

September 23, 2011

**Comments on Kenya's Investment Plan submitted by Sub-Committee Member from United Kingdom and Australia**

**UK and Australia's written feedback on the Kenya SREP Investment plan**

**Submission Date:** 23 September 2011

**Submitted by:** Ben Green

1. We thank the Government of Kenya for its presentation of the first investment plan to the SREP Sub-committee.
2. We have three broad areas where we have concerns and would appreciate further feedback from Kenya. These are **development benefits, the private sector** and some issues around the main component, the 200MW **geothermal development**.
3. It is only the hybrid mini-grids component of the investment plan that shows direct **development benefits** via increased energy access. The majority of the funds are targeted at geothermal development, which relies on trickle down or indirect effects on access via an increase in grid capacity. Although of course generation capacity is required for grid expansion and lower cost and more affordable tariffs, this outcome is not guaranteed. Given the importance of expanding energy access for poor women and men in the SREP results framework, we would like to see a more direct indication of the proposed linkage between the increased geothermal generation capacity and more and lower cost grid connections. Either that, or we would suggest that the mini-grids component should be increased as a proportion of the SREP support provided to bring the IP portfolio more into line with the SREP results framework.
4. Given the fact that the SREP results framework also prioritises improvements in respiratory health, it is surprising that none of the proposed investments consider addressing cooking energy, while 68% of the population use firewood with consequent health and environmental impacts. The criteria used to eliminate addressing this issue were not clear in the IP. We would request clearer explanation of why improving access to cleaner cooking was not considered appropriate for SREP investment in this context.
5. Generally, we agree with the technical reviewer that results framework is questionable in terms of its attribution to the SREP finance. The number of TBCs in the results framework at this stage, particularly relating to development benefits, gender, productive uses and social impacts is of concern. We agree with the Norwegian comments that the results-framework should be presented in a more complete state at this point.
6. There is a need to ensure appropriate social safeguard provisions are applied in the design of the transmission line project. We also note that the risk assessment does not currently address social risks of relocations caused by the transmission line project component. We would urge that the project design ensure appropriate social safeguard provisions are applied.
7. We note with concern the relatively small share of **private sector** engagement. This is critical to the SREP goals of achieving transformative impact and catalysing increased investments. There is no clear model on how the private sector will be incentivised to engage. We would suggest the integration of a private sector plan or road map as part of the IP which would consider issues of subsidies, marketing of opportunities to the private

sector, and possible use of public-private partnerships. This is particularly relevant as project risk is being bought down by SREP funding.

8. The **geothermal component**, as the Swiss memo indicates, is by far the largest at 80% of overall spend. As noted in point 2 above, we are concerned about the extent of this as a proportion of total SREP funds without a direct indication of how this will be translated into expanded coverage and new more affordable connections. We would agree with the Swiss that a review of the balance of investment versus mini-grids would be appropriate.
9. Further to this, we note that in spite of being a high proportion of SREP funds for Kenya, this financing is a relatively low proportion of the total investment required for the geothermal development. This is a concern in that SREP funds do not seem to be essential to the geothermal development overall. With the money almost completely focussed on drilling pilot holes, our understanding is that this is first loss risk money to develop this resource, while other finance is waiting to see whether geothermal is viable at this site. We would be more comfortable if this first loss was shared with the other potential investors who will come in if the viability is proven. This is particularly important since any SREP impacts on clean energy access with the majority of funds supplied are currently applied at both at high risk and low direct connection with energy access expansion.
10. Finally, we thank the CIFs administration team for their efforts in bringing the sub-committee meeting together and successfully chairing it over multiple connections. We would however request the following:
11. In future reviews of Investment plans, we would appreciate if the **technical review** was circulated earlier and more visibly with the Investment Plan as this is important to enable a shared and full technical assessment of the proposal. In the submission of the Kenyan Investment Plan we did not feel that the technical review was shared widely or early enough given the important issues it raised relevant to the decision to approve. If it is felt that the technical review is of an earlier draft and so is no longer relevant to the draft presented, then we recommend that a follow-up technical review may be necessary on the final draft before submission.