



Ethiopia electric vehicle policy

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The Ethiopian government had kept car ownership rates low with its dramatically high taxes on gas-powered vehicles that cost consumers up to three times the value of car imports -- part of an...

According to the Ministry of Transport, more than half of Ethiopia's fuel imports in 2023 were used in transport and logistics. Electric vehicles can be powered by homegrown energy due to the country's abundant hydropower resources. Most vehicles driven in Ethiopia are second-hand with higher pollution levels than newer models.

Authorities have claimed some success in enforcing the ban on non-electric vehicles entering Ethiopia, and more than 100,000 electric cars are now being imported into the country each month. The official target is to increase the monthly import figure to 500,000 by 2030.

A year ago, the Ethiopian government introduced some incentives to catalyze the adoption of electric vehicles. Ethiopia's Ministry of Finance exempted all electric vehicles from VAT,...

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Rapid technological developments and policy changes are creating new opportunities for U.S. businesses in Ethiopia. In January 2024, as part of its shift to a green economy, the government of Ethiopia (GOE) became the first country to ban the importation of internal combustion engine vehicles. This groundbreaking legislation opens the door for U.S. electric vehicle (EV) manufacturers and suppliers of supporting infrastructure.

There are currently more than 30,000 EVs in Ethiopia, including both passenger and commercial vehicles. By 2032, the GOE expects 148,000 passenger EVs and 4,855 commercial EVs will be in the market. The public sector is leading the charge--in 2022, the city of Addis Ababa purchased 110 electric buses at a cost of \$15 million.

The GOE is working to make the process of importing EVs and EV parts easier and more affordable. In addition to the elimination of VAT, surtax, and excise taxes on EV imports, the customs duty for partially assembled EVs is even lower, at only 5%. Currently, nine Ethiopian firms assemble vehicles from semi knock-down kits. Brands assembled in Ethiopia include Kia, Hyundai, Isuzu, Peugeot, and IVECO, as well as lesser-known Chinese brands.



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In addition, the GOE is considering non-financial and operational privileges for EV owners. These may include constructing public charging stations, provision of special license plate numbers, and further incentives to minimize the end users' cost.

Ethiopia's rapid embrace of electric vehicles is a strong signal of its desire to shift away from vehicles dependent on expensive imported fuel.

While Chinese-manufactured EVs are becoming common in Ethiopia, the EV market is still new enough and large enough for U.S. firms to showcase their leading technologies and solutions.

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