

Energy Supply– Uganda

Paving the way for private investment

The Ugandan economy is growing – and its demand for electricity is accompanying this growth. To satisfy the increase in demand for electricity in an environmentally responsible way, the barriers for private investments into renewable energy must be overcome. For this reason, the Ugandan government and the country’s Electricity Regulatory Authority (ERA) together with KfW Development Bank have developed the GET FIT Programme. It paves the way for additional private investments into renewable energy and is supported by the governments of Germany, Norway and the United Kingdom as well as the European Union (EU).

Background

Uganda impresses with consistent growth rates. However, accompanying this growth is also a steady rise in the need for electricity – approximately 8 % per annum. In order to guarantee the availability of energy new power plants with a capacity of 50 MW must be added to the power grid annually. The solution to a sustainable coverage of Uganda’s energy demand lies within the country’s large potential for renewable energy, especially hydropower, biomass and solar energy.

In the development and use of these resources the government is turning to the private sector. This is occurring not only because it cannot carry the large development costs and investments alone, but also in order to draw on the knowledge and experience of private enterprises in this field. However, so far smaller renewable energy projects are not financially appealing for investors. Furthermore, it is difficult for project

developers to receive domestic and foreign capital at reasonable rates due to banks’ fears of political and economic risks in Uganda.

Project approach

The primary objective of the GET FIT Programme is to overcome the barriers for private investment through small renewable energy projects between one and 20 MW. The programme is currently promoting 17 energy generating projects with an estimated combined installed capacity of 156 MW. Through this the Ugandan energy portfolio will receive an addition of much needed environmentally friendly and cost effective power plants.

To reach this goal GET FIT uses an innovative result-based approach by providing premium payments: Until

Project name	GEIT FIT Programme
Commissioned by	BMZ, Norway, United Kingdom, EU ITF
Country/region	Uganda
Project partner	The Ugandan Electricity Regulatory Authority (ERA)





The power of water, a source for sustainable energy. Source: KfW photo archive.

recently, only insufficient feed-in tariffs were available for private investors in the renewable energy sector. The GET FIT premiums are calculated and paid per kilowatt hour, on top of the valid feed-in tariffs. This mechanism guarantees developers an appropriate return and with it a sustainable shaping of their projects. The premiums are funded by the KfW Development Bank through grants from the governments of Germany, Norway, the United Kingdom and the EU. In addition, Great Britain is providing grants via GET FIT in order to expand the grid and in order to connect power plants once they are ready for operation to the an integrated grid system.

Through the support of the GET FIT Programme, project developers can successfully solicit domestic and foreign capital from banks at reasonable rates, and they can do so with secure financing for their projects. This way the potential for renewable energies will be developed through private means. Public funds of approximately EUR 94 million will allow for private investments of EUR 450 million.

Due to the positive experiences in Uganda other countries are interested in GET FIT as well. Thus, KfW supports countries in different parts of Africa in preparing for South-South exchange with colleagues from Uganda.

Impact

One bagasse, one solar and two hydro plants are finished and producing climate friendly electricity. The new power plants constructed under the GET FIT Programme will increase the electricity production in Uganda by 20 %. Simultaneously security of supply improves. Furthermore new energy technologies, among them the first grid-connected solar power plant,

will help diversify the country's energy portfolio.

The GET FIT programme will grant another 1.2 million people access to modern electricity and with that contribute to sustainable social and economic development in Uganda. Moreover, the programme will also cut the country's CO₂ emissions by approximately 11 million tons per annum and support Uganda in the transition to an environmentally friendly, low-carbon future. The programme also creates jobs – around 1,500 in the year 2016 alone. More are to come in the future as people are needed in the construction and operation of the plants.

Uganda regularly hits top positions in different indices about investments in renewable energy in emerging markets – a clear signal of an improved investment climate. Also, the government of Uganda with the support of GET FIT increased the feed-in-tariffs on an adequate level and thus enables more private investments after the programme has ended. New plants are in the process of being planned and developed.



Contact

KfW Group
Business area: KfW Development Bank
Palmengartenstrasse 5-9
60325 Frankfurt am Main, Germany

Competence Centre Climate and Energy
Florian Ziegler
florian.ziegler@kfw.de

Katrin Kästle
KfW Office Uganda
Plot 6A, Acacia Avenue
Kololo – Kampala,
telephone: +256 204 438 860 /1/2/3/4
kathrin.kaestle@kfw.de