

MEMORANDUM FOR THE PARLIAMENTARY COMMITTEE ON ENERGY

Office of the Clerk of the Senate/Secretary, Parliamentary Service Commission, First Floor,
Main Parliament Buildings, Nairobi

And

Office of the Clerk of the Kenya National Assembly /Secretary, Parliamentary Service
Commission, First Floor, Main Parliament Buildings, Nairobi

From: **The Kenya Climate Change Working Group** on behalf of Civil Society organizations on
Clean Energy Access

20th May 2020

SUBJECT: FINANCE BILL 2020- PROPOSED AMENDMENTS ON CLEAN COOKSTOVES AND SOLAR PRODUCTS

We, the undersigned organizations, and concerned citizens of Kenya, hereby submit this memorandum to the Parliamentary Committee on Energy to draw your attention to the several urgent and unaddressed concerns, especially in respect to the proposal on clean cooking and solar products in the Finance Bill 2020-2021 (the “Bill”), published on 5th May 2020.

1. **The proposed deletion of paragraph 45 of the First Schedule to the VAT Act No. 35 of 2013 (“VAT Act”) would remove the current VAT exemption for “specialized equipment for the development and generation of solar and wind energy, including deep cycle batteries which use or store solar power upon the recommendation of the Cabinet Secretary responsible for matters relating to energy.”**
2. **The proposed deletion of paragraph 65 of the VAT act No.35 of 2014 (“VAT Act”) would remove the current VAT exemption for ‘Taxable goods locally purchased or imported by manufacturers or importers of clean cooking stoves for direct and exclusive use in the assembly, manufacture or repair of clean cook stoves approved by the Cabinet Secretary upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to energy’**
3. **The proposed deletion of paragraph 67 of the VAT act No.35 of 2014 (“VAT Act”) would remove the current VAT exemption for: ‘Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating) barbeques, braziers, gas-rings, plate warmers and similar non-electric domestic appliances, and parts thereof, or iron or steel of tariff numbers 7321.11.00, 7321.12.00, 7321.19.00, 7321.81.00, 7321.82.00, 7321.83.00 and 7321.90.00’**

Solar sector

The solar industry has made tremendous strides in providing affordable electricity and economic opportunities for rural and peri-urban populations of Kenya. Kenya National Electrification Strategy (KNES) expects to meet the energy demands of approximately two million households with off-grid solutions (solar home systems and mini-grid). KNES believes serving this population will largely influence the future

of the sector. Thus, the introduction of 14% VAT on solar powered development and generation equipment will erode numerous gains that have been made towards the achievement of universal energy access by 2022 and Sustainable Development Goal (SDG) 7 which aims at ensuring access to affordable, reliable, sustainable and modern energy for all.

The International Energy Agency (IEA) estimates solar systems, such as clean energy mini-grids and stand-alone solar home systems, will be the least-cost solution for the majority of the unserved and underserved populations in Kenya. That is why the solar sector cannot be allowed to fail owing to the introduction of the 14% VAT.

Deletion of paragraph 45 will have the following impacts on Kenyan citizens and the economy at large on the following areas:

Health: Energy is critical for primary health care services. Yet many health clinics, particularly those in rural areas, lack reliable, affordable electricity supplies for powering basic services such as lighting, communications, refrigeration, diagnostics, and the medical devices required for health services. Stable access to electricity supports core facility operations, resulting in a variety of benefits to patients and communities.

According to the World Health Organization (WHO), **21,000 women and children die every year** due to respiratory illnesses associated with Indoor Air pollution due to unclean sources of energy for cooking and lighting which are mainly firewood and kerosene. Switching to Solar home systems reduces the health exposure to indoor air pollution.

Education: Solar energy has created multiple opportunities for schools unserved and underserved communities. Such opportunities include extension of study hours, hosting of evening classes, facilitation of ICT skills and especially in these times of COVID-19 where school going students and pupils have to rely on online sources for Learning and communication. Access to solar home systems has been shown to increase the average study time of children living in the households by 2 hours per day. Moreover, more than 85% of children that gain access to solar home systems demonstrate stronger performance in school as compared with before their family accessed a solar home system.

Agriculture and rural economies: The ability of solar home systems to power productive use appliances is a game changer. Solar water pumping connected to irrigation has contributed to income generation through increased crop yields and more planting seasons per year. This has improved food supply. Furthermore, the solar off-grid sector employs and is responsible for more than 20,000 livelihoods; more than 80 percent of these employees and sales agents are based in rural parts of the country where underemployment rates are exceptionally high.

To this end, we appeal to the Parliament to withdraw the proposed deletion and retain Paragraph 45 of the first schedule to VAT Act No. 35 of 2013

Clean cooking

Approximately 71% of the Kenyan population use a type of wood stove as their primary or secondary cooking appliance, with a greater prevalence in the rural setups that comprises 92% of the population. These sources of fuel are characterized by polluting and toxic fumes which puts households at risk from contracting respiratory ill-health especially women and children.

The Clean cooking sector has enjoyed fiscal incentives including zero-rating of VAT and exemption on clean cooking solutions like liquid petroleum gas, improved cook stoves and excise duty reduction on ethanol fuel for cooking. For instance; LPG usage has increased six times over the last two decades 1999-2018, approximately 0.6 million to 3.7 million households. This has mostly been driven by the zero-rating of VAT on LPG for households.

Deletion of paragraphs 65 and 67 will have the following impacts on Kenyan citizens and the economy at large on the following areas:

Health – Adoption of clean cooking solutions has saved the exchequer more than Kshs. 200 billion annually which could have been spent in health curative expenditures in the health facilities. Over 38 million Kenyans are exposed to Indoor air pollution leading to over 21,000 premature deaths annually in the country caused by use of polluting traditional cooking practices and unclean fuels, adding burden to the already strained health sector.

Environment: The sector has significantly contributed to achievement of Kenyan’s climate change aspirations. Under the Kenya National Climate Change Action Plans (2013-2017) and (2018-2022), it’s estimated that clean cooking has an abatement potential of 10 percent of the 30 percent target of reducing greenhouse gas emissions by 2030.

We appreciate the government's efforts as a front-runner across Sub-Saharan Africa owing to a track record of a well-defined energy mix of grid, and off-grid solutions needed to achieve universal electrification. The tax and tariff exemptions on solar products have proven to be effective instruments to encourage market growth. We therefore request parliament to support our proposals to ensure that all Kenyans achieve 100 percent universal access to clean energy by 2030.

Yours Sincerely,

ACCESS Coalition
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Sustainable Energy Access Forum – Kenya
Green Africa Foundation
Clean Cooking Association of Kenya
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