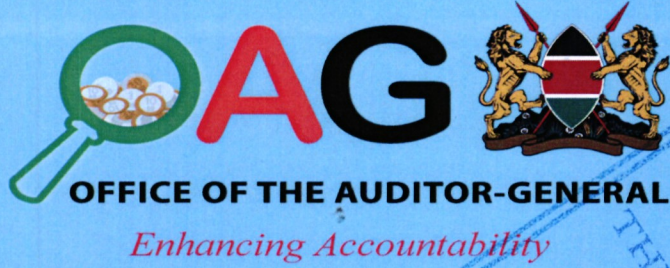


REPUBLIC OF KENYA



PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

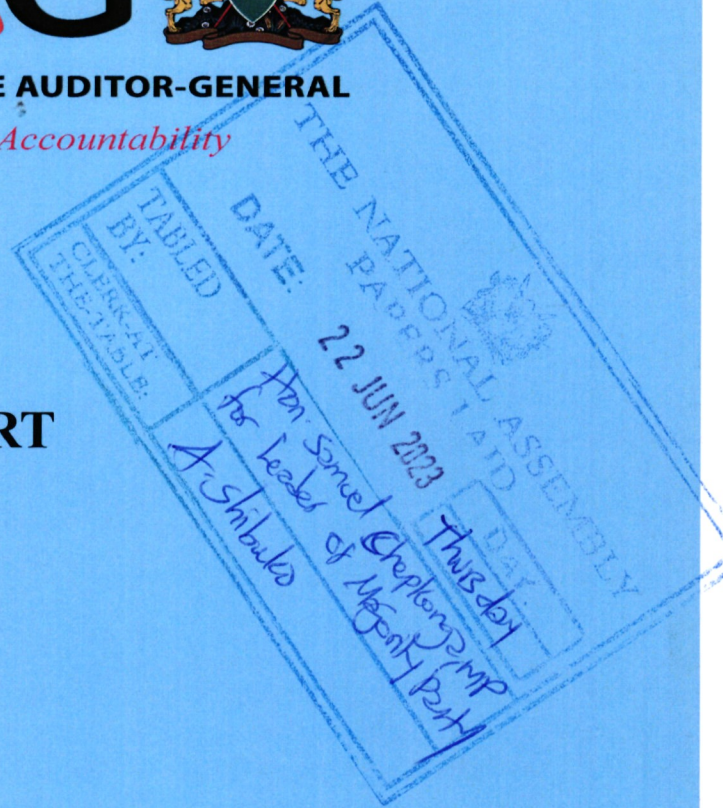
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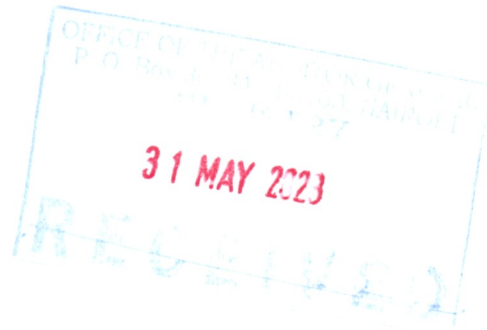
**THE AUDITOR-GENERAL**

**ON**

**ENERGY AND PETROLEUM  
REGULATORY AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**





**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING 30TH JUNE 2022**

**Prepared in accordance with the Accrual Basis of Accounting Method Under  
the International Public Sector Standards(IPSAS)**

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

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# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

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## 1. Key Entity Information And Management

### a) Background information

The Energy Regulatory Commission was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority as the successor to the Energy Regulatory Commission. The Authority is domiciled in Kenya and has branches in Mombasa, Kisumu, Eldoret, Nakuru, Isiolo, and Lodwar.

### b) Principal activities

The principal activity/mission of the EPRA is to regulate the energy sector with responsibility for economic and technical regulation of electric power, renewable energy, and mid & downstream petroleum sub sectors. Its functions include tariff review and setting, licencing, enforcement, dispute settlement and approval of power purchase and network services contracts.

### c) Key management

The Authority's day to day management is under the following key organs:

- i) The Board of Directors
- ii) The Director General
- iii) Management

### d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibilities were:

Designation	Name
Director General	Mr. Daniel Kiptoo Bargoria
Board Secretary & Director Legal Services	Ms. Mueni Mutung'a
Ag. Director, Corporate Services	CPA. James Kilonzo
Director, Electricity & Renewable Energy	Dr. Eng. Joseph Oketch
Director, Petroleum & Gas	Eng. Edward Kinyua
Director, Public Education, Advocacy & Consumer Protection	Mr. Cyprian Nyakundi
Ag. Director, Economic Regulation & Strategy	Dr. John Mutwii Mutua
Deputy Director, Supply Chain Management	Ms. Loise Thuge
Ag. Director, Internal Audit & Risk Assurance	CPA. Everlyne Oreng

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 1. Key Entity Information and Management

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### e) Fiduciary Oversight Arrangements

The Authority is chaired by a non-Executive Chairman Hon. Justice(Prof) Jackton B. Ojwang (Chairman) appointed by the President. All Board members have extensive business and administrative experience in private and/or public sectors that is applied in the management of the EPRA. Authority meetings are held regularly to review EPRA's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chairpersons report to the Board supplement the functions of the Authority.

#### Board Finance and Administration Committee

The Authority's Finance and Administration Committee is chaired by a non-Executive Board members and meets at least once on quarterly basis. The members are Mr. Daniel Ndonye (Chairman), Mr. Albert Mwendwa, Mr. George Mwakule, Eng. Mercy Wambugu and the Director General. The Committee's responsibilities are to ensure sound financial reporting, internal system controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff matters.

#### Board Audit & Risk Committee

EPRA has established an Audit & Risk Committee of the Board which has an approved Audit & Risk Committee Charter that provides the terms of reference for its operations. The Audit Committee is chaired by a non-executive Director and the members are non-Executive Directors. The members are Mr Moses Mutuli (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, and Mr. Albert Mwendwa. The purpose of the Committee is to assist the board in their oversight responsibilities regarding:

- i) The effectiveness of the process of corporate governance.
- ii) The integrity of the financial statements and financial reporting.
- iii) The adequacy of the internal control system and risk management system.
- iv) The performance of the internal audit function.
- v) The adequacy of management response to issues identified by external audit.
- vi) Compliance with legislation, regulatory requirements and internal policies, procedures and code of conduct.
- v) The effectiveness of the performance management framework and performance reporting.

The Directorate of Internal Audit & Risk Assurance provides secretarial services to the Committee in line with the Internal Audit Charter and public financial management laws and regulations.

#### Board Technical Committee

The Technical Committee is chaired by a non-Executive director and meets at least on quarterly basis. The members are Eng. Mercy Wambugu (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, Mr Moses Mutuli, Mr. Daniel Ndonye, Mr. Jared Masini Ichwara and the Director General. The Committee's responsibilities are to provide strategic technical direction of EPRA and to approve technical plans, activities, reports and budgets.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 1. Key Entity Information and Management

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f) Authority headquarters

Eagle Africa Centre  
Longonot Road, Upperhill  
P O Box 42681-00100  
Nairobi

g) Authority contacts

Telephone (254) 20 2847200  
Email: [info@epra.go.ke](mailto:info@epra.go.ke)  
website: [www.epra.go.ke](http://www.epra.go.ke)

h) Authority bankers

1. KCB Bank

Moi Avenue Branch  
P.O Box 48400-00100  
Nairobi, Kenya

2. National Bank of Kenya

Harambee Avenue Branch  
P.O Box 41862-00100  
Nairobi, Kenya

3. NCBA Bank

Upperhill Branch  
P.O Box 30437-00100  
Nairobi, Kenya

i) Independent Auditors

Auditor-General  
Office of the Auditor General Annivesary Towers  
Anniversary Towers, University Way  
P.O Box 30084-00100 Nairobi, Kenya

j) Principal legal adviser

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 1. Key Entity Information and Management


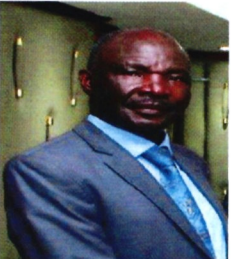

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The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O Box 40112-City Square 00200  
Nairobi, Kenya

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




## 2. Board Members

 <p>Hon. (Prof) Jackton Boma Ojwang Board Chairman</p>	<p>Hon. Justice (Prof) Jackton B. Ojwang, was appointed Chairman of EPRA's Board of Directors for a four-year term with effect from 12<sup>th</sup> May 2020. Prof. Ojwang is a retired judge of the Supreme Court of Kenya with a span of 45 years' experience in the legal profession.</p> <p>Prof. Ojwang has had an illustrious 17-year career in the Judiciary after having been first appointed a high court Judge in 2003 and then elevated to the Supreme Court in 2011 as one of the key seven Judges of the newly created apex court.</p> <p>He holds Bachelor's and Master's degrees in Law from the University of Nairobi and a PhD in Comparative Constitutional Law from Downing College, Cambridge. In 2015, he earned a Doctor of Laws degree (LLD) from the University of Nairobi making him the first sitting judge to receive the Degree. He is an accomplished scholar and who has authored numerous academic papers and other scholarly works. He has also taught at reputable universities around the world including the University of Nairobi where he served for 27 years. He has also been a visiting Associate Professor of Law at the J. Reuben Clark Brigham Young University Law School in the United States.</p> <p>Prof. Ojwang was awarded the University of Nairobi's Staff Merit Award in recognition of his outstanding contribution towards the University's mission. He was also bestowed the coveted East African Law Society Senior Lawyer of Year Award in 2013 for his remarkable legal and judicial career. Up to February 2020, he sat on the Council of Legal Education Board where he chairs the Quality Assurance &amp; Compliance Committee.</p> <p>Date of Birth: 10<sup>th</sup> February, 1950</p>
 <p>Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa, CBS, 'ndc' (K), 'ensp' (RSA), 'psc' (K)</p> <p>Principal Secretary, Ministry of Energy</p>	<p>Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa, CBS joins the Ministry of Energy as the Principal Secretary from the State Department for Public Works. Before his posting in the Ministry of Energy, he served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.</p> <p>Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer close to 40 years ago. He diligently served and worked his way through the ranks in the military and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.</p> <p>Date of Birth: 13<sup>th</sup> May, 1956</p>
 <p>Mr. Andrew Kamau, CBS Principal Secretary, State Department for Petroleum</p>	<p>Mr Kamau has vast experience in the oil and gas sector spanning more than twenty-five (25) years.</p> <p>Prior to his appointment, he worked for multinationals in East Africa and major trading organisations in Europe and South Africa in the energy and mining sector. He was awarded the dealmaker of the year 2005 by Global Pacific partners.</p> <p>Mr. Kamau has advised on various petroleum upstream, mid/downstream ventures in countries in the region. He has extensive experience in the mining and Oil &amp; Gas exploration sectors, having been a director of the oldest Johannesburg Stock Exchange listed mining company, Sallies Ltd, Drillex Ltd, a mineral exploration drilling company with drilling rigs in South Africa, Mozambique and Zambia. In addition, he has been a director of Gulf of Guinea Petroleum Company, a junior oil exploration company with acreage in Republic of Congo and Gabon.</p> <p>Date of Birth: 18<sup>th</sup> November, 1966</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




## 2. Board Members

 <p>Mr. James Mbugua Alternative to the PS Ministry of Energy and Petroleum.</p>	<p>Mr. Mbugua is currently the Principal Superintending Geologist and Acting Secretary in the Directorate of Petroleum at the State Department of Petroleum and Mining. His directorate is responsible for overseeing the exploration of Oil and Gas fields, determination of their commerciality, licensing and ensuring compliance with environmental protection policies. He has extensive experience, spanning over 25 years, and has been involved in the exploration of geothermal, coal, oil and gas in Kenya.</p> <p>Mr. Mbugua holds a Bachelor of Science Degree in Geology from the University of Nairobi and a Master of Science Degree in Structural Geology from the University of Leeds, UK. He also holds a Post Graduate Diploma in Geothermal Technology from Auckland University, New Zealand and a Certificate in Geothermal Energy and Environmental Sciences from Kyushu University, Japan.</p> <p>He is a member of the Geological Society of Kenya (GSK) and the Geologist Registration Board (GRB)</p> <p>Retired 30<sup>th</sup> June, 2022</p> <p>Date of Birth: 30th June 1962</p>
 <p>Mr. Albert Mwenda Representative National Treasury</p>	<p>Mr. Albert Mwenda is the Director General, Budget, Fiscal and Economic Affairs. He holds a Masters degree in Public and Economic Policy from the London School of Economics and Political Science (LSE), UK as well as a Masters of Business Administration (Finance) from the University of Nairobi (UON). He also holds a Bachelor of Arts degree in Economics from the University of Nairobi (UON).</p> <p>He has over 20 years of experience in central government and private sector organizations. Albert was appointed as an Advisor to the National Treasury of the Government of Kenya in 2011. In this capacity, he advised the National Treasury on public finance management reforms as well as fiscal decentralization.</p> <p>Prior to his current appointment he served as the Director of the Intergovernmental Fiscal Relations Department of the National Treasury which he helped to establish. He has made significant contributions in the recent development of Kenya's policy and legislative framework for public finance management, including the management of fiscal relations between the two levels of government. He was appointed Board member of the Authority on 10<sup>th</sup> August, 2020.</p> <p>Date of Birth: 10th May 1971</p>
 <p>CPA. Moses Gitari Alternate to the PS, Ministry of Energy</p>	<p>CPA Moses Gitari is the Head of Accounting Unit, State Department for Energy and the Alternate Director on the EPRA Board. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU. CPA Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK). He has vast experience in Accounting Systems Implementation and Business process re-engineering.</p> <p>He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of Business process re-engineering.</p> <p>Retired on 23<sup>rd</sup> August, 2021</p> <p>Date of Birth: 22<sup>nd</sup> July, 1971</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022



## 2. Board Members

 <p>Mr. Wanjuki Muchemi CBS, FCI, Arb Board Member</p>	<p>Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, Alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is currently serving as a non- Executive Director in the Boards of several listed and private companies.</p> <p>Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal Assistant to the Attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency, President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for 10 years.</p> <p>He holds a Master of Business Administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of Arbitrators, London, U.K. (FCI Arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS (K)), and The Law Society of Kenya.</p> <p>Retired on April 19<sup>th</sup>, 2022</p> <p>Date of Birth: 30<sup>th</sup> November 1951</p>
 <p>Prof. George Achoki Board Member</p>	<p>Professor George O. Achoki has experience in Management, academia and board directorship spanning over twenty years. Professor Achoki's career life started in 1997 at Manpower Services (K) Limited where he worked as a Management Consultant. He had a one-year stint as a senior lecturer at Kenyatta University where he taught finance and accounting. He is currently an associate Professor of Accounting and Finance at United States International University (USIU) where he has taught for over 20 years.</p> <p>Professor Achoki holds a Bachelor's degree in Commerce, a Master's degree, Commerce in Accounting and Statistics and a Doctor of Philosophy in Human Resource Accounting, all from Sukhadia University, India.</p> <p>He has published in the International Journal of Economics and Finance, the American Journal of Finance, and the Journal of Business and Management among others. Between 2016-2018, he served as a Council Member at the Export Promotion Council where he Chaired the Strategy, Product Development and Promotion and the Finance and Resource Mobilization Committees.</p> <p>Retired on 7th February, 2022</p> <p>Date of Birth: 24th April, 1966</p>
 <p>Dr. Sellah J. Kebenei Board Member</p>	<p>Dr. Kebenei, a senior lecturer (academician) at Kabarak University, has conducted extensive research in the field of Organic and Environmental Chemistry.</p> <p>She began her academic career at the University of Nairobi in 1981 where she graduated with a Bachelor of Science Degree (BSc), with a Major in Chemistry. She subsequently did Master of Philosophy (M.Phil.) Degree in Chemistry at the Moi University, Eldoret and graduated in 2003. She holds a Doctor of Philosophy Degree in Chemistry (PhD) from the same university (2009).</p> <p>From 2006 to 2015, she served as Head of Environmental and Life Science Department at the Kabarak University. Since 2016 to date, she has served as Head of Physical and Biological Sciences Department at the same University. She served as acting Dean for the School of</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 2. Board Members

	<p>Science, Engineering and Technology (2014) and as Director of the Institute of Post-Graduate Studies and Research (2016).</p> <p>She was coordinator for the development of the School of Medicine and Health Science from 2009 to 2014, which resulted in the launching of Nursing and Clinical Medicine Degree program.</p> <p>Retired on 7th February, 2022</p> <p>Date of Birth: 28th February, 1961</p>
 <p>Mr. Barnabas Ngeno Representative Council of Governors.</p>	<p>Hon. Barnabas Ngeno has vast experience in housing, lands and urban governance. He is currently serving as the County Executive Committee Member for Lands, Housing and Physical Planning in Kericho County. Hon. Ngeno is also the Chairperson of Lands, Housing, Physical Planning, Housing, Urban Development and Energy Committee at the Council of Governors. Hon. Ngeno also serves as the National Program Technical Committee Co- Chair for of Kenya Urban Support Program (KUSP), and is a member of the program's National Steering Committee. KUSP is a \$300 Million World Bank fund that supports infrastructural development in 45 counties.</p> <p>Hon. Ngeno has led the sector technical team during a critical moment of transition into the new constitutional dispensation. His team has overseen the successful development of the policy, legislative and regulatory framework that currently governs the expansive sector.</p> <p>Hon. Barnabas Ngeno is the Council of Governors' representative in the board. He has a Bachelor's Degree in Business Management from Moi University, and is an MBA Finalist at Kenyatta University. He is the inaugural Chairperson and founder of the Institute of Corporate Governance.</p> <p>Date of Birth: 9<sup>th</sup> May 1982</p>
 <p>Eng. Mercy Wambugu Board Member</p>	<p>Mercy is an Independent Consultant with a special interest in the oil and energy sector. She is passionate about helping organizations achieve operational excellence through professional advice and hands-on support, working mostly in association with other consultants (2013 to-date). Her clients include both public and private organizations with an interest in the oil sector.</p> <p>Mercy has extensive experience in the corporate world including a 27-year career-span with the Shell Group (1986-2013) with core competences in petroleum downstream operations as well as generic management functions such as leading/managing teams, budgeting/financial management and project/change management. In her last role with Shell, she worked as a member of the project team that managed Shell's divestment from its downstream business in Africa and transition to Vivo Energy BV. Prior to that she worked as the oil terminal operations advisor for Africa and held various operational roles within the Kenya Shell. Earlier in her career, she handled public sector engineering projects under the Ministry of Public Works (1983-1986).</p> <p>Appointed: 14<sup>th</sup> April 2022</p> <p>Date of Birth: 27<sup>th</sup> May 1961</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022




## 2. Board Members

 <p>Mr. Daniel Ndonge Board Member</p>	<p>Mr. Daniel Ndonge is a chartered accountant by profession, having worked with Deloitte &amp; Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He holds a Bachelor of Commerce degree from the University of Nairobi. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya. He sits on the boards of several companies, two (2) of which are listed on the Nairobi Securities Exchange</p> <p>Appointed: 14<sup>th</sup> April 2022</p> <p>Date of Birth: 24<sup>th</sup> August 1949</p>
 <p>Mr. Moses Mutuli Board Member</p>	<p>Moses is currently the General Manager, Life Insurance East Africa, for Sanlam Pan Africa. For his role, he serves in the Boards of Sanlam in Uganda, Tanzania, Rwanda and Burundi and in addition is a Director at Hubris Holdings Ltd in Kenya.</p> <p>Moses is a qualified actuary and is a Fellow of the Institute of Actuaries UK (FIA) and Fellow of The Actuarial Society of Kenya – TASK (FeASK). He is the immediate past chairman of TASK. He has over 18yrs experience in insurance and actuarial consulting gained in UK, SA and Kenya.</p> <p>Moses is a Rhodes Scholar and holds an MBA and MSc in Applied Statistics both gained from University of Oxford (UK) and BSc Mathematics from University of Nairobi.</p> <p>Appointed: 14<sup>th</sup> April 2022</p> <p>Date of Birth: 2nd April 1977</p>
 <p>Mr. George Mwakule Board Member</p>	<p>Mr. George Mwakule is an Information Technology professional with vast experience in the corporate world including 21 years with Coca-Cola in Africa, Middle East and Turkey. He managed multi-country infrastructure services delivery, led information technology projects and systems integration within The Coca-Cola Company and its franchise bottling partners. His early corporate career was at Barclays Bank of Kenya where he led transformative technology projects in data centers, cheque processing and office automation. He also worked at Kenya Posts &amp; Telecommunication Corporation as an Executive Engineer and implemented several telephone and data transmission systems.</p> <p>He holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi.</p> <p>Appointed: 14<sup>th</sup> April 2022</p> <p>Date of Birth: 9<sup>th</sup> April 1963</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 2. Board Members

 <p>Mr. Masini J. Ichwara Board Member</p>	<p>Mr. Masini J. Ichwara is currently the Director of Planning in the Central Planning and Programme Monitoring Unit at the Ministry of Energy. He previously served at the same level at the Ministry of Industrialization, Trade and Enterprise Development, State Department for Industrialization.</p> <p>Mr. Ichwara has comprehensive national and international development level experience spanning over 25 years having worked for UNDP-Somalia as a Research Officer, UNDP-Kenya as a Monitoring and Evaluation Specialist and as a consultant for UNFPA, UNICEF and UNWomen. He previously worked for the Kenya National Bureau of Statistics and the Monitoring and Evaluation Directorate at National Treasury and Planning.</p> <p>Appointed: 17<sup>th</sup> April 2022</p> <p>Date of Birth: 12<sup>th</sup> December, 1969</p>
 <p>Mr. Daniel Kiptoo Director General</p>	<p>Mr. Daniel Kiptoo was appointed as the EPRA Acting Director General on 14<sup>th</sup> December 2020 and subsequently confirmed as Director General of the Authority on 1<sup>st</sup> July 2021. Prior to his appointment, he was the Legal Advisor in the State Department of Petroleum and the Chairman of the Government's First Oil Committee charged with delivery of First Oil for Kenya. The committee brought together technical officers from different Government Ministries and agencies. Mr. Kiptoo is a qualified lawyer with experience in the Energy and Petroleum sectors with a specific focus in policy formulation, regulation and project &amp; structured financing. He is one of the drafters of the Energy Act (2019) and Petroleum Act (2019).</p> <p>He is a Certified Public Secretary in Kenya (CPS), Chartered Secretary of the Institute of Chartered Secretaries and Administrators UK (ICSA) and is a member of the Association of International Petroleum Negotiators (AIPN). He holds a master's degree in Petroleum Law and Policy from University of Dundee. Prior to his role as Legal Advisor in the State Department of Petroleum, he worked with the Energy and Petroleum Regulatory Authority (EPRA) as a Technical Officer and in the private sector with an Africa centric Oil &amp; Gas risk consultancy as the Oil &amp; Gas and Legal Affairs Director.</p> <p>Date of Birth: 17<sup>th</sup> February, 1984</p>
 <p>Ms. Mueni Mutunga Board Secretary</p>	<p>Mueni holds a Master's in Business Administration and a Bachelor of Laws degree both from the university of Nairobi, and a diploma in legal practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Institute of Certified Secretaries of Kenya and Chartered Institute of Arbitrators. She has also trained extensively in Good Corporate Governance</p> <p>She started her career as an advocate and worked as an associate with the law firm of Robson Harris &amp; Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Board Secretary and Director Legal Services.</p> <p>Date of Birth: 28th February, 1964</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 3. Management Team

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 <p>Mr. Daniel Kiptoo Bargarora, OGW LL. M, LL. B(Hons), CPS (K), Dip. Law</p>	Director General: Board Member and Chief Executive Officer of the Authority.
 <p>Dr. John Mutwii Mutua PhD (Economics)</p>	Ag. Director, Economic Regulation: Heading the Economic Regulation & Strategy function of the Authority.
 <p>Ms. Mueni Mutung'a MBA, LL. B (Hons), CPS (K), Dip. Law (KSL)</p>	Board Secretary & Director Legal Services: Secretary to the Board and Head of the Legal function of the Authority.
 <p>Dr. Eng. Joseph Oketch MBA, BSc (Elec. Eng.), C. Eng., MIEK</p>	Director, Electricity & Renewable Energy: Heading the Electricity & Renewable Energy subsector regulation function of the Authority.
 <p>Eng. Edward Kinyua Msc (Energy Management), B.Tech (Mech. &amp; Prod. Eng)</p>	Director, Petroleum & Gas: Heading the Downstream Petroleum & Gas Regulation function of the Authority.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 3. Management Team

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 <p>Mr. Cyprian Nyakundi MBA, Bcom, CPA(K)</p>	<p>Director, Public Education, Advocacy &amp; Consumer Protection: Heading the Public Education, Advocacy &amp; Consumer Protection function of the Authority.</p>
 <p>CPA. James Kilonzo MBA, Bcom, CPA(K), CISA</p>	<p>Ag. Director, Corporate Services: Heading the Corporate Services functions of the Authority (Finance &amp; Accounts, HR &amp; Admin, Corporate Communications &amp; ICT)</p>
 <p>CPA. Everlyne Orengo MBA, Bcom, CPA (K)</p>	<p>Ag. Director, Directorate of Internal Audit and Risk Assurance: Heading the Internal Audit and Risk Assurance function of the Authority.</p>
 <p>Ms. Loise Thuge Msc, BA MCIPS(UK), MKISM</p>	<p>Deputy Director, Supply Chain Management: Heading the supplies and procurement functions of the Authority.</p>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 4. Chairman's Statement

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I take great honor to present to you the Authority's annual report and financial statements for the year ended 30<sup>th</sup> June 2022. The report reflects the efforts made by the Authority towards achievement of the country's core development plans; the Vision 2030 and the Big Four Agenda. The Authority has continued to support aspirations of the country's Vision 2030 and Big Four Agenda in regulating and steering the energy sector towards sustainable, affordable and adequate energy services. This is attributed to the fact that energy is considered a major infrastructural enabler of the country's development agenda.

The economic performance for the period ending June 2022 is estimated to have expanded following easing of Covid-19 containment measures and resumption of economic activities across all sectors. Real Gross Domestic Product (GDP) is estimated to have grown by 7.5%, with most economic activities recording positive growth as per the Economic Survey 2022.

### Successes

The Energy Act 2019 provides a framework for the energy sector development and coordination through the proposed 5-year National Energy Policy and the envisaged 3 year Integrated National Energy Plan (INEP). The Act aims to support provision of affordable, adequate and reliable electricity services to the country necessary to steer the country towards achieving its Vision 2030 objectives. A special focus on Renewable Energy resource utilization has been given prominence with investment in geothermal power production which offers comparatively lower generation tariffs being given priority.

The other key statute that is a pillar in the regulatory mandate of the Authority is the Petroleum Act 2019. The Act provides for the development of the National Petroleum Policy, a framework that guides the petroleum sub-sector owing to the successful discovery of crude oil in Turkana. The Authority's mandate in regulation of upstream petroleum and capacity building initiatives are bound to ensure successful regulation and promotion of the sector that is deemed crucial for achievement of the Big Four Agenda.

The Authority continues to spearhead the smooth functioning of the sector through the use of various regulatory instruments including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, monitoring performance of sector utilities, Energy sector pricing as well as complaints resolutions. Each of these processes are being improved by ensuring that less time is taken to process any legal instrument issued by the Authority. Among critical activities this year, the Authority continued to monitor the implementation of Time of Use (TOU) tariff for large commercial and industrial consumers.

The Country has in the recent past experienced increased interest by developers in the development of Liquefied Petroleum Gas (LPG) infrastructure. This has been buoyed by a growth in LPG consumption as more Kenyans enter the middle class and abandon traditional biomass cooking fuels. This energy transition initiative has seen consumption of LPG increase from 2.3 Kilos per Capita in 2012 to 7.5 Kilos per capita in 2021. On this account, the Authority is encouraging the shift to LPG through fiscal and regulatory incentives. That aside, the Authority continues to intensify the quality of petroleum fuels used in the country through a national marking and monitoring program and a revamped enforcement, compliance and consumer protection team with offices across the country. This will ensure that consumers are protected from adulterated fuels, malpractices in electrical energy service provision as well as quality control of petroleum dispensing facilities. The efforts also protect the Country's tax revenue by preventing dumping of tax-exempt export bound petroleum products into the local market.

The country has experienced high energy prices which has had significant adverse impact in the cost of living. There has been an upsurge in international oil prices that have affected the end user tariffs and prices. The Authority has been engaging with the government to ensure we manage the negative impacts such as increase through implementation of the subsidy program for price regulated petroleum products. Further, the Authority has been at the forefront in the implementation of Presidential directive of 33% reduction in electricity tariffs. With the review and gazettment of the the first phase of 15% tariff reduction, the Authority continues to support the government's agenda of affordable and reliable energy in the country.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Chairman's Statement

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### Challenges

Finalizing of the new regulations to ensure implementation of the Energy Act 2019 and Petroleum 2019 has been the other major challenge facing the sector. There are many regulations that required to be developed or updated to conform to the new statues. The Authority will continue to work with the Ministry of Energy and Ministry of Petroleum and Mining in mobilizing budgetary resources to ensure these regulations are developed and implemented.

### Way Forward

Going forward, and in recognition of the General Elections scheduled to take place on 9<sup>th</sup> August 2022, the Authority has coordinated the sectors agencies in putting in place measures that will ensure secure and reliable energy supply during the period. The Authority will continue to collaborate with stakeholders to enhance our regulatory mandate by adopting best practices and improve the environment of doing business in the country.

Finally, the Authority appreciates the support it has received from both the national and county governments, the energy sector players and from all Kenyans in general. I also take this opportunity to commend the Authority's staff, Management and my fellow Directors of the Board for the conclusion of yet another successful year and for executing our mandate with vigor, passion and distinction in our quest to meet or exceed our stakeholders' expectations.

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Hon. Justice (Prof) Jackton B. Ojwang'  
Chairman

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 5. Report of the Director General

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Kenya's energy sector continues to make significant progress in policy and regulatory frameworks through reforms facilitated by the Energy Act No 1 of 2019 and the Petroleum Act No. 2 of 2019. The successful implementation of these reforms has improved service delivery to the general public and relevant stakeholders in the Energy and Petroleum sectors. The financial year ending June 2022 recorded significant milestones as the country continued its economic recovery path with the easement of Covid-19 containment measures and resumption of economic activities across all sectors.

In electricity Subsector, the multi-agency approach to energy planning continued with Kenya Power and Lighting Company coordinating the development of the Least Cost Power Development Plan (LCPDP) as recommended by the Presidential Taskforce on the Review of Independent Power Producer – Power Purchasing Agreement. The report was prepared in the interim as the envisaged Integrated National Energy Plan (INEP) framework and regulations were still being developed. During the year 2021/22, Least Cost Power Development Plan 2022-2041 was prepared and submitted to the Cabinet Secretary for Energy. Further, Presidential directive of a 33% reduction on end user tariff led to review and implementation of a new tariff. The implementation was undertaken in two phases of 15% each. The first phase of 15% was approved and effective 1<sup>st</sup> January 2022 for a period of one year.

The Authority continued to play significant role in the evolution of Kenya's power system. During the financial year, as mandated in section 138 of the Energy Act 2019, the Authority designated the Kenya Transmission Company (KETRACO) as the country's System Operator. The designation of a system operator is geared towards the realization of an open access electricity market as envisioned in the Energy Act 2019.

At sector performance level, the resurgence in economic activities contributed to record peak demand of 2,057MW for the year ending June 2022. The government's initiative towards achieving universal electricity access in the country continued with a record 8,919,584 customers connected as at June 2022. On electricity generation, the installed capacity of the country as June 2022 stood at 3,076MW comprising 838MW of hydroelectric power, 949MW geothermal power, 646MW Thermal, 436MW Wind Power, 170MW Solar, 2MW biomass and 33.81 of isolated Minigrids.

The Authority has continued its commitment to reviewing Power Purchase Agreements (PPA's) within 60 days of receipt of materially complete applications, in accordance with the Energy Act 2019, a significant reduction from the statutory 90 days stipulated in the Energy Act 2006. During the financial year, the Authority reviewed and approved extension of the 56 Muhoroni GT PPA between KenGen and KPLC, 30MW Olkaria 1 PPA between KenGen and KPLC. The Authority further approved amendments to the energy exchange agreement between Uganda Electricity Transmission Company Limited (UETCL) and KPLC. The timely ensured reliability of power supply to the country. The financial year saw one new Independent Power Producer come on board to the grid, namely, 40MW Malindi Solar Plant, cementing Kenya's status as a leader in renewable energy power generation.

In the Petroleum sub-sector, for the period ending June 2022, the consumption for Illuminating Kerosene, Premium Motor Spirit, and Automotive Gas Oil was 151,657.71 M<sup>3</sup>, 2,088,661.65 M<sup>3</sup> and 2,705,158.44 M<sup>3</sup> respectively. By June 2022, the Authority had issued a total of 12,359 Petroleum Business Licenses. In addition, the Authority continues to set maximum retail prices for three critical products namely Diesel, Premium Motor Spirit and Illuminating Kerosene. The Authority additionally sets wholesale prices for the main supply depots in Kenya as stipulated in Energy Act 2019. The key determinants of pricing include, importation costs on international oil prices as per Platts, average bank exchange rates, taxes and levies, premiums, storage costs, pipeline tariff costs and transportation costs. This exercise has been efficiently and prudently executed on the 14th Day of every month without fail and with stakeholder participation in the whole pricing process.

During the financial year under review, the Authority received South Lokichar Field Development Plan (FDP). The Authority, in its mandate as outlined in section 32 (3), is expected to review the FDP and submit to the Cabinet Secretary for approval. The submission by the Kenya Joint Venture (KJV) partners, and subsequent review of the FDP by the Authority put Kenya on the path towards realizing final investment decision and establishing Kenya as an exporter of crude oil.

# Energy & Petroleum Regulatory Authority


Annual Report And Financial Statements for the year ended 30 June 2022

## 5. Report of the Director General

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In the year under review, the Authority collected KES. 1.19 billion from the petroleum levy compared to KES. 1.22 billion the previous year, a decrease of 10%. On the other hand, the electricity levy increased by 28.8% from KES. 236 million in 2020/2021 to KES. 304 million in 2021/2022. We received Kes 200M from Ministry of Petroleum and Mining during the period. In total, non-exchange revenue went up by 2.7% from KES.1.50 billion in 2020/21 to KES.1.54 billion in 2021/22. The total recurrent expenditure increased by 11% from KES. 1.35 billion in 2020/21 to KES. 1.50 billion in 2021/2022.

The Authority's total asset base increased by 38.1% from KES. 661.10 million in the previous period to KES. 913.53 million in 2021/22. Non-current assets increased by 46.9% to KES. 308.77 million from KES. 210.05 million. Current assets went up by 34% to KES. 604.75 million from KES.451.05 million. Current liabilities increased by 105.1% to KES 484.06 million up from KES. 236.55 million in the 2020/21 financial year. Further, total equity increased by 1.2% from KES 424.55 million in 2020/2021 to KES 429.46 million in 2021/2022.



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**Mr. Daniel Kiptoo Bargarora**  
Director General.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 6. Statement of Performance against Predetermined Objectives For F/Y 2021/22

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Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

EPRA has (4) strategic pillars and objectives within its Strategic Plan for the FY 2021/2021-2022 - 2023/2024/. These strategic pillars are as follows:

Pillar 1	Sustainable Development
Pillar 2	Innovation and Data Management
Pillar 3	Consumer Protection
Pillar 4	Institutional Capabilities

EPRA develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The EPRA achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated below:

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Statement of Performance Against Predetermined Objectives For F/Y 2021/22

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1- Sustainable Development	To promote energy sector growth and development	a)Regulatory Impact Assessment study reports b) Stakeholder/public participation in development/review of regulations, standards and codes c)Energy efficiency and conservation measures d)Number of licenses/permits issued e)Turn-around time for processing licenses/permits	a)Develop regulations b)Undertake energy efficiency capacity building c)Process applications for Petroleum Business Licenses, Energy Auditors, Solar PV technicians, Energy Audit Firms, Solar PV contractors, electrical worker, electrical contractors and Power Purchase Agreements	a)Developed 6 draft regulations on Petroleum & Gas b) The framework for green certificates developed as part of the draft Energy (Energy Management) Regulations, 2021 forwarded to the Cabinet Secretary for gazette c) Conducted 5 capacity building fora on energy efficiency d) Processed 19,227 petroleum and LPG business license applications within an average of 9.3 days e) Licensed 667 electrical workers and 324 electrical contractors within an average of 58 days and 17 days respectively f) Received and approved 4 PPAs within an average of 48 days g) Gazetted 15% reduction in electricity tariff h) Designated KETRACO as system operator

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Statement of Performance Against Predetermined Objectives For F/Y 2021/22

<p>Pillar 2- Innovation and Data Management</p>	<p>To strengthen energy and petroleum sector research, data management and information dissemination</p>	<p>a)Research week b)Energy statistic reports c)No. of innovation events d)Staff sensitization</p>	<p>a)Undertake research and innovation week b)Undertake regulatory research on topical issues c) Analyse and report on electricity, energy efficiency renewable energy and petroleum statistics d)Implement the knowledge management policy</p>	<p>a) Research and Innovation week undertaken on 28th and 29th June 2022 b) Energy and Petroleum Statistics Report, 2021 was launched by the Cabinet Secretary MOE on 28th February 2022 c) Assumptions of electricity demand and supply forecast were reviewed which took into consideration recommendations of the report of the Presidential Taskforce on review of Power Purchase Agreements. d) The Power Market Study Report was approved and adopted by the Board; e) Finalized the Petroleum Demand forecasting tool with KIPPRA, and undertook a 20 year forecast of selected petroleum products f) 5 electricity transmission projects and 5 electricity generation projects were monitored g) Training of Knowledge Management champions was conducted in September 2021.</p>
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# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Statement of Performance Against Predetermined Objectives For F/Y 2021/22

Pillar 3-Consumer Protection	To enhance regulatory awareness, compliance and safety (Consumer Protection)	<p>a) Number of stakeholder sensitization forums on energy related issues</p> <p>b) No. of public safety campaigns conducted</p> <p>c) Report on outcome of inspections undertaken (compliant vs non-compliant)</p> <p>d) number of operational partnerships and collaborations</p>	<p>a)Organize public awareness/ sensitization forums</p> <p>b)Design and implement public safety campaigns</p> <p>c)Undertake inspections of petroleum, LPG, Renewable Energy and Electricity facilities, to enforce compliance with Energy Act 2019 and Petroleum Act 2019</p> <p>d)Implement strategic partnership &amp; collaboration</p>	<p>a) Coordinated 25 public awareness workshopsb) Conducted stakeholder awareness and education campaigns on the Authority's social media platforms i.e. LPG safety tips, renewable energy, energy efficiency and electrical safety campaign and Road Safety Campaign;c) Undertook 3,671 surveillance inspections d) A total of 5,426 tests were conducted at 21,272 tests were conducted at 4,624 petroleum sites. From the tests, 98.88% of the sites were found to be compliant. However, tests from 52 sites turned out to be non-compliant;e) Established MOU with the Kenya National Library Service (KNLS)</p>
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# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Statement of Performance Against Predetermined Objectives For F/Y 2021/22

<p>Pillar 4-Institutional Capability</p> <p>To enhance our institutional capabilities (Institutional Capabilities)</p>	<p>a) Number of interns engaged</p> <p>b) Board Evaluation Report</p> <p>c) Compliance with the Quality Management System</p> <p>d) Number of processes audited</p> <p>e) Amount allocated to special groups, i.e., youth, women and PWDs</p> <p>f) Amount allocated to procurement budget for locally sourced goods and services</p> <p>g) Assets disposed</p> <p>f) Operational disaster recovery plan</p>	<p>a) Offer internship opportunities</p> <p>b) Undertake Board Evaluation</p> <p>c) Maintain the Quality Management System</p> <p>d) Provide risk assurance by performing risk-based audits of the processes</p> <p>e) Uptake of 30% value of tender awarded</p> <p>f) Reserve a minimum of 40% of the procurement budget for locally sourced goods and services</p> <p>g) Undertake disposal of idle assets</p> <p>h) Review and implement the disaster recovery plan</p>	<p>a) Board Evaluation undertaken on 6th August, 2021;</p> <p>b) Engaged a total of 35 interns and 13 attaches;</p> <p>c) Implemented a new staff establishment and advertised 61 job vacancies</p> <p>d) Developed and approved policies on Rewards and Sanctions, Road Safety, Sexual and Gender Based Violence and Alcohol and Drug Abuse;</p> <p>e) KEBS surveillance audits conducted as follows: Mombasa office on 18th October 2021, Eldoret Office on 19th October 2021; and HQ on 22nd October 2021</p> <p>f) 11 operational/ systems internal audits and 5 follow-up audits conducted;</p> <p>g) Engaged a consultant to review the Authority's Enterprise Risk Management framework</p> <p>h) Utilized Kshs. 1,686,739,307.31 against a target of Kshs. 2,102,427,788 translating to an achievement of 80.23%</p> <p>i) Realized Kshs. 1,718,524,088.03 against an annual target of Kshs. 2,137,562,840.00 translating to an achievement of</p>
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# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## Statement of Performance Against Predetermined Objectives For F/Y 2021/22

				<p>80.40%j)          Awarded contracts worth Kshs. 38,900,936.19 to Youth, Women and PWDs categories of suppliers. k)          Awarded contracts worth Kshs. 440,005,891.49 for supply of locally produced and servicesd)          Awarded contracts worth KES 18,963,075.84 to Youths, Women and PWD categories of suppliers e)          Awarded tenders worth KES 221,231,401.00 for supply of locally produced goods and servicesf) Disaster recovery site was setup in Kisumu</p>
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# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

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### 1. Introduction

The Board of Directors acknowledge the need to conduct the business and operations of the Authority with integrity and in accordance with generally accepted corporate practice and internationally developed principles of corporate governance. The Board recognize corporate governance as an essential element towards achieving the Authority's regulatory mandate provided in both the Energy Act, 2019 and Petroleum Act, 2019. The Board members adhere to good corporate governance by embracing the following principles:

- Observation of high standards of ethical and moral behaviour;
- Act in the best interests of the Authority;
- Ensure fair staff remuneration and promotion
- Promotion of legitimate interests of all stakeholders;
- Ensure that the organization acts as a good corporate citizen.

The Board members will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the Authority's operations.

### 2. Board members

#### 2.1 Board Composition, Appointment and Size

The Board of Directors of the Authority as provided under section 12 of the Energy Act, 2019 consist of the Chairman, the Principal Secretary in the Ministry of Energy or his representative, the Principal Secretary in the Ministry of Petroleum and Mining or his representative, the Principal Secretary in the National Treasury or his representative, one County Executive Committee member or his representative nominated by the Council of County Governors, the Director General and five other members who represent the private sector. The Chairman and the five members from the private sector are appointed by the President and the Cabinet Secretary respectively. The Chairman (Hon. Justice (Prof) Jackton B. Ojwang) is Non-Executive. The Chairman's term is four years and that of the other Board members is three years and the respective terms are renewable once for the same duration. The Director General is the Chief Executive of the Authority appointed by the Cabinet Secretary through competitive selection for a term of three-year renewable once. The Director General is an ex officio member of the Board with no voting rights at the Board meetings.

The Board is well composed in terms of diversity in skills, knowledge of business and administrative experience acquired from both private and public sectors that is essential in the effective management of the Authority's operations.

The appointment of the Board members can be terminated in accordance with the provisions of Second Schedule of the Energy Act, 2019 or through voluntary resignation.

#### 2.2 Independence and Separation of Roles and Responsibilities

The Board members exercise independent judgment in discharging their duties. The Board sets the strategic plan of the organization, oversees implementation of policies, evaluates the performance and reports to the stakeholders.

The Chairman of the Board is primarily responsible for the activities of the Board and its Committees. The Chairman in consultation with the Director General sets the agenda for Board meetings, chairs the meetings and ensure effective communication to stakeholders. The Chairman acts as the spokesperson for the Authority and is the principal contact for the Director General. The Director-General who is the Chief Executive of the Authority, is responsible for the day-to-day management of the Authority subject to the Board's direction.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

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### 2.3 Board Responsibilities

The Board's responsibility is to promote the long-term success of the organization. The Board provides leadership, strategic direction and exercises effective control of the Authority. The Board members assume collective responsibilities though their duties are discharged through the Board or its Committees

### 2.4 Board and Committee Meetings

The Energy Act 2019 provides that Board meetings will be held at least four times a year, and not more than four months shall lapse between the date of one meeting and the next meeting. A schedule of dates of the meetings is agreed upon by Board members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Work Plan is adjusted when deemed necessary by the Board.

The Committees conduct their business within the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman during the next Board meeting for adoption.

The Committees are designed to ensure the Board runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings. The Board has three Committees; Technical, Finance and Administration and Audit and Risk.

### 2.5 Finance and Administration Committee

The Finance and Administration Committee is responsible for ensuring overall sound financial reporting, establishing internal system of controls, business plans and budgets, procurement, ICT, public relations, administration and staff affairs. During the year, members were; Mr. Daniel Ndonge (Chairman), Mr. Albert Mwendwa, Mr. George Mwakule, Eng. Mercy Wambugu and Director General.

### 2.6 Technical Committee

The Technical Committee's responsibilities are to provide technical and strategic direction to the Authority and approve technical plans, activities, reports and budgets. During the year, the Committee members were; Eng. Mercy Wambugu (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a, Mr. Moses Mutuli, Mr. Daniel Ndonge, Mr. Jared Masini Ichwara, and Director General.

### 2.7 Audit & Risk Committee

The responsibilities of the Audit and Risk Committee are to; review the financial information of the Authority, monitor the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and reviewing the overall risks facing the Authority. During the year the Committee members were; Mr. Moses Mutuli (Chairman), Mr. Barnabus Ng'eno, Mr. James Ng'ang'a and Mr. Albert Mwendwa.

### 2.8 Board Charter and Work Plan

The Authority has formulated a Charter, which defines the role and responsibilities of the board in executing their strategic oversight function of the organization. The board members prepare an annual Work Plan. The Plan sets out the specific activities to be undertaken by the Board members towards fulfilling their mandate.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

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### 2.9 Directors Induction and Skills Development

The Authority provides new directors with an effective induction programme in order to familiarize them with their responsibilities as Board members and with general principles of corporate governance. The programme also provides the members with an orientation of the organization, strategic plan, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The Authority ensures that a competence needs assessment is carried out periodically and an Annual Development Plan prepared to address identified gaps. The Authority ensures that its members are up-to-date with continuous professional development in their respective professional bodies.

### 2.10 Board Effectiveness and Evaluation

The Board, its composition and performance evaluation is central to corporate governance. Further, Article 1.12 of Mwongozo requires Boards to undertake performance evaluation. It is in this regard that the Authority under the guidance of a representative of the State Corporation Advisory Committee (SCAC) conducts Board performance evaluation.

The Authority conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the Evaluation Tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Authority also reviews the performance of each committee against the set Terms of Reference.

The Evaluation is undertaken at three levels:

- ◆ Peer Review
- ◆ Self-evaluation
- ◆ Board evaluation

The results are analyzed and a mean score rate for each of the levels determined. Through this exercise, the Board identifies areas of strength and weaknesses and the Board is committed to addressing areas of challenges that are identified.

### 2.11 Remuneration of the Board of Directors

The remuneration of the Chairman and the other Board members is determined by SCAC as provided in the State Corporations Act. The members are paid taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria and the other members are paid monthly fee. The Board members are entitled to daily subsistence allowances while attending official duties. The members are reimbursed their transport expenses at the prevailing AA rates. The Board members are also provided with outpatient, inpatient medical and personal accident covers.

### 2.12 Ethical Leadership and Corporate Citizenship

The Board members are required to act in the best interest of Authority and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of Authority over other interests. The Directors on appointment are sensitized on the requirements of the Mwongozo Code of Governance and have expressly committed to adhere to it.

Both the Board members and employees of the Authority are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. The Authority has developed a Code of Conduct and Ethics to guide the Directors and the employees when undertaking their duties. All the Board members and employees sign a declaration of interest form indicating they will disclose any interest that may conflict with the interest of the organization. The Board members declare their interest at every Board or Committee meeting. The Board members and employees declare their wealth status as per the Public Service Commission requirements. The organization maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003 and this register is continuously updated.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

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### 2.13 Succession Plan

Succession planning is an ongoing process of systematically identifying, assessing and developing talent and capacity to ensure continuity in specific positions within the organization. The Plan is designed to identify and prepare candidates for positions that become vacant due to retirement, resignation or death. The Energy Act requires that the Board members are appointed at different times so that the respective expiry dates of their terms of office falls at different times.

#### Government

The Mwongozo Code requires all State Corporations to comply with governance parameters as set out in the Constitution, applicable laws and best practices. It sets out the modalities of compliance on governance matters within State Corporations. State Corporations are required to conduct a governance audit annually with an objective of establishing their level of compliance with relevant regulatory requirements and sound governance practices.

This makes it necessary for the Authority to carry out periodic governance audits to ensure that their structures, policies, systems and practices are in conformity with the Constitution and relevant regulatory requirements as well as the highest standards of good governance and identify areas for improvement.

Within the financial year 2019-2020, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi Advocates to undertake a Governance Audit of the Authority. The implementation of the recommendations following the Governance Audit was undertaken during the financial year 2021-2022.

The audit exercise enabled the Authority to minimize governance risks and ensure it conducts and operates in accordance with the Constitution, all relevant laws and best practices anchored in principles of good governance, accountability and transparency. In addition, the audit ascertained the Authority's compliance and enforcement levels.

#### Legal Audit.

The Mwongozo Code of Governance for State Corporations (Mwongozo Code) requires all State Corporations to conduct a legal compliance audit at least once every two years to check on their level of compliance with the Constitution of Kenya 2010, applicable laws, regulations, policies, guidelines and circulars.

Within the financial year 2020-2021, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi (MMK) Advocates in association with KPMG to conduct a legal compliance audit as required by the Mwongozo Code. The legal compliance audit covered the 2018/2019 and 2019/2020 financial years. The undertaking of the legal compliance audit was completed within the financial year 2021-2022.

### 2.14 Delegation of Responsibilities

The preparation of Authority's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting principles based on appropriate accounting policies consistently applied and supported by reasonable judgment and estimates. Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of;

The completeness and accuracy of accounting records

The integrity and reliability of Authority's annual financial statements and

The safeguarding of Authority's assets

Responsibility for the integrity, reliability and objectivity of the Authority's financial statements lies with the Board. External auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

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### 2.16 Statement of Risk Management and Internal Control

The Board has recognized its responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into the daily operations of the Authority; from the setting of objectives, to financial planning towards achieving the set objectives, through to departmental processes established to aid provision of services by the Authority. It is believed that effective risk management will help the Authority to achieve its corporate objectives and provide better services. The Authority has developed and is implementing an Institutional Risk Management Policy Framework (IRMPF).

### 2.17 Responsibility

Risk management is one of the most important activities of the Authority. The Authority through the Audit and Risk Committee has a responsibility for overseeing risk management within Authority by ensuring that appropriate risk management strategies and policies are in place, and that processes established are adequate and effective. The Board defines the Authority's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks. The Board has assigned responsibility for risk management to the Director General; hence management ensures that sound risk management processes are implemented and functioning effectively. The costs and resources employed in risk management are proportional to obtainable benefits.

### 2.18 Internal Controls

Internal controls are designed to support the Authority in achieving its objectives. The risks related to the achievement of objectives need to be identified and evaluated in order to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in EPRA. The continuity of operations is ensured by safeguarding critical functions and essential resources.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 7. Corporate Governance Statement

### 3. Number of Scheduled meetings and attendance

The attendance of the meetings during the year is as summarized below

Board of Directors	Classification	Board Meeting Total No. of Meetings (13)	Finance & Administration Committee - Total No. of Meetings (8)	Technical Committee - Total No. of Meetings (6)	Audit & Risk Committee - Total No. of Meetings (6)	Pension Board Meetings (5)
Hon. Justice Jackton Ojwang	Board Chairman	13/13	N/A	N/A	N/A	N/A
Mr. Wanjuki Muchemi	Member	11/12	4/5	5/5	3/3	N/A
Prof. George Achoki	Member	9/10	3/5	3/4	N/A	3/4
Dr. Sellah Kebenei	Member	10/10	3/5	N/A	N/A	4/4
Mr. Albert Mwenda	Rep. National Treasury	7/13	3/8	N/A	4/6	N/A
Mr. Moses Gitari	Rep. MOE	4/5	N/A	N/A	1/1	N/A
Mr. Timothy Gakuu	Rep. MOE	4/6	2/2	2/2	N/A	N/A
Mr. Masini Ichwara	Rep. MOE	3/3	N/A	1/1	N/A	2/2
Mr. James Mbugua	Rep. MOPM	8/13	3/3	5/6	3/6	N/A
Mr. Barnabus Ngeno	Rep. Council of Governors	12/13	N/A	6/6	4/6	N/A
Mr. Hassan Mohamud Haji	Member	5/5	N/A	2/2	N/A	N/A
Mr. Daniel Ndonge	Member	2/2	2/2	1/1	N/A	N/A
Mr. George Mwakule	Member	2/2	2/2	N/A	N/A	1/1
Eng. Mercy Wambugu	Member	2/2	2/2	1/1	N/A	N/A
Mr. Moses Mutuli	Member	2/2	N/A	1/1	1/1	N/A
Mr Daniel Kiptoo Bargoria	Director General	12/13	7/8	5/6	N/A	2/4

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

### Section A: Operational and Financial Performance

#### Economic Regulation

The year ending June 2022 saw Kenya's total installed capacity rise to 3076MW, comprising of 838MW hydroelectric power generators, 949MW of Geothermal, and 646MW of Thermal, 436MW of Wind, 170MW of Solar and 2MW from Biomass. Notable during the year was the addition of two Independent power producers into the National Grid, namely; 100MW Kipeto Wind Power Plant, 40 Selenkei Solar plant, 40MW Cedate Solar power plants, and 80MW Olkaria 1Unit 6 Geothermal power plant.

In addition, there is also 35MW from isolated mini-grids bringing the total installed capacity to 3076MW. This was against the maximum demand of 2056.98MW and the energy peak demand of 36,338MWh recorded in June 2022. The contribution of each technology to the interconnected system is illustrated in table 1.

Table 1 Generation Capacity as at June 2022

Technology	July 2021		June 2022		%(effective)
	Installed Capacity MW	Effective Capacity MW	Installed MW	Effective*/Contracted (MW)	
Hydro	838.1	809.1	838	809	27.68%
Geothermal	863.1	805.1	949	871	29.80%
Thermal (MSD)	660.3	640.4	586	566	19.37%
Thermal ( GT)	60	56	60	56	1.92%
Biomass	2	2	2	2	0.07%
Solar	90.3	90.3	170	170	5.82%
Wind	435.5	384.5	436	426	14.55%
Off-Grid	34.4	23.2	34	23	0.80%
<b>Total</b>	<b>2984</b>	<b>2811</b>	<b>3,076</b>	<b>2,924</b>	<b>100%</b>

#### Energy Planning

##### Least Cost Power Development Plan

During the financial year 2021/2022, the Energy and Petroleum Regulatory Authority prepared the transitional Least Cost Power Development 2022-2041 as envisaged in Part II section 5(1) of the Energy Act 2019. The LCPDP will feed into the Integrated National Energy Master Plan as outlined in the Energy Act 2019. It is a revision of the 2020-2040 LCPDP to incorporate the recommendations of the Presidential Taskforce on Power Purchase Agreements (PPAs). From simulations the following can be deduced:

- 1). The energy purchased forecasted under the reference scenario is expected to grow from 12,416GWh in 2021 to 34,321GWh in 2041. This represents an average growth rate of 5.22%. The vision and the low scenarios forecast an average growth rate of 7.97% and 4.50% respectively.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

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- 2). Total electricity sales under the reference scenario grows at an annual average of 5.67% from 9,440GWh in 2021 to 28,433GWh in 2041. The growth rate peaks at 6% in 2030 due to the assumption of increased connectivity and achieving the target of 0% suppressed demand in the same year. Under the vision and low scenarios total sales grow at annual averages of 8.24% and 4.99% respectively.
- 3). System peak demand is forecasted to grow at an average of 5.34% from 2,036MW recorded in 2021 (base year) to 5,757MW in 2041 under the reference scenario. The vision and low scenarios project the peak demand to reach 9,731MW and 5,035MW in 2041, an average growth of 8.14% and 4.64% respectively.
- 4). The total interconnected effective capacity grows from 2,919 MW in 2021 to 3,765 MW in the medium term (2026) and reaches 8,830 MW by the end of the planning horizon. From the results, geothermal capacity contributes the highest to the total firm capacity at an annual average of 32% over the planning period while contribution from nuclear capacity and peaking capacity from pumped hydro storage comes in towards the end of the plan.
- 5). In the planning period, the annual average vented steam is at 17% of the potential maximum geothermal generation in the medium term and reduces slightly to 16% in the long term. This is due to the high share of inflexible generation in the system.
- 6). In the medium term, the plan projects the network to expand by 6,218 km in circuit length and 12,089MVA in substation capacity at a total investment cost of MUSD 3,328. Long term projections indicate an increase of 12,672 km in circuit length of transmission lines and 18,497MVA substation capacity at a total investment cost of MUSD 5,998.
- 7). The overall cost of the system is projected to increase from US\$ 1.17 billion in 2022 to US\$ 3.03billion in 2041. The expansion plan projects the end user retail tariff to evolve from KShs. 23.44/kWh in 2022 to KShs. 22.96/kWh in 2032. The generation unit cost over the planning averages KShs 11.28/kWh.

### Study on Ancillary Service Requirements in the Power Sector.

- 1). The Energy & Petroleum Regulatory Authority has procured a consultant to undertake a study on Ancillary Service Requirements in the power sector to address the growing need for restructuring the network to accommodate the large number of renewable energy technologies being introduced in the power system in recent times. The objectives of the study include; reviewing current ancillary services in the Kenyan power subsector and their applications with regard to, how they are currently procured; how they are impacted by the rise of distributed variable renewable energy generation; how they relate to the rest of the electricity system and current regulations (grid codes, PPA frameworks).
- 2). The consultancy will analyse and advise on the future need of ancillary services considering the local and regional power market development and offer recommendations on policy and regulatory frameworks, ancillary services procurement mechanisms, tariffs and market set up including draft agreements/contracts where applicable.

### Energy Pricing

The Authority is mandated under Sections 11(c) and 163(1) of the Energy Act, 2019 to review and approve bulk tariffs and network tariffs.

#### *Bulk Electricity Tariffs/Prices*

The Energy Act, 2019 mandates the Energy & Petroleum Regulatory Authority to process Power Purchase Agreements within 60 days of their receipt.

During the financial year 2021/22, the Authority received and approved four (4) Power Purchase Agreements (PPA) as follows:

The Electricity Supply Agreement(ESA) between KPLC and Ethiopia Electric Utility(EEU) for cross border supply at Moyale and Sololo within **25 days**

The PPA between KPLC and KENGEN for the 56MW Muhoroni Gas Turbine Power plant within **56 days**

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

The PPA between KPLC and KENGEN for the 30MW Olkaria 1 Geothermal Power plant within **56 days**

The Energy Exchange Agreement (EEA) between KPLC and Uganda Electricity Transmission Company Limited (UETCL) within **56 days**

### Mini-grid Tariffs

During the financial year under review, the Authority received and approved various mini-grid applications for tariff approval as shown below:

JKUAT Seed Project, minigrid project in Olderkesi, Narok County

Renewvia Energy for mini-grid sites namely: Lorengelup, Locheremoit, Kangitan Kori & Nakukulas in Turkana County

Dream EP Global Kenya Ltd Minigrid project, Homabay County

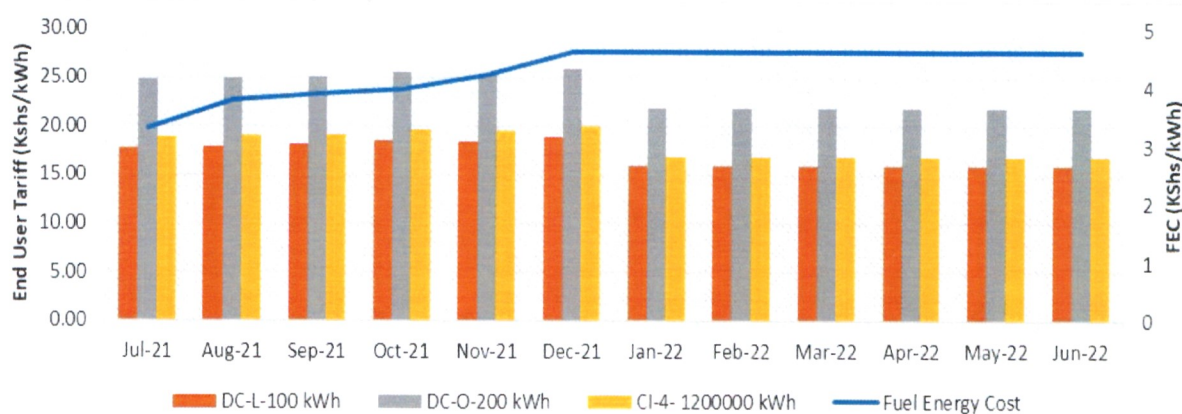
### Retail Electricity Prices

During the financial year under review, the Dream EP Global Kenya Ltd Minigrid project, Homabay County Retail Electricity Prices Authority reviewed the energy charge rates in order to implement the Presidential directive of 15% reduction in end user prices applicable from January 2022 to December 2022. Further, the applicable pass through costs have been maintained as the December 2021 pass through costs to sustain this Presidential Directive.

The approved Fuel Energy Cost (FEC) increased from Ksh 3.31/kWh in July 2021 to Ksh 4.63/kWh in June 2022 as thermal generation decreased from 11.5% to 7.7% over the same period. Hydropower generation decreased over the period from 26.8% to 24.6% due to declined hydrology. WARMA levy was therefore reflected at KShs 0.0193/kWh and 0.0174/kWh in July 2021 and June 2022 respectively.

FERFA decreased over the financial year and was reflected in consumer bills at KShs +1.1612/kWh in July 2021 and KShs +0.7314/kWh in June 2022. Inflation adjustment was maintained on end-user tariffs at KShs 0.47 /kWh.

A trend analysis of the end user tariff for select customer categories is as shown in figure 1.



### Petroleum Pump Prices

According to Part III section 11 (b) of the Energy Act 2019, the Energy & Petroleum Regulatory Authority has the powers set, review and approve contracts, tariffs and charges for common user petroleum logistics facilities and petroleum products. On this account, the Authority, on 14<sup>th</sup> of every month publishes prices for selected petroleum products which includes Premium Motor Spirit (PMS), Automotive Gas Oil (AGO) and Dual-Purpose Kerosene (DPK).

## Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

### 8. Management discussion and Analysis

During the financial year 2021/22, the applicable prices of PMS, AGO and DPK were largely subsidized and published at significantly lower prices than their actual prices. This was done in order to cushion citizenry from the recent escalating prices of petroleum. The Government utilized the funds collected through the Petroleum Development Levy.

As at June 2022, the breakdown of the petroleum pump prices is as shown in figure 1.

		KShs/Litre	KShs/Litre	KShs/L
<b>Landed Cost (a)</b>	Weighted Average cost for all imports	<b>104.05</b>	<b>117.46</b>	<b>106.60</b>
Pipeline Transport (Msa-Nrb)	Pipeline (80% PMS, AGO & IK)	2.07	2.07	2.07
Road Transport (Msa-Nrb) - Bridging	Road (0% PMS, AGO & IK)	0.00	0.00	0.00
Pipeline Losses	Pipeline (0.25%)	0.06	0.06	0.05
Depot Losses	0.5% PMS; 0.3% For DPK & AGO	0.78	0.48	0.43
Delivery within 40kms of Nrb	Delivery to petrol stations	0.54	0.54	0.54
<b>Storage and distribution (b)</b>		<b>3.45</b>	<b>3.15</b>	<b>3.09</b>
<b>Oil marketing companies margins (c)</b>	-	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Price Stabilization Deficit (d)</b>		<b>(11.27)</b>	<b>(32.26)</b>	<b>(26.93)</b>
Excise Duty	Tax	21.95	11.37	11.37
Road Maintenance Levy	Levy	18.00	18.00	0.00
Petroleum Development Levy	Levy	5.40	5.40	0.40
Petroleum Regulatory Levy	Levy	0.25	0.25	0.25
Railway Development Levy	Levy	1.98	2.27	2.05
Anti-adulteration Levy	Levy	0.00	0.00	18.00
Merchant Shipping Levy	Levy	0.03	0.03	0.03
Import Declaration Fee	Levy	3.49	3.96	3.60
Value Added Tax (VAT)	Tax	11.79	10.37	9.48
<b>Taxes and levies (e)</b>	-	<b>62.89</b>	<b>51.65</b>	<b>45.18</b>
<b>Applicable Retail Prices in Nairobi (a) + (b) + (c) + (d) + (e)</b>		<b>159.12</b>	<b>140.00</b>	<b>127.94</b>

Regulatory Research and Policy Analysis

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

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### EPRA Energy and Petroleum Statistics Report 2022

Pursuant to Section 10(jj) of the Energy Act, 2019, the Energy and Petroleum Regulatory Authority is mandated to collect and maintain energy data. During the financial year 2020/2021, the authority undertook the collection, collation, analysis and maintenance of the energy data and statistics which was used in the preparation of the bi-annual and the annual Energy and Petroleum Statistics Reports.

### Research Papers

During the financial year 2021/2022, the Authority undertook a baseline study on bioenergy usage in Kenya to establish the status and form a basis for the development of a regulatory framework in Kenya.

The findings which were presented during the research and innovation day revealed the low uptake of bioenergy standards and therefore the need to create awareness among bioenergy practitioners as well as the need to develop regulations to aid in the enforcement of standards. The paper recommends the need for a comprehensive study.

### Research and Innovation Week

One of the key strategic priorities of the Energy and Petroleum Regulatory Authority is strengthening Energy and Petroleum Sector Research, data management, and information technology. In line with this, the Authority held the Second Research and Innovation week during the 4<sup>th</sup> quarter of the financial year 2021/2022.

The two-day physical conference drew participation from both the Authority's internal and external stakeholders. The external stakeholders included: the energy sector stakeholders, members of the academia, and members of the public. At the conference nine research papers were presented; five papers from the Authority's staff and four from the external stakeholders.

The conference involved external judges from both the public and private sectors. The judges assessed the

quality of the research work presented and proposed relevant areas of improvement. This was aimed at enhancing research quality and objectivity.

### Performance and Competition monitoring in the Energy Sector

The Energy and Petroleum Regulatory Authority (EPRA) undertakes an assessment of the performance and state of competition in the Energy Sector annually. This is in a bid to provide an in-depth analysis of the trends in energy sector growth and development in terms of the Key Performance Indicators (KPIs) which include; competition, infrastructural development, governance, and regulatory environment and their combined outcome as based on impact to consumers.

The information paper for the financial year 2021/2022 analyzed the impacts of emerging trends both exogenous and endogenous that have had an impact on the Energy and Petroleum Sectors in Kenya. This includes the Russia-Ukraine ongoing conflict that has interrupted international trading activities due to the sanctions imposed by the European Union and America on commodities (especially crude oil) from Russia, the impacts of the COVID-19 pandemic in the energy sector as well as compliance with global environmental commitments.

With regards to competition in the electricity subsector, the paper established the rate of competition in electricity generation to be low at 0.5394 in comparison to the EPRA required threshold of 0.1. The paper, therefore, recommends the need to create a conducive environment to attract new entrants into the renewable energy generation market by expediting the review process of power purchase agreements.

For the petroleum subsector, competition is moderate as the HHI at 0.1027 due to 53% of the market being controlled by four companies. As such, the paper recommends increased participation amongst Oil Marketing Companies, through the continued support from the regulator.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

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### Petroleum and Gas

The Authority has the mandate to implement the functions as listed under the Petroleum Act No. 2 of 2019 (“the Petroleum Act”), namely regulation of the up-, mid- and downstream sub-sectors.

#### 1. Construction permits issued.

During the FY 2021-22, the Authority reviewed a total of 642 construction permit applications. The Authority approved 79 applications which were materially complete and met the requirements for granting of construction permit. In the same period, 563 were rejected because they did not meet these requirements. The performance in the period is illustrated in **Table below i.**

Table i: *Applications for construction permits received and the average performance*

<b>Application category</b>	<b>Approved with conditions</b>	<b>Deferred</b>	<b>Average No. of days to process</b>	<b>Total</b>
2019/20	95	214	13.02	<b>309</b>
2020/21	86	517	8.86	<b>603</b>
2021/22	79	563	8.96	<b>642</b>
<b>Total No. of applications in 2019/20 to 2021/22</b>				<b>1,765</b>

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis



Figure i: Graph showing trend of applications received in the financial years 2018/2019 to 2021/2022

### 2. Issuance of Licences for Petroleum Undertakings

During the FY 2021-22, the Authority reviewed a total of 19,227 applications of licence for petroleum undertaking. The Authority approved 13,853 applications which were materially complete and met the requirements for granting of licence. In the same period, 5,370 were rejected because they did not meet these requirements. The performance in the period is illustrated in **Table ii** and **Figure ii** below.

Table ii: Applications received and the average performance

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

Product	Published July 2022	Actual July 2022	Subsidy	Published August 2022	Actual August 2022	Subsidy	Published September 2022	Actual September 2022	Subsidy
	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)	(Kshs/ltr)
PMS	159.12	209.78	50.66	159.12	214.03	54.91	179.3	179.3	0
AGO	140	193.7	53.7	140	206.17	66.17	165	185.82	20.82
DPK	127.94	181.16	53.22	127.94	202.11	74.17	147.94	174.19	26.25

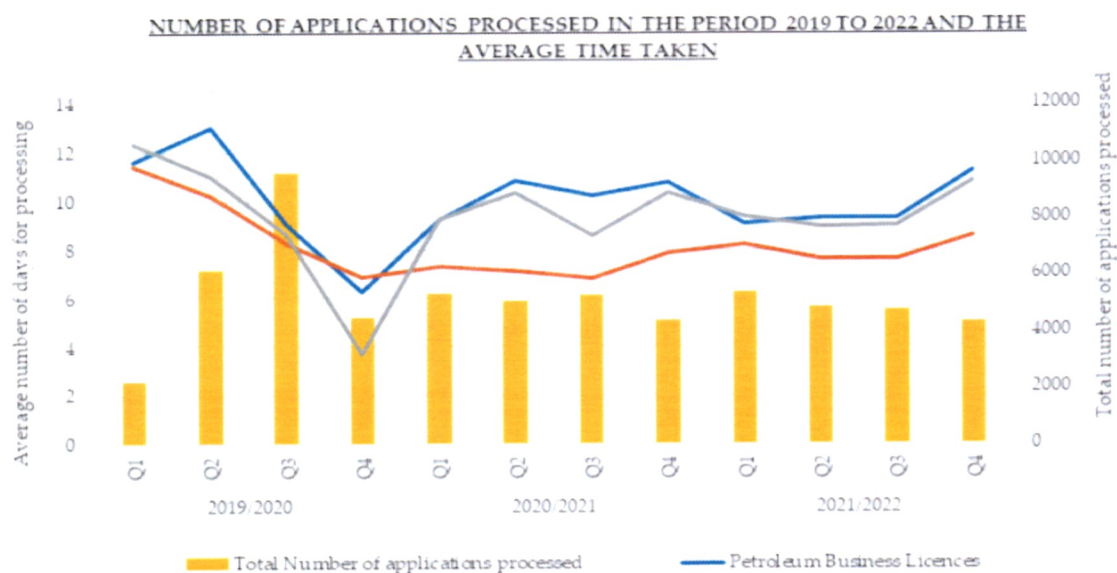


Figure ii: Graph showing trend of applications received and the average performance for the financial years 2019/2020 to 2021/2022

### 3. Technical audits of petroleum facilities

During the FY 2021-22, the Authority carried out a total of **984** technical audits of petroleum facilities. The facilities included bulk storage facilities, LPG storage & refilling plants, pipelines and retail sites. From the audits, **763** facilities had compliance score-rating of over 50% while **221** were below 50% as shown in **Table iii** and **Figure iii:4,5**

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

Year	Number of Facility Audits per Category				Risk Rating Below 50%	
	Bulk LPG	Bulk Petroleum	Pipeline	Retail Station Sites	Bulk Petroleum, LPG & Pipeline	Retail Sites
2019/20	20	20	1	158	8	33
2020/21	25	24	1	640	11	90
2021/22	27	25	2	930	11	210
<b>TOTALS</b>	<b>84</b>	<b>82</b>	<b>4</b>	<b>1,728</b>	<b>30</b>	<b>333</b>

Corrective action plans were developed by auditees and follow up actions are in progress.

Figures 4 and 5 below shows the performance in the period.

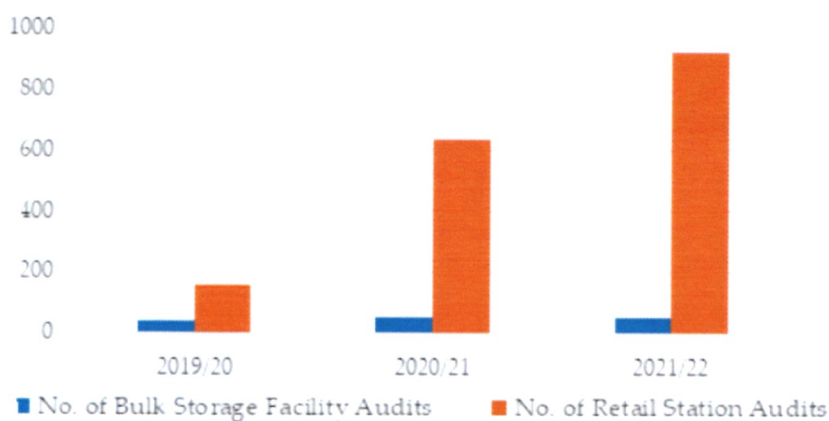


Figure iii:4: Technical audits carried out in the financial years 2019/20 to 2021/22

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

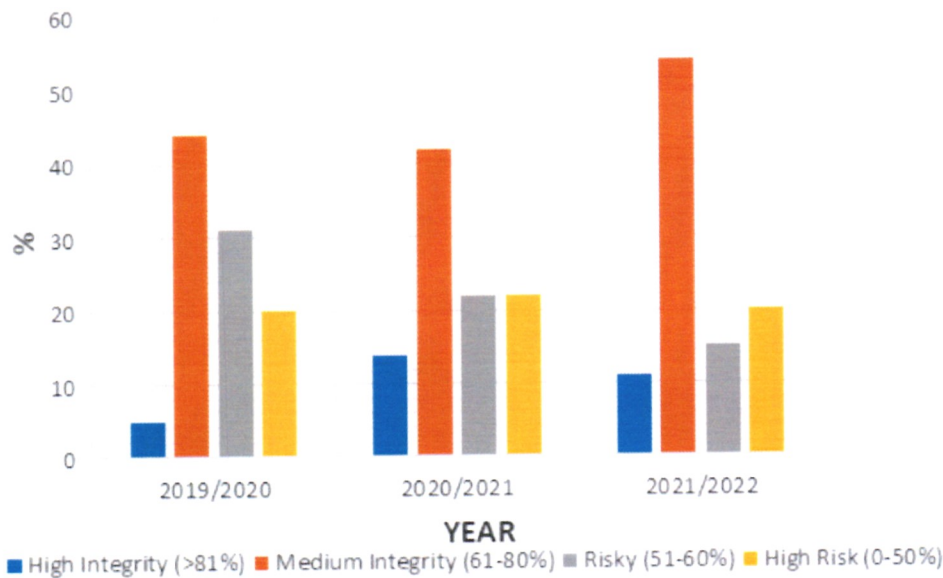


Figure iii:5: Progressive performance of licensed entities as per score-rating for the Financial Years 2019/20-2021/22

### 5. Accident investigations in the petroleum sector

During the FY 2021-22, the Authority carried out a total of 47 petroleum investigations. The performance in the period is illustrated in Figure iv.

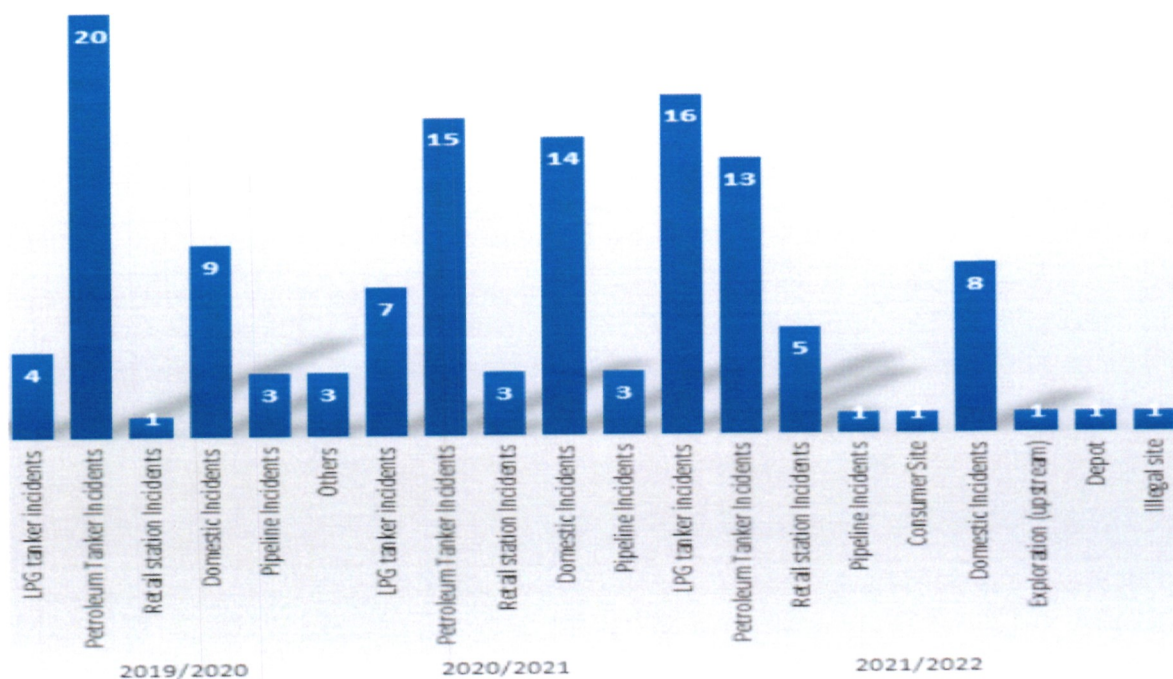


Figure iv: Classification of petroleum accidents in the financial years 2019/20 to 2021/22

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

### 6. Petroleum information and statistics

During the period, the Authority collated, analysed and maintained petroleum data and statistics for the sector. The petroleum product data and statistics for the period are as shown in Table v and Figure v

FY Year	IK (M <sup>3</sup> )	Jet A-1 (M <sup>3</sup> )	PMS (M <sup>3</sup> )	AGO (M <sup>3</sup> )	Total (M <sup>3</sup> )
2018/2019	272,913.00	867,520.68	1,910,925.51	2,607,383.61	5,658,742.80
2019/2020	176,643.00	722,275.28	1,866,203.45	2,450,608.01	5,215,729.74
2021/2022	150,359.74	565,821.70	2,100,157.41	2,712,904.47	5,529,243.32

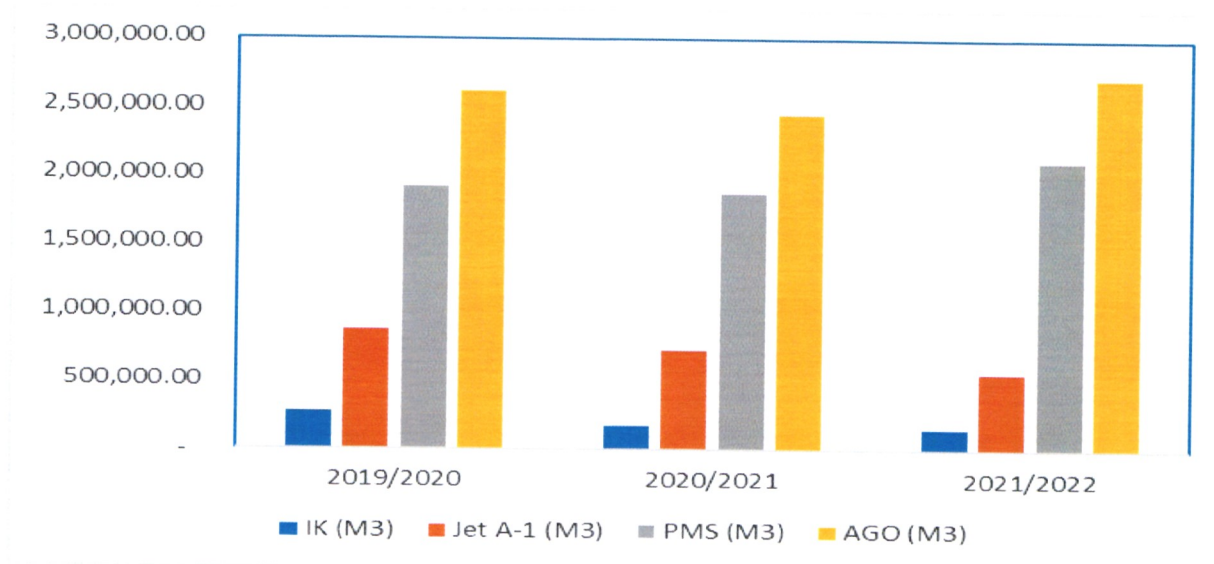


Figure v: Local consumption of imported petroleum products in the period 2010/21 to 2021/22

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 8. Management discussion and Analysis

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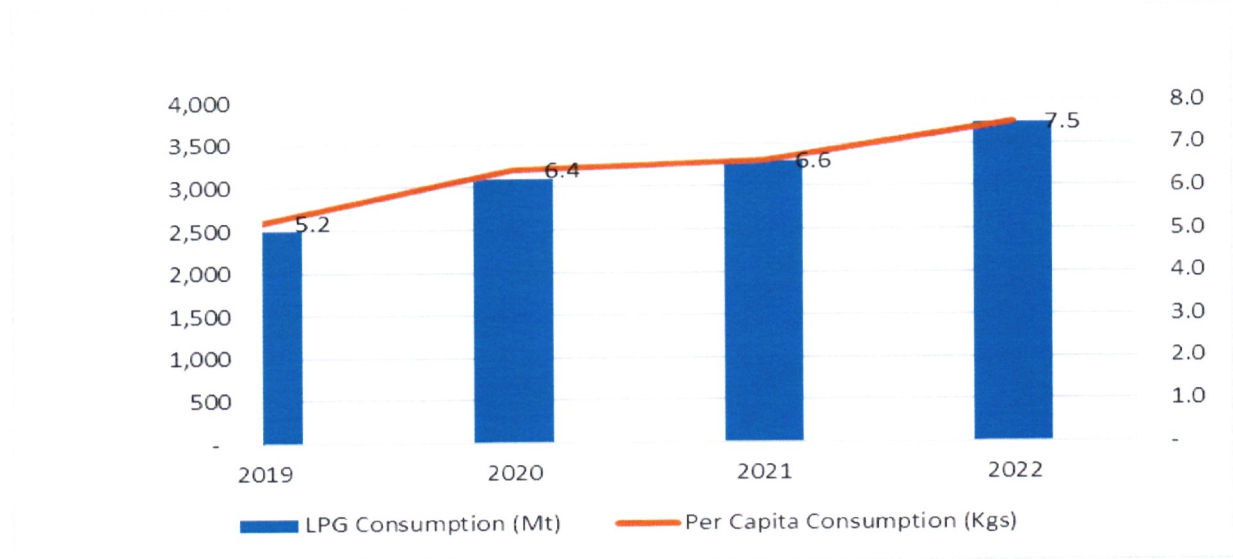


Figure vi: LPG consumption per-capita in the periods 2019/20 to 2021/22

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 9. Environmental and Sustainability Reporting

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EPRA exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

### 1. Environmental performance

The Authority in execution of its mandate directly and indirectly contributes to environmental conservation. To complement the regulatory activities that impact on environmental sustainability, the Authority promotes environmental stewardship through its Corporate Social Responsibility Pillar on Responsibility to Environment. This is largely informed by the Presidential Directive made in February 2018 towards State Departments and Corporations to dedicate of 10% of the CSR budget towards tree planting activities. In the year under review, the Authority planted 6,000 trees in Menengai forest, Nakuru County as a replacement activity to the previously planted seedlings to improve their survival rate. The exercise was conducted in collaboration with the Kenya Forest Service and the Menengai Forest Service. The former allocated the land and the latter provided support for the pitting and maintenance of the seedlings. During project implementation, all procurement related to manpower, food & beverage, seedlings and other logistics was done within the surrounding communities to ensure they directly benefit from the project. The Authority has since handed over the project to KFS with the allocated blocks amounting to 30,000 trees. The Authority has scheduled an Environmental and Socio-Economic Impact analysis report to be conducted in the 2022-2023 Financial Year..

### 2. Employee welfare

EPRA recruitment is guided by the Human Resource Policy and Procedures Manual. In addition, the Authority has welfare policies (Workplace Guidelines) that are established not only to comply with the legal requirements, but also to ensure from onboarding to exit, employees' welfare are taken care of in a conducive working environment. Conducive work environment entails everything from services, facilities and benefits that are provided by an employer for the advantage or comfort of an employee. The policies include Disability mainstreaming, HIV and Aids, Gender Mainstreaming, Sexual harassment, Drug and Alcohol Abuse.

EPRA is compliant with OSHA (2007), and audits are carried out annually, recommendations shared with management and implemented to improve the welfare of the employees.

To ensure that employees maintain a positive psychological contract, EPRA has an elaborate training and development policy, which focuses on wholesome development, through mentorship, coaching, on the job training and networking opportunities, workshops and conferences among other methods of training and development. This ensures a healthy balance between an individual's aspirations, career growth and the needs of the Authority.

### 3. Market place practices

#### 3.1 Responsible Supply chain and supplier relations

The Authority maintains good business practices by working closely with its key suppliers after a contract has been signed by embracing supplier relationship management by observing the highest ethical standards as laid out in the supply chain management policy document. This is done by ensuring continuous capacity building of suppliers and communication with the suppliers by holding supplier sensitization workshops with the aim of improving their bidding experience and ensuring dedicated services thus enhancing value for money for the organization.

EPRA engages suppliers through valid contracts and purchase orders which have clear obligations to be met by all the parties from time to time. Compliance to the relevant laws and guidelines in the procurement process is wholly observed. Notably, the Authority conducts bi-annual supplier appraisal in order to monitor and measure the supplier's performance for businesses to reduce the cost associated with the activities, analyze risk management and maintain scope for constant improvement in selecting the suppliers.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 9. Environmental and Sustainability Reporting

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The supply chain management function also engages the internal customers by ensuring that they are actively involved in the procurement process by soliciting feedback and information regarding their objectives and business needs to ensure continuous availability of supplies and increased responsiveness to customers' changing needs.

### 3.2 Responsible marketing and advertisement

The Authority has been at the forefront of promoting responsible marketing to ensure business continuity. The marketing and advertising priorities were centered on having socially conscious consumers, align stakeholders to the Authority's strategic objective number two (2) on consumer awareness, and ensure business continuity. The Authority deploys a mix of communication channels including, radio, television, newspaper and social media in a bid to ensure that it reaches every stakeholder in their various preferred choice of media. Two consumer awareness campaigns on Petroleum & LPG Safety, and Electrical Safety have been earmarked for the 2022-2023 Financial Year.

## 4. Corporate Social Responsibility / Community Engagements

The Authority's external and internal publics' perceptions are shaped largely by the activities, conduct and performance of the Authority. One way of shaping these perceptions is to adopt a strategic approach to Sponsorships and Corporate Social Responsibility (CSR) and leverage CSR and Corporate Sponsorships as part of the organization's business portfolio. The Authority continuously receives and considers our stakeholders' proposal on sponsorships and CSRs during formal dialogues and seeks to partner with individuals and organizations that:

1. Contribute towards the development of the energy sector as a whole; and
2. Need the services and support of the energy sector.

Corporate Communications Department received Five Million Kenya Shillings (Kshs.5,000,000.00) in the 2021/2022 Financial Year. One Million Kenya Shillings (Ksh. 1,000,000.00) was set aside for Tree Planting Directive in Menengai Forest, Nakuru. The remaining Four Million (4,000,000.00) was dedicated to one-off CSR flagship project. The Authority opted to take a different approach and embark on a one-off CSR proposal that will impact the society better. The Authority settled on equipping the Dormitory of St. Mary Immaculate Mayekwe Girls Secondary School in Bungoma County with a 300kv Solar back-up system, fifty five (55) double-decker beds, 110 mattresses, student lockers, curtains as well as offer quarterly mentorship programme to the Girls and parents of the School.

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 10. Report of The Board of Directors

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The Board of directors submit their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Authority's affairs.

### 1).Principal activities

The principal activities of the Authority are: -

#### a) To regulate: -

- Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
- Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
- Production, distribution, supply and use of renewable and other forms of energy;

#### b) Protect the interests of consumer, investor and other stakeholder.

### 2). Results

The results of the Authority for the year ended June 30, 2022 are set out from page 47.

### 3). Board Members

The members of the Board of Directors who served during the year are shown on pages 5-8. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

### 4). Dividends/Surplus remission

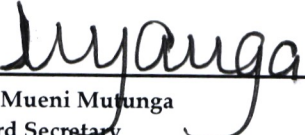
In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. Energy & Petroleum Regulatory Authority had a surplus of KES 47,942,655.

### 5). Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The annual report and financial statements set out on page 47 to 84, which have been prepared on the going concern basis, were approved by the on 26/04/23 and were signed on its behalf by:

#### By Order of the Board

  
\_\_\_\_\_  
Ms. Mueni Mutunga  
Board Secretary

# Energy & Petroleum Regulatory Authority

Annual Report And Financial Statements for the year ended 30 June 2022

## 11. Statement of Directors Responsibilities

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Section 81 of the Public Finance Management (PFM) Act, 2012, section 8 (3) of the Second Schedule of the Energy Act 2019 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Authority;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date.

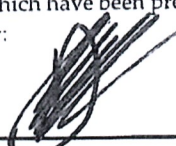
The Directors further confirms the completeness of the accounting records maintained for the Authority's, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements.

The annual report and financial statements set out on page 47 to 84, which have been prepared on the going concern basis, were approved by the on 30/10/2022 and were signed on its behalf by:

  
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Hon. Justice (Prof) Jackton B. Ojwang'  
Chairman

  
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Mr. Daniel Kiptoo Bargoria  
Director General