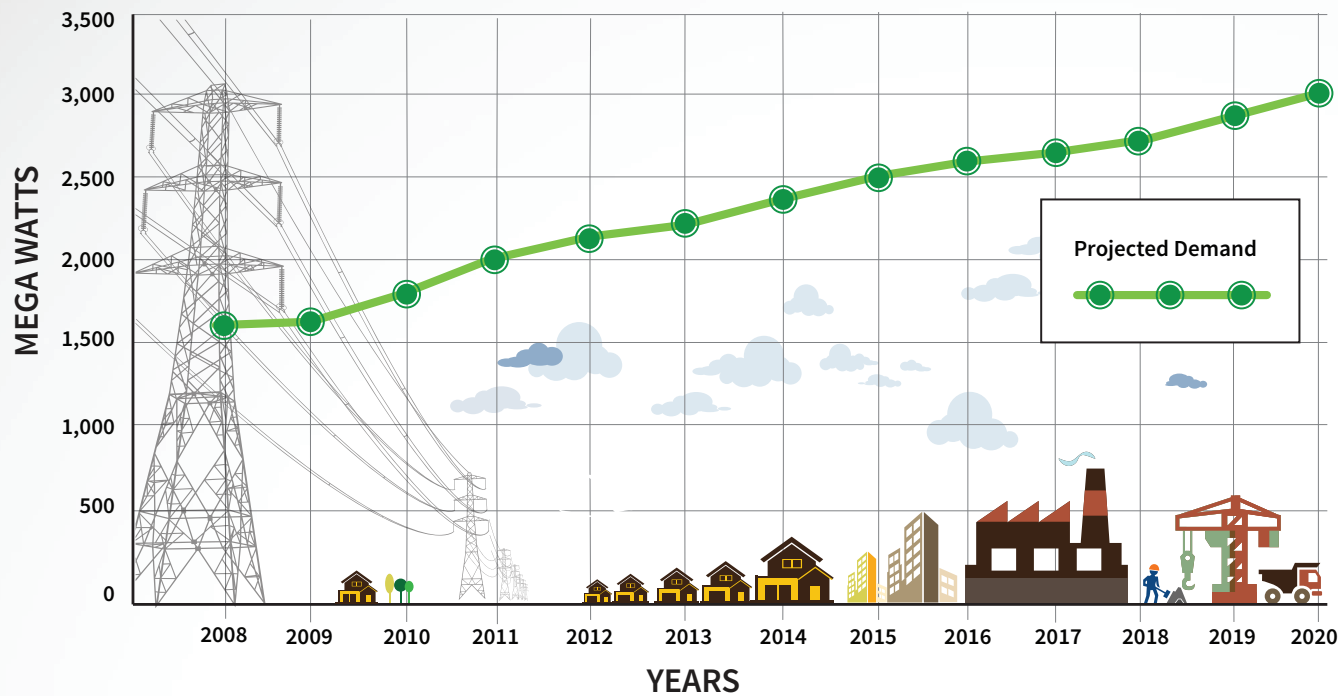


PMRC ENERGY SERIES

Promoting Energy Investment Through Cost Reflective Tariffs

Zambia has been experiencing a power deficit due to increasing power demand that has out weighed supply. The “power demand forecast” for Zambia indicates a rise in energy demand to 3,000 megawatts (MW) by the year 2020. In terms of supply, Zambia is currently producing approximately 2,211 MW of power. Introduction of new power projects in the country have been hampered by low electricity tariffs (non cost-reflective tariffs) as well as the absence of a renewable energy policy and a defined feed-in-tariff mechanism to promote renewable energy technologies (RETs).

THE DEMAND FORECAST FOR ZAMBIA



Source: Adapted by Policy Monitoring and Research Centre (PMRC) 2014 from the ZESCO “Load Shedding in Zambia” Presentation, (2014) Lusaka

Zambia’s projected energy demand will continue to rise unless new power projects are initiated. An enabling environment is key to attracting investors in the energy sector. Cost reflective tariffs are also another avenue, through which investments can be drawn in the sector.



What is tariff?

An electricity tariff is the price unit at which electricity is sold and it is measured in rate per kilowatt-hour of power consumed (kWh).

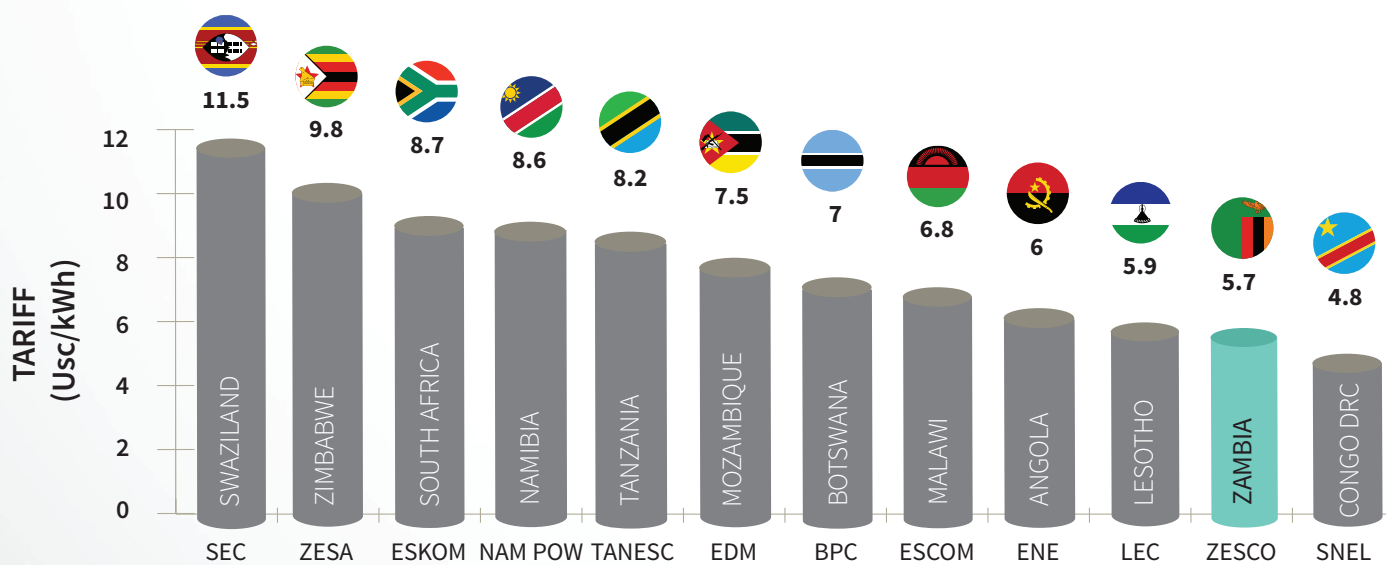


Cost Reflective Tariffs

Cost reflective tariffs are set to reflect the economic cost of producing power. This implies that an electricity utility company sets an end price to the consumer which reflects the true cost of producing the power.

COMPARISON OF ELECTRICITY TARIFFS IN THE SADC REGION

Zambia continues to have one of the lowest tariffs in the region.



Source: Energy Regulation Board (ERB) 2014

BENEFITS OF COST REFLECTIVE TARIFFS

TO THE PUBLIC



Enhanced electricity supply

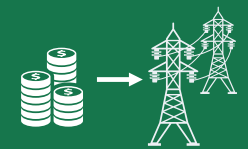


Effective service to end load shedding



Minimum power interruptions

TO THE POWER UTILITY COMPANY (ZESCO)



Additional income to improve and expand power generation, transmission and distribution infrastructure

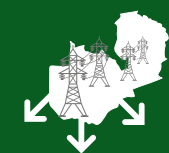


Expansion of the system and customer base



Enhanced security of supply through rehabilitation and periodic maintenance of electricity equipment

TO THE ENERGY SECTOR



Increased power generation for Zambia to meet the local demand and excess for export



Security of electricity supply

PMRC RECOMMENDATIONS

1



• Concise Monitoring and Evaluation system to track performance of tariffs.

2



• Renewable Energy Policy accompanied by targets and implementation plan.

3



• Establishment of a Renewable Energy Feed-In-Tariff (REFIT).

