



The Government of Ethiopia and Ethiopian Electric Power sign key agreements with Corbetti Geothermal plc.

19 December 2017

Addis Ababa, Ethiopia: Corbetti Geothermal plc (Corbetti), the Government of the Federal Democratic Republic of Ethiopia (GoE) and Ethiopian Electric Power (EEP) today signed an implementation agreement (IA) and a power purchase agreement (PPA) for Corbetti, a pioneering geothermal power project planned to deliver up to 520MW of baseload renewable power to Ethiopia's national grid. Following extensive collaboration with GoE and EEP, the IA and PPA signings mark a major step in the development of privately developed and financed power in Ethiopia.

In 2009, GoE had the foresight to commence a process to develop the significant geothermal energy potential in Ethiopia by issuing the first exploration license. Active development of the project was begun by Reykjavik Geothermal (RG) in 2011, drawing on Icelandic and international geothermal expertise. In 2014, Berkeley Energy (manager of the African Renewable Energy Fund) and Iceland Drilling Company both joined the sponsor group and in 2015 the group was further complemented with the addition of InfraCo Africa (part of the Private Infrastructure Development Group).

Together these sponsors worked constructively and collaboratively with counterparts in the GoE to develop the resource in accordance with best international standards. Concurrently, through deep engagement with EEP, the Ministry of Mines; the Ministry of Water, Irrigation and Electricity; and the Ministry of Finance & Economic Cooperation, a robust set of PPA and IA documents have been developed that are being signed today.

The project received strong support from Power Africa, and substantive support and funding from the UK government, both of which have been instrumental in achieving this milestone. The Geothermal Risk Mitigation Facility (GRMF) has been instrumental in bridging the funding gap for the project.

'Corbetti is a truly landmark project for Ethiopia being the country's first Independent Power Project to sign a PPA and the first large-scale project to harness Ethiopia's valuable geothermal resource. This important milestone could not have been achieved without the enormous support it has received from many people throughout the GoE and EEP. Credit is given to the leadership of Ethiopia who had the vision to collaborate with the private sector to harness the country's geothermal resource for the benefit of all Ethiopians. We also recognise the employees of all GoE departments including the regional authorities of Oromia and SNNPR who were instrumental in making this milestone a reality.' (Steve Meyer, CEO, Corbetti)

Once ratified by parliament, the agreements signed today will enable Corbetti to commence drilling the first production wells next year. It also lays the foundations for subsequent geothermal projects. Leveraging work undertaken by Corbetti, the PPA and IA for Tulu Moye, another 500MW geothermal project, will be signed today. Collectively, Tulu Moye and Corbetti will transform the provision of clean, reliable power in Ethiopia and catalyse further investment in Ethiopia which is key for unlocking essential infrastructure needed to further boost the country's economy.

Notes to Editors

- In 2015, according to the World Bank just 27% of Ethiopia's population had access to power, whilst businesses reported an average of 8.2 power outages a month, impacting upon sales and increasing costs due to their need to rely on back up generation. The GoE's ambitious Climate Resilient Green Economy (CRGE) Strategy aims to substantially increase access to electricity and reduce Ethiopia's dependency on imported fossil-fuels. The country relies heavily on hydro power and developing its geothermal resource will deliver substantial additional power to the national grid whilst ensuring Ethiopia's future climate resilience.
- The Corbetti project is situated in the Corbetti Caldera 250km south of Addis Ababa in the Oromia region.
- Corbetti will be a pioneering project: it is situated on a greenfield site, will prove a new geothermal resource, and not only be the first privately financed geothermal IPP in Ethiopia but also only the second in sub-Saharan Africa. To manage the early stage development risks and costs associated with being a pioneer, Corbetti will be developed in multiple phases. The first phase, wholly equity funded, will drill up to 6 exploratory wells and build a small power plant. This initial phase will demonstrate the viability of the geothermal resource and the Power Purchase Agreement (PPA), enabling the project to raise further investment. The second phase will seek to raise senior debt financing facilities to drill a further 9 – 13 wells and construct a 50MW commercial-scale power plant and facilities. If successful, subsequent phases would see Corbetti increase its installed capacity to 500MW, mobilising more than US\$2 billion in foreign direct investment over the next 8-10 years.
- Involving extensive geothermal surface exploration, including geochemical, geological and geophysical investigation as well as environmental and social impact assessment work, the greenfield Corbetti project has drawn on expertise and finance from around the world, including substantial investment from the United Kingdom and United States.
- Following initial identification as a potential resource by the Geological Survey of Ethiopia, the geothermal project was initiated in 2009 by Nejib Biya an Ethiopian mining entrepreneur. Reykjavik Geothermal (RG) joined the project in 2011 bringing their geothermal expertise and they were later joined by Berkeley Energy (manager of the African Renewable Energy Fund), Iceland Drilling Company and InfraCo Africa to support project development, drilling of wells and management of fund raising.
- The project has also been supported by international funds to enhance government capacity around geothermal regulatory frameworks and IPP development from the Geothermal Risk Mitigation Facility (GRMF), East Africa Geothermal Energy Facility (EAGER), Power Africa and the African Legal Support Facility (ALSF).
- The PPA signed today is a revised version of an agreement signed during former US President Obama's visit to Ethiopia in 2015, taking account of recent geothermal regulations put in place by the GoE. The PPA covers an eight-year construction period and 25 year operating period, after which ownership of the facility may revert to EEP.
- The IA sets out the Government of Ethiopia's support for the project. Ratification of the IA by Parliament (planned for early next year) will enable the project to commence construction; it is anticipated that the plant will begin delivering power to Ethiopia's national grid in late 2019 / early 2020.



About Corbetti Geothermal plc

Corbetti is an Ethiopian project company funded by Reykjavik Geothermal, Iceland Drilling, African Renewable Energy Fund and InfraCo Africa. It is solely focused on developing, financing, constructing and operating the Corbetti geothermal power project.



About Ethiopian Electric Power (EEP)

EEP works to provide adequate and quality electricity generation and transmission for Ethiopia and aims to be a competitive exporter of energy in the wider region by 2025. EEP is responsive to the socio-economic development and environmental protection needs of the public and is continuously improving its management practices as a first-class provider of electric power.



About the Government of Ethiopia (GoE)

The **Ministry of Water, Irrigation and Electricity of Ethiopia (MoWIE)** is a federal organisation that develops, plans and manages water and energy resources, develops policies, strategies and programs, develops and implements water and energy sector laws and regulations, conducts research, provides technical support to regional water and energy bureaus and offices and signs international agreements. To find out more visit: <http://www.mowie.gov.et/>

The **Ministry of Finance and Economic Cooperation (MoFEC)** contributes to the development and public finance efforts of Ethiopia by introducing new and efficient systems of utilising resources to federal and regional government. The MoFEC introduced a Financial Administration Proclamation and Procurement and Property Administration Proclamation to respond to national and international changes in the financial system, enabling the country to create internationally accepted financial working systems. To find out more visit: www.mofed.gov.et

The **Ministry of Mines, Petroleum and Natural Gas (MoMPNG)** is one of the Federal Ministries which is given responsibility for the proper development of Ethiopia's mining, petroleum and natural gas resources. The Ministry generates the country's geosciences data, through the Geological Survey of Ethiopia, and promotes the mineral, petroleum and natural gas potentials of the country. The MoMPNG negotiates and issues licenses to private investors and ensures that they conduct their operations in accordance with their concession agreements. To find out more visit: www.mom.gov.et

About the Oromia and SNNPR regional authorities

Oromia and the Southern Nations, Nationalities, and Peoples' Region (SNNPR) are two of the nine regional states of Ethiopia. The Corbetti Caldera is situated across the boundary between the states which have responsibility for all aspects of government not attributed to the federal government.



About Reykjavik Geothermal

Reykjavik Geothermal was founded in 2008 by one of the world's most experienced geothermal management and science teams. The RG management team has been involved with the development of over 3000 MW of geothermal projects in over 30 countries. RG has the experience to untap the vast commercial potential of geothermal energy while also being committed to the sustainable use of this naturally occurring resource capable of providing near zero-emission baseload power. To find out more visit: www.rg.is/en



About Iceland Drilling Company

The Icelandic Drilling Company (IDC) was established in 1986 to maintain and enhance knowledge and skills in the field of onshore drilling in Iceland established by its predecessor, the State Drilling Contractors (SDC) – operational since 1945. It was considered important to guarantee high quality drilling services in Iceland, especially when considering the importance of geothermal energy for Iceland. The company has since expanded to undertake onshore drilling across the world. To find out more visit: www.jardboranir.is



About African Renewable Energy Fund managed by Berkeley Energy

Launched in 2014, the African Renewable Energy Fund (AREF) is a fund established to support small to medium scale independent power producers (IPPs) across sub-Saharan Africa. Managed by Berkeley Energy, an experienced renewable energy fund manager active in Asian and African emerging markets, AREF seeks to invest in grid-connected development stage renewable energy projects including small hydro, wind, geothermal, solar, biomass and waste gas. To find out more visit: www.berkeley-energy.com/



About InfraCo Africa

InfraCo Africa is 100% owned by the PIDG and funded by:



Ministry of Foreign Affairs of the Netherlands



Schweizerische Eidgenossenschaft
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Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

InfraCo Africa is part of the multilateral Private Infrastructure Development Group (PIDG). InfraCo Africa seeks to alleviate poverty by mobilising private investment into infrastructure projects in sub-Saharan Africa’s poorest countries to the highest standards. It addresses the risks and costs of early-stage project development: funding teams of experienced developers and providing risk capital to those projects which need the financial commitment and leverage that InfraCo Africa can bring. See InfraCo Africa’s chapter in PIDG’s 2016 Annual Report to learn more about its cumulative development results. To find out more visit: www.infracoafrica.com



About the Private Infrastructure Development Group (PIDG)

PIDG encourages and mobilises private investment in infrastructure in the frontier markets of sub-Saharan Africa, south and south-east Asia, to help promote economic development and combat poverty. Since 2002, PIDG has supported 154 infrastructure projects to financial close and provided 222 million people with access to new or improved infrastructure. PIDG is funded by donors from seven countries (UK, Switzerland, Australia, Norway, Sweden, Netherlands, Germany) and the World Bank Group. To find out more visit: www.pidg.org



About the Geothermal Risk Mitigation Facility (GRMF)

The GRMF encourages public and private investors as well as public-private partnerships to develop geothermal prospects for power generation in Eastern Africa. The Facility was established by the African Union Commission, the German Federal Ministry for Economic Cooperation and Development, the EU-Africa Infrastructure Trust Fund via KfW Entwicklungsbank and is substantively funded by the UK Department for International Development (DFID). The GRMF provides grants for:

- Surface studies to determine the optimal location of reservoir confirmation wells at the most promising geothermal prospects; and
- For drilling and testing of reservoir confirmation wells at the most promising geothermal prospects to assist developers in securing financing for subsequent reservoir confirmation and/or well field development wells.

To find out more visit: www.grmf-eastafrika.org

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