



Weekly insight – April 20, 2026

Investment note:

Electricity as Africa's Binding constraint on growth

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Executive Summary

Africa holds nearly 60% of the world's best solar resources, yet more than 600 million people in Africa still lack access to reliable electricity.

This is not simply an infrastructure gap. It is a binding constraint on productivity, education, and long-term economic competitiveness. In an increasingly digital global economy, electricity functions as the foundational input for participation in modern growth systems. Without it, both human capital formation and technological adoption are structurally limited.

Africa is projected to account for roughly one-third of the global working-age population within the next two decades. This shift is often framed as a demographic opportunity. However, without investment in energy infrastructure, demographics alone do not generate productivity—they scale existing constraints.

Investment Insight

Africa currently accounts for approximately 19% of the global population but only around 3.1% of global electricity generation.

This imbalance reflects a structural underinvestment in energy infrastructure relative to demographic scale and economic need. It constrains industrial development, limits firm-level productivity and slows digital transformation across key sectors. Up to an estimated 7% in GDP is lost annually due to unreliable power infrastructure.

A fully electrified Africa, supported by its expanding labor force, would represent one of the largest long-term growth opportunities globally. However, this outcome is conditional on sustained capital deployment into energy systems, particularly solar and distributed infrastructure.

Africa holds a structural advantage in renewable energy generation, with an estimated ~55% of current energy consumption already derived from renewable sources. This positions the continent for accelerated transition pathways if capital is efficiently allocated.

Foreign direct investment and private capital will play a central role in building this infrastructure base. The opportunity is not only developmental—it is financial, driven by long-duration demand growth and significant infrastructure deficits.

Africa's energy markets remain structurally underpriced relative to underlying demand fundamentals. In many cases, solar and distributed energy infrastructure generate long-duration, utility-like cash flows, but are still evaluated through elevated frontier-market risk premiums. This results in a persistent gap between economic reality and required returns, particularly in contexts where demand growth is strong but perceived risk remains high.

While inflation, regulatory, and political risks are real and must be incorporated into investment structures, they are often applied as broad-based discounts rather than asset-specific adjustments. This leads to an overestimation of risk in certain segments of the energy market and an under-allocation of capital relative to long-term demand.

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Why Now

Africa is at a structural inflection point: it possesses both a rapidly expanding labor force and abundant natural energy resources. What remains missing is large-scale infrastructure investment to convert these fundamentals into productive capacity. The key constraint is no longer potential—it is execution. However, this investment landscape also carries structural risks, including inflation sensitivity, political variability, and currency constraints. These factors directly affect the realisation of returns and must be incorporated into investment frameworks rather than ignored. The next article will examine these risks in detail and outline how distributed energy systems and phased investment structures can mitigate exposure while preserving upside in African energy markets.