Honorable Reginald Mengi, Chairman, East Africa Business Council (EABC);
Honorable Ambassador Juma Mwapachu, Secretary General—East Africa Community (EAC);
Honorable Ministers
Conference Participants;
Ladies and Gentlemen:

I am pleased to be here today and to officiate at this Energy Conference, first to be organized by the East African Business Council (EABC) and the East African Community.

I take this opportunity to welcome all our guests to Tanzania and to the sister countries of the East African Community (EAC).

The Business Community plays an important role in the development and growth of the economies of the EAC Partner States. Our philosophy is that, integration should be people centered and Private Sector led. The East African Community is making efforts to facilitate this through various projects and programmes.

Importance of Energy this Conference

Ladies and Gentlemen,
Let me begin by reminding us all of the strong connections that energy has with poverty reduction, the achievement of the Millennium Development Goals (MDGs) and enhancing energy for sustainable economic development of Africa. Allow me to quote a statement that was made by Kofi Annan, then UN Secretary General in 2006 when he drew attention of the World Leaders to the critical link between energy security, economic development and achievement of MDGs as it relates to people living in Developing Countries. He said and I quote: “More than a billion and a half people live with no electricity at all, while many of those who do have access have to endure frequent power outages. Without more reliable energy supplies, these people are condemned to perpetual poverty”. End of quote.

Ladies and Gentlemen,
Energy is a prerequisite for the proper functioning of nearly all subsectors of the economy. It is an essential service whose availability and quality can determine the success or failure of development endeavors. Therefore the importance and time for this Conference to the East African Community regarding energy as a sector in the national economy cannot, be overemphasized.

Ladies and Gentlemen,
This meeting comes when our Countries in the Region are facing power gap existing in the Region. Available statistics which shows energy situation in Tanzania (for example) reflect that, only 11 percent of the Country’s population of 34 million (2002 population Census) have access to reliable electricity. Total energy production was 1.88 billion KWh produced compared to 1.99 KWh consumed. Consumption increase of 8 percent will probably outpace population growth of 2.1 percent erasing surplus and causing power shortages. At current growth rates, demand is expected to rise to above 2500 KWh by 2025 putting tremendous pressure on Tanzania’s existing energy infrastructure. However, it is expected that, this percentage will grow slowly as infrastructure development projects occur in around the urban areas. I am convinced to believe that, Tanzania’s situation is not very much different from other Countries in Africa and in East Africa in particular.

Looking at the present energy situation in Africa, I am told that, Electricity generation in Africa is only 3.1 percent of the total World’s production, though its population share is 14 percent (while the rest of the World has at least 50 percent of the people with access to electricity. In Africa it is only 25 percent or less). Electricity is mainly produced from thermal plants (78.1 percent), Hydropower (18.8 percent), Geothermal (less than One percent), and Nuclear (3 percent).

The total installed power capacity is just over 100,000 Megawatts, but the generation is largely skewed within Southern Africa using 47 percent, Northern Africa using 35 percent, while the remaining 40 or more countries use less than 20 percent.

Therefore, your meeting here will in my view try to provide some solution an how to address the power gap existing in the Region.
Ladies and Gentlemen,

A recent World Bank Report showed that, under-investment in the Energy Sector can result in a significant slowdown in development momentum, with a net reduction in the potential rate of GDP growth up to 4 percent. This effect can be exacerbated by rising demand, and other catalytic factors such as drought and conflict. So when there is loss of energy, there is loss of growth, loss of employment opportunities and there is also loss of income. In any industry, anywhere in the World, even losing power for short periods can have dramatic implications.

Governments are therefore making efforts to create a conducive environment for the Private Sector through development of appropriate Energy Policy, Regulatory and Institutional Framework. This Conference is a good Forum to examine the existing Framework and even make recommendations for improvement for a wider Business Community to participation. In order to narrow this gap we need more investment in the Sector with the active participation of the Business Community.

Ladies and Gentlemen,

The East African Community Development Objective for the Energy Sector is to supply sufficient, reliable, cost effective and environmentally friendly energy through promotion of both renewable and non-renewable energy sources. Most of you, have heard of the East African Power System Master Plan. Various projects identified under this Master Plan are at different implementation phases by the Partner State. I am pleased to inform you that we are in the process of updating the Power System Master Plan to cover Rwanda and Burundi and to take account of developments realised since the completion of the Master Plan in 2005. One of the outputs of this process will be a Least Cost Power Development Plan and a Grid Code that will be used to govern transboundary power exchanges in the Community.

Given the ongoing initiatives such as the efforts to connect Kenya with Ethiopia, implementation of the Master Plan will help the Region to access lower cost electricity.

In its efforts to increase access in a cost effective manner, the EAC has developed a cross-border electrification programme that enables border centres to access electricity from the nearest grid. We in Tanzania are benefiting from electricity supplied by Kenya at Namanga while Kenya is buying from us at Lunga Lunga. Similar schemes exist between Uganda and Tanzania and between Uganda and Rwanda. In an effort to accelerate this programme, we are in the process of developing a Regional Policy on Cross border electrification that will govern this programme including development of transboundary resources such as small hydro schemes.

Ladies and Gentlemen,

Our Region is endowed with resources which, if well developed could contribute significantly to sufficiency and affordability of energy. For example, Tanzania has natural gas reserves in Songo Songo; Mnazi Bay; Mkuranga some 40 Kilometres South of Dar es Salaam; and Kiliwani on the Songo Songo Island. Prudent exploitation of this resource for power generation and other industry use is expected to contribute to availability of affordable energy in Tanzania and in the Region. With the assistance of the African Development Bank, we are going to carry out a study for the pipeline run from Dar es Salaam to Mombasa via Tanga. The pipeline is expected to supply natural gas to Mombasa for power generation and other industrial applications both in Mombasa and along the route. Another study for the extension of oil products pipeline from Kampala to Kigali is expected to commence in the next few weeks. All these efforts are aimed at enhancing efficiency of the distribution system and security of supply.

We have also developed a Regional Strategy that addresses all aspects of the development of petroleum distribution system in the Region, including refineries and storage facilities in a holistic way in order to improve its effectiveness and efficiency. The EAC has also developed a Regional Emergency Petroleum Supply Plan that will govern the supply of petroleum products in the event of a disaster or emergency.

Ladies and Gentlemen,

All these efforts require Private Sector participation for the benefits of the entire Community. Each of these initiatives offers attractive opportunities for the Business Community. For instance, the EAC Strategy on Scaling Up Access to Modern Energy Services has ambitious targets aimed at providing half of EAC’s population which is in 2008 estimated at over 125.9 million (Tanzania 40.2, Kenya 38.0, Uganda 28.2, Rwanda 9.6, and Burundi 8.9) with modern cooking services and to supply all Schools with modern services. This is clearly impossible without innovative business models by the Business Community including working within the Private Public Partnership Framework. There are areas which could produce quick results such as dissemination of improved cooking stoves, or photovoltaic solar panels or development of mini hydro projects and others. Whatever the case, my message to you is that Government and private sector need each other in order to achieve these aspirations.

When completed, the Power System Master Plan will identify the least cost power development options for the Region. Implementation of the projects identified in the plan will generally be done by the Private Sector as IPPs or through Private Public Partnerships. Therefore, the Private Sector should prepare itself to play a much bigger role than they have done in the past.
Rural Electrification

Ladies and Gentlemen,

The long-term sustainability of energy access programmes for the poor in the rural areas has been one of the most important issues during the last three decades, especially with regard to rural electrification. Rural electrification has direct link to Agri-Industry development not only in urban areas but also in rural. Issues of affordability and sustainability of energy services and technologies for rural people is of important. Since all regional headquarters have been electrified in most of our countries, efforts should be focused on the electrification of all district headquarters down to rural areas. First priority should be given to districts and areas with agro-based industries and other community based productive areas so as to reduce post-harvest losses currently running at 40 percent (in the case of Tanzania).

Government is taking some steps towards distribution of Rural Electrification including establishment of Rural Energy Agency and Rural Energy Fund, encouraging Private Sector to invest in Renewable Energies as well as convincing Financial Institutions to extend Solar Energy loans to end users through SACCOS. It is imperative to note that, some Financial Institutions are joining to support these initiatives. Hand in hand with these efforts is Policy development in which National Energy Policy acknowledges the importance to increased contribution of Renewable Energy in the National Energy Balance. The Sector can therefore contribute to Rural Electrification through importation, distribution, local manufacturing and assembly, service provision and training on the Renewable Energy which I believe is a reliable source of Rural Electricity in Rural Areas.

Ladies and Gentlemen,

Before I conclude, let me emphasize that, for our East Africa Region, Private Sector participation in Energy Sector is key bridge towards Development in this Sector. Private Sector is has catalytic role to support Rural Electrification Programs which started operation in late 2007. What is needed is an enabling legal and regulative frameworks to support them. In Tanzania we have Energy and Water Regulatory Authority which is operational since 2006. Electricity Bill was passed by the Parliament in April 2008. For sure interventions by the Governments strengthening the Power Sector is very important if we want achieve.

Ladies and Gentlemen,

Lastly, Let me take this opportunity to challenge the Business Community to stop viewing provision of energy services as the preserve of the Public Sector but to embrace the Energy Sector as a viable area of investment just as they do in any other Sectors. The Governments of the EAC Partner States are willing to listen to the concerns of the Business Community. I believe that, this Conference will provide a good Forum for engaging both sides. The Conference is also expected to offer valuable information on how the Private Sector can develop viable energy projects that are both profitable for them and also contribute to much needed energy supply and reliability for other business operations, social and domestic activities.

Ladies and Gentlemen,

After these few remarks, it is now my honour to declare the first EABC-EAC Energy Conference officially opened. I wish you fruitful deliberations.

Thank you for your Attention.