

# Lamu coal power project Kenya

**Sectors:** energy plants - coal

---

## Active

This profile is actively maintained

Send [feedback](#) on this profile

---

**By:** BankTrack

Created before Nov 2016

Last update: Aug 8 2018

---

[Project website](#)

---

## Status



## About Lamu coal power project

---

The proposed Lamu Coal Power Station is a 1,050 MW 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

---

### 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.

### 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 ([source 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](https://medium.com/@deCOAL)).

The EISA 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.

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 risky investment for any bank.

## Human rights

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.

## Other issues

The Lamu coal power project is associated with the immense LAPSET (Lamu Port-South Sudan-Ethiopia-Transport) Corridor project. Elements of the USD 20 billion LAPSET 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.

## Governance

---

### Applicable norms and standards

Equator Principles

IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement

IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

IFC Performance Standard 7: Indigenous Peoples

IFC Performance Standard 8: Cultural Heritage

## Updates

---

### 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

<b>Industrial and Commercial Bank of China (ICBC) China</b> <a href="#">profile</a> <span style="float: right;">Details ▼</span>		
Debt – corporate loan <i>source:</i> Business Daily <a href="#">link</a>	USD 1.2 billion	July 2016

### Multilateral development banks

<b>African Development Bank</b> <span style="float: right;">Details ▼</span>	
Approached, interested <i>source:</i> Xinhuanet <a href="#">link</a>	

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

<b>Amu Power Company Kenya</b>
--------------------------------

### Other companies

<b>Centum Investment Company Kenya</b>
<b>Gulf Energy Kenya</b>