



THE REPUBLIC OF UGANDA

THE SECOND EXECUTIVE FORUM 2018 ON ELECTRICITY SUPPLY IN UGANDA

***THEME: DEMAND GROWTH AND ACCELERATED ACCESS TO CLEAN
ENERGY***

KEY NOTE SPEECH

BY

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**KAMPALA SERENA HOTEL
KAMPALA, UGANDA**

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The Permanent Secretary Ministry of Energy and Minerals Development
Chairperson and Board Members of ERA
The Chief Executive Officer and Management of ERA,
The Government Officials and Managing Director of Agencies present,
Representative of Development Partners
The representatives of the Private sector
Distinguished Participants,
Ladies and Gentlemen,

INTRODUCTION

1. I am delighted to be here today to deliver this keynote address at the second Executive Forum on Electricity Supply in Uganda under the theme: '***Demand growth and accelerated access to clean energy***'
2. I wish to thank ERA for organizing the Second Forum which will provide a platform for the leaders in the Electricity Supply Industry to review progress made with regard to the implantation of strategies agreed upon last year.
3. This is very important realizing that Government of Uganda is committed to improving electricity generation, transmission and supply to support industrialization as well as ensuring universal access to affordable, reliable and modern energy services.
4. As you are all aware, access to modern energy services is a necessary precondition for achieving sustainable development goals such as poverty reduction, access to clean water, improved public health, better education, women's empowerment and increased food production.

5. The current level of electrification estimated at about 25% is an impediment to the achievement of our National Vision 2040 which is “A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years”.

MEASURES FOR INCREASED GENERATION CAPACITY

6. To ensure adequate supply of power, we are now developing the Karuma Hydro power plant 600MW and 183 MW Isimba Hydroelectric Power Project as public projects. Construction of the two power plants is in progress. Isimba Project is to be commissioned at the end of 2018 while Karuma project will be commissioned in 2019. Progress of the projects is at 85% and 78% respectively.
7. Other Generation projects being developed include: 50 MW from Cogeneration by private companies in sugar production using bagasse; Development of small hydropower plants with a total capacity of over 150 MW being developed by the private sector; Development of 83 MW on Agago river by PAC Spa of Italy; 60 MW from Solar PV; and studies for the Development of Orianga (400MW), Kiba 300 MW Hydro Power Plants, and Uhuru (600 MW) projects are still on going.
8. In order to increase the transmission infrastructure, Government has planned to undertake the construction of several transmission lines to evacuate power from the generation plants. These include; 264 km of 400KV, 396km of 220KV and over 1500km of 132KV. Along with these transmission lines will be associated infrastructure for the sub-stations.

MEASURES PUT IN PLACE TO CREATE DEMAND

9. Government is now putting emphasis on growing the demand through a number of interventions. The key ones include:

Construction of Industrial Parks

10. Government has started on putting in place twenty-five (25) industrial Parks. The Four (4) parks at construction stage by CAMCE with financing from China Exim Bank include; Namanve, Mukono, Iganga and Luzira. These are expected to increase the industrial demand by 200MW in the short term.
11. New industries are being set up in Tororo (Usukuru, Simba and Hima cement), Kapeeka, Kasaana, Nakasongola, Mbale and the associated loads in the mining subsector will take up a considerable amount of power to be generated in the medium term.

Rural electrification programs

12. For us to have an accelerated access programme, Government has introduced the Electricity Connection Policy which was approved by Cabinet in March 2018. The Policy aims at addressing the major challenges that have hindered increasing access to electricity. The goal of the Electricity Connection Policy is to achieve a national coverage to electricity of 60% by 2027.
13. The main Objectives of the connection policy are:
- a) Increase number of connections made annually from the current average 70,000 to 300,000 connections.
 - b) Increase electricity demand on the main grid by 500MW by 2027

14. The strategies to archive these objectives include:
- a) Subsidizing the connection charges for eligible customers existing within the low voltage distribution network. Customers will be required to cover the cost of internal wiring and inspection fees while the Government will meet all other associated charges for the connection.
 - b) Undertake grid densification and intensification, prioritizing areas to be electrified that have potential for creating demand while ensuring equitable provision of services across the country.
 - c) Introduction of technical standards and low cost technologies for wiring and connection such as ready boards which provides a lighting and socket for customers who are not able to wire their house.
 - d) Putting in place mechanisms that enable customers pay their contribution to the connection cost over a period of time.
 - e) Enhancing the capacity of Service Providers to meet the increased connection targets by facilitating acquisition of connections materials, capacity building and institutional strengthening.
15. Fast-tracking rural electrification through electrification of the 285 sub counties to accelerate access and contribute to demand growth.

Reduction of the Bujagali Tariff

16. Government is committed to providing power at affordable tariffs to make our industrial sector competitive.
17. To reduce the tariff, in the short term emphasis has been put on lowering the tariff for the Bujagali hydropower Plant. Three major strategies have been pursued namely:
- a. Waiving Corporate Income Taxes for Bujagali hydro power plant.
 - b. Refinancing of the Bujagali Hydro Power Plant.

- c. Increasing the plant factor of the generation plants by increasing demand.
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- 18. Corporate Income Tax for Bujagali Energy Limited was waived off by GoU in July 2017. As a result, during the period 2018-2022, the CIT waiver decreased the Bujagali Tariff from US cents 13.83 per kWh to US cents 10.62 per kWh.
 - 19. With regard to refinancing, last week we concluded the signing of the necessary Agreements regarding the refinancing the project debt with Bujagali Energy Limited (BEL) and the Lenders
 - 20. When the proceeds of the refinancing are utilized, the benefits arising from refinancing of the Bujagali plant will be mainly targeted to reduce the electricity tariff of Uganda's 39 extra-large manufacturers. This will enhance their competitiveness in the East African region.
 - 21. When we implement this initiative, the electricity tariffs for extra-large industrial manufacturers will reduce by about 20% from the current average tariff of US cents 10.0/kWh. We expect the benefit of the refinancing to be reflected in the tariff to be announced by the Regulator in the next quarter.
 - 22. With reduced tariff of extra-large industries that consume about 26% of the electricity generated, we expect increase in production capacities of the industries and hence increase in the power demand.

CONCLUDING REMARKS

23. As I conclude, I wish to let you know that Government has prioritized Energy Development as a high-level issue for the country and as a result considerable investment is being channelled towards development of energy infrastructure.
24. Now that we expect increased generation capacity in the near future, more emphasis is now being put creation demand and increasing energy access to support industrialization, to create jobs and transform society to middle income earners.
25. I call upon the sector players to fast track the various evacuation projects and access projects to minimise the potential of paying for deem energy and having idle capacity.
26. Let me take this opportunity to thank all our partners who include the financiers, the developers and service providers who are represented here for your continued support to the energy sector. It is your support that has enables the sector to grow.
27. I wish to assure all of you especially the private sector of Government support as you continue to invest in the Ugandan energy sector.
28. With those few remarks, I wish to thank you all for your kind attention and wish you fruitful deliberations.