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## ቀን Biofuel Development

March 7th, 2011

Filed under: [Environment](#) — Lissan Magazine @ 21:31

### Current biofuels development status in Ethiopia

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source (pdf): [melca-ethiopia.org](http://melca-ethiopia.org)

**Biofuels development as a primary product** was first initiated by the private sector when Sun Biofuels Ethiopia (National Biodiesel Corporation), a subsidiary of a UK based private limited company, was allocated the first land for cultivation of jatropha for production of biodiesel in Benshangul Gumuz regional state in 2006. The coming of Sun biofuels awakened other players in the sector, including the government, the private sector, NGOs and civil society organizations. As the first project in the country, there were several drawbacks in the legal process of business formation and actual implementation of the project in the field. Since then several private companies have come to the scene. Fincha Sugar Factory, however, has been producing bioethanol as a by-product. Several local and international private and non-private biofuels developers have registered in the country since then. Most of these companies have the intention of going for large-scale commercial development. Currently there are over 50 developers registered for the cultivation of energy crops for biodiesel production. For bioethanol, however, there are only six developers in the country of which four of them are government owned sugar estates. At present only one of the sugar estates, Fincha, is producing ethanol. The rest are at the pre-implementation stage either retrofitting existing factories for ethanol development, or at the very early stage of land cultivation for plantation of sugarcane. All of them are intending to produce ethanol as a product of sugar production.

### Status of Operational Biofuels Development Projects

Due to limitation of time only five regions were identified to conduct a brief assessment about the current development of biofuels in Ethiopia. These regions are identified based on the current trend of biofuels development expansion in the country. Local experts were assigned to gather primary and secondary information about the biofuels projects in the regions.

Information about the number of organizations involved in biofuels development was searched from government offices at regional level, the Ethiopian Investment Commission, and other sources. In a few cases, the team managed to contact the developers. However, the full list of developers that have started operations could not be obtained from offices at regional level as some developers directly contacted Zone and Woreda offices for allocation of land without the need for getting permits from bureaus at regional level. The full list of companies including those that have not yet obtained land is put in the annex. This section gives an overview of developers that have actually received land but may not have started operations. The findings are presented as reported by the informants as

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follows:

### **Benshangul Gumuz Regional State**

In Benshangul Gumuz region, information is obtained only for three private developers that received land for biofuels development.

#### **i. Sun Biofuels Ethiopia/ National Biodiesel Corporation**

Sun Biofuels PLC is a UK based company that owns 80% of the shares in the National Biodiesel Corporation PLC (NBC). With 365 million Birr investment capital NBC aims to become the largest producer and seller of biofuels in Ethiopia. Description of Location NBC has obtained 80,000 ha of land leased for 50 years in Metekel Zone in Dandure Woreda at a lease price of ETB 25 per hectare for jatropha plantation. The area of land allocated covers four Kebeles namely Jantaya, Gublak, Dabata, Dilkanbikokil and Jarduban.

#### **Land Use and Environmental Aspects**

The land cover is mostly forest, woodland and range land with very little agricultural activities. There are various types of plant and animal species in the area<sup>9</sup>. The project stopped operations after clearing 60 hectares of land for trial plantation. One of the reasons for stopping the operation was that the land was not suitable for growing jatropha. The productivity of the land was very low, so the company would hardly make any profit from the investment. Had the project continued at the proposed scale severe environmental damages could have happened. Loss of biodiversity and wildlife would be the immediate impact which could be followed by soil chemical composition changes due to change in land use, increased soil erosion and land degradation due to increased runoff, and a severe impact in the watershed. An environmental impact assessment was not conducted in the area.

#### **Socioeconomic Aspects**

The community uses the area as a source of firewood, food and feed for their cattle, and medicine. They collect fruits, seeds and roots from the forest. It is a place for hunting and honey collection. The rangeland is used for farming and grazing place for their cattle.

#### **ii. Ambasel Jatropha Project**

Ambasel Jatropha Project is a local private limited company involved in biofuels development in Amhara regional state.

#### **Description of Location**

The project obtained 20,000 ha of land with a possibility of expanding to 80,000ha for jatropha plantation in Qoto (or Koto) kebele in Metekel Zone Beles Woreda. The project plans to install oil expelling machines and has a target of reaching up to one million metric tonnes of oil per year. The product is mainly for the domestic market, with the possibility of exporting the excess.

#### **Land Use and Environmental Aspects**

The existing land cover is a natural forest. The project has to clear the forest for cultivation of jatropha trees, which will result in severe environmental consequences including loss of biodiversity, wild life and their habitats. Soil erosion and land degradation are possible long term impacts due to the project intervention. The project has not conducted any form of environmental impact assessment so far.

#### **Socioeconomic Aspects**

The forest used to provide a free grazing area and a source of firewood for the local community. There might be new short-tem job opportunities for the local community. In the short term, the project needs about 10,000 labour force, which sounds overly optimistic, for the preparation of land which will be mainly clearing of the forest. However, once the forest is cleared and the plantation in place, there will be relatively few jobs, and the community will have lost their forest resource forever.

#### **iii. Jatropha Biofuels Agro Industry**

Jatropha Biofuels Agro Industry is a national private limited company with 123 million Birr investment capital. The

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company obtained land leased for 50 years at a price of ETB 25 per hectare for large scale commercial plantation of biofuels using jatropha plant. The Project is located in Metekel Zone, Dangur Woreda in Bengaz Kebele. They received 100,000 hectare of land but have not started operations yet.

#### **iv. I.D.C Investment**

IDC Investment is a Danish private limited company that started investment in biofuels development in Ethiopia. It has received 15,000 ha of land in Benshangul Gumuz in Assosa Zone, Oda Woreda. The company started cultivation of land for jatropha plantation in November 2007. It has a plan for setting up a processing plant.

#### **Amhara Regional State**

Several developers have applied for allocation of land for development of biofuels in various Woredas in the region. However, information has only been obtained for five developers that have actually started operation. For some developers, one of the main reasons for not starting operations, as reported by the developers, is that the amount of land they are offered is too small compared to the land they have asked for. Current status of biofuels development in the region based on information obtained so far is presented below:

#### **i. Organization for Rehabilitation and Development of Amhara (ORDA)**

ORDA is a non-private organization established by the regional government with the intention of assisting rehabilitation and development activities in the region. ORDA has several development projects in various Woredas in the region which are related to land rehabilitation by plantation of trees and building erosion protection structures. ORDA believes that plantation of jatropha in degraded lands would bring dual benefits. In some of the areas that ORDA is working, the jatropha plant already grows wild. Some of the project sites that ORDA is promoting jatropha are Gaint, Ilnat, Wadla, Lasta, Bugna, Sekota, Kobo, Habru, bati and Metema.

#### **Description of Location**

ORDA is now involved in biofuels development in Metema Woreda. With a capital of one million Birr the project obtained 884 ha of land free of charge for jatropha plantation. The site is located in Metema Woreda in North Gondor Zone.

#### **Land Use and Environmental Aspects**

ORDA has several sites where it uses the jatropha plant for flooding and erosion protection. The biggest project is in Metema. So far about 2.3 million jatropha trees have been planted. The organization has a plan to install peeling machines, an oil expeller and perhaps a biodiesel processing plant near the cultivation area in the future. The land use type prior to the development of the project was barren or degraded land with little or no economic benefit to the nearby communities. In certain seasons of the year the area has been used as grazing land for cattle. The area is commonly known as "aygebire" which literally means non-productive. The project has not conducted any Environmental Impact Assessment. Preparation of land for jatropha plantation may bring some disturbance of the flora and fauna but this is assumed not to be worse than that caused by flood and erosion otherwise.

#### **Socioeconomic Aspects**

The project creates job opportunity in the area in the short term as they prepare the land for the cultivation of jatropha plantation. Since the communities around the area own the project, any future benefit from the cultivation of jatropha, however small it might be on a degraded land, will bring additional income.

#### **ii. Jemal Ibrahim**

Jemal Ibrahim is a private investor with a project capital of ETB 2,551,896. He has been provided with 7.8 ha of land for cultivation of castor oil for biodiesel production in Habru

Woreda. Detailed information has not been obtained regarding previous land use of the location but the satellite image seems to indicate a wide area of cultivated land.

### **iii. BDFC Ethiopia Industry P.L.C**

BDFC is a subsidiary of the US based B&D Food Corporation. With 300 million Birr capital it has received 18,000 ha of land from the Awi Zone to grow sugarcane with the intention of producing sugar and ethanol. It has also a plan for an additional sugarcane supply from out growers, which is expected to reach up to 30,000 ha. This project was previously planned for development by the then Tana Beles Project based mainly on the Beles River. The Company has already received land and has a plan to produce 70,000 tonnes of sugarcane and 30,000 tonne of ethanol per year<sup>10</sup>.

### **iv. A Belgium Company (Name not identified)**

Three Belgian investors have received 2.5 ha of land in Genete Kebele in Armachiho Woreda in Semen Gondor Zone. The investors have started plantation of jatropha and castor seed which they imported from Togo and Brazil. It was also reported that the investors have applied for an additional 5,000 ha for cultivation<sup>11</sup>.

### **Oromia Regional State**

Information from the Federal Investment Authority and other sources indicate that there are over sixteen developers that have received investment licenses for development of biofuels in Oromia region. However, many of them have not yet received land. Information is found only for three companies that have started operations in the region.

### **i. Flora Eco Power Ethiopia Plc.**

Flora Eco Power Ethiopia is a subsidiary of the German based Flora Eco Power private company. The company required 200,000 ha of land to plant castor seed for biodiesel production.

### **Description of Location**

Flora Ecopower has so far developed about 15,000ha of land in several Woredas in East and West Hareghe Zones. Babile, Fedis, Midega Tola, Lebu and Hawi Gudina are the Woredas that the company is operating in at present. Out of the total land area cultivated by the company for castor bean plantation, about 10,000 ha is from clearing virgin forest land and the remaining hectares are with the out-growers scheme. The Company plans to expand castor bean plantation to a total of 50,000 to 70,000 ha of land in eight Woredas in East and West Haraghe Zones.

### **Land Use and Environmental Aspects**

The land use type in Babile and surrounding Woredas is grazing land, cultivated land, forest and bush land. Cultivated land in this area accounts about a fifth of the total area, forest area covers between 10 to 20% of the total land area. There is extensive communal grazing land encroaching a large part of the Babile Elephant Sanctuary<sup>12</sup>. The land that is being used for castor bean plantation is obtained either by clearing of forest areas or taking cultivated land in agreement with the local farmers.

The Company proposes four different options for obtaining land for large scale commercial plantation and the out-growers scheme. In all cases the damage to the environment and the consequence in terms of food insecurity will be high. The area is a sanctuary for various types of wild animals including elephants, lions, leopards, etc. The clearing of the forest and bush land will cause severe environmental damage which will result in loss of biodiversity, and land degradation due to inevitable soil erosion with increased runoff...

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