

March 22, 2012

**Comments from Norway on the SREP Investment Plan for Ethiopia**

Dear all,

Please find enclosed Norwegian comments and questions to the Ethiopian SREP IP, as a follow up of the SREP meeting in Nairobi two weeks ago. We would be grateful if the CIF admin unit would kindly distribute the document to the Ethiopian Government and SREP Sub-committee members.

Thanks and regards,  
Bente

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## Norwegian Comments and Questions regarding the SREP Ethiopian IP:

- 1. Well integrated in own plans concerning low-carbon development path.** We commend and congratulate the efforts of Ethiopia in developing its Investment Plan (IP). Ethiopia stands out in its dedicated and path-breaking effort in terms of pursuing a low carbon development path. The Investment Plan (IP) is well established within the context of Ethiopia's own development plans and priorities – referring extensively to its own governing plans and goals within its Growth and Transformation Plan, its Climate Resilient Green Economy Strategy and its NAMA. In particular, it would appear that the SREP contribution is envisioned as playing a central role in helping the Government achieve 10% generation from non-hydro. The IP targets both geothermal and wind development, the two main sources of generation, besides hydropower. The Results Matrix is of high quality. Finally, it is a positive sign that the SREP contribution is dedicated 100% to investment projects, implying that the GoE would appear to have the intent to cover administrative costs associated with the program.
- 2. Geothermal Component.** Specifically, we are favorable to the inclusion of the geothermal sector strategy component, in cooperation with the IFC, within the Geothermal pillar. We are also positive to your intention to develop your geothermal resources through the Aluto Langano Geothermal project. However, we note that there is a financing gap that has to be addressed and we will ask Ethiopia whether they could foresee a potential role for the private sector in filling that gap. Further, we would have liked to see more elaborated how Ethiopia intends to involve geothermal technology providers/expertise in implementing the project. Given that the development of geothermal still confronts many challenges, technology providers with commercial interests can be instrumental in overcoming critical hurdles during implementation.
- 3. Very much in support of the Clean Energy SMEs Capacity Building and Investment Facility component.** However, we know that there are many other initiatives in the same field. We hope that all of these initiatives are well coordinated and that they in fact may provide a good opportunity to test and determine which modality is most appropriate for scale-up.
- 4. Applaud GoE for inclusion of gender equality in prioritization of projects.** The Norwegian delegation applauds the central role awarded to gender considerations in the IP, having listed "Gender Equality Promotion" as one of the seven prioritization criteria in selecting the SREP target interventions.
- 5. See a mismatch in background and analysis (rural energy) and interventions (grid connected).** We commend the emphasis of the analysis in the IP on rural energy needs. We are therefore puzzled by the fact that 46 out of 50 million is targeted at on-grid RE from the Aluto Langano Geothermal Plant and the Asela Wind Farm, and, based on the IP, it would appear that a substantial amount of this may be exported. However, the GoE assured the sub-committee that this generation is meant for domestic beneficiaries. Norway would request some documentation to this effect. More generally, Norway would have appreciated a presentation of the ongoing electrification efforts in the country. Given that nearly the entire SREP contribution is to on-grid electrification, one could have expected insight as to; recent successes/failures to expand the grid, current barriers to further expansion, current financing situation in expanding the grid, realistic prospects behind the Universal Access program.

- 6. Positive to ambitions concerning wind power, but have difficulties in seeing the transformational impact of the SREP contribution.** We are positive to Ethiopia’s ambitions to develop their wind sector. However, the demonstration effects of the **Asela Wind Farm** are less obvious to us, as this is a simple capital buy-down for a relatively mature technology within a publicly owned utility. However, we note with interest that Ethiopia is planning to implement a FiT for the wind sector. Thus, we would propose to Ethiopia to look into the possibility that the SREP contribution could be used to set up and implement a FiT for the Asela Wind Farm. If so, the SREP contribution would truly be innovative in the Ethiopia context and may have a demonstrational effect for this planned support mechanism, and as such fully in line with the SREP guidelines and intentions. Regardless, we would request that GoE explains why they are requesting a capital subsidy for Assela when their own preferred policy instrument for grid-connected wind is a FiT?
- 7. Substantial unresolved financing issues in completing the individual packages.** On the face of it, it would appear that both the geothermal and wind projects still have significant financing gaps. More than 50% of the geothermal project financing is designated as “others”, as is some 20% of the wind project. Not only are committed financiers for these sums not yet identified, the IP claims that donors (rather than investors) will be approached to fill the remaining gaps. These sums of money are significant for individual donors, and likely far from certain. We would request the GoE to explain why private/commercial capital cannot play a role in the financing of these two projects. Specifically, even if they are to be publicly owned, could export credits not be an option?