



## PRESS RELEASE

### **GOVERNMENT OF GHANA SHOULD RECONSIDER ITS DECISION TO CEDE THE TAKORADI 3 THERMAL PLANT TO AMERI**

4th August 2016

The Africa Centre for Energy Policy (ACEP) has taken notice of attempts to hand over the Takoradi Thermal Plant Three (T3) to Ameri to repair and operate. In this critical period when all available resources must be deployed to bring idle generation plants into full operation, the decision to revive the T3 plant deserves our commendation.

However, we are worried about the mode of reviving the plant as that could injure the strategic role the Volta River Authority (VRA) is playing in ensuring our energy balance is not compromised. We recognize the efforts of VRA and its Engineers over the past five years of erratic power shortage, and the least government could do is take a decision that weakens the Authority.

The decision to cede the T3 Plant to AMERI is ill-conceived and creates the impression that the decision is targeted at clouding VRA out of the western enclave for eventual takeover by private business concerns with vested interest to use Ghana Gas as their main source of generation. We are aware that government is contracting AMERI on a Build Own Operate and Transfer (BOOT) arrangement for 5 years. We are however convinced that the arrangement is far from being a BOOT for the following reasons:

- i. AMERI will not be building any plant as the infrastructure is already installed, including a steam component and an interconnection infrastructure. AMERI is only required to supply and change the 4 gas turbines.
- ii. The Government of Ghana is required to make available the VRA personnel working at T3 to be utilized by AMERI for the operation of the plant and the cost and expenses of the personnel are to be borne by VRA. Thus, the arrangement provides for staff of VRA to be used to operate the plant and be paid by VRA not AMERI.

Therefore, with all these obligations to be executed by Government and VRA, the deal cannot be described as a BOOT. At best it can be described as Equipment Supply and Installations Contract, which VRA can deliver on given the same support.

We wish to state therefore, that if the role expected of AMERI is what is being promoted under this deal, then there is no need to cede the plant to it. It will be in the best interest of Ghana to support VRA to revive the plant. We also note with concern the attempt to deny VRA the opportunity to own and manage the plant in favour of what the government calls “a Strategic Investor”.

VRA in our view is already strategically placed to rehabilitate and operate the plant given that the plant is located within its premises, it has experienced staff and has already made investments in the plant. The failure by government to take the right political decisions is what has brought the plant to its current state. We are reliably informed that VRA was not consulted in the choice of the plant, which was manufactured in Ukraine and was installed in Ghana without a commercial history.

The plant was also configured to run in low temperature zones. Also, against VRA’s advise, the plant was converted to run on Light Crude Oil, contrary to plant specification, as a result of which the Plant broke down. We are also aware that VRA was forced by government to invest US\$75.8 million in the fuel conversion from a loan which the Authority is still servicing.

Again, we know that VRA further requested the Government to provide it with a government guarantee to source funds to revive the plant, but government turned it down. It is therefore surprising to us that in spite of VRA’s huge investments in the plant, its infrastructure and experience in operating thermal plants, as well as the decision to use VRA staff to operate the plant at no charge to AMERI, the government would consider ceding the Plant to AMERI.

Ghanaians through VRA, already pay US\$9.9m as capacity charges for AMERI I every month, which relies on VRA infrastructure such as the land, security, housing and gas delivery infrastructure at no cost to AMERI. Granted that the T3 plant is handed over to AMERI, Ghanaians will be paying more capacity charges for T3 to them instead of paying it to VRA and helping to improve on its liquidity position.

We would therefore like to call on the government to reconsider its decision on this matter to protect the national interest of supporting VRA to grow its investment portfolio and to become competitive as government pursues its agenda on private sector generation of power. We propose that Government should either provide VRA with a Government Guarantee or support it with the Infrastructure sub-component of the Energy Sector Levies to revive and operate the plant.

Finally, we wish to state that we do not support any action that could worsen the power sector challenges. We therefore do not support any strike action by VRA staff as we firmly believe that genuine dialogue is the best way to address these issues. Government must therefore as a matter of urgency address the concerns of VRA’s Senior Staff to prevent any potential threat to the stability of the energy sector.

Signed

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