

MEMORANDUM OF UNDERSTANDING

Between

The Government of Ethiopia

and

The Government of the United States of America

Regarding

Power Africa

The Memorandum of Understanding (MOU) is jointly signed by the Government of Ethiopia (GOE), acting through the Ministry of Water, Irrigation, and Energy (MOWIE), and the Government of the United States of America (USG), acting through the Office of the Coordinator of Power Africa and Trade Africa and the United States Ambassador in Ethiopia (hereinafter "the Participants"). This MOU replaces the Memorandum of Understanding between the Federal Democratic Republic of Ethiopia, through the Ministry of Water and Energy, and the Government of the United States of America, through the United States Agency for International Development, for Technical Advisory Services on Energy Development in Ethiopia (hereafter "the 2013 Energy MOU), signed on June 3, 2013.

U.S. President Barack Obama launched the Power Africa initiative (Power Africa) on June 30, 2013, during his visit to Africa. Power Africa draws on the tools of multiple USG agencies, including the Department of Commerce (DOC), the Department of Energy (DOE), the Department of State (State), the Department of the Treasury (Treasury), the Export-Import Bank (EXIM), the Millennium Challenge Corporation (MCC), the Overseas Private Investment Corporation (OPIC), the U.S. African Development Foundation (USADF), the U.S. Agency for International Development (USAID), and the U.S. Trade and Development Agency (USTDA), to partner with the private and public sectors to increase significantly the amount of electricity available in sub-Saharan Africa.

WHEREAS, the Government of Ethiopia and the Government of the United States of America share a long history of partnership of fostering economic development formalized under the Agreement between the Government of the United States of America and the Transitional Government of Ethiopia for Economic and Technical Cooperation, signed in Addis Ababa on November 15, 1993.

WHEREAS, the GOE and the USG, hereafter the Participants, recognize the constraints to the delivery of electrical power throughout Ethiopia and seek to expand development cooperation between the Governments;



WHEREAS, Power Africa has set the goal of doubling the number of people in sub-Saharan Africa with access to electricity through a multi-stakeholder partnership among the Governments of Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania (the Power Africa Focus Countries), the USG, the U.S. and African private sectors, the World Bank, and the African Development Bank, as well as other public and private partners;

WHEREAS, Power Africa aims to achieve its goal by accelerating investment in sub-Saharan Africa's power sector through its partnerships over the next five years, adding no less than 10,000 MW of electricity and increasing the number of people with access to electricity by 20 million in the Power Africa Focus Countries;

WHEREAS, the GOE seeks to increase its supply of electricity to 10,000 MW by 2015, per the Growth and Transformation Plan (GTP);

WHEREAS, the Participants reaffirm joint commitments made under the **Power Africa Initiative**;

NOW, THEREFORE, the Participants express the following commitments:

GOE Power Africa Commitments:

The GOE expresses its support for Power Africa, which aligns with the GOE's GTP objectives to improve operational efficiencies of the utilities; increase the scale and quality of electricity supply; promote alternative energy technologies; and increase access to electricity for all Ethiopians.

Accordingly, the GOE remains committed to and/or intends to take, *inter alia*, the following actions with respect to the Energy Sector:

1. Execute catalytic power sector reforms to spur rapid, broad-based, sustainable, and inclusive economic growth.
 - a. Transform the institutional capacity of the power industry by changing the organizational structure of the Ethiopian Electric Power Corporation (EEPCO) into two separate entities and improving the technical capacity of the staff.
 - b. Allocate adequate resources to address known and emerging constraints throughout the power sector e.g., developing more cost reflective tariffs, limiting energy losses, and preventing supply interruptions.
2. Ensure a dependable electricity supply and transmit power efficiently and economically to consumers through reliable distribution and transmission networks.
3. Expand the production of alternative energy through clean, mini-grid, and off-grid energy solutions that will increase access to power in rural towns and villages.



4. Develop a favorable business environment for private investments to expand the provision of reliable and affordable electricity services, and enhance the participation of Ethiopia in international energy trade exchanges through the Eastern Africa Power Pool.
5. Promote gender equality and decrease gender disparities through expanding the role of women in the power sector and through ensuring equitable access to the benefits derived from power sector development and reform.

USG Power Africa Commitments:

The USG, through its on-going Power Africa development programs, seeks to continue to support institutions in Power Africa Focus Countries responsible for the development and implementation of these policies, and commits to further seek to better align its Power Africa programs, across all USG agencies, with the priorities of Power Africa Focus Countries. In addition to its ongoing development programs, and subject to the availability of funds, the USG plans to take the following steps:

USG General Commitments to Ethiopia:

6. The USG, through the DOC, commits to participate actively in the Power Africa initiative. DOC's U.S. and Foreign Commercial Service commits to work to facilitate and promote commercial opportunities for U.S. companies as such opportunities are developed by Power Africa teams on the ground. The Commercial Service has an active working relationship with U.S. Government funding agencies, including EXIM, OPIC and USTDA. Utilizing this working relationship, Commercial Service staff assist U.S. exporters to package their products with attractive financing, often helping to overcome obstacles and deliver successful results.
7. The USG, through USAID, DOC, and its Commercial Law Development Program, commits to continue working with African and international legal experts to develop standardized, annotated Power Purchasing and other legal agreements that offer to reduce significantly the amount of time it takes to negotiate and close energy transactions.
8. The USG, through EXIM, plans to endeavor to mobilize up to \$5 billion in support of U.S. exports for the development of power projects across sub-Saharan Africa with the expectation that this would increase trade opportunities for Power Africa Countries, thus increasing economic growth.
9. The USG, through OPIC, intends to commit to \$1.5 billion in financing and insurance to support energy projects in sub-Saharan Africa.
10. The USG, through USAID, intends to endeavor to commit, subject to the availability of funding, an estimated \$285 million over five years to support Power Africa activities in



the Power Africa Focus Countries. Illustrative regional activities that benefit all Power Africa Focus Countries include, but are not limited to:

- a. An initial \$5 million contribution to the African Development Bank's Sustainable Energy Fund for Africa, a multi-donor platform for accelerating private sector investment in renewable energy in Africa, providing needed policy support and technical assistance to develop national renewable strategies. These strategies will address several of the key constraints to energy sector development in the region, including a lack of bankable projects coming to market, limited access to finance for small and medium size power projects, and challenging policy environments for private sector energy investment.
 - b. An estimated \$7 million contribution to support geothermal activities such as the African Union's Geothermal Risk Mitigation Facility which helps develop and advance geothermal energy transactions. USAID's funds are expected to improve the region's long term geothermal enabling environment and to build technical and institutional capacity.
 - c. Financial and technical support for both on-grid and off-grid electricity projects, through the hiring of full-time Transaction Advisors based in Africa, who are to focus on advancing energy transactions.
 - d. A \$3 million contribution to the African Legal Support Facility to help provide legal services and legal capacity building to Power Africa host governments to help advance Power Africa transactions.
11. The USG, through OPIC and USTDA, expects to endeavor to provide up to \$20 million for project preparation, feasibility and development costs to develop renewable energy projects. These efforts are expected to be coordinated through the U.S.-Africa Clean Energy Finance Initiative (US-ACEF) and supported by the recently launched U.S.-Africa Clean Energy Development and Finance Center (CEDFC) in Johannesburg, South Africa. The USG, through the USTDA, commits to support Power Africa activities in all the Power Africa Focus Countries by providing funding for analysis of major energy infrastructure investments to achieve successful project financing and implementation; pilot projects to demonstrate the effectiveness of U.S. technological solutions; trade missions to the United States for overseas project sponsors to observe American products, practices and services that can help achieve their development goals; and technical assistance to support legal and regulatory reforms for infrastructure development.
12. The USG, through the DOE, intends to provide assistance to help resolve technical impediments to the deployment of power projects and to expedite projects. This assistance can occur through bilateral engagement in policy reform, analytical evaluation of energy markets, or through a formal engagement of the national laboratories that can be hired for their expertise on Research and Development to resolve technological constraints.



13. The USG, through The Embassy, intends to consult with USAID, USTDA, MCC, U.S. Department of Energy and other USG agencies to explore how a variety of U.S. Government resources can strengthen our government's contribution to Power Africa.

USG Specific Commitments to Ethiopia:

In addition to the above commitments, the USG intends to provide the following specific forms of assistance to the GOE:

14. In Ethiopia, the USG intends to provide transaction advisory services, with an initial focus on the ongoing negotiations between the GOE and Reykjavik Geothermal (RG) relating to the development of the Corbetti Geothermal Field and associated Power Purchase Agreement.
15. In Ethiopia, the USG intends to facilitate future negotiations with other private investors and developers to catalyze new transactions.
16. In Ethiopia, the USG intends to provide institutional strengthening to the GOE in the power sector, including the negotiation of independent power projects; legal, technical and financial transactional documents; technical assistance to create financial models to analyze the cost and benefits of transactions; and support for the development and management of interconnections.
 - a. In Ethiopia, the USG intends to provide technical assistance to Ethiopian Electric Power (EEP), including strategic planning; with grid management, integration, and interconnectivity issues; and in the procurement and operation of special equipment to manage the intermittent energy supply that is inherent with renewable power projects.
 - b. In Ethiopia, the USG intends to provide technical assistance to the Ethiopian Energy Authority (EEA) in order to develop more cost reflective tariffs, revise the grid code to enable greater private participation and fair access, and help strengthen the capacity of the regulator to oversee private sector transactions.
17. In Ethiopia, the USG intends to support legal and regulatory reforms in the geothermal sector, including assisting to draft laws related to geothermal power and reforming the geothermal concession process.
 - a. In Ethiopia, the USG intends to enhance the East Africa Geothermal Partnership to address technical, regulatory, and management issues necessary to advance private sector participation in the resource.



General Commitments and Conditions:

- 18. The Participants commit to enter into one or more arrangements for each project that would further describe the project and its implementation among the Participants.
- 19. The Participants should endeavor to meet on a jointly determined and regular basis to discuss existing and new potential opportunities for cooperation and progress towards meeting the commitments expressed in this MOU.
- 20. The Participants commit to give appropriate publicity to any cooperation provided.
- 21. This MOU is intended to become effective as of the date indicated on the signature page of this MOU and to remain effective through December 31, 2018, unless: (i) earlier discontinued by either Participant through written notice to the other Participant, or (ii) extended. The terms of this MOU maybe made modified in writing by the Participants.
- 22. All potential actions of the Participants under this MOU are subject to the availability of funds. Nothing in this MOU should be construed to constitute an obligation or commitment of the Participants' funds; any such obligations or commitments is intended to be effected through separate arrangements.
- 23. This MOU replaces the MOU between the Federal Democratic Republic of Ethiopia through the Ministry of Water and Energy and the Government of the United States of America through the United States Agency for International Development for Transaction Advisory Services on Energy Development in Ethiopia signed by the GOE and the USG on June 3, 2013. The instant MOU is neither a binding agreement nor does it constitute a treaty or create any rights and obligations under international law, the laws of Ethiopia, or the laws of the United States.

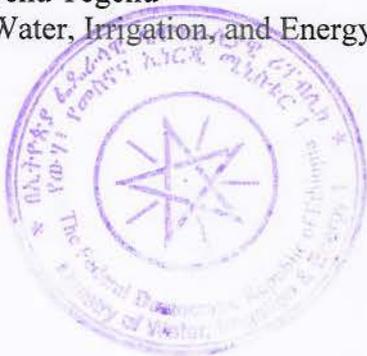
Signed in Addis Ababa.

FOR THE GOVERNMENT OF ETHIOPIA:



H.E. Alemayehu Tegenu
Minister of Water, Irrigation, and Energy

Date:



FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:



H.E. Patricia M. Haslach
U.S. Ambassador to Ethiopia

Date:

