

Kenya -Private Sector Power Generation Support Project

February 28, 2012
United States Position

The United States supports the discussion on Thika Power Limited, Triumph Power Generating Company Limited, Gulf Power Limited --all greenfield thermal PPs --and ORPower 4, the sole integrated geothermal expansion IPP. The World Bank Group has provided the Government of Kenya a well balanced mix of guarantee and financing options, which includes \$166 million in IDA guarantees, \$90 million in IFC A, B, and C loans and MIGA Breach of Contract guarantees. The United States supports this proposal and appreciates the fact that it has been presented as a harmonized power support project, which complements Kenya's long-term development plan, Vision 2030. The United States is glad to see that Kenya will contract over 600 MW of new generation capacity over the next 12-18 months through these four IPPs as well as other IPPs in the pipeline in order to meet the country's acute power supply shortage. The United States encourages the World Bank Group to continue to collaborate with Kenya on future IPPs and on managing a power sector development strategy, which can better withstand the negative effects of external shocks.

Kenya's ambitious goal of achieving 40 percent electrification by 2030 amid a rapidly growing and urbanizing population will require coordination with both the private sector and multilateral development banks. The successful coordination between Kenya, the World Bank Group, OPIC, AfDB and private sector in this and future power generation projects will be critical toward achieving this target and ultimately improving access to reliable electricity in Kenya. The United States notes Kenya's development of a diversified portfolio of complementary electricity assets that balances sources of power and types of technology while maintaining appropriate measures to mitigate potentially adverse environmental impacts. As several of the projects are in close proximity to either national parks or sensitive habitats, the United States encourages the Bank Group to continue to liaise with the Kenya Wildlife Services (KWS), the National Environment Management Authority, and Hell's Gate National Park authorities to monitor and address environmental impacts, while providing regular and publically available reporting updates to the Board. The United States also urges the Bank and the Kenyan authorities to collaborate to develop a sectoral assessment for the power sector including the cumulative impacts of future power generation sites on potentially environmentally sensitive areas, both from renewable and fossil fuel sources.

The United States notes Kenya's commitment to a multi-pronged power sector financing strategy that, in addition to the Multilateral Development Banks, looks more closely to its local capital markets and private foreign investors to help meet the significant financing gaps in its power sector. The United States hopes that this strategy leads to a more productive power generation sector where competition and quality service delivery are integral. The United States understands that Kenya has made progress establishing a policy framework to improve the commercial viability of electricity companies and opening the door for competition in the electricity market. The United States asks the Bank Group to remain engaged with Kenya on developing a robust power sector policy framework with a tariff structure that works both for the private sector as well as the Kenyan public, especially household consumers. The United States hopes that, with the help of the World Bank Group, Kenya's work on its power sector could be a model for countries in Africa and beyond.