



MINIGRID POLICY AND BUSINESS LANDSCAPE: AN IN-DEPTH ANALYSIS



KENYA REPORT

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Acknowledgments

This report was developed by the Africa Minigrid Developers Association (AMDA) as part of an ongoing effort to inventory the current policies, regulations, and import duties affecting Distributed Renewable Energy Systems and Minigrids in key energy access deficit countries across Eastern and Southern Africa.

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Photo Credit: Renewable Energy Innovators Cameroon

Introduction



Photo Credit: ARC Power

Background Study

- The growing need for sustainable and reliable energy solutions in Africa has spurred significant interest and investment in Distributed Renewable Energy (DRE) systems, particularly minigrids. Minigrids, which are localized power networks that operate independently from the national grid, present a viable solution to the energy access challenge in remote and underserved areas. They leverage renewable energy sources, such as solar, wind, and hydro, to provide consistent and environmentally friendly power.
- Understanding the landscape for establishing minigrids across various African markets is crucial for stakeholders, including policymakers, investors, and developers, who are keen to expand energy access. This study aims to provide a comprehensive understanding of the policies and regulations that govern minigrids, the tax implications such as import duties and other relevant taxes involved in operating a minigrid, and the overall business environment that influences the establishment and operation of minigrids in different African countries
- This study took into consideration 13 countries across Eastern and Southern Africa. These include Kenya, Tanzania, Uganda, Ethiopia, Rwanda, Burundi, South Sudan, Somalia, Democratic Republic of Congo, Malawi, Zambia, Mozambique and Madagascar.

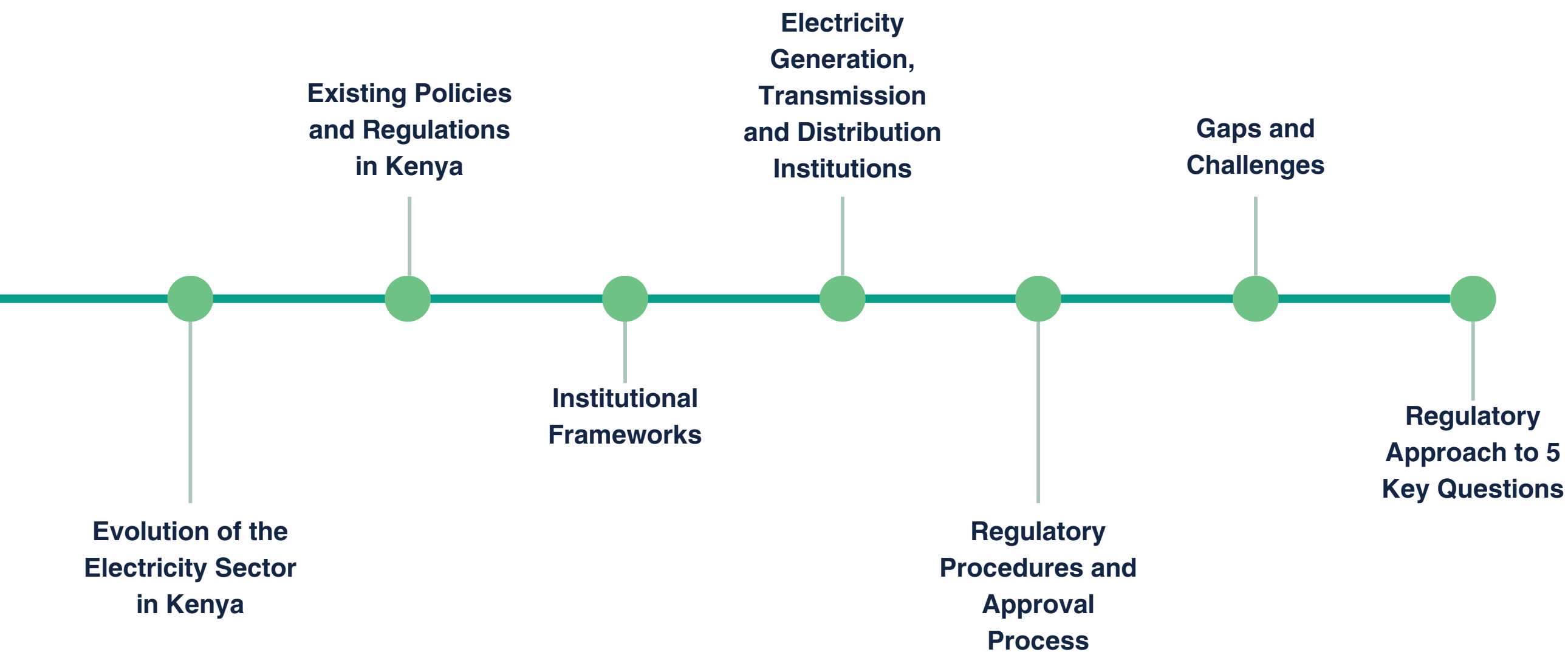
Objective Overview

- The primary objective of this study is to explain the regulatory and policy frameworks that impact minigrid development in Africa. By offering detailed information on the current minigrid policies and regulations, we aim to equip stakeholders with the necessary insights to navigate the complex regulatory landscapes.
- Additionally, the study examines the relevant import duties and taxes that affect the financial viability of minigrid projects.
- Lastly, it delves into the business processes and environments that influence the setup and operation of minigrids, providing a holistic view of the market conditions across various African countries.
- By addressing these objectives, this study aims to contribute to the strategic planning and decision-making processes of entities involved in the minigrid sector, ultimately facilitating the expansion of minigrid renewable energy access across Africa.

Study Methodology & Data Resources

- The methodology used in the study involved desk review through an extensive literature review of the policies, regulations and taxation acts applicable to DREs. Various stakeholders including developers, REREC, KPLC, EPRA MoEP and KRA were interviewed and requested to share their data.
- This was followed by a review and analysis of relevant documentation, information gathered and data request letters shared, received and availed from the stakeholders. There was a challenge with some stakeholders who didn't have all the information readily available.

Regulations & Policies



Regulations & Policies

Evolution of the Electricity Sector in Kenya

Early Development (1900s - 1960s)

1908: Harrali Esmailjee Jeevanjee transferred a generator to the **Mombasa Electric Power and Lighting Company**, while Clement Hertzels established the **Nairobi Power and Lighting Syndicate** to supply electricity to Nairobi.

1922: The utilities in Nairobi and Mombasa merge to form the **East African Power and Lighting Company (EAP&L)**.
1932: EAP&L acquires a controlling interest in the **Tanganyika Electricity Supply Company Limited (TANESCO)**.

1936: EAP&L obtains generating and distribution licenses for Uganda, expanding its presence in the East African region.
1948: **The Uganda Electricity Board (UEB)** is established by the Ugandan Government to take over electricity distribution in the country.

1954: **The Kenya Power Company (KPC)** is created, managed by EAP&L, to transmit power from Uganda via the Tororo-Juja line.
1964: EAP&L sells its majority stockholding in TANESCO to the Government of Tanzania.
With its operations confined only to Kenya, EAP&L is renamed **The Kenya Power and Lighting Company Limited (KPLC)** in 1983.

Expansion and Initial Reforms (1970s - 1990s)

1973:Commissioning of the Seven Forks hydroelectric scheme on the Tana River significantly boosted hydroelectric power capacity. By the late 1980s, hydroelectric power had become a major component of Kenya's energy mix.

1997: The Electric Power Act led to significant reforms, including the unbundling of KPLC. The Kenya Electricity Generating Company (KenGen) was established to focus on power generation, while KPLC continued to manage transmission and distribution.

1998: The Energy Regulatory Board (ERB) was formed to oversee the sector, regulate tariffs, and promote efficient energy use. Push for Renewables and Further Reforms (2000s)

2006: The Energy Act was enacted, which further liberalized the sector and led to the creation of the Rural Electrification Authority (REA) to accelerate rural electrification.

2008-2012: The Feed-in Tariff (FiT) policy was introduced and later updated to encourage investments in renewable energy sources such as geothermal, wind, and solar power. This policy played a crucial role in diversifying Kenya's energy mix

2013: Kenya Vision 2030 emphasized increasing electricity generation and access, with ambitious targets for renewable energy integration. Projects like the Last Mile Connectivity Project, initiated in 2014, aimed to increase electricity access in rural areas

Modern Developments (2010s - 2020s)

2017: The Lake Turkana Wind Power Project, one of the largest in Africa, was commissioned. This project significantly increased the contribution of wind power to Kenya's energy mix.

2018: Electricity access rate surpassed 75%, with a generation mix that included geothermal, wind, solar, hydro, and thermal power. The deployment of minigrids became a key strategy for providing electricity to remote and off-grid areas.

2019: The Energy Act 2019 was enacted, providing a comprehensive legal framework for the energy sector. This act established and policy implementation. EPRA, REREC, KETRACO, and GDC.

2020-2023: Major infrastructure projects, introduction of smart grid technologies and energy storage solutions completed. This enhanced grid stability and regional interconnectivity.

2024: Electricity installed capacity stands at 3,689.5MW, with a diverse mix of geothermal 27%, hydro 25%, thermal 18%, wind 12.5%, solar 12%, Bioenergy 3% and WHRC 2.5%. RE makes up 84.9% of the total energy generated.

Regulations & Policies

Existing Policies and Regulations in Kenya

Energy Act, 2019

- The Energy Act of 2019 establishes a comprehensive framework for Kenya's energy sector, creating entities like the Energy and Petroleum Regulatory Authority (EPRA), Rural Electrification and Renewable Energy Corporation (REREC).
- It supports renewable energy, outlines licensing for electricity generation, and addresses energy infrastructure, land use, and compensation.
- Emphasizing local content and regulatory compliance, it promotes distributed renewable energy systems and minigrids to enhance energy security, sustainability, rural access, investment, and regulatory capacities.

The National Energy Policy, 2018

- The National Energy Policy of October 2018 ensures affordable, sustainable, and reliable energy aligned with Vision 2030.
- It promotes various renewable energy sources and distributed systems, transforms the Rural Electrification Authority into REREC, and supports private sector participation.
- The policy addresses energy infrastructure, efficiency, environmental management, research, and development, emphasizing coordinated stakeholder efforts led by the Ministry of Energy to achieve sustainable development and energy security.

Kenya National Electrification Strategy

- The Kenya National Electrification Strategy (KNES) aims for universal electricity access by 2022, focusing on renewable energy.
- It leverages geothermal, wind, solar, and hydro resources, promoting off-grid solutions like solar PV systems and minigrids. KNES supports policy frameworks, financial incentives, local capacity building, and public-private partnerships.
- Strategies involve geospatial planning and community engagement, fostering investment and innovation to ensure sustainable, reliable, and affordable electricity.

Integrated National Energy Plan

- The Integrated National Energy Planning Framework (INEP) guides Kenya's energy sector, addressing short to long-term needs.
- Mandated by the Energy Act, it integrates national and county plans, reviewed every three years. INEP promotes renewable energy through Feed-in Tariffs and Renewable Energy Auctions, emphasizing stakeholder engagement, data use, and infrastructure development.
- It recognizes minigrids as crucial for off-grid areas, enhancing energy access and sustainability.


The Draft Energy (Minigrid) Regulation 2023

- The Draft Energy (Minigrid) Regulations 2023 promote minigrids up to 1 MW in Kenya, requiring county government approval and a Memorandum of Understanding with local communities.
- Developers need the Energy and Petroleum Regulatory Authority (EPRA) retail tariff approval and must meet licensing and compliance standards. Regulations mandate health, safety, and environmental adherence, insurance coverage, and readiness for national grid interconnection.
- Emphasizing local content, they facilitate reliable minigrid development in underserved regions.

1. *Energy and Petroleum Regulatory Authority (EPRA). The Energy Act, 2019.* 2. *Kenya Power and Lighting Company (KPLC). National Energy Policy, October 2018.* 3. *World Bank. (2018). Kenya National Electrification Strategy (KNES) Key Highlights.* 4. *SETA Kenya. (2021). Integrated National Energy Planning Framework* 5. *Energy and Petroleum Regulatory Authority. (2021). Reviewed Energy Mini-Grids Regulations 2021.*

Regulations & Policies

Institutional Frameworks



The Ministry of Energy and Petroleum in Kenya formulates the National Energy Policy and Integrated National Energy Plan under the Energy Act 2019. It regulates renewable energy and minigrid operations, promotes energy infrastructure investment, and supports county governments with technical assistance. The Ministry oversees the Rural Electrification Programme, enhancing rural electricity access via minigrids, demonstrating a comprehensive strategy to advance minigrids and renewable energy integration in Kenya.

The Rural Electrification and Renewable Energy Corporation (REREC) in Kenya, as outlined in the Energy Act 2019, expands rural electricity access and promotes renewable energy. It manages the Rural Electrification Programme and Fund, develops rural electrification and renewable energy master plans, and secures additional funding. REREC supports energy centers, conducts feasibility studies, and promotes renewable technologies (excluding geothermal) in collaboration with county governments. These efforts enhance rural energy access and sustainable development.

The Kenya Power and Lighting Company (KPLC), under the Energy Act 2019, plans, constructs, operates, and maintains the distribution system for electricity, including public minigrids. KPLC ensures non-discriminatory access to its network, maintains and enhances infrastructure, and provides net metering for consumers with renewable energy generators. These roles make KPLC pivotal in integrating minigrids and renewable energy into Kenya's grid, promoting sustainable energy practices and enhancing energy access.

The Energy and Petroleum Regulatory Authority (EPRA) in Kenya, as mandated by the Energy Act 2019, regulates electrical energy activities with a focus on renewable energy and minigrids. EPRA oversees licensing, the renewable energy feed-in tariff system, and ensures compliance with technical and operational standards. It promotes sustainable energy policies, fair competition, and transparency, positioning EPRA as crucial in advancing renewable energy and minigrid systems in Kenya.

Regulations & Policies

Electricity Generation, Transmission and Distribution Institutions

KenGen is responsible for generation of electricity, KETRACO steps up the generated electricity to 132kV, 220kV and 400kV and transmits up to a step down substation where the electricity is stepped down to 66/33kV for KPLC to distribute to the final consumers.

Generation

Kenya Electricity Generating Company (KenGen): Established in 1997, KenGen is responsible for the majority of electricity generation in Kenya, primarily through hydroelectric, geothermal, thermal, and wind power plants.

Geothermal Development Company (GDC): Established in 2010, GDC is tasked with the development of geothermal resources in Kenya.

Independent Power Producers (IPPs): Various private sector companies that generate electricity, particularly from renewable sources such as wind, solar, and thermal. (Tsavo Power, Iberafrica, Triumph, Gulf, Thika Power and Rabai Power)



Developments

1973: The commissioning of the Seven Forks hydroelectric scheme significantly boosted hydroelectric power capacity.

2006: The Energy Act led to increased private sector participation in electricity generation.

2008 - 2012: Introduction and updates of the Feed-in Tariff (FiT) policy to encourage investments in renewable energy.

2017: The commissioning of the Lake Turkana Wind Power Project.

2024: Installed capacity stands at 3,689.5MW, with a diverse mix of geothermal 27%, hydro 25%, thermal 18%, wind 12.5%, solar 12%, Bioenergy 3% and WHRC 2.5%.

Transmission

KETRACO was incorporated on December 2, 2008 , its mandate is to plan, design, construct, own, operate, and maintain high-voltage electricity transmission lines and regional power interconnectors.

Existing Transmission Network (as of establishment):

- 1,331 km of 220kV lines
- 2,211 km of 132kV lines
- Interconnected with Uganda via a 132kV double circuit line
- Faced capacity constraints leading to load shedding in certain regions.



Developments

Several 132kV lines (e.g., Chemosit-Kisii, Rabai-Galu, Kilimambogo-Thika-Githambo).

Major 400 kV and 220 kV lines (e.g., Mombasa-Nairobi, Loiyangalani-Suswa).

Regional interconnection projects with Uganda, Ethiopia, and Tanzania.

Transmission Network Expansion:

Establishment of numerous high-voltage lines and substations across Kenya.

Projects for power evacuation, including the Loiyangalani-Suswa line.

Development of regional interconnectors to enhance power trade within East Africa.

Distribution

Kenya Power and Lighting Company (KPLC): Initially responsible for both generation and distribution, now focuses on electricity distribution and retail services after the unbundling of its functions in 1997.



Developments

1964: Post-independence nationalization and merger of electricity supply entities into KPLC.

2006: Creation of the Rural Electrification Authority (REA) to accelerate rural electrification.

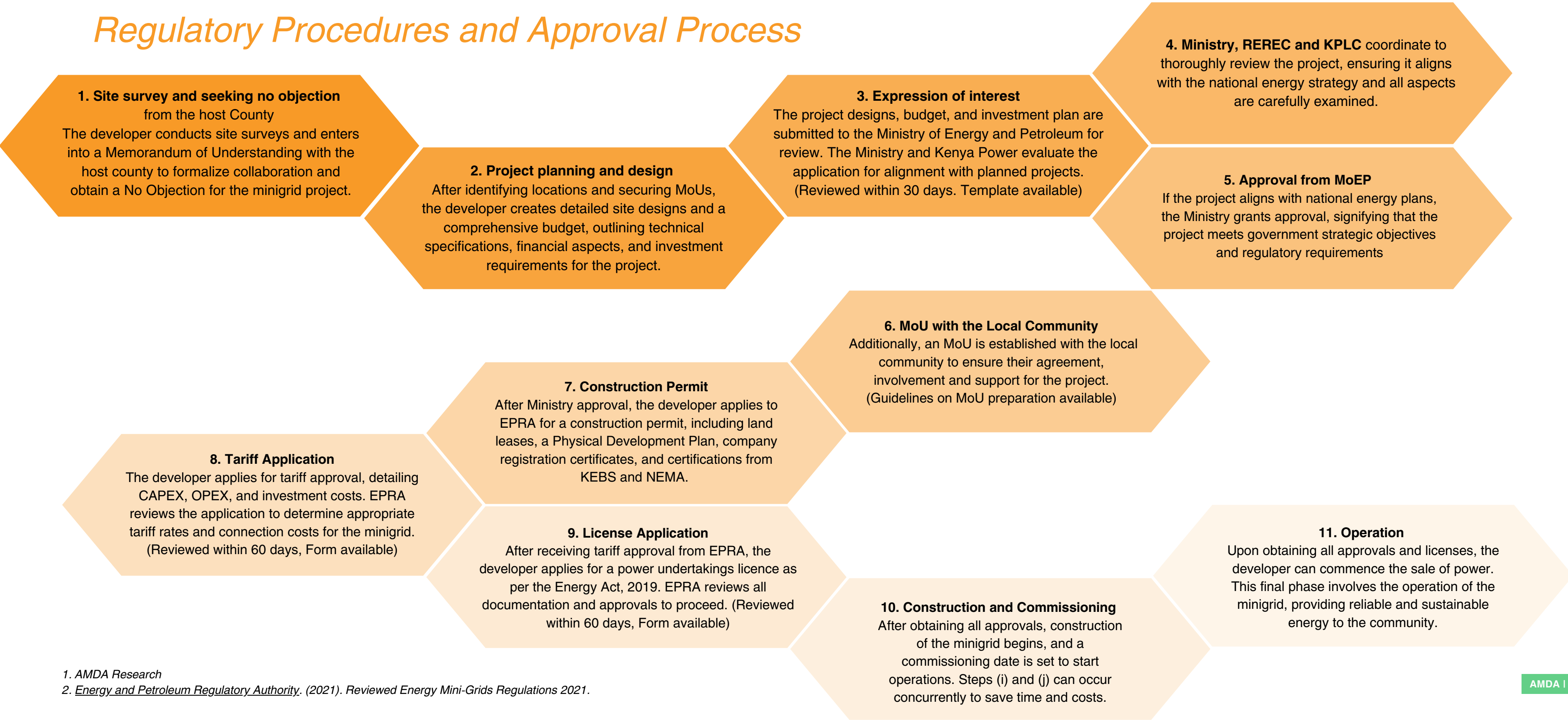
2013: Initiation of the Last Mile Connectivity Project to increase electricity access in rural areas.

2019: Transformation of REA into the Rural Electrification and Renewable Energy Corporation (REREC), expanding its mandate to include renewable energy projects.

2023: Continuous deployment of minigrids to increase electricity access in underserved areas.

Regulations & Policies

Regulatory Procedures and Approval Process



1. AMDA Research
2. *Energy and Petroleum Regulatory Authority. (2021). Reviewed Energy Mini-Grids Regulations 2021.*

Regulations & Policies

Gaps and Challenges

- Minigrids were introduced in Kenya around 2012. By 2018, Kenya had emerged as a market leader in sub-Saharan Africa in this sector. The peak of minigrid development in Kenya occurred around 2019/2020 thanks to the Green Minigrid Facility, presenting a very promising outlook. This growth significantly addressed electricity access challenges and propelled Kenya forward.
- However, due to various challenges, the market conditions shifted over time, leading to a different growth trajectory. While some developers continue to expand their footprint in Kenya, others have closed down their operations or shifted to other markets.

Regulations

Lack of Gazetted Minigrid Regulations. REREC proceeds with projects without applying for the necessary licenses, encroaching on regions already allocated to private entities, stalling projects in advanced stages. The national (MoEP) & county governments are not harmonized in the licence application process. One permit should serve both. Lack of clarity in implementing the Open Access Framework. Private developers are still locked out of using KPLC's infrastructure, despite willingness to pay the wheeling charges. The current licensing and approval process for minigrid development is overly lengthy and complex.

KOSAP

The Kenya Off-Grid Solar Access Project aims to increase energy access in underserved counties to support Vision 2030 and achieve universal electricity access by 2020. Focusing on solar technology, the project will electrify households, enterprises, community facilities, and water pumps in marginalized areas. Targets 14 marginalized counties which cover 72% of Kenya's land and 20% of its population. Approximately 1.2 million households in these areas lack electricity. KOSAP locked out private developers from 72% of potential development areas. The project did not include private developers whether for consultations of project development.

KNES

The 15 km buffer zone -stipulates restrictions for set up of minigrids within a 15-kilometer radius from the existing main grid power lines. This stipulation adopted by the KNES 2018 prevents private developers from establishing sites in these often underserved areas. This policy was implemented without consultation, resulting in the cancellation of over 20 planned project sites for private developers. The buffer also contradicts grid interconnection, barring private developers from easily selling excess power to the main grid. The existing buffer zone stipulation contradicts the principles of open access.

Lack of Subsidies

There are no Kenya-specific financial subsidy programs, unless some time limited programs implemented by development partners. Subsidies could help lower tariff costs, akin to the cross-subsidy offered to public minigrids. The process for tax and import duty exemptions is not streamlined. HS code labelling for imported equipment changes frequently, causing delays. Developers are then penalized due to the delays and other grey areas, despite this being a KRA issue. Lack of provisions and frameworks for private developers to have access to the soon to be implemented CEF as well as the REPF.

Institutional Framework

The development of the INEP framework requires County Governments to have Energy Plans which will then be integrated into the National Energy Plan. This process will theoretically allow more synergy between the two levels of government. Currently, the two arms seem to work independently of each other since a developer requires the Host County MoU as well approvals from national energy sector entities. This makes the licence application lengthy.

Regulations & Policies

Regulatory Approach to 5 Key Questions

Key Regulatory Question	Government Entities Responsible for Decision	Current Regulation
Market Entry: license, registration, permit, etc.	Registrar of Co.s (AG's Chambers), EPRA, MoEP, County Governments.	Company Registration, Tax Registration, and obtaining special permits and licences from relevant entities depending on nature of business.
Tariffs: what is the tariff review and approval process; are there automatic adjustment clauses for fuel price increases, inflation, etc.?	EPRA – The tariff application model caters for such adjustments and reviews can be done after the 3 year tariff review period, or on request by EPRA, community or developer.	Developer must apply for retail tariff approval from the Authority within 12 months of the MoU, or lose site exclusivity. Applications are made electronically and must include a feasibility study and approved designs. EPRA will inform the applicant about the application's completeness within 15 days and conduct a stakeholder engagement before approval. The decision on the tariff application is published within 60 days. The approved tariff period is 3 years, with reviews required at least 60 days before expiry.
What are the minimum quality of service standards?	EPRA – Minigrid Regulations specify this.	The Licensee must meet performance standards and quality levels established by EPRA or other applicable standards. Within 90 days of the license becoming effective, the Licensee must report its minimum performance standards and plans to meet them. The Licensee must regularly submit compliance information to EPRA. The Licensee is not in breach of obligations if it fails to meet standards due to Force Majeure, provided reasonable efforts were made to comply with the standards.
What are the main technical standards / requirements?	EPRA - Minigrid Regulations specify this.	The Licensee shall fully comply with the regulations, rules, codes, standards, guidelines, directions, decisions or orders issued by the Authority in the discharge of its functions under the Act. (2) At the written request of the Authority, the Licensee shall participate to the extent specified by the Authority in the development and/or review of any regulations, rules, codes, standards and guidelines to be prescribed or prescribed by the Authority under the Act.
What happens when the main grid arrives in the service area of the minigrid?	EPRA – Provides options to the developer and stipulates negotiation periods in the minigrid regulations.	The grid operator must notify the minigrid developer, the Corporation, and the Authority at least twelve months before extending the grid to a mini-grid area. Upon notification, the minigrid developer must choose to either operate as an independent power producer, decommission or sell distribution assets, or purchase power from the grid for sale to consumers. The developer must enter into an electricity supply agreement or another approved operating model with the grid operator, which requires Authority approval. Negotiations on the interconnection option must be concluded within twelve months.

Tax & Import Duties



Tax & Import Duties

Tax Registration

The taxation of companies or partnerships in the renewable energy sectors follows most other 'for profit' companies

Registration

- All taxation starts with the acquisition of a Personal Identification Number (PIN). The authority has provided an online system for all transactions- iTax.
- A request for registration is lodged thereon with the following being requested at the time of registration;
- Documents of identity including IDs & passports for individuals and company registration and business names for corporate persons
- PINs of the company directors
- National IDs or Passports (including alien certificates) of the directors
- Physical and postal address of the Individual/Company
- Email address on which subsequent communication will be made with the authority.
- An understanding of which tax obligations the individual/company is required to have.

Tax & Import Duties

Relevant Tax Obligations

Income Tax

Income Tax in Kenya is charged on all income, whether resident or non-resident, accrued or derived from Kenya, including business, employment, rent, dividends, interest, pensions, digital marketplace income, and natural resource income. Corporation tax is levied on corporate bodies, including limited companies, trusts, and cooperatives, on their annual income. Foreign companies operating in Kenya pay tax only on income accrued within Kenya.

Turnover Tax

Turnover Tax (TOT) in Kenya is charged on the gross sales of businesses with turnover between Kshs. 1,000,000 and Kshs. 25,000,000, as per Sec. 12(c) of the Income Tax Act. Exclusions include income below Ksh. 1,000,000, above Kshs. 25,000,000, rental income, and professional fees. Introduced in 2006, replaced by Presumptive Tax in 2018, and reintroduced in 2019, TOT suits small, informal businesses with minimal record-keeping requirements.

Pay As You Earn (PAYE)

This is a method of collecting tax at source from individuals in gainful employment. Individuals, companies and Partnerships with employees are required to deduct tax according to the prevailing tax rates from their employees' salaries or wages on each payday for a month and remit the same to KRA on or before the 9th of the following month.

Withholding Tax (WHT)

This is a tax that is deductible from certain classes of income at the point of making a payment, to non-employees. Persons making the payment, are responsible for deducting and remitting the tax to the Commissioner of Domestic Taxes. WHT is deducted at source from sources of income such as interest, dividends royalties, management or professional fees (including consultancy, agency or contractual fees), commissions, pensions and rent received by non-residents

Value Added Tax (VAT)

It is charged on the supply of taxable goods or services made or provided in Kenya and on the importation of taxable goods or services into Kenya. While companies & partnerships can voluntarily register for VAT they MUST register if their annual revenue exceeds Kshs. 5,000,000. To facilitate compliance, KRA appoints agents to withhold and pay VAT on supplies made. These agents can be verified via the agent checker on iTax.

Tax & Import Duties

Tax Incentives Available to Firms in the Renewable Energy Sector

Income Tax

Capital allowance: The sector is eligible for capital allowances on machinery: 50% investment allowance in the first year, and 25% in the second and third years, post-April 23, 2020. For investments over 2 billion shillings outside Nairobi and Mombasa, or within Special Economic Zones, 100% allowance is granted in the first year. Allowances include 25% for vehicles and computers, 10% for other machinery and buildings, 20% for mining and software costs. Special Economic Zones & Export Processing Zone Incentives: Investors in these zones enjoy a raft of incentives that include a 100% investment deduction for buildings and machinery, 10% corporate tax for the first 10 years, and 15% for the next 10 years; 5% withholding tax on payments to non-residents. Dividends to non-residents are tax-exempt. Newly Listed Companies (at the Nairobi Securities Exchange) Preferential corporate tax rates based on listed shares percentage.

Withholding Tax

Legal notice 91 of 2015: Withholding tax is remitted on interest on loans from foreign sources for investments in several sectors including energy
Special Economic Zones & Export Processing Zone: Incentives Withholding Tax Preferential Rates for SEZ and EPZ are as follows;
Interest - 5%.
Management - 5%
Royalty - 5%

VAT

VAT incentives include exemptions for raw materials supplied to solar equipment manufacturers, taxable goods for geothermal prospecting, and specialized solar and wind energy equipment. Zero-rating applies to solar and lithium-ion batteries and sustainable fuel briquettes. Special Economic Zones (SEZ) and Export Processing Zones (EPZ) offer full exemptions on imported goods and zero-rating for local supplies to companies within these zones. These incentives support renewable energy development and sustainability.

Tax & Import Duties

Import Duties

Import duty on components/materials relating to renewable energy and setting up of minigrids: The importation of materials for the construction, setup and operation of minigrids attracts several taxes, as outlined;

Import duties

Depending on the item, the tax rates underpinned by The East African Community Common External Tariff may be 0%, 10% or 25% based on the HS code of the item being imported. It is therefore important that the investor/importer correctly classify the item being imported in order to benefit from the exemption of solar products as per the provisions of Paragraph 26 of the Fifth Schedule to the East African Community Customs Management Act, 2004. Some of the exempted solar items include Solar panels, solar control units, solar batteries, solar inverters and all-in-one solar lanterns.

Value Added Tax (VAT)

The normal rate of VAT is 16%. However, some of the materials/components may be exempted from VAT as provided by the VAT Act of 2013. The items are as listed in I(3)(c) above.

Import declaration fees of 2%

The IDF is a mandatory levy imposed on all goods imported into a country. It is calculated as a percentage of the cost, insurance and freight (CIF) value of the imported goods/equipment. Currently, it is set at 2% of the CIF value.

A Railway Development Levy of 1.5%

The RDL is a fee imposed on the value of imports into Kenya, as mandated by the Miscellaneous Fees and Levies Act of 2016. The levy is set at a rate of 1.5% of the total value of imported goods/equipment. It is designed to generate revenue for the development and maintenance of the country's railway infrastructure. This levy applies to all imported goods and is collected at the point of entry.

1. EAC Common External Tariff
2. KRA
3. AMDA Research

Tax & Import Duties

Custom Duty Exemptions

Duty remission for official aid-funded and other government-driven projects

The remission of duty and VAT may sometimes be done on a wider basis where major infrastructure projects are done for or on behalf of the government. The exemption process is initiated in this case by the MoEP and is given on a case-by-case basis.

The duty remission scheme

In accordance to East African Community Customs Management Act section 140, the Council of Ministers may grant remission of duty for the manufacture of goods in a Partner State either:

- Goods imported for use in the manufacture of goods for export under Export Promotion Program Office (E.P.P.O)
- Such goods imported for use in the manufacture of approved goods for home consumption as the Council may, from time to time, by notice in the Gazette, determine under Essential Goods Production Support Program (E.G.P.S.P)

A manufacturer seeking to join the scheme shall make an application to the committee. A valid Tax Compliance Certificate shall accompany a new application where applicable, a Certificate of Incorporation, VAT Registration Certificate and identification certificate for tax purposes, (PIN/TIN/UIN) and any other documents as may be required by the Committee.

1. KRA
2. AMDA Research

Business Environment

**Business
registration**

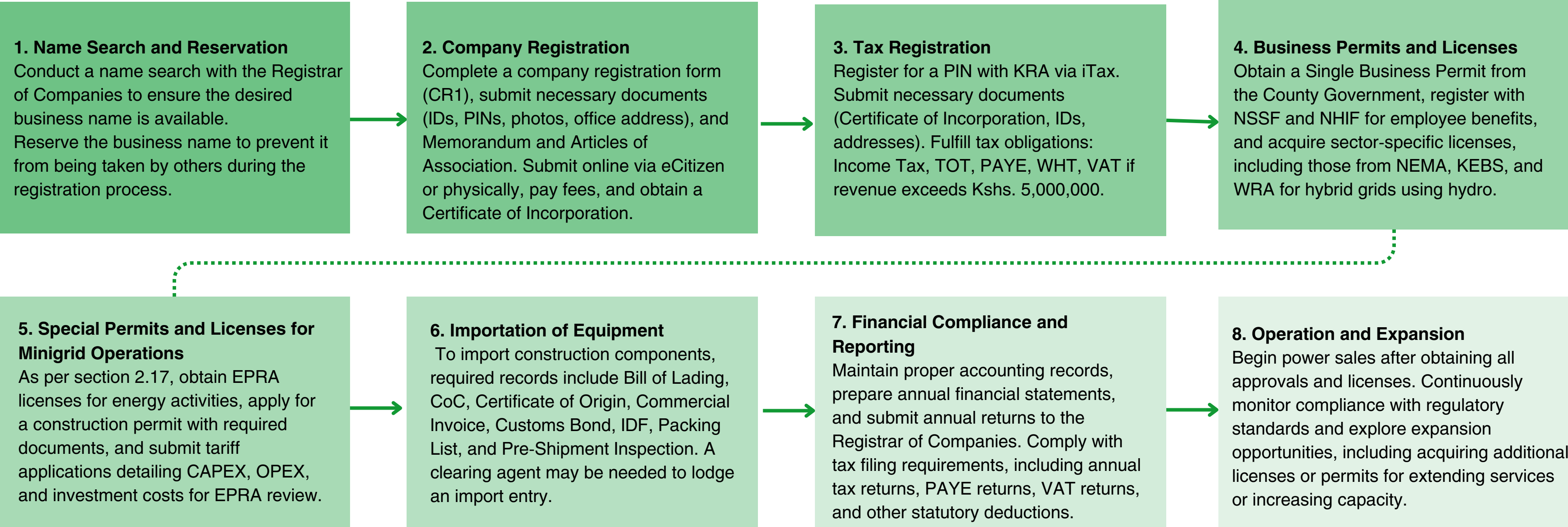
**Importation of
equipment**



Photo Credit: Winch Energy

Business Environment

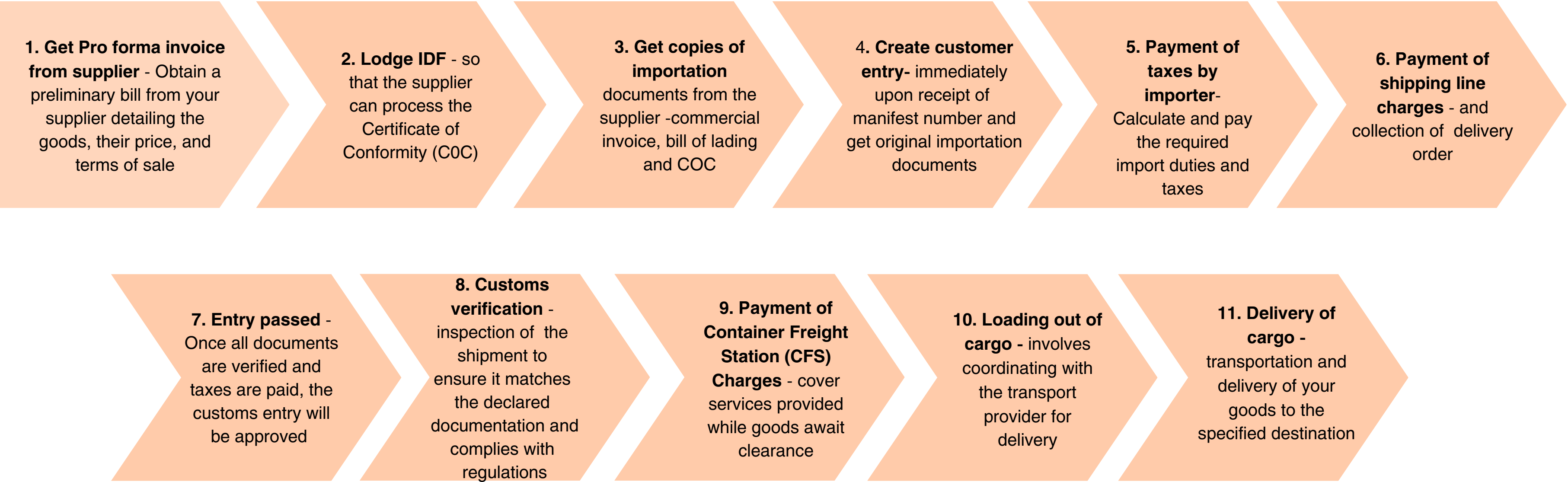
Business Registration



1. *eRegulations Kenya*
2. *AMDA Research*

Business Environment

Importation of Equipment



1. KRA
2. AMDA Research

Conclusion



Photo Credit: Energency

Policy and Regulations

Kenya's policy and regulatory framework for minigrids, guided by the Energy Act 2019, supports sustainable energy access and integration of renewable energy.

Key policies include the National Energy Policy, Kenya National Electrification Strategy (KNES), and the Integrated National Energy Plan. Institutions like the Ministry of Energy and Petroleum, Rural Electrification and Renewable Energy Corporation (REREC), Kenya Power and Lighting Company (KPLC), and the Energy and Petroleum Regulatory Authority (EPRA) play pivotal roles.

Regulatory procedures involve site surveys, planning, approvals, tariff applications, and licensing, ensuring compliance and strategic alignment. The framework aims to enhance energy security, sustainability, and rural electrification through coordinated efforts and stakeholder engagement.

Tax and Import Duties

Kenya's tax and import duty policies for the renewable energy and minigrid sectors are important for stakeholders to navigate the economic aspects for successful project implementation.

Key points include the taxation requirements for companies, including income tax, turnover tax, PAYE, and VAT, along with various tax incentives like capital allowances and benefits for firms in Special Economic Zones.

Import duties on renewable energy components include exemptions and levies such as the Import Declaration Fee and Railway Development Levy. Understanding these frameworks is crucial for optimizing costs and leveraging incentives in the renewable energy sector.

Business Environment

New developers aiming to enter Kenya minigrid market should adhere to the following outlined steps - conducting a name search and reservation, registering the company, obtaining a PIN with KRA for tax purposes, and securing necessary business permits and licenses from bodies like NEMA, KEBS, and EPRA—developers can ensure regulatory compliance.

It is very important for a developer to have proper documentation for equipment importation and maintain financial compliance through accurate records and tax filings.

Continuous regulatory adherence and exploring expansion opportunities are crucial for sustainable operation and growth in Kenya's energy sector. This structured approach will facilitate a smooth market entry and long-term success.

Gaps and Challenges

The lack of long-term financial subsidies and streamlined processes for private developers hampers their ability to contribute effectively to the sector.

The 15 km buffer zone policy and REREC's encroachment into areas designated for private projects create significant barriers to private sector participation.

Additionally, the slow and complex licensing and regulatory approval processes further deter investment and project implementation.

To ensure the continued growth and success of minigrids in Kenya, it is crucial to address these regulatory overlaps, streamline approval processes, and establish clear, supportive frameworks that facilitate both public and private sector collaboration.

By doing so, Kenya can overcome current obstacles and achieve its renewable energy and universal electrification goals.



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