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4. Project Objectives

One of the foundations for Kenya's Vision 2030 is to generate more energy and increase efficiency in energy consumption. The Government of Kenya is committed to continued institutional reforms in the energy sector, including a strong regulatory framework, encouraging private generators of power, and separating generation from distribution.

The Kenyan electricity sector currently has only a 10% reserve balance (difference between peak demand/available capacity), which is largely insufficient given the high dependency on hydrology (57% of production from hydropower, 11% geothermal, 23% thermal, 8% from emergency power), and accordingly suffers risks of load shedding and power shortages.

The Government of Kenya's long term energy plan (Least Cost Power Development Plan or LCPDP) includes Heavy Fuel Oil (HFO) fired power plants as strategic developments for the sector.

4.1 Socio-economic objectives and impacts

A number of socio-economic objectives and impacts will be derived from the power plant. The availability of an additional 80MW of effective electric power in the national grid implies that there will additional power that can be provided for economic growth. The provision of three new additional thermal power plants having an installed capacity of 240MW is identified in the 2009 draft of LCPDP.

Development of the power plant project by the Proponent will benefit various parts of the economy through:

- The front-end engineering and design (FEED) phase, where Kenyan and International expertise will apply the latest design concepts and technologies to design a world class thermal power plant. Ongoing design work is expected to employ highly skilled engineers for the project in Egypt. This technology will hopefully be transferred to Kenyans once completed.
- The construction phase when skilled labor sourced from the local communities and upcountry will work with international experts in the Athi River area to fabricate and install the power house, HFO storage tanks and associated infrastructure;
- The operations phase when the power plant becomes operational and electricity is evacuated to the national grid. All operations of the power plant will be staffed by skilled personnel based predominantly in Athi River. The number of operations personnel is about 28 full-time staff.

4.1.1 Benefits to the local workforce and economy

The proposed project is expected to introduce a number of benefits to Kenya in general. The design phase will provide opportunities for skill and knowledge transfer essential to maintaining capability in the power generation industry.

Local construction and service industries will be called upon to support the installation of large capital items, leading to a boost in short term jobs in the construction industries and in industries supplying inputs to construction. Capital goods supplying industries will also experience an increase in demand.

Once the project enters its operations phase, permanent jobs will be created in running the power plant and associated infrastructure facilities.

4.1.2 Benefits to the country

The profitable evacuation of electricity from the proposed project will result in significant tax revenues flowing to the Kenya Government throughout the lifetime of the project. The amount of taxation depends on the development concept chosen, the price of tariff the Proponent has negotiated with KP&LC and world oil prices.

The evacuation of electricity from the power plant will add to the Proponent's revenues directly through charge of a tariff levied on each kilowatt hour of electricity evacuated through it and company tax paid on profits by the Proponent. It will also add indirectly to both the Athi River area and the region by expanding economic activity, employment, income, expenditure and hence the tax base in the country. This in turn will enhance the capacity of the Kenya Government to support desirable social expenditures including infrastructure development.

The taxes paid by the Proponent will enable future governments to reduce taxation on other segments of the Kenyan economy thereby stimulating additional economic activity and job creation. The consumers of the electricity generated by the power plant will pay their own taxes, create additional earnings and employ additional staff.

Social benefits from the construction and operation of the proposed project will also be felt in the Athi River area and the country. These include:

- Improved job prospects in high technology/high skills industry;
- Influx of tertiary educated staff and families;
- Increased national and international recognition of Mavoko as a center for industry;
- Sponsorship by the Proponent who wishes to build a strong and long-term relationship with local communities.

It is in Kenya's strategic interests for all its neighbors to be prosperous and to have a sound economy capable of meeting the aspirations of its citizens. Development of the proposed power plant project will make a significant contribution to the economy of Kenya, which in turn will reduce the country's reliance on foreign aid from development partners.

4.2 Meeting market demand

When completed, the proposed power plant project will be able to initially evacuate 80MW of electric power to the national grid. This is a sizeable amount of electric power which could reduce the difference between supply and demand of electricity in the country and maybe more cost effective than the emergency power.