



# INSTITUTE FOR ENERGY SECURITY

Location: 8th Floor,  
Block A, The Octagon,  
Accra Central

Address: P. O. Box 8817, Tema  
Email: iesghana16@gmail.com  
info@iesgh.org

Tel: 0303-979 160  
0555-990 054  
0244-124 972

29th July, 2018

## **REVISED AMERI DEAL: A RIP-OFF OF THE GHANAIAN TAX PAYER**

1. The Institute for Energy Security (IES) is scandalized by the lack of due diligence that characterizes the re-negotiated agreement between the Government of Ghana and the Africa & Middle East Resources Investment Group (AMERI Energy), and currently before the Joint Parliamentary Committees on Finance, and on Mines and Energy.
2. In its current form, the deal presented to the Joint Committees of Parliament is frost with misleading figures and inaccurate claims which may eventually line the pockets of individuals, and overburden the Ghanaian with a high cost of electricity. The Institute for Energy Security can confidently conclude that; “the agreement is worthless, immoderate, and rather awful compared to the existing agreement signed in 2015”.
3. On 10th February, 2015, the government of Ghana under the previous administration represented by the then Power Ministry entered into an agreement with AMERI Energy to Build, Own, Operate and Transfer (BOOT) a Power Plant by installing 10 new GE TM 2500+ aero derivative Gas Turbines and all related equipment, including the provision of certain services related to the operation and maintenance of the Plant for 5 years to provide a guaranteed output of 230MW. The cost of each of the 10 units of the Plant was \$850,000 per month, totaling \$102 million per year, and \$510 million for 5 years. It was agreed that government will own the Power Plants after the end of the 5th year.
4. The Government of Ghana has over the past two and half years paid an amount of \$171 million to AMERI out of the \$510 million. The outstanding balance of \$339 million is due to be paid over the next two and a half years. Under a capacity charge of U.S. Cents 5.6253/KWh, the applicable tariff charge for Ghana in the first 5 years of the AMERI deal is U.S. Cents 14.5918/KWh, and from the 6th to the 20th year the tariff to apply is U.S. Cent 10.4149/KWh. This translate into an average applicable tariff of U.S. Cent 11.4591/KWh over the 20 year period.
5. The above is independent of the \$150 million “over-pricing” allegation government has raised over \$510 million existing AMERI agreement. It is noteworthy that government has taken no steps towards answering questions on such claims.
6. IES is surprised by the Energy Ministry’s decision to introduce a third party, Mytilineos International Trading Company to take over the operation of the AMERI power plant at a proposed Capacity charge of 3.8052 US Cents/KWh for a 15-year period with an applicable tariff charge of U.S. Cent 11.7125/KWh; two and a half years into Ghana owning the power plant.
7. In this proposed Mytilineos deal, IES notes that for the next two and a half years for which Mytilineos will be running the AMERI Power plants, Ghana will gain marginally as the current applicable tariff charge of U.S. Cent 14.5918/KWh will be reduced to U.S. Cent 11.7125/KWh, a difference of U.S. Cent 2.8793/KWh and a capacity charge difference of U.S. Cent 1.8201/KWh. However in the proceeding twelve (12) and half years phase of the contract, Ghanaians stand to lose the benefit of enjoying the U.S. Cent 10.4149/KWh tariff in the

existing Ameri deal, and are rather going to pay in excess of \$1 billion dollars to a needless operator, as U.S. Cent 10.4149/KWh would have been substituted for U.S. Cent 11.7125/KWh.

8. Government has called the Novation and Amendment agreement a ‘renegotiated deal’ because it has adjusted contract price and established a new financial equilibrium to reflect the extension of the term for the provision of the services under the AMERI performance obligation. IES however sees no ‘renegotiation’ in the entire AMERI agreement; and if at all, the Ministry of Energy did a poor job. It is our considered opinion that the proposed agreement is an insult to “value for money”, unreasonable and an extended rip off that must not be passed by Parliament in its current form.
9. We are also aware that the President of Ghana by a letter with reference number OPS/82 Vol 5/18/964 dated July 25th, 2018, gave approval to the Energy Minister to proceed with the Novated AMERI agreement with Mytilneos. We want to believe the President was not given the full benefit of the whole picture regarding this deal, which we have cause to label as “dubious”.
10. We also note that the Integrated Power Sector Master Plan (IPSMP) concludes that the net dependable power capacity in Ghana was 3950MW as at December 2017, with an additional 900MW scheduled for 2019; against an estimated average peak demand (including a 20% reserve margin) of 3200MW within the period 2018 and 2022. The additional capacity of 900MW exclude the Volta River Authority’s (VRA’s) Thermal Generation Projects of 632MW between 2020 and 2026.
11. Indeed, the Supply Plan simulations conducted by VRA shows that the AMERI Plant would literally be redundant between 2019 and 2023 as it will have a utilization factor of less than 20% within the period. This simply suggest that there is no need to commit Ghana’s money further into the AMERI Agreement.
12. It has also not escaped our attention that the Energy Ministry failed to provide a detailed “value for money audit” of the new agreement, and also failed to seek the Public Utilities Regulatory Commission’s approval of the contractual applicable tariff charges, as well as the Finance Ministry’s approval.
13. The Institute for Energy Security is convinced beyond all doubts that the Novated and Amended AMERI agreement was “poorly renegotiated” if at all, and will call for the withdrawal of the entire agreement, in the supreme interest of Ghana and her taxpayers.

Signed:

Paa Kwasi Anamua Sakyi

(Executive Director, IES)