From Fuel Imports to Clean Mobility: Ethiopia's ICE Vehicle Ban

Institute for Transportation & Development Policy

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UCDAVIS UNIVERSITY OF CALIFORNIA

FIA FOUNDATION

Background

- **Initial ban**: Ethiopia banned imports of fully built ICE vehicles in February 2024.
    - **Economic drivers:** Over US$ 3-5 billion in annual fossil fuel imports,
    - **Foreign currency** constraints and
    - **Energy security**.
    - **Initial exemption:** SKD and CKD ICE vehicle kits remained eligible for import and local assembly.
- **Policy update (May–June 2025):** The ban was extended to include SKD and CKD petrol- and diesel-powered vehicles, including three-wheelers and motorcycles.
- **Strategic direction**: Accelerating the transition to electric mobility and promoting domestic vehicle production.





Policy Shift Towards Electric Mobility

- **Policy update:** Ministry of Industry notice No. 02.1.6/855, dated 15 May 2025.

New restrictions:

- **Automobiles and three-wheelers**: SKD/CKD ICE vehicles banned, with exemptions for EVs, hybrids and ambulances.
- **Motorcycles**: SKD/CKD imports banned, except electric motorcycles.
- **Key implication**: Closes the remaining route for importing ICE vehicle kits for local assembly, accelerating Ethiopia's shift towards electric mobility.



What the policy does and what it does not

WHAT IT DOES

- Restricts imports of petrol- and diesel-powered vehicles (in force since January 2024).
- Shifts new vehicle purchases and market supply towards electric vehicles.
- Signals a longer-term change in vehicle technology, investment and servicing.

WHAT IT DOES NOT DO

- It does not remove existing ICE vehicles from the road.
- It does not instantly reduce fuel imports or the subsidy bill.
- It does not guarantee affordable EVs, reliable charging or lower total costs for every user.

***"Treat the restriction as a demand-shaping measure—not a standalone fuel-import solution"*. State minister of Minister of Transport and Logisitics**

Ethiopia's Policy Shift Towards Electric Mobility: Key Drivers and Remaining Gaps

- **Renewable energy:** GERD has begun generating electricity, with further capacity expected as the project is completed.
- **Fossil fuel subsidies**: Removal of subsidies is increasing the importance of fuel pricing in transport costs.
- **Fuel taxation**: Plans to introduce 15% VAT and 15% excise on fossil fuels.
- **ICE import restrictions**: Combined with the import ban, these measures support the shift towards electric mobility.
- **Remaining gap**: Trucks remain exempt from the ICE vehicle import ban.





How much was the fuel subsidy?

Measure	Amount	What it means
Estimated annual fuel subsidy cost before the FX reform	1–1.25% of GDP	Estimated cost under the pre-reform fuel pricing gap described by the IMF.
Fuel subsidy and foreign-currency payables reported in October 2024	Up to ETB 250 billion	Combined government-related fuel subsidy costs and foreign-currency payables; this is not the annual subsidy alone.
Fuel subsidy debt outstanding at end-June 2024	ETB 46 billion	Legacy subsidy debt reported in the IMF's earlier review.
Fuel subsidy debt outstanding at end-September 2024	ETB 90 billion	A later estimate of accumulated subsidy debt.

Ethiopia's Fuel Subsidy and Tax Reforms (2025–2026)

Year	Measure
Early 2025	**Fuel price increases** Increasing diesel prices by approximately 30% and petrol prices by 35%.
July 2025	**Fuel tax collection reform** Federal fuel taxes began being collected at full statutory rates and remitted to the federal budget.
Dec. 2025	**Further fuel price increases** Diesel prices increased by a further 11% and petrol by 5%. Cumulative increases since the beginning of 2025 reached approximately 43% for diesel and 42% for petrol.

Fuel subsidies: an important policy distinction

WHAT CHANGED

- IMF reporting says authorities effectively eliminated broad fuel subsidies by March 2026.
- Fuel prices were raised to move towards cost recovery.
- Targeted support for public transport remains part of the policy approach.

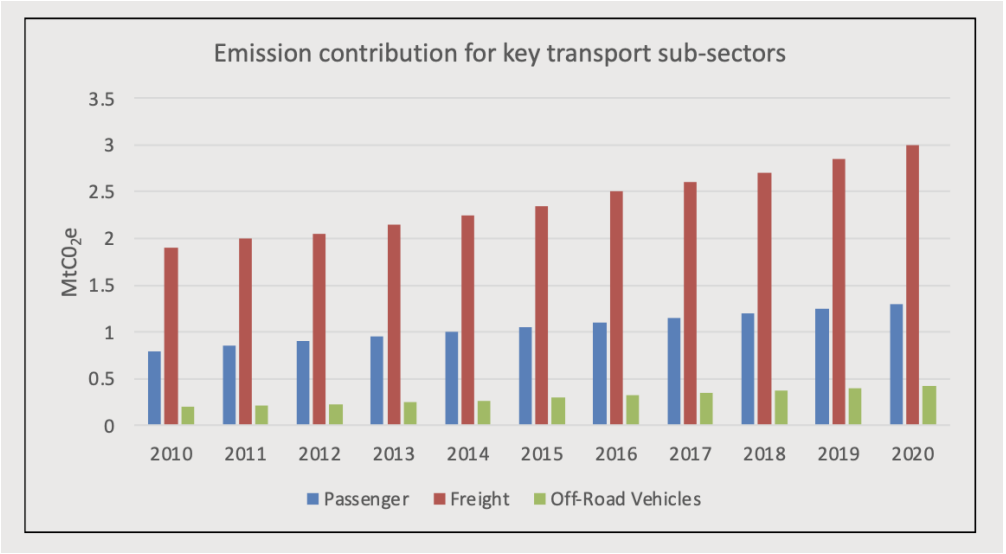
WHY ICE RESTRICTIONS STILL MATTER

- Reducing fuel consumption can lower the volume of petroleum that must be financed and imported.
- It can reduce exposure to future price shocks and the risk of renewed fiscal support.
- It complements—not replaces—transparent fuel pricing and targeted social protection.

Avoid claiming that the ICE restriction has already delivered a specific subsidy saving without a counterfactual and verified data.

Transport Sector Greenhouse Gas Contribution in Ethiopia

- Land-based transport contributes over **90% of Ethiopia's transport emissions.**
  - Freight vehicles are the largest source, contributing **>50% of emissions.**
  - Public transport vehicles (12+ seats) contribute over **20% of emissions.**
- Addis Ababa accounts for 63% of national road transport emissions, highlighting strong urban concentration.
- Major emitting vehicle types include passenger cars, minibuses, SUVs, buses, trucks, 2- and 3-wheelers.





Public Transport Fleet Composition, 2026



CBSE
1245



VE
100 (EVs)



PSTE
320



Adey Abeba (Pr.)
89



AALRT
18



Higer Midibus
334



ISUZU Midibus
305



Minibus (Code 1)
3677



Minibus (Code 3)
3939

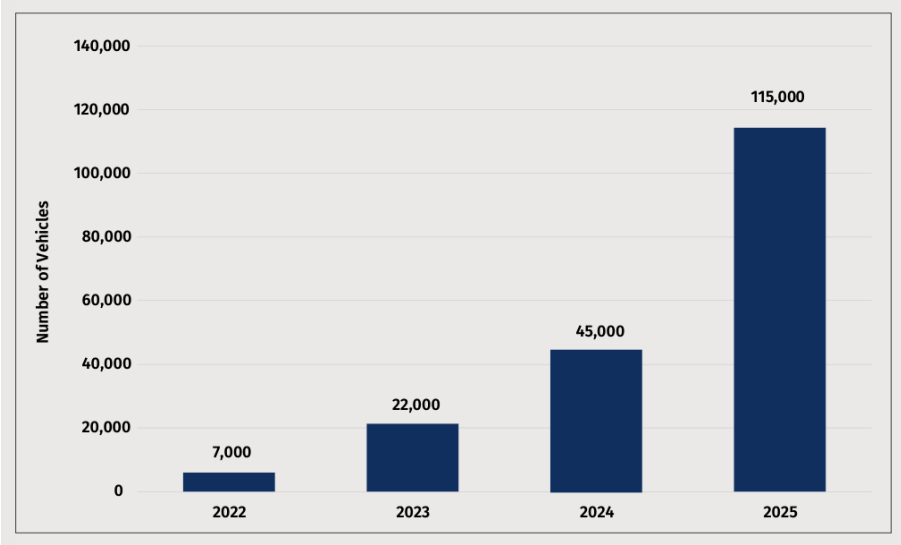


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Source: AATB, 2026

Assessment of the EV Ecosystem

- Ethiopia's EV adoption is growing rapidly due to strong government incentives.
- EVs accounted for ~60% of new vehicle registrations in 2024, rising sharply from 2022 levels.
- The country has approximately 115,000 by 2025.
- Public transport electrification is advancing with ~396 e-buses nationwide,
    - Including 110 operating in Addis Ababa with 50% women drivers, and 500 more ebuses planned by 2028.
    - Secondary cities such as Adama, Gondar, Bahir Dar, Dessie, Woldia, and Debre Birhan have begun introducing e-buses.





Public charing facilities provided by the government

- Charging infrastructure is expanding, with: 100+ public charging stations in Addis Ababa and 460+ chargers from EV importers and assemblers.
- High-capacity hubs serving up to 48 vehicles simultaneously
- Ethiopia has 17 EV assembly plants, with annual capacity of:
  - 63,000 two/three-wheelers, 14,900 cars, 1,200 light trucks and 3,500 buses and minibuses

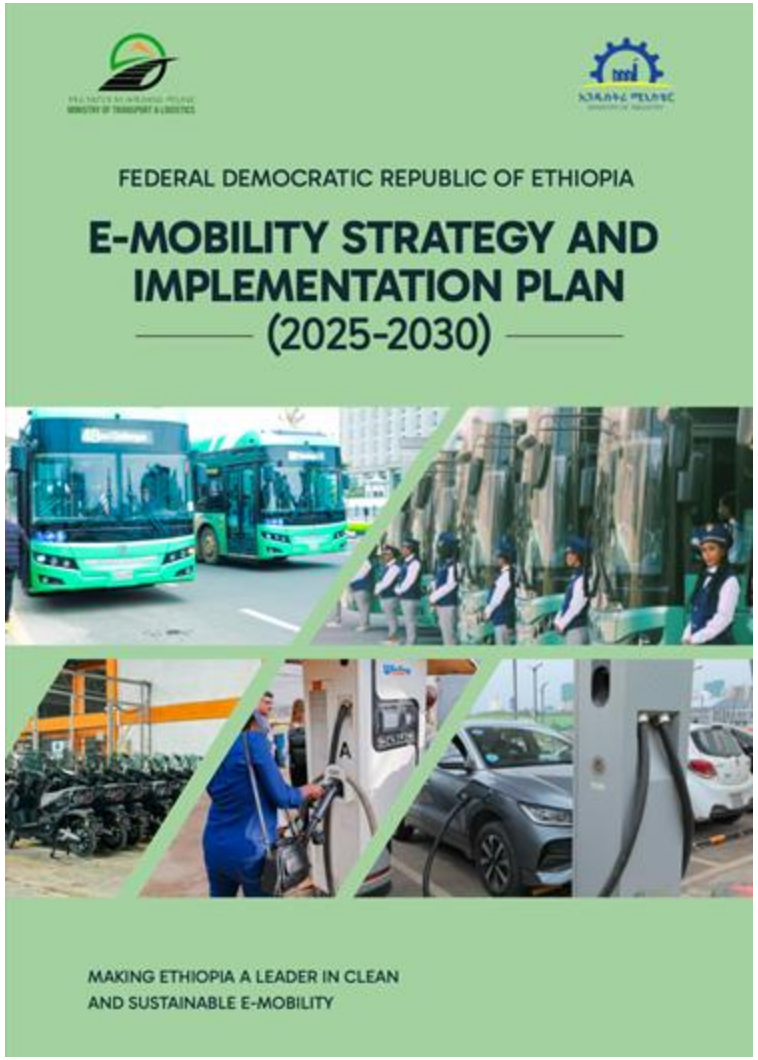


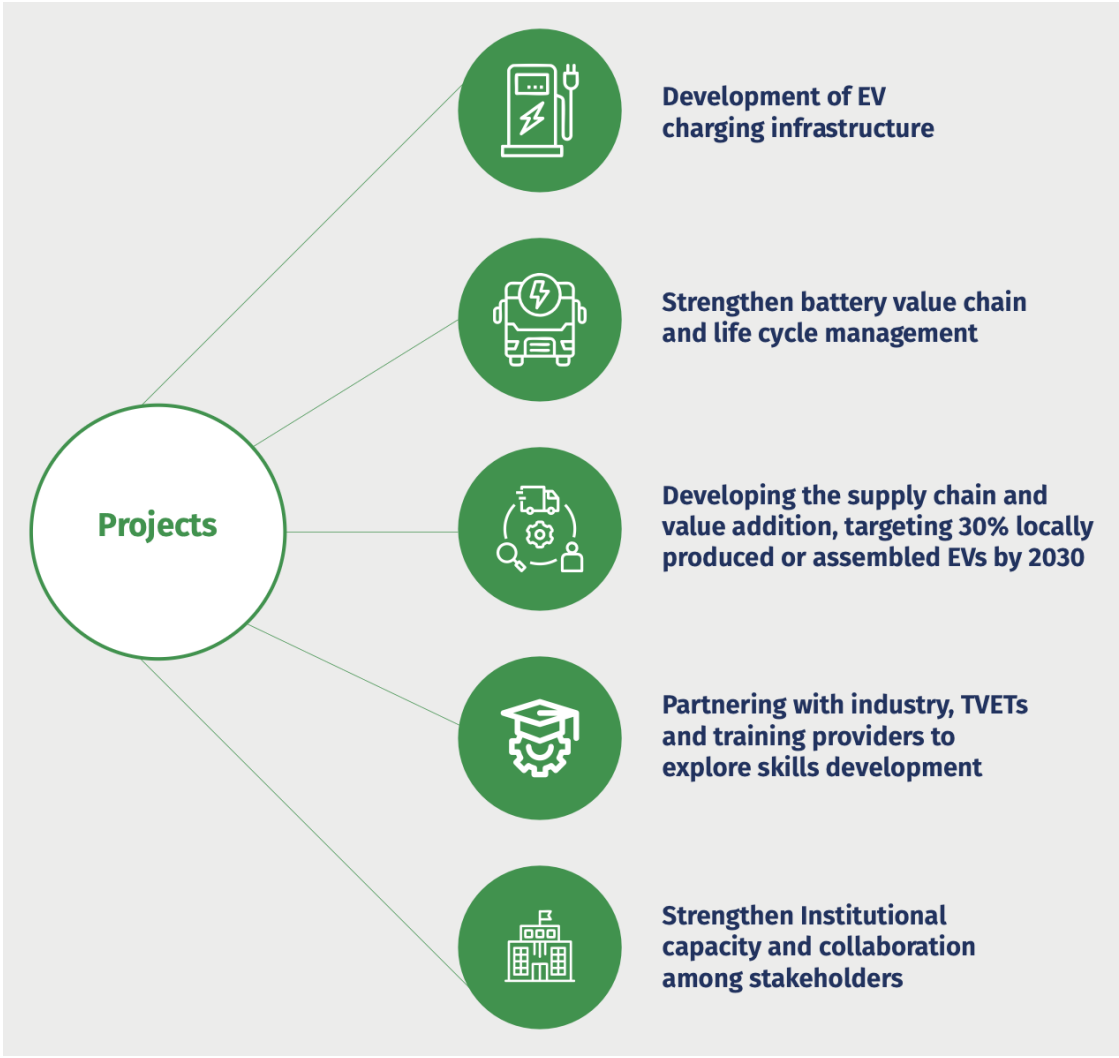


Key Barriers to E-Bus Expansion in Ethiopia

- **Procurement delays:** Lengthy contracting procedures and reliance on foreign suppliers.
- **Operational challenges:** Limited technician training, spare-parts shortages and vehicle downtime.
- **Charging and grid constraints:** Limited charging infrastructure and concerns about distribution reliability and future capacity.
- **Financial risks:** Currency volatility, uncertain repayment streams and the absence of a dedicated national e-mobility fund.
- **Institutional coordination:** Weak coordination among transport authorities, utilities and financial institutions.

Ethiopia E-Mobility Strategy and Implementation Plan





Strategic Targets

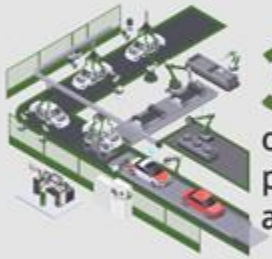
80%
of new vehicle registrations are electric



2,230
charging stations operational nationwide

13.9
$MtCO_2e$
reduction in transport sector emissions



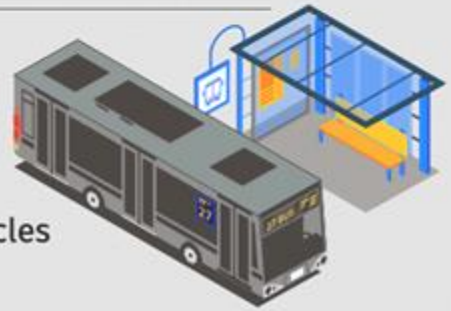


30%
of EVs locally produced or assembled

100%
of new government fleet vehicles are electric



100%
of new public transport vehicles are electric



General objective

- **Reduce GHG emissions** and fossil fuel dependency
- Improve **transport efficiency and access to clean mobility**
- **Green Job Creation** for Youth in Ethiopia (EV Technology & Charging Infrastructure)
- Establish a **nationwide charging infrastructure** network
- Include ecosystem assessment, **governance, and M&E framework**
- Promote **local industry development** and charging infrastructure expansion

Intervention Areas (E-Mobility Strategy 2025–2030)

- **Policy & Regulation:** Develop EV policy, charging standards, public transport electrification strategy, and insurance frameworks.
- **Fleet Transition:** Phase out ICE vehicles using scrappage schemes, retrofit standards, and emissions taxes.
- **Incentives & Affordability:** Provide tax relief, concessional finance, leasing models, and bulk purchase programs.
- **Charging Infrastructure:** Expand national charging network, integrate private sector, and ensure corridor and depot charging.
- **Grid & IT Systems:** Strengthen power supply, smart charging, digital platforms, and EV data management systems.

E - mobility Strategy 2025-30

PHASE I
ENABLING
(2025–2026)

- Strengthen regulatory and institutional frameworks and governance arrangements
- Develop national standards for EVs and charging infrastructure
- Prepare national charging infrastructure deployment plan
- Launch pilot projects for electric buses, two- and three-wheelers, and urban fleets
- Build technical capacity, EV data systems, and initiate public awareness campaigns



PHASE II
ACCELERATION
(2027–2028)

- Scale up EV adoption and expand charging infrastructure across major urban centres and transport corridors
- Intensify investment in charging networks nationwide
- Introduce concessional financing mechanisms for EV purchases
- Expand local EV assembly capacity and strengthen supply chains
- Strengthen electricity distribution network to support increased charging demand
- Expand public transport electrification and fleet transition (taxis, buses, freight operators)



PHASE III
SCALE-UP & CONSOLIDATION
(2029–2030)

- Large-scale deployment of electric vehicles across the national transport system
- Consolidate domestic manufacturing capacity and strengthen supply chains
- Achieve widespread availability of charging infrastructure nationwide
- Full integration of electric mobility within Ethiopia's urban transport systems
- Monitoring systems and data platforms fully operational for long-term sector planning and policy refinement



BY 2030:

- Reduced emissions and cleaner air
- Energy security and renewable energy utilization
- Economic growth and green jobs
- Stronger industries and innovation
- Inclusive and sustainable transport for all

Intervention Areas (E-Mobility Strategy 2025–2030)

Agencies	Responsibilities
Ministry of Transport & Logistics (MoTL)	Lead EV strategy, public transport electrification, regulation, and coordination
Policy & Planning Institutions (MoPD, MoF, MoTRI, MoI, EPA)	Align national plans, provide fiscal incentives, regulate trade, industry, and environmental standards
Energy Sector (MoWE, EEP, EEU, EPEA)	Expand renewable power supply, grid capacity, tariffs, and EV charging infrastructure
Regional & City Authorities	Allocate land, support local EV rollout, and integrate e-mobility into urban planning
Industry & Private Sector (EIC, manufacturers, investors, operators)	Invest in EV production, fleets, charging infrastructure, and innovation

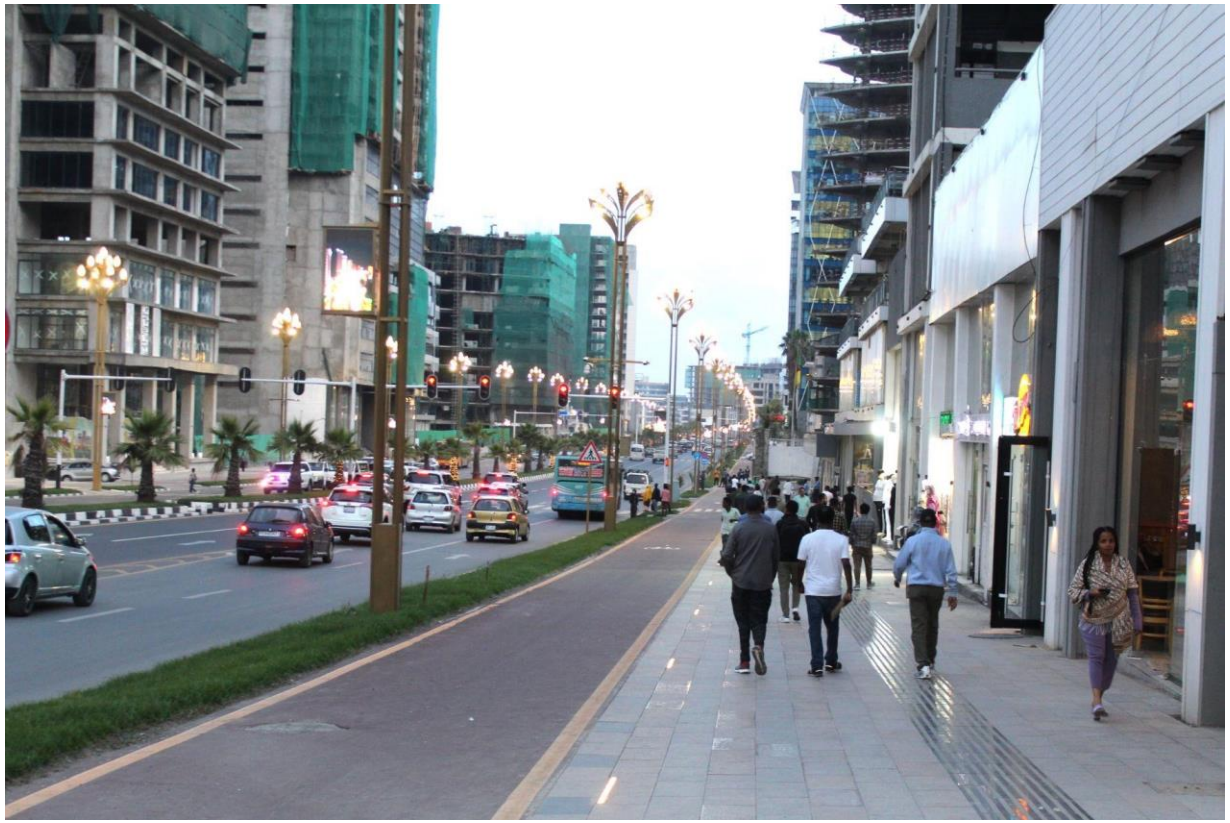
Intervention Areas (E-Mobility Strategy 2025–2030)

Agencies	Responsibilities
Finance & Investment Partners (MoF, NBE, DFIs, climate funds)	Provide financing, incentives, and concessional funding for EV development
Skills & Innovation Ecosystem (Education, TVETs, research institutes)	Build workforce capacity and support R&D and technology development
Digital & Cybersecurity Institutions (INSA, AI Institute)	Ensure secure, smart, and data-driven EV systems
Development Partners:	Provide technical support, funding, and global best practices for EV transition

Alignment with the NMT Infrastructure Improvement



Walkway improvement (>400 km)





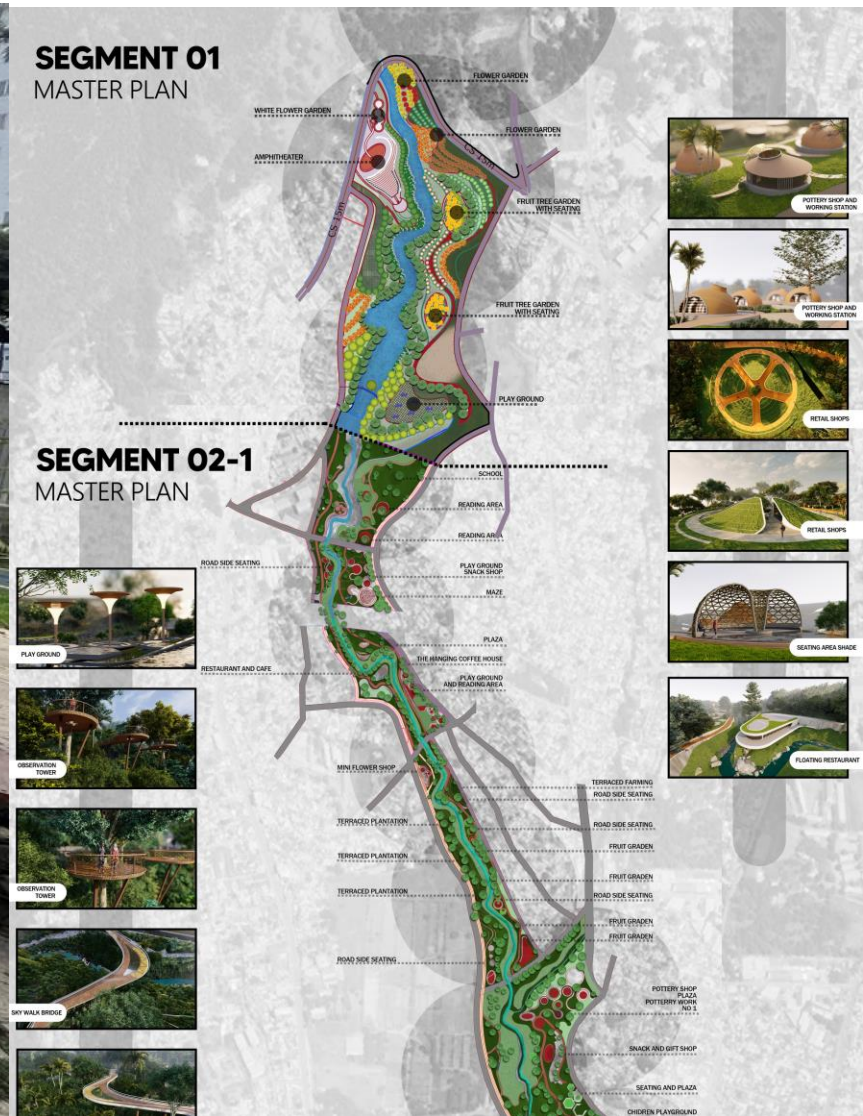
Protected Cycle Track (>250 km)





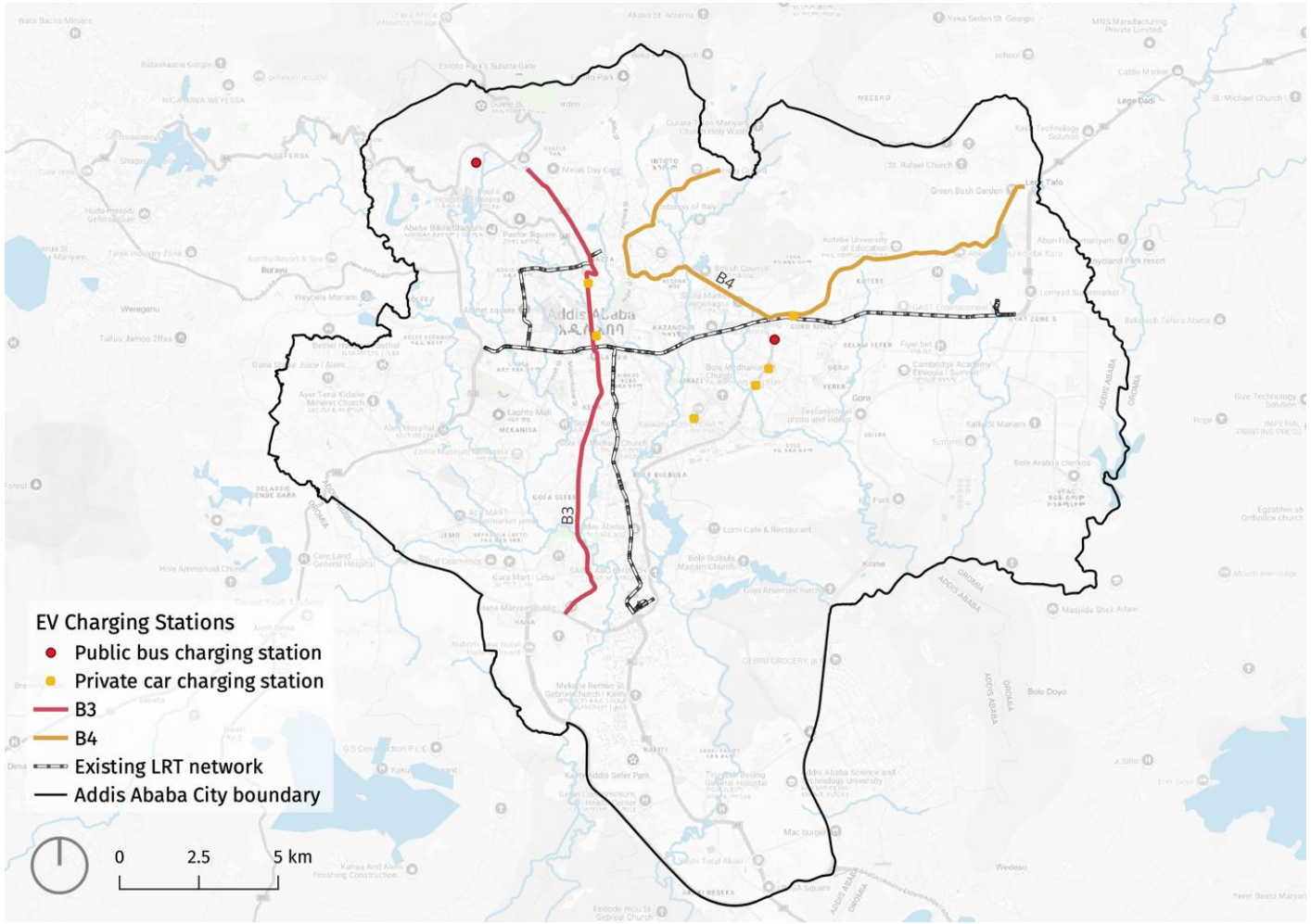
Riverside development (>40 km)





Public Charging spaces (>40 number)

- There are 2 main existing public bus charging stations.
- More than 7 public charging stations for cars



Thank You! Questions?



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