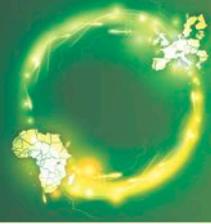


**Africa-EU Renewable Energy  
Cooperation Programme**  
Creating opportunities for renewable energy



**Fact File**

**RENEWABLE ENERGY  
REGULATORY CAPACITY DEVELOPMENT** KENYA

**Background**

Kenya's energy sector is experiencing sustained strong interest of private sector in developing power projects. The Government of Kenya has undertaken substantial reforms concerning the policy environment in recent years, including an overhaul of the regulatory framework for small-scale on grid renewable energy generation. However, although there have been dynamic efforts towards market uptake both from the public and the private sector, a vast potential for small- and medium-scale renewable energy power generation remains untapped.

In response to a request by the Kenyan Ministry of Energy, EUEI PDF established the "Renewable Energy Capacity Development" project to support these reform processes. The project collaborated closely with the Regional Technical Assistance Project (RTAP), which is co-funded by AFD and the EU-Africa - Infrastructure Trust Fund (ITF) and hosted by the Kenyan Association of Manufacturers. RTAP provides technical assistance directly to project developers towards reaching bankability, feeding into a dedicated financing facility. The Renewable Energy Capacity Development Project complements those activities by addressing remaining issues on the policy side.

**Objectives**

The overall goal of the project was to support the Ministry of Energy (MoE) and the Energy Regulatory Commission (ERC) in strengthening the Kenyan regulatory framework by providing tailored technical assistance. Specific objectives were the streamlining of existing regulations and the closing of relevant gaps in the regulatory framework.



**PROJECT OVERVIEW**

<b>Country</b>	Kenya
<b>Project partner</b>	Ministry of Energy
<b>Term</b>	January 2013 – March 2014

**Activities**

The project was launched through a consultation workshop in Nairobi on 12 February 2013, bringing together around 50 participants from government agencies, private sector companies, civil society and international organisations. During the workshop, the proposed work plan was introduced and feedback from key stakeholders was collected.

In close coordination with the MoE, ERC and Kenya Power and Lighting Company (KPLC), the project subsequently analysed the current FIT regulatory framework, focussing on the streamlining of the application process for project developers. Initial consultations highlighted a set of issues that hamper successful project development. Especially the quality of submitted feasibility studies was sometimes not suitable for the negotiations with KPLC and potential lenders. Also, the screening requirements for the submission of Expressions of Interest were insufficient, leading to applications that did not reflect a feasible project plan. Furthermore, ongoing discussions on a net-metering policy were addressed. Stakeholder concerns and comments





were collected during several meeting rounds with key stakeholders from the MoE, ERC and KPLC. Three case-studies supplied practical information and hard data on implementation and the results of net-metering in Kenya. Key issues that were identified related to the balancing of the potential for an increased share of renewables against the concerns regarding overall system stability as well as the revenue stream of the utility. The project team therefore developed a balanced proposal, where net-metering customers would be granted partial compensation for the electricity they supply to the grid, with the rest being allocated to KPLC to secure grid stability and sustainable revenues for the utility.

An additional four day training on financial modelling aimed at increasing capacity of key public stakeholders.

## Results

The project yielded three clear and tangible results:

- » Firstly, the project team developed a comprehensive assessment report on net-metering in the Kenyan context, which then informed the development of a draft regulation for a Kenyan net-metering policy. Supplementing these deliverables were template application and agreement forms for

net-metering. In a nascent renewable energy market like the one in Kenya, an operational net-metering policy will greatly encourage the additional deployment of Solar PV generation capacity.

- » Secondly, the project team designed a set of guides and templates for the development of feasibility studies that will allow to streamline the process both for private sector and regulators.
- » Lastly, capacity development support has been provided to the MoE, ERC and KPLC for financial modelling through a four day training workshop, covering both theoretical approaches and practical implications.

## The way forward

Envisaged next steps are the adoption of the net-metering draft regulation through the corresponding legislative procedures. EUEI PDF has also received a request for additional trainings along the lines of the financial modelling workshop that was conducted in September 2013, and for potential additional support to the renewable energy framework in Kenya.

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