



**Advocacy
Brief:
Moving beyond the
power crisis**

Moving beyond the power crisis

- Zambia has abundant untapped resources for power generation and with private sector support, the country can move expeditiously back into an electricity surplus.
- The transformation will require improvements in communication between government and private sector players, particularly with regard to transparency and consistency.
- The Chamber believes that with the right combination of market and policy signals, U.S. companies are well positioned to be a part of the solution to Zambia's power crisis.

Zambia's power deficit is currently at around 700 megawatts (MW), a figure that is likely to increase in coming months. Unfortunately, the deficit was predictable and came after years of demand growth coupled with inadequate planning for new supply. Low power tariffs reduced private sector impetus to invest in Zambia's power industry and the few new Independent Power Producer (IPP) projects in Zambia that have come online were awarded via ad hoc processes that lacked transparency. Reduced river flow along the Zambezi this past year has exacerbated the problem.

AmCham member companies understand that higher tariffs are needed to spur investment and are willing to pay higher prices in this interim period. However, the proposed increases of up to 250% for industrial and commercial entities could prove crippling to Zambia's private sector, which is already suffering from load-shedding. As Zambia migrates to cost-reflective tariffs, AmCham urges the government and mining companies to work together to stabilize the mining sector policy environment. An improved relationship between government and mines will not only send positive messages to foreign investors, but could also spur mines to agree to shoulder a fair share of higher electricity prices so that the rest of Zambian businesses carry less of the burden.

AmCham member companies hope to contribute to Zambia's transition from the current power deficit back to net exporter status. Indeed, the Obama administration's Power Africa program has prioritized Zambia due to its many positive attributes including its diverse renewable energy resources and potential to act as a power generation hub for the region. But attracting long-term capital will require a strong commitment from the Zambian government. AmCham advocates the following practices as Zambia confronts the energy crisis:

- **Greater dialog with stakeholders before policy decisions:** Too often government policies are introduced without thorough analysis or consultation and are later reversed—acts that heighten investor uncertainty. As Zambia finalizes its renewable energy feed-in tariff policy and reviews the Electricity and Energy Regulation Acts, it is critical that policymakers maintain open and clear communication with the investors regarding rules governing the sector and financial incentives for new power projects.
- **Transparency:** As mentioned before, investment in Zambia's power sector has been suppressed by low tariffs as well as a lack of transparency. This lack of transparency has been evident in the lack of ZESCO strategic planning documents available to the public, as well as opaque tendering processes for new power plants.
- **Consistent messaging from government:** We welcome the new Minister of Energy and Water Development, Honorable Dora Siliya, to her post, and urge her to maintain promising early communication efforts regarding the crisis and renewable energy investment. The Ministry must continue to push for greater consistency from government actors pertaining to strategy in the power sector.

AmCham believes the investment outlook is bright for Zambia's power sector and looks forward to engaging with key stakeholders and policymakers in the industry in 2016.