

New law slowing flow of solar panel imports into market

Process of seeking tax exemption taking too long leading to high port storage costs, a charge likely to be passed on to consumers

BY STEVE MBOGO

Solar equipment importers are facing delay in releasing their goods into the market because of a requirement that they seek approval for tax exemption for every consignment they import.

Solar equipment is exempted from paying import duty on the condition of approval. This means that importers have to seek approval from the government not to pay taxes before the equipment is released from the port.

"The process of seeking approval is costly. It means more storage charges that are transferred to the customer," said Stefania Boglioli, the sales director of Climacento, a solar equipment vendor.

Some vendors estimate that the cost increase because of the bureaucracy of the process of seeking approval and related costs is about 40 per cent.

This cost increase is a major loss to the consumers majority of whom have no electricity. Kenya is currently trying to fast track increase in the number of people with access to electricity, from the current average of 20 per cent of population, by developing power generation from a range of sources.

The government announced earlier this year that it will launch a clean energy fund in the coming financial year to help firms and other institutions to

generate clean energy and manufacture energy-efficient light bulbs and other appliances. The fund will lend to viable projects at a discount.

If the consumer pricing is influenced by the import process, it means the benefits that were expected to come from zero rating of import tax is not achieving its intended results.

"It is a simple step that the government should take; just remove the approval process," said Vincent Okello, of Kenlite Solar.

Joseph Nganga, the CEO Renewable Energy Ventures, however, said solar equipment vendors should not use the import process delay to increase the

cost of equipment, saying that with proper import process handling, that delay is eliminated.

"It is the law and it is up to the business person to follow it," he said. He said the incentive to exempt the equipment from duty is itself big enough to help bring the cost down."

The issue for import delay has come up at the time when solar equipment sellers have reported a surge in sales a signal that more Kenyans could be turned to solar.

For example, Climacento, a solar equipment installer said sales from mid-January to mid-February this year were almost equivalent to six months' sales between January and February last year.



Stefania Boglioli of Climacento Solar (right) and the managing director of Primedia, Jawad Jaffir. Importers of solar panels are calling on the government to fast-track the process of clearing for tax exemption to cut costs. FREDRICK ONYANGO

Mr Okello said too that there was a "noticeable" increase in sales in the last few months. The equipment demand is also being driven by the government programme to install solar power in institutions like schools and hospitals in Northern Kenya and other areas far from the national grid.

Anthony Mwangi, general manager of Green Planet and Natural Light, told *Business Daily* earlier that the firm that started selling products in 2006 has seen a growth in monthly turnover from Sh50,000 to Sh3 million. "We project a triple growth in turnover over the next two years," he said.

An estate developer in Kitengela, for example, has opted to install all the 300 housing units with solar powered water heating system.

There is also increasing promotion of portable solar lighting systems, like those sold Renewable Energy Ventures. Among others, the company targets rural households who now use the environmentally destructive kerosene and wood for lighting.

For companies like Climacento, the import delay means that goods that would have taken three days to clear from the port now take up to

"Sometimes, the delay is longer," said Ms Boglioli. "Instead of an aide to solar power, the result is that Kenyans are paying some 40 per cent more for their solar goods."

The delay is prevalent both at airport and the sea port. For importers who want to bypass the approval delay, a faster option is to simply pay both the 16 per cent VAT, and a 15 per cent fee for failure to provide a Certificate of Conformity, adding 31 per cent to solar equipment prices.

"Kenya could be switching to solar power even faster, and developers could be installing even faster," said Jawad Jaffir, managing director of Primedia, organisers of the Property & Home Living Expo.

The delay could affect the effectiveness of the planned special financing to businesses and individuals who invest in renewable energy equipment like solar.

The financing is expected to come in form of discounted loans given by the French Development Agency through a partnership with local banks.

The loans will be a major win for vendors of renewable energy equipment. Organised groups will also be

newable energy projects. A maximum of Sh2 billion will be lent out to each partnering bank for onward lending.

A report done by *Solarbuzz*, an industry analyst showed that the rising demand for solar equipment is also pushing in more vendors, especially the small enterprises.

This shift has meant increased competition and the resulting drop in prices. It is estimated that the cost of solar products dropped by 30 per cent across the board in 2009.

Solar panel systems are now going for an average Sh320 per watt, compared to Sh500 per watt charged last year. Product market growth has mainly been in smaller systems, such as water heaters or panels, indicating that Kenyans are still shying away from taking large bets on solar.

The lower prices are expected to continue stimulating demand, meaning the industry is set for continued growth.

A recent study by the international finance corporation (IFC) estimates the national market for solar lighting products is about one million units per year. The global bottom-of-the-pyramid (BOP) energy market is estimated to

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