



Renewable energy investment factsheet:

Ethiopia

1. Macroeconomic profile

Population	126.5 million (2023)
GDP growth	7.2% (2023)
GDP growth (historic)	10% annual growth from 2004-2018
GDP growth (projection)	6.7 % (2024-25)
GNI/capita	USD 1020 (2023)
Inflation rate	29.2% (2023)
Fiscal deficit	3.3%
Youth unemployment	35.8%
Ease of doing business rank	159

Major macroeconomic plans

- Home-Grown Economic Reform Agenda (2019) to address macroeconomic imbalances and propel economic growth by shifting from a public sector-led model to one driven by the private sector.
 - macro-financial reforms to stabilize the economy and strengthen the financial sector
 - structural reforms to improve the business environment and attract private investment
 - reforms to target specific market failures and boost productivity in key sectors
- Ethiopia's 10-Year Development Plan (2021-2030) aims to drive sustainable growth, structural transformation, and equitable wealth distribution. The plan prioritizes:
 - Macroeconomic Stability: Fiscal consolidation, debt restructuring.
 - Sector Modernization: Expanding agriculture, manufacturing, mining, and infrastructure.
 - Sustainability & Climate Goals: Lower emissions, expand forests, integrate renewable energy.
 - Private Sector Growth: Cutting import dependency, increasing exports and foreign investment
 - Human Development: Gender equity, financial sector reforms, and jobs



Key economic transformation goals

	2021	2030 Target	Expected Impact
Annual GDP growth	7.20%	10%	Higher income & investment
Poverty rate	19%	7%	Improved living standards
Manufacturing GDP share	6.90%	17.20%	Industrial diversification
Agriculture GDP share	32.60%	22%	Economic transformation
GHG Emissions (MtCO₂e)	368.4M	125.8M	Green industry shift
Forest coverage	15.50%	30%	Climate resilience

2. Energy profile

Installed capacity	4 700 MW (98% renewables) <ul style="list-style-type: none"> Hydropower: 4 334 MW Wind: 302 MW Geothermal and waste-to-energy: 32 MW
Electricity Access	54.2%

Energy transition and green industry development plans

	Objective	Targets
National electricity plan	Advancing energy transition	Universal electricity access by 2030, (96% on-grid and 4% off-grid)
Power sector network development plan	strategic roadmap to expand and improve the country's electricity infrastructure to meet growing demand and improve reliability.	<ul style="list-style-type: none"> expanding grid connections from 4.5 million in 2022 to 15 million by 2032 modernizing transmission and distribution infrastructure in 150 towns
Ethiopia's climate resilient transport sector strategy	to ensure that Ethiopia's national development, and climate resilience goals are promoted by the transport sector	439 000 electric cars and buses by 2030

Ethiopia also presents a strong opportunity for access to regional trade markets thanks to interconnections with Djibouti, Kenya and Sudan.



Key renewable energy policies & incentives

	Policy/incentive	Objective
Regulatory measures	Net metering, biofuels blending mandates	Encourage decentralization & clean energy use
Fiscal incentives	VAT & sales tax reductions for renewable projects	Lower investment costs for private developers
Public investments	Loans, grants, capital subsidies, rebates	Support project financing & infrastructure
Investment climate	Streamlined licensing, competitive bidding for PPAs	Increase transparency & investor confidence

Major strategies and incentives targeting renewable energy investments

- 20-year Take-or-Pay PPAs.
- Currency protection via indexed tariff adjustments.
- Sovereign guarantees & escrow accounts.
- Tax exemptions on imports of energy equipment.
- Public-Private Partnerships (PPPs) for risk sharing.

Energy sector bottlenecks to be addressed

Bottleneck	Impact	Government efforts (ongoing)
High debt burden	Limits financing	IMF-supported debt restructuring, fiscal reforms
Single-buyer power market	Limits private sector entry	Gradual market liberalization initiatives
Utility solvency issues	Increases investment risk	Tariff adjustments, PPP models for investment
Foreign currency shortage	Creates uncertainty for Power Purchase Agreements (PPAs)	Indexed tariff mechanisms, forex management
Grid expansion delay	Slows electrification	Grid modernization plan

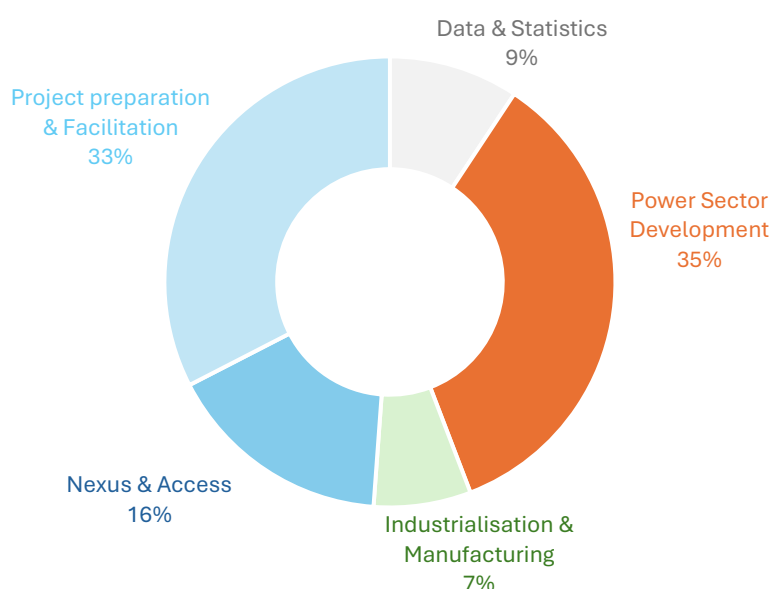


3. Country engagement

Ethiopia's consultation, conducted on **3-5 June 2024**, served to outline the nation's objectives and strategies for renewable energy and green industry development. Technical discussions emphasized the importance of strengthening the grid, preparing for renewable energy auctions, and scaling up investments. The action plan sets forth targeted actions to enhance grid stability, attract private capital, and facilitate the accelerated deployment of renewables.

Number of actions: 43

Distribution of actions by thematic area



4. Investment prospects

Ethiopia presents a compelling investment case with its rapid economic growth, vast renewable resources, and strategic regional positioning. It offers long-term policy stability, sovereign guarantees, tax exemptions, and public-private partnerships, creating a secure, attractive environment for renewable energy and industrial transformation investments.