Energy Sector Governance Program Grant

“Smart Development” Initiative

QUARTERLY PERFORMANCE REPORT
November 2004 – January 2005

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Energy Division—Energy Sector Governance Program
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USAID Energy Sector Governance Program Grant in Ghana
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OBJECTIVES

USAID Strategic Objective and Intermediate Results
The strategic objective of the Energy Division is to improve the quality of life, increase economic growth, and promote sustainable communities by increasing access to environmentally sound energy and improving environmental management. And the intermediate result is increased production and use of environmentally sustainable energy.

Areas of special interest include:

- Improving policy, legal, and regulatory frameworks to establish necessary conditions of energy service delivery;
- Increasing institutional ability to provide or deliver energy management services; and
- Increasing public understanding of, and participation in, decisions regarding delivery of energy services.

UH IELE Smart Development Initiative
The UH IELE Smart Development Initiative fits well with the USAID objectives. We believe that enhanced public education on the basic principles inherent in the energy value chains and associated economics and technologies, as delivered through our New Era in Oil, Gas and Power Value Creation platform, can contribute greatly to improved energy sector performance worldwide.

Our initiative is designed to improve the capability of local educational and development institutions in emerging markets to address public education and participation, as well as transparency needs for effective energy sector governance. Through this Initiative, the UH IELE is working to provide a Local Education Partner in Ghana with the tailored training, focused on energy value chain economics and supporting commercial frameworks, tools and ongoing mentoring necessary to develop its own community-based initiatives. These initiatives will help develop the stabilizing infrastructure necessary to increase local community access to environmentally sound energy. All program activities will be directed by local needs to ensure program appropriateness. The intended results may include an increased 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 through a local source developed with our assistance in order to multiply the number of "informed" citizens.

Project Specific Activities
Our proposal included the following four general activities to achieve our common goals:

1. Selection of a Local Education Partner.
2. Training the Trainers.
3. Transferring Knowledge.
Further progress has been achieved in the implementation of the goals in this quarter.

**Selection of a Local Education Partner**

By this time, *The Resource Center for Energy Economics and Regulation at ISSER*, the LEP of UH IELE in Ghana, appears to be established and supported by the wider energy community in Ghana, as evidenced by the representation of a wide range of entities at the kick-off conference, including the Minister of Energy and chairman of the Public Utilities Regulatory Commission (PURC), and by the Ministry of Energy commissioning a study on the socio-economic impacts of petroleum deregulation in Ghana (see below for details on this study). We continue to support its activities and explore together with our colleagues to expand and sustain financial as well as intellectual sponsorship for the Center.

**Training the Trainers**

The four delegates from Ghana who visited Houston for the *New Era* program in May 2004 continue to play important roles for the Resource Center. One of them, Dr. Felix Asante, is the coordinator of the Center. Mr. Stephen Adu, Commissioner at PURC, is on the Advisory Board and one of the strongest supporters of the Center along with his chairman, Mr. Kwame Pianim. Ms. Ama Jantuah-Banful and Mr. Ishmael Edjekumhene are playing essential advisory roles, with Mr. Edjekumhene providing an important link to Kumasi (through Kumasi Institute of Technology and Environment, KITE, and National University of Science and Technology, KNUST).

Several researchers at ISSER already benefited from the establishment of the Center and the petroleum deregulation study and other activities under our grant. In addition to Dr. Asante, Dr. Isaac Osei Akoto of ISSER participated in the petroleum deregulation study and delivered a presentation on international petroleum deregulation experience at the Petroleum Deregulation Workshop held by the Ministry of Energy. Mr. Ezekiel A. Clottey, currently a research assistant at the Resource Center, has participated in the petroleum deregulation study and he is currently working on the natural gas primer. Mr. Clottey will attend the *New Era* program in May 2005 and in his return will pursue a Ph.D. at University of Ghana Legon while continuing to work at the Resource Center. In his studies, Mr. Clottey will focus on energy industry restructuring and regulation. As such, we and our colleagues at the Center consider him as an increasingly significant contributor to Center activities and in particular development of training materials for university and professional courses on energy value chain economics and regulation. In the short-run, these activities will focus on the natural gas primer and guide to electric power reports and associated educational seminars (scheduled activities of our grant).

In addition to Mr. Clottey, we will also host Mr. Joseph Essandoh-Yeddu, Head of the Planning and Policy Division at the Energy Commission (EC), at the *New Era* program. Mr. Essandoh-Yeddu was going to attend the program last year but his work schedule did not permit him to travel in May 2004. The Energy Commission is a significant entity within the Ghanaian energy sector with clearly defined powers, especially in the areas of energy policy making along with associated data gathering and analysis. Per his position, Mr. Essandoh-Yeddu plays an important role in development of energy policy in Ghana. Prof. A. K. Addae, a member of EC, was the chairman of the Resource Center kick-off meeting, and his enthusiasm at the meeting was reassuring in terms of EC’s support of the Resource Center. Mr. Essandoh-Yeddu’s attendance of New Era program and his interactions with Mr. Clottey
will help further develop relationship between EC and the Center. It will also help us achieve a similar level of understanding on energy value chain principles across different entities within Ghana.

Transferring Knowledge

Soon after its kick-off in late September 2004, the Resource Center was commissioned by the Ministry of Energy to undertake a study on the social impacts of petroleum sector deregulation. Under the leadership of Felix Asante, Resource Center Coordinator at ISSER, the Center finished the study by the end of December 2004. Although this was not a project directly sponsored by the current grant, UH IELE provided background materials and assistance with editing the report. We deemed this project to be an early sign of local support for the Resource Center, which promised future sustainability, and as such, we wanted to help in any way we can to ensure the usefulness of the report for the Ghanaian energy community. It was also clear that this study was a good opportunity to implement some of the “smart development” concepts. The Resource Center was able to produce quality surveys complemented with solid analytical work to identify parts of the society that would be most directly impacted by the rationalization of petroleum product prices. The most challenging part of the report was developing mitigation strategies. As best we can tell, the Ministry appears satisfied with the report.

The Ministry of Energy also organized a workshop to learn from international petroleum deregulation experiences. Upon invitation of the Ministry, Dr. Gürcan Gülen of UH IELE prepared a presentation and was going to deliver it at the workshop. However, when the workshop was postponed, he was not able to travel to Accra. Dr. Osei Akoto from the Resource Center delivered his presentation in his stead. This was a valuable exposure for the Resource Center.

Overall, with assistance on the researching and writing of the report and the workshop presentation (along with supporting information), UH IELE transferred significant knowledge on international experience with petroleum deregulation to the Resource Center, which then disseminated parts of this information back to the Ghanaian energy community after analyzing and customizing it for the needs of Ghana.

UH IELE will also help with all proposed activities of the Resource Center and transfer all knowledge and expertise necessary to produce a natural gas primer, a guide for electric power and a full energy value chain analysis. Work on the natural gas primer has already started with transfer of reference material by UH IELE to the Resource Center.

General

UH IELE is housing a page for the grant within its website in order to publicly disseminate grant developments: http://www.energy.uh.edu/IDA/USAID.asp.

| IMPACT |

Achieved Impact

A number of definable impacts have been achieved at this early stage in the grant.

- The Resource Center has been launched fairly quickly with widespread support by energy sector stakeholders in Ghana. So far, the support for the Center comes primarily from PURC, the Ministry of Energy and Energy Foundation. The Energy Commission, Volta River Authority and Electricity Company of Ghana have also participated in the kick-off meeting and expressed support otherwise. We expect to strengthen EC’s participation in the Center through Mr. Essandoh-Yeddu’s participation in the New Era program.
• The Energy Minister and PURC Chairman were present in the kick-off meeting and their speeches were clear indication of the high importance attached to as well as high expectations from the Center. Prof. A.K. Addae, a commissioner at EC, chaired the meeting and expressed his appreciation of the Resource Center concept. From the beginning, we felt that high level support of the Center was crucial for long term success. The Center has to be viewed as a credible source of information and research in order for energy sector governance benefits to be realized. Early and strong support from energy sector leadership was achieved through persuasion and commitment. Leadership support includes taking a direct “stake” and responsibility (and therefore accountability) in the outcomes through participation in the organizational structure of the Center.

• The kick-off meeting was covered heavily by the media, which allowed the Resource Center to receive an early introduction to the Ghanaian energy industry and public as a resource for information on energy value chain economics, regulation and policy.

• The Ministry of Energy commissioned a study, which was finished in two months with apparent satisfaction of the Ministry. We have much more to do in order to ensure sustainability of the education initiative (a high priority metric in our grant) but this early achievement suggests that long term financial support of the Center is attainable. The study and the Resource Center presentation at the Petroleum Deregulation Workshop helped further expose the Center in the eyes of the public as well, already achieved to a certain extent through the process of surveying for the study as well as initial media coverage of the kick-off meeting.

**Expected Impact**

Our expectations remain mainly the same as before.

• We expect that the activities of the Resource Center will continue to help the Center become a valuable resource for the Ghanaian energy industry as well as the public. In particular, the production and widespread distribution of the Natural Gas Primer and the Guide to Electric Power in Ghana along with associated education forums are expected to increase public understanding of the energy business, delivery of energy services and the role of different entities in this complex sector. We plan to have as wide media coverage as possible for these forums to increase public awareness. Energy journalists will be invited to forums and other events even more often to improve their understanding of the energy industry and their reporting on it. We expect that news media involvement will increase the probability of “multiplier effects” around the Center and its activities. Our hope is that additional, similar efforts evolve even though they may appear to compete with the Center. We feel that multiple efforts would serve both as a sign of increased access and transparency and to force additional access and transparency into the energy sector.

• These efforts should also help those making decisions impacting investment in energy projects and delivery of energy services (e.g., state or private companies, ministries, and regulatory agencies). The Advisory Board and the Steering Committee for the Resource Center are envisioned to guide the Center to tailor its research, outreach and training activities in order to enhance this institutional capacity so that the appropriate commercial frameworks for energy development can be created and sustained. Metrics for this expected outcome will be difficult to devise, but we are striving to identify appropriate ones. For example, Ms. Jantuah-Banful’s indicated in her evaluation of the 2004 New Era program that her review of legal documents associated with the West Africa Gas Pipeline (WAGP) project would be enhanced by her exposure to energy
business fundamentals and expertise gained during the New Era session. We suspect that many other officials in decision making positions or in positions to influence decision makers (such as Mr. Joseph Essandoh-Yeddu, Head of Planning and Policy Division at EC who will attend the New Era program in May 2005) will be better informed in a similar manner through the activities of the Resource Center.

- **Finally, we expect that the Resource Center will continue to incorporate smart development concepts covered during the New Era program in its efforts.** The petroleum deregulation study’s focus on socio-economic impacts of price deregulation shows that smart development concerns are shared by the Ghanaian officials as well. ISSER’s past work on social and environmental issues prepares the Resource Center well for meeting these needs within the framework of energy sector reform. In addition, one of the Resource Center advisors, Ishmael Edjekumhene from Kumasi Institute of Technology and Environment (KITE), has already undertaken research activities on energy use patterns in Ghana, energy sector reform and impact on the poor, use of alternative fuels, impact on environment among other smart development related issues. Energy Foundation’s focus on energy efficiency and conservation will also help guide the Resource Center. Through the involvement of KITE and Energy Foundation among others in the Center, and with the steering of USAID and UH IELE, we anticipate that the Center will maintain focus on these issues.