

INTERNATIONAL SEMINAR

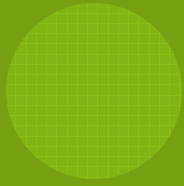
REFIT AND CHALLENGES IN ZAMBIA

30TH – 1ST MARCH, 2015

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CEEZ

Centre for
Energy, Environment and
Engineering Zambia Limited



PRESENTATION OUTLINE

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SITUATION ANALYSIS ON REFIT IN ZAMBIA



REFIT POLICY



CHALLENGES AND WAY-FORWARD

SITUATION ANALYSIS ON REFIT IN ZAMBIA

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- ◎ The current energy policies have established a policy framework that allows for the formulation of comprehensive and innovative renewable energy regulatory and financing mechanisms (e.g. NEP2008 supports the creation of a feed-in tariff system)
- ◎ That could include REFiT, smart subsidies, low interest loans, loan guarantees and provision of tax incentives and waivers on renewable energy capital equipment.
- ◎ Such measures could offer stability in the sector and create an environment to attract private sector participation and foreign direct investment

SITUATION ANALYSIS ON REFIT IN ZAMBIA

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- ⊙ Since 2008, it is only recently that a need has been triggered for a dedicated policy framework that focuses on the specific of expansion and diversification of renewable energy uptake
- ⊙ Through private sector involvement and use of Feed-in-Tariffs with a clear institutional & financial framework
- ⊙ The trigger has been due to various reasons:
 - ⊙ Realisation that hydro potential estimated at 6000MW is likely to be exhausted by 2034 due to Increasing energy demand at ca. 6 % per year (150-200 MW) resulting from demographic, socio-economic and resource factors



SITUATION ANALYSIS ON REFIT IN ZAMBIA

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- ⦿ High cost of grid extension to rural areas under the Rural Electrification Authority programme beyond a certain threshold distance
- ⦿ Energy industry pressure for energy businesses

STAGE I- REFIT POLICY

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- ⊙ Formulation of the stage 1 REFIT policy is completed
- ⊙ Vision and Principles
 - ⊙ The REFIT Policy is aligned and links to the NEP 2008 and the NEP 2008 vision: To harness the renewable energy sector's potential to drive economic growth and reduce poverty
- ⊙ Guiding Principles
 - ⊙ To provide a dedicated Policy framework for expanded renewable energy uptake through private sector participation
 - ⊙ To introduce an appropriate and sustainable renewable energy feed-in-tariff system to attract private sector participation and investment

STAGE I- REFIT POLICY

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⊙ Objectives and measures

- ⊙ To provide for a 3-year REFIT generation allocation of initially 150 MW, divided into 100 MW Hydropower and 50MW Non Hydro
- ⊙ To provide for a 3-year REFIT micro-generation allocation of initially 10 MW

⊙ Key players

- ⊙ Ministry of Energy-Resource plan allocations
- ⊙ Ministry of Finance- PPA payment guarantee.
- ⊙ Energy Regulation Board-Tariff setting, Grid rules alignment, and standardized PPA and licences
- ⊙ ZESCO- Purchaser of electricity

STAGE II REFIT POLICY, REGULATIONS AND TARRIF

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- ⊙ Development of Refit Regulation
 - ⊙ REFIT tariff proclamation
 - ⊙ Rules and Regulations
 - ⊙ PPA and application rules
- ⊙ Development of Rules and capacity Building
 - ⊙ RE technology for inclusion
 - ⊙ REFIT Framework
 - ⊙ Model for estimating tariffs

CHALLENGES AND WAYFORWARD

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- ⊙ REFIT policy only focusing on grid despite REA policy on capital subsidy which inherently is A REFIT element
 - ⊙ Currently not adequate resources for capital subsidy Fund
- ⊙ No Mechanism for competitive bidding
- ⊙ It is unlikely that Ministry of Finance will have resources for PPA guarantee due to other pressing issues e.g. poverty reduction, economic growth(infrastructure development, agriculture subsidy support)

CHALLENGES AND WAYFORWARD

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- ⊙ Who pays for ZESCO's additional cost beyond their threshold tariff and taking into account their precarious financial status due to non-reflective tariff
- ⊙ Strong lobby against cost reflective tariff by industry especially mining and households
- ⊙ Way forward is innovative financing



THANK YOU

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