



Global Expertise. Local Insight



Trends and Development.

Global Trends and Developments

The global energy sector is undergoing significant transformation as countries respond to changing economic conditions, climate commitments, and evolving energy demands.

The following are some of the key global developments and trends shaping the energy sector today.

- **Surging Electricity Demand & Data Centers:** The rapid expansion of artificial intelligence and cloud computing is driving unprecedented electricity consumption, with data centers emerging as one of the fastest-growing sources of power

demand globally. This surge is pushing utilities and policymakers to accelerate grid investments and reconsider energy security strategies, often leading to an “all of the above” approach that balances renewable expansion with reliable baseload power from natural gas and other sources.

- **Renewable Energy Growth:** Clean energy deployment reached record levels in 2025, with global renewable, led by solar

photovoltaic technology which accounted for roughly three-quarters of all new installations. Despite facing grid constraints, regulatory hurdles, and policy uncertainty in key markets, renewables now represent a significant percentage of new power capacity additions and are projected to become the world's largest electricity source by mid-2026, fundamentally reshaping how energy is produced and consumed worldwide.

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Highlights

Several regulatory, investment, and infrastructure developments have shaped the Kenyan energy sector.

These developments can be grouped into policy reforms, renewable energy expansion, grid infrastructure, and energy transition initiatives.

The following are likely to be the major developments:

- Regulatory reform in power sector tariffs.
- National Electric Mobility Policy Adoption.
- Grid Infrastructure Investment.
- Expansion of solar and distributed energy.

1. Regulatory Reforms in Power Sector Tariffs

In a series of gazette notices dated January 5, 2026, EPRA withdrew three fundamental regulatory instruments: the guidelines for the computation of allowed return on equity, the guidelines for the computation of allowed return on Investment, and the benchmark generation tariff for geothermal power

all issued under Section 163(3) of the Energy Act, 2019.

The gazette notices also revoked indicative feed-in tariffs for small hydro, biomass, and biogas technologies, as well as benchmark tariffs for solar, wind, small hydro, biomass, and biogas under the Renewable Energy Auction Policy.

The regulations focus on fairness, especially in bulk supply agreements and tariffs, and they support renewable energy and mini-grids, encouraging new investments. They also require compliance with grid codes and environmental standards to ensure a stable and reliable electricity system.

Key Implications

- **Shift toward competitive, market-driven procurement.** The old fixed-benchmark system is being replaced by an auction-based approach, which will introduce competitive pressure that drives down the cost of new generation capacity over time.
- **Short-term regulatory uncertainty for Investors.** The gazette notices do not specify

what frameworks will replace the revoked guidelines or how tariffs will be determined for projects in the pipeline that were developed under the previous regulatory regime. This creates a meaningful gap between developers and lenders, who currently lack the pricing certainty needed to finance new projects. The Regulations promote competition in electricity distribution and transmission which will pave the way for a more efficient electricity sector in terms of costs and reliability.

- **Transition risk for existing projects.** Industry participants have raised concerns about projects that obtained expressions of interest approvals or signed PPAs under previous frameworks but have seen their long-stop dates expire or approach expiration during the moratorium. The sector requires clear guidance on the transition from existing procurement frameworks to the auction regime.

2. National Electric Mobility Policy Adoption

On February 3, 2026, Kenya's Ministry of Roads and Transport officially launched the National Electric Mobility Policy, a landmark shift moving the country's EV sector. This creates an enabling ecosystem to facilitate widespread adoption and set transition targets, update existing laws to remove barriers, promotes local content and manufacturing, and charts a gradual transition for public transport and government fleets.

The fiscal incentives package, through the Finance Bill 2025, the government introduced zero-rating of VAT on electric buses, electric bicycles, electric motorcycles and lithium-ion batteries, as well as a reduction of excise duty to zero percent on electric bicycles, electric motorcycles and lithium-ion batteries.

This additional fiscal incentives include reduced stamp duty for EV



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infrastructure development, incentives for property owners installing public charging points, and potential tax breaks and reduced electricity costs for EV charging consumers.

Key Implications

- Charging Infrastructure & Battery-Swap Operators.** New building regulations requiring 5% of commercial parking for EV charging create a mandated market. Real estate developers, mall operators and fuel station owners should move to install charging infrastructure ahead of enforcement. Battery-swap network operators should prioritise corridor and peri-urban expansion, as urban saturation approaches.
- Independent Power Producers (IPPs).** The revocation of fixed benchmark tariffs and return-on-equity guidelines creates a negotiation window. IPPs should immediately audit all existing PPAs and pipeline projects for exposure to the transition gap, engage EPRA proactively in shaping the new auction framework, and position for competitive bidding. Those who help design the new rules will fare better than those who react to them.
- Financial Institutions & Fintechs.** Asset financing for EVs has already been the single

biggest driver of bodaboda EV adoption. Banks and fintechs should develop purpose-built EV loan products, shorter tenors tied to demonstrable fuel savings, battery-swap subscription models as collateral, and group lending structures for boda boda cooperatives. The Total Cost of ownership advantage (30–40% cheaper than petrol) makes the credit risk more manageable than traditional vehicle financing.

3. Grid Infrastructure Investments

Kenya's grid infrastructure story is unfolding on three fronts; domestic transmission expansion, regional interconnection, and distribution modernisation.

Together, these constitute the most ambitious physical infrastructure programme the sector has seen and they are happening at a moment of record demand growth.

A good example of a grid infrastructure investment is the \$311M KETRACO Africa50–Power Grid Corporation PPP, the project was initiated as a Privately Initiated Proposal and received approvals from the PPP Committee, KETRACO's Board, EPRA and the Office of the Attorney General, culminating in the signing of project agreements on December 15, 2025.

Under the agreement, Africa50 and Power Grid will establish a project company to manage the infrastructure over the concession period, while



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KETRACO will make performance-based availability payments. At the end of the concession, all assets will revert to KETRACO free of encumbrances.

Key Implications

- **Private transmission investment is now an asset class.** The Africa50–Power Grid Corporation PPP is a landmark project. The first privately financed transmission project of its kind in Kenya. Africa50 described the initiative as a first of its kind PPP model for transmission in Africa, aligning public and private capital to transform power transmission across the continent. Infrastructure funds, pension funds and development finance institutions should treat Kenyan transmission as an investable asset class, particularly as the 30-year concession model with KETRACO availability payments offers long-term, predictable cash flows.

4. Expansion of Solar and Distributed Energy

Kenya's solar story is one of the most dynamic in Sub-Saharan Africa, and it is accelerating. As of 2024, grid-connected solar had grown by 20% to around 340MW of installed capacity — yet this represents just a fraction of the country's estimated 15GW of solar potential.

Solar currently contributes only about 4% of total generation, making it one of the most underutilised levers available in Kenya's push to 100% renewable energy by 2030.



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Commercial electricity tariffs have risen sharply since 2021, enhancing the financial case for on-site solar generation. Rising grid tariffs and growing use of diesel-based backup make energy costs volatile for businesses.

On-site solar systems deliver predictable power pricing and reduce exposure to fuel price shocks.

Key Implications

- **Commercial and Industrial solar is now a financial decision, not just an ESG decision.** Estimates

suggest Kenya's distributed C&I solar market could reach several hundred megawatts as companies pursue cost savings and energy security. Battery pack prices have fallen significantly, improving the economics of hybrid solar-plus-storage installations. Any business paying commercial electricity tariffs above KSh 16/unit should be actively evaluating rooftop or ground-mounted solar, the payback periods are now compelling without subsidies. Companies that delay risk being outcompeted by rivals with materially lower energy cost bases.

The contents of this Quarterly Update are intended to be of general use only and should not be relied on without seeking specific legal advice through the contacts below.

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