Lamu coal power project  Kenya

**Sectors:** Fossil Fuel Electric Power Generation

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Project website

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**About Lamu coal power project**

The proposed Lamu Coal Power Station is a 1,050MW coal-fired thermal power station which would be located on Kenya’s Indian Ocean coast, 20km from Lamu’s islands and historic Old Town, a UNESCO World Heritage site. The project sponsor is the Amu Power Company, which has a power purchase agreement with electricity distributor Kenya Power. The project is expected to cost USD two billion and to be operational in 2020.

**Brief history**

In 2013, the Government of Kenya initiated plans for developing the Lamu Coal Power Plant. The proposed plant was scheduled to generate 1,050 megawatts of coal-fired thermal power on 865 acres of land at Kwasasi, Lamu County.

In January 2014, the Government of Kenya invited bids from private developers to build, own, and operate the power station. In September 2014, the development rights were awarded to a consortium consisting of Gulf Energy, a Kenyan energy generating company, Centum Investments, a private equity firm, headquartered in Nairobi, with investments in Kenya and Uganda and Sichuan Electric Power Design and Consulting Company Limited, a subsidiary of Power Construction Corporation of China.

**What must happen**

The Paris Climate Agreement goals require a managed decline of fossil fuel production. The construction of new coal fired power plants is not compatible with such a managed decline. Banks must immediately stop financing new coal-fired power plant developments anywhere in the world. As such, Standard Bank and ICBC should steer clear of financing this project.

**Issues**

**Human rights and social issues**

Lamu’s communities are confronted with their most serious threats to date: large-scale extractive industrial projects. Lamu residents’ ability to have a voice in dictating how its land and natural resources are exploited, and how its development proceed, will play a significant role in the continued existence of the Lamu community and its means of livelihood.

Lamu is home to the oldest and best preserved Swahili settlement in East Africa, Lamu’s old town is a UNESCO World Heritage site and an epicenter of Indian Ocean trade for centuries. Yet Lamu Island’s 24,000 residents are faced with what many call an existential crisis. The Lamu coal power project is controversial in part due to the risks it poses to Lamu’s delicate marine environment, which many fear will harm its two most vital industries: fishing and tourism.

The Save Lamu Coalition has written an open letter concerning their security, given intimidation and interference that their communities are facing in accessing and sharing information about major development projects in the Lamu community such as the Lamu coal power plant.

**Environmental issues**

The Lamu coal-power plant alone would exceed all of Kenya’s existing emissions from fossil fuel plants and would be one of the worst emitters of GHG on the entire African continent. The project raises great concerns about its impact on the environment regarding toxic pollution from coal and ash, carbon emissions by the coal power plant and rising sea levels due to climate change.

Ernest Niemi, an economist and president of Natural Resource Economics, who has done studies on coal plants across the world for over 40 years, said operating the AMU power coal plant to produce electricity will be cheap for the developers but expensive as an energy source to consumers and detrimental to the society in general. Testifying before the National Environmental Tribunal in Nairobi in June 2017, the US-based consultant said Kenya will incur a massive health burden coupled with deaths with the operation of the plant. Studies across the world, he said, show that the social
cost of running coal-fired power plants exceeds the economic benefits (The Star).

For generations, the indigenous and traditional communities of Lamu, Kenya—merchants, hunter-gatherers, farmers, pastoralists, fisherfolk, boat builders, mangrove harvesters, and more recently tour guides—have managed their land and shared natural resources and cultural traditions, in spite of losses due to insecure land tenure and political marginalization. This system of informal communal management of land has been critical to Lamu maintaining its remarkably pristine and historically and naturally rich ecosystem, including significant forest cover, biodiversity, coral, threatened species like sea turtles, and 70% of the country’s mangroves—a notable asset for the country and region, and a carbon sink for the world (source medium.com/@deCOAL).

The EISA (Environmental Impact Statement Assessment) submitted by the project has gross omissions, and lacks quality and credibility, as stated by Dr. David Obura in this document and as stated in this report by Dr. John Musingi.

Other issues

The Lamu coal power project is associated with the immense LAPSSET (Lamu Port-South Sudan-Ethiopia-Transport) Corridor project. Elements of the USD 20 billion LAPSSET project include an oil and gas pipeline from northern Kenya to the coast, a 32-berth USD 5 billion port at Lamu, and significant additional infrastructure, including highways, railways, and a resort city. Community groups argue that there has been little consideration of the project’s high potential to irrevocably harm the ecosystem, its biodiversity, and the human communities that depend on it for their lives.

In 2018 the Energy Regulatory Commission (ERC) recommended to slow down the construction of several power projects including the Lamu Coal power plant. With According to the ERC the current planned projects the power producers could have a generating capacity of 43% and prices could go up by as much as 70% for consumers.

The Lamu coal power plant is part of the country’s plan to modernise its electricity system and shift away from costly diesel generators. A recent study by Bloomberg however shows that renewable energy is about to become cheaper than coal, and the Lamu plant is therefore likely to become a financial liability sooner than 2050. This not only emphasises that a new coal power plant would not make sense, it also shows that it will be a riskful investment for any bank.

Governance

Applicable norms and standards

<table>
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<th>Equator Principles</th>
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<tr>
<td>IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts</td>
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<td>IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement</td>
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<td>IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</td>
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<td>IFC Performance Standard 7: Indigenous Peoples</td>
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<td>IFC Performance Standard 8: Cultural Heritage</td>
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Updates

UNESCO wants Kenya to review its plans to build Lamu coal power plant

Jul 10 2019

UNESCO has called upon the Kenyan government to reassess the impact that the coal-fired power plant would have on the heritage and natural environment of Lamu. The Kenyan officials have until February 2020 to submit a report, with the committee considering the possibility of putting Lamu on the List of World Heritage in Danger.

The decision from UNESCO shortly follows the decision from Kenya’s National Environmental Tribunal to halt the plans to build the coal plant, and also comes just days after environmental activists said that Kenyan officials were attempting to weaken Lamu’s status as a heritage site: proposed amendments to a draft document on UNESCO’s site included the removal of considerations of the impact of the coal power plant on Lamu.

Kenyan court cancels permit for the Lamu coal power plant

Jun 27 2019

The National Environment Tribunal (NET) of Kenya has cancelled the licence previously granted to Amu Power, the developer of the controversial Lamu Coal Plant, citing the lack of effective public participation and social and environmental risks among other reasons (350.org).
Petition filed at the Environment & Land Court of Kenya
Jul 4 2017
The petition essentially asks for the court to determine whether or not the Energy Regulatory Commission has granted an Electricity Generation Licence to Amu Power Company Limited to build the proposed 1,050 MW coal fired electric generating unit and to make full disclosure of the secretive Power Purchase Agreement (PPA) into which it entered.

Coal-fired plant gets greenlight from ERC
Feb 27 2017
The Energy Regulatory Commission (ERC) has approved the construction of Kenya’s first coal-fired power plant in Lamu after rejecting objections to the project by a community-based organisation (source DailyNation).

Lamu County puts coal-fired power plant on hold
Aug 10 2016
The Lamu County Assembly has rejected an environmental and social impact assessment report by investors on a proposed Sh200 billion coal-fired power plant. The assembly wants the project owners to come up with a resettlement plan for residents who will lose their land to the project.

Standard Bank to finance Centum’s USD two billion coal plant
Jul 17 2016
South Africa’s Standard Bank has signed a deal to finance a USD two billion (KES 200 billion) Centum Investment-backed coal plant in Lamu. The Johannesburg-based lender says it has teamed up with Industrial & Commercial Bank of China Ltd (ICBC) to fund the project which is backed by a consortium of local firms under the investment vehicle Amu Power Company (source Business Daily Africa).

Financiers

The project is valued at USD 2 billion and will be financed through debt of USD 1.5 billion and shareholder equity of USD 500 million (Business Daily).

Banks

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<th>Bank</th>
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<tr>
<td>Industrial and Commercial Bank of China (ICBC)</td>
<td>China profile</td>
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<tr>
<td>Source: Business Daily</td>
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<tr>
<td>Debit – corporate loan</td>
<td>USD 1.2 billion</td>
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Multilateral development banks

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<th>Bank</th>
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<td>African Development Bank</td>
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<td>Source: Xinhuanet</td>
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Standard Bank is listed as co-financier of the project, as based on several statements in the press (here and here and here) and in Standard Bank’s annual report 2015 (page 47). However, in a meeting with South African civil society groups at their Johannesburg offices on 11th September 2017, Standard Bank denied that it is involved in the project.

On October 16 2017 Standard Bank confirmed that it will not fund the proposed coal-power plant in Lamu.

Related companies

Project sponsor

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<th>Company</th>
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<tr>
<td>Amu Power Company</td>
<td>Kenya</td>
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Other companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
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<tr>
<td>Centum Investment Company</td>
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