PRESS STATEMENT

ACEP COMMENDS GOVERNMENT FOR TAKING STEPS TO UNDERTAKE VALUE FOR MONEY ANALYSIS OF THE AMERI DEAL

13th January 2016

The Africa Centre for Energy Policy (ACEP) welcomes the request by His Excellency the President to PWC to undertake a value for money analysis of the AMERI Deal through financial modeling aimed at providing a guide for ensuring value for money in future negotiations on procurement of power.

The President announced this during interactions with the media at the Flagstaff House yesterday, Tuesday the 12 January 2016. Whilst we commend the President for this laudable step in unearthing the problems associated with the AMERI deal, we are of the view that the scope of the work should be expanded to cover the Power Purchase Agreement between ECG and KARPOWER, a different arrangement for procuring power into the country.

This is especially so because our analyses of the KARPOWER deal with ECG reveals another case of poor diligence. Further review of the deal shows that it is worse than a Build Own Operate and Transfer (BOOT) arrangement under which AMERI was procured. A typical PPA should have been over 20 years to spread the cost and thereby reduce the burden on consumers, unlike the 10-year deal negotiated for the Karpowership (See annex for key elements in the KARPOWER and AMERI deals).

We propose that in undertaking this exercise, PWC, will consider the following concerns:

1. Whether the use of BOOT or BOT is cost effective and has value for money in procuring power projects;

2. Whether Government should continue with the policy on promoting IPPs rather than getting involved in the procurement of power plants;

3. Whether such power procurements should be negotiated and signed with VRA, the state owned generator, or the Ministry of Power;

4. Whether in sourcing IPPs it should not be done through competitive bidding;

5. Whether our regulator, PURC, has been conducting due diligence and setting the appropriate benchmarks on PPAs to ensure that consumers are not saddled with higher tariffs, given that PPAs do not require parliamentary approvals. We also think that the reason for this exercise falls short of the requirements of probity and accountability.

In our view, the study should also provide relevant information to accountability institutions to investigate the circumstances under which a deal so cloaked with controversies was negotiated for the country; and to punish those found to have exercised such extreme indiscretion and bad faith in negotiating the deal.

ACEP wishes to express our readiness to appear before the team at PWC to make inputs for its consideration.

Signed

Dr. Mohammed Amin Adam

Executive Director

ANNEX

Issue	**AMERI**	**KARPOWER**
Installed capacity	250MW	225MW
Annual Capital recovery charge + Fixed M&O	US102 Million. Total payments in 5 years are US$510 Million.	US$118.4 Million. Total payment in 5 years is US$592 Million. KARPOWER is 10 year so year 6-10 will be an additional fix cost of $495.8million
Variable charge	US$16.6 Million	US$15.2 Million
Standby Guarantee	US$50 Million	US$50 Million
Transfer of ownership to Ghana	Ghana will take ownership of the plants after 5 years. It is Build Operate Own and Transfer arrangement	Ghana will take no ownership after 5 years, nor after 10 years when the agreement comes to an end. It is a Power Purchase Agreement.
Government Consent and Support Agreement (GCSA)	Non-applicable	Applicable. Breach of GCSA and ECG's event of default could lead to suspension of services by KARPOWER.
Liquidated damages on full commercial operation default before commercial operation date	US$200/MW	US$300/MW

Stability clause	No change of law affects the contract. Equilibrium clause provided where there is cost effect.	No change of law affects the contract. Equilibrium clause provided where there is cost effect.
Tax Exemption	AMERI is exempted from all taxes except personnel income taxes	Karpower Ghana is exempted from all applicable taxes including personnel income tax. The Government Consent and Support Agreement guarantees this.
Limitations of liability	Not more than 10% of all required annual payments.	Not more than 10% of only the annual capital recovery fee.