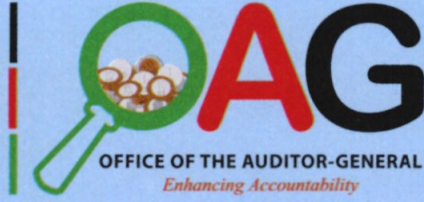


REPUBLIC OF KENYA



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

OF

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Majority Party Whip

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Irene Nduku

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 25 FEB 2026

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ON

STATE DEPARTMENT FOR ENERGY

**FOR THE YEAR ENDED
30 JUNE, 2025**



STATE DEPARTMENT FOR ENERGY

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025**

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

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

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1. Acronyms and Definition of Key Terms

A: Acronyms and Abbreviations

CS	Cabinet Secretary
PS	Principal Secretary
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SDE	State Department for Energy
SC	State Corporations
TNT	The National Treasury
WB	World Bank

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

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2. Key State Department for Energy Information and Management

(a) Background information

The State Department for Energy was established many years ago. However, the structure and composition has metamorphosed over time. The Executive Order No.1 of May 2013 on the Organization of National Government established the Ministry of Energy and Petroleum, with Energy as one of the State Departments. The Executive Order No No.1 of May 2020 established the Ministry of Energy. Recently the Executive of Order No. 1 of 2025 established the Ministry of Energy and Petroleum, making Energy a State Department. However, the mandate of the State Department for Energy has remained the same over time. While the mandates of the state agencies under Energy have remained as outlined in the Energy Act, Cap 314.

(b) Mandate

The Executive Order No 1 of June 2025 on Organization of National Government mandated the State Department for Energy to undertake the following functions:

- National Energy and Policy Development and management
- Hydro-power Development
- Thermal Power Development
- Geothermal Exploration and Development
- Rural Electrification Programme
- Promotion of Renewable Energy
- Energy Regulation, Security, and Conservation

The State Department implements this mandated through its seven 7 state corporations whose mandates are provided for under the Energy Act, Cap 314.

The State Department is guided by the following Strategic Orientation;

i. Vision Statement

"An exemplary leader in the provision of energy for sustainable development "

ii. Mission Statement

To promote access to reliable and competitive energy services through sustainable exploitation and management of energy resources.

iii. Core Values

- Professionalism and integrity through adherence to high standards of professionalism and ethics
- Transparency and accountability through enhancing openness, information sharing and taking of responsibility
- Innovativeness by promoting creativity and reward new solutions and ideas in creating value for customers and stakeholders
- Stakeholder participation by involving stakeholders in implementation of programmes and projects
- Customer centric by prioritizing customer needs in service delivery

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(c) Key Management

The State Department is led by the Principal Secretary who reports to the Cabinet Secretary. Further, the State Department has three technical Directorates namely;

1. Renewable Energy Directorate -Headed by the Secretary Renewable Energy,
2. Electrical Power Development Directorate -Headed by the Secretary Electrical Power and;
3. Geo exploration Directorate-Headed by the Secretary Geo exploration Directorate.

The technical Directorates are supported by 11 support departments, namely; Administration, Finance, Central Planning and Project Management, Supply Chain Management Unit, Human Resource Management and Development, Legal Unit, ICT Unit, Accounts Unit, Public Communication Unit, Internal Audit Unit.

The State Department implements its mandate with the support of seven State corporations namely;

1. Kenya Power & Lighting Company
2. Kenya Electricity Generating Company
3. Rural Electrification & Renewable Cooperation
4. Geothermal Development Corporation
5. Nuclear Power & Energy Agency
6. Kenya Electricity Transmission Company
7. Energy & Petroleum Regulatory Authority.

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No	Designation	Name	Date of Appointment
1	Accounting Officer	Alex Kamau Wachira, CBS	November 2022
2	Secretary Administration	Alan Machari, MBS	December 2024
3	Chief Geologist	Chrispin O. Lupe	January 2017
4.	Secretary, Electrical Power Development	Eng. Thomas Karungu	January 2020
5.	Secretary, Renewable Energy	Eng. Isaac Kiva, HSC	January 2023
6	Head of Accounting Unit	Francis Otieno Odera	March 2025
7	Head of Finance	Everlyn Nyakwara	March 2025
8	Head of Supply Chain & Management	Hesbon Kisero	July 2024
9	Head, Human Resource Management & Development	Mr Julius Odhiambo Mbogo	July 2023

(e) Fiduciary Oversight Arrangements

1. Budget Implementation Committee;

Responsibilities of Budget Implementation Committee are;

- To review and consider the cash flows plans – this shall involve a regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to the National Treasury
- To review the utilization of cash limits and consider any changes as may be required.
- To review the utilization of donor funds voted for State Department for Energy;
- To advise the Principal Secretary on any challenges related to the budget implementation
- To review and recommend reallocation of expenditures;
- To review and approve the submission of the expenditure returns, IPPD, pending billings and AIA returns for State Department for Energy's and recommend actions to be taken;
- To participate in sector working groups and
- To prepare the budget for the line Ministry/ State Department in consultation with Heads of Departments

2. Ministerial Human Resource Management Advisory Committee

The Committee established on 22nd July 2024 has 10 members and meets once in each month. The functions of the committee are;

- Recruitment, selection and appointments
- Promotions
- Confirmation in appointments
- Training and development
- Training impact assessment
- Management of skills inventory
- Establishment and complement control;
- Payroll management
- Deployment
- Promotion of values and principles of public service and ensuring compliance

3. Human Resource Development Committee

The committee is established on 22nd July 20224 in line with the State Department for Public Service circular Ref.No.MPSG/DPSM/HRD/1/32 Vol. 11(100) dated 8th March 2023. The functions of the committee are;

- i. Human Resource Development Activities
- ii. Formulation and review of human resource development interventions
- iii. Skills gap analysis
- iv. Training needs analysis
- v. Training Impact assessment
- vi. Training projections
- vii. Management of skills inventory
- viii. Coordination of induction training
- ix. Mobilization of resources for training and capacity building

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

- x. Collaboration with training institutions on training of public officers
- xi. Monitoring and Evaluation and audit of the Impact of HRD on skills acquisition and performance
- xii. Implementation of competency framework
- xiii. Recommend review of HRD regulations, procedures and systems in the public service
- xiv. Maintain and updating skills inventory

4. Internal Audit Unit

The mandate of Internal Audit unit includes;

- Planning, co-ordination, organisation and management of internal audit services at the State Department for Energy.
- Appraising the economy, efficiency and effectiveness with which finances and other resources are managed and utilized for the State Department for Energy.
- Conducting risk-based value for money and systems audit aimed at strengthening internal control mechanisms that could have an impact with achievement of the strategic objectives of the SDE
- Assist the Principal Secretary in establishing Audit Committee in the Ministry and provide secretarial services
- Co-ordination of the Institutional Risk Policy Framework agenda for the State Department
- Conduct investigations/ special audits as maybe assigned by the Principal Secretary
- Advising the Cabinet Secretary and the Principal Secretary in the emerging issues in Internal Auditing

5. Risk Management Committee

This committee was established in line with the Public Finance Management regulations (PFMR) 2015 to;

- i. Develop an institutional Risk Management Framework
- ii. Establish and administer the risk register
- iii. Provide an overview and direction to the risk management process within the Ministry
- iv. Monitor and review strategic significant operational and enterprise wide risks
- v. Implement Ministry wide risk management training

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(f) State Department for Energy Headquarters

P.O. Box 30582-00100
Kawi House, South C
NAIROBI, KENYA

(g) State Department for Energy Contacts

Telephone: (254) (020)3310112
E-mail: psenergy@energy.go.ke
Website: www.energy.go.ke

(h) State Department for Energy Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank
Kipande Branch
NAIROBI, KENYA

3. Credit Bank
Koinange Branch
NAIROBI, KENYA

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

3. Profile of Cabinet Secretary



Hon James Opiyo Wandayi
Cabinet Secretary
Ministry of Energy and Petroleum

The Hon. James Opiyo Wandayi, EGH, is the immediate Leader of the Minority Party in the National Assembly. He served his third consecutive term as the Member of Parliament for Ugunja Constituency, having been elected to Parliament for the first time in 2013. The Hon. Wandayi is a social democrat and firm believer in equity and fairness in the management of private and public affairs. The Hon. Wandayi served as the Chairperson of the Public Accounts Committee (PAC) for five years in the 12th Parliament (2017 - 2022). During his tenure, he provided leadership to the premier parliamentary watchdog committee in interrogating use of public funds by the National Government, the Judiciary, Constitutional Commissions and Independent Offices. He played a crucial role in public sector accountability with regard to government financial operations by ensuring value for money for Government Projects, Programs and Service Delivery.

During the same period, the Hon. Wandayi also served as the Secretary-General of the African Organization of Public Accounts Committees (AFROPAC), a Pan-African institution that advocates for accountability and good governance. Prior to joining elective politics, the Hon. Wandayi had acquired extensive experience in strategic and operational management and people leadership within a multinational business environment. Between 1998 and 2012, he held core management positions in the private sector within and outside Kenya – the last being Leaf Business Sustainability Manager, responsible for Uganda and DRC at British American Tobacco. In these roles, he developed and implemented excellent communication and engagement strategies with governments, the media and other

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

stakeholders for successful execution of business plans. He also provided leadership to teams of people of diverse backgrounds and orientation to consistently deliver on key business objectives.

The Hon. Wandayi is an alumnus of the University of Nairobi (UoN) where he graduated with a Bachelor of Science in Agriculture, specializing in Agricultural Economics in 1996. In addition, the Hon. Wandayi holds a Masters in Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Diploma in Business Management from the Kenya Institute of Management (KIM). He has recently obtained a Bachelor of Laws Degree from Daystar University.

4. Profiles of Accounting Officer and Key Management.



**Alex Kamau Wachira CBS
Principal Secretary**

The Principal Secretary joins the State Department for Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity.

PS Wachira has served in various leadership's positions right from his university days. He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya.

A strong believer in servant leadership through community engagement and development, the PS has spearheaded local initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others. The PS is a family man who's strict up bringing is instrumental in shaping him into the person he is.

In energy sector, the PS has been a champion for Kenya's renewable energy, with an aim of accelerating geothermal exploration, wind and solar power. He is also keen on placing Kenya as an investment partner through public-private partnership in building transmission lines and mini-grids to be able to achieve 100% connectivity by 2028. The PS is also looking to advance technology and innovation as we look into the future of energy transition and efficiency in areas such as green hydrogen, electric vehicles and bio-energy.

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**Alan Machari
Secretary Administration**

Alan Machari is the current Secretary Administration in the State Department of Energy.

He holds a Master's in public administration, BA in government and public administration, strategic leadership and senior management courses from Kenya School of Government among others. He has a 28 years' experience in Public service both in field and central government service.

Alan is a member of the Kenya Association For Public Administration and Management (KAPAM) in good standing



**Mr. Chrispin O. Lupe
Chief Geologist**

Mr. Chrispin O. Lupe is heading the Geo-Exploration Directorate. He holds a BSc degree in Geology from the University of Nairobi and MSc degree in geoinformation from ITC, Netherlands. He is a Registered Geologist with the Geologist Registration Board and a Professional Member of the Geological Society of Kenya.

Mr. Lupe joined the Ministry of Energy and Petroleum on 7th September, 2017 on promotion from Ministry of Mining. He has served in the Civil Service for 27 years as a Geologist at different levels in the Geological Survey Department.

The Geo-Exploration Directorate is in charge of exploration and development of geo-energy resources from geothermal, coal and nuclear resources for power generation.



**Eng. Thomas Karungu
Secretary, Electrical Power
Development**

Eng. Thomas Karungu is the Secretary, Electrical Power Development in the Ministry. He is a Registered Professional Mechanical Engineer by the Engineers Board of Kenya and a corporate member of the Engineers Institution of Kenya. His current duties include the formulation of energy policies, the economic and financial appraisal of energy projects, the monitoring and implementation of energy projects and the preparation and implementation of directorate work plans, budgets and procurement plans. He has a Bachelor's degree from the University of Nairobi in Mechanical Engineering.

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Eng. Isaac Kiva, HSC
Secretary Renewable Energy

Isaac Kiva is the Secretary for Renewable Energy since 1st June, 2017. Previously, he had served as the Director of Renewable Energy from 30th August, 2013. He heads the Directorate charged with policy formulation, and promotion of development and utilization of renewable energy, energy efficiency and conservation, including facilitation of private sector investment. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years.

He holds a Bachelor's Degree in Electrical Engineering from the University of Nairobi, and has undergone several professional courses in management, leadership, energy development and financial and economic analysis and modeling. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya



CPA Francis O. Odera
Senior Deputy Accountant General

CPA Francis Otieno Odera is the Head of Accounts Unit in the State Department for Energy. He has over 23 years of experience in Public Sector Financial Management having worked in various Government Ministries and State Parastatals.

He Holds Masters of Business Administration Degree (Financial Mgt option) from Catholic University of Eastern Africa(CUEA), Bachelor of (Finance option) from Catholic University of Eastern Africa. He has also undertaken various courses including but not limited to Strategic Leadership and Development Course, Corporate Governance, Donor Funded Financial Management Course among others



Evelyn Ongondi Nyakwara

Ms. Evelyn Ongondi is a Senior Chief Finance Officer heading the Finance Department in the State Department for Energy.

She has served in the Civil Service in various cadres for 28 years across various Ministries, Departments and Agencies. These include Ministry of Local Government, Ministry of Roads and Public Works, Ministry of Industry and Cooperatives, Ministry of Agriculture and Livestock and Ministry of Lands, Housing and Public Works.

Senior Deputy Director Budget

Ms. Ongondi is a holder of MBA Finance from Kenyatta University and a Bachelor's degree in Commerce (Accounting and Auditing) from Shivaji University. She also holds a certificate in Public Sector Financial Management.

She has done various courses including Strategic Leadership, Senior Management, Public Sector Financial Management and Budgetary Reforms Programme and Executive Leadership Courses.

Mr Hesbon is currently the Head of supply chain where he responsible for overseeing and managing all aspects of State Department of Energy supply chain operations. He has vast experiences where he ensures efficient and cost effective sourcing of contactors, suppliers and consultants to meet the demands and goals of the organization.



**Mr Hesbon Kisero
Principal Supply Chain &
Management**

Key functions in the role are Strategic planning, Procurement and sourcing, Inventory and warehouse management, Logistics and distribution, Team leadership, Risk management, Sustainability and compliance and Advice the accounting officer on all matters supply chain. Mr Hesbon has over 20 years of professional experience in supply chain management having rose in rank from supply chain officer to current Senior Deputy Director/SCM. He has worked in total 13 entities over the years.

Mr Hesbon has Bachelor of Arts Degree (Economics) from University of Nairobi and Master of Business Administration (MBA Strategic Management) From JKUAT and a post graduate diploma in Supplies and Purchasing from Chartered Institute of Purchasing and Supplies (CIPS UK).

He is a Member of the Chartered Institute for Purchasing and Supplies (CIPS UK) and Kenya Institute of Supplies Management (KISM).

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**Mr. Julius Odhiambo Mbogah
Deputy Director. Human Resource
Management & Development**

Mr. Julius Odhiambo Mbogah, Deputy Director, Human Resource Management and Development, He is responsible for Human Resource Management and Development in the State Department for Energy since July, 2024. He holds Bachelor of Science Degree in Human Resource Management Moi University, Master of Business Administration-Strategic Management University of Nairobi, Diploma Personnel Management IPM(K), Higher Diploma in Human Resource Management and Development IHRM(K), Full Member IHRM(K). Has vast experience in Human Resources Management practice spanning over a period of forty years in various government Ministries and Departments, expert in payroll administration, Disciplinary control, mentoring and coaching among others.

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5. Statement by the Cabinet Secretary

ENERGY is envisaged as a Socio-Economic transformation enabler towards the achievement of national goals, driven by the Vision 2030 and its Medium-Term Plans, the Bottom up Economic Transformation Agenda (BETA), as well as the international obligations as embedded in the Sustainable Development Goals (SDGs), the Africa Agenda 2063 and the EAC Agenda 2050 among other key policy documents.

The State Department for Energy is mandated, through the Executive Order No.1 of June 2025 on Re-organization of the Government of the Republic of Kenya, with the following mandates; National Energy Policy Development and Management; Thermal Power Development; Rural Electrification Programme; Energy Regulation, Security and Conservation Hydropower Development; Geothermal Exploration and Development; and Promotion of Renewable Energy. Besides, the Energy Act, Cap 314, mandates the State Department for Energy with the function of the Integrated National Energy Planning (INEP).

The mission of the State Department for Energy is to promote access to reliable and competitive energy services through sustainable exploitation and management of energy resources.

The actualization of this mission requires a comprehensive strategic approach that includes both long term and short-term initiatives. The State Department for Energy pursues this mission jointly with the seven Semi-Autonomous Agencies (SAGAs) and in collaboration with various relevant stakeholders.

During the Financial Year 2024/2025, the Energy the sector under the coordination of the Ministry of Energy and Petroleum made significant milestones as captured below;

- a) Under Power Generation various generation projects progressed during the period under review with no additional MW added to the grid. However the installed generation capacity dropped from 3244MW(status as at June 2024) to 3236MW (status as at June 2025).This follows the retirement of thermal power plants upon the expiry of its Power Purchase Agreement(PPA),and in line with the Ministry's commitment to increase the country's Renewable Share of the generation mix. Consequently the Renewable Energy share of the Installed Power Generation Capacity grew to 82 % while the proportion of the renewable energy in the energy generation mix stood at 92% as at June 2025.In addition geothermal wells were drilled in Silali,Paka and Menengai to expand the MWe of steam. Available for Power generation and other non-electricity functions. Additionally,80 Officers were trained on the Nuclear power programme.
- b) Under transmission and distribution of power. The number of customers connected the grid during the year under review is **385,898** new customers, which includes **481**public facilities. This grew the cumulative customer connectivity to **10,045,775**, while **5** distribution substations were constructed. This achievement is owed to the implementation of programmes such as the last mile connectivity, standalone solar systems and mini grids and the expansion of the national grid. The sector constructed and commissioned **406.1 km** of transmission lines

of the national grid. The sector constructed and commissioned **406.1 km** of transmission lines (in circuit length) and **3** transmission substations. This includes the completion of the 192km (circuit length) of the 400KV Kenya-Tanzania Inter-connector. The completion of the National System Control Centre advanced to 13.8%. To support the 24-hour economy, 5,855 street lighting lanterns were installed during the period under review across the country, growing the cumulative number of lanterns since inception to 205,295 at a cumulative cost of Kshs.15.5B

- c) Towards developing the alternative energy sources, 260 domestic biogas plants and 4 institutional biogas plants were constructed; 800,000 tree seedlings were planted to rehabilitate the hydro-power water catchment areas; 100% of wind masts and data loggers were maintained; and previously installed stand-alone solar home systems were maintained in 14 underserved counties. The country also improved on the use of clean and renewable energy sources and minimized reliance on thermal generators thus resulting in a more diversified and environmentally sustainable energy mix.

Besides the State Department made and sustained efforts towards the policy, legal and institutional reforms that are meant to adjust the sector to its evolving needs. These include the finalization and gazettment of the Energy (Integrated National Energy Plan) Regulations, 2025 and the Energy (Retail Facility Construction and Licensing) (Revocation) Regulations, 2025 to operationalise the Energy Act, Cap 314. Further the Energy Policy 2018 has been reviewed and forwarded to Cabinet for further action. Further, the Ministry of Energy and Petroleum Strategic Plan (2023-2027); the Kenya National Cooking Transition Strategy; the Kenya National Electrification Strategy were finalised during the period under review

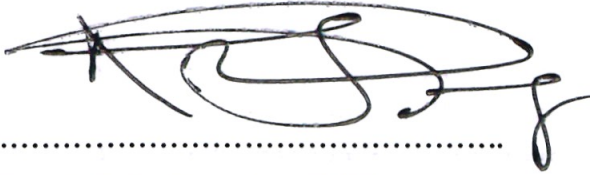
The State Department realized these achievements under the facilitation of budget final approved estimates that stood at Ksh 47,340,290,759. The absorption of this allocation stood at Ksh 26,017,019,665 which translates to 55% utilization.

The implementation of these programs/projects was characterized by the following emerging issues; Security threats of key infrastructure installations; Regional economic integration resulting to growth of regional power trade and taxation of cross-border exchanges.; emerging energy technologies and global political instability.

Besides the sector witnessed the following major challenges during the period under review; Acquisition of sites, wayleaves and land; Inadequate funding and delayed release of budgets; delayed approval of draft regulations; Vandalism of infrastructure facilities; Legal and contractual issues.

In mitigation of the above challenges the State Department proposes among other initiatives; punitive legislation to guard against vandalism; anti-vandalism technology, sensitization of local communities on the significance of project facilities in their localities; and a review of Public Financial Management (PFM) Act, 2012, adoption of Public-Private Partnerships in financing capital intensive projects and the regulations to increase efficiency in disbursement

The sector under the leadership of the State Department looks forward to relying on the milestones achieved in the year under review as part of the foundation the sector will ride on to upscale energy access in the year 2025/2026. Moreover, the experience of the period under review and the period before it, will adequately inform priority setting, as the sector walks into a new Strategic Plan period.



.....
Hon J. Opiyo Wandayi, EGH

CABINET SECRETARY

MINISTRY OF ENERGY AND PETROLEUM

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6. Statement by the Accounting Officer

The Energy Subsector forms a key pillar of the infrastructure sector that strategically enables the realization of Government priorities under the Bottom Up Economic Transformation Agenda, the Vision 2030 and its Medium-Term Plans as well as other international obligations. The State Department for Energy implements its mandate under four main programmes, as embedded in the Energy Sub sector MTP IV report. These include; Power Generation, Power Transmission and Distribution, Alternative Energy Technologies, and Administrative, Planning and Support services. These programmes are implemented under the leadership of the Cabinet Secretary, **Hon. James Opiyo Wandayi, EGH**, and with the joint effort of the seven State Agencies in the sector as well as various stakeholders in the public and private sectors.

The state Department midwifed the Energy sector into achieving key milestones on the above programmes as follows;

The Installed Power Generation capacity dropped from 3244MW (June 2024) to 3236MW (June 2025) This drop was occasioned by the reduction in the operating capacity of the Muhoroni Power plant, due to the aging infrastructure and the fact that no new capacity was installed in the period under review. However the progress on key generation projects that target to expand the installed generation capacity was realized .These include the 35MW Globeleq Menengai power plant that is 60% complete and targeted for completion by December 2025,35MW Orpower 22 Power Plant that's at 57%,the 63.3MW Olkaria I rehabilitation that is that progressed to 74% level of completion and is targeted for completion by 2026,among many other projects.

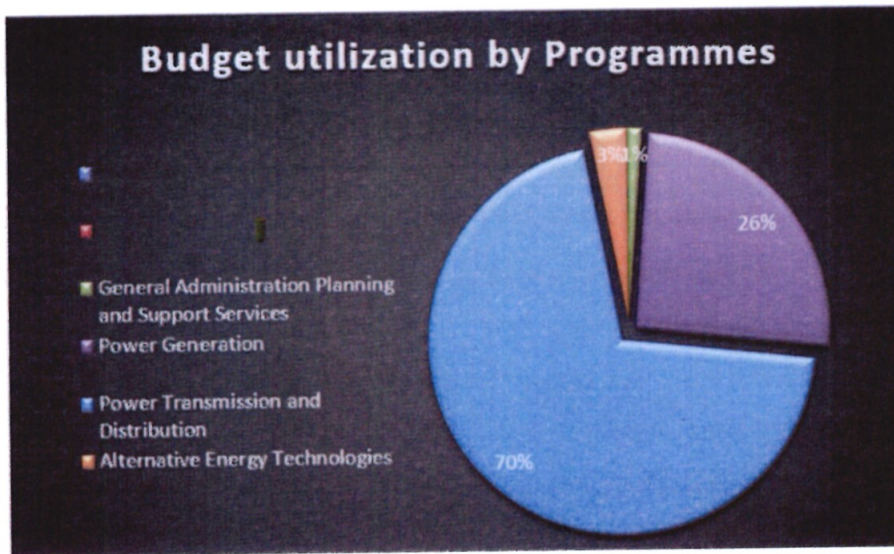
The Power transmission network expanded by 406.1 Km (in circuit length) and 3 transmission substations completed, while the completion of the National System Control Centre advanced to 13.8%.These include the completion of the 192km (circuit length) of the 400KV Kenya Tanzania interconnector that will go along was in boosting the power trade within the East African members states. The number of customers connected to electricity grew by 385,389including 481public institutions. This grew the cumulative connections to 10,045,775 customers. Similarly ,5 distribution substations and 5,855 street light lanterns were installed during the period under review. The key projects implemented towards this achievement include the Last Mile Connectivity programme, the Kenya Off-grid Solar Access programme among others.

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Within the State Department's commitment to developing and adopting renewable Energy technologies the following key milestones were realized; 800,000 tree seedlings were planted in hydro water catchment areas, while the hectares of land earlier afforested were maintained. Four institutional and 260 domestic biogas plants were installed in various parts of the country, previously installed solar PV systems in the 14 underserved counties were maintained. Several units of cleaning cooking solutions were disseminated during the period under review. The country also improved on the use of clean and renewable energy sources and minimized reliance on thermal generators thus resulting in a more diversified and environmentally sustainable energy mix. This grew the renewable energy share of the national generation mix to 92%, while the power generation installed capacity from renewable sources grew to 82%.

Towards enhancing the institutional, policy, legal and regulatory framework, the National Energy Policy 2018 was reviewed to align it to the emerging energy needs and trends and submitted to the Cabinet for adoption. The review of the Energy Act, Cap 314 will be informed by this policy. Two regulations were gazetted during the period under review to operationalize the Energy Act, Cap 314. Further, the Ministry of Energy and Petroleum Strategic Plan (2023-2027) was finalised and launched during the period under review.

During the Financial year 2024-2025, the State Department had an approved budget of Kshs 47,340,290,759.00. The Pie chart below illustrate that the State Department only Spent 1% of its budget on General Administration planning and support services, 26% on power generation, 70% on power transmission and distribution and only 3% on Alternative energy technologies



The State Department witnessed various key challenges in the implementation of its programmes and projects. These include; Difficulties in acquisition of sites, wayleaves and land; Inadequate funding and delayed release of budgets; delayed approval of draft regulations; Vandalism/insecurity of energy installations and infrastructure; Legal and contractual issues; variability of renewable energy technologies causing system unreliability; among other

Alex Kamau Wachira, CBS
Accounting Officer

7. Statement of Performance Against Predetermined Objectives for FY2024-2025

The key strategic objectives as per the Ministry of Energy and Petroleum (2023-2027) Strategic Plan are;

- a) To enhance exploitation of Energy and Petroleum resources.
- b) To enhance access to clean, renewable, reliable and competitive energy and petroleum products and services
- c) To ensure uninterrupted availability of energy services and petroleum products
- d) To enhance environmental conservation
- e) To improve legal, policy, institutional and regulatory framework

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives during the 2024/2025 FY:

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Table 1: Programme performance

Progress on attainment of Strategic development objectives

SN O	Program	Strategic Objectiv e	Outcome	Output	Output Indicator	FY 2024-2025 Achievement			Cumulative Achievement by the end of FY 2024/25			Remark
						Target	Actual	Varian ce	Target	Achieve ment	Varia nce	
1.	Power Generatio n	a) To enhance exploitati on of energy and Petroleu m resources	Enhanced exploitati on of energy and petroleu m resources	Installe d Power generat ion capacit y from local resourc es (MW)	MW Installed	311 2	303 6	-76	3112	3036	- 76	The installe d capacit y droppe d from 3246M W as at June 2024 to 3236M W as at June 2025.T his follows the depreci ation in

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												output capacity for Muhoroni power plant
2.		To enhance environmental conservation	Enhanced environmental conservation	Renewable Energy share in the total national installed generation capacity	% of Renewable energy share in the national installed generation capacity	80.62	82	1.38	80.62	82	1.38	The Renewable Energy share increased with the retirement of thermal s and development of renewable technologies
3.				Proportion of renewable in	(%) of renewable energy share in	94	92	-2	94	92	-2	The State Department

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				the electric ity generat ion mix	the National Generatio n mix							enhanc ed its efforts in develop ing renewa ble energy technol ogies
4.	Power Transmiss ion and Distributio n	To enhance access to clean, renewabl e, and competiti ve energy and petroleu m products and services	Enhanced access to clean, renewabl e, reliable and competiti ve energy and petroleu m services.	Access rate	Electricit y access rate %	80	75	0	80	75	0	The downward review of the budget slowed down the electricity connection
5.				Custo mers connec ted to electric ity	No.of customer s connecte d	650,000	385,898	- 264102	-	10,045,7 75	-	

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6.	Transmission and Distribution	To ensure uninterrupted availability of energy sources and petroleum products	Improved stability in the availability of energy sources and petroleum products		Customer average interruption Duration Index (CAIDI)	2.45	2.94	0.49	2.45	2.94	0.49	The system efficiency fell below the target due to the aging infrastructure, vandalism of energy infrastructure and other factors.
7.					System Average Interruption Duration Index (SAIDI)	3.25	7.31	4.06	3.25	7.31	4.06	
8.					System Average Interruption Frequency Index (SAIFI)	1.63	2.48	0.85	1.63	2.48	0.85	
9.	Alternative Energy Technologies	To enhance access to clean, renewable, and competitive energy	Enhanced access to clean, renewable, reliable and competitive energy		Proportion of households using clean cooking solutions	60	-	-	60	-	-	No data on this as Household surveys not yet done.

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		and petroleum products and services	and petroleum services.									
10	To enhance environmental conservation	Enhanced environmental conservation		Energy efficiency /intensity	3	-	-	3	-	-	No data on this indicator.	
11				Compliance with environmental and social safeguards (%)	100	100	0	100	100	0	The State Department remained committed and compliant to all established safeguards	
12				Re-afforestation of degraded	165,000	800,000	635,000	2,108,127	2,108,127	0	The State Department	

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					catchment areas							energaged stakeholder in tree planting under the presidential directive and its initiative on rehabilitative hydro water catchment areas
14	Administration, Planning and Support Services	To improve legal, policy, institutional and regulatory	Enhanced sector coordination and management		No of reviewed /developed policies/plans	2	4	2	-	-	-	4 policies /plans /strategies were finalized, while

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		framework										the review of the Energy Policy 2018 is in progress.
15				No of Acts reviewed	1	0	-1	1	0	-1		The Energy Act, Cap 314 will be reviewed following the review of the Energy Policy
16				No of regulations reviewed /developed	2	2	0	2	2	0	2	regulations gazetted during the FY

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1					Customer satisfaction Index	75	-	-	75	-	-	The customer satisfaction survey was not conducted
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8. Governance Statement

The State Department for Energy was established under the Executive Order No 2 2023 as one of the State Departments under the Ministry of Energy and Petroleum. The State Department is led by the Principal Secretary who reports to the Cabinet Secretary. Further, the State Department has their technical Directorates (Renewable Energy, Electrical Power Development and Geo exploration Directorates. The technical Directorates are supported by 11 support departments. The State Department implements its mandate with the support of seven State Corporations, namely: KPLC, KenGen, KETRACO, REREC, EPRA, NUPEA and GDC

1. The audit committee and any other management committees

The Audit committee at the Ministry of Energy and Petroleum was constituted on 4th December 2023 in accordance with the requirements of Section 73 (5) of the Public Financial Management Act 2012 and its attendant regulation 174 of 2015 and the guidelines for the establishment of the Audit committee in all the public entities as contained in Kenya Gazette notice VOL. CXVIII NO. 40 of 15 the April 2016. The Audit committee constitutes the chair, who is appointed by the Cabinet Secretary and four other members. One of the members being a treasury representative while the head of internal audit being the secretary. The audit committee plays a key role towards enhancing the integrity and accountability in the operations of the State Department. The key duties the audit include of risk control and governance as well as follow up on the implementation of the recommendations of internal and external auditors. During the financial year under review, the Audit committee held three meetings and two trainings for the Audit Committee members.

The Human Resource Management Advisory Committee, with a membership of 10 members was established on 22nd July 2024 to guide the recruitment process among other functions. The committee has been meeting on quarterly basis.

The Human Resource Development Committee, with a membership of 10 members, was established on 22nd July 2024 to guide the Human resource development function, among other functions. The committee has been meeting on quarterly basis.

The Employee Performance Management Committee was established on 22nd July 2024 to advise the Accounting officer on performance, sanctions and rewards, among other functions. The committee has been meeting on quarterly basis.

2. Risk management policies within SDE

During the year, the Energy Institutional Risk Management Policy Framework, 2024, was developed as a guiding tool on the standard of risk management practices across the Ministry. The Policy Framework was developed based on ISO 31000:2018 Risk Management Standard and the Integrated Enterprise- wide Risk Management Guidelines as recommended by the Committee of Sponsoring Organizations (COSO) of the Tread way Commission.

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3. *Report on recent training and development on governance for those in key leadership.*

The State Department trained all the Heads of Directorates/Departments on mainstreaming National Values and Principles of Governance and Productivity mainstreaming into its programmes and projects. Further 8 senior officers were trained on Strategic Leadership and Development programme.

4. *Public participation activities undertaken*

During the period under review, the State Department engaged the public through public participation on the Ministry of Energy and Petroleum Strategic Plan (2023-2027); public participation of the draft Energy Policy 2025; the celebration of the international day of clean cooking and commissioning of electrification projects; the co-generation and bioethanol conference 2025; and community engagements on planting of trees seedlings along Tana River hydro power water catchment areas in Nyeri county and other areas.

Further, Public participation activities included social media engagement, reaching an audience of 68.2K followers on X (formerly Twitter). SDE also engaged the media through invitations to conferences focused on a greener future and facilitated public participation in key policy processes, such as the development of the Strategic Plan.

5. *Compliance with laws and regulations among others.*

The State Department executed its mandate in strict adherence to the law, including all court orders issued during the period under review.

9. Management Discussion and Analysis

1. Key Programmes and Projects Performance During 2024/2025 FY-Non-Financial

The State Department implements its projects under four programs, in line with the Medium Term Plan IV (MTP IV), namely; Power Generation, Power Transmission and Distribution, Alternative Energy Technologies and Administrative Planning and support services.

A. Power Generation

1. Generation capacity procured

During the period under review, the installed capacity reduced from 3243MW (Status as at June 2024) to 3236MW (Status as at June 2025). This follows the depreciation in output capacity of Muhoroni gas turbines power plant to 52MW. The contracted /effective capacity and the peak demand stood at 3108MW and 2306MW respectively as at June 2025. The renewable Energy share of the installed power generation capacity and the Proportion of the renewable energy in the National generation mix stood at 82% and 92% respectively.

2. Generation capacity added to the National Grid

During the period under review, no installed capacity was added to the grid. The construction of various generation plants is still in progress.

3. Power Generation Development

Various projects were under implementation during the period under review as follows;

a) 63.3MW Olkaria I Rehabilitation

The project began in 2023 and is expected to be completed by 2026. The project progress stands at 74% by the end of the financial year.

The Demolition Works completed, design is ongoing at 98% Completion, procurement and manufacture of major equipment is ongoing at 98% Completion, main transformers have been installed, all the 3 Turbines and Generators have been delivered to site, erection on the Cooling tower super structure completed, GIS Building completed, coupling of Unit 3 Turbine and Generator is complete, Installation is ongoing.

Main Transformers



Unit3 turbine and generator erection is 60% completed.

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c) 42.5MW Seven folks solar PV Plant

The project progress stands at 13% by the end of the financial year.

The Feasibility study completed, cabinet approval for implementation granted on 13 December 2023, procurement of the Implementing Consultant completed, procurement of the EPC Contractor is ongoing; PQ advertised on 27th May 2025 and is scheduled to closed on 28th August 2025.

d) 8.6MW Gogo hydro power plant

The project progress stands at 7% by the end of the financial year.

Feasibility study completed, cabinet approval for implementation granted on 9 October 2023, procurement of the Implementing Consultant at an advanced stage; Technical & Financial evaluation completed, Pre-Contract Negotiations completed, Contract preparation is ongoing.

g) 80.3MW Olkaria VII

The completion rate stands at 5%

The feasibility study completed, cabinet approval for implementation granted on 22 August 2023, procurement of the implementing consultant is ongoing; Technical & Financial evaluation completed

h) Drilling of Geothermal Wells

The Geothermal Development Company (GDC) drilled a total of six (6) geothermal wells for the period under review, namely SW02 in Silali, PW01C, and PW11A in Paka, and MW36 and MW37A and MW-38 in Menagai .

In addition, Globeleq Menengai Geothermal Power Ltd started the construction of 35MW power plant in January 2024 at 60% completion. The target commissioning is December 2025. The 35MW Orpower 22 Power plant is at 57% level of completion



Orpower 22 Power plant as at June 2025



Paka well 3



Globeleq Power plant as at June 2025

4. Nuclear Power Development

The institutional policy legal and regulatory framework for the nuclear power programme involves the development of a robust nuclear frameworks to ensure protection of people and the environment. The State Department undertook the following activities aimed at the establishment of institutional policy, legal, and regulatory frameworks for the development of the Nuclear Power Programme:

- (i) Developed a draft National Nuclear Policy, which will be finalized by the Ministry of Energy and Petroleum in the FY2025/26
- (ii) Identified and proposed the development of two draft regulations (Nuclear Regulatory (Licensing Requirements for Nuclear Facilities and Related Activities) Regulations, and Nuclear Regulatory (Site Evaluation Requirements for Nuclear Facilities and Related Activities) Regulations,;
- (iii) Completed the Flood Mapping Report for Konza City, and developed Request for information (RFI) document for the potential reactor technology.
- (iv) The draft white paper on nuclear energy was finalized and is undergoing further review and consultations with relevant stakeholders.

(v) Energy Research & Development

The Agency developed a Coordination Framework for Research & Development (R&D) in the Energy and Petroleum Sector.

The State Department finalized the development of functional and technical requirements for Kenya nuclear research centre and the development of functional and technical requirements for Kenya nuclear research centre and the Kenya Nuclear Research Reactor Site Studies.

(vi) Nuclear Energy Skills Development

Trained 40 Kenyans in various workshops both domestically and internationally on various Nuclear Science and Technology domains



Kenya policy makers from the National and County Governments visit of the Paks Nuclear Power Plant in Hungary - [May 2025](#)

B. Power Transmission and Distribution

1. National Grid Expansion and Upgrade

- a) During FY 2023/24, a total of **406.1KM (Circuit length)** of the transmission lines and **3 sub-stations** were completed and commissioned. These comprise the following:
 - i. 192km (circuit length) of the 96KM, 400kV double circuit Kenya-Tanzania Power Interconnector was completed and the entire project successfully completed

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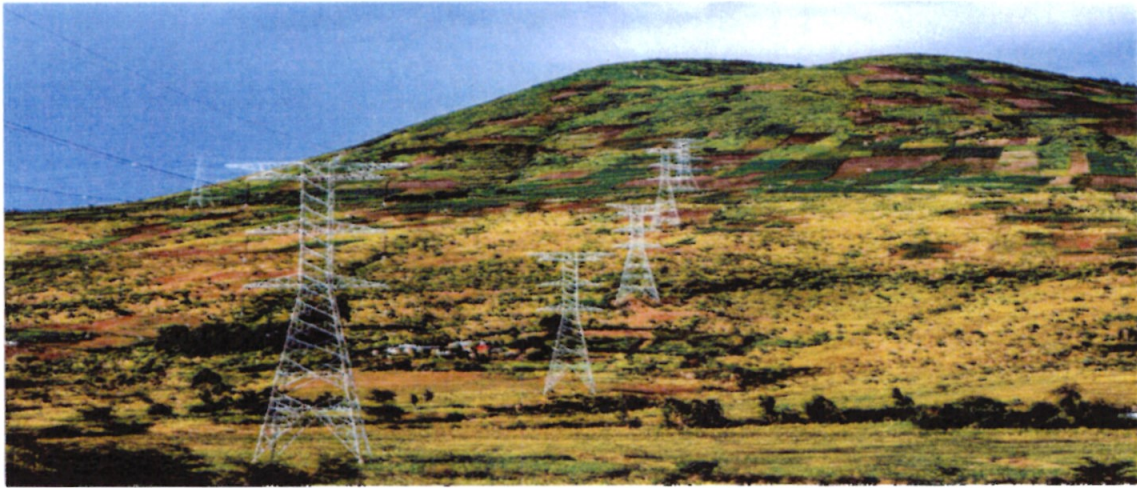
- ii. 78km (circuit length) of the 220KV Ortum-Kitale line constructed.
- iii. 29km of the 132KV Awendo-Isebania line
- iv. 107KM (circuit length) of the 132kV Sultan Hamud-Oloitoktok double circuit transmission line was completed and the transmission line fully completed.
- v. 132/33kV Loitoktok, 220/132KV Kitale and 132/33Kv Isebania (Masaba) substations completed and energized

In addition, the milestones made on ongoing projects include;

- vi. 70KM 132kV Nanyuki-Isiolo single circuit transmission line is on-going.
- vii. 40KM 400kV Isinya-Konza double circuit is ongoing.
- viii. The completion of the National System Control Centre progressed to 13%
- ix. 400/220kV Mariakani Substation progressed to reach 99% and commissioning tests are on-going.
- x. 400/132kV Konza substation reached 90%.
- xi. 220/66kV Malaa Substation reached 96%.



400/220kV Mariakani Substation



96KM, 400kV double circuit Kenya-Tanzania Power Interconnector

2. Power Distribution

During the 2024/25FY the key milestones achieved include; ;

- d) **385,898 new customers which includes 481 public facilities** were connected to electricity during the 2023/24FY. This grew the cumulative customer connectivity to **10,045,775**,
- e) 271 Previously installed Solar PV systems were maintained.
- f) **3 solar Mini-grids** under KEMP were commissioned to serve Mageta Island in Siaya County and Ngothe and Takawiri in Homa Bay County
- g) **408 transformers** installed and maximized
- h) The establishment of the Green Industrial Park, Phase 1 in Olakaria progressed to 10%
- i) **500 km** of distribution lines completed by KPLC and **4,791km** by REREC
- j) **5** Distribution substations were completed
- k) The electrification of the Glana Gulalu food security project stands at 28.5%
- l) **5,855 new street light lanterns** were erected. This brings the cumulative number of lanterns installed since inception to **205,294**

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H.E. The President flagging off the electrification of public institutions and households under the Last Mile Electrification Program in Narok County, May 2025.



Kabianga Power Distribution substation completed in the FY 2024/2025

C. Alternative Energy Technologies (to be extracted from the RED APR)

During the period under review, the State Department made key milestones towards the adoption and development of alternative energy technologies, which include; :

- i. Hydropower dams Water catchment areas re-afforested.

Degraded catchments were reforested with 800,000 tree seedlings planted in various parts of the country. Hectares of afforested hydro dams water catchment areas maintained.

The State Department maintained and protected 100% of the 541HA Hydro water catchment areas, previously planted. These include 100Ha in Ennosupukia, Narok County; Mt. Blacket, 100Ha in Embaringo, Muringato in Nyeri County ; 85HA in Ndoinet, Bomet County; 56Ha in Saino, Nakuru County; and 200Ha in Meru County
- ii. 4 Institutional biogas plants were constructed while 260 domestic household biogas digesters were constructed across the country.
- iii. 100% of the previously installed solar PV systems in public institutions were maintained.
- iv. 4 solar-powered Electric Vehicle Charging Stations in 4 Energy Centres Jamhuri (Nairobi), Mtwapa (Kilifi), Kericho and Busia
- v. 33 No of (Biomass charcoal kilns) biomass data loggers installed
- vi. Clean cooking units; 3,825 clean cooking units disseminated to communities in the 14 underserved counties
- vii. The Kenya National Cooking Transition Strategy was developed.
- viii. One Energy Centre was established

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An ongoing construction of a domestic Biogas plant in Kakamega county by the State Department for Energy in the FY2024/25





An institutional biogas plant under construction by the State Department for Energy

D. INSTITUTIONAL, POLICY, LEGAL AND REGULATORY FRAMEWORK

1. Enhancement of the Institutional Framework

The reviewed structure of the State Department was approved by PSC during the period under review.

2. Policy Development

Some of the key policies, plans and strategies developed during the period under review include;

- i. The Energy Policy 2018 review was initiated and is in progress
- ii. The Ministry of Energy and Petroleum Strategic Plan (2023-2027) was finalised, and is pending signing by the leadership of the Ministry
- iii. The Energy Sector Medium Term Plan (MTP) IV
- iv. The Kenya National Cooking Transition Strategy was developed.
- v. The Behaviour Change Communication Strategy was developed and launched.
- vi. Towards the establishment of the Integrated National Energy Plan (INEP), 16 county energy plans are completed with the support of the State Department
- vii. The Green Hydrogen Strategy and the complementing Action Plan were completed and launched in August 2024.
- viii. The battery Energy Storage Study was undertaken
- ix. The Draft Strategy for the acceleration of Geothermal Development was developed.

3. Regulatory Framework

Various initiatives were undertaken towards the regulation of the Energy Sector, these include;

1. Undertook 1,416 surveillance and compliance inspections for electricity and renewable energy sub-sectors were undertaken as follows;(48 on installed or ongoing solar PV projects to assess compliance with the Energy (Solar Photovoltaic Systems) Regulations, 2012; 117 to assess compliance with the Energy (Management) Regulations 2012; 1,162 on consumer premises to verify

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the authenticity of completion certificates on electrical works; and⁸⁹ on electricity generation, transmission and distribution projects).

2. Developed and published the Electric Vehicle Charging & Battery Swapping Infrastructure Guidelines. The guidelines outline key considerations when siting, designing, installing, and operating electric vehicle charging points and stations.
3. Developed and published Kenya's Guidelines on Green Hydrogen and its Derivatives. The Guidelines provide a step-by-step guide on the sustainability criteria for green hydrogen and its derivatives in Kenya, relevant statutory requirements, standards and a monitoring mechanism for projects under development.
4. Developed cyber and physical security guidance notes on critical infrastructure in the energy and petroleum sectors. The guidance notes outline the minimum requirements utilities shall build upon in developing and implementing strategies, policies, procedures, and related activities to mitigate cyber and physical security risks affecting critical infrastructure.
5. Collaborated with UNEP, International Climate Initiative (IKI) and GiZ to undertake a Market Assessment of Electric Two and Three-wheelers in Kenya.
6. Policy, legal and institutional reforms – The following milestones were achieved; The Energy (Net Metering) Regulations, 2024 were gazetted on 9th May 2024; Finalised and undertook stakeholder validation for the Draft Energy (Electricity Incident and Accident Reporting) Regulations, 2024 and the Draft Energy (Electricity Market, Bulk Supply and Open Access) Regulations, 2024; Conducted Regulatory Impact Assessment (RIA) studies and public participation workshops for the Draft Energy (Appliances' Standards and Labelling) Regulations, 2024; Draft Energy (Rural Electrification Program Fund) Regulations, 2023 and the Draft Energy (Consolidated Energy Fund), 2023

Emerging Issues

- a) Security threats of key infrastructure installations.
- b) Regional economic integration resulting to growth of regional power trade and taxation of cross-border exchanges.

Global political instability

- The State Department for energy is compliance with statutory requirements.

Major risks facing the organisation

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Risk	Management strategy
Grid defection	Improve on energy reliability and review of tariffs
Environmental Safeguards	Implement Environment and Social Impact Assessment (ESIA) reports Implement environmental and social management plans
Land acquisition challenges	Enhance public participation and community relations
Resource unsustainability	Enhance resource management
Unrealistic Stakeholder / community expectations	Stakeholder participation and engagements
Vandalism of energy infrastructures	Put in place proper litigation/security measures.
Delay in disbursement of funds	Fast track timely disbursement of funds
The drive for lower tariffs, rendering key agencies financially unviable	Review of tariffs.
Litigation	Prudent contract preparation and management Stakeholder management Mediation
Cyber Security threat	Invest in ICT Security Systems and develop cyber security guidelines.
Unplanned outage of power	Replacement of aging power systems
Failure of power transmission /distribution lines	Enhanced surveillance, maintenance and modernization of the grid.
Power losses	System reinforcement, maintenance of the transmission and distribution systems Ensure quality in material and workmanship during construction
Challenges in integrating variable renewable energies into the grid	Installation of battery and pumped storage Implementation of automatic generation control (AGC) and STATSCOMs
Non achievement of set programme and project targets	Periodic Monitoring and Evaluation to track projects and programmes implementation
High Staff Turn over	Implement career progression framework and succession planning and management Implement staff motivational measures Undertake employee job satisfaction surveys and implement its recommendations
Inadequate human capacity	Recruitment, mitigation, training and capacity development
Community resistance to projects	Conduct community sensitization campaigns Initiate and implement community development projects Engagement with local leaders.
Financial Risks	Encourage Public Private Partnership Involvement of development partners in project implementation Results based auditing Corruption risk assessments

10. Environmental and Sustainability Reporting

a) Sustainability strategy and profile

The State Department remains focused on implementing strategies towards sustainable economic growth. Under Power Generation, the Renewable Energy share of the installed generation capacity grew to 82.54% as at June 2025 while the Renewable Energy share of the generation mix grew to 92.18%. Towards expanding the Power transmission network, the State Department constructed 406.5KM high voltage transmission lines. The power distribution network expanded to connect 398,695 customers to electricity, including 364 public facilities. This grew the cumulative electricity connections to 10,045,775 customers by the end of the period under review.

The State Department has advanced its efforts towards international power trade, including the enhancement of the East African Power Grid through the completion of the 192km circuit length of the 400KV Kenya-Tanzania Power Inter-connector.

Further the State Department has put in place efforts to adopting to the emerging global energy technologies and trends including the advancement of e-mobility, energy storage and green hydrogen.

b) Environmental performance /climate change/ mitigation of natural disasters

The State Department remains committed to environmental conservation as an integral component of its programmes and projects. During the period under review, the Renewable energy share of the installed power generation capacity (clean energy sources) grew to **82%** while the Renewable energy share of the electricity generation mix (from clean sources) grew to **92%**.

The State Department, in collaboration with KPLC and REREC offers minigrids, solar home systems, clean cooking stoves, and solar water pumps across remote counties, reaching hundreds of thousands of households. KOSAP's clean cooking stoves reduce emissions and indoor air pollution by replacing traditional biomass stoves. They also reduce deforestation pressure. Further, the State Department installed 4 institutional and 260 domestic biogas plants installed to reduce reliance on unclean sources of energy.

In-line with Presidential directives on Growing 15 Billion trees by 2030, SDE planted 800,000 tree seedlings during the period under review, expanding the cumulative number of seedlings grown by SDE to **4,851,237** for the maintenance of water catchment areas and tree growing for wood fuel, commercial use, and environmental conservation. SDE initiated studies on the emissions from leakage of Sulphur Hexafluoride (SF6) gas used in high voltage transmission switch gears in the substations, to inform policy formulation on the same. Further, in line with the Energy Act 2019, SDE set environmental Conservation as a mandatory requirement to inform GEO resource licensing.

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c) Employee welfare

The Human Resource Policy and Procedures Manual May, 2016 Section B5 gives direction on the recruitment process and application of affirmative action through Merit, Regional balancing, Gender balancing consideration of Persons living with Disability Youth and the Minorities. Advertisement of vacant positions is done to give equal opportunity to all and the due process followed as stipulated in the Manual. There was no recruitment done by the State Department directly this financial year. Further, the State Department is implementing its work place policy guidelines, which give policy direction on staff related matters at the work place.

Towards improving skills and managing careers appraisals and reward system, the State Department for Energy approved and conducted a Strategic Leadership Development Programme (SLDP) for 8 senior officers besides training Heads of Directorates on National Values and Principles of Governance, and Productivity mainstreaming.

In line with the Public Service Commission Performance Management Regulations, 2021, the State Department conducts officers' appraisal and application of reward and sanctions rewarding exemplary performance while sanctioning officers who did not meet the threshold of the set scores.

In line with the Human Resource Policies and procedures Manual for the Public Service May, 2016 section F 1, the health and safety at the workplace is managed through the Health and safety committee, appointed by the Principal Secretary, to ensure compliance with Act and any other directives issued from time to time.

d) Operational practices

Towards good business practices, the State Department conducts all its procurement activities on the government approved procurement system, the IFMIS where all required goods, works or services are sourced competitively using the procurement procedures as provided for in the PPADA 2015 and standard bidding documents as published by PPRA depending on the procurement value thresholds. All the various stages of procurement are undertaken by different organs/committees as required for segregation of duties in the procurement process.

Additionally, all tender awards and tender results are promptly communicated to both successful and unsuccessful bidders and contracts only signed upon the effluxion of the required stand still/appeal window period. All awards are also published on the public government portal, the Public Procurement Information Portal (PPIP) and all the required statutory reports transmitted to National Treasury, PPRA, National Council for persons with disabilities and the state Department for Industrialization for the Local Content Procurement Report

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Towards responsible treatment of suppliers, the State Department has maintained good supplier relations in honoring the terms and conditions of the bidding documents as well as any executed contracts. The State Department ensures that the suppliers are promptly informed of the tender results upon the conclusion of the evaluation exercise and that any suppliers that might feel aggrieved are given ample time to present their grievances. For the avoidance of doubt, the ministry has not had any significant dispute with any of its tender applicants and suppliers. Upon the satisfactory delivery of goods, works or services, payments are also processed within reasonable time, and for the record, the ministry did not have any pending bill or claim due to its suppliers by the closure of the FY 2024/2025 as at 30th June 2025.

e) Community Engagements-

As part of its commitment to improving livelihoods and environmental sustainability the State Department for Energy (SDE), implemented a Clean Cooking CSR Initiative that distributed over 10,000 improved cook stoves to vulnerable communities across Machakos, Kajiado, Laikipia, Tana River, and Kiambu counties.

To promote sustainable and affordable clean energy access, the State Department supported the construction of domestic biogas systems for 300 households across several counties. Further the State Department engaged local community laborers during geo-exploration projects.

The State Department) installed small hydropower generation projects in various communities to enhance access to affordable, reliable, and sustainable electricity, particularly in rural and off-grid areas. These projects utilize local water resources to generate clean energy, reducing reliance on expensive fossil fuels and mitigating environmental degradation. By providing electricity to households, schools, health centres, and small businesses, small hydro projects

11. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government State Department for Energy shall prepare financial statements in respect of that State Department for Energy. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Energy is responsible for the preparation and presentation of the State Department for Energy's financial statements, which give a true and fair view of the state of affairs of the State Department for Energy for and as at the end of the financial year (period) ended on June 30, 2025. 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 State Department for Energy, (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 State Department for Energy; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Energy accepts responsibility for the State Department for Energy's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Energy's financial statements give a true and fair view of the state of State Department for Energy's transactions during the financial year ended June 30, 2025, and of the State Department for Energy's financial position as at that date. The Accounting Officer further confirms the completeness of the accounting records maintained for the State Department for Energy, which have been relied upon in the preparation of the State Department for Energy's financial statements as well as the adequacy of the system of internal controls.

The Accounting Officer in charge of the State Department for Energy confirms that The State Department for Energy has complied fully with applicable Government Regulations and the terms of

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external financing covenants (where applicable), and that the State Department for Energy's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department for Energy's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The State Department for Energy's financial statements were approved on 10/12/ 2025
and signed by:



.....
Alex K. Wachira, CBS
Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR ENERGY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of State Department for Energy set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison

of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Energy as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with the transitional International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Energy Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.47,340,290,759 and Kshs.25,031,505,788 respectively, resulting to an underfunding of Kshs.22,308,784,971 or 47% of the budget.

The underfunding may have affected the planned activities and impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

In the prior years' audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on the Effectiveness of Internal Controls, Risk Management and Governance.

Review of the status during audit of the Department's 2024/2025 financial year, revealed that the following matters remained unresolved.

No	Year	Audit Issue
1	2023/2024	Inaccuracies in Wages of Temporary Employees
2	2023/2024	Long Outstanding Retention Fees
3	2023/2024	Non-compliance with Approved Establishment
4	2023/2024	Non-compliance with Data Protection Requirements
5	2023/2024	Use of Private Emails for Government Business
6	2023/2024	Incomplete Assets Tagging

Other Information

Management is responsible for the Other Information set out on page iii to li which comprise of Key State Department Information and Management, Profile of Cabinet Secretary, Profiles of Accounting Officer and Key Management, Statement by the Accounting Officer, Statement of Performance Against Predetermined Objectives, Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and the Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Uncollected Geothermal Rental License Revenue

During the year under review, the State Department had not collected geothermal rental license revenue from twelve (12) companies, including Government owned, amounting

to USD11,362,571 equivalent to Kshs.1,474,293,587. This is contrary to Regulation 7(2) of the Geothermal Resources (Amendment) Regulations, 2007. Although the Management issued demand notices in July, 2025, the license holders had not remitted the rent it owed to the Government, with some companies being in outstanding arrears for twenty-six (26) years.

In the circumstances, Management was in breach of the law.

2. Delay in Implementation of Kenya Green and Resilient Expansion of Energy (GREEN) Program Project

The Company entered into an agreement with the Federal Republic of Germany on 16 September, 2021 for Green Climate Fund. The Project was to be implemented in two phases with the objective to increase access to electricity in Kenya in a financially and environmentally sustainable manner. Phase I was to be implemented from 6 September, 2021 to 25 March, 2023 with the donor contributing EUR8,153,172 (equivalent to Kshs.1,158,973,400) while the recipient was to provide a co-funding of EUR1,037,140 (equivalent to Kshs.147,429,451). Phase II of the Project was to be implemented from 26 March, 2023 to 31 December, 2024. The donor was to provide a grant of EUR11,756,828 (equivalent to Kshs.1,671,233,100) under the phase.

Further, an additional grant agreement was signed on 15 March, 2024 for Phase 2 where the Green Climate Fund was to finance USD48,500,000 (equivalent to Kshs.6,280,750,000) of which the State Department was to utilize USD3,500,000 equivalent to Kshs.453,250,000 to carry out technical assistance, capacity building and project management. However, at the time of audit in July, 2025, the Project had not yet started. No justification has been given for the delay in implementation of the project. Additionally, there is no evidence of any budgetary allocation, work plans, recruitment of key personnel and opening of bank accounts for the Project in financial 2021/22 and 2022/23 under phase 1 and now under phase 2.

In the circumstances, value for money has not been realized due to failure to implement the Project.

3. Non - adherence to Sub Lease Agreement

The statement of financial performance and Note 9 to the financial statements reflects a balance of Kshs.2,075,589 as rental revenue from facilities and equipment. Review of the sub-lease contract between the State Department for Energy and a Local Firm revealed that the firm (lessee) was supposed to pay separately for the electricity consumption. Examination of the utility bills paid by the State Department revealed that they settled all amounts due to Kenya Power and Lighting Company (KPLC) and of the three (3) meters in the building, including electricity consumed by the local firm, a restaurant that heavily relies on electricity for its energy sources including cooking. Management did not provide evidence that the lessee paid electricity to the lessor as compensation. This is contrary to condition 2 of the sub lease agreement which provides that the Lessee shall pay separately for the electricity consumption for the internal areas leased in the premises the usual manner.

In the circumstances, Management was in breach of the lease agreement.

4. Failure to Provide Performance Guarantee and Security

The State Department entered into contract agreements with various contractors for biogas constructions in the country on 12 September, 2023 at contract sums of Kshs.9,310,000 (for Lot 10 and 14 for works in Nyandarua and Bomet Counties) and Kshs.11,332,000 (for Lot 2 and Lot 3 for works in Nyamira, Kisii and Narok Counties). The contracts were to expire in May, 2024. Management allowed several extensions of the contract period without corresponding performance guarantee and security. This was contrary to the provisions of the contract which provided that the State Department would terminate the contract if any of the contractors did not maintain a security as required. This was also contrary to Section 142 of the Public Procurement and Asset Disposal Act, 2015 which provides that a successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract.

In the circumstances, Management was in breach of the law and the terms of the contract.

5. Non-Utilization of Geothermal Exploration Licenses

The State Department had allocated twenty-two (22) geothermal exploration and development areas to sixteen (16) licensees as at 30 June, 2025. Out of the licensees, only three (3) (representing approximately 19% of licensees) have been able to produce power to the grid while the remaining thirteen (13) licensees have not met the development timelines and conditions stipulated in their respective geothermal resource licenses issued, occasioning a substantial geothermal energy potential waste estimated to be between 7000 and 10,000 Megawatts (MW). Management did not demonstrate action taken to revoke the licenses or task the licencees to embark on the development of the power plants.

In addition, review of documentation provided for audit, revealed that the Cabinet Secretary of Energy did not initiate the process of revocation of the licences, surrender of licence areas or remedy of the breaches to the licences, where the licensee having utilized the maximum allowable period for the exploration phase of a period not exceeding five years. Also, the licencees have not been giving periodic reports to the State Department under Appendix III of the Licences issued making it impossible for the actual position of the licencees work to be assessed.

In the circumstances, Management was in breach of the law and value for money has not been realized on the licences issued.

6. Lack of Integrated National Energy Plan

Review of the State Department policies and documentation revealed lack of management strategy for national energy infrastructure and grid management indicating that there is no formally adopted Integrated Energy Plan (IEP) guiding the planning, investment, and operational coordination across energy sources and grid infrastructure. This is contrary to Section 5 (4) of the Energy Act, 2019 which requires the Cabinet

Secretary to consolidate the plans under subsections (2) and (3) into an integrated national energy plan which shall be reviewed after every three years, including promoting renewable energy, ensuring affordability, optimizing infrastructure, and addressing energy efficiency for sustainable development, ensuring access for all.

In the circumstances, Management was in breach of the law and the State Department lacks a cohesive, long-term framework to ensure reliability, sustainability, and efficiency in national grid operations.

7. Lack of Regulations to Actualize and Delays in Transfer of Energy Dispatch System Operator

Review of Section 138 of the Energy Act, 2019 on operational and legal framework requires the creation of the System Operator. However, Regulations to guide application of the Act and operations of the System Operator and the Fees or charges to be levied to support operations of the operator have not been developed. Further, the Energy and Petroleum Regulatory Authority (EPRA) through a Gazette Notice designated the Kenya Electricity Transmission Company Limited (KETRACO) as the System Operator on 14 January, 2022. However, as at the time of audit in June, 2025, KETRACO was yet to take over the role from Kenya Power and Lighting Company, more than three years after the gazette notice was published.

In the circumstances, Management was in breach of the law.

8. Failure to Establish Rural Electrification Programme Fund

Review of the Rural Electrification Programme revealed that the State Department had not initiated the establishment of the Rural Electrification Programme Fund. This is contrary to Section 143 (1) of the Energy Act, 2019 which provides that the Rural Electrification Programme Fund shall be managed by the Rural Electrification and Renewable Energy Corporation (REREC).

In the circumstances, Management was in breach of the law.

9. Non-Prescription of Forms for Granting Wayleave Consent

The State Department had no prescribed standard forms and procedures for granting wayleave consent as required under Section 171(2) of the Energy Act, 2019, particularly for the acquisition of land rights for the development of energy infrastructure such as power lines, pipelines, and substations. As a result, implementing agencies and stakeholders such as Kenya Power, Kenya Electricity Transmission Company Limited (KETRACO), and Rural Electrification and Renewable Energy Corporation (REREC) are using non-standardized or improvised documentation for securing wayleaves, leading to inconsistencies and legal uncertainties in the process.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Inaccurate Land Records in the Fixed Assets Register

Review of property plan and equipment records revealed that the fixed assets register maintained does not accurately capture details of land owned or controlled by the entity. Several land parcels lack critical information such as title numbers, location descriptions, acreage, acquisition dates, and ownership status. In some cases, the register includes land parcels that could not be physically verified or traced to supporting ownership documents.

In addition, Management did not provide evidence of the current status of a parcel of land whose title had been cancelled in the year 2008 and split into three titles in respect of the Red Cross, the State Department for Energy and the National Police Service.

In the circumstances, the controls over ownership, existence and safeguard of assets could not be ascertained.

2. Lack of a Skills Inventory Record

The State Department did not develop, update and maintain a skills inventory record for all its officers for purposes of identifying the available, and the required skills to guide the training, recruitment and succession management decisions contrary to the requirement of Section H.14(1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016. Therefore, it was not possible to ascertain the Department trainings were authorized on the basis of the skills required in achieving its mandate.

In the circumstances, Management was in breach of the Policies and Procedures Manual on Human Resources.

3. Lack of Preparation of Resource Maps and Renewable Energy Resources Inventory

Review of the documentation provided for audit, revealed that the State Department had not developed or maintained a comprehensive and updated inventory of renewable energy resources, nor prepared resource maps identifying the geographic distribution and technical potential of renewable energy sources such as solar, wind, hydro, biomass, and geothermal energy.

In the circumstances, the lack of foundational data undermines effective planning, policy formulation, and investment attraction in the renewable energy sector.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with transitional International Public Sector Accounting Standards Accrual Basis and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the State Department's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 December, 2025

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

13. Statement of Financial Performance for the year ended 30 June 2025

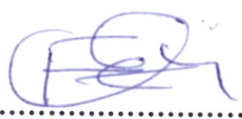
	Notes	2024-2025
		Kshs
Revenue from non-exchange transactions		
Transfers from Exchequer	6	17,807,692,530
Transfers from Domestic and Foreign Partners	7	6,122,291,615
Levies, fines, penalties, and forfeitures	8	1,099,446,054
Total		25,029,430,199
Revenue from exchange transactions		
Rental revenue from facilities and equipment	9	2,075,589
Total revenue		25,031,505,788
Expenses		
Employee costs	10	321,343,826
Use of goods and services	11	821,351,087
Transfers to other Government Entities	12	17,809,537,266
Depreciation and amortization expense	13	7,268,579
Other Grants and Subsidies	14	7,052,381,907
Social Benefits	15	5,137,000
Total expenses		26,017,019,665
Deficit for the year		-985,513,877

The Financial Statements set out on pages 1 to 6 were signed by:



.....

Alex K. Wachira, CBS
Accounting Officer



.....

Francis Otieno Odera
Head of Accounting Unit
ICPAK M/No 5398


(Paragraph 79 of IPSAS 33 allows for the election by an State Department For Energy to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position, and an opening statement of financial position at the time of adoption of the accrual basis of accounting. In preparing this financial reporting template, this election has been made; therefore, there are no comparatives in the first year of transition.)

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

14 Statement of Financial Position as at 30 June 2025

	Notes	FY 2024-2025	Opening Statement 1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	16	1,333,159,080	2,398,889,612
Total Current Assets		1,333,159,080	2,398,889,612
Non-Current Assets			
Property, Plant and Equipment	17	28,551,581	0
Total Non- Current Assets		28,551,581	0
Total Assets (a)		1,361,710,661	2,398,889,612
Liabilities			
Current Liabilities			
Trade and Other Payables	18	66,386,431	(116,964,337)
Total Current Liabilities		(66,386,431)	(116,964,337)
Net Assets (a-b)		1,295,324,230	2,281,925,275
Represented by:			
Accumulated Surplus		1,295,324,230	2,281,925,275
Net Assets		1,295,324,230	2,281,925,274

The financial statements set out on pages 1 to 6 were signed by:



Alex K. Wachira, CBS
Accounting Officer



Francis Otieno Odera
Head of Accounting Unit
ICPAK M/No 5398

**State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.**

15 Statement of Changes in Net Assets for the year ended 30 June 2025

	Accumulated Surplus
Fund balance as at 30th June 2024	2,281,925,274
Adjustments	
As at July 1, 2024	2,281,925,274
Return to Exchequer	-1,087,167
Surplus/ deficit for the year	-985,513,877
Capital funds received in the year	
As at June 30, 2025	1,295,324,230

**State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.**

16. Statement of Cash Flows for the year ended 30 June 2025

		<i>2024-2025</i>
	Notes	Kshs
Cash flows from operating activities		
Receipts		
Transfers from exchequers	6	17,807,692,520
Levies, fines, penalties and forfeitures	8	1,099,446,054
Rental revenue from facilities and equipment	9	2,075,589
Total receipts		18,909,214,173
Payments		
Employee costs	10	321,343,826
Use of goods and services	11	821,351,087
Transfers to other Government Entities	12	17,809,537,266
Other Grants and Subsidies	14	7,052,381,907
Social Benefits	15	5,137,000
Other Payables		50,577,907
Total payments		26,060,328,993
Net cash flows from/(used in) operating activities		(7,151,114,820)
Cash flows from investing activities		
Purchase of PPE	17	(35,820,160)
Net cash flows from/(used in) investing activities		(35,820,160)
Cash flows from financing activities		
Return to Exchequer		(1,087,167)
Proceeds from borrowings	7	6,122,291,615
Net cash flows from financing Activities		6,121,204,448
Net increase/(decrease) in cash & Cash equivalents		1,065,730,532
Cash and cash equivalents at 1 July		2,398,889,612
Cash and cash equivalents at 30 June		1,333,159,080

(PSASB has prescribed the use of direct method for cashflow preparation)

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

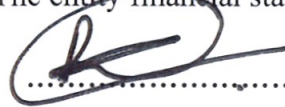
Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Exchequer releases	33,489,834,710	(14,230,237,833)	19,259,596,877	17,807,692,530	1,451,904,347	92%
Levies, fines, penalties and forfeitures	14,356,882,180	(210,000,000)	14,146,882,180	1,099,446,054	13,047,436,126	8%
Proceeds from domestic and foreign grants	50,000,000		50,000,000	4,890,418	45,109,581	10%
Proceeds from foreign borrowings	16,405,680,497	(9,459,626,433)	6,946,054,064	6,117,401,197	828,652,867	88%
Proceeds from sale of assets	29,420,000		29,420,000	0	29,420,000	0%
Rental Revenue from facilities and Equipment	5,331,697,820	1,576,639,818	6,908,337,638	2,075,589	6,906,262,049	0.03%
Total Receipts	69,663,515,207	(22,323,224,448)	47,340,290,759	25,031,505,788	22,308,784,970	53%
Payments						
Compensation of employees	345,000,000	(23,000,000)	322,000,000	321,343,826	656,174	99.80%
Use of goods and services	1,718,682,457	(773,768,160)	944,914,297	821,351,087	123,563,210	87%
Depreciation				7,268,579	(7,268,579)	0%
Transfers to other government entities	39,353,900,000	(13,034,260,182)	26,319,639,818	17,809,537,266	8,510,102,552	68%
Other grants and transfers	28,245,932,750	(8,497,334,066)	19,748,598,684	7,052,381,907	12,696,216,777	36%
Social security benefits		5,137,960	5,137,960	5,137,000	960	100%
Total Payments	69,663,515,207	(22,323,224,448)	47,340,290,759	26,017,019,665	21,323,271,094	55%
Deficit				-985,513,877		

State Department for Energy
Annual Report and Financial Statements for the year ended June 30, 2025.

- i) Levies, fines, penalties and forfeitures 8%; this is due to applications for Royalties licences.
- ii) Proceeds from domestic and foreign grants 8%; due to under-receipt of European Union Grant.
- iii) Proceeds from Foreign Borrowings 88%; this is due to non-disbursement of funds from some donors.
- iv) Rental Revenue from facilities and Equipment 0.03%; This is due to low collections of rents to various government facilities and licences.
- v) Use of Goods and Services 87%; This is due to decrease in supplementary budget
- vi) Transfer to other Government Units 68%; This is due to under receipt of Exchequer.
- vii) Other grants and transfers 36%; the under expenditure due non disbursement of funds in the supplementary.

The Ministry's had a net decrease of Supplementary budget of Kshs. 22,323,224,448

The entity financial statements were approved on 19/12/ 2025 and signed by:



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Alex K. Wachira, CBS
Accounting Officer



.....

Francis Otieno Odera
Head of Accounting Unit
ICPAK M/No 5398

Budget Reconciliation to the Statement of Cash Flows

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	-985,513,877
1	Entity difference Opening Cash and Cash equivalents as at 1 st July 2024	2,398,889,612
2	Timing differences(payables)	(50,577,907)
3	Basis differences	(28,551,581)
4	Entity differences	(1,087,167)
	Closing Cash and Cash Equivalent as per the statement of Cash flows	1,333,159,080

Budget Execution by Programmes and Sub-Programmes for FY 2025

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2024/25			2024/24	
	Kshs			Kshs	Kshs
General Administration					
Planning and Support Services	569,195,881		569,195,881	546,340,181	22,855,699
Administrative Services	202,564,688		202,564,688	185,627,058	16,937,630
Planning and Project Monitoring	21,727,997		21,727,997	20,701,342	1,026,655
Financial Services	344,903,196		344,903,196	340,011,781	4,891,415
Power Generation	10,847,706,279		10,847,706,279	5,315,972,636	5,531,733,643
Geothermal generation	9,886,906,279		9,886,906,279	4,406,620,169	5,480,286,110
Development of Nuclear Energy	757,800,000		757,800,000	727,799,944	30,000,006
Coal Exploration and Mining	203,000,000		203,000,000	181,552,472	21,447,527
Power Transmission and Distribution	34,636,564,869		34,636,564,869	18,833,211,972	15,803,352,897
National Grid System	22,200,110,805		22,200,110,805	13,361,757,841	8,838,352,964
Rural Electrification	12,436,454,064		12,436,454,064	5,471,454,131	6,964,999,933
Alternative Energy Technologies	1,286,823,730		1,286,823,730	1,314,026,348	-27,202,618)
Alternative Energy Technologies	1,286,823,730		1,286,823,730	1,314,026,348	-27,202,618
Total	47,340,290,759		47,340,290,759	26,009,751,086	21,330,539,673

The difference of Kshs 7,268,579 the actual payments represent depreciation expenses not captured in the IFMIS system

18. Notes to the Financial Statements

1. Establishment

The State Department for Energy is established by and derives its authority and accountability from Executive Order. The State Department for Energy is wholly owned by the Government of Kenya and is domiciled in Kenya. The State Department for Energy's principal activity is providing affordable, quality energy for all Kenyan.

2. Statement of Compliance and Basis of Reporting

Statement of compliance

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the first adoption International Public Sector Accounting Standards (IPSAS). In addition, the State Department for Energy has taken advantage of the transitional provisions under IPSAS 33 and therefore these 1st year financial statements are transitional financial statements.

For the purpose of these financial statements, the State Department for Energy has been categorized as a Schedule 1 national government State Department for Energy in line with Section 4 of the Public Finance Management Act, 2012 read together with Regulation 211 (2) of the Public Finance Management (National Government) Regulations, 2015. Schedule 1 national government entities include Ministries, Departments, Agencies, constitutional institutions and independent offices. State Department for Energy's are reporting entities whose primary objective is to provide policy and coordination of government services.

The use of public resources by State Department for Energy's is primarily governed by Chapter 12 of the Constitution, the relevant Appropriation Act, the Public Finance Management Act, of 2012, and the Public Procurement and Disposal Act, of 2015.

These financial statements were authorized for issue by the Accounting Officer on 15th August 2025

Notes to the financial statements

Reporting period

The reporting period for these financial statements is for the period ended 30th June 2025.

Basis of preparation

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

Critical accounting judgements

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

Recognition of revenue

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

Recognition of non-exchange expenses and liabilities

A liability is a present obligation of State Department for Energy for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgement is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department for Energy pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department for Energy is clear on the cost it intends to incur, when

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payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department for Energy policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Department for Energys future actions, expenses (and other related liabilities) are recognized for that policy.

Purpose and nature of financial instruments

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

Climate change obligations

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO₂eq. State Department for Energys commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

Physical assets

An asset is a resource presently controlled by the State Department for Energy as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

There were no new and amended standards issued in the financial year.

ii) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of State Department for Energy.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets,</p>

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Standard	Effective date and impact:
	under- maintenance of assets and distinguishing significant parts of infrastructure assets.
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that a State Department for Energy shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>

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Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The State Department for Energy did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The State Department for Energy recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the State Department for Energy and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the State Department for Energy and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

ii) Revenue from exchange transactions

Rendering of services

The State Department for Energy recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2024/25 was approved by the National Assembly on June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the State Department for Energy upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department for Energy recorded reduction of appropriations of Kshs, 22,323,224,448 on the 2024/25 budget following the governing body's approval. The State Department for Energy's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented under section xxx of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the State Department for Energy recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Right of use asset

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State Department for Energy incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State Department for Energy expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

Notes to the Financial Statements (Continued)

f) Tangible Natural Resources

The State Department for Energy recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the State Department for Energy; the State Department for Energy controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where this criteria is not met, the State Department for Energy discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. A State Department for Energy shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

g) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the State Department for Energy. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The State Department for Energy also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the State Department for Energy will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the Financial Statements (Continued)

h) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The State Department for Energy expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State Department for Energy can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The State Department for Energy does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one State Department for Energy and a financial liability or equity instrument of another State Department for Energy. At initial recognition, the State Department for Energy measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

a) Financial assets

Classification of financial assets

The State Department for Energy classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the State Department for Energy's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an State Department for Energy has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the State Department for Energy classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the State Department for Energy manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The State Department for Energy assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State Department for Energy recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities

Classification

The State Department for Energy classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

Notes to the Financial Statements (Continued)

k) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the State Department for Energy.

l) Provisions

Provisions are recognized when the State Department for Energy has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the State Department for Energy expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Notes to the Financial Statements (Continued)

m) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The State Department for Energy recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the State Department for Energy will incur in fulfilling the present obligations represented by the liability.

n) Contingent liabilities

The State Department for Energy does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

o) Contingent assets

The State Department for Energy does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the State Department for Energy in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

p) Nature and purpose of reserves

The State Department for Energy creates and maintains reserves in terms of specific requirements. State Department for Energy to state the reserves maintained and appropriate policies adopted.

q) Changes in accounting policies and estimates

The State Department for Energy recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

r) Employee benefits

Retirement benefit plans

The State Department for Energy provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an State Department for Energy pays fixed contributions into a separate State Department for Energy (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

s) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

t) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

u) Related parties

The State Department for Energy regards a related party as a person or an State Department for Energy with the ability to exert control individually or jointly, or to exercise significant influence over the State Department For Energy, or vice versa. Members of key management are regarded as related parties and comprise of Cabinet Secretary Principal Secretary and other Government Ministries and Department, State Corporations.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Service concession arrangements

The State Department for Energy analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the State Department for Energy recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the State Department for Energy also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

x) Comparative figures

In preparing these financial statements, the State Department for Energy has elected to apply paragraph 79 of IPSAS 33, which allows for the election by a State Department for Energy to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

y) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the State Department for Energy's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The State Department for Energy based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the State Department for Energy. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the State Department for Energy.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended 30 th June 2025
	Kshs	Kshs	Kshs
Recurrent	971,917,542	0	971,917,542
Development	16,835,774,988	0	16,835,774,988
Total	17,807,692,530	0	17,807,692,530

7. Transfers from Domestic and Foreign Partners

Description	2024-2025
	Kshs
Grants from foreign Governments	4,890,419
Foreign borrowings – Direct Payments	6,117,401,197
Total	6.122,291,615

8. Levies, fines, penalties and forfeitures

Description	FY 2024- 2025
	Kshs
Petroleum Development levy	541,000,000
Royalties	558,446,054
Total	1,099,446,054

This represents Royalties from Geothermal and Petroleum Development fund levy as AIA to supplement the State Department Programmes.

9. Rental Revenue from Facilities and Equipment

Description	FY 2024-2025
	Kshs
Rent	2,075,589
Total	2,075,589

*The State Department has let commercial premises at Kawi Complex to M/S Stima Sacco and M/s Kuzide Enterprises Limited.

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Notes to the Financial Statements (Continued)

10. Employee Costs

Description	FY 2024-2025
	Kshs
Basic salaries of permanent employees	206,058,312
Basic wages of temporary employees	4,622,483
Personal allowances – part of salary	110,663,031
Employee costs	321,343,826

11. Use of Goods and Services

Description	FY 2024-2025
	Kshs
Utilities, supplies and services	18,502,225
Communication, supplies and services	3,594,895
Domestic travel and subsistence	108,849,295
Printing, advertising, and information supplies & services	8,731,596
Training expenses	80,968,417
Hospitality supplies and services	28,824,004
Specialized materials and services	1,543,700
Office and general supplies and services	18,316,986
Fuel Oil and Lubricants	29,928,290
Routine maintenance – vehicles and other transport equipment	10,166,565
Routine maintenance – other assets	7,419,681
Other operating expenses	504,505,433
Total	821,351,087

12. Transfers to Other Government Entities

Description	FY 2024-2025
	Kshs
Transfers to national Govt entities- SAGAs & SC	17,383,759,682
Transfer to other Central Government entities	75,777,583
Transfers to Projects	350,000,000
Total	17,809,537,267

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13. Depreciation and Amortization Expense

Description	FY 2024-2025
	Kshs
Property, plant and equipment	7,268,579
Total	7,268,579

14. Other Grants and Subsidies

Description	FY 2024-2025
	Kshs
Foreign Borrowings- Direct payments	7,052,381,907
Total Grants and Subsidies	7,052,381,907

15. Social Benefits

Description	FY 2024-2025
	Kshs
Government Pension and retirement benefits	5,137,000
Total social benefit expenses	5,137,000

16. Cash and Cash Equivalents

Description	FY 2024-2025	Opening statement 1 st July 2024
	Kshs	Kshs
Recurrent Account	487,009	2,618,690
Development Account	2,383,968	11,524,961
Deposits Account	66,386,431	116,964,338
Kosap- Project	1,263,901,672	2,192,004,040
Kemp Project	-	75,777,583
Total	1,333,159,080	2,398,889,612

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

16. (a) Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	FY 2024-25	Opening statement 1 st July 2024
		Kshs	Kshs
Recurrent Account	1000383992	487,009	2,681,690
Development Accounts	10003848007	2,383,968	11,524,961
Deposits Accounts	1000384018	66,386,431	116,964,338
KOSAP	1000390824	1,263,901,672	2,192,004,040
KEMP	1000390875	-	75,777,583
Grand Total		1,333,159,080	2,398,889,612

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Notes to the Financial Statements (Continued)

17. Property, Plant, and Equipment

	Motor vehicles	Furniture and fittings	Computers & ICT Equipment	Total
Depreciation Rate	10-16.67%	12.5%	33.3%	
Cost	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1st July 2024	-	-	-	-
Additions	26,767,179	1,000,731	8,052,250	35,820,160
Disposals	-	-	-	-
Transfer/Adjustments	-	-	-	-
As At Jun 2025	26,767,179	1,000,731	8,052,250	35,820,160
Depreciation And Impairment				
Depreciation	(4,462,089)	(125,091)	(2,681,399)	(7,268,579)
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/Adjustment	-	-	-	-
As At 30th June 2025	4,462,089	125,091	2,681,399	7,268,579
Net Book Values				
Opening Bal as at 1st July 2024	26,767,179	1,000,731	8,052,250	35,820,160
As At 30th June, 2025	22,305,090	875,640	5,370,851	28,551,581

(The State Department for Energy applied Depreciation rates provided in the guidelines on the Asset and Liability Management in Public Sector.)

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Notes to the Financial Statements (Continued)

18. Trade and Other Payables

Description	FY 2024-2025		Opening Statement 1 st July 2024	
	Kshs		Kshs	
Trade payables (Deposits)	66,386,431		116,964,338	
Total trade and other payables	66,386,431		116,964,338	
Ageing analysis: (Trade and other payables)	FY 2024- 25	% of the Total	1st July 2025	% of the Total
Under one year	4,965,621	7%	2,391,803	2%
1-2 years	4,857,330	7%	5,388,795	5%
2-3 years	56,563,479	86%	109,183,740	93%
Over 3 years	0		0	
Total (tie to above total)	66,386,431		116,964,338	

19. Cash Generated from Operations

	FY 2024-2025
	Kshs
Surplus for the year before tax	-985,513,877
Adjusted for:	
Depreciation	7,268,579
Non Cash received as grants	-6,122,291,615
Working capital adjustments	
Decrease in payables	-50,577,907
Net cash flow from operating activities	-7,151,114,820

20. Financial Risk Management

The State Department for Energy's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The State Department for Energy's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The State Department for Energy does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The State Department for Energy's financial risk management objectives and policies are detailed below:

21. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

22. Ultimate and Holding State Department for Energy

The State Department for Energy ultimate parent is the Government of Kenya.

23. Currency

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

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24. Appendix

Appendix 1: Implementation Status of Auditor-General’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Inaccuracies in wages of temporary employees	The management indicated that the payments were for casual workers	Resolved	
	Budgetary Control and Performance	The management indicated that the late approval of Supplementary resulted to the underutilization of the funds	Resolved	
	Unresolved Prior Year Issues	The management is awaiting appearance before the public Accounts Committee.	Not Resolved	
	Long Outstanding Retention fees	The has advertised in MyGov on the same	Resolved	
	Non-Compliance with Approved establishment	The Management has written to Public service on the reviewing of staff establishment. Management has also advertised vacancies for technical cadre and transferring support cadre on case by case to comply with the current approved establishment.	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	Non- Compliance with Data Protection requirement	The process of registering the Department as a data controller is underway	Resolved	
	Use of Private Emails for official Government business	The management circulated communication to the staff reiterating the use of official Government emails	Resolved	
	Incomplete Asset Tagging	The management has allocated funds to complete asset tagging to comply with asset management.	Resolved	



Accounting Officer

Date

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Appendix II: Projects implemented by State Department for Energy

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Kenya Off-Grid Solar Access Project	6135-Ke	World Bank	9 Years	\$150,000,000	Yes	Yes
Kenya Green and Resilient Expansion of Energy Program project.	4791-Ke	World Bank	5 Years	\$7,500,000	Yes	Yes

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Appendix III: Fixed Asset Register

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Transfers in/(out) during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)		(Kshs)
	2023/2024				2024/2025
Land	*121,780,643				121,780,643
Buildings and structures	35,865,310,338				35,865,310,338
Motor Vehicle Equipments	82,600,000	26,767,179			109,367,179
Transport equipment	163,231,257				163,231,257
Office equipment, furniture and fittings	137,397,380	1,000,731			138,398,111
ICT Equipment	67,397,009	8,052,250			75,449,259
Machinery and Equipment	278,231,780,084				278,231,780,084
Biological assets	2,151,108,464				2,151,108,464
Certified seeds and afforestation's	4,548,545,643				4,548,545,643
Rehabilitation of civil works	740,860,907				740,860,907
Total	322,110,407,723	35,820,160			322,146,227,883