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# Policy Brief

## Affordable Electricity Tariff

A Key for Private Sector Engagement

in Renewable Energy Investment in Tanzania



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TaTEDO

This brief was developed by the Sustainable Energy Forum (SEF),  
coordinated by TaTEDO, WWF Tanzania & Climate Action Network Tanzania.



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## Affordable Electricity Tarrif

### A Key for Private Sector Engagement

### in Renewable Energy (RE) Investment in Tanzania

#### SUMMARY

##### Key Messages:

- Tariffs need to be cost-reflective and affordable to enable energy access for all
- Enabling cost-reflective tariffs ensure investors recovering of the real cost and attract more investment

##### Recommendations:

- **RE resource mapping:** Open-access to mapped & evaluated RE potentials allow secure planning of RE
- **Feasibility studies:** Access to feasibility studies allow easy, fast and low-cost planning
- **Electricity subsidization:** Access to subsidization for private sector enable minigrids and off-grid RE projects
- **Result-based financing:** Promoting and enhancing access to result-based financing unlock new RE projects
- **Waving importation tax:** Lowering cost and barriers of important components for RE projects , as PV panels, will enable low-cost RE projects planning and implementing

#### INTRODUCTION

### Open doors for the Private Sector ?

Electricity act of Tanzania of 2008 has opened doors to private sectors to invest on production and distribution of electricity in rural and urban areas under the provision of investment regulations. Linked to the Tanzanian National Energy Policy (NEP 2015) embrace wider and increased private sector involvement in electricity production and distribution. Tanzania National Electricity Supply Company Limited (TANESCO), which is a government owned company remain to be a dominant electricity producer and supplier in Tanzania. Despite the government and other related stakeholders' initiative to promote private sectors involvement in electricity production and distribution its realization has remain low. Private sector involvement in the power production is critical and studies indicate its great contribution towards successful power production and

distribution thus accelerating ecological and socio-economic transformation in Tanzania.

It is therefore a paramount importance for the government in Tanzania together with other key stakeholders in the energy sector to accelerate enabling environment that favour private sector in power generation and distribution in Tanzania

### Main points

- RE resources mapping /Feasibility studies /land compensation / Waving
- Electricity subsidization
- Technical capacity building
- Result-based financing
- Importation tax & associated tax waving

# Affordable Electricity Tarrif

## CONTEXT

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### Not fit for Mini-grids

### Gaps in Tariff policy

Mini-grids tariffs are governed and regulated by EWURA. The current process includes project developers to apply for tariffs to EWURA, submitting all capital and operating expenses of the project. After receipt, EWURA analyses the application and later approves the tariffs after a public inquiry of the same. Before application, the tariffs need to be gazetted.

Factors contributing to the electricity tariffs include importation and other inland taxes, product and installation cost, different studies including feasibility and ESIA, land compensation cost, etc. All these lead to higher electricity tariffs for Mini-grids.

Despite the fact that there have been different initiatives to promote application of renewable energy Mini-grids, including the good National Energy Policy 2015, Small Power Projects (SPP) regulations and even incentives (The Green Mini-grids Result Based Financing initiative), Mini-grids tariffs have remained high. The approved tariff for Mini-grid as we speak is TZS 1,600/kWh. This is still unaffordable to end-users and would not make the sector sustainable in the long run. In this regard, various stakeholders engaged in renewable energy sector should find sustainable solutions to address the challenge.

*Tariff need to be cost-reflective and Affordable to enable energy access for all*

## APPROACH

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**Group discussions.** The groups included different experts from different institutions who brainstormed and contributed several improvements needed for increasing private sector involvement in ensuring the availability of affordable clean energy.

**Desk review:** Relevant energy data reports related to renewable energy and Energy regulation in Tanzania

**Fact findings** from SEF, TAREA and ENSOL members/ Consultation meetings

## RECOMMENDATIONS

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SEF Tanzania recommends the following policy issues that would greatly enable private sector involvement in electricity production in Tanzania. SEF Tanzania envisions great tariff cost reduction once the following policy aspects are taken into consideration:

- The government need to conduct **Energy/RE re-sources mapping, feasibility studies** of potential projects, and **waving land costs acquisition** to private electricity projects developers.
- The government should extend **subsidization of elec-**

**ticity** produced by the private sector instead of subsidizing TANESCO produced electricity only.

- Enhance or promoting **result-based financing** framework that will directly reduce tariff costs and accelerate electricity access to most of the rural areas mainly taking an example of the decentralized renewable energy schemes.
- **Waving renewable energy products importation tax** and other relevant associated taxes.

## REFERENCES

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WWF Tanzania (2021): Analytical Study on National Energy Policy and Regulatory Frameworks in Tanzania.