

GOVERNMENT OF RWANDA IS FIRST IN AFRICA TO BOLDLY EMBRACE MODERN BIOMASS ENERGY DEVELOPMENT WITH BROAD VAT EXEMPTIONS



Inyenyeri – A Rwandan Social Benefit Company, after several years of collaborative discussions with the Government of Rwanda, has seen its recommendations for modification of the VAT Law adopted.

From July 30th, 2015 new provisions (expanding the list of items in Article 6) grant exemption to the 18% VAT providing broad support for the development of a modern sustainable biomass energy sector.

The Government of Rwanda recognizes the profound dual perils of death and disease from cooking emissions of unimproved biomass stoves and the increasing rate of deforestation caused by such cooking. More deaths are attributed to Household Air Pollution (mostly cooking smoke) than from HIV, TB, and malaria combined in Rwanda and many other countries in sub-Saharan Africa. The purpose of the EEP (The Energy and Environment Partnership) granted Inyenyeri project is to prove a scalable solution to the environmental and health problems associated with biomass cooking.

Inyenyeri immediately benefits from a “level playing field” against charcoal fuel. As charcoal was not previously subjected to the 18% VAT, and biomass fuel pellets were, the effect was a tax subsidy for a fuel that is potentially detrimental to health and environment while providing a tax penalty for a cleaner safer sustainable fuel. This new law also sets the stage for the Government of Rwanda to possibly assess VAT on charcoal to discourage its use, once a strong and broad sustainable biomass cooking fuel industry is developed. Below are excerpts from Rwanda’s new VAT Law:

1. Energy Efficiency Equipment:
2. Improved cookstoves and related equipment and efficient fuels listed below:
3. Solid biomass fuels produced in Rwanda in the form of densified pellets (or similar densified forms);

Contained within these amendments is another very significant first in Africa (and indeed, the world) example of Rwanda’s vision and leadership in poverty reduction and economic development.

Cookstoves with Tier 2, 3, or 4 low levels of toxic emissions and high fuel efficiencies are also VAT exempted:

1. Cookstoves that meet ISO/IWA 11:2012 Tier 2-4 emissions standards and fuel efficiency;

Scientific evidence shows that only Tier 4 stoves can truly be considered to have low enough emission levels to have a strong potential for significant reductions in death and disease from cooking smoke. Inyenyeri is encouraged that Rwanda’s Ministry of Health may use tax policy as a first step in begin a staged process of imposing increased taxes and eventual banning of Tier 2, then Tier 3 stoves on the journey to middle income nation status and reaching the goals of Vision 2020. A potential ally in the process could be the Rwanda Standards Bureau.

Exemptions are also extended to:

1. Equipment, tools, machinery, and replacement parts specifically designed for biomass densification pellet production.

While Rwanda currently is experiencing deforestation from biomass harvested for cooking fuels, the Government of Rwanda, in exemptions granted to biomass fuelled energy generation, demonstrates an appreciation for the potential of modern gasification of biomass fuels to have a place in the energy sector of the economy and the electric grid supply via:

2. Clean Energy:
3. Renewable power generation equipment listed below:
4. Equipment, tools, machinery, replacement parts, and appliances specifically designed for use in the supply of bio-gasification energy.
5. Equipment, tools, machinery, replacement parts, and appliances specifically designed to be powered by solid densified biomass fuels sustainably produced in Rwanda in the form of densified pellets (or similar densified forms).

Once gasification stoves and fuel pellets achieve large market share, woodfuel deficits in Rwanda will be reversed and forest cover will increase. This provides the opportunity for locally grown and owned biomass fuel to be used for generation of grid power. Inyenyeri estimates that between 100 MW and 200 MW is achievable, meeting high priority goals of the Government of Rwanda for self-sufficiency in the vital energy sector.