Demand for Energy in Rural and Urban Centres of Ethiopia: An Econometric Analysis

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Abstract
The paper starts by briefly discussing the current energy situation in Ethiopia. The major source of energy in Ethiopia is traditional and the major consumer is the household. A simple model of household utility function where energy consumption is the major variable is developed and a reduced form is derived. To make the model operational a simultaneous equation system describing the demand for and supply of traditional and modern energy sources has been specified. The model is closed by equating the demand for energy with the supply. Data from the national energy survey were used to estimate the model. The major finding of the study is that price of traditional energy plays an important role in the consumption of fuelwood and other traditional energy sources. By manipulating the price variable the government may be ale to control the high rate of depletion offorest resources.

Keywords
Energy;
Demand;
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