Thank you very much Chair for inviting Zambia to be part of this event and for inviting me to share Zambia’s experience in the energy sector.

Chair, my submission will primarily focus on 4 broad areas. Firstly, I will highlight in general terms the importance of energy to economic development. I will then give an overview of the sector in Zambia as well as highlight some of challenges affecting the sector. I will then conclude my submission by highlighting some of the interventions Government is making to address some of these challenges.

**Importance of energy in economic development**

- Economies striving for industrial development cannot achieve industrialisation without a reliable energy sector, this is because the sector supplies all the power, electricity that is needed for production.
- Similarly, energy is an important sector for creating jobs. The sector generates as well as supports many jobs through its long supply chains and spending by employees and suppliers.
- In agriculture, energy plays a significant role as an energy user and as an energy supplier in the form of bio-energy.
- In mining which involves a diverse range of energy intensive processes such as excavation, mine operations etc, require having access to reliable energy supply.
- Small businesses which have long been known to contribute to employment and wealth creation by engaging in activities in critical sectors of the economy such as in agriculture, manufacturing, hospitality, construction, transport, mining and trading, can only thrive if they have access to affordable and reliable energy supply.

**Overview of Zambia’s energy sector**

- The major sources of energy in Zambia are electricity, petroleum, coal, biomass (charcoal) and renewable energy (wind and solar). Of these, only petroleum is wholly imported while for the rest, Zambia has abundant sources.
- Despite Zambia’s vast renewable and non-renewable energy sources, Zambia’s electricity mix is dominated by hydro power. Large and mini-hydro stations account for almost 94% of installed capacity.
- In the case of electrification rates, the access rates at the national level are around 22 to 25%. This is largely in part because there is still a significate proportion of the population (about 70%) that still heavily rely on traditional wood fuels such as firewood and charcoal as this is cheaper.
- Over the last decade, Zambia has been experiencing an increasing demand for energy mainly due to increased economic activity in sectors such as agriculture, manufacturing and mining (electricity demand has been growing at an average of about 3% per annum), as well as increased activity in the sub region (electricity consumption by the Southern African Power Pool is about 5% per annum).
Arising from this increased economic activity coupled with growth in population, the total energy demand now exceeds the country’s internal generation capacity. You may wish to know that just the Mining sector and domestic consumers account for a combined total of around 82% electricity consumption.

**Challenges affecting the sector**

With regard to the challenges affecting the sector, these include the following:

1. **Power deficits.** As earlier alluded to, Zambia’s electricity mix is dominated by hydro power. Therefore, the unusually low water levels recorded particularly in the Kariba dam have negatively affected generation capacity. This has resulted in prolonged load shedding programme and abrupt power cuts, which in turn negatively affect the productive sectors of the economy.

2. **Lack of diversity in generation sources.** Despite Zambia’s vast renewable and non-renewable energy sources, there has been limited investments in the past to exploit these. While it is known that strategic development of energy sources has the potential to increase industrial competitiveness, improve rural service delivery and reduce rural poverty, not too much investment has gone into alternative energy sources.

3. **Low tariffs.** Electricity like any other product should be correctly priced in the market as this is critical for investment decisions. However, tariffs have been historically low and unattractive for private sector participation since the electricity sector has a long-term maturation period.

4. Population density in most towns in Zambia, especially rural areas is very low by global standards and therefore cannot benefit from large economies of agglomeration in the provision of energy infrastructure services. As a result the cost of providing basic infrastructure services such as electricity can be twice as much or more than in other developing countries.

**Government Interventions to address current deficits and encourage investments**

Government is undertaking some of the following measures:

1. Emergency Importation of Power;
2. Rehabilitation and commissioning of new power plants, e.g. Kafue Gorge, Maamba Coal Powered Station and Itezhi Tezhi Hydro;
3. Diversifying the sources of power generation. For example, Government through the Industrial Development Corporation (IDC) is undertaking investments in solar power generation;
4. Government is also review the pricing for energy to make them cost reflective which will act as an incentive to attractive new investments; and
5. To attract independent power producers, Government has declared Energy production as a priority sector under the ZDA Act so investments in the sector attract both fiscal and non-incentives.