



## **Statement on Privately Initiated Transmission Proposals (PIPs) and Public Private Partnership Energy Sector Projects**

**September 16, 2024**

Kenya is grappling with aging transmission infrastructure and insufficient investment in power transmission. The investments in this sector have not been at the desired levels over the last few decades. The consequences over time have been frequent power blackouts that have taken a toll on the economy. As such, the country needs a stable transmission infrastructure that will ensure an optimal balance between energy generation, transmission and distribution.

KETRACO is guided by its Transmission Master Plan that provides guidance on what needs to be done to get to the desired levels. **KETRACO's Transmission Master Plan 2023-2042** outlines the need for **5,672 km** of new high-voltage lines.

The total investment required for the 20-year master plan requires expansion of the transmission network by approximately **9,605.5Km** in circuit length and **15,891MVA** transformation capacity.

Investment in transmission infrastructure is costly and capital intensive. KETRACO projects have majorly been financed by the exchequer and sovereign borrowing from Development Financial Institutions. (DFIs). Over 20 transmission projects have been supported by DFIs since 2008. Nonetheless, the country cannot continue to borrow from these institutions due to competing social needs.

Currently, there is a looming financial pressure piling on the ex-chequer. Public debt has reached an all-time high due to external borrowing, creating a significant challenge for financing transmission infrastructure.

Typically, the project cycle for the Development Financing Partners is between 5-8 years, from Development of the Concept Note, Commissioning, Project Closure to New Project. Thus, the next set of funding from Development Financing Partners might be around FY 2028/2029. We cannot afford to wait that long, as it would lead to serious repercussions.

Consequently, KETRACO through the Ministry of Energy and National Treasury has considered involvement of private parties in the development and operation of transmission lines projects as per the PPP Act cap 430. This is to bridge the finance gap and ensure timely development of the needed transmission infrastructure mainly for increased adequacy, improved system stability and security of supply. There is currently a finance gap of approximately **USD 5 billion. (Kshs.650 billion.)**

## **Proposals from Adani and Africa50**

KETRACO received Expressions of Interest (EoI) from two private companies, Africa50 and Adani Energy solutions Limited in 2018 and 2023 respectively. The firms expressed interest in constructing high voltage power transmission lines. (237Kms from Africa50 and 388 kms from Adani).

The project proposals have been presented by the two companies as Privately-Initiated-Proposals (PIPs), an arrangement provided for under the PPP Act 2021 which allows the government to benefit from the knowledge and innovative ideas of the private sector.

Both proposals are undergoing thorough due processes, including stakeholder engagement.

Adani and Africa50 proposals are still at the negotiation stages. **KETRACO has not signed any contracts/ agreements** with the mentioned private companies.

The Adani proposal, construction of 206 km 400kV Gilgil-Thika-Malaa -Konza, 400/220/ 132 kV substation at Rongai and 95 km 220 kV Rongai-Keringet-Chemosit line is at the **Draft Project Agreement stage** which includes among other things; approval of projects and financial risk assessment report prepared by negotiating team, clearance of the draft project agreement by the Attorney General and notification of award to the cabinet by the contracting authority.

KETRACO has also completed four stages of the due process (EoI, Evaluation of the PIP Proposal, Project Development Phase) for the Africa50 & PowerGrid of India proposals. Negotiations and drafting of Project Agreement are currently underway.

KETRACO is fully complying with legal requirements in the execution of the aforementioned projects.

KETRACO wishes to emphasize that it will continue to adhere to the legal processes and will keep the public informed of each milestone achieved with regards to the two proposals.

KETRACO is committed and dedicated to providing the country with a stable and reliable electricity transmission infrastructure.

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