

March 16, 2012

Comments from United Kingdom on the SREP Investment Plan for Ethiopia

Dear Patricia/Zhihong/Jamie,

I understand from the Intersessional SREP sub-committee in Nairobi last week, that you would require any questions on the Ethiopia Investment Plan by close of 16th March. As such please see our questions for response by the Government of Ethiopia/implementing MDBs below.

We welcome this plan and spread of support across three different areas. Our questions for clarification are as follows:

1. As highlighted in the SREP sub-committee in Nairobi, our major concern is with the SME component of the Investment Plan and the potential for duplication with a proposed Ethiopian Climate Innovation Centre (CIC) being set up by InfoDev. Both the capacity building and financing aspects for the SME component appear substantially similar to the CIC. We would be grateful if the implementing partners of the SME component (IFC/GoE) could set out:
 - a) how these two initiatives are distinct and different;
 - b) particular how the capacity building and financing aspects differ, and;
 - c) if there is any overlap how the SME component could either be redesigned in these areas or how the CIC can help take forward these elements of the SME component, so transaction costs are not duplicated so UK funding represents value-for-money.
2. Can the GoE expand on the extent to which SREP investments proposed will be transformational within the context of the country's national strategy? SREP is meant to catalyse a transformation in the renewable energy sector. Particularly for the wind projects there are already two wind farms being developed in Ethiopia. In what ways are the SREP projects helping initiate broader transformation, particularly to enable the private sector to support Ethiopia fully deliver against its wind potential.
3. It is very helpful to see the Geothermal Sector Strategy being developed as the second component of the Geothermal project. However, it would be useful to see this as part of a broader and comprehensive energy strategy. To what extent will the revised National Energy Policy mentioned at the sub-committee meeting provide this broader energy strategy?
4. With respect to carbon savings and additionality, the proposed benefits of the IP would predominately come from displacing biomass (88% current levels). These benefits could be substantial, but it would be good to see the detail of the calculation of benefits to properly assess the cost effectiveness.

Please circulate these questions to other sub-committee members as appropriate.

Regards,

Ben Green | Deputy Team Leader - Low Carbon Development Team|Climate and Environment Department |Department for International Development,