

BARBARA BOXER, CALIFORNIA
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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

June 6, 2014

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20500

Dear President Obama:

I am writing to applaud and congratulate you on forging a partnership with the private sector to form the new "Beyond the Grid" Power Africa initiative. The pledges by 27 companies for a collective \$1 billion in investment for off-grid and small-scale energy solutions offer an unprecedented opportunity to reduce the most substantial barrier to economic growth in sub-Saharan Africa, access to reliable, affordable, sustainable electricity. Off-grid and distributed generation solutions are integral to solving these energy access challenges, and I am pleased to see the Power Africa initiative evolve to harness such vital tools.

As you know, my committee is currently working on legislation to authorize the Power Africa initiative to help provide millions in Sub-Saharan Africa new access to electricity. Moving forward, I hope we can work closely together in the effort to support programming to provide electricity 1.3 billion people across the globe who remain without access, including through the kind of innovative public-private partnerships outlined in the Beyond the Grid initiative.

The off-grid sector has met with success recently because it can deliver a superior product at a competitive price. The price reduction of small scale solar, wind and biomass energy generation technologies, coupled with advanced energy storage breakthroughs and the advent of incredibly efficient appliances and innovative business models, has resulted in remarkable growth in the off-grid sector. For instance, in 2012, 500,000 solar lanterns and home solar systems were sold in sub-Saharan Africa, while nearly 2 million were sold in 2013. In recent years, more than 4.5 million solar lanterns and home solar systems have been sold in Asia. Off-grid leaders like Bangladesh are now installing over 50,000 solar home systems every single month. The overall pace of growth is impressive, but further help is required if the world is to succeed in substantially reducing energy poverty.

To really unleash this market so that it can reach its full potential and meet the needs of the hundreds of millions of people living off-grid, innovative entrepreneurs and partners in the

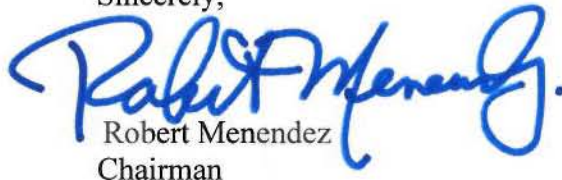
public and nonprofit sectors must continue to tear down market barriers and generate more access to capital. Specifically, I hope the Power Africa Initiative can build upon the new Beyond the Grid initiative to:

- Help unlock increased private investment by providing targeted public sector investments through loan guarantees, long-term, low-interest loans, or other forms of financial assistance.
 - This could be done unilaterally, or in cooperation with other donors or multilateral institutions.
 - OPIC, EXIM Bank, and USAID's Development Credit Authority could all do more to help support the growing off-grid power markets.
 - In addition to bolstering financing for manufacturers and distributors, we must also embrace business models that provide modest consumer financing, which is extremely important for continuing to grow the off-grid sector. In the United States, leased solar panels with low down payments account for 70 percent or more of new residential installations. Similarly, in countries such as Tanzania, innovative companies have created pay-as-you-go systems that mimic consumer finance by allowing consumers to pay daily for the electricity they need. Other companies are able to provide consumer financing through microfinance institutions, rural banks, or savings and credit cooperatives.

- The Power Africa Initiative should also work to tear down market barriers such as:
 - Tariffs and Taxes- Import tariffs and the value-added tax (VAT) are big barriers that impede access to products designed for off-grid consumers. Some countries like Kenya have had programs to waive the VAT and import tariffs on solar equipment and related accessories, but more work must be done with our Power Africa partners to address these barriers.
 - Subsidies for Kerosene- The off-grid power sector also needs to compete on a level playing ground. In Nigeria, for example, the government has reportedly spent more than \$6 billion on kerosene subsidies over the past four years. Renewable technologies are cheaper, safer, and cleaner than kerosene, but can still have difficulties competing because of subsidies.
 - Quality Control- In previous years, the off-grid market has been flooded by lights of unreliable quality, which has made consumers wary. However, the World Bank's Lighting Africa program has developed a certification system to ensure that high-quality products and brands can be distinguished from cheaper knockoffs. Lighting Africa's work must continue to receive strong support.

The Beyond the Grid initiative is truly a remarkable accomplishment, and will prove to be a great addition to the 25 small-scale energy projects already in the Power Africa pipeline. I look forward to seeing the initiative grow and expand its work so that off-grid solutions can fulfill their promise to provide energy access for millions.

Sincerely,



Robert Menendez
Chairman

CC: Ernest Moniz, United States Secretary of Energy
Rajiv Shah, Administrator, USAID
Andrew Herscowitz, Coordinator, Power Africa and Trade Africa, USAID
Elizabeth L. Littlefield, President and Chief Executive Officer, OPIC