

Alliance of CSOs working on Extractives, Anti-Corruption, and Good Governance

Statement on the Relocation of the Ameri Plant

Date: 11th August 2022

The Alliance of CSOs working on Extractives, Anti-Corruption, and Good Governance has followed developments in the power sector, particularly the proposed relocation of the Ameri Power Plant from Takoradi to Kumasi. Last week, ACEP issued a statement on the relocation of the Ameri plant, highlighting governance and proprietary concerns within the broader context of the energy sector.

Instead of addressing the issues raised in ACEP's statement, the Minister of Energy has been on a media campaign to deflect attention from the core concerns raised. The Minister threw two significant unsubstantiated comments that:

1. ACEP is against the relocation of the plant only because it is going to Kumasi.
2. ACEP has instigated the chiefs and people in the Western Region to demonstrate against the relocation of the plant from Takoradi to Kumasi because the Minister is from Kumasi.

ACEP issued a rejoinder to help steer conversations to focus on the core issues. The Alliance supports constructive public engagements and evidenced based discussions on the issues raised rather than diverting public attention from the main concerns raised. The Minister's choice of language on multiple radio and television platforms is unacceptable. The Alliance is therefore demanding that the Minister of Energy engages on the issues raised and provide opportunity for further discussions on the relocation of the Ameri plant.

Ladies and gentlemen, the governance issues around the proposed relocation of the Ameri plant are still pertinent and remain unaddressed. These include:

1. The decision to sole source the EPC contract

The Ministry of Energy's decision to sole source the EPC contract on the relocation of the Ameri plant was not based on any of the exceptional justifications provided by the PPA Act. The communications from the Ministry of Energy to parliament on two occasions (15th June 2022 and 1st July 2022) indicate that the justification for sole sourcing the EPC contract to Mytilineos SA was that the company had managed the plant on behalf of Ameri for six years and were the right people to be engaged. However, this does not necessarily mean that Ghana has to contract Mytilineos or that they are the only company that is able to do the relocation of the plant. We believe that a competitive tendering approach would yield optimum results and cost.

2. Ameri was relieved of its responsibility to the government of Ghana before the expiration of the contract

The Build, Own, Operate, and Transfer (BOOT) agreement between AMERI Energy and the Government of Ghana (GoG) required Ameri to maintain the plant per the Original Equipment Manufacturer (OEM) standards at their own cost before handing it over to Ghana, subject to an

independent assessment three months to the expiration of the contract. However, Ameri was relieved of this responsibility before the independent assessment was conducted. This raises the fundamental question of why Ameri was relieved of its responsibilities under the agreement and who bears the liabilities for rectification works upon transfer of the plant to the government. It appears that Ameri was relieved of their responsibility under the agreement as a prelude to the sole source arrangement with Mytilineos because the Ministry has agreed with Mytilineos to assume those responsibilities.

3. Cost of the relocation of the plant

The proposal from Mytilineos indicated that the contractor would be responsible for the Engineering, Procurement, and Construction works, including the balance of plant associated with the relocation, installation, and commissioning of the Ameri plant. The cost quoted for this scope of work was \$25.48 million. However, the Ministry's communications to both Parliament and VRA indicate a contract cost of \$35.6 million, raising questions about what accounts for the increase in the proposed amount by 40 percent. The Ministry responds that VRA's employer's requirement occasioned the additional cost of \$10.12 million for a Water Supply and Continuous Emissions Monitoring System, which expands the scope of the EPC contract. This response assumes that these additional requirements are not part of the balance of plant indicated by Mytilineos, which we find quite confusing. More importantly, water supply components and the Continuous Emissions Monitoring System are not expensive components (would not exceed \$1 million) of the balance of plant, which requires clarity from the Ministry on the total cost breakdown of the EPC contract for relocating the plant.

4. The capacity of VRA to maintain and operate the plant

The Minister of Energy has consistently claimed that VRA does not have the capacity to maintain and operate the plant because they have not been trained to operate the plant. The claims of VRA's lack of capacity are used to justify the sole sourcing of the Operations and Maintenance (O&M) at the cost of \$1 million to Mytilineos. Such claim must be evidenced based as it forms the basis of critical decision making with cost implications. This position flies against the provisions in Section 8(h) of the BOOT Agreement:

(h) AMERI ENERGY shall from six (6) months prior to the end of the Term, provide onsite practical training to such appropriately qualified and designated employees

In fact, the Ministry wrote to Ameri on 27th January 2021, prior to the handover of the plant, to remind the company of this obligation, among others. It has come to our attention that VRA Senior Staff Association also petitioned the Minister to allow VRA to operate and manage the plant in the national interest on account of their established capacity and technical know-how (knowledge, skill mix, experience, etc.) in hydro, thermal (heavy duty and aeroderivative) and solar power generation. We understand that VRA currently manages much more complex combined cycle thermal plants in both the Aboadze and Tema power generation enclave.

Specifically:

- i. The Aboadze power complex where TAPCO (T1) and TICO (T2) runs is managed by VRA.

- ii. VRA also runs the Tema and Kpone Thermal Plants, including the Siemens aeroderivative plant.

The Minister of Energy must provide evidence to support his claims on VRA's capacity.

5. The decision to relocate the Ameri plant

The Ministry of Energy decided to relocate the Ameri plant to Kumasi to stabilize the power supply to the middle belt of the power corridor. The Minister insists that the decision was based on the technical advice from the power system planning agencies, including GRIDCo. However, it is important to note that relocating the plant to achieve grid stability is only one of the options available to the Minister, according to the same planning agencies. The other available options include:

- i. Retooling the transmission system that evacuates power from the Eastern and Western power generation enclaves to the region.
- ii. Investing in static VAR compensators at the Kumasi substation to provide the required reactive power and voltage support, and
- iii. Optimizing supply from Bui to the middle belt

We believe that these options remain cheaper and quicker fixes to the instability in the middle belt. Exploring these options to save costs must be prioritized over unnecessary cost additions, particularly within the context of the power sector's current debt and payment challenges.

Demands

1. We demand that the Minister of Energy should constructively engage on the core issues raised rather than divert public attention from them. We understand that the overall aim is to stabilize power in the middle belt and hence discussion should focus on how to efficiently achieve this objective.
2. The Ministry of Energy should revisit the concerns on the need for adopting a competitive bidding process to accommodate local contractors to achieve the most optimal contract cost.
3. We maintain that the Minister should consider other options which we believe are far optimal option than the attempts to relocate plants and its attendant unnecessary cost additions. For instance, retooling National Interconnected Transmission Systems (NITS)
4. Cabinet and Parliament should assume critical responsibility for the efficient planning of the sector as these decisions among others have contributed to the current economic difficulties being faced today.

Conclusion

The challenges in the energy sector have contributed significantly to the current economic challenges that Ghana faces. The inefficiencies and losses in the sector have cost the country over GHS14 billion in 2020 and 2021, with an outstanding debt of about GHS17.6 billion. Without a handle on debt accumulation and the fiscal challenges, the sector would continue to exacerbate

the country's economic challenges and stifle social investments to fight poverty and inequality. Addressing the debt accumulation challenges requires the government to be efficient in its decision-making and make changes to ensure system planning that employs sound policy, financial, and legal expertise to holistically examine the energy sector's problems.

Participating Organizations and Individuals

1. ACT Africa
2. CEDA
3. ACEP
4. Oil Watch Ghana
5. TAMA Foundation
6. Ghana Anti Corruption Coalition
7. TWN Africa
8. NRGi
9. IMANI Ghana
10. ISODEC
11. Tax Justice Coalition
12. Revenue Mobilization Africa
13. OXFAM
14. Civil Society Platform on Oil and Gas