

COOPERATION FRAMEWORK

Between

The Government of Kenya

and

The Government of the United States of America

Regarding

Power Africa

This Cooperation Framework is jointly accepted by the Government of Kenya (hereinafter referred to as “GOK”), acting through its Ministry of Energy and Petroleum (hereinafter referred to as “MOEP”), and the Government of the United States of America (hereinafter referred to as “USG”), acting through the Office of the Coordinator of Power Africa and Trade Africa and the United States Ambassador in Kenya.

U.S. President Barack Obama launched the Power Africa Initiative (hereinafter referred to as “Power Africa”) on June 30, 2013, during his visit to Africa. Power Africa draws on the strengths, experience, methodologies, technologies, and resources (including human, in-kind, and monetary) of multiple USG agencies, including the U.S. Agency for International Development (hereinafter referred to as “USAID”), the Department of State (hereinafter referred to as “State”), the Overseas Private Investment Corporation (hereinafter referred to as “OPIC”), the Export-Import Bank (hereinafter referred to as “EXIM”), the U.S. Trade and Development Agency (hereinafter referred to as “USTDA”), the Millennium Challenge Corporation (hereinafter referred to as “MCC”), the Department of Treasury (hereinafter referred to as “DOT”), the Department of Commerce (hereinafter referred to as “DOC”), the Department of Energy (hereinafter referred to as “DOE”), the Department of Agriculture (hereinafter referred to as “USDA”), the U.S. Army Corps of Engineers (hereinafter referred to as “Army Corps”) and the U.S. African Development Foundation (hereinafter referred to as “USADF”).

Power Africa has set the goal of doubling the number of people in sub-Saharan Africa with access to electricity through a multi-stakeholder partnership among the Governments of Ethiopia, Ghana, Kenya, Liberia, Nigeria, and Tanzania (the Power Africa Focus Countries), the Government of the United States of America, the U.S. and African private sectors, and the African Development Bank, as well as other public and private partners. Power Africa aims to achieve its goal by accelerating investment in sub-Saharan Africa’s power sector through its partnerships over the next five years, adding no less than 10,000 MW of electricity and increasing the number of people with access to electricity by 20 million in the Power Africa focus countries.

The Government of Kenya and the Government of the United States of America share a long history of partnership of fostering economic development formalized under the Economic and

Power Africa Cooperation Framework Kenya

Technical Cooperation Agreement signed in Nairobi, Kenya on the July 30, 2014. The USG and the GOK (hereinafter collectively referred to as the “Participants”) also aim to help other developing countries to achieve sustainable economic and social development through development cooperation.

The Participants recognize the constraints to the delivery of electrical power throughout Kenya and seek to expand development cooperation between their Governments. The Participants adopt a transaction-based approach to promote equitable access to adequate, reliable, and affordable electricity to fuel economic growth, industrialization, and employment generation while protecting the environment.

Through this Cooperation Framework, the Participants seek to extend their successful collaboration to specifically include a new partnership that will increase significantly the amount of electricity available in sub-Saharan Africa. The Participants therefore express the following intentions:

GOK Power Africa Commitments:

1. The GOK expresses its support for Power Africa, which aligns with the GOK’s objectives outlined in Vision 2030, the Least Cost Power Development Plan (LCPDP), and the commitment to increase generation capacity by an additional 5,000 MW by 2016.

General Intentions:

2. Accordingly, the GOK intends to increase energy generation through creating or maintaining the following: policy and/or regulatory reforms, implementation commitments, physical infrastructure improvements, and enhancements to the energy investment enabling environment as also tabulated in Annex 1, with respect to the Energy Sector to:
 - a. Provide adequate supply of electricity;
 - b. Provide conducive environment for private-sector investment in the energy sector; and
 - c. Reduce cost of electricity supply.

Specific Intentions:

3. The GOK intends to take, inter alia, the following specific actions and/or activities in the Energy Sector:
 - a. Increase generation capacity by an additional 5,000 MW by 2016,
 - b. Expand and upgrade transmission and distribution networks to ensure reliable evacuation and delivery of power from increased generation to customers,
 - c. Maintain a cost-reflective tariff and creditworthy off-taker,
 - d. Develop and adopt project and off-taker risk mitigation schemes or structures consistent with international project financing in emerging markets,
 - e. Increase capacity for negotiating power purchase agreements,
 - f. Improve capacity building to enable proper integration and dispatch of wind generation,

Power Africa Cooperation Framework Kenya

- g. Improve energy sector planning,
 - h. Maintain current commitments to Kenya's environmental laws and legislation,
 - i. Strengthen Public Private Partnership (PPP) and Independent Power Producer (IPP) frameworks,
 - j. Utilize transparent, competitive bidding processes,
 - k. Reduce commercial losses and unpaid electricity bills, and
 - l. Reduce technical losses within the transmission and distribution networks via sustained investment.
4. The GOK expresses its support for the resources (including human, in-kind, and financial) that USG agencies intend to make available through Power Africa and intends that such resources provided hereunder shall be free from taxes imposed under laws in effect in Kenya.

USG Power Africa Intentions:

4. The USG, through its ongoing development programs, aims to continue to support GOK institutions responsible for the development and implementation of these commitments, and will further seek to better align its programs across all USG agencies with GOK priorities. The USG will take a transactional approach to assist in resolving issues impeding access to capital for projects currently seeking financing. Annex 2 provides an illustrative example of such projects. In addition to its ongoing development programs and specific transaction support to Sub-Saharan Africa, and subject to the availability of funds, the USG expects to take the following steps:

General Intentions:

5. EXIM will endeavor to make available up to \$5 billion in support of U.S. exports for the development of power projects across sub-Saharan Africa with the expectation that this will help increase trade opportunities for Power Africa focus countries thus increasing economic growth for all.
6. OPIC will endeavor to make available up to \$1.5 billion in financing and insurance to energy projects in sub-Saharan Africa.
7. USAID will endeavor to commit, subject to the availability of funding, an estimated \$285 million over to support Power Africa activities in the Power Africa focus countries. Illustrative regional activities that benefit all Power Africa countries may include, but may not be limited to:
 - (a) A \$5 million contribution to the African Development Bank's Sustainable Energy Fund for Africa, which provides policy support and technical assistance to develop national renewables strategies; underwrites additional capital costs and risks associated with renewable energy investments; and supports other instruments for reducing risk to investors.

Power Africa Cooperation Framework Kenya

- (b) A contribution to the Geothermal Risk Mitigation Facility, which will help mitigate drilling risks and accelerate geothermal development.
 - (c) A \$2.5 million contribution to the African Legal Support Facility to help provide legal services and legal capacity building to Power Africa host governments to help advance Power Africa transactions.
8. USADF will endeavor to make available up to \$2 million of grant funding for renewable off-grid energy.

Specific Kenya Areas of Cooperation:

9. In Kenya, USAID support may include, but may not be limited to:
- (a) A Grid Management Support Program to assist Kenya in managing the challenges presented by the integration of renewable energy, especially wind.
 - (b) Assistance to promote geothermal development through capacity building and technical assistance.
 - (c) Assistance to develop and integrate renewable energy sources and technologies, including:
 - A focus on facilitating new wind and solar technologies and partnerships.
 - A Small Renewable Acceleration program to accelerate transactions through assistance to identify and remove constraints to project development and sustainability for renewable feed-in-tariff projects.
 - (d) Assistance to help Kenya strengthen capacity to negotiate power purchase agreements.
 - (e) Assistance to help align the 5000+MW by 2016 investment strategy, the Least Cost Development Plan and the National Climate Change Action Plan.
 - (f) Assistance to mobilize private investment and finance for electricity.
 - (g) Support to improve understanding and management of demand for electricity.
10. In Kenya, EXIM support may include, but not be limited to, providing a \$300 million loan facility to accelerate geothermal development with U.S. exports.
11. In Kenya, OPIC support will include, but not be limited to:
- (a) A \$310 million loan to expand the Olkaria III geothermal plant to 100 MW to accelerate geothermal development with US exports.
 - (b) Potential finance and insurance for wind power projects currently being developed that meet OPIC criteria.
12. In Kenya, USTDA support may include, but may not be limited to:
- (a) Feasibility studies to provide the comprehensive analysis required for major infrastructure investments to achieve financing and implementation,
 - (b) Pilot projects to demonstrate the effectiveness of U.S. technological solutions and provide the analysis, evaluation and empirical data needed to secure funding,

Power Africa Cooperation Framework Kenya

- (c) Technical assistance to support legal and regulatory reform related to commercial activities and infrastructure development, the establishment of industry standards, and other market-opening activities,
 - (d) Reverse trade missions to the United States for overseas project sponsors to observe the design, manufacture, demonstration and operation of U.S. products and services that can help facilitate development goals,
 - (e) Project planning assistance, grant-based or otherwise, through US-ACEF, an innovative financing mechanism that aligns USTDA's project planning expertise and OPIC's financing and risk mitigation tools in new ways, to support private sector investment and increase U.S. participation in sub-Saharan Africa's clean energy sector.
13. In Kenya, Foreign Commercial Service will support Power Africa in the development of trade leads and in the dissemination of those leads through its vast global network of offices in more than 100 U.S. cities and over 70 countries.
14. In Kenya, USADF will award at least \$300,000 in grants for renewable off-grid energy projects

General Terms and Conditions:

15. The Participants will endeavor to meet on an agreed upon and regular basis to discuss existing and new potential opportunities for cooperation and progress towards meeting the intentions expressed in this Cooperation Framework.
16. The Participants intend to cooperate towards giving appropriate publicity to any cooperation provided.
17. This Cooperation Framework shall take effect as of the date indicated on the signature page of this Cooperation Framework and shall terminate on December 31, 2018, unless: (i) earlier terminated by either Participant through written notice to the other Participants, or (ii) extended by amendment. Modification of the terms of this Cooperation Framework may be effected through a written amendment signed by the Participants.
18. All potential actions of the USG and GOK/MOEP under this Cooperation Framework are subject to the availability of funds. Nothing in this Cooperation Framework will be construed to constitute a legal obligation or binding commitment of effect an obligation of the Participants' funds; any such obligations or commitments will be effected through separate agreements.
19. Nothing in this Cooperation Framework will be construed as superseding or interfering in any way with any agreements or contracts entered into by either Participant, either prior to or subsequent to the signing of this Cooperation Framework. This Cooperation Framework is neither a binding agreement nor does it constitute a treaty or create any rights and obligations under international law, the laws of Kenya, or the laws of the United States.

Power Africa Cooperation Framework Kenya

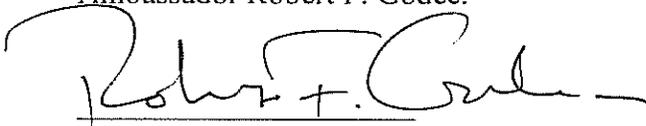
Signed in Nairobi, Kenya.

Agreed to and Accepted by:
Energy Cabinet Secretary
Davis Chirchir:

A handwritten signature in black ink, appearing to read 'Davis Chirchir', with a large, sweeping flourish extending to the right.

Date: 18th July 2014

Agreed to and Accepted by:
Ambassador Robert F. Godec.

A handwritten signature in black ink, appearing to read 'Robert F. Godec', with a long horizontal line extending to the right.

Date: July 30, 2014

Annex 1: Illustrative Action Plan for Kenya Cooperation Framework

Policy and Enabling Environment Indicators		
<ul style="list-style-type: none"> ❖ Increased \$ in real Gross Domestic Product (GDP) per capita ❖ Increased MW of generation capacity ❖ Increased # household and businesses with access to electricity ❖ Increased \$ value of new private-sector investment in the energy sector ❖ % of generation from clean energy sources ❖ % reduction in commercial and technical electricity losses 		
Objective	Policy and Enabling Environment Actions	Timeline
Provide adequate supply of electricity	a. Increase generation capacity by an additional 5,000 MW <ul style="list-style-type: none"> • Revise the LCPDP with a plan to evacuate the committed and planned increase in generation • Publish an official plan to increase energy demand to match the committed and planned increase in generation • Maintain a GOK strategic committee to oversee the implementation of Vision 2030 flagship projects • Establish a plan to maintain XX% clean energy sources by YYYY 	December 2016
	b. Expand and upgrade transmission and distribution networks to ensure reliable evacuation and delivery of power from increased generation to customers	?
Provide conducive environment for private-sector investment in the energy sector	c. Maintain a cost-reflective tariff and creditworthy off-taker <ul style="list-style-type: none"> • Complete tariff review that maintains cost-reflective electricity tariffs • On time payments are continued to power producers • Improve IPP payment risk mitigation schemes 	December 2013
	d. Develop and adopt project and off-taker risk mitigation schemes or structures consistent with international project financing in emerging markets	?
	e. Increase capacity for negotiating power purchase agreements	?
	f. Improve capacity building to enable proper integration and dispatch of wind generation	
	g. Improve energy sector planning	December 2013

Power Africa Cooperation Framework Kenya

	<ul style="list-style-type: none"> • Complete the Energy Policy and Energy Bill of 2013 • Revise the grid code 	
	h. Maintain current commitments to Kenya's environmental laws and legislation	?
	i. Strengthen PPP and IPP frameworks	?
	j. Utilize transparent, competitive bidding processes;	Ongoing
Reduce cost of electricity supply	k. Reduce commercial losses and unpaid electricity bills	?
	l. Reduce technical losses within the transmission and distribution networks via sustained investment	?

Annex 2: Illustrative Transactions

Project	Location	Project Type	Size (MW)	Size (\$M)	Project Sponsors
Lake Turkana Wind Project	NW Kenya – South of Lake Turkana	Wind Power	300 MW	\$860 Million	KP&P Africa Aldwych International
Aeolus Wind	Kinangop, Nyandarua County	Wind Power	60 MW	\$150 Million	Aeolus Kenya Ltd.
Kipeto Wind	Ngong, Southern Kenya	Wind Power	100 MW	\$300 Million	Kipeto Energy Ltd.; GE Capital;
Menengai Phase I	Menengai, Nakuru County	Geothermal	440 MW	TBD	GDC/Private sector