Energy Sector Governance Program Grant

“Smart Development” Initiative

MONTHLY REPORT – APRIL 2005

Prepared for:
Energy Division—Energy Sector Governance Program
Office of Energy and Information Technology
Bureau for Economic Growth, Agriculture and Trade
U.S. Agency for International Development

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May 12, 2005

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The following are the activities conducted in the month of April.

- The Resource Center completed the Natural Gas Primer. IELE edited the report, which was written by the Resource Center staff (Dr. Felix Asante and Mr. Ezekiel Clottey) and Mr. Quaye-Foli from the Ministry of Energy. The final version of the Primer is expected by the end of May. It will be available on ISSER and UH IELE website.

- Dr. Gülen traveled to Ghana to attend and present at the Natural Gas Education Seminar marking the completion of the primer. The seminar was held on Friday, April 29. Dr. Gülen’s trip report and information on the seminar are provided as appendixes.

Next steps
Actions expected in the next couple of months include:

- Educational Forum on Electric Power (which will be held upon completion of the Guide to Electric Power in Ghana).
APPENDIX 1
Trip Report
Activity: Trip 3 of IELE to Ghana – Resource Center Natural Gas Education Seminar
Dates: April 27 through May 1, 2005

Key Results
The Resource Center for Energy Economics and Regulation at ISSER completed its Natural Gas Primer and presented its contents in an educational seminar, initiating its public education and outreach efforts.

Summary Report
Thursday, April 28
Dr. Gülen met with Mr. Kwabena Appenteng, private sector officer at the Office of Trade, Agriculture & Private Sector of the USAID mission in Accra to provide project background. Mr. Appenteng is overseeing energy sector activities in Ghana. One of the current projects he is involved in is the NARUC partnership program that matches Public Utilities Regulatory Commission (PURC) in Ghana with PUC of Ohio as the major partner but also with PUCs in Oregon and Indiana as minor partners. Dr. Felix Asante of the Resource Center attended some of the partnership meetings along with Mr. Stephen Adu of PURC. IELE has been talking to NARUC to cooperate in various projects; Mr. Jason Czyz from NARUC will guest lecture in IELE’s New Era program in May. At this occasion, IELE and NARUC will explore ways to work together and involve the Resource Center in Ghana.

Dr. Gülen, Mr. Adu and Dr. Asante met to finalize program details for next day’s seminar. They also discussed strategies to establish Resource Center’s sustainability (e.g., getting more recognition for the petroleum deregulation study commissioned by the Ministry, finishing remaining deliverables quickly, organizing outreach activities such as seminars and workshops – for journalists for example, attracting more sponsored projects). The steering committee will develop a strategy document to help identify and prioritize these activities.

Dr. Gülen met Mr. Joseph Essandoh-Yeddu, Chief Program Officer, Strategic Planning & Policy Division, Energy Commission. Mr. Essandoh-Yeddu will attend the New Era program in May. He has authored many of the Energy Commission reports on the Ghanaian energy sector. He is very much interested in working with the Resource Center on different projects. He also suggested two commissioners from EC, Prof. Addae and Prof. Akofu as potential supporters / board members for the Resource Center. Prof. Addae chaired the kick-off meeting for the Resource Center in September 2004.

Friday, April 29
Natural Gas Education Seminar took place. The seminar went well, with interaction from the audience, TV coverage from Metro TV and several journalists. Times newspaper covered the meeting next day. (see Appendix 2 for details)
Dr. Gülen, Mr. Adu and Dr. Asante met to discuss energy sector developments in Ghana, PURC’s partnership program with PUC’s from the U.S., and the role Resource Center can play.

Saturday, April 30

Dr. Gülen met with Dr. Max Gyamfi from the petroleum department of the Ministry. Dr. Gyamfi is appreciative of the Resource Center, and particularly of its petroleum deregulation study. He is interested in getting involved in the Center activities, advising the Center and finding funding for projects. For example, he is interested in developing a petroleum market database. Since one of the deliverables for the Resource Center is an energy sector database for Ghana, there is a natural overlap. We will urge our colleagues at the Resource Center to visit with Dr. Gyamfi to pursue these options further.

Sunday, May 1

Dr. Gülen met with Mr. Ezekiel Clottey of the Resource Center. Mr. Clottey is working on developing the energy database and he will approach Dr. Gyamfi to have his input on how to build the database (at least the petroleum segment). Mr. Clottey will attend IELE’s New Era program in Houston. He is interested in pursuing a PhD, focusing on natural gas sector regulation. Dr. Gülen solicited input and help from Mr. Adu (and through him, other PURC staff) so that Mr. Clottey’s thesis can be useful for the needs of PURC. If interests of Mr. Clottey and needs of PURC (or other entities in the Ghanaian energy sector) can be matched, this would be an excellent way to make use of the Resource Center.
## APPENDIX 2

### Resource Center for Energy Economics and Regulation (RCEER)

**Engineers Center – Friday, 29 April 2005 at 8.30 a.m**

**Programme**

<table>
<thead>
<tr>
<th>Time</th>
<th>Activity</th>
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<tbody>
<tr>
<td>8:30 am</td>
<td>Arrival and Registration of Participants</td>
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<tr>
<td>9:00 am</td>
<td>Welcome Address &amp; Introduction of Chairman</td>
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<tr>
<td></td>
<td>Mr. Stephen Adu, Executive Secretary, PURC</td>
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<tr>
<td>9:10 am</td>
<td>Chairman’s Remarks</td>
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<td></td>
<td>Mr. Agyeman Duah, Managing Director, GOIL Ghana Ltd.</td>
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<tr>
<td>9:20 am</td>
<td>Brief Overview of Educational forum</td>
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<td>Dr. Felix A. Asante, Co-ordinator, RCEER</td>
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<tr>
<td>9:35 am</td>
<td>Presentation 1- Natural Gas Primer 1</td>
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<tr>
<td></td>
<td>Dr. Gürcan Gülen, IELE, University of Houston, Texas</td>
</tr>
<tr>
<td>10:30 am</td>
<td>Tea Break</td>
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<tr>
<td>11:00 am</td>
<td>Presentation 2- Natural Gas Primer 2</td>
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<tr>
<td></td>
<td>Mr. Quaye-Foli, Ministry of Energy, Accra</td>
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<tr>
<td>11:45 am</td>
<td>General Discussions</td>
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<tr>
<td>12:45 pm</td>
<td>Chairperson Closing Remarks</td>
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<td>12:55 pm</td>
<td>Vote of Thanks</td>
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<tr>
<td>1:00 pm</td>
<td>Closure / Lunch</td>
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*Institute for Energy, Law & Enterprise*

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OVERVIEW OF RESOURCE CENTER FOR ENERGY ECONOMICS AND REGULATION (RCEER)

BY
Dr. Felix A. Asante
Co-ordinator, RCEER
I.S.S.E.R.

INTRODUCTION

- Established in September 2004 with support from USAID
- Collaborators
  - Ghana: Institute of Statistical, Social & Economic Research (ISSER)
  - Public Utilities & Regulatory Commission (PURC)
  - Energy Commission (EC)
  - Energy Foundation (EF)
  - Ministry of Energy
  - Kumasi Institute of Technology & Environment
- USA: Institute for Energy, Law & Enterprise
  University of Houston Law Center, Texas
**The Need for a Resource Center**

- Natural gas will be playing an important role in Ghana’s energy sector when the WAGP is completed.
- Currently, information about the natural gas business and regulation is very scanty.
- Limited data, research, training & public education on energy, utility economics, regulation and energy sector policy analysis in Ghana.

**The Mission of the “Resource Center”**

The mission of the Resource Center is to become an independent resource for data, research, policy analysis, training and public education on energy and utility economics, regulation, and energy sector policy and development in Ghana and, ultimately, the greater region of West Africa.
The Core Activities of the “Resource Center”

The goals of the Resource Center are to:

1. Collect, store, process and disseminate energy and utility sector data and knowledge;

2. Conduct research to support energy and utility sector development and governance;

3. Develop energy and utility economics curriculum for both university and professional audiences; and

4. Educate the public on energy economics, energy policy, energy and socio-economic development issues by publishing reports and holding educational outreach activities.

INTENDED RESULTS

- Increase the number of people across a number of disciplines and occupations (journalists, educators, private sector and general public) and within the ranks of the government with a better understanding of energy industry issues; and

- Ongoing delivery of education and information dissemination.
To implement its data collection, research, training and outreach activities, the Resource Center will work with advisors from public institutions, non-governmental institutions, ministries, and universities.

**Organizational Structure For The Center**

**ADVISORY BOARD**

- Industry
- Public Institutions
- Universities
- UH IELE
- NGOs

**Outside Advisors**

To implement its data collection, research, training and outreach activities, the Resource Center will work with advisors from public institutions, non-governmental institutions, ministries, and universities.

**Planned Activities of RCEER**

- Natural Gas Project
- Guide to Electric Power in Ghana
- Energy and Utility Economics Curriculum Development
- Energy Industry Database Development
- Others (demand driven studies)
Brief Overview of Educational Forum – Natural Gas Primer

- Rationale of the primer is to offer a single source of reference on fundamental information related to production, transmission, distribution and consumption of natural gas in Ghana.

Objectives of the primer include:
- Collating scattered information and data on natural gas for use by politicians, policy makers, regulators, academicians, research institutions, media and general public;
- Creating awareness through presentations of the multiple and safe uses of, and environmentally friendly nature of natural gas;
- Provide basic text material for general education and teaching;
- Provide basis for further research.
Presentation in two parts

- **Part I** - Overview of the Natural Gas Industry
  - Sources, uses & history;
  - Value chain overview
  - Market overview: SS & DD and regulation.

- **Part II** - Natural Gas in Ghana
  - Sources, uses & history;
  - Entire process of West Africa Gas Pipeline (WAGP) project: inception; achievements, setbacks & policy issues, etc.

THANK YOU
RCEER EDUCATIONAL FORUM ON NATURAL GAS IN GHANA ENGINEERS CENTER
FRIDAY 29/04/05
PRESENTATION ON NATURAL GAS PRIMER #2
BY E. QUAYE - FOLI

GENERAL OVERVIEW OF THE PETROLEUM INDUSTRY
- WHAT IS PETROLEUM?
- THE SITUATION WITH PETROLEUM WORLDWIDE
- THE GHANAIAN SITUATION
  1. HOW IS THE INDUSTRY ORGANISED?
  2. WHO ARE THE KEY PLAYERS?
  3. WHAT IS THE LEGAL FRAME WORK?

EXPLORATION ACTIVITIES IN GHANA
- THE SEDIMENTARY BASINS OF GHANA
- EXPLORATION HISTORY OF GHANA
- THE THREE (3) LAWS GOVERNING EXPLORATION IN GHANA
- WHAT IS THE CURRENT SITUATION

THE CASE FOR NATURAL GAS!
- DO WE HAVE NATURAL GAS IN GHANA? WHERE IS IT?
- WHAT ARE THE USES OF NATURAL GAS?
THE WEST AFRICAN GAS PIPELINE PROJECT

Takoradi
Tema
Escravos
Cotonou

GHANA

TOGO

NIGERIA

Lomé
Lagos

Benin
Burkina Faso
Cote D’ivoire
Ghana
Togo

SEDIMENTARY BASINS OF GHANA

WAGP CONT’D
- WHAT IS THE WEST AFRICAN GAS PIPELINE PROJECT?
- WHO ARE INVOLVED IN THE PROJECT?
- WHAT ARE THE OBJECTIVES OF THE PROJECT?
- WHAT HAS BEEN DONE ON THE PROJECT TO DATE?
- WHERE ARE WE IN TERMS OF PROJECT IMPLEMENTATION?
- WHAT ARE THE OBSTACLES AND OPPORTUNITIES OF WAGP?
- WHAT IS THE WAY FORWARD FOR THE WAGP?

THANK YOU FOR YOUR ATTENTION
Ghana to tap into W.A. pipeline in 2006

By William Yaw Danu

Ghanaians will begin tapping into the West African Gas Pipeline by December 2006 according to projections.

The West African countries—Nigeria, Benin, Togo and Ghana—have teamed up to undertake the project which will provide liquefied petroleum gas for domestic, industrial and commercial use in these countries.

To make that dream a reality, pipelines and other important equipment for the construction of the pipeline in Ghana will be arriving next month.

Mr. E. Quaye-Foli, a petroleum engineer at the Ministry of Energy stated this at an educational forum on natural gas in Accra yesterday.

The forum was aimed at sensitizing the public to appreciate the use of natural gas.

It was organized by the Resources Centre for Energy Economics and Regulation of the Institute of Social and Economic Research in collaboration with all the major stakeholders in the energy sector.

Mr. Quaye-Foli said physical construction of the pipeline would start in June and continue expeditiously so that targets set for completion would be met.

He said Ghana’s equity in the WAGP is 17 per cent of the total project cost which he interpreted to mean that “the project is sinking 93 million dollars into the project.”

"The use of natural gas is the most efficient and cheapest in the petroleum sector," he said adding that “Ghana will take advantage of the abundant natural gas in the envisaged WAGP to improve her economy.”

Dr. Duncan Guten of the Institute for Energy Law and Enterprise, University of Houston, Texas, USA in his presentation, said natural gas has a high potential power base for transportation purposes in the economy.

"Pipeline means transport system to the powering of private vehicles, the gas will give Ghana a relief from the negative side of pollution," Dr. Guten said.

Mr. Agbenman Dua, managing director of Cell-Ghana Limited, who chaired the function said the instability of players in the sector to educate the public on energy policies but sometimes hampered government’s efforts to deregulate and develop the sector.

Mr. Felix A. Amoafo, co-chairman of CHERB said the forum was informed among other things by the need to fill the information gap in its natural gas business and regulation.

The Ghanaian Times
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By Jonathan Adabre

As a group of Political Parties and Civil Society Activists continue to mount pressure on government with street protests in demand for petrol prices to be reduced, a research fellow at the Institute for Statistical, Social and Economic Research (ISSER), has described the petroleum price hikes as not pro-poor but argued that the nation has no other alternative to dealing with the economic fuel problem than to walk the road towards achieving cost recovery prices for the product.

Dr. Asante, who is also the Coordinator for the Centre for Energy Economics and Regulations, troubled by ISSER, expressed these concerns in an interview with Public Agenda.

"What is the way out of the quagmire the nation finds itself in the quest for sufficient energy supply other than deregulating the energy sector?" Dr. Asante queried, when asked whether Ghana could not have adopted a different approach to dealing with the energy problem, making a case for the deregulation policy.

"It is one of the bitter pills a nation such as ours has to take. We cannot continue to subsidize petrol with our scarce resources. The economy doesn’t just have the capacity," he stressed.

Dr. Asante argued that the poor would be the hardest hit in the face of increasing electricity costs and the recent fuel price increases as a result of the deregulation policy, but reckoned what President Kufuor had told Ghanaians at the People’s Assembly that it was not wise to continue to subsidize petroleum products with trillions of cedis when such funds could be used to directly deal with poverty. He added that if prices were not adjusted upward, the 2005 and 2006 years would have seen the subsidy bill rise to €3.3 trillion and €3.1 trillion respectively.

Asked whether he thinks Ghanaians support the price increases, he replied in the negative and stated that his research showed that Ghanaians were quite aware of the difficulties associated with the petroleum price increases, hence disapprove of it. He however argued that if Ghanaians were also aware that the about €1.4 trillion that was used to subsidize fuel could provide them with several roads, hospitals, schools and many other facilities, their position would have been different.

He blamed government for the situation for not creating enough awareness about the deregulation policy before its implementation.

He was not also happy that full-fledged cushioning measures could not be implemented before the price increases and urged that government should act swiftly on the main transport programme to reduce the burden of transport cost on the poor. "We can adopt various strategies and measures to lessen the burden on low-income earners and that we must do rather quickly."

Commenting on the recent death of fish, Dr. Asante implicated that his calculations suggest that the point of each kg of fish would go up by 18% if the price of promo fuel were to go up by 50%. He recognised that given that women are the dominant actors in the fish retail business, a reduced demand for fish as a result of high prices would have a telling effect on the incomes of women.

On kerosene and Liquefied Petroleum Gas (LPG), Dr. Asante stated that the two products are commonly used by low-income households in both the urban and rural areas for lighting and cooking purposes, especially that of kerosene.

He indicated that increased prices for the products would be burdensome to such groups. He was also of the view that should such income groups reduce their use of kerosene and LPG for their lighting and cooking activities, they are likely to resort to the use of firewood and other wood products to meet their energy needs. Such a shift, he stated, could lead to deforestation.

As he surrendered about what should be done to lessen the hardships of the ordinary Ghanaian now that deregulation has become a reality, Dr. Asante gave a catalogue of measures.

First, that the anticipated de-coupling of subsidies from production, or consumption should be done gradually. Second, that government should expand existing social safety nets to provide direct support for the weak that would be hauled hit by the high fuel price increases.

Third, that taxes on kerosene and LPG should be significantly reduced to allow for low-income earners’ continued use. Fourth, that the mass transport programme should be extended to rural communities to help transport cost of rural dwellers and finally, that government should search for cheaper sources of energy and work fast on completing the West Africa Gas Pipeline Project.

A section of the crowd at 'Walala 2'. Are the Wahalians losing the argument?