



Kenya

GDP: **\$60.9bn**Five-year economic growth rate: **8.8%**Population: **45.5m**Total clean energy investments, 2009-2014: **\$3.6bn**Installed power capacity: **2.2GW**Renewable share: **32.8%**Total clean energy generation: **2.8TWh**Top energy authority: **Energy Regulatory Commission****OVERALL RANKING**

2014

2015

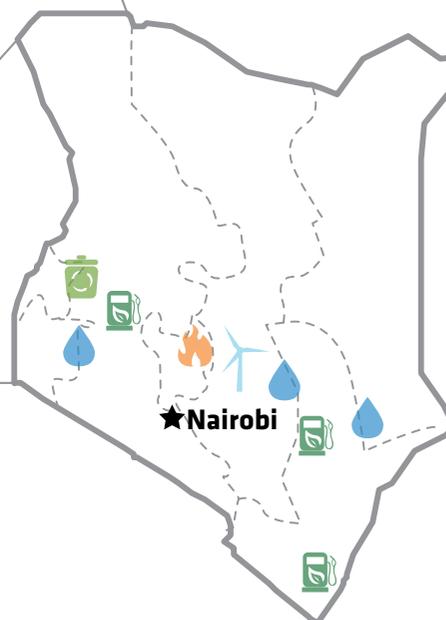
7

6

OVERALL SCORE

2015

1.74



| PARAMETER | RANKING | SCORE |
|---|-----------|-------------|
| I. Enabling Framework | 05 | 1.75 |
| II. Clean Energy Investment & Climate Financing | 13 | 0.80 |
| III. Low-Carbon Business & Clean Energy Value Chains | 09 | 3.62 |
| IV. Greenhouse Gas Management Activities | 16 | 1.74 |

SCORE SUMMARY

Kenya scored 1.74 in *Climatescope* 2015, placing it 6th on the list of countries overall. Among the 19 African nations, it was second only to South Africa. Its highest ranking was on Enabling Framework Parameter I.

Kenya ranked 5th on Parameter I overall, and second in Africa, thanks to the presence of an extensive policy framework for clean energy as well as its distributed and energy access policies.

On Clean Energy Investment and Climate Financing Parameter II, the country's score improved, though it dropped one place on the overall ranking. It advanced with the largest wind financing in sub-Saharan Africa in 2014.

Kenya's score on Low-Carbon Business & Clean Energy Value Chains Parameter III also dipped, however it still has a comparatively high number of clean energy service providers and value chains.

On Greenhouse Gas Management Activities Parameter IV, Kenya was ranked 16th overall. It scored relatively well for its carbon offsetting activities.

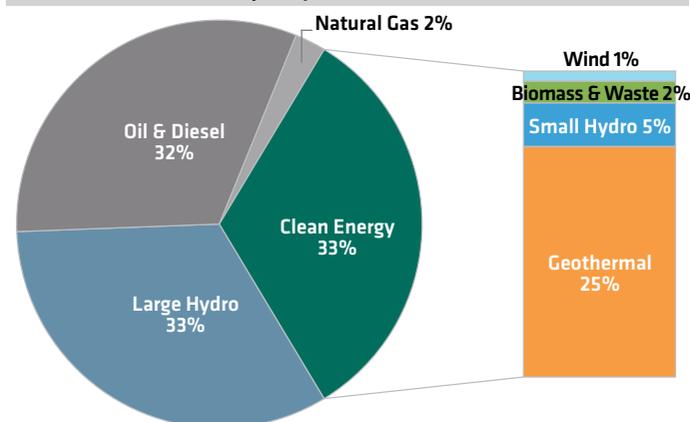
For further information, access www.global-climatescope.org/en/country/kenya

OVERVIEW

Kenya has ambitious energy objectives, aiming to reach just under 22.7GW of power-generating capacity by 2033, under the Least-Cost Power Development Plan 2013-33. Clean energy sources are to play an important role in this development, with 45% of the capacity to use renewables (including large hydro but excluding solar). In comparison, Kenya had some 2.2GW of power-generating capacity at end-2014, of which a third was renewable. In large part, this ambition is driven by healthy economic growth, which saw on-grid peak power demand climb 60% between 2006 and 2014.

INSTALLED POWER CAPACITY BY SOURCE, 2014 (%)

2.2GW total installed capacity



Source: Bloomberg New Energy Finance, Kenya Power & Lighting Company, KenGen
Note: Negligible values for solar cannot be graphically represented due to scale, see source data for the complete numbers.

The East African country surpassed Japan at the end of 2014 to become the eighth-largest producer of geothermal energy after the state-owned generator KenGen commissioned a further 280MW of capacity. Kenya enjoys extensive clean energy resources, with 10GW of geothermal and

KEY POLICIES

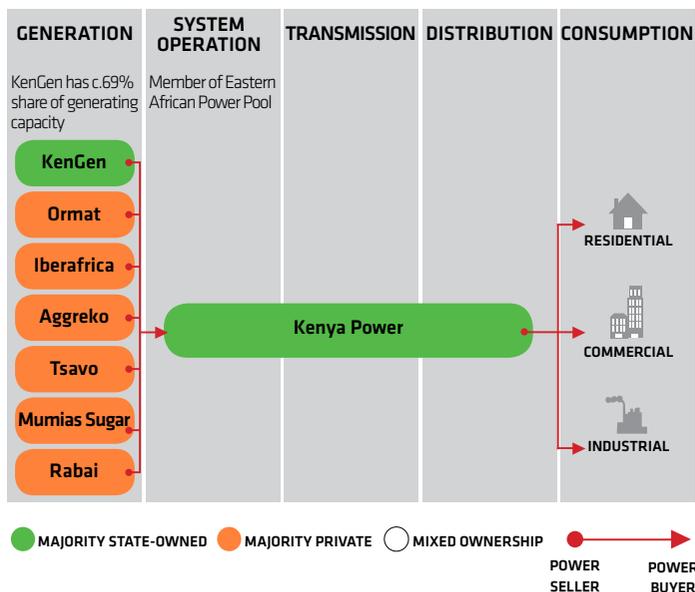
| | |
|---------------------------|---|
| Feed-in Tariff | A 20-year fixed tariff for wind, solar, geothermal, hydro, biomass and biogas projects to be revised in late 2015, alongside a standardized power-purchase agreement. |
| Energy Target | Current target to reach 20GW of power capacity by 2030, comprising 51% renewable energy. The draft National Energy Policy, yet to be approved as of Q4 2015, contains new shorter-term targets by technology. Target to reach 100% electrification by 2020. |
| Biofuels | The draft National Energy Policy would introduce a bio-fuel blending mandate by 2030. |
| Utility Regulation | Energy management regulations introduced in 2012 aim to reduce losses from industry, commercial buildings and large institutions. |
| Net Metering | The Q1 2014 draft of the new energy bill, as well as the draft National Energy Policy, contains provisions for net metering for small-scale renewable generators. |
| Tax Incentives | Investors are eligible for a range of national and regional tax reductions and import duty exemptions. |

Source: Bloomberg New Energy Finance Policy Library

3GW of small hydro potential, according to the draft National Energy Policy. Unlike previous versions, this draft does not set out new targets to 2030 for all technologies. Instead, it still aims for 5.5GW of geothermal capacity by that year but only includes goals to end-2016 for other renewable energy sources. These goals were part of the government's plan to reach 5GW of power-generating capacity, to include 1.9GW of geothermal, 635MW of wind and 44MW of biomass cogeneration.

POWER SECTOR STRUCTURE

Regulator: Energy Regulatory Commission



Source: Bloomberg New Energy Finance

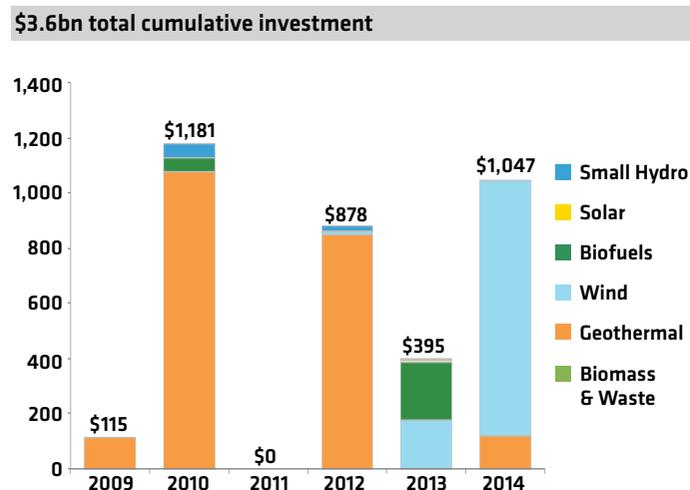
The single largest project under development is a 310MW wind farm near Lake Turkana, in northwest Kenya. This is a truly flagship project having taken nearly 10 years and a dozen investors to reach financial close in 2014. The developers broke ground in July 2015, with an estimated commissioning date of 2017. A forthcoming 428km overhead transmission line – funded by the government – will connect the project to Suswa, some 100km from Nairobi.

Government-owned Geothermal Development Company (GDC), is working to fast-track the development of Kenya's geothermal resources and plans to replicate a model whereby it conducts the risky and expensive, early-stage exploration and drilling. It then selects by tender the independent power producers (IPP) that will take the project to commissioning. The GDC has become somewhat of a regional center for geothermal, assisting neighboring countries with exploration of their resources and training their workers.

Kenya's power market has been partly unbundled. Kenya Power is responsible for all functions except generation and a small share of transmission. State-owned KETRACO, which was set up in 2008, develops and operates new transmission lines. Though Kenya has more IPPs than many of its neighbors, KenGen still had 70% of power-generating capacity at end-2014. The new National Energy Policy and Bill, which are due to go to Parliament in 2015, propose a raft of measures to separate generation, distribution and retail functions, with a separate unit to be set up in either Kenya Power or KETRACO to become the system operator.

The legislative framework behind the energy sector has been under review since 2011, when a new constitution passed many powers to the county level. The new policy and bill should help spur investment in clean energy, as the draft released in January 2015 proposed the introduction of net metering. Policymakers' original goal had been to incorporate legislation on all energy sources in one bill. However, what was one became two, and now five, pieces of legislation, including local content regulations for energy projects. As of H2 2015, they were under consideration in parliament.

ANNUAL INVESTMENT IN CLEAN ENERGY, 2009-2014 (\$m)



Source: Bloomberg New Energy Finance

Notes: Total investment includes: Asset Finance, Corporate Finance and Venture Capital / Private Equity Commitments.

The new rules lay out the minimum proportion of goods or services that must come from domestic sources. This could bode well for PV and wind manufacturers in Kenya, such as Ubbink – one of the few solar module makers in East Africa. On the down side, the proposal to implement a range of biofuel blending requirements did not survive through to the latest version of the Policy.

LEAGUE TABLE

2014 Total Investments **\$1,047m**

Top Three Lead Debt Arrangers 2014 (\$m)

| | | |
|-----|--------------------------|--------|
| 1st | European Investment Bank | \$277m |
| 2nd | African Development Bank | \$152m |
| 3rd | KFW | \$137m |

Top Three Equity Sponsors 2014 (\$m)

| | | |
|-----|---------------------------|--------|
| 1st | KP&P BV | \$191m |
| 2nd | Aldwych International Ltd | \$191m |
| 3rd | European Investment Bank | \$142m |

Top Three Asset Finance Deals, 2014 (\$m)

| Rank | Sector | Project | Developer | Value |
|------|------------|--|---------------------------|--------|
| 1st | Wind | Lake Turkana Wind Farm | LTWP | \$929m |
| 2nd | Geothermal | Geothermal Development Bogoria-Silali Geothermal Project Phase I | Geothermal Development Co | \$118m |

Source: Bloomberg New Energy Finance

Notes: Figures refer to asset finance investments committed in 2014 and include balance sheet commitments