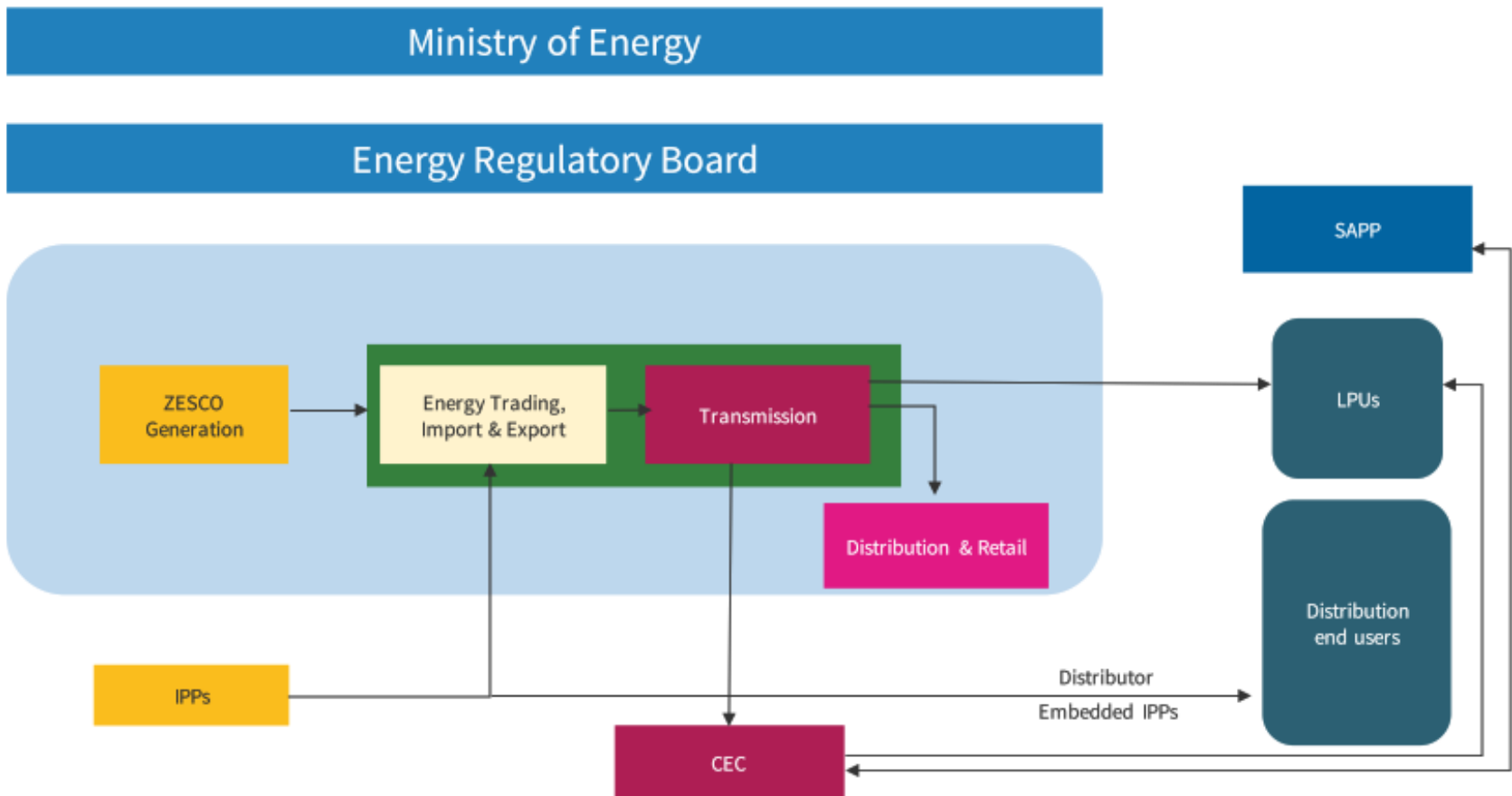


# Energy Sector Zambia

1. Brief energy structure (Ministry, Regulator, Zesco)- relationship between them
2. Demand characteristics, supply characteristics (energy mix)
3. New regulation for market entry
4. Entry barriers, plus ZESCO debt
5. Tariffs

# 1. Brief energy structure (Ministry, Regulator, Zesco)- relationship between them

Power in Zambia is dominated by ZESCO, a vertically integrated state-owned utility which runs most of the country's generation, transmission and distribution of electricity.





## 1. Brief energy structure (Ministry, Regulator, Zesco)- relationship between them



Institutionally, the Zambian power sector has two relatively unique features aimed at increasing private power investment

1) Copperbelt Energy Corporation, a private locally-owned company that supplies power to Zambian biggest load centre- the mining region- using its own transmission system. The PPA expires this year, new agreement is in the process of negotiation.

- CEC has been operating efficiently and has also invested in IPPs. That means CEC could be an important carrier as well as local investor in and off-taker for private generation projects.

2) Office for the Promotion of Private Power Investment (OPPPI) – a specialised unit in the MoE tasked with increasing private investment in generation and transmission. Unfortunately, OPPPI does not have any legal mandate to procure new power.



## 2. Demand characteristics, supply characteristics (energy mix)



- Zambia has around 2850 MW installed capacity.
- Most of the capacity (2396MW) is coming from hydropower. This makes Zambia's power system vulnerable to drought.
- The remaining 15% is coming from a combination of coal, heavy fuel oil (HFO) and other: coal (10%), diesel (3%), solar under 0.1%
- In 2015 and 2019 a severe drought caused daily load shedding of up to 12h per day.
- Demand as of 2018 is estimated to be 2.4 GW – Mines consume around 60% of the country's electricity- no exact information on electricity demand is available but it's thought to be growing at a rate of 200-300 MW per year.
- Almost 70% of population is still without electricity.

### 3. New regulation for market entry

The Zambian energy sector in 2019 went through significant changes to the legal framework, which is now governed by The Electricity Bill 2019 and The Energy Regulation Bill 2019.

Changes to the energy regulation act:

- Introduction of Intermediary Power Trading which allows an independent enterprise to trade electricity.

- Introduction of Tariff Setting and Review.

Changes to Licencing (single licencing system, licencing prior project commencement, timeframe for issuance of licence, etc.)

Changes to Electricity act:

- Extending ERB functions

- Introduction of acquisition rights and feasibility- establishes a clear process to be followed for the prefeasibility phase of a project

- Introduction of tariff principles , multiyear tariff

To reduce barriers for the private sector investment is claimed to be the main purpose of those changes.

## 4. Entry barriers, ZESCO debt

- The 2015 draught and financial mismanagement precipitated a financial crisis at ZESCO. Emergency power purchases from the Southern African Power Pool (SAPP) caused ZESCO to run up hundreds of millions of dollars in debt which has not been repaying, and is unsustainable.
- Tariffs are still below cost-reflective
- Most worrying is ZESCO's failure to pay IPPs
- Prognoses of re-occurring droughts.
- Bilateral and not-transparent transactions between GoZ and e.g. China

Number of programs that tries to promote investment

- Scaling Solar
- GET FIT Zambia
- Africa GreenCo

All programs are facing delays or decided to cancel part of programs due to concerns about ZESCO's financial health.

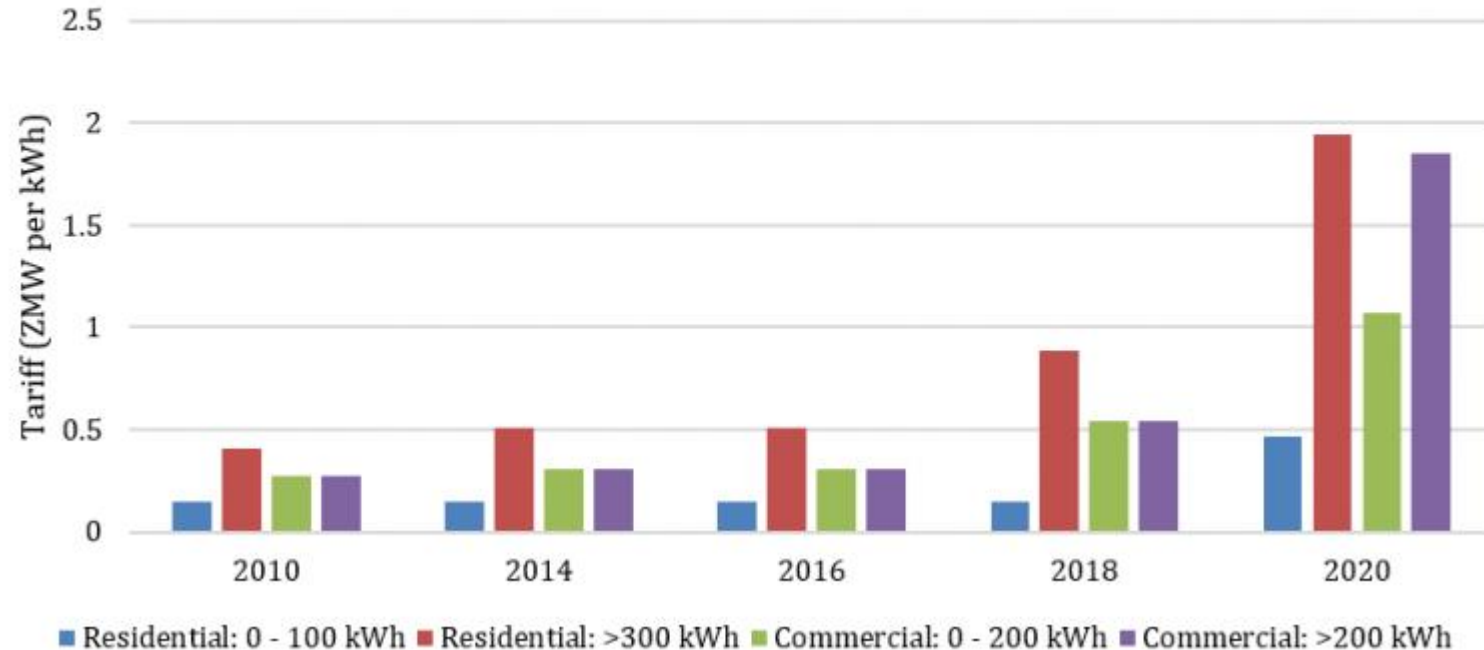


# 5. Tariffs



- As mentioned, despite governments efforts to increase tariffs, tariffs are still not cost-reflective
- Zambia has one of the lowest tariffs in SSA.
- In 2019, tariffs increased by average 113 percent

Evolution of ZESCO tariffs  
2014 - 2020





Department  
for International  
Development

# DFID Programmes



We have a number of DFID programmes that can support private sector.

**Cities and Infrastructure for Growth-** CIG Zambia is a technical assistance programme that addresses critical infrastructure and economic growth challenges by supporting the public and private sectors to harness the potential of Zambia's cities as engines for inclusive economic growth and job creation.

[info@cigzambia.org](mailto:info@cigzambia.org) or [taonga.kangwa@cigzambia.org](mailto:taonga.kangwa@cigzambia.org)

**Private enterprise Programmed** – PEP Zambia works with the private sector to support profitable business growth in Zambia.

<https://pepzambia.com/>

**Financial Sector Deepening** -FSD Zambia - works closely with both public and private sector institutions to understand and access a wide range of sustainable, comparable and affordable financial services.

<https://www.fsdzambia.org/>