

Box 19.6: Kenyan tribunal halts construction of coal-fired plant

On 26 July 2019, a ruling by Kenya's National Environmental Tribunal halted construction of the Lamu coal-fired power plant, on the grounds that the environmental and social impact assessment license had been granted without following procedures for stakeholder participation or a rigorous evaluation of alternatives.

The decision followed three years of campaigning by local non-governmental organizations and stakeholder groups, including Save Lamu, a coalition of 30 community organizations.

In 2015, the AMU Power Company Ltd, a Sino-Kenyan consortium, had signed an agreement with the Industrial and Commercial Bank of China for the

construction of the country's first coal-fired plant by Chinese enterprises, at an anticipated cost of US\$ 2 billion. The plant was initially to use imported coal from South Africa and Zimbabwe before adapting its supply source to the newly discovered coal reserves in Kenya's Kitui county Mui Basin.

One argument put forward in support of the coal-fired plant was the need to anticipate the rising demand for energy in Kenya. However, growth in demand turned out to be slower than expected, leading the Energy Regulatory Commission of Kenya to instruct the AMU Power Company Ltd to halve Lamu's future capacity. This move would have pushed the average cost of a kilowatt hour produced at Lamu ten times higher

than the cost at full capacity, raising retail prices for electricity in Kenya.

Environmental groups argued that reductions in the cost of renewable energy were making coal-fired power plants increasingly uncompetitive. According to a study by Lazard (2018), between 2009 and 2018, the annualized levelized cost of energy for solar photovoltaic and wind energy dropped by 88% and 69%, respectively. Conversely, these costs for coal and nuclear energy increased by 9% and 23%, respectively.

Kenya has managed to increase electricity generation by developing the highly productive Olkaria geothermal fields (Box 19.4).

Source: adapted from Wang (2019)

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