Kenya commercial microgrids

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Kenya shows that the global microgrid market is ready for significant private investment. While challenges still remain – especially around the regulatory framework and aggregation of projects – there are now enough businesses with viable business models to provide early stage, strategic or even crowd investors with commercially attractive opportunities.

The medium-term growth potential for the microgrid market in Kenya, as well as in other energy access markets including in Africa, South and South-East Asia, is very high.

A confluence of innovation, risk taking, and public and private effort has created a five-year, $1.5 billion microgrid market opportunity in Kenya, leading Germany"s TFE Consulting to dub the East African nation, "The World"s Microgrid Lab."

International startups are deploying innovative mobile "pay as you go" (Pay-Go), home solar, and microgrids in off-grid rural areas across the East African nation and far beyond. Their work is backed by development agencies, regional governments, non-government organizations (NGOs), venture capitalists and corporations.

It"s still early to know, but the rapid development of zero- or low-emissions microgrids and distributed energy could prove to be the linchpin of an emerging new model for environmentally friendly energy and socioeconomic development.

"Globally, microgrids for electrification have a market potential of $400 billion," says the report, "Kenya: The World"s Microgrid Lab."

As a result, Kenyans are taking their first steps up the sustainable energy ladder.

Sharply declining costs and widespread availability of solar PV, LED lighting and DC electricity -- and more recently lithium ion battery storage -- are key factors opening up the green distributed energy and microgrid market opportunity in Kenya and across Sub-Saharan Africa and other developing market regions. The market also is driven by widespread access to wireless/mobile money and communications networks.

According to TFE"s study, just 20 percent of Kenyans have access to grid power. Nearly nine in 10 - 88 percent - have mobile phones. Most use mobile e-payment services, such as MTN"s M-Pesa - to pay for goods and services.

Kenyans are using these mobile money services to pre-pay for off-grid home solar or "microgrid as a service" energy services in small increments as their needs and ability to pay warrants.

"Mobile money alleviates many of the drawbacks associated with earlier cash or scratchcard systems," says the TFE study. "For one, it vastly simplifies revenue collection: no cash changes hands. Cash-based revenue collection is a significant administrative challenge for energy access businesses, as seen in other energy access markets such as India.

"The cashless payment system unlocks the possibility of running remotely located energy vending machines in Kenya. Consumers and businesses benefit, as transaction, electricity and business expansion costs fall," TFE says.

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