



SPEECH BY
INTERVENTO DI

ALEMAYEHU TEGENU

AT THE FORUM
AL FORUM

***“DEVELOPING AFRICA:
AN OPPORTUNITY FOR EUROPE, ITALY AND SICILY”***

***“LO SVILUPPO DELL’AFRICA:
UN’OPPORTUNITÀ PER L’EUROPA, PER L’ITALIA E PER LA SICILIA”***

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Energy Sector, Developing Africa Forum, Taormina, Italy

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Venue: ≅ San Domenico Palace Hotel

- **Your excellencies;**
- **Forum participants;**
- **Ladies and Gentlemen.**

On behalf of the Federal Democratic Republic of Ethiopia and my self, I would like to express my gratitude to the European House, Ambrosetti and the Banco di Sicilia Foundation for organizing the Developing Africa forum, which will deal on an opportunity for Europe, Italy and Sicily.

Once again, I would like to thank the organizing body for inviting me as a speaker and for selecting the timely topical issue entitled “Developing Africa: An Opportunity for Europe, Italy and Sicily” which calls upon all the countries to carry out concerted effort for bringing the desired development outcome in Africa.

This forum, with no doubt will enable us to identify and scrutinize two basic issues. These are:

1. the role of Italy as facilitator for the collaborative effort of Europe and Africa for development, especially in the economic and social issues;
2. what and how the Government of the Republic of Italy and Europe can play critical role in enhancing the growth of Africa, and escape the continent from the gravity of poverty.

- **Your excellencies;**
- **Forum participants.**

The current world economic crisis which is the result of climate change, recurrent draught and less productivity, among others, has aggravated the problem and brought considerable development bottlenecks to Africa. It is becoming difficult for many countries of the continent, including my country to track the road of development without the support of industrialized nations.

Progress of Africa’s economy is constrained by a number of man-made and natural problems. The critical issues facing the continent right now are lack of adequate finance and developed human resource. Development programs are delaying due to the scarcity of finance and

skilled local labor. Purchase of the necessary equipment and consultancy or skilled man power from outside to implement the program is getting unaffordable and unbearable.

However, there is a hope that most of the obstacles are to be resolved through the joint effort of developed friendly countries. Establishing coordinated cooperation program with European nations is very important to alleviate the problem. Europe is the neighbor of Africa, which never hold back its hands at times of crisis.

It is absolutely true that developing Africa is an opportunity for Europe, Italy and Sicily, as both are sharing common natural resource, culture, and ideology. We share many common issues that demand us to work together for mutual benefit.

Italy has been providing financial and technical support to Africa for many years. However, as the financial and capacity needs of Africa is getting higher, Italy requires to play facilitating role to avail more financial resource for Africa, by bringing all the European Nations in one circle.

The flow of investment and the support of capacity building, which is expected from Italy and the whole Europe, will ease the challenge facing Africa's growth. As reported, the role to be played by Italy for the development of Africa is immense. Few are availing financial resource for investment in various sectors and capacity building in the areas of Energy, Agriculture, engineering, medicine and social developments, among others.

- **Distinguished participants**
- **Ladies and gentlemen**

I would like to inform you that my country is one of the African countries receiving financial and technical support from European counties. Italy has been committed development partner of Ethiopia since the early 50th. It is the first country started its partnership in the energy sector. The first hydropower constructed is by Italy. We are among the major users of Italian technology.

The recently completed 420 MW capacity Gilgel-Gibe II hydropower plant was financed by the Government of the Republic of Italy and the European Investment Bank (EIB). The financial contribution was 420 and 50 million Euro from Italy and European Investment Bank respectively. More over. both the Bank and Italy has shown interest and committed to finance the 1870 MW Gilgel-Gibe III hydropower project, which its construction under is progress. The financial support is 200 and 120 million Euro from the Bank and the Republic of Italy respectively.

Italian contractors are among the major players in the construction of the Ethiopian hydropower plants. It is hoped that they will be our engineering clients/partners in our continued effort being carried out to develop the power infrastructure system of the country.

In the course of our energy sector development, we felt that, energy can not be easily developed by the sole effort and financial source of the Government and the support from Government and Financial Institution development partners.

Through experience, we learnt that unless private sector investment is highly involved, the expected development result could not be attained within the shorter timeframe. Therefore, the European nations are request to exert effort for attracting private investment and to explore all possible means to establish a system for availing sustainable financial flow for the development of Africa's economy.

Africa has untouched potential in mining, energy, agriculture and infrastructure, which is convenient for European market and investment. There are a lot of opportunities for private sector investment in Africa, from power generation to energy efficiency are, among the few areas where Europeans could be involved and benefited.

European contractors are also advised to be competent in attracting the interest of African nations, in order to transfer their technology and know-how for the mutual benefit of the two continents.

- **Your excellencies;**
- **Forum participants.**

To day, at this moment, I feel that it is a good opportunity to exchange information on the activities being conducted with regard to development and the existing opportunities for private investment in the energy sector in our respective countries. Therefore, I would like to provide to this distinguished forum participants a short briefing on the existing investment opportunities on the Energy sector.

As some of you know, Ethiopia located in the horn of Africa is endowed with a variety of energy resources. These include Biomass. hydro, geothermal, solar, wind and substantial economically exploitable natural gas, oil and coal.

Biomass

The total reserve of woody biomass is 767 million tons. In the country, there is 37 and 38 million tons exploitable potential of woody biomass, crop and animal waste respectively.

Investors could be benefited by introducing modern biomass conversion and end use technologies for proper utilization of the resource. Efficient end use devices such as cook stoves which use solid biomass and the modern liquid biomass stoves like ethanol stove are highly needed by both rural and urban population. Because of their potential in conserving fuel, the efficient stoves have a wide market and their dissemination is highly encouraged by the Government, as they help alleviate the unsustainable use of biomass resource. Therefore, private sector investment in introducing and disseminating efficient stoves is a rewarding opportunity.

Hydropower

Ethiopia has twelve major river basins, including the Blue Nile. The hydropower resource potential ranks second in Africa. Hydroelectric power is the cheapest source of power whenever the natural resources are readily available. Ethiopia has plenty of favorable sites where hydroelectric power can be economically generated.

Exploitable resource over 65,000 MW is available. What has been harnessed so far is not more than 2%, which is very negligible compared to the available potential. This indicates that the investment opportunities in the areas of hydropower are immense and untapped.

The available potential which is ready for investment include:

- a) 173 sites with small scale, 40 MW capacity;
- b) 25 sites with medium scale, capacity ranging from 41 to 60 MW;
and
- c) 100 sites with large scale, capacity more than 60 MW.

The total electrical energy that can produced from the sites per annum is about 153, 300 GWh. These are areas where private participation is to be supported and encouragement to be provided without limitations

The government is promoting the exploitation of hydro power and facilitating conditions to create favorable environment for the private sector to involve in the power industry investment scene. This is due to the fact that, the energy from the hydropower is economical and environmentally feasible and expected to play a critical role in supplying the energy demand of the Country for many years to come.

In the past few years, the government has been involved aggressively in the development of the power sector, which is mainly based on hydro resource. Tekeze with 300 MW and Gilgel Gibe with 420 MW are the recently completed power plants. Other more plants where their

construction is under way are Gibe III with 1870 MW, Fincha/Amerti-Neshe with 100 MW and Tana-Belese with 460 MW. Focus is also given to the development of small and micro hydropower as they are suitable and economical in electrifying remote rural areas. A number of small hydro power plants are under construction by the private sector through the rural electrification program. This program has resulted in the establishment of agro-processing plants and productive activities in rural areas.

Wind Energy

Wind resource potential that encourages investment is available in many parts of Ethiopia. The minimum exploitable wind speed at 50 meters above ground is 5.6 meters per second, and there is over 8.8 meters per second in large area of the country. Generally, the economically exploitable wind potential of the country is 101, 450 MW.

At present, large scale wind power plant project with a capacity of 120 MW is under way in Ashegoda, Tigray region. The design work of other two wind plants, one in Mossowo (Tigray Region) and the other in Adama (Oromia Region), with 50 MW each are under way by the government.

This indicates that the large part of the wind potential is yet to be developed. The Government will facilitate the condition for any private investor or company interested to invest in this business.

Geothermal Energy

Ethiopia has a significant geothermal resource, concentrated along the great Rift Vally. The electrical energy potential so far estimated from the resource base is over 5000MW, and what has been tried to be exploited so far is only 7MW. This indicates that the resource is untouched and regarded as the area of better investment opportunity. Currently there are:

- a) four sites each with 100 MWe capacity;
- b) one site with 40 MWe capacity; and
- c) one site with 60 MWe capacity.

ready for private investment. Detail information will be provided for interested and dedicated developers or investors.

Petroleum Exploration

Ethiopia is geographically located between petroleum producing countries, Middle East in the East, Sudan in the West and Potential Regions such as, Somalia and Kenya in the South and South East.

Thus, we can analogically assume that Ethiopia could be one of the target areas warranting Petroleum Exploration

Apart from this analogical assumption, we have factual occurrences of sedimentary basin developments in the larger part of the country. Frontier sedimentary basins that are presumed to have a great potential to explore for petroleum are Paleozoic-Mesozoic basins of Abay (Blue Nile) and Mekele basins, that respectively lie in Central and Northern Ethiopia, and Tertiary Rift Basins of the Afar Depression, the Southern Rift Basins and the Main Ethiopian Rift Grabens. Currently, some of these frontier basins have gained the attention of oil companies and are being explored for Oil and Gas.

Ethiopia is assumed to share the petroleum systems occurring in the Middle East and Sudan and also the newly petroleum systems being discovered in East Africa Rift system. Sedimentary basins development spanned from Paleozoic to Tertiary and from the explorations undertaken to date we have two gas field discoveries in the Eastern part of the country.

We have an internationally compatible legal and fiscal systems with incentive mechanisms that warrant companies to have free of duties, import, and export taxes. Capital deductions are permitted for 5 years and cost recovery given priority to companies. Operations costs are recoverable 100% as incurred. We commonly employ a Production Sharing Agreement (PSA) type of Petroleum Agreement in which case work programs, Royalty, Production Share and state participation are negotiable terms.

Income tax for revenues generated from Petroleum Operations is fixed to 30% and is calculated from net income.

To date we have 11 companies working under 19 agreements in our country. This shows that our continued effort to enhance oil exploration and looking for our natural resource both in conducive and challenging geological conditions. When we facilitate and provide these exploration and development licenses for foreign companies, it is also believed that local companies and individuals will be benefited from the available job and market opportunities. I would like to inform you that there is still a wide area of oil and gas prospect that can accommodate a number of investors.

Coal

Coal potential deposit estimated at 327 million tons is available in various regions of the country. The resource is still untapped and ready for development, either for energy supply or other industrial products. The Ethiopack (Ethio-Pakistan) Company has already involved in the

development of coal, supplying to cement factories. The available deposit can accommodate the interest of many investors.

Solar Energy

Ethiopia, because of its proximity to the equator, which enables the country get many hours of clear sky sunshine, receives high radiation intensity, which is about 5.5 KWh/m²/day on horizontal surface. As a result of the availability of this potential in the country, photovoltaic or solar electricity is among the renewable energy technologies attracting the interest of the private sector at this time. Here, it is worth to note that, photovoltaic is an important energy technology for many reasons. As it is modular, it is suitable for small scale energy provision, especially for/in remote rural areas. As a clean energy technology, it has numerous environmental benefits. As a relatively young, high-tech industry, it helps to create jobs and strengthen the economy. As its costs increasingly getting low, it becomes more affordable and available. Because of these factors the government is committed to facilitate the investment of PV technologies.

As the result of the existence of solar PV technology investment opportunity, many private sector, cooperatives and community based organizations are involved in development activities, and still wide range of opportunity that can accommodate more investors is available.

Bio-fuel

The diverse climate resource of Ethiopia has contributed the country to grow a variety of crops and oil seeds, which some of them are source of clean energy. The renewable energy resource, which currently the country has given emphasis are bio-fuels, ethanol and bio-diesel produced from sugar cane by product and oil seeds respectively. The country has issued the first bio-fuel development strategy in 2007. The strategy gives sugar cane by product or molasses emphasis for ethanol and Jatropha Curcus, Caster bean and Palm oil for bio-diesel in the development. Development of the bio-diesel feed stocks like Jatropha is to be focused in areas not needed or not suitable for growth of food crops, as they grow easily in degraded lands.

Ethiopia has vast area of land that suite the development of ethanol and bio-diesel feed stocks. In addition to the earlier identified 700,000 ha suitable land for sugar cane plantation, there is an additional **388,000 hectares** that could be put under immediate sugarcane development. Also, there yet exist an area of approximately **10 million hectares** suitable for both perennial and annual crops in areas below 1500 m.a.s.l (meter above sea level) spread over seven Regional States, of which

some fraction could be eventually devoted to the production of ethanol (sugarcane, sweet sorghum, cassava, cashew, etc.). It should be noted here that blending of ethanol has already started and consumed at and around Addis Ababa transport system. The ethanol development plan from the various sugar industries indicate that the capacity of the production will be reached 125 million liters in the year 2012 from the current annual 8 million liter production. Blending of biodiesel will follow in the near future, when product outputs are sufficient. As for the bio-diesel land resource, vast suitable land appropriate for investment is available in all the Regional State of the country.

The government of the Federal democratic Republic of Ethiopia is now introducing a new demand side management strategy or intervention in the electricity energy sub-sector. The objective of the intervention is:

- a) to maintain/secure sustainable national energy supply through improved energy efficiency/saving;
- b) to improve the economy of customers by reducing the bill for electricity;
- c) to reduce greenhouse gas emission released to the atmosphere or heat rejected to the biosphere;
- d) to secure finance for further supply development or demand management programs, as this type of program is encouraged and supported by the international community/financers.

Ethiopia has made country wide dissemination of 4.8 million CFLs in the domestic sector in the year 2008/09 free of charge, as a promotion and for improving the awareness of the population on how CFLs are energy efficient comparing to the traditional incandescent lamps. This promotion campaign resulted in substantial awareness of all categories of the society and believed that it has built the confidence of customers on the technology and its advantage in reducing expenditures for energy. Understanding this situation, the government of Ethiopia is intending to start phasing out the inefficient lamps and replace them by CLFs technology as soon as possible.

For the short term, interested investors are advised to involve in the areas of supplying those efficient lamps, and in the medium and long term to establish energy efficient bulb manufacturing factories locally. Necessary incentives such as land, infrastructure could be provided for investors intended to set up a manufacturing factory.

- **Distinguished Participants**
- **Ladies and Gentlemen**

The development programs of the energy sector is guided and implemented within the framework of the Government's national development policy and strategy, which gives emphasis to the development of private sector investment. The economic policy for the energy sector, envisages the need for the participation of national as well as international investors. The laws also encourage both local and foreign investment in the sector. They provide several incentives only few of which are:

- a) right to sell the produced product locally or abroad without obtaining other licenses;
- b) exemption from customs duties and taxes on equipment, machinery, vehicles and spare parts necessary for energy development;
- c) dispute settlement mechanisms as agreed between the government and the licensee;
- d) generous deductions and calculations of expenditure;
- e) reinvestment deduction;
- f) write off of investment within four consecutive years;
- g) fair exchange control arrangements, with no restrictions on repatriation of profits and dividends in the currency of investment or in an approved currency; and
- h) the right to hold a foreign currency account in Ethiopia.

Understanding the role of the private sector in national development, the Government of the Democratic Republic of Ethiopia has fully introduced market economy, which provides wide opportunity for private sector investment in the energy sector. Therefore, I call upon Europe and Italy to share our effort in establishing private sector investment flow to Africa, including to my country. Hopefully, Italy will play critical role as a bridge to avail the necessary private capital and skilled man-power, which enable us to meet our goals and objectives without any delay.

At present times, my government cordially invites interested investors to involve in the energy sector business. Here, I would like to assure you that my Ministry is ready to support and cooperate for any investment relevant to energy in the country.

Thank you so much for your attention!!
God Bless you!!