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Nigeria gas not yet in sight

There are strong indications that Ghana may not draw natural gas from the West Africa Gas Pipeline (WAGP) project any time soon.

This follows resistance by producers in Nigeria to sell the product at low prices.

Joy News's Araba Koomson reported from Nigeria that although fuel prices are low in Nigerian, the cost of production is high.

That she said is because the Nigerian government has put pressure on the producers to sell the product at very low prices.

According to her the producers are arguing that they cannot afford to sell the product at such low prices to other African countries.

Negotiations are however underway to get the workers to soften their stance.

This means that Ghana's yearn for natural gas to augment her energy needs remains a mirage.

Apart from the issue of cost, equipment that is supposed to compress the gas and make it useful has not been installed yet.

The manager of the WAGP Company Mr. Jacque Darison told Joy News that the compressing plant is under construction.

<http://www.myjoyonline.com/news/200805/15951.asp>

May 15, 2008

Fresh challenges threaten West African gas project

Gboyega Adeoye, Lagos

The supply of wet gas has been identified as a fresh challenge facing the completion of the West African Gas Pipeline (WAGP) project. Mr Alain Rosier, Adviser to the project, told the News Agency of Nigeria (NAN) that the problem had resulted in the completion target for the project being prolonged. He said that the project, which was started in 2005, had May 5, 2008 as the deadline for completion and inauguration.

"Wet gas supplied by Shell has the potential of damaging the pipeline and that will be a major draw back for the whole project," he said. Rosier said that the establishment of gas-based facilities to power projects across the sub-region was also putting a lot of pressure on the gas demand from Nigeria.

"Nigeria is setting up 13 gas turbines; Ghana, Togo and Republic of Benin are establishing some. All these projects, which will require gas to be powered, are projects not earlier envisaged," he said. He said that the installation of the pipeline had, however, been completed, adding that it had also been tested. "The other major problem now is that Benin



Republic and Togo have yet to build their on-shore installations showing that they are not ready to receive the gas," he said.

Also speaking to NAN on the project, Mr Magbonde Leonce, Director of Operation, West African Gas Pipeline Authority, said that gas availability and pipeline security were issues the authority was contending with. "Nigeria is undertaking some domestic projects that will draw heavily on the expected gas for the WAGP and we also know that Nigeria is finding it difficult to meet its domestic gas needs of late," he said. Leonce said that the project on completion was expected to deliver 123 million standard cubic feet of gas to Benin and Togo.

He said that the authority was also articulating strategies to protect the marine pipeline, stressing that a ship crashed into the pipeline in 2007. "We have been able to fix the pipeline after the ship incident, but that goes to show that the pipes are vulnerable and must be protected," he said.

<http://www.tribune.com.ng/15052008/biznes.html>

Forum On Energy Held In Abuja

A Ghanaian delegation made up of four members of the Parliamentary Sub-committee on Mines and Energy and the Public Utility Regulatory Services Commission are in the Nigerian capital, Abuja , attending two separate international forums aimed at finding solutions to the energy crisis facing the West African sub-region.

The first forum, a two-day conference on the identification of potential sources of increased investment in energy generation and distribution in West African countries, was held under the auspices of the International Association of Energy Economics and the Nigerian Association of Energy Economics, on Tuesday and Wednesday.

Energy experts from the United States, Hungary and Germany shared with their West African counterparts, experiences from case studies on the implementation of various investment options in the development of energy infrastructure, the fixing of tariffs and exercise of regulatory functions in the energy sector in those countries.

The experts agreed that West Africa had abundant energy resources in the form of gas, oil and potential sources of hydro for energy supply and should, therefore, not have been experiencing the current energy problems plaguing the sub-region.

A round-table discussion of the key issues relating to the problems of energy generation and distribution in West African countries identified inadequate investment in the energy sector and difficulties in the exercise of regulatory control and management of the sub-region's energy sector.

A general consensus among the experts was that multiple sources of energy supply from various investors would ensure that there was more energy available than the demand for it.

This would give consumers patronage options, reduce tariffs, and thereby, play a significant role in solving the energy problems facing the sub-region.

The reluctance and inability of consumers to pay tariffs that would encourage investment in the energy sector in West Africa was identified as one of the causes of the energy crisis in the sub-region.

It was suggested that the collection of appropriate data would enable governments in the sub-region to identify truly poor and vulnerable groups in society that deserved the support of governments to access energy supply.



This could be done through the introduction of pre-paid meters and making advance payment of tariffs directly to energy companies on behalf of consumers who are too poor to pay for supply.

Some of the speakers at the first forum included Mrs Fatima Ibrahim, Nigeria's Minister of Energy in charge of Power; Mr Odari A. Kumogbobia, Minister of Energy in charge of Petroleum; Dr Rulwanu Lukman, Chairman of the Energy Council of Nigeria; Dr Aliyu Modibo-Uman, Federal Minister of State, and Chief Philip Asiodiu, Former Economic Advisor to President Olusegun Obsanjo and former Minister of Petroleum.

The second forum is being attended by more than 50 participants from Togo, Nigeria, Ghana and Benin and is seeking to canvass critical support from consumers and stakeholders in the energy sector for energy policy formulation which will solve the energy crisis facing the sub-region.

The forum will also discuss new concepts in energy investment, generation and distribution which have been tried in Europe and the United States and assess their strengths and weaknesses.

It was organised by the Center for Energy Economics at the University of Texas in the United States, the United States Agency for Development and the Kumasi Institute of Technology and Energy.

Members of the Ghanaian delegation attending the energy forum include the Member of Parliament for Upper Denkyira, Mr Benjamin K. Ayeh; the MP for Obuasi and Vice-chairman of the Parliamentary Sub-committee on Mines and Energy, Mr Edward Ennin; Dr Kwame Ampofo, MP for South Dayi, and the MP for Madina Abokobi, Mr Ahmadu Sorogho.

Story by George Sydney Abugri

<http://www.graphicghana.com/link.asp?smenu=1&sdetail=3014&wpage=1>

West Africa's Energy Crisis • A Series Of Workshops And Conferences Propose A Solution

The economic impact of the energy crisis which keeps recurring in Ghana, Nigeria, Benin and Togo, is easily calculated in the currencies of these power crisis-ridden nations of the sub-region.

Other impacts of the crisis are, however, far from easy to quantify:

The often fatal multiple car crashes at road intersections when traffic regulating lamps are not working because of power cuts, the lives and property lost to domestic fires when consumers go to sleep with naked candle flame burning, the occasional patient who dies on the hospital operating table when power suddenly goes off, or the health-threatening pollutants emitted from large numbers of small generating plants.

One thing is certain: The collective cost of the power crisis in the sub-region is far higher than the cost of investing in reliable electricity supply. Several nagging questions tumble forth, though:

Where is the money needed for investment in West Africa's energy sector going to come from, since most governments in the sub-region face national budgetary constraints which make it difficult for them to invest adequately in energy generation?

Which investor in his right mind will invest in energy production in the sub-region, when low tariffs make cost recovery impossible? Which should precede the other, tariff increases or improved services?

What is to be done about vulnerable sections of society who cannot pay high tariffs?

Since early last year a series of ongoing international forums on energy held under the auspices of the Centre for Energy Economics at the University of Texas, the United States Agency for International Development (USAID) and the Kumasi Institute for Technology and Environment (KITE), have tried to answer some of these and other related questions.

The workshops have been designed as training programmes for energy sector capacity-building professionals and for public education on energy issues.

The ongoing energy forums have had the good fortune of having in attendance, some of the leading international authorities on energy development and energy sector regulation.

They have shared with their West African counterparts, experience in case studies on energy investment options, the development of energy infrastructure, the fixing of tariffs, dispute resolution and the exercise of energy regulatory functions in the United States, Hungary, France, Germany, Mexico and other parts of Europe and the US.

Delegates to the most recent workshops held in Accra and the Nigerian capital, Abuja, confirmed the key barrier to the attainment of energy self-sufficiency by the West African countries trapped in the crisis: Lack of adequate investment in West Africa's energy sector.

This lack of investment was in turn attributed to three major bottlenecks: Inadequate energy tariffs, weak energy sector institutions and insufficient government attention and investment.

Other problems identified was the conflicting roles of some West African governments as

producers of energy and regulators in its pricing and distribution, the lack of adequate resources for regulatory institutions, energy sector regulators' limited accountability to energy consumers and limited consumer education on the issue of tariffs.

"These underlying constraints must be addressed before a vibrant, efficient and sustainable energy marketplace can be created in the sub-region," delegates declared in a communiqué issued after the Accra energy conference last year.

According to the statement, one of the short-term interventions needed to improve energy supply in the sub-region was "an objective and effective consumer communication strategy, containing information on the need for cost-reflective tariffs".

It was argued that throughout the sub-region, most consumers did not have adequate information on reasons for the need to pay appropriate tariffs.

The delegates agreed that timelines set by governments in the sub-region for achieving economic tariffs needed to be realistic and plans for the provision of corresponding levels of customer service, designed and implemented both at the country and regional levels.

"Independent generation of electricity and resale into the market should be encouraged. This will allow fast expansion of generation capacity and increase the size of the secondary market for natural gas," the delegates contended.

A consensus of the conference was that in the medium term, institutions responsible for overseeing energy sector activities such as utility service provision and the regulation of tariffs and operational activities, should be adequately resourced by governments in the crisis-hit region, and granted reasonable autonomy "to effectively carry out their duties and responsibilities".

While urging governments in the sub-region to support the establishment of an environment attractive for investment in the production and supply of energy, most delegates were honest to admit that with the prevailing state of utilities, tariff increases were unlikely to translate into an enhanced and improved quality of service.

"The quality of service can only be improved if the utilities are recapitalised. The most viable sources of short and medium-term funding for recapitalisation, should be national budgets," the delegates argued in their communiqué.

"We are calling on governments in the West African countries hit by the energy crisis to provide the investment funds needed to replace obsolete and dilapidated equipment in the short term, while national companies are on their part, made to implement sustainable long-term strategies for quality service delivery," they said.

In the long term, the conference called for new laws that required periodic performance reviews of energy sector institutions to make them "more responsible and accountable".

Another long-term measure proposed, was the development by governments in the sub-region, of a strategic business plan for the energy sector that would of necessity include mechanisms for regular updating and monitoring of the performance of energy sector institutions.

"Such a plan must set clear targets and enable sector institutions to outline clearly how they intend to meet their targets.

The plan should also include the development of a utility performance scorecard and a common communication strategy to help customers and consumers understand the cost of reliable energy supply," the delegates proposed.

Yet another long-term strategy proposed was a harmonisation of the sub-region's legislative regime to facilitate the opening up of more opportunities for the pooling of resources by West African countries, for the generation and transmission of reliable power supply.

Two energy workshops held in Abuja in April and May this year, were a virtual enactment of the Accra debate, with the introduction of other perspectives to discussions of the key issues raised at the Accra conference, but with the issue of investment remaining top on the agenda.

Key issues discussed with some new perspectives include the integration of energy infrastructure in West Africa to facilitate energy sharing among the crisis-afflicted countries, the optimal use of gas from the West African Gas Pipeline for energy generation and sharing, energy source options, the role of the civil service in the pursuit of energy self-sufficiency and political support for all national and sub-regional initiatives intended to end the crisis.

The performance of regulatory institutions in the energy sector was taken through another round of discussion, with regulators from Benin, Togo, Nigeria, Ghana, the United States and Europe, giving workshop participants insights into their respective operations.

The Commissioner of Ghana's Public Utility Regulatory Commission, Mr Andrew Quayson's presentation on the commission's work, exemplified the typical concerns of regulators from Benin, Togo and Nigeria and was delivered to considerable applause.

Commissioner Quayson said Ghana's PURC was established by an Act of Ghana's Parliament to regulate and oversee the provision of utility services. The PURC was an independent body and its functions included tariffs setting, he said.

He attributed Ghana's energy problems to "a chronic lack of investment in Ghana's energy sector, poor quality of service, low tariffs and poor financial performance by utilities".

Mr Quayson said the Ghana Government had previously acted both as a regulator and operator of the energy sector.

As a result the energy tariff structure did not reflect the cost of energy production. He said Ghana's PURC had since established a tariff fixing process for the country.

The process, he explained, starts with the submission of tariff proposals by utilities to the PURC and other key institutions of the sector and is followed by public hearings and consultation with key stakeholders which lead to a determination of tariffs.

The workshops and conferences held so far have agreed on one other thing: West Africa has abundant energy resources in the form of gas, oil and potential sources of hydro for energy supply and should, therefore, not have been experiencing the recurring energy crisis.

By George Sydney Abugri