CATALYZING INVESTMENTS IN LOW CARBON CLIMATE RESILIENT DEVELOPMENT - RISKS AND BARRIERS IN FINANCING THE KENYA GREEN INITIATIVE

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INTRODUCTION

- The Kenya Government has embraced the need to promote the private sector in catalyzing investment in Low carbon climate resilient Development
- Aim is to spur a transformational change that will lead the country towards low greenhouse gas (GHG) emission development pathway by harnessing green initiatives in the country
- Leveraging climate financing from development partners, such as EIB and AFD, and from private sector investors to catalyze promote green investments

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Domestic Investment Barriers

- Information availability, dissemination to “crowd in” the private sector in catalyzing investments in low carbon climate resilient
- Institutional coordination challenges
- Technological related barriers
- Weak Policy and Regulatory Frameworks
- Inadequate access to finance (High upfront costs)
- Undeveloped and uncertain carbon market
- Lack of access to credit
- Risk guarantees

Catalyzing Green Initiatives in Kenya

- Communication campaigns on climate change and related risks and opportunities (media, workshops, training of green scorpions, citizen advocacy)
- Supporting climate investment policies i.e guaranteed access to the grid for IPPs, creating financial incentives through the FITs,
- Enforcing regulatory instruments, fiscal incentives (both imported Solar panels and local manufacturing are now duty free making climate related investments relatively more attractive), carbon trading instruments

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- Use of technical assistance to build local skills and expertise, feasibility studies and facilitating licensing and procurement
- Enhanced Domestic and external resources mobilization efforts and allocation to renewable energy projects by utilizing diverse and innovative approaches and instruments
- Partial Risk guarantees by MDBs

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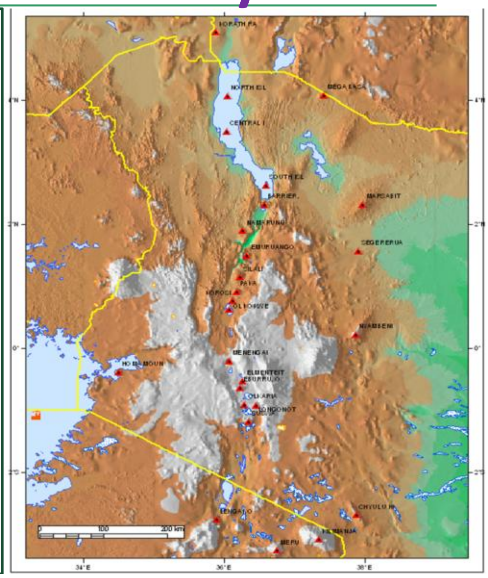
- Securing funding strategic RE projects for the Lake Turkana 300 MW wind project on BOT) by the private sectors,400 MW Menengai Geothermal Project through MDBs and Bilateral anchors on SREP funds
- Forging Public Private Partnerships in renewable energy policy reforms

Geothermal Resources in Kenya

- ❖ Potential estimated at 7,000 – 10,000 MW
- ❖ Prospecting began in 1950s
- ❖ First plant (45 MW) commissioned between 1981 & 1985
- ❖ Currently 202 MW: KenGen – 150 MW; IPPs - 52 MW
- ➢ **Advantages**: Green; Unaffected by climate variability ; High plant availability ; Indigenous

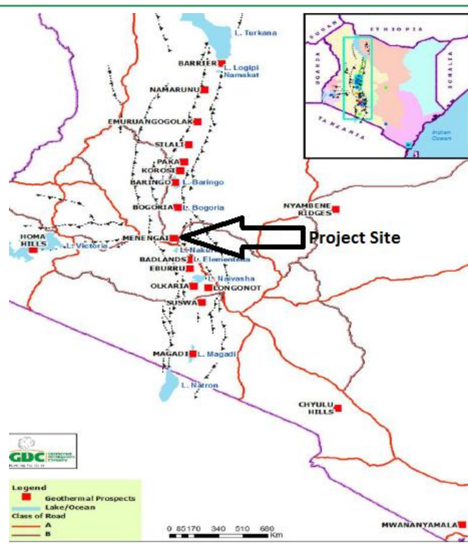


MENENGAI GEOTHERMAL PROJECT

Project Overview

- **Location**: Situated 180 km Northwest of Nairobi within the Eastern sector of the African Rift system in Kenya
- **Objective**: Meeting Kenya's rapidly increasing demand for power; diversify sources of power supply; inject up to 400 MW of electricity from geothermal to the National Grid
- **Target Completion Date:** December 2016
- **Estimated Project Cost:** USD 847 million.
- **Other Project Benefits**:
  - Poverty reduction through employment of local communities
  - Empowerment of women and the girl child through provision of portable water facility to the community

Project Location



GDC Overview

A special purpose Company wholly owned by the GoK; Incorporated on December 2, 2008

Facilitate development of 5,000 MW in the next 20 years

Holistic development of geothermal resources in the Country

GDC Mandate

Upfront Works	• Remove upfront risks • Reduce costs through infrastructural development, exploration works and production drilling
Direct Use	• Promote direct uses of geothermal
Capacity Development	• Develop human capacity • Manage public resources such as rigs • Provide consultancy services
Funding	• Support GoK in fund mobilization
Power Plant	• Support Private Sector entry • Sell steam to power producers

Private Sector Participation

- **Currently:** five Independent Power Producers (IPP), 4 thermal and 1 geothermal with effective grid capacity of 347 MW (26% of total power generation).
- **Olkaria III (48 MW):** Owned and operated by Orpower4 Inc., financed by IFC, Ormat International and KfW.
- **Build, Own and Operate (BOO):** Structure by GoK and GDC for IPPs
- **Feasibility Study**: To provide clarity on the steam resource and project costs. A steam sales agreement will be negotiated and signed by both parties.
- **Expression of Interest Issued**: 21 potential investors have expressed interest, among which some reputable companies specializing in power generation.

THANK YOU