

2007 NATIONAL ENERGY SYMPOSIUM

OCTOBER 31 – NOVEMBER 2, 2007,
LA PALM ROYAL BEACH HOTEL, ACCRA

Final Communique



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Introduction

The 2007 National Energy Symposium was held at La Palm Royal Beach Hotel, Accra from October 31 to November 2, 2007, under the theme **Energy Sector Reforms: Removal of Implementation Barriers**. The aim of the symposium was to provide a forum for discussing barriers to the implementation of the reform in the power sector and to recommend concrete measures for assuring adequate power security now and the future. The symposium also offered the participants the opportunity to review the developments in the energy sector since 1983/84, it assessed the development plans as well as the achievements to date and made recommendations with regards to the way forward.

The opening addresses was delivered by the Deputy Minister of Energy, Hon. Twumasi-Ampofo and the Director for Legal - Ministry of Finance , Dr. Paul Asimenu on behalf of the Minister for Finance, Hon. Kwadwo Baah-Wiredu. The ceremony was chaired by Prof. D. A. Adzei Bekoe, Chairman of the Council of State. Also present at the ceremony were the chairperson of the Parliamentary Select Committee for Mines and Energy, Mrs. Gifty Kusi, the coordinator of the Energy Research Group (ERG) Prof. F. K. A. Allotey and the Executive Secretary of the Energy Commission, Dr. A. Ofosu-Ahenkorah.

There were statements from the representatives of the development partners. The guest speaker was Prof. Ogunlade Davidson of University of Sierra Leone and team leader of the International Council of Science's African Energy Planning Group, who is also the Co-chair of the United Nations Inter-Governmental Panel on Climate Change (IPCC), which has co-shared the 2007 Nobel Peace Prize with former US Vice President Al Gore.

The technical sessions covered Power Sector Development policy, Regulation, Demand-Side Management, Demand Sector of the Economy, Natural Gas, Capacity building and Research and Development activities. There was also a slot for vendors to showcase their products.

After thorough discussions of the issues raised in the presentations, the participants came up with the following recommendations:

Future Energy Supply Options

Economic growth and human activities are set to grow significantly and for Ghana to achieve the objectives of the Growth and Poverty Reduction Strategy (GPRS II) and the Millennium Development Goals (MDGs) by the year 2015, the country needs to increase its electricity generation capacity to meet the energy requirements involved. This requires

a close examination of the broad spectrum of all the energy options available. While commending the Energy Commission (EC) for developing the Strategic National Energy Plan (SNEP) 2006-2020, the participants urge it to see to the successful implementation of the plan.

The participants therefore recommend that in the short to medium term Ghana should look at developing such energy options as gas-fired thermal plants, mini-hydro, biofuels, cogeneration and solar. In the long term we should look at the nuclear power and coal options.

Financing the Energy Growth Projections

Participants recognize that investment in the energy sector is capital intensive and cannot be shouldered by the government alone. In this regard, the participants urge the government to take a critical look at some of the best practices that have been instituted in some African countries in the area of indigenous energy financing such as the case of:

- i. KenGen (Kenya) where there was public floatation of shares for the general public to participate in power generation.
- ii. Tanzania where pension funds are being used for power development.
- iii. South Africa where private sector lending and investment are encouraged.

The participants recommend that the Government should consider introducing Energy Bonds as a financing option. Furthermore, the government should consider increasing the Energy Fund levy and give a percentage to Mutual Fund Managers to invest and provide the necessary financial support for these energy investments.

Electricity Pricing

The participants were aware that the current power tariff computation makes it possible for the industrial sector to subsidize the residential customers. This situation is at variance with competitive global best practice.

Inadequate tariffs that do not guarantee full cost recovery make the utility companies unattractive to long term commercial capital funds. This puts them in a disadvantaged position in negotiating risk-sharing partnerships with the private sector. Electricity pricing therefore should as much as possible reflect the true but efficient economic cost of generation, transmission and distribution.

The participants are of the opinion therefore that the utility companies should be strictly managed as efficient business entities whose activities should be devoid of external political influences and pressures. The Utility companies and PURC should work towards a consensus on efficient cost of operations and a pragmatic plan for achieving specified levels of performance that should be linked to tariff setting.

The participants further recommends that the Government should commit itself to providing pre-paid meters for all MDAs in order to do away with the existing cross-debt arrangement which the utilities themselves consider as highly inefficient and worrisome.

The participants recommend that the Government should create an independent and reliably managed rural electrification fund along the lines of the GETFund to speed up the expansion of national electrification coverage.

Power Sector Reform

The participants realized that Power Sector Reform with the Right Regulatory Framework that ensures transparency, predictability and reduction of risk stands to attract private sector investment. Private investment in the Power Sector does not only help to expand energy infrastructure, but also helps to:

- Lower cost of infrastructure development and consequently, increase retention of capital for local investment.
- Widen access to capital markets.
- Facilitate access to latest technology and technology transfer.
- Accelerate project implementation.
- Develop competitive environment for power generation.
- Increase local content of project by developing human capital for use in the country and consequently, creating sustainable wealth for indigenes.
- Provide opportunity to tap into international financing markets.
- Stimulate development of local capital markets.

It is therefore crucial that the appropriate structures be put in place to support the smooth implementation and operation of the Power Sector Reform. The reform requires that the economic and technical policies and/or regulations are designed and not only made functional, but fully enforced by the respective regulatory bodies.

The participants recognized that the main objectives of the Power Sector Reform include establishing open access pricing for electricity and removing the monopolistic and central structure for operations of national power system. To date the following have been implemented:

- Energy Commission and PURC have been established as regulators of the power sector and their Technical Committees have been formed.
- VRA Act, Act 46 has been amended.
- Rules of operation of national grid and electricity market have been developed.
- A National Grid Company Act to operate the Electricity Transmission Utility (ETU) has been established and an interim CEO has been appointed.

Meanwhile what remains to be done include:

- Securing approvals of Cabinet and Parliament to enact Legislative Instruments (LI) for "Rules of Practice", and for "Standards of Performance" for the ETU.
- Appointing an independent Board of Directors for the ETU.
- Preparing and securing Energy Commission's license for the 'Transmission System Operation.
- Commencing commercial operations of the ETU under Licence granted by Energy Commission.
- Procuring management service contract for ECG.

- De-linking thermal operations of VRA from the Hydro operations

Considering the importance of the energy sector in the national economy, the participants recommend that the Government through the Ministry of Energy should take steps to expedite action on the implementation of the above.

Natural Gas

To facilitate sustainable growth in the secondary natural gas market it is important that the modalities for the selection of a local gas distribution company (LDC) are made known to the general public. In the view of ERG this will help create the necessary enabling environment required for a functioning natural gas marketplace.

Consequently, the participants recommend that the government should develop the necessary policies and regulatory environment that will optimise the development and utilization of natural gas by potential stakeholders. The policy and regulatory regime should:

- Ensure transparent selection of a local gas distribution company (LDC).
- Reflect fair returns to all stakeholders including government and other stakeholders.
- Be transparent, predictable, clearly defined and open to all investors that meet specified criteria.
- Be simple to administer and not impose unnecessary bureaucratic ‘red-tape’ on private investors.

Demand-Side Management

The participants took note of the on-going distribution of Compact fluorescent lamps (CFLs) nationwide to replace incandescent lamps to help reduce power demand from the grid. Whilst the participants commend the Government for such a novel demand-side management programme, it is concerned with the potential exposure of heavy metals in the CFLs to homes when the bulbs are dead and not properly disposed of. The participants note that CFLs contain mercury which is a heavy metal and lethal to humans. Thus mass deployment of CFL, though apparently good for the power sector, may have other negative effects on the health of the general population in the long term.

The participants therefore recommend that safe disposal programme should quickly be drawn up for the disposal of dead CFLs now and for the future.

Renewable Energy

The participants realized that currently in the country there are no Tariff Guidelines for “green” electricity. There is also the unwillingness of Utility companies to purchase green power since the latter tends to be more expensive than the traditional means of generating electricity.

The participants therefore recommend that the Government expedite action on:

- Establishing a Renewable Energy Fund into which Utilities will pay a percentage of their revenues (*profit or loss*) for the development of renewable energy technologies.
- Establishing a “Renewable Energy Friendly” tariff regime (i.e. “feed-in tariffs” or guaranteed prices) for electric power from Renewable Energy Technologies by the PURC. Encouraging the private sector to undertake joint public-private sector preliminary feasibility studies as a way of reducing the initial risk in investing in renewable energy technologies in Ghana.

Linking Gender and Energy

Women’s contributions towards wealth creation are often unrecognised, unpaid for and undervalued. Gender sensitivity in Energy Planning can help transform such unequal relationships. Women are main users of biomass resources. Over-dependence on biomass however, means increased physical burdens and health hazards.

The participants therefore recommend that there is the need to target women with environmentally friendly energy options such as cleaner burning stoves, hot water heaters, etc. to reduce indoor air pollution as way of transforming their lives.

Climate Change

Africa’s socio-economic development is very sensitive to changes in weather and climate. Even though Ghana ratified the UN Convention for Climate Change in 1995, the country is yet to set up a national Clean Development Mechanism (CDM) agency. Signatories to the Kyoto Protocol are supposed to set up CDM board or commissions in their countries to handle CDM activities. Without a CDM agency the country stands to lose from the large carbon trade market available under the CDM worldwide.

The participants realized that the implication of increased emissions of the greenhouse gases (GHG) and their attendant problems is already having considerable effect on the African continent. This will greatly affect the agricultural production through increased water stress, drying up of water bodies, etc.

By way of addressing these problems associated with climate change the participants are urging the Government to put in place the necessary policies that could offset the projected growth of GHG emissions below the current global levels. Furthermore, since streamlining meteorological information for policy/decision making is very crucial for Ghana’s sustainable development under the changing climate the government is urged to intensify its efforts at building capacities in the critical areas.

Research and Development

Realizing that as a country we can only ensure energy security and reliability by promoting the culture of research in the critical energy sectors; the participants urge the Government to establish Energy Research Fund to attract some of the best brains in Ghana and other African countries into energy studies.

In this regard, the participants recommend that the:

- Government should devote at least 0.001% of her annual Energy Sector budget to Energy Research.
- Industries should be made to contribute 0.01% of their after tax profit into the Energy Research Fund.
- A levy of 0.1% should be charged on all energy consuming appliances and equipment for the Energy Research Fund.

Appreciation

The participants commended the Energy Commission and the Volta River Authority for providing financial support for the organization of the 2007 National Energy Symposium. It urges other energy sector institutions to support future organization of the symposium which is also a platform for capacity building in the energy sector.