



IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC

REPORT OF THE FINANCE COMMITTEE

ON THE

***GOVERNMENT CONSENT AND SUPPORT AGREEMENT
(GCSA) BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND AMANDI ENERGY
LIMITED RELATING TO A 190-240 MW COMBINED
CYCLE GAS POWER PLANT FACILITY AT ABOADZE***

AND

***GCSA DEED OF ACKNOWLEDGEMENT AND CONSENT
AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA, AMANDI ENERGY LIMITED
AND ECOBANK GHANA LIMITED RELATING TO A 190-
240 MW COMBINED CYCLE GAS POWER PLANT
FACILITY AT ABOADZE***

DECEMBER 2014

**IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE GOVERNMENT CONSENT AND
SUPPORT AGREEMENT (GCSA) BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND AMANDI ENERGY LIMITED RELATING TO A 190-240
MW COMBINED CYCLE GAS POWER PLANT FACILITY AT ABOADZE**

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**GCSA DEED OF ACKNOWLEDGEMENT AND CONSENT AGREEMENT BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF GHANA, AMANDI ENERGY LIMITED
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CYCLE GAS POWER PLANT FACILITY AT ABOADZE**

1.0 INTRODUCTION

The Government Consent and Support Agreement (GCSA) between the Government of the Republic of Ghana and Amandi Energy Limited relating to a 190 – 240 MW Combined Cycle Gas Power Plant at Aboadze and GCSA Deed of Acknowledgement and Consent Agreement between the Government of the Republic of Ghana, Amandi Energy Limited and Ecobank relating to a 190 – 240 MW Combined Cycle Gas Power Plant at Aboadze were presented to Parliament on behalf of the Minister for Energy and Petroleum by the Hon. Deputy Minister for Energy and Petroleum, Mr. John Abdulai Jinapor on Thursday, 27th November, 2014 and referred to the Finance Committee for consideration and report in accordance with Article 181(1), (2) and (5) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

Pursuant to the referral, the Committee met with the Hon Minister for Energy and Petroleum, Mr. Emmanuel Armah Kofi Buah, the Deputy Ministers for Finance Mr. Cassiel Ato Baaah Forson and Ms. Mona K. Quartey, and Officials of the Ministries of Energy and Petroleum and Finance and the Electricity Company of Ghana and considered the referral.

The Committee is grateful to the Hon. Ministers and officials of the two Ministries and the Electricity Company of Ghana for attending upon it.

2.0 REFERENCE

The Committee referred to the following additional documents during the deliberations:

- The 1992 Constitution of Ghana; and
- The Standing Orders of the Parliament of Ghana.

3.0 BACKGROUND

To address the generation problem in the country, Government has as a major policy thrust to increase the installed capacity of the country's electricity generation from the current 2,000 MW to about 5,000 MW by 2016. According to the Generation Master Plan, peak demand for 2015 is projected at 2,200 MW which implies that during 2015, electricity demand will outstrip the current power generation capacity by about 200 MW. Government has therefore set a target generation of about 5,000 MW in order to meet the projected demand and maintain surplus for export and achieve national energy security with a reserve margin of about 20% to address system emergencies and unforeseen challenges. This additional generation capacity is expected to be addressed by private participation through IPPs.

It is therefore in response to this that the Electricity Company of Ghana (ECG) and Amandi on 31st July, 2013 executed a Power Purchase Agreement (PPA) under which Amandi agrees to supply to ECG a power plant capacity of between 190-240MW over a 25-year period. Amandi as part of the PPA arrangement, requested for government support in a form of guarantee to back-up ECG payments since one of the key challenges facing the development of private power plants in Ghana is bankability. The GCSA and GCSA Deed of Acknowledgement and Consent Agreement and Power Purchase Agreements are therefore needed to give comfort to financial institutions to support IPPs to develop power projects in Ghana.

4.0 THE PROJECT

The project involves the development, ownership, operation and management of a 190-240 MW combined cycle dual power plant to be located near Aboadze in the Western Region of Ghana. The project will be financed on a limited recourse project finance basis with debt to equity ratio of 75:25 to be revised to 70:30 in 3 to 4 years after the commercial operation date.

5.0 PROJECT FINANCING

The total cost for the 190-240 MW CCGT plant is estimated at US\$ 409.12 million - US\$ 528.82 million depending on the MW of power produce.

The breakdown is as follows:

Description	Siemens-240MW COST (\$million)	GE-190MW COST (\$million)
Engineering procurement and construction	356.51	265.72
Construction management and commercial services	4.00	4.00
Construction insurance	13.80	11.17
Mobilization costs	3.00	3.00
EPC import related fees	6.84	5.78
Owners engineer fee	2.00	2.00
Initial working capital	15.09	11.57
Non EPC costs (Land, Off-site works, Development costs)	26.36	25.61
Interest During Construction (IDC)	37.95	29.27
Lenders upfront fee	8.27	6.47
Senior debt service reserve	30.12	23.60
Other fees and duties	24.89	20.92
TOTAL	<u>528.82</u>	<u>409.12</u>

6.0 GOG OBLIGATIONS

As part of its support for the project, the Government of Ghana undertakes to guarantee;

- Currency availability, transferability, convertibility and offshore transactions subject to Ghanaian regulatory and legal requirements;
- Not to place restrictions on the repatriation of profits;
- ECG payment obligations;
- Not to change laws (to ensure no better or worse situation);
- An assurance for the granting of permits on time if all requirements are met;
- An assurance of payment for delays caused by GoG entities on condition that Amandi has met all legal requirements;
- Protection of the investment against discriminatory action and expropriation; and
- To waive off all taxes related to the project.

7.0 OBSERVATIONS

Company Profile

Touching on the background of the company, the Minister of Energy and Petroleum stated that Amandi is a special project company incorporated in Ghana on July, 11 2012 to develop the 190-240 MW combined cycle dual fuel power plant facility at Aboadze. The company was awarded a provisional power generation license on 9th October, 2012 by the Energy Commission after it had completed the requisite activities. The Minister of Energy and Petroleum informed the Committee that, Amandi is a joint venture company owned by Amandi Group of Companies and STL of Israel.

The Need for Government Support

Justifying the need for government support, the Hon. Minister for Energy and Petroleum stated that due to the capital intensive nature of power projects, Government support is required in order to attract private sector investment into the sector. He stressed that government does not assume any direct liabilities under the agreement but undertakes to assume the payment obligations of ECG should ECG default and the default was not cured.

The Minister added that in order that this does not happen easily, a payment security arrangement has been provided for in the PPA. The value of the security to be provided by ECG as per the PPA is US\$ 10 million. The Minister explained that the objective of the security is to give the project investors and their lenders sufficient comfort that their investments will be reasonably protected. The Minister further indicated that in the absence of such arrangements, government would have to fund the provision of power generation facilities from its limited budgetary allocations.

Contingent Liabilities on Government

Responding to the level of contingent liability on government with regards to the project, the Deputy Minister of Finance explained to the Committee that under the Agreement ECG undertakes to take delivery and pay for the power to be produced. To ensure the availability of funds to pay for power produced at all time, a bank guarantee revolving fund will be established into which ECG will deposit US\$10 million equivalent to three months of Amandi's operation income as guarantee. The guarantee account will serve as collateral to indemnify ECG's indebtedness to Amandi in case of default. Government will assume the payment obligations of ECG only if it defaults in making funds available in the security account. Again, the agreement makes provision for government to pay for the cost of the project in case there is the need to terminate the implementation of the project at any time through no fault of the developer.

Tariffs

The Deputy Minister of Finance informed the Committee that the Public Utilities and Regulatory Commission upon a thorough assessment of the financing structure of the company granted Amandi two tariff regimes based on the type of fuel they will be using at a given time. The two regimes are as follows:

Type of fuel used	Approved Tariff
1. Natural Gas	13.5 cents/kwh
2. Liquefied Crude Oil (LCO)	18 cents/kwh

He explained to the Committee that these figures were arrived at using a reference price of US\$100.00 / per barrel for LCO and US\$10.50 for Natural Gas. The tariffs are likely to fall with a continuous reduction in the international price of crude and natural gas.

GoG undertakings in Respect of VRA Default

The Committee noted that though VRA is not a direct party to the Agreement, the caption as indicated in clause 4.1.2 seems to place a direct liability on the part of VRA. The Committee is of the view that since VRA's obligations are only limited to the Joint Services Agreement under the PPA, Clause 4.1.2 should be amended to limit VRA's liabilities to its responsibilities under the Joint Services Agreement between Amandi Energy Ltd. and VRA.

Deed of Acknowledgement

The Minister explained to the Committee that the Deed of Acknowledgement allows the lenders the first right to take over and execute the project when the project company fails to execute the project. It is necessary to give lenders the comfort and assurance that the project will be completed and when the implementing company fails they have some level of authority to appoint a new company to complete the project. This is important because the lenders can only recoup their investment when the project is completed and is operational.

8.0 CONCLUSION

The Committee upon a thorough examination of the Agreements is of the view that, the projects when completed has the capacity to increase the country's installed capacity by 7-9%. Again, the project when completed will make it possible to supply electric power to Ghanaians and help address the perennial power shortages in the country.

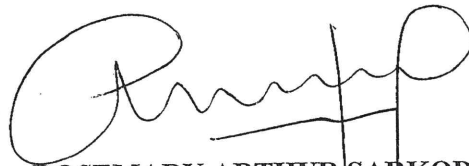
The Committee therefore recommends to the House to adopt its report subject to the proposed amendment and approve in accordance with Article 174(2) of the 1992 Constitution the following:

1. **The Government Consent and Support Agreement (GCSA) between the Government of the Republic of Ghana and Amandi Energy Limited relating to a 190 – 240 MW Combined Cycle Gas Power Plant at Aboadze; and**
2. **GCSA Deed of Acknowledgement and Consent Agreement between the Government of the Republic of Ghana, Amandi Energy Limited and Ecobank relating to a 190 – 240 MW Combined Cycle Gas Power Plant at Aboadze.**

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

December, 2014