

IN THE FIRST SESSION OF THE FIFTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA

REPORT OF THE JOINT COMMITTEE ON  
FINANCE AND MINES AND ENERGY ON THE  
CREDIT AGREEMENT BETWEEN THE REPUBLIC  
OF GHANA AND SOCIETE GENERALE  
(CANADA)(WITH INSURANCE GUARANTEE  
FROM EXPORT DEVELOPMENT CANADA [EDC])  
FOR AN AMOUNT OF ONE HUNDRED AND  
NINETY-FOUR MILLION, THREE HUNDRED  
THOUSAND UNITED STATES DOLLARS  
(US\$194,300,000.00) TO FINANCE THE  
CONSTRUCTION OF A 132-MEGAWATT  
COMBINED-CYCLE THERMAL POWER PLANT  
AT ABOADZE

1.0 INTRODUCTION

The Credit Agreement between the Republic of Ghana and Societe Generale (Canada)(with insurance guarantee from Export Development Canada [EDC]) for an amount of *one hundred and ninety-four million, three hundred thousand United States dollars (US\$194,300,000.00)* to finance the construction of a 132-megawatt combined-cycle thermal power plant at Aboadze was laid in the House on Tuesday 2<sup>nd</sup> June, 2009 and referred to a Joint Committee on Finance and Mines & Energy for consideration and report.

The Joint Committee met and considered the Agreement with the Deputy Ministers of Finance and Economic Planning, Hon. Seth Tekper and Hon. Fifi Kwetey, Deputy Minister of Energy, Hon. Dr. Kwabena Donkor and officials from the Ministries of Finance and Economic Planning and Energy and hereby submits this report.

## **2.0 BACKGROUND**

Government has an objective to increase the existing power generation capacity of the country to ensure adequate and reliable power supply. It is projected that Ghana would require an installed generation capacity of 5,000MW to meet her expected power demand as the country moves to attain a middle-income status.

The Country presently has an installed generation capacity of 1,925MW (excluding the 126MW Emergency Power Plants). Ongoing and committed power generation projects by Government/VRA and Independent Power Producers (IPPs) are expected to increase the installed power generation capacity to 5,000MW by the year 2015. This 132MW project therefore forms part of the planned installed power generation capacity of 5,000MW in the medium term.

## **3.0 PURPOSE OF THE LOAN**

The purpose of the facility is to finance the construction of a 132-megawatt (MW) Combined-Cycle Thermal Power Plant at a proposed site near the existing thermal plant complex at Aboadze in the Western Region.

#### 4.0 TERMS AND CONDITIONS

The terms and conditions of the facility are as follows:

Loan Amount:	US\$194,300,000.00
Interest Rate:	US 6-M Libor+1.6%
Grace Period:	2 Years
Repayment Period:	12 Years
Maturity Period:	14 Years
Insurance (repayment period):	4% (semi annually on reducing balance)
Arrangement and Management Fees:	0.6% (flat on loan amount)
Flexibility Fee:	0.15% (flat on loan amount)
Commitment Fees:	0.5% (cal. on undrawn amount)

#### 5.0 OBSERVATIONS

The Committee observed that the loan facility of US\$194,300,000.00 covers the total project cost of *one hundred and eighty-five million, four hundred thousand United States Dollars (US\$185,400,000.00)* and EDC insurance premium of *eight million, nine hundred thousand United States Dollars (US\$8,900,000.00)* for the first eighteen months or the disbursement period.

The insurance cover during the repayment period will however be charged on 95% of the *Principal At Risk (PAR)* plus *Interest Due (ID)* at a rate of 4% per annum.

The Committee also noted that works under the project would be covered by a Sovereign Guarantee provided by the Government of Canada.

It was noted that the engineering, procurement and construction of the project would be executed by Canadian Commercial Corporation (CCC), an agency of the Government of Canada and their sub-contractor Magellan Aerospace Corporation of Canada. Magellan has previously built power generation facilities in Russia, Ukraine and Canada.

The Committee was informed that the 132MW plant to be constructed under the project will have the ability to use three (3) fuels, namely Light Crude Oil (LCO), Diesel no. 2 or Natural Gas. The plant would be made up of six (6) units thus making it highly reliable and flexible in delivering power at all times. Also, the combined-cycle nature of the plant would significantly improve fuel efficiency, thus reducing the cost of fuel required by about 33% as compared to a plant of the same size in a simple-cycle mode.

The technical team from the Ministry of Energy informed the Committee that the plant, when constructed would make use of natural gas expected to be produced from Ghana's Jubilee Field by the close of the year 2010.

As to the level of local participation in the execution of the project, the Committee was informed that Ghanaian companies are expected to benefit from sub-contracts under the project.

These sub-contracts may include (but not limited to) site preparation and construction of fuel tanks.

The Committee noted that the *Flexibility Fee* would become applicable only when Government decides to opt for a *fixed rate* of interest as against the *floating rate*. (The floating rate being US 6M Libor + 1.6%)

The Committee also noted that a legal fee of 0.08% of the loan amount was provided in the agreement. That any legal fee that should be submitted for payment should not exceed the above percentage.

#### **Taxes**

Clause 17 of the Agreement provides that any present or future taxes, levies, imposts, duties, deductions, withholdings, fees, liabilities and similar charges levied by any taxing authority in Ghana, as well as all bank charges, if any, on principal and/or interest and/or fees shall be borne in full by the Borrower (i.e the Government of Ghana).

#### **Prepayment**

The Committee was further informed that the Agreement permits Ghana to *prepay* the loan in advance of the Repayment Period under certain conditions.

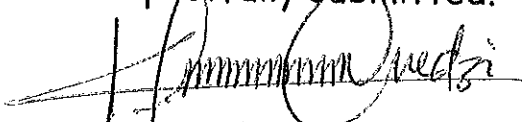
#### **Governing Law**

The Agreement would be *governed* by the laws of the Province of Quebec and the federal laws of Canada.

## 6.0 CONCLUSION

In view of the relative favourable terms of the Agreement and the need for the country to augment its power generation capacity for accelerated development, the Committee recommends to the House to adopt this report and approve by Resolution, the Credit Agreement between the Republic of Ghana and Societe Generale (Canada) (with insurance guarantee from Export Development Canada [EDC]) for an amount of *one hundred and ninety-four million, three hundred thousand United States dollars (US\$194,300,000.00)* to finance the construction of a 132-megawatt combined-cycle thermal power plant at Aboadze in accordance with article 181 of the Constitution and Section 7 of the Loans Act, 1970 (Act 335).

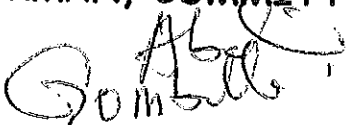
Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI**  
**CHAIRMAN, FINANCE COMMITTEE**



**HON. MOSES ASAGA**  
**CHAIRMAN, COMMITTEE ON MINES AND ENERGY**



**ALHAJI IBRAHIM GOMBILLA**  
**DEPUTY CLERK TO PARLIAMENT**

4<sup>TH</sup> JUNE, 2009.