

Opportunities and Achievements

Benefits of the FiT policy include:

- Environmental integrity including the reduction of greenhouse gas emissions
- Enhancing energy supply security, reducing the country's dependence on imported fuels
- Enhancing economic competitiveness and job creation

Current Status

Since establishment of the FiT Policy, Kenya has seen a good number of RE project developers showing interest in generating electricity from renewable energy sources. Currently we have over 100 approved proposals at different stages of development.

	Wind	Biomass / Biogas	Small hydro	Solar	Others (Sea Wave)	Total
With PPA approval	1	-	3		-	4
PPA negotiations underway	2	-	6		-	8
Doing feasibility studies	31	13	29	26	1	100
Total number of approved proposals	34	13	38	26	1	112
Total Capacity (MW)	1988.95	301.372	219.495	806.65	100	3416.467

As per November 2013

Challenges

The following are some of the challenges an investor must overcome in the development of renewable energy generated electricity despite FiTs, in Kenya:-

- Financing
- Onerous requirement for securities and guarantees by tenders

- Lack of land and right of way for RES generated electricity
- Lack of adequate infrastructure (Grid – Transmission & Distribution) to evacuate generated power in some parts of the especially in the northern parts country
- Lack of awareness on Renewable Energy investment opportunities

OVERVIEW OF THE FIT PROCEDURE

In order to invest in and develop a renewable electricity generation project under the FiT Policy a number of steps must be undertaken, an overview and estimated timeline of which is provided below:

Milestone	Responsibility	Timeline
Project applicant identifies and undertakes a prefeasibility assessment of the proposed project site	Applicant	
Submission of Expression of Interest (EOI) Project Application Form to Ministry of Energy & Petroleum	Applicant	Start
Review of EOI. The EOI may be approved for three-year exclusivity period or rejected. The applicant may be required to provide further information in support of their EOI before acceptance or rejection.	Feed-in-Tariff Committee	3 months
Project full feasibility study	Applicant	24 months
Review of feasibility study	Feed-in-Tariff Committee	3 months
Conclusion of Non-Negotiable Power Purchase Agreement	Applicant/Off-taker	4 months
Approval of PPA by national Regulator	Regulator	3 months
Project development, construction and commissioning	Applicant	1-3 years

The project applicant is responsible for obtaining all other legal, technical, regulatory, contractual, permitting and all necessary requirements for the feasibility, development, approval, financing, engineering, procurement, construction, commissioning and operations of the proposed project.

The implementation of the Feed-in-Tariffs Policy is a continuous process. Project applications are processed and approved on a first-come, first-served basis.

No fee is charged for the EOI application and processing.



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'Feed in tariffs policy' and the 'application and implementation guidelines' are downloadable from our website.

THE FEED IN TARIFFS POLICY



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Introduction

- A Feed-in-Tariff (FiT) Policy is an instrument for promoting generation of electricity from renewable energy sources (RES). FiT policy allows power producers to sell renewable energy generated electricity to the Off-taker at a pre-determined tariff for a given period of time. Renewable energy sources in Kenya include wind, biomass, small hydro, solar, biogas and geothermal.
- It ensures that those who produce electricity from identified renewable energy sources have a guaranteed market and an attractive return on investment for the electricity they produce.

Background

- The Feed-in-Tariffs Policy for wind, biomass and small hydro was published in March 2008 following approval by the Public Procurement Oversight Authority. The 2008 FiT Policy covered wind, small hydro and biomass sources, for plants with capacities not exceeding 50 MW, 10 MW, and 40 MW respectively.

- The policy has since been revised in 2010 and the latest revision to incorporate grid connected solar energy was done in December 2012. It also included publication of standardized Power Purchase Agreements (PPAs) and connection guidelines
- The policy has a provision for revision every three years from the date of publication by the FiT Committee.

Objectives

The objectives of the FiTs system are to:

- Facilitate resource mobilization by providing investment security and market stability for investors in electricity generation from renewable energy sources;
- Reduce transaction and administrative costs and delays associated with the conventional procurement processes;
- Encourage private investors to operate their power plants prudently and efficiently so as to maximize returns.

Calculation of feed in tariffs

- FiT values are calculated on a technology-specific basis using the principle of cost plus reasonable investor return;
- FiT values shall not exceed the generation Long Run Marginal Costs (LRMC), as established in the Least Cost Power Development Plan (LCPD) except solar power plants for Off-grid;
- The FiT is denominated in US dollars or the equivalent for other currencies converted at the Mean Exchange Rate on the Effective Date of the Power Purchase Agreement published by Central Bank of Kenya;

- The FiT is calculated for certain specific capacity categories, with a linear interpolation being used to set the value based on the actual capacity of the project;
- The FiT applicable at the time a PPA is signed is the fixed value which will apply over the 20 year life of the PPA, except for the O&M component (**the Indexed component**) of the FiT will be subject to annual indexation using the US Consumer Price Index, using the base index prevailing at the time of signing the PPA.

The FiT values for small renewable projects (up to 10 MW of installed capacity) connected to the grid

Technology	Installed Capacity (MW)	Standard FiT (US \$ /Kwh)	% Escalable portion of the Tariff	Min Capacity (MW)	Max Capacity (MW)
Wind	0.5-10	0.11	12%	0.5	10
Hydro	0.5	0.105	8%	0.5	10
	10	0.0825			
Biomass	0.5-10	0.10	15%	0.5	10
Biogas	0.2-10	0.10	15%	0.2	10
Solar(Grid)	0.5-10	0.12	8%	0.5	10
Solar(Off Grid)	0.5-10	0.20	8%	0.5	1

The FiT values for small renewable projects (above 10 MW of installed capacity) connected to the grid

Technology	Installed capacity (MW)	Standard FiT (US \$ / kWh)	% Escalable portion of the Tariff	Min. capacity (MW)	Max. capacity (MW)	Max. Cumulative capacity (MW)
Wind	10.1-50	0.11	12%	10.1	50	500
Geothermal	35-70	0.088	20% for 1st 12 yrs and 15% after	35	70	500
Hydro	10.1-20	0.0825	8%	10.1	20	200
Biomass	10.1-40	0.10	15%	10.1	40	200
Solar	10.1-40	0.12	12%	10.1	40	100

