



REPUBLIC OF GHANA

MINISTRY OF FINANCE

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PRESS RELEASE

FOR IMMEDIATE RELEASE

GOVERNMENT OF GHANA SUCCESSFULLY SECURES AMENDED TERMS WITH CENIT ENERGY LIMITED AND CALLS ON ALL OTHER INDEPENDENT POWER PRODUCERS TO EXPEDITE CONCLUSION OF NEGOTIATIONS.

Accra, Friday 25th September 2020...On Wednesday, 23rd September 2020, Government and CENIT Energy Limited (CEL) successfully secured terms for an amended power purchase agreement (PPA). CEL is a Ghanaian independent power producer (IPP) that began commercial operations in 2012. CEL has agreed to convert their power plant into a tolling structure and transfer all resulting cost savings to ECG.

2. In addition, CEL has agreed to a further reduction in the capital recovery tariff of 38.9%, resulting in total savings to Government and all Ghanaians in excess of US\$200.0 million over the remaining life of the PPA.

3. The commitment made by CEL is crucial in reinforcing Government's efforts to build a balanced and sustainable energy sector. The terms agreed to between Government and CEL will produce a more favourable situation for both parties and ultimately reduce the cost of electricity for the people of Ghana.

4. At present, Ghana pays over US\$500M a year for unused electricity. Most of the PPAs are legacy agreements, entered into under the previous administration in an uncoordinated and hasty attempt to end dumsor. The tariffs agreed were not competitive and have contributed significantly to the build-up of debt in the sector and oversupply of energy.

5. This Government, in collaboration with the World Bank, created the Energy Sector Recovery Programme (ESRP), identifying the policies and actions needed for financial recovery in the energy sector over a five-year horizon (2019-2023).

6. As part of the reforms, Government is taking steps to institute competitive bidding for future additional capacity, so as to ensure that future tariffs are fair and in line with expected pricing benchmarks.

7. Government has demonstrated its commitment to the ESRP by actively developing whole-of-sector initiatives and reforms, including implementing the Cash Waterfall Mechanism (CWM) in



April 2020, which allows Electricity Company of Ghana's revenues to be distributed in a more transparent manner, and managing payments of arrears despite the challenging fiscal situation which has been exacerbated by the COVID-19 pandemic.

8. The ESRP Steering Committee, established by the Energy Sector Recovery Task Force under the helm of the Senior Minister, is working closely with IPPs and gas suppliers under the ESRP Consultation Process to negotiate more favourable agreements for both parties and to achieve a balanced energy sector capable of delivering fair, long-term solutions. Government has undertaken these discussions in good faith and urges all IPPs to continue working closely with the ESRP Steering Committee to conclude negotiations as soon as possible.

9. The Hon. Minister for Finance, Ken Ofori-Atta said:

"We welcome CENIT Energy's commitment to Ghana and its role in regenerating the energy sector. CENIT is an important partner and a significant energy producer in Ghana.

We encourage other IPPs to join CENIT in collaborating to help reduce onerous debts and to provide a stable energy supply for the people of Ghana."

We are committed to building a competitive and dynamic energy sector where private investments can thrive, and the interests of the Ghanaian people and businesses continue to flourish." **END**



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THE NEWS EDITORS