



SPEAKING NOTES FOR KenGen MANAGING DIRECTOR & CEO, MRS REBECCA MIANO, MBS, DURING THE ENERGY CAFÉ HELD ON TUESDAY NOVEMBER 24TH, 2020

SALUTIONS

Members of the Fourth Estate

Good Morning,

- Welcome to KenGen's inaugural Energy Café and thank you all for finding time to join us. It is my pleasure to meet and host you virtually, this morning.
- My greatest wish would have been to meet you physically but due the COVID-19 pandemic, we chose this mode of holding this meeting.
- You all know how restricting this situation has been for us all. I know we are all looking forward for some breather when this will be behind us. After the pandemic, we will plan to meet up in a relaxed atmosphere - probably over *nyama choma*.
- As KenGen, we are cognizant of the fact that communication, and in particular quality media reporting, is among the key pillars of transformation in any organisation, and the country at large.
- I would like to first thank you for covering KenGen over the years. Together we have been able to weave Kenya's energy story and today, much is known about KenGen because of your consistent and objective coverage of the Company and the entire energy sector.
- I may not know all of you individually, but I know your by-lines and your names because I regularly read the stories you write, and also watch and listen to what you say about us in both electronic and digital space. Thank you for putting KenGen on both the national and international map.
- This is a forum that presents us with an opportunity to highlight developments that have taken place in our organization, present the



company's future outlook, allow you to ask questions about our business and other emerging issues, and also network, albeit virtually.

Ladies and Gentlemen,

INTRODUCTION

Having stated that, please allow me to introduce KenGen briefly for the benefit of those who may not have information about the Company.

Kenya Electricity Generating Company Plc. (KenGen) is a **state-owned corporation**, owned **70%** by the Government of Kenya and **30%** by private shareholders.

The Company is listed in the Nairobi Securities Exchange.

Established in 1954, the company has over the years grown by leaps and bounds. As at close of the financial year ended 30th June 2019, the Company had an **asset base** of over **KShs 400 Billion**.

KenGen is the leading electric energy producer in the Eastern Africa region.

Currently, KenGen's installed generation capacity is **1,803MW** comprising:

- 818MW hydro
- 706MW geothermal
- 253.5MW thermal
- 25.5MW wind

We have **31 power plants** spread across various geographical locations namely;

- **Western Region** - four hydro stations in Turkwel, Sondu Miriu, Sang'oro, Gogo and one thermal plant in Muhoroni)
- **Geothermal area** (found in the Rift Valley consisting of both large power plants and wellheads in Olkaria and Eburru).



- **Seven Forks** (five power plants along Tana River cascade comprising Masinga, Kamburu, Gitaru, Kindaruma and Kiambere power stations)
- **Upper Tana** (four power stations namely Mesco, Wanjii, Sagana and Tana)
- **Ngong Wind Farm.**
- **Kipevu Area** (two thermal plants located in Mombasa)

I am glad to say that our performance in power generation has remained commendable. KenGen currently supplies **about 72%** of the electricity consumed in Kenya, with **over 80%** of this coming from renewable sources.

As we all know, energy is an enabler of development and if properly harnessed, has the potential of taking our country to the next level in line with the Government's Vision 2030 development blueprint and the Big 4 Agenda.

A. OVERVIEW OF KENYA ENERGY SECTOR

Let me now talk a little bit about the energy sector.

The New Energy Act

- As most of you may be aware, we now have a new Energy Act which was assented into law on the 12th of March 2019 and commenced on the 28th of March 2019. The Act repealed the previous Energy Act, no 12 of 2006 and the Geothermal Resources Act, No 12 of 1982.
- On 16th April 2019, the Cabinet Secretary, Ministry of Energy appointed a task force on the implementation of the Energy Act, 2019.



- The new Energy Act offers opportunities to energy sector players, including:
 - I. open market access, enabling power generators to sell power directly to large consumers
 - II. the creation of hydrology fund to cushion generators from hydrology risk
 - III. Creation of an independent system operator, among other opportunities

Kenya's Energy Sector Outlook

- That said, let me share with you some numbers about the energy sector.
- Data from the Economic Survey 2020 published by the Kenya Bureau of National Statistics (KNBS) indicates that in **2019**, total electricity generated, including imports, expanded by **3.9 per cent** to **11,620.7 GWh**.
- The **total installed capacity** increased from **2,711.7 MW** in 2018 to **2,818.9 MW** in 2019.
- During the same period (2018/2019), the addition of our Olkaria V Power Plant to the national grid courtesy of KenGen in 2019 expanded the country's geothermal capacity by **25.0 per cent** to **856 MW**, catapulting Kenya to position **number seven** globally among the largest geothermal energy producers, courtesy of KenGen. Out of the total geothermal generation capacity in Kenya of **856 MW**, KenGen contributes **706 MW**.
- Geothermal remained the major source of electricity in Kenya, accounting for **45 per cent** of total generation in the country, followed by hydro.
- Members of the Fourth Estate, post COVID-19, we are happy to report that energy demand is growing steadily. It is worth noting that the recorded daily peak demand to date has risen to **1,944.14MW** compared to **1,804MW** attained in February 2020 before the pandemic set in.



- We know the demand for power will keep rising and we are therefore confident about the implementation of projects in our pipeline as well as our financial sustainability and growth as a company.

Ladies and Gentlemen,

B. FINANCIAL RESULTS 2019, FINANCIAL GROWTH AND STABILITY

- On the recently released Financial Results for the year ended June 30th, 2019, effective operation of our power plants and harnessing of resources saw an increase of unit sales by **4 per cent** from **7,989GWh** in 2018 to **8,277GWh** in 2019.
- Our **revenues** went up by **1.5 per cent** from **KShs 45.3 Billion** in 2018 to **KShs 46 billion** in 2019.
- Our **Profit After Tax** remained unchanged at **KShs. 7.9 Billion**.
- Asset base grew from **KShs 379 Billion** in as at June 2018 to **KShs 401 Billion** as at 30th June 2019.
- During the period under review, **other income** increased from **KShs 275 million** to **KShs 619 million** compared to the previous year. This was mainly driven by consultancy services and insurance compensation among other miscellaneous revenue sources.
- KenGen's performance has continued to demonstrate the company's economic sustainability despite the negative effects of the COVID-19.
- As a business, we are alive to the current situation and in order for us to remain sustainable, we will continue to carefully consider long-term regulatory, political, economic, technological and societal drivers of change, and their impact on our business. These are deliberate



measures geared to ensure we can leverage on opportunities and handle emerging challenges with agility and resilience.

C. PROJECTS IN THE PIPELINE

- Looking at the projects in the pipeline, it is important to mention that as an organization, we implement energy projects as guided by the **Least Cost Power Development Plan** (LCPDP), a 20-year Power Generation, Transmission and Distribution Master Plan. This plan, which is prepared under the leadership of the Ministry of Energy, evaluates power demand and supply over the Medium Term and Long Term, and thereafter develops a project pipeline.
- As mentioned earlier, the connection of the **Olkaria V** geothermal power plant to the national grid in 2019 expanded the country's geothermal capacity by **25.0 per cent** to **856MW**.
- To this end, our focus in the **next 12 months** remains to deliver the **Olkaria I Unit 6** geothermal power plant, which will bring online an **additional 83.3MW** by the end of **2021**.
- Members of the Fourth Estate, recently, we shortlisted **four firms** for a **Public Private Partnership** (PPP) project to implement **Olkaria VI** plant which is set to add **140MW** to the national grid.
- The **redevelopment of Olkaria I**, which seeks to increase the plant's installed capacity from the current **45MW** to **50MW**, is in the final stages of procurement. This will also extend the life of the power plant by 25 years.
- At the same time, we have several projects under feasibility study which include the following:
 - **Redevelopment of Gogo Power Plant** in Migori County with a view to increasing the installed capacity from **2MW** to **10MW**.
 - **Raising of the height of Masinga Dam Spillway** by an additional **1.5Metres**. This will not only help store more water for generation but further reduce flooding downstream by holding more water that could have gone downstream.



- We are carrying out a feasibility study to determine potential for **Wind Power in Marsabit**.
- We are planning to carry out a feasibility study on the utilization of **Natural Gas** in order to increase baseload capacity, supplement geothermal energy and reduce the cost of power associated with diesel generation.
- We are in discussion with the **Nairobi Metropolitan Services (NMS)** to evaluate the feasibility of installing a **Municipal Waste to Energy Power Plant**. The overall objective is to clean up our environment while generating power for national development.
- KenGen is also continuing with **geothermal exploration program** in Olkaria, to date we have done more than **310 wells**.
- Our aim is to actualize these projects with a view to enhancing our energy portfolio to spur manufacturing, enhance food security and nutrition, universal health coverage and affordable housing across the country.
- As I have stated, our capacity addition programmes remain aligned to the Government's Big 4 Agenda, the Vision 2030 development blueprint and medium-term development plans. This is critical in supporting the Government's plan to provide universal access to electricity.

D. DIVERSIFICATION STRATEGY

- The recent milestones have been driven by our Good-to-Great (G2G) Strategy. Kicked off in 2007, the program has been the vehicle through which majority of our projects have been delivered.
- By working with other organisations as well as development partners, we have commenced and completed projects which now give us a total of 1,803 MW.
- Apart from leveraging on our specialization in energy generation, we are keen to continue implementing our Revamped Horizon III Good-to-Great (G2G) Strategy, which remains critical in powering other sectors of the economy such as health, agriculture and industrialisation.



- Going forward, we will use our 3-pronged business model to create more value in our operations. These will enhance our capacity expansion as well as diversification goals which are geared towards strengthening our financial muscle and building a sustainable business. These 3 approaches include:
 - **KenGen A** - which is the traditional KenGen legal parent driving the generation business whose growth continues to be financed on the balance sheet.
 - **KenGen B** – this is the Public Private Partnership (PPP) model with ring-fenced risks & cash flows that will fast-track our installed capacity expansion through joint ventures with local and international partners.
 - **KenGen C** – this is a 100% owned subsidiary (named KESEL), that will drive our consultancy service business across the region.
- As part of our diversification strategy, we are focusing on non-energy generation revenue sources including consultancies, operations, maintenance services and training.
- This strategy has been instrumental in expanding our operations across Africa. Currently, we are undertaking two drilling contracts in **Ethiopia** in which we are developing the **Aluto, Langanu and Tulu Moyo** geothermal fields. One contract is for drilling services is valued at **USD 56 million** while the other is for consultancy services valued at **USD6.2 million**. As we speak, our team is in Ethiopia implementing these contracts. We remain confident that the implementation of these contracts will positively impact our business and improve our brand equity as we continue to create value for our stakeholders.



Ladies and Gentlemen,

E. BUSINESS SUSTAINABILITY – COVID-19, INNOVATION, CLIMATE CHANGE, ENVIRONMENT, CORPORATE SOCIAL RESPONSIBILITY, COMMUNITY RELATIONS

i) INNOVATION

Agility and resilience are the cornerstone of business sustainability. In order to remain agile and resilient, we recognise the innovative minds of our staff and give them the support and empowerment they deserve to be creative. Our Annual Global Innovation Seminar, augmented by other internal forums like Communities of Practice & Innovation, gives the staff the opportunity to innovate and pursue business improvement initiatives. A number of innovative programmes and projects cutting across process improvements, manufacturing, and service provision to other players in the energy sector are in various stages of implementation. It is through this commitment to innovation and bold steps to pursue new horizons that we have seen our Company entering new markets in the region.

ii) CLIMATE CHANGE

- As you are aware, the global threat of climate change requires the concerted effort of all of us without exception. As part of the effort to mitigate against the impact of climate change, KenGen has embraced the Clean Development Mechanism (CDM).
- We are implementing **six CDM projects** which have so far yielded **USD 3.627 million** for the organization since inception.



- The positive environmental and climatic impact of these projects, based on the United Nations Framework Convention on Climate Change (UNFCCC,s) Kyoto protocol, has given us the impetus to continue implementing green projects that contribute to emission reduction.
- With these projects, which include, Tana and Kiambere hydro projects (under the Seven Forks), Ngong Wind, Olkaria II, Olkaria 1 Additional Units 4 and 5 and Olkaria IV Geothermal Projects, KenGen is playing a part in offsetting approximately **1.5 million tons** of Carbon Dioxide (CO₂) equivalent annually.

To further support the Climate Action campaign, KenGen has joined the United Nations Global Compact (UNGC). This membership catalyses actions aimed at promoting good business practices by building capacities and awareness of ethics, integrity, and Corporate Social Responsibility in promoting the UN Global Compact's 10 principles to achieve long-term growth by contributing to the 2030 Agenda for Sustainable Development in Kenya.

KenGen is participating in UNGC activities, through four inter-agency Working Groups which are providing a regular platform for collaboration and exchange of information, joint mobilization of resources, and the development and implementation of joint programs and projects.

KenGen is focusing on **four main areas**:

- Through **Target Gender Equality** programs, we are setting ambitious and realistic corporate targets for gender equality, demonstrating commitment and action to the employees, investors, and other stakeholders.
- The **Caring for Climate working group** drives the uptake of the Business Ambition for 1.5°C campaign by supporting us to act responsibly in our operations and supply chains.
- The **Young innovators' program** is an opportunity for KenGen to identify young talent within the company to collaborate and accelerate



business innovation towards the Sustainable Development Goals (SDGs).

- The **Anti-Corruption Working Group** supports the exchange of experiences and good practices around anti-corruption efforts.

(i) ENVIRONMENT SUSTAINABILITY

- The late Prof. Wangari Maathai said *“It's the little things citizens do, That's what will make the difference”*
- At KenGen, we remain committed to achieving environmental sustainability.
- As provided in the Environmental Management and Coordination Act (EMCA) Cap 387 and the related regulations, we have continued to conduct comprehensive environmental impact assessments and audits for all our project and also existing facilities.
- In the last 5 years, KenGen has distributed to the communities a total of **1.5 million tree seedlings** which is equivalent to **2,358 acres** to enhance the sustainability of their ecosystems.
- Augmenting the UN Sustainable Goal No. 15, which is Life on Land, we are cognizant that operating in national parks and forest reserves comes with extra responsibility. These sites are habitats for various animals and the need for conservation and restoration is key during construction and operation of power plants. Some of the measures we have undertaken include:
 - Use of noise silencers at our Olkaria Power Plants.
 - Colour coded steam pipes on the animal corridor
 - Complying to environmental requirements and obtaining Environmental and Social Impact Assessment (ESIA) licenses for all Capital Projects. We have also established environmental management programs in all our operational areas with a view to protecting the environment and minimising our carbon footprint.



(ii) SOCIAL INVESTMENTS

- As a responsible corporate citizen, KenGen has made a considerable contribution to communities through our Corporate Social Investment (CSI) program, in the process transforming lives.
- One of the vehicles the company is using is the **KenGen Foundation** which was formed in 2009 to upscale our CSI program. The foundation focuses on three main strategic pillars - **education, environment, water, and sanitation** - which are also aligned with the country's Vision 2030. The projects also touch on environmental conservation, infrastructure development and scholarships, among others.
- **Some of the highlights of programs we have initiated under the foundation are as follows:**

a) Education 2005- 2020

- **The Scholarship programme;** Under this programme, more than **KShs 712million** has been disbursed to the various learning institutions.
- We have **10,500** students who have benefitted from scholarships and infrastructure development initiated under KenGen Foundation
- Also, **1066** students have been taken through life-transformational trainings.
- KenGen has also employed **16 First Class honours graduates** who are currently working in various stations across the country.



b) Environment 2013-2020

Since 2013, the company has distributed more than **230,000 trees** and conserved **374 acres**

c) Water and Sanitation

More than **66,000 litres water tanks** donated in arid and semi-arid areas, with more than **KShs 20million** donated towards provision of water in various households.

d) NAIVASHA LEVEL 5 HOSPITAL

But the biggest of all the CSR activities that the company has been involved in is the Naivasha Level 5 Hospital which we are co-financing with the Country Government of Nakuru. KenGen's Contribution into the project is **KShs 300 million**. The hospital, located in Naivasha town, **KenGen's Geothermal hub**, is set to benefit the residents of the entire Nakuru County as well as the neighbouring counties. The project is currently under construction and is expected to be **completed by June 2021**. The hospital will have a capacity to serve an estimated **600 patients a day**.

(iii) COMMUNITY RELATIONS

The Company, being a Participant Member of the United Nations Global Compact Network Kenya (UNGC) supports the 10 Principles covering **Human Rights**, Labour, Environment and Anti-corruption and **reports on progress on its performance**.



KenGen is cognizant of the fact that all developments are **people-centered** and that Communities residing in areas where we operate in are **our key partners**. As Project developers, we are alive to the need to obtain the **social license to operate** from the Communities prior to and during project implementation.

Towards this end, the Company has developed and implemented a **Community Engagement Strategy** for a value-based, win-win Community relationship. This strategy was launched in 2018.

KenGen's approach is to have a **constant and continuous** way of involving Communities and has worked in ways that leave the Communities engaged and **self-sustaining in their livelihoods**.

Under this framework, we have what we call the Stakeholder Coordination Committees (SCC) made up of members of the local community and other opinion leaders who we work with in developing and implementing CSR programs as well as addressing issues of mutual concern.

This has helped to strengthen and enhance our relationship with the host communities.

(iv) COVID-19 PANDEMIC

- As you all know, KenGen, like other organizations, has been impacted by the COVID-19 Pandemic. Indeed, projections indicate that the medium term macro-economic environment will be tough.
- It is also worth noting that KenGen is one of the players in the energy sector that has demonstrated resilience and stability despite the impact of the crisis.
- As a response to the pandemic, and in recognition of the fact that electricity is classified as an essential service, KenGen has put in place measures to ensure seamless and reliable supply.



- We have instituted a shift system for our staff as one of the ways of ensuring that we observe prevention measures, especially social distancing, thereby guaranteeing uninterrupted power supply to the nation particularly to support health care facilities, while keeping our employees safe.
- At this juncture, I would like to thank my strong and reliable team that has worked tirelessly to support and stand with the country during this difficult time.
- As a company, we have spent about **KShs 40 million** in corporate social responsibility activities both nationally and in our operational areas to support the war against COVID-19. In addition, our employees voluntarily contributed **KShs 10 million** to boost the COVID-19 kitty.

F. GENDER MAINSTREAMING

At KenGen, gender mainstreaming is one of the focus areas that we place great emphasis on. Today, the company has made strides in women inclusion. In our Operations and Geothermal Division for instance, more than 10 percent of employees are women while in the Legal Affairs Division, 22 out of the 39 employees are female. Also, in the Business Development Division, more than 35 percent of the engineers and project development officers are women.

Cognizant of our field of operation, we have been keen on creating an environment where female employees can also thrive. One of the platforms is the Pink Energy Initiative which has played a major role in developing, encouraging, and facilitating female employees to grow to their full potential. Our female employees have, as a result, been able to succeed in their various fields.

The initiative, which is anchored on three pillars namely; personal development and empowerment, creating a conducive work environment and gender awareness, has enabled women at KenGen



to make remarkable progress on professionalism, career growth, health and wellness, financial management, parenting and mentorship.

Since its inception, confidence levels among our female employees have remarkably increased. This was confirmed by a recent Organizational Health Index (OHI) survey conducted by KPMG. The number of female employees in the company has also increased and there have been a number of promotions of women across all levels, including the executive level.

It is also under the auspices of Pink Energy that KenGen has been holding quarterly talks on diverse topics. In May 2019, KenGen launched the inaugural Pink Energy Conference under the theme *“Think equal, build smart, innovate for change”*, in the process providing an opportunity for women from the company and the energy sector to network and build fruitful relationships at individual and corporate levels. This very successful event was attended by over 600 women from the Energy Sector and our partners.

Other Gender mainstreaming initiatives include **USAID Engendering Utilities Program**, under Power Africa Initiative, where we have three employees undergoing training. We are also working with the **World Bank** on a **gender strategy** among other initiatives.

PARTNERSHIPS

KenGen recognizes the **power and value** of partnerships. Over the years, the Company has worked with various **development partners**, commercial banks and other stakeholders without whose support the Company would not be where it is today in terms of growth, financial performance and technical capacity just to name a few areas. Some of these partners include the World Bank, French Development Agency (AFD) Japanese International Cooperation Agency (JICA), KfW (Germany), European Investment Bank (EIB), African Development Bank (AfDB) as well as local and international banks.



The list of partners would be incomplete if we go without mentioning the **National Treasury**, our largest Shareholder with 70% ownership of the Company as I said earlier, Public Invest Commission (PIC) of South Africa our second largest shareholder and all our other valued shareholders, both institutional and individuals, local and foreign.

Our parent Ministry, **Ministry of Energy** has been very supportive in our initiatives and they have a special place in our company. We have enjoyed a good relationship with the energy regulator, **EPRA** and all the sector players, KPLC, KETRACO, GDC, REREC and NuPEA as well.

OUR FOCUS GOING FORWARD

Going forward, we will focus on service delivery, diversification, and sustainable development to continue providing Kenyans with safe, reliable, completely priced electric energy as we create value for all our stakeholders.

Conclusion

Ladies and Gentlemen,

- As I conclude, it is my hope that what we have shared today gives you all a deeper insight into the state of KenGen as the country's leading energy producer. We hope that as individuals charged with the responsibility of reporting about the country's energy sector, you are more informed, and will also enrich your reporting with the information we have shared today. As a company, we regard you as a key development partner and a major stakeholder
- By telling our story, you not only help us to build a strong brand, but also open new horizons as different stakeholders become aware of our capabilities and services.
- Thank you all for your time. May God bless you.

.....**Ends**.....