

PRESS STATEMENT

DIVERSIFICATION OF ZAMBIA'S POWER SECTOR IN THE FACE OF LOAD MANAGEMENT AND INCENTIVES FOR SOLAR EQUIPMENT

An adequate power supply underpins any successful economy. However, Zambia has struggled to generate enough electricity to meet growing demand as the country has developed. This longstanding issue came to a head in 2015/16 and now in 2019 when poor rains depleted the hydroelectric power stations which provide over 83% of Zambia's power. The ensuing load-shedding in 2015/16 and 2019 has had severe consequences for the economy, as businesses scale back production, small to medium sized enterprises struggle and households experience blackouts. As demand continues to grow, it is essential that Zambia gets energy generation right if the country is to fulfil its potential for growth. PMRC has long been an advocate of Renewable Energy Master Plan to actualize the aspect of a viable energy mix for Zambia. Indeed massive opportunities for diversification do exist in solar and geothermal energy.

While the country appeared to have overcome short-term challenges in electricity generation after power cuts in 2014-15 the fundamental challenge of exponential increases in demand remains as evidenced by the power deficit currently being experienced that has resulted in increased power outages throughout the country. PMRC work in the power sector has highlighted the challenges

and modelled power demand by households and economic sectors to demonstrate the need to diversify power sector sources given the country's below-cost tariffs, complex procurement processes, planning bottlenecks, credit-worthiness of ZESCO Limited and regulatory environment in which the Energy Regulation Board exists. Furthermore, without diversification of power sources, power supply will remain vulnerable to seasonal rain patterns and long-term climate change. Moreover, the Government's fiscal position in the face of debt obligations owing to massive infrastructure investments limits the scope for direct investment in improved capacity.

Therefore, the key to adequately improving power supply in line with fiscal consolidation is through private sector investment in Independent Power Producers (IPPs) where the country has struggled to attract investments as well as demand side management measures. The Zambian Government in its efforts to mitigate demand for power has embarked on demand side management measures through the modification of consumer demand for power using various methods such as financial incentives for using energy efficient equipment and behavioral change through education. Some of the financial incentives include; the Customs and Excise

(Electrical Machinery and Equipment Regulations, 2008 Statutory Instrument No. 32 of 2008 which suspended customs duty on generators and other alternative sources of power such as solar panels. To compliment this, Government through the Value Added Tax Act (zero-rating) (amendment no. 2) order 2008 Statutory Instrument No. 33 of 2008, also zero-rated the supply of these items in order to make these affordable to the wider sector of the country. These measures as stipulated in the two Statutory Instruments imply that that NO customs duty and VAT should be charged on items such as energy efficient lighting lamps, solar geysers, solar batteries and generators as specified in the schedule. Added to this, the 2020 Budget further highlighted that in order to mitigate the impact of climate change and promote the use of alternative energy sources, Government has zero rated the supply of gas stoves, other gas cookers and gas boilers. To ensure that this measure is a success, there is need to engage with gas supply companies so as to have the commodity affordable to most citizens and to allay safety concerns.

However, PMRC notes that the application of SI 32 and 33 has not been consistent with some companies and individuals operating in the market reporting having to pay taxes on occasional imports due exemptions not being well defined and different interpretations at the various entry points. Given the quantum of taxes in import duties and value added tax this creates significant uncertainty for companies and individuals thereby raising the cost for end-users.

Further, the Energy Regulation Board (ERB) in 2017 revised the licensing regime for solar equipment which made it a requirement for all importers of solar equipment to obtain a licence from the ERB and quality certification from the country of origin with each shipment. This measure is meant to protect consumers from poor quality products that have in the past flooded the Zambian market and to protect investments made by businesses that have a high compliance rate towards standards.

PMRC would like to urge the Government to;

- Improve clarity in statutory instruments no. 32 and 33 of 2008 and thereby reduce scope for misinterpretation and misapplication.
- Explicitly state and distinguish between solar batteries used to store energy from ones used in different applications but using the same technology. There should be a clear categorisation of which specific solar product products are

exempted

- Waive Energy Regulation Board requirements for individuals importing solar solutions for personal or household use by specifying limits on what constitutes application for personal use.
- Scale up the implementation of the IDC Solar Project being set up in the MFEZ
- Urgently formulate a programme to set up further solar projects across the country under the PPP arrangement. Using Bilateral relations with some of the worlds leading nations in solar installation, we must begin to roll-out a massive solar instalment programme.
- Educate citizens on efficient use of power through sensitization programmes on safety of alternative sources such as gas and gas stoves whose duty was zero-rated in the 2020 budget.
- Provide greater incentives for power efficient equipment to increase uptake and reduce demand on electricity grid.
- Ensure ZESCO regularly conducts load-analyses and provides accurate information on load management to forestall panic usage. Load management must be applied fairly while giving priority to industry, health facilities and small medium-sized enterprises
- Overall there should be regular communication relayed to the nation by the Ministry of Energy, ZESCO and IDC; explaining measures being undertaken and also clarifying some misconceptions that may arise.

These measures if correctly implemented will help mitigate the power deficit in the medium term while the country strives to increase and diversify its power sector portfolio. PMRC calls on all stakeholders to come together and submit forth viable suggestions and recommendations that would expedite the mitigation of the current power deficit.

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