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INSIGHT

Accelerating Kenya's e-Mobility Sector: Key Fiscal & Non-Fiscal Incentives Needed for Growth

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The Electric Mobility sector is a rapidly growing part of Kenya's automotive industry, encompassing different types of vehicles: cars, motorcycles, two and three-wheelers, buses, bicycles, batteries, accessories and charging infrastructure. The sector has experienced significant growth, with data showing that electric vehicle (EVs) registrations have more than doubled over the past two years. Additionally, several EV companies have set up operations in Kenya. This growth is attributable to the efforts of key stakeholders in the sector, including the Government.

Advantages of Promoting the E-mobility Sector

EV Adoption will, in the long run, enable the country to save on petroleum fuel imports, the majority of which are used for road transportation. Transitioning to EVs, which use locally generated electricity that is adequate and reliable, instead of imported fuels, could help lower the national fuel import bill and protect consumers from volatile international fuel prices. In turn, this can help boost foreign exchange reserves, improve balance of payment and balance of trade deficits and free up savings for investment in other sectors.

EV adoption will reduce greenhouse gas emissions in line with the Government's focus on Climate Action. Kenya is a signatory to the Paris Agreement and aims to reduce its emissions by 35% by 2035. Since the transport sector is a major source of emissions, transitioning to EVs, which are powered by renewable energy, could significantly advance Kenya's target.

EVs can also enable the development of the manufacturing industry in Kenya. According to the Kenya National Bureau of Statistics (2022), vehicle assembly in the country nearly doubled between 2017 and 2021, with most being Internal Combustion Engine (ICE) vehicles. Noting the global transition towards zero-emission vehicles, the country could leverage its existing vehicle assembly industry to begin assembling EVs to attract foreign direct investment and create employment opportunities.

The growth of the EV sector will also generate demand for a skilled workforce in areas such as vehicle repair, diagnostics, maintenance, and charging infrastructure. This presents a valuable opportunity for Kenya's educated youth, who are largely unemployed, to take up roles in the industry.

While EVs have a higher purchase cost, they are more economical over time due to lower maintenance and operational expenses. This translates to long-term savings for consumers compared to traditional ICE vehicles.

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Steps Made towards Promotion of the e-Mobility Sector

The Finance Act 2023, effective 1 July 2023, introduced key incentives including VAT zero-rating for electric motorcycles, electric buses, electric bicycles and lithium-ion batteries. Additionally, electric motorcycles were exempted from excise duty, and excise duty for electric motor vehicles was reduced from 20% to 10%. These incentives are in place to date as there were no subsequent amendments affecting the e-mobility sector in the year 2024 and the recently assented Finance Act 2025.

In August 2023, the Ministry of Roads and Transport established a task force (the e-Mobility Taskforce) to develop the e-Mobility Policy. The draft policy addresses key issues and provides policy measures on Kenya's EV sector value chain. The draft policy aims to promote incentives by the Government targeting manufacturers and assemblers, infrastructure developers and consumers to accelerate sector growth.

Additionally, the Kenya Power and Lighting Company introduced a special subsidised EV charging tariff and, in collaboration with other stakeholders, has plans to set up charging infrastructures across Kenya.

Furthermore, the National Building Code 2024 and the Energy and Petroleum Regulatory Authority (EPRA) issued guidelines for EV charging and battery swapping infrastructure, developed to support the initial creation of EV charging infrastructure and eventually create a market for the EV Charging business.

The Guidelines provide for the setting up of the infrastructure, requirements and standards for the development of charging infrastructure.

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Incentives Needed to Promote the EV Uptake in Kenya

Robust fiscal and non-fiscal measures need to be put in place to further incentivise and promote the adoption of electric vehicles. These include:

a. Short-term fiscal incentives

To promote the growth of the EV sector, incentivise mass adoption and allow a buildup of critical mass, the Government can consider:

1. **Expanding the existing VAT and excise duty incentives to cover currently excluded EV categories** such as passenger cars, as well as light and heavy-duty commercial vehicles. This will level the playing field across the entire sector and catalyse broader adoption and investment.

2. **Introduction of import duty incentives** like other East African countries, including Uganda and Rwanda.

b. Long-term fiscal incentives

Key non-fiscal incentives include the deployment of e-Mobility charging infrastructure (including in partnership with downstream petrol stations) and an adequate electricity distribution network, particularly in rural areas (the Government may consider renewable energy, such as solar energy, as a source of electricity).

Policy reforms ought to establish charging infrastructure, including battery swap stations, a broader plug-in network and wireless charging, especially across long distances interconnecting Kenya's major cities and towns.

Other countries, such as Rwanda, have considered banning registration of new "boda boda" two-wheelers unless they are electric. Similarly, Ethiopia has banned the registration of all new non-EV vehicles in the country in their journey towards registration of 500,000 EVs by 2030. Similar considerations could be adopted by Kenya. These may seem like radical suggestions, but they may significantly push forward the adoption of electric mobility in Kenya.

Other non-fiscal incentives would include increasing marketing and consumer awareness; capacity building and skills development to all people in the value chain; streamlined registration and licensing systems for EVs; development of safety standards and measures; issuance of green license plates to allow preferential parking and free entry into designated congested zones; and creation of a market for EVs through a government purchase commitment.

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Conclusion

The electric mobility sector presents Kenya with a transformative opportunity to achieve its environmental, economic and energy goals. To unlock the sector's full potential and establish itself as a regional leader, Kenya needs to adopt coherent short-term and long-term incentives and policies.

Should you have any questions regarding Kenya's e-Mobility landscape, do not hesitate to contact Daniel Ngumy, Priscilla Githinji.

Daniel Ngumy

Managing Partner

ALN Kenya

E: daniel.ngumy@aln.africa

Priscilla Githinji

Principal Associate

ALN Kenya

E: priscilla.githinji@aln.africa

Contributors

1. Caleb Weisiko - Associate
2. Maureen Isika - Trainee Lawyer

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