Special Report on Kenya

Kenya’s Potential Energy Boom
The countries for the *Peace & Justice Update*
have been chosen as areas of focus at the institute.

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Special Report on Kenya
Kenya’s Potential Energy Boom
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The Lake Turkana region in Kenya will constitute the site of two major developments in the country’s energy sector as various news sources confirmed the commencement date of the Lake Turkana Wind Project (LTWP) on March 28. The reports coincided with the discovery of oil in the region, marking the first such finding in the country’s history.

The Lake Turkana Wind Project (LTWP)
The $775 million LTWP will start in June and is currently awaiting the finalization of risk guarantees from the IDA and MIGA, two financial institutions which are part of the World Bank. Also backed by the African Development Bank, this will mark the largest single private investment in the East African nation’s history.

Project planners foresee 365 wind turbines to be deployed in Lake Turkana, which will provide a total of 300MW to the national power grid, approximating 20 percent of Kenya’s current energy demand. This production is expected to begin in 2014 and reach full capacity within its first year of development.

A Way toward Energy Independence
Currently, Kenya’s energy supply, 60 percent of which stems from hydroelectric power, is based on a very fragile system which is influenced greatly by fluctuations in times of draughts and irregular rainfall. In addition, Communications Director and Spokesperson for the UN Environment Program in Nairobi Nick Nutall notes, “Kenya has no oil or coal that has been exploited to date, which means the country is dependent on imports and the vagaries of an oil price that can soar to some $150 a barrel and drop to $40 a barrel.” Nutall is therefore convinced of the necessity to step up alternative energy production since “the sun and wind are free once the upfront costs have been covered.”

According to LTWP Corp., the project will provide $261 million in carbon credits, which will be shared with the government and the surrounding community, and it will deliver power to nearby towns through four new 33KV transmission lines.

About 2,500 jobs will be necessary for the 32-month construction period and an additional 200 permanent full time jobs will be created for its operation. There is “no reason to suggest the wind farm in Turkana could be anything but positive for local people, especially if it generates jobs in...”
maintenance and diversifies livelihoods either by direct employment or via the availability of clean electricity to nearby communities,” states Nutall.

The project will not need government subsides, since the generated electricity will be sold to Kenya Power for approximately $9.90, making it the cheapest energy available in Kenya.

Kenya’s Geothermal Power-Plan
In trying to overcome its dependence on foreign fossil-fuel imports and diversify its energy sources, Kenya has also been the first country in the region to tap geothermal energy under the Rift Valley.

KenGen is a state-owned power-producing company, delivering about 80 percent of the energy consumed in the country. It is planning to network the region around the East African Rift Valley by interconnecting the power supply of the countries of Kenya, Uganda, Ethiopia, Tanzania and South Sudan.

Focusing his attention on geothermal electricity generation near Naivasha, “and the potential of solar in Kenya,” Nick Nutall now sees a great opportunity for Kenya to “become a zero-emission economy in the field of electricity generation over the coming years.”

However, everything may change.

“Black Gold” in Kenya
Kenya’s president Mwai Kibaki informed the nation in a special announcement April 3, that the Anglo-Irish firm, Tullow Oil, discovered oil in its first exploratory drill in Kenya’s Turkana region. “It is very good news,” says Kibaki.

Energy Minister Kiraitu Murungi noted that the oil will take three years to be deemed commercially beneficial.
Tullow Oil, which has previously found oil in Ghana and Uganda, hit an excess of 20 meters of net oil in their first drilling in Turkana. The head of the drilling operation, Angus McCoss, termed the finding to “surpass expectations.”

Energy Minister Kiraitu Murungi told the press that according to Tullow Oil, Kenya’s oil resources could be bigger than Uganda’s, which currently stand at 1.1 billion barrels. Estimates show that another 1.4 billion barrels of oil are still undiscovered, amounting to a total value of some $250 billion.

*Oil as a Game Changer*

With a GDP of $36 billion so far, this of course means ground shaking news for Kenya. While the oil discovery raises hopes for the country to finally be able to cut its dependence from foreign oil-imports, it bears further great economic and political implications. Due to its lack of known essential natural resources, the country’s significance in international affairs has suffered. However, these dynamics could change with the nation’s potential for becoming a regional oil and energy giant.

The discovery of oil in the Kenyan part of the Rift Valley is expected to cause drilling on the Ethiopian side as well. Just like South Sudan though, Ethiopia is a landlocked country, making both countries dependent on Kenyan pipelines to transport and export their oil efficiently.

As a matter of fact such a pipeline is already in construction. The $23 billion Lamu Port South Sudan Ethiopia Transport Corridor (Lapsset) is expected be finished by 2015, while talks about an additional pipeline linking Nairobi and Tanzania have now started as well.

Considering the financial, economic and political implications, the discovery of oil also brings upon some great responsibility challenges for Tullow Oil and the Kenyan government (GoK). Some Ugandan politicians of have alleged that Tullow Oil has corrupted other politicians. The company has denied the allegations.

*The Great Dangers*

Kenya currently ranks 154th on Transparency International’s corruption perception index and with national elections scheduled for 2013, concerns are being raised already. “Kenya has a pretty poor reputation where corruption is concerned, and any situation where billions and billions of dollars are floating around is fraught with temptation,” the *Daily Maverick* asserts.

> “Whoever leads Kenya next could control hundreds of billions of extra dollars, which raise the stakes – and the incentive for violence – significantly.”

After the 2008 election process, violence along ethnic and party lines erupted throughout Kenya, resulting in more than 1,300 deaths and massive displacements. The *Daily Maverick* worries that “whoever leads Kenya next could control hundreds of billions of extra dollars, which raise the stakes – and the incentive for violence – significantly.” With the impeding
elections in a country that still seems very much divided, the big oil findings could therefore end up being a curse rather than a blessing.

While Kenya has been heavily reliant on foreign direct investment and the tourism sector, as well as its agriculture, it has grown to become East Africa’s biggest economy nonetheless. With its renewed striving for long-sought energy independence and political regional significance, managing wind power and oil resources in its tumultuous political environment might prove to be the biggest challenge the country has ever faced. Conversely, success could mean great prosperity.

Captial FM, Tagesanzeiger, March 26; Hydrogenfuelnews, March 27; All of Africa, Die Zeit, March 28; CPI, EVWIND, April 6; Frankfurter Rundschau, Standard Mobile, April 11, 2012.