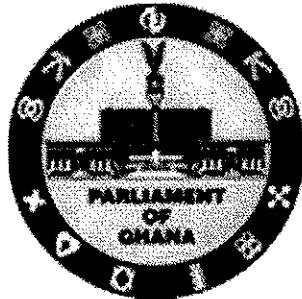


**IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



**REPORT OF THE FINANCE COMMITTEE ON THE REQUEST
FOR WAIVER OF IMPORT DUTIES, IMPORT VAT, IMPORT
NHIL, ECOWAS LEVY, EXIM LEVY, SPECIAL IMPORT LEVY
AND OTHER APPROVED IMPOSTS AMOUNTING TO THE
GHANA CEDI EQUIVALENT OF TWENTY-SEVEN MILLION,
TWO HUNDRED AND EIGHT THOUSAND, SEVEN HUNDRED
AND NINETY-FOUR UNITED STATES DOLLARS
(US\$27,208,794.00) ON PROJECT EQUIPMENT AND
MATERIALS UNDER THE EMERGENCY POWER AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA
AND AKSA ENERJI URETIM AS (AKSA) FOR THE
PROVISION ON A FAST-TRACK BASIS, UP TO 370MW (ISO)
INSTALLED CAPACITY OF POWER DELIVERY SERVICES**

1.0 INTRODUCTION

The Request for waiver of Import Duties, Import VAT, Import NHIL, ECOWAS Levy, EXIM Levy, Special Import Levy and other approved imposts amounting to the Ghana Cedi equivalent of Twenty-Seven Million, Two Hundred And Eight Thousand, Seven Hundred And Ninety-Four United States Dollars (Us\$27,208,794.00) on project equipment and materials under

the Emergency Power Agreement between the Government of the Republic of Ghana and Aksa Enerji Uretim AS (AKSA) for the provision on a Fast-Track Basis, up to 370MW (ISO) Installed Capacity of Power Delivery Services was laid in the House on Thursday 21st June, 2018 by the Minister responsible for Education, Hon. Dr. Matthew Opoku Prempeh on behalf of the Minister responsible for Finance.

Pursuant to Order 169 of the Standing Orders of the House, the Request was *referred* to the Finance Committee for consideration and report.

The Committee met and considered the Request with the Deputy Minister for Finance, Hon. Kwaku Kwarteng and officials from the Ministry of Finance, the Electricity Company of Ghana (ECG) as well as the Ghana Revenue Authority (GRA) and hereby presents this report to the House pursuant to order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

Ghana in the recent past has experienced power supply inadequacies. This led to erratic supply and load shedding which became known as "dumsor". The phenomenon was due mainly to the following factors, among others:

- The unavailability of some generating units through faults
- Inadequate generation assets
- Mandatory inspection and routine maintenance

- Poor hydrology
- Absence of a reserve margin
- Fuel supply challenges

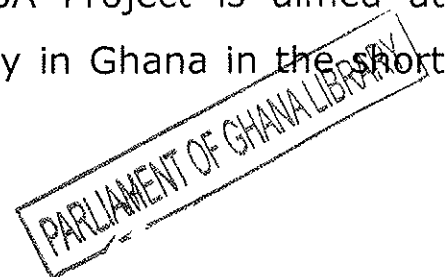
Peak demand for electricity in Ghana has been consistently increasing over the years following the completion of the Akosombo Dam in 1965, with a peak demand at that time of 100MW as against available generation capacity of about 600MW.

Demand has however been increasing since then, reaching 2,700MW in 2015, including the suppressed demand of VALCO and others. The 2016 power demand was estimated at 2,971MW including a reserve margin of 20%.

The above trend shows that inadequate investment in the sector did not help to create the needed capacity and reserve margin, a situation which led to the recent power challenges.

The AKSA Project is in line with the immediate goal of the Government of Ghana to diversify generation plant fuel mix, close its current energy supply gap in order to make available stable supply of electricity to consumers to stabilize the economy and catapult economic growth.

The implementation of the 370MW AKSA Project is aimed at helping to meet the demand for electricity in Ghana in the short



to medium term whilst arrangements are made to construct medium to long term power projects for the electricity needs of the country.

3.0 TOTAL WAIVER REQUESTED

The total amount of taxes and duties for which waiver is being sought is the Ghana Cedi equivalent of **Twenty-Seven Million, Two Hundred And Eight Thousand, Seven Hundred and Ninety-Four United States Dollars (US\$27,208,794.00)**.

This amount reflects only the tax component of the *core aspects* of the project.

4.0 OBSERVATIONS AND RECOMMENDATIONS

4.1 Government Support for Private Sector Investment in Power Production

The Committee observed that one of the key constraints facing the development of private power plants in the country is the lack of a suitable bankable project structure. Due to the capital intensive nature of power projects as well as the pressing timelines associated with them, Government support is required in order to attract and sustain the much needed private sector investment into the power sector.

Thermal power plants in Ghana are currently constructed with the benefit of an investment promotion programme under which the importation of equipment, machinery and materials used in connection therewith are allowed free from customs duties and other taxes.

4.2 Project Design

The Committee was informed that the AKSA Project was planned and designed for multiple fuel operational flexibility. Thus, the Plant can operate on either Natural Gas or Heavy Fuel Oil. The project is also carefully situated in Tema (the load center) to help reduce transmission losses and allow operational flexibility in evacuating power to Accra and other parts of the country.

The AKSA project is to deploy, in the short to medium term, a plant of up to 22 Units of Wartsila 18V 46 engine generator set (Units) with a capacity of between 16 and 17.5MW per unit at Tema.

In the interim, AKSA is required to deploy 14 Units for the generation of 220MW of power. Upon the installation and successful passing of the required operational tests, additional 8 units will be added to increase guaranteed capacity to 370MW.

4.3 Approval of the Emergency Power Agreement

The Committee noted that Parliament at its Thirty-Ninth Sitting of the Second Meeting held on Friday, 17th July 2015, approved by Resolution the Emergency Power Agreement between the Government of the Republic of Ghana and Aksa Enerji Uretim As (AKSA) for the provision on a Fast-Track Basis, up to 370MW (ISO) Installed Capacity of Power Delivery Services.

The Emergency Power Agreement (EPA) was on 4th February 2016 assigned by the Government of Ghana to the Electricity Company of Ghana (ECG) Limited.

4.4 Comparative Capacity Charge

The Committee noted that the capacity charge for the AKSA Project, made up of both the Capital Recovery Cost and the Fixed O&M Charge stands at 4.500 United States Cents/kWh. This compares favourably with other existing and ongoing power plants in operation or under construction in Ghana.

The capacity charges by various plants are given in table 2 below:

Table 2

Description	Units	Asogli- 1	Asogli- 2	Cenit	Cenpower	Karpower	AKSA
Year of PPA	Year	2007	2014	2013	2012/2014	2014	2015
Plant Capacity	MW	200	360	126	340	450	370
Capacity Charge	US Cents/kWh	3.97	4.4386	4.0506	5.044	5.6076	4.5

Source: Ministry of Finance

4.5 Project Objective

The Committee was informed that the overall objective of the Project is to contribute to the achievement of Government's programme for the efficient and effective generation, transmission and supply of power to meet all power requirements in Ghana in an environmentally sustainable manner.

4.6 Necessity for Waiver

Under the terms of the executed Emergency Power Agreement (EPA), Tax Waiver/Exemption is a Condition Precedent (CP) for the achievement of Commercial Operation Date. This Condition Precedent has not been met and is presently overdue, as the Project plans to commission some of the units and start delivering power to the National Interconnected Transmission System (NITS).

The delay in granting the associated tax waivers for the project was said to be putting the Government of Ghana in a default situation hence the need for the House to act on it with dispatch.

The Committee noted that Clause 14.2 of the EPA provides for AKSA to "operate the Plant through a Ghanaian registered Affiliate which will be exempt from all its applicable Taxes, royalties, registration costs, patent rights and all other charges due under this EPA in accordance with the laws, rules and regulations of the Republic of Ghana, throughout the completion of the Project and execution of the performance of this EPA." Again, subject to obtaining the relevant approvals with the assistance of GoG, AKSA's temporary import of the Equipment is required to be on "a Tax free basis under temporary import/ship in transit basis mooring charges"

The Committee noted that without a waiver of the taxes and duties involved, the cost of the project would go up by a corresponding amount of the taxes and duties involved, that is **US\$27,208,794.00**, other things being equal. This is because the Agreement requires the Government of Ghana in Clause 14.4 to reimburse AKSA for any taxes, charges and/or duties that may be imposed on AKSA.

4.7 Waiver for Only the Core Aspects of the Project

The Ministry of Finance presented a request for the waiver of taxes and duties amounting to **US\$27,323,232.00**. However,

the Committee found that only **US\$27,208,794.00** related to the core aspects of the project. The difference of **US\$114,438.00** relating to taxes on *Office & Living furniture and Computer and Accessories* was deemed by the Committee to be non-core to the project. The Committee therefore decided with the agreement of the Ministry of Finance that these should be excluded from the waiver to be approved by the House.

4.8 Useful Life of the Plant

As to how long the AKSA plant was going to last, the Committee was informed that the Plant has an estimated useful life of fifteen (15) years given that it has been pre-used, compared to brand new Plants that could have a useful life of about 30 years.

Officials of the ECG however explained to the Committee that the Agreement with AKSA is only for a period of five (5) years and therefore the plant will be capable of performing accordingly.

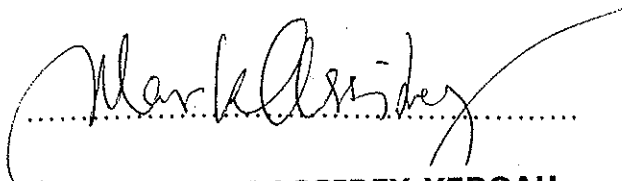
5.0 CONCLUSION

The Committee is satisfied that the request is in accordance with the Emergency Power Agreement between the Government of Ghana and Aksa Enerji Uretim (AKSA).

The Committee therefore recommends to the House to adopt this report and *approve by Resolution*, the **Request for waiver** of Import Duties, Import VAT, Import NHIL, ECOWAS Levy, EXIM Levy, Special Import Levy and other approved imposts amounting

to the Ghana Cedi equivalent of **Twenty-Seven Million, Two Hundred And Eight Thousand, Seven Hundred And Ninety-Four United States Dollars (US\$27,208,794.00)** on project equipment and materials under the Emergency Power Agreement between the Government of the **Republic of Ghana** and **Aksa Enerji Uretim AS (AKSA)** for the provision on a Fast-Track Basis, up to **370MW (ISO) Installed Capacity of Power Delivery Services** in accordance with article 174(2) of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)



MS. EVELYN BREFO-BOATENG
(ASST. CLERK, FINANCE COMMITTEE)

26TH JUNE, 2018

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