

## Kenya: Chinese Firm to Invest Sh9 Billion in Solar Power Plant

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A Chinese company has entered into a Sh9 billion partnership with a Kenyan firm to build the first solar panel factory in East Africa.

The move is expected to reposition solar as a key source of energy in Kenya by making it more affordable to millions of consumers who depend on the national electricity grid for their energy needs.

It is estimated that the Beijing Tianpu Xianxing Enterprises and Electrogen Technologies venture could see the prices of solar panels drop by up to 65 per cent.

Manufacture of solar panels is expected to open a lucrative market for scrap metal merchants who have been fighting bruising battles with Chinese experts in the past three years by boosting demand for hydraulic batteries.

Construction of the facility is set to start in October for completion in March 2008.

"There is a huge market for solar panels in this market. Currently the near monopoly in the market means consumers pay more than they should. We see prices dropping to a third of what they are currently," said Mr Michael Munyao, the executive director of Electrogen Technologies.

The project will be implemented through Pan African Technologies, a jointly owned company in which Beijing Tianpu has a 70 per cent interest and will raise \$100 million (Sh7 billion) from internal resources.

Its local partner is expected take up the remaining fraction of the financing plan in cash and kind, including \$40 million (Sh2.8 billion) in cash and three acres of land along Nairobi's Mombasa Road where the factory is to be erected by a local company of Chinese origin.

Once built, the factory will source the materials required locally and employ a minimum of 100 Chinese trained staff.

"Because they will be locally manufactured, Pan-African's products will cost less than the currently available imported options, with a typical system retailing for Sh5,000 rather than Sh20,000," said Mr Munyao.

Pan African is eyeing Sudan as a key market and wants to interest the government in a partnership to provide solar panelling for its planned upgrade of slums in Kibera.

Demand for energy is expected to triple in the next thirty years with alternative energy anticipated to cover the gap. Solar energy is emerging as an investment opportunity globally and its use is projected to grow by 40 per cent for next five years.

Earnings are seen rising from \$7.7 billion this year to \$11 billion by 2011.

Despite the global interest in solar power, Kenyan firms have seen profit decline due to the high cost of importing foreign products. "This market is highly competitive.

Changing fortunes have seen many firms shut down in the last few years," said Margaret Mutia, the deputy managing director of Solagen, a locally owned solar panel importer.

According to the Ministry of Energy, Kenya receives around 3,000 million free megawatts of power from the sun every day.

Experts says if just 10 per cent of that figure was converted to power on the national grid, the country would be oversupplied with electricity by over 25 times.

Despite its ability to provide 25 times more power to the national grid, solar power is yet to find flavour with Kenyan consumers.

Industry players say the introduction of the government's rural electrification programme is already posing a potential threat to the continued existence of smaller solar energy suppliers.

This year alone, the government will spend Sh8 billion in over 1,000 rural electrification projects around the country, meaning consumers that would normally be targeted by solar power firms now have the option of connecting to the national grid easily.

"Before the programme the sector was confident of continued growth from rural customers because it was so expensive to access electricity and supply was usually inaccessible," said Ms

Mutia.

High demand for electricity compelled several foreign solar power firms to invest in the country during the last decade. Now just a handful are still operational, with wary international partners pulling out of the market in the last few months.

In the late 1990s solar power companies could expect to sell 20,000 units in a year, with a comfortable growth rate of 30 per year. Now firms say they are registering drastic reductions in sales, with a 40 per cent drop experienced last year.

Just over 100,000 rural Kenyan families rely on solar energy to generate electricity in their homes. The majority of these families use smaller power units that typically can power one television and four light sources which are sold for over Sh20,000.

The change in fortunes has not been bad for all solar power companies. Chloride Exide is benefitting from a Sh300 million government programme to install solar electricity converters in secondary schools in arid and semi-arid lands in North Eastern, Eastern, Rift Valley and Coast Provinces.

The 44 year old power company has successfully provided power solutions to over 30 schools through the program. "Installation is currently ongoing. The tender was awarded after a competitive bidding process and is sponsored by the Ministry of Energy," said the company in a statement.

Chloride Exide recently shifted from providing batteries to renewable energy solutions, diversification which Solagen believes will save it and other firms from perishing in a shrinking market.

The smaller firms are seeing increased sales of water heating implements to urban consumers who can enjoy savings of up to 60 per cent on power bills.

Around the world, solar power is slowly gaining recognition as a reliable and cheap form of energy. Internet firm Google recently implemented the world's largest corporate solar installation, installing 9,212 solar panels to gain 1,600 kilowatts to power the firms offices.

In the last 24 hours, Google produced 5,286 kilowatt-hours of electricity from the sun, which is enough to run 11,276 hair-dryers at the same time.

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