

January 9, 2014

**Comments from the UK—Approval by Mail: SREP Ethiopia: Geothermal Sector Strategy and Regulations (IFC)**

Dear Patricia,

Thank you for forwarding the project proposal entitled, *Ethiopia: Geothermal Sector Strategy and Regulations*, submitted by the International Finance Corporation (IFC), requesting approval of an SREP allocation of USD 1.5 million in grant funding.

Further to our comments on the Ethiopia Investment Plan, we welcome the preparation of a Geothermal Sector Strategy and Regulations in Ethiopia, and believe that this will have strong value in protecting and enhancing SREP's further investment in the Aluto Langanjo project, and providing a consistent and supportive framework for increased private investment in the sector more widely. The UK is content to approve this proposal, and at the same time would like to submit the following additional comments to be taken into consideration during the implementation:

- The project design demonstrates a good degree of awareness of the multiple initiatives ongoing in the geothermal sector at the moment. It will be important that an **inclusive approach is taken to stakeholder engagement** in the process of development of the strategy and regulations, with an emphasis on the developers and investors who could be instrumental in accelerating progress in the sector. We would also encourage the project to link with the African Union Commission, which has a remit for promoting geothermal energy in the region and facilitating better policy and regulations. Geothermal regulatory experiences outside Ethiopia should also be considered and lessons exchanged as appropriate between countries and MDBs (noting also for example parallel geothermal policy process shortly to start in Tanzania under SREP).
- We would just like to emphasise the importance of the geothermal sector strategy and regulations being **strongly integrated within wider energy sector strategy in Ethiopia**. This would include looking at the relative economics of geothermal compared with other sources (as the phase 1 appears to do) and considering wider dependencies such as the transmission and distribution infrastructure necessary to export geothermal power and translating increased supply into increased energy access.
- The Phase 2 intends to **develop capacity to implement the strategy including geothermal specific regulations**. A proposed UK International Climate Fund *East Africa Geothermal Energy project* also intends to provide some policy and regulatory technical assistance in countries of East Africa where needed. We would appreciate being kept in touch with progress on the SREP-funded strategy process to ensure complementarity.

- The indicator target for the **number of pieces of legislation** (3) seems arbitrary without any further information. This is the same for policies, entities and number of workshops. If for example a single integrated piece of legislation is possible would this not be preferable? Further information on the basis of the targets would be welcome.

With best wishes for a successful 2014 for the CIFs!

Steven

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