Feed-in tariffs or net metering is necessary for grid-tied or embedded generation.



With these mentioned challenges, the overall policy of the energy sector is to secure energy supply for all industries and regions of Lesotho at a minimum social, economic, and environmental cost.

By implementing effective policies, improving regulations, and fostering collaboration with the private sector, the country can unlock the full potential of off-grid technologies and ensure affordable and reliable energy access for all.



The absence of electricity can profoundly influence various aspects of children's lives, particularly in education. This deficiency can lead to restricted learning opportunities, diminished academic performance, and a decreased likelihood of breaking the cycle of poverty. Moreover, access to electricity plays a pivotal role in safeguarding the health and well-being of children. The operation of medical facilities relies heavily on electricity, and the lack thereof can result in limited or unreliable healthcare services, posing challenges for children to receive timely and proper medical attention. This impacts their immediate health and impedes their long-term growth and development.

Beyond healthcare, the repercussions extend to nutrition, where the absence of electricity can disrupt food storage and preparation.

This disruption increases the risk of spoilage and foodborne illnesses, affecting the overall quality and safety of meals available to children. Furthermore, cooking without reliable power sources becomes a challenge, impacting the variety and nutritional value of the food.

In addition to health and nutrition, the lack of electricity also hampers connectivity and access to information, particularly in today's digital age. Internet access is often deemed essential for children's education and social development. Without electricity, children may isolate themselves from these opportunities, making it more challenging to acquire the knowledge, skills, and social connections crucial for their future success.

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Access to energy is elucidated in a number of Sustainable Development Goals (SDGs) goals and targets.

In particular, SDG 7 focuses on ensuring access to affordable, reliable, sustainable, and modern energy for all. It emphasizes the need to promote renewable energy sources, increase energy efficiency, and expand access to electricity.

Access to energy can also be a crucial factor towards the achievement of other SDGs' targets, including:

- **SDG 1**, which seeks the eradication of poverty by encouraging savings on monthly energy expenses;
- **SDG 3** strives to ensure the promotion of good health and well-being by encouraging the use of smokeless cooking and protecting the end user from exposure to harmful household air pollutants responsible for the death of over 4 million people each year to related diseases;
- **SDG 5** aims to promote gender equality by providing employment opportunities for women in the energy sector and other women's practical (cooking/ fuel collection) and strategic (safety from street lights) energy needs and other income-generating activities;
- **SDG 13** calls for climate action to de-risk the environment by averting CO2 emissions.

The private sector and green energy providers are vital in alleviating energy poverty through various strategies and initiatives. They increase access to electricity by reaching remote areas with off-grid or mini-grid solutions. They promote renewable energy sources, reducing carbon emissions and combating climate change. Collaboration with financial institutions enables them to offer affordable financing options, empowering low-income households.



Job creation and economic growth are stimulated by the establishment of green energy projects, benefitting local communities. Capacity-building programs and skill development opportunities create a workforce supporting the energy sector, stimulating economic growth and reducing poverty.

Through community engagement, these providers tailor energy solutions to meet the specific needs of each community, promoting inclusivity and sustainability.

Addressing the growing demand for energy services surpassing local generation capacities, the Lesotho Energy Policy (2015-2025) was formulated by the Ministry of Energy and Meteorology. This policy aims to enhance livelihoods, foster economic growth, ensure security and supply, and conscientiously work towards environmental protection, making energy universally accessible while minimizing adverse environmental impacts.

Recognizing the imperative of establishing a robust institutional and regulatory framework, efforts are dedicated to effectively managing and developing the energy sector to ensure the sustainable supply and management of all energy resources within the country.

To realize these goals, a steadfast commitment is needed to provide comprehensive and regularly updated information and data on all energy resources. This proactive approach facilitates informed decision-making and strategic planning within the energy sector. Moreover, efforts are channelled towards ensuring a sustainable supply of bioenergy resources, advocating for the adoption of renewable energy services and technologies, and promoting energy-efficient practices and equipment across all sectors of the economy.

A paramount focus is securing the electricity supply, exemplified by developing and maintaining a reliable and efficient transmission network to prevent disruptions in power supply. Simultaneously, there is an emphasis on increasing access to electricity across all socio-economic sectors to meet electrification targets, delivering reliable, affordable, and efficient electricity to all citizens.

In tandem with these efforts, projects such as the Lesotho Renewable Energy-Based Rural Electrification Project (LREBRE) and the ongoing Development of Cornerstone Public Policies and Institutional Capacities to Accelerate Sustainable Energy for All (SE4All) Project, funded by UNDP/GEF and collaboratively executed by the Department of Energy and the UNDP Lesotho office, play a pivotal role in advancing energy access aligned with the Sustainable Development Goals (SDGs).

The Government is also dedicated to ensuring that energy prices support cost recovery and that the price-setting process remains transparent. This commitment ensures that energy providers can cover expenses while offering equitable and affordable consumer prices.



By implementing these measures, the Government aims to establish a resilient energy sector that effectively addresses the country's energy requirements, promotes sustainable development, and enhances the overall quality of life for all citizens.

For a transparent and competitive electricity market, the Government is determined to create a level playing field where all participating players have equal opportunities. It seeks to promote more connections and electricity utilisation by end-users, fostering economic growth and development. The Government also recognizes the significance of maintaining the security of the supply of petroleum products. It will ensure that these products are readily available and equitably distributed nationwide.

By improving access to petroleum products and related services, the Government aims to meet the needs of end-users. The Government will create an enabling environment to attract investment and financing at all energy sector value chain levels. This environment will allow local and international investors to participate in the energy sector's growth and development.

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