



# WHAT POWER AFRICA MEANS FOR TANZANIA

## Tanzania Energy Sector Overview

The Government of Tanzania's (GOT's) Big Results Now (BRN) initiative for 2016 aims to phase out high cost emergency power plants (EPP), increase generation capacity to 2,780 MW, reform the public utility's (TANESCO's) operations, and meet new demand through low-cost solutions, such as developing new gas resources and mini and off-grid renewable opportunities. Recent gas discoveries have quadrupled Tanzania's known resources. A new gas pipeline, necessary for new gas generation from southern Tanzania to Dar es Salaam is under construction and scheduled for completion in late 2015. Tanzania has 1,226 MW of grid installed generation capacity to serve its population of over 47 million, and an additional 82 MW in isolated mini-grids. High reliance on expensive thermal and emergency generation sources that utilize diesel, heavy fuel oil or jet fuel have made the sector financially unviable.

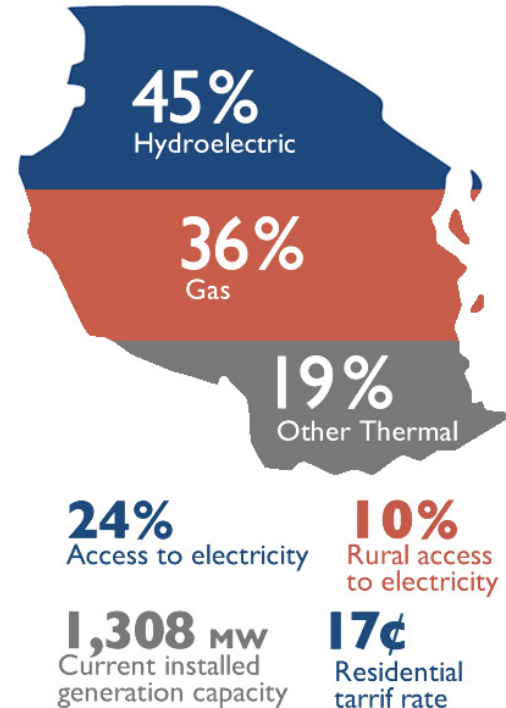
Tanzania has made progress by entering agreements with independent power producers, who bring know-how and technology, and establishing feed-in tariffs that provide many of the commercial terms that would otherwise delay negotiations on power purchase agreements (PPAs). The GOT is publicly committed to improving TANESCO's viability through tariff reform allowing for full cost-recovery and operational improvements to the management of the utility. TANESCO's received a 39% tariff rate increase from the regulator, EWURA, effective January 2014, increasing the average rate to 17 cents/kWh and the Electricity Supply Industry Reform Strategy and Roadmap was adopted by the GOT in June 2014.

## Power Africa Support

Power Africa is supporting the Tanzanian energy sector through transaction assistance for priority generation projects, technical advice to release the constraints to private sector investment, and capacity building for key institutions. The 150 MW Kinyerezi I gas-fired thermal plant continues to advance, with the final two of four GE turbines delivered at site and on-track for commissioning by June 2015.

The 10 MW Kiwira River small hydro project received a Power Africa portable loan guarantee and received four term sheets from local banks. Final loan source is agreed and finances will close by June 2015. Power Africa's collaboration with EWURA on revision of renewable energy feed-in tariffs is working towards an improved PPA for renewable energy projects, while support to TANESCO on load management strategies has potential to limit future usage of high-cost EPP generation and reduce TANESCO losses, improving sector viability.

## Current Generation Input Mix



Sources: World Bank Databank, 2010; TANESCO Operations Report, 2013; EWURA website; National Bureau of Statistics, 2011

Highlighted Transactions						
Name	Megawatts (MW)	Type of Transaction	Value (USD Million)	Timeline	Power Africa Support	GON Actions
Kinyerezi	150 MW	Gas Generation	\$183	<ul style="list-style-type: none"> <li>TANESCO payments to developer ongoing</li> <li>Construction 2014</li> <li>Operational 2015</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate financing</li> </ul>	<ul style="list-style-type: none"> <li>Possible sovereign guarantee from Ministry of Finance</li> <li>Prioritized TANESCO payments</li> </ul>
Kiwira River	10 MW	Small Hydro	\$22	<ul style="list-style-type: none"> <li>Construction mid 2015</li> <li>Operational 2016</li> </ul>	<ul style="list-style-type: none"> <li>Assistance with in-country lender through USG guarantee program</li> <li>Portable guarantee has assisted developer in obtaining a loan</li> </ul>	<ul style="list-style-type: none"> <li>Tax incentives through Tanzania Investment Center</li> <li>Standard PPA (SPPA) framework for small renewable projects</li> <li>Feed-in-Tariff</li> </ul>
NextGen/ Kigoma	5 MW	Solar	\$7.6	<ul style="list-style-type: none"> <li>Construction mid 2015</li> <li>Operational late 2015</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate financing</li> <li>Assist TANESCO and EWURA to resolve SPPA issues.</li> </ul>	<ul style="list-style-type: none"> <li>TANESCO, REA, to support actions that allow EWURA to resolve SPPA issue.</li> </ul>

## Leveraging Partnerships to Increase Access to Power in Sub-Saharan Africa

Power Africa, an initiative led by the U.S. Government, aims to increase the number of people in of sub-Saharan Africa who have access to power. Launched by President Obama in 2013, Power Africa works with African governments and private sector partners to remove barriers that impede sustainable energy development in sub-Saharan Africa and unlock the substantial wind, solar, hydropower, natural gas, biomass, and geothermal resources on the continent.

Power Africa’s goals are to increase electricity access by adding more than 30,000 megawatts of cleaner, more efficient electricity generation capacity and 60 million new home and business connections across sub-Saharan Africa.

Power Africa also includes the Beyond the Grid sub-initiative, which works to expand rural electrification and access to small scale and off-grid technology.

### A New Operating Model: Mobilizing Partnerships & Investments in Energy

A unique private sector led model, Power Africa draws on the combined expertise and abilities of 12 U.S. Government agencies, the World Bank Group, the African Development Bank, the Government of Sweden, African governments, and private sector partners. Power Africa’s “Toolbox” approach offers a range of resources and tools to advance key projects on the electricity grid, or beyond it. By leveraging U.S. expertise in energy technology and regulatory reform, combined with U.S. Government and private sector financial resources, Power Africa helps drive quick-impact interventions and policy

reforms to push for sustainable energy development.

To date, Power Africa has leveraged more than \$20 billion in commitments from the private sector for new on- and off-grid projects in sub-Saharan Africa. The U.S. Government is committed to providing more than \$7 billion in financial support, loan guarantees, and technical support. As a result, every dollar the U.S. Government has committed to Power Africa leverages almost three dollars in private sector investment commitments. Additionally, the African Development Bank, the World Bank Group and the Swedish Government have collectively committed an additional \$9 billion in support of Power Africa.

#### Power Africa Contact for Tanzania:

Sharon Pauling, Power Africa Country Team Leader  
Email: [spauling@usaid.gov](mailto:spauling@usaid.gov)

#### U.S. Government Coordinator for the Power Africa Initiative:

Andrew Herscowitz  
Email: [powerafrica@usaid.gov](mailto:powerafrica@usaid.gov)  
Follow on Twitter: [@aherscowitz](https://twitter.com/aherscowitz)

For more information on Power Africa: visit [www.usaid.gov/powerafrica](http://www.usaid.gov/powerafrica) or email [powerafrica@usaid.gov](mailto:powerafrica@usaid.gov)

