



USA – KENYA CHAMBER OF COMMERCE
Your Partner in Africa & America *Presents*



**AMBASSADOR
ELKANAH ODEMBO**

December 17, 2010 ▪ 9:00am-10:30am
Duane Morris, 30 S 17th St, Philadelphia, PA

**Roundtable Discussion
One-on-One Principals Meetings**

Kenya Energy Sector Opportunities
An Overview of the Sector and Opportunities for American Market Access

The USA-Kenya Chamber of Commerce and its partners cordially invite you to join Ambassador Elkanah Odembo, Kenyan Ambassador to the United States for a discussion on business opportunities in Kenya’s Energy Sector. The Government of Kenya is availing opportunities in energy exploration, generation, transmission, equipment supply and utility management. Geo-thermal, wind, solar and other alternative energy sources are being sought to supplement Kenya’s heavy reliance on hydroelectricity. Interested and qualified parties have an opportunity to meet Ambassador Odembo for a one-on-one meeting to discuss details and next steps. There will also be an opportunity to travel to Kenya on a customized USA-Kenya Chamber of Commerce trade mission to further discussions with key stakeholders in Kenya from March 7-11, 2011.

Kenya is a Key Trading Partner of the United States with

- ⇒ Over \$1 billion in annual trade (imports and exports)
- ⇒ U.S. Exports to Kenya total around \$600 million annually
- ⇒ U.S. Exports include Aircraft, Industrial Machinery, Electrical Machinery, Vehicles, Cereals, Vegetable Oils, and Coarse Grains with opportunities and bandwidth for more product and service introductions.

Kenya is East Africa’s largest regional economy with a sophisticated and highly deregulated free market that is experiencing aggressive growth in

- | | |
|-------------------------------------------|-------------------------------------|
| ⇒ Infrastructure Development | ⇒ Finance and Banking |
| ⇒ Renewable and Alternative Energy | ⇒ Agri-Business and Agro-Processing |
| ⇒ Healthcare | ⇒ Manufacturing |
| ⇒ Information Communications Technologies | ⇒ Tourism and other industries. |

This is an opportune time to grow your business through exports to a well capitalized market with outstanding returns. Whether exporting or investing, Kenya is the preferred commercial destination in East and Central Africa. Meet Ambassador Odembo to discover how you can access this emerging market of Kenya and the East African Community.

Sponsored by



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Kenya Energy Sector Overview

Overview

The Government of Kenya is strategically aligned, committed and invested in the development of reliable and affordable electricity. The country is faced with numerous brownouts, blackouts, power surges, damage to equipment, and back-up and emergency electrical power sources which account for the high cost of electricity. The high cost of oil and changing weather patterns has also contributed to high electricity prices, with Kenyan electricity costs being ranked among some of the highest in the world.

The major sources of electricity in Kenya are hydroelectric, geothermal, thermal, imports from Uganda and cogeneration by sugar companies, (Hydroelectric 757MW, Geothermal 162MW, Thermal 401MW, Cogeneration 26.0MW, Imports 0.2MW). There is also an additional 286MW of emergency diesel power that is run by Aggreko. This covers shortfalls occurring due to reduced water levels in the hydro dams occasioned by an ongoing drought over the last three years that saw KenGen shut down one of its hydro plants in 2009. The total installed capacity is 1,647 MW but the effective capacity is 1,433 MW compared to a daily peak demand of 1,106 MW. The gap between installed and effective capacity points to system losses in transmission and distribution and the need for investment in both areas. Over the past five years Kenya's demand for electricity has grown by 10% annually, while supply grew by 8%. According to the Ministry of Energy, demand is expected to grow by 7% annually over the next 10 years, reaching 3,066 MW by 2018 and 4,647 MW by 2022.

Currently the industry is split into several government agencies. The oversight agencies include the Ministry of Energy, the Energy Regulatory Commission (ERC) and the Energy Tribunal. The Ministry of Energy is responsible for overall policy formulation and energy planning in the energy sector. It also grants and revokes generation and distribution licenses upon recommendation of the ERC. The ERC does technical and economic regulation in power and petroleum sub-sectors, including tariff setting and review while the mandate of the Energy Tribunal is to settle of disputes arising from contested rulings by sector players of ERC's ruling(s).

Kenya's power sector is dominated by state-owned companies in generation, high voltage transmission, and distribution. Virtually all public contracts in energy are won by countries who provide grant assistance (which need not be repaid) in conjunction with commercially financed equipment and services. The U.S. Government has not to date offered grants bundled with commercial offers. As a result, bids by US firms to Kenyan government entities have been uncompetitive.

The government owned Kenya Electricity Generating Company (Kengen) created in 1997, carries out most power generation, supplemented by a handful of private sector investors licensed as Independent Power Producers (IPPs). KenGen has identified four promising geothermal sites: Longonot (140MW), Menengai (140MW), Suswa (70MW), and North Rift (140 MW). In an effort to reduce dependency on thermal and hydroelectric power, the government set up the Geothermal Development Company (GDC) in 2008 to assume the cost of developing geothermal steam fields to reduce risks and promote the rapid development of geothermal. Kenya has a potential of 4000MW of geothermal power and is inviting private investors.

In addition to the Geothermal Development Company (GDC), the Government of Kenya also set up the Kenya Electricity Transmission Company (KETRACO) in 2008 to accelerate the development of transmission infrastructure by construction of any new high voltage power transmission lines within the network and removal of this cost from the retail tariff. It is hoped that the new entity will connect a million new customers to the national grid by 2012.

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The Kenya Power and Lighting Company (KPLC) holds the exclusive rights to distribute, market, and sell electricity in Kenya. KPLC has power purchase contracts with KENGEN and the IPPs. In addition, the government established the Rural Electrification Authority (REA) in 2007 to spearhead electrification projects in rural areas, where connectivity currently stands at only 10 per cent. The REA coordinates the implementation of rural electrification projects with the help of KPLC who act as contractors on their behalf. The program aims to connect load centers such as schools, trading centers, health centers and public institutions and households nearby. The goal is to provide electricity to 40% of the rural population by 2020. During the financial year of 2008/2009, the number of customers connected by REA was 209,724.

To make electricity more affordable and reliable, the Government of Kenya has reduced the VAT charged on heavy fuels used in generation from 16% to 12%. Because downstream taxes are assessed on top of prior taxes, this reduction could yield a drop in the cost of electricity of up to 23.5%. Furthermore, the Geothermal Development Company (GDC) will underwrite any dry wells sunk by private developers so as not to pass these costs to consumers.

Best Products/Services

Although installed capacity is relatively small (compared to 50,000 MW in the U.K. and 31,000 MW in South Africa, for example), Kenya is the leading generator in Eastern Africa. Access to electricity in Kenya is only about 18%, with much of rural Kenya without any electrical power whatsoever. KPLC has formal electricity supply contracts with only about 1,356,997 customers, of which only 209,724 falls under the rural electricity program. The country's highest achieved annual sales were 6500 GWh.

The transmission network comprises about 4000 km of 220 kV and 132 kV transmission lines, and 36,200 km of distribution lines on 66 kV, 40 kV, 33 kV and 11 kV. Low voltage lines operate at 240 V and 415 V total about 22,000 km. Best prospects for U.S. exporters include drilling rigs and associated equipment for geothermal wells, electric and electrical cables, transformers, electric meters, electric poles, and switchgear.

Opportunities

While very large investments are being made by the Kenyan government in power generation and distribution, competitor nations routinely block US firms by providing free money in the form of grants, which are tied to their companies' offers. Currently, US firms may consider private investment in power generation, or they may sell to those who win public contracts.

One of the areas of particular interest to foreign suppliers includes rural electrification with the Government of Kenya setting aside tens of millions of dollars for rural electrification projects. Currently only 18% of Kenya's population has access to electricity and of that only 6% is rural population. Other areas include technical improvement of the distribution grid, bagasse cogeneration and geothermal. Kenya has a vast potential for geothermal production with estimates of up to 4000MW. However, the current production stands at less than 200MW, with 48MW of this being produced by an Israeli investor, Ormat.

The Government of Kenya (GOK) intends to establish a —National Energy Advisory Council to devise a comprehensive action plan for the expansion of energy sources over the next 20 years. The GOK also intends to form a task force to amend the Energy Act of 2006 to accommodate the development of nuclear, wind, biomass and solar energy. These are key areas of investment since there is no local production of the equipment needed in any of these sections. Currently, a foreign investor, Lake Turkana Wind Power Company, is developing a 300MW wind power project that is to be fully commissioned in 2012.

The GOK would like to see the private sector construct its first medium-sized nuclear plant by 2015. Investors would be offered a 30-year power purchase agreement on a Build-Own-Operate-Transfer (BOOT) arrangement. In addition the Ministry of Energy is assessing coal deposits and has to date drilled 34 wells and will soon float a competitive tender for the drilling of another 20 appraisal wells. If the wells are found to be viable then the GOK will seek tenders for a dry dock for coal and a 300 MW coal-fired plant in Mombasa.

Other opportunities include future investment in KPLC, concessioning, the privatization of isolated power stations to improve efficiency and lower power costs, the financing of power expansion projects with private funding instruments, the manufacture and fabrication of electrical equipment such as transformers, cables and switchgear; and a joint venture for a purpose-built facility of up to 600 MW for a Canadian firm with 30% U.S. ownership engaged in mining activities in the Coast Province.

Incentives

The Government of Kenya is willing to offer private investors incentives including

Hydroelectric Projects:

- ⇒ 15-year income tax holiday for hydroelectric projects with an installed capacity of 50 MW
- ⇒ 10-year income tax holiday for projects with an installed capacity between 20 MW and 49MW
- ⇒ 7-year income tax holiday for projects with an installed capacity of below 20 MW.

Geothermal and Thermal Plants:

- ⇒ 10-year tax holiday for geothermal and thermal plants of 50 MW
- ⇒ 7-year tax holiday for geothermal and thermal plants of 30-49 MW
- ⇒ 5-year tax holiday for geothermal and thermal plants of 10-29MW

Renewable Energy Projects:

- ⇒ 7-year tax break for investors in renewable energy and dividends earned from investments in domestic energy.

The incentives shall be maintained until 70% of the population is connected to electricity.

Resources

Energy Regulatory Commission – www.erb.go.ke

Kenya Electricity Generating Company – www.kengen.co.ke

Kenya Power & Lighting Company Ltd – www.kplc.co.ke

Ministry of Energy – www.energy.go.ke

Kenyan Embassy (Washington, DC) – www.kenyaembassy.com

U.S. Embassy (Nairobi, Kenya) - <http://Nairobi.USEmbassy.gov>

Kenya Investment Authority – www.investmentkenya.com

USA-Kenya Chamber of Commerce – www.uskcc.org

About the USA-Kenya Chamber of Commerce

The USA-Kenya Chamber of Commerce is a non-profit, non-partisan, and non-governmental organization whose mission is to enhance mutual partnership, trade and investment between the USA and Africa - with a core competence and focus on transactions between the United States, Kenya and South Africa. We serve as an information resource for strategic market data, as a facilitator of stakeholder networking, and as a voice for our members and business community in the creation of ideal business and economic conditions that foster growth and prosperity in the private sector. Call the USA-Kenya Chamber of Commerce at 610-703-0287 or visit www.uskcc.org



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Biography

Ambassador Elkanah Odembo

Ambassador Elhanah Odembo, Kenyan Ambassador to the United States of America

Ambassador Elkanah Odembo comes to Washington after serving as the Ambassador of the Republic of Kenya to France since January 2009. Prior to representing Kenya abroad, Ambassador Odembo held senior level positions at philanthropic and non-governmental organizations in East Africa for more than two decades. Advocating for human rights and social Justice has always been at the core of Ambassador Odembo's work.

He was the founding director of Ufadhili Trust, a Nairobi based organization that promotes philanthropy, the use of local resources for social development, especially through corporate social responsibility, cross-sector partnerships, technical assistance and policy research.

Prior to founding Ufadhili, Ambassador Odembo served as a consultant to the Ford Foundation's Africa Philanthropy Initiative. For 10 years, he was the East African Representative for the International NGO, World Neighbours. Odembo began his development career as a Research and Training Officer at the African Medical Research Foundation. He later became Chairman of the Kenya Community Development Foundation, a lead facilitator for the Kenya Poverty Reduction Strategy Paper Consultation Process. Between 1994 and 1998, Odembo was the first Substantive Chairman of the Kenya NGO Council.

He has served as a distinguished member of the National Advisory Committee for Health Research, the NGO Co-ordination Board of Kenya, and the National Committee for Social Dimensions of Development. Additionally, he was one of the founding members of the NGO Coalition for East Africa and has served on the Boards of several National and International NGOs.

Ambassador Odembo is a Senior Fellow of the Synergos Institute, a non-profit organization based in New York committed to reducing global poverty by fostering partnerships among government, business, civil society and local communities. He is also a Fellow of the Africa Leadership Initiative, a program of the Aspen Institute's Global Leadership Network. In June 2010, Ambassador Odembo received the Common Good Award, from his Alma-Mater, Bowdoin College.

Ambassador Odembo has a bachelor's degree in biology from Bowdoin College, Maine, USA, and a Masters in Public Health from the University of Texas, Texas, USA. Ambassador Odembo and his wife, Aoko Midiwo-Odembo, have two children.

Useful Links

www.USKCC.org
USA-Kenya Chamber of Commerce

www.KenyaEmbassy.com
Kenyan Embassy – Washington, DC

<http://Nairobi.USEmbassy.gov>
U.S Embassy – Nairobi, Kenya

www.Energy.go.ke
Ministry of Energy

www.InvestmentKenya.com
Kenya Investment Authority

www.ExIm.gov
Export-Import Bank of the United States



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TRADE MISSION TO KENYA

March 7-11, 2011

Experience Kenya from a preferred vantage point! The USA-Kenya Chamber of Commerce Trade Mission enables your company to explore business opportunities in the country of Kenya, opportunities in the East African region, find specific business partners for your project locally, meet the relevant government representatives, meet strategic Kenyan entrepreneurs and access end consumers of your products and services. Businesses that are interested in entering the hub of East and Central Africa are invited to join us on a trade mission to explore Kenya from a preferred vantage point. Please contact the Chamber at info@uskcc.org or on 610-618-9063 for more details about the trade mission.

Why Do Business in Kenya?

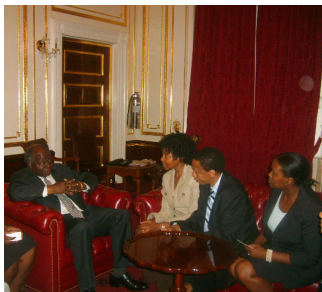
- Strategic Location—The Gateway to East Africa
- East Africa's Largest Economy
- Stable Currency—Kenya Shilling (KSh)
- High Returns on Trade and Investment
- Aggressive Economic Development Incentives
- Free Enterprise Economic Policies
- Highly Educated Local Workforce
- Expansive Regional Infrastructure
- Commitment to Public-Private Partnerships
- Intellectual Property Protections
- Sophisticated Fibre Optic Voice/Data Infrastructure
- Diversified Economy -Real Estate, Mfg, IT, Agri-Biz
- English is the Official Business Language
- Access 500 million people in East & Central Africa

Why the USA-Kenya Chamber of Commerce?

The USA-Kenya Chamber of Commerce is a non-profit, non-partisan, non-governmental organization whose mission is to enhance mutual partnership, trade and investment between the USA and Africa—with a core competence and focus on transactions between the United States, Kenya and South Africa. We serve as an information resource for strategic market data, as a facilitator of stakeholder networking, and as a voice for our members and business community in the creation of ideal business and economic conditions that foster growth and prosperity in the private sector.

The objective of the USA-Kenya Chamber of Commerce is to facilitate and aid companies on both sides of the Atlantic with finding suitable business partnerships, trade and investment opportunities as well as access to markets that result in increased business development for American and African companies. Visit www.uskcc.org for details.

USKCC at a Glance



USKCC with H.E.
President Mwai Kibaki of Kenya



USKCC Trade Mission Delegates meeting with Hon.
Minister Wycliffe Oparanya of Planning & Development



USKCC Trade Mission Delegates
Nairobi, Kenya, October 2008



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A Customized View of Kenya

For maximum effectiveness during your trade mission to Kenya, the USA-Kenya Chamber of Commerce will customize your trip to suit the specific needs of your business. To ensure that you hit the ground running, the Chamber will pre-arrange your meetings and coordinate the exchange of preliminary information before you arrive in Nairobi, Kenya. Preparation and stellar support are the cornerstones to a successful trade mission that delivers tangible results.

Testimonial from a Trade Mission Delegate

“The USA-Kenya Chamber of Commerce was instrumental in helping our company develop relationships and strategic plans in pursuit of expedited success for our projects in Kenya. Representatives from the USKCC worked with us prior to our visit to Kenya, they understood our services and goals, and subsequently arranged strategic meetings with Kenyan businesses and senior government officials, including cabinet members. Once on the ground in Kenya, our delegation was escorted to prearranged meetings while at the same time the USKCC remained flexible enough to adjust schedules as opportunities arose. The USKCC remains active and continues to support our goals post the trade mission with key interactions in both Kenya and the United States. The efforts and diligence of the USKCC are a critical factor for achieving our goals in Kenya and I strongly recommend them to anyone interested in doing business in Kenya and the region.”

- Ed Huffine, Vice President, International Development, Bode Technology, Lorton, VA

Cost & Logistics

<p style="text-align: center;">USKCC Trade Mission Fee \$2,500 Per Person Includes Setting Up Meetings, Support Staff Attending Meetings Coordinating Schedules in Kenya Transportation to and from Meetings</p>	<p style="text-align: center;">Travel Expenses Cost Varies Airfare, Hotel, Leisure Transport Meals and Entertainment are the Responsibility of the Delegate Including Safaris & Tours</p>	<p style="text-align: center;">Logistics Book Airfare, Leisure and Entertainment at Your Convenience Book USKCC Preferred Hotel at a Discounted Rate RSVP by Feb 1, 2011</p>
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Registration Form

Company: _____ Website: _____

Primary Contact: _____ Title: _____

Address: _____

Tel #: _____ e-Mail: _____

Please find enclosed my: __ Trade Mission Fee Deposit (\$1,000) __ Trade Mission Fee Final Payment (\$1,500)

Name _____

Card Number _____ Exp. Date _____ CSC _____

Signature _____ Amount \$ _____

Mail/Fax Registration and payment to **USKCC**, PO Box 87, Oaks, PA 19456 or Fax # 610-717-0012 by RSVP Date. USKCC Trade Mission Fees are Transferable within your company and Non-Refundable.

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