

The Ethiopian Railways Corporation

The Ethiopian Railways Corporation (ERC) was set up in 2007 with the mandate to construct railway infrastructure and provide passenger and freight rail transport services in Ethiopia. The envisaged infrastructure consists of two railway project components, namely the Addis Ababa Light Rail Transit (LRT) and the Nationwide Railway Network Development Programme. The first phase of the LRT project is planned to be 35 km long. Its construction started in 2012 and is planned to be finalised before the end of 2014. The Nationwide Railway programme, on its part, consists of eight corridors of varying lengths covering diversified strategic routes with a total length of 5,000 km.

Vision

To see modern railways infrastructure and services and an efficient railway company that support Ethiopia's endeavor in building a globally competitive economy, that uses electricity and connects the country's development centers and links with ports of neighboring countries.

Mission

To support the fast growing economy of the country through constructing modern railways infrastructure which is cost effective and that enables transport of bulk freight within short period of time. To expand passenger railways transport services and enhance public mobility.



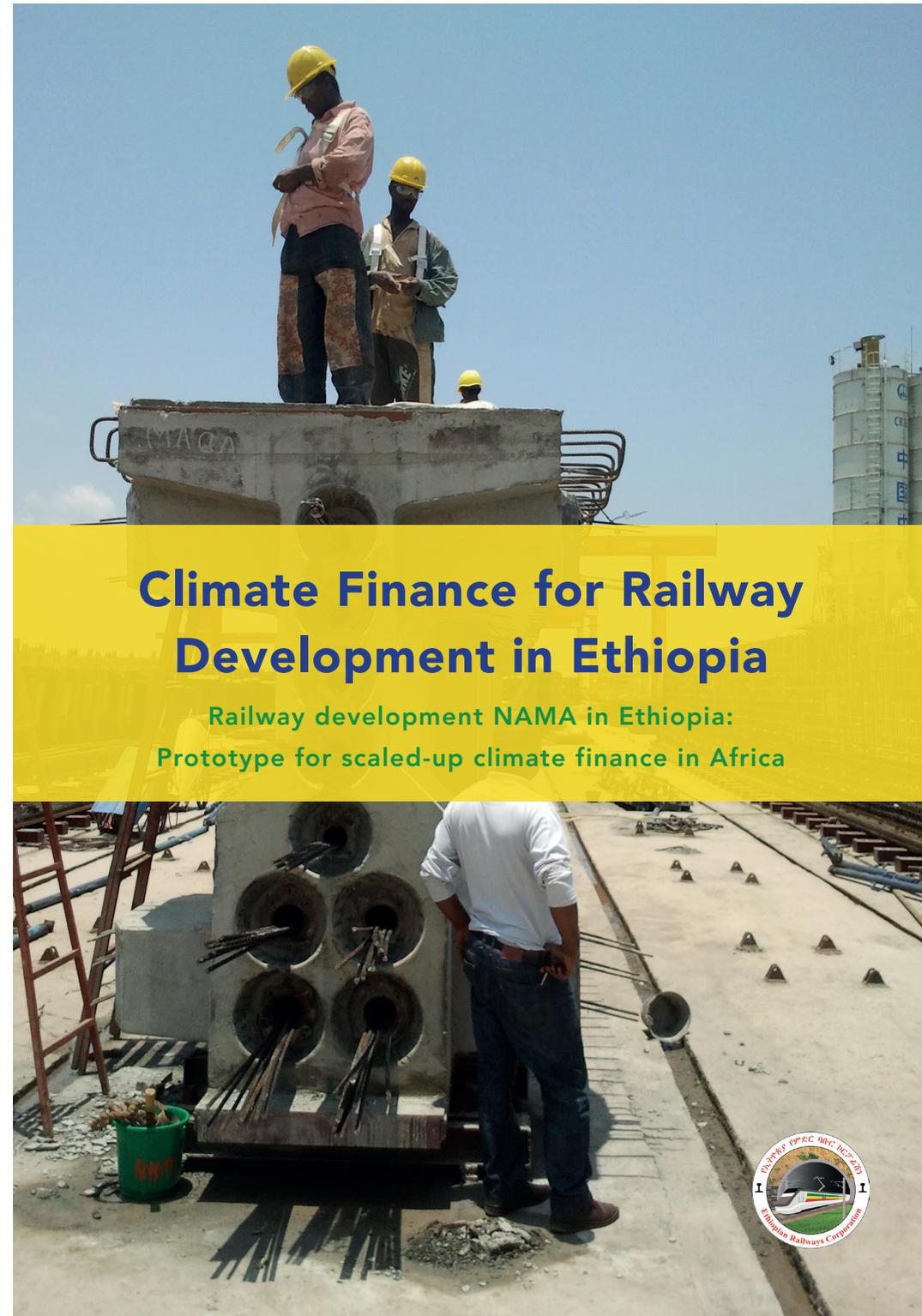
The ERC Climate finance Project has received funding from the Strategic Climate Institutions Programme (SCIP). The SCIP Fund is financed by the Governments of the United Kingdom (UK), Norway and Denmark.

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Climate Finance for Railway Development in Ethiopia

Railway development NAMA in Ethiopia:
Prototype for scaled-up climate finance in Africa





RAILWAY TRANSPORT

A KEY PILLAR OF ETHIOPIA'S GREEN GROWTH STRATEGY

Ethiopia is undertaking two ambitious clean transportation projects to support its 2025 national target of becoming a middle-income country while keeping GHG emissions rise in check: The National Railway Development Plan and the Addis Ababa Light Rail Transit (LRT) project. Both projects are key pillars of the transport chapter of Ethiopia's Climate Resilient Green Economy (CRGE), the widely acclaimed policy framework to consolidate greenhouse gas emissions of the country at 2010 levels while pursuing aggressive economic growth. Ethiopia has presented the CRGE to the world at COP17 in Durban and is now proposing the railway development NAMA as its first concrete implementation. Climate finance partners are invited to join this prototype for climate finance.

Building railroads lays the basis for low carbon transport in Ethiopia. Building electrified railways today will assure clean transport tomorrow. Railroads can contribute towards the decoupling of the Ethiopia's economic growth from diesel fuelled trucks. Availability of reliable and clean transport is a precondition for the country's development. Trains will make use of a domestic energy source, hydropower, and hence fuel the economy in a sustainable way, whereby "sustainable" refers both to the clean character of the fuel without emission of greenhouse gasses and to the durable economic structure without dependency on imported fuels.

The Government of Ethiopia has adopted the Growth and Transformation Plan (GTP), which outlines the country's strategy to reach middle-income status before 2025. At the same time, the Government has issued the Climate-Resilient Green Economy (CRGE) strategy in 2011, which lays down the country's plan to develop a carbon neutral, green economy by 2025. According to the CRGE strategy report, under the BAU scenario, emissions from the transport sector will increase from 5 MtCO₂e in 2010 to 41 MtCO₂e in 2030. The development and implementation of the National Railway Network and Light Rail Transit and supported projects (Transit Oriented Development) will result in significant GHG emission reductions of 9 MtCO₂e/year by 2030.

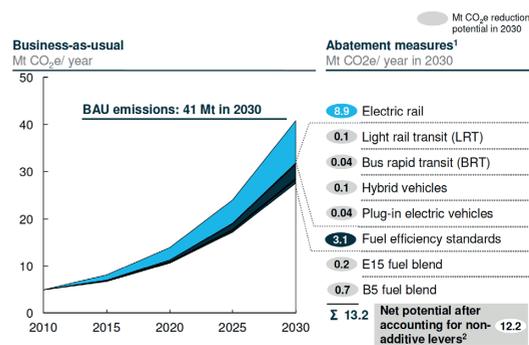


Table: Abatement potential in transport sector reaches 13.3 Mt CO₂e per year in 2030

Source: Ethiopia's Climate-Resilient Green Economy, Green economy strategy, FDRE, 2011

HOW CAN CLIMATE FINANCE SUPPORT RAILWAY DEVELOPMENT?

Climate finance can support railway development through:

- Co-funding of supportive measures and investments (e.g. Transit Oriented Development – TOD)
- Increasing operational revenues
- Supporting the refinancing of the LRT and first three routes of the national railway
- Co-financing of new routes.

ERC'S CLIMATE FINANCE STRATEGY

Taking into consideration the substantial emission reductions and sustainable development benefits that can be achieved by the railway projects, Ethiopia has commenced the development of a NAMA framework for accessing international climate finance to support the financing and implementation of the proposed projects. With initial support from the Strategic Climate Institutions Programme (SCIP), ERC has established a climate finance department, which has developed and started implementation of a climate finance strategy.

The Climate Finance Strategy is based on three main pillars:

1. GENERATION OF CARBON CREDITS

- ERC intends to register the Addis Ababa Light Rail Transit project as a Clean Development Mechanism project.
- ERC has secured a USD 150,000 loan from the CDM Loan Scheme
- ERC has secured a USD 100,000 grant from UNDP

Support sought

ERC is seeking to raise USD 500,000 for the development of a new CDM methodology for interurban railway transport

2. DEVELOPMENT OF A NAMA FRAMEWORK

- ERC is developing a NAMA Framework in preparation for accessing future sources of climate finance, including the Green Climate Fund.
- ERC has applied for EUR 15 million from the NAMA Facility for the implementation of a pilot TOD in one of the stations of the Addis Ababa LRT
- ERC has prepared four submissions to the UNFCCC NAMA Registry to make the railway projects known to the international climate finance community.

Support sought

ERC is seeking support for the further preparation and implementation of its proposed NAMA initiatives.

3. EXPLORING OTHER CLIMATE FINANCE OPPORTUNITIES

- ERC is exploring bilateral sources of funding. In this context, ERC has applied for a USD 500,000 grant from the AfDB Africa Climate Change Fund. The funding will be used for the development of a consolidated MRV framework for the railway sector.
- ERC will explore opportunities provided by climate bonds.

Support sought

ERC is looking for funding to further enhance its readiness for accessing future climate finance, including funding for the implementation of a sound and transparent Monitoring, Reporting and Verification system.