



# Power to Africa volume 2: Ghana (part 1)



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In our second instalment of BLP's Power to Africa series (please see our expert insights on Nigeria here [Part 1](#), [Part 2](#)), BLP has teamed up with the Ghanaian law firm, Ashong Benjamin & Associates, with whom we have a very close relationship through our Preferred Firm network, to examine the state of the Ghanaian power sector.

This instalment will be divided into two parts: the first part will introduce the institutions that govern and the key laws that regulate Ghana's power sector and highlight some of the policies being adopted to solve Ghana's power issues. The second part will delve deeper into some of the challenges Ghana's power sector faces and the opportunities the country has to address such challenges.

## Introduction

Ghana is one of the most stable English-speaking countries in West Africa. With a population estimated to be over 28 million people and a destination of choice for various international companies, the high demand for power is understandable.

The Volta River Authority (VRA) asserts that the country's dependable electricity capacity is approximately 2.2 GW. When compared to Ghana's peak demand for electricity in 2016 which was, according to Ghana's Energy Commission (EC), approximately 2.5 – 2.7 GW, the shortfall is apparent.

With projected economic growth at 5.8 per cent over the next year, the new president, Nana Akufo-Addo, faces an important task of implementing sound public policies and promoting significant investment in power generation, transmission and distribution infrastructure. With this, the country may be in a better position to overhaul the power sector which continues to cause significant challenges for businesses and households.

## Institutions governing the power sector

The VRA is Ghana's state-owned electricity utility and the dominant player in the country's power sector. It was established by the Volta River Development Act on 26 April 1961 as a result of the surge in industrialization and need for reliable power supply in Ghana.

The VRA oversaw the construction of the Akosombo dam and Kpong Hydroelectric project which led to Ghana's ability to meet local demand for power and emerge as an exporter of electricity. However, over the years low rainfalls and inflows into the Volta River have contributed to a major power crisis, disruption of Ghana's generating capacity, domestic power rationing and reduction in exportation of electricity.

In recent years, the VRA's role in the Ghanaian power sector has evolved significantly from generation, transmission and distribution to focus on generation only. Responsibilities for the transmission and distribution network in Ghana has been ceded to other state owned enterprises.

In 2006, Ghana Grid Company Limited (GRIDCo) took over the VRA's transmission responsibilities and is now responsible for the operation and maintenance of all transmission lines throughout Ghana. In 2012, the VRA restructured its distribution department making room for two distribution companies: the Electricity Company of Ghana and the Northern Electricity Distribution Company of Ghana, both public companies responsible for distributing electricity in the southern and northern parts of Ghana respectively.

The Public Utilities Regulatory Commission (PURC) was established by, and operates under, the Public Utilities Regulatory Commission Act 1997. It is responsible for monitoring the standard of performance of public utility companies and the regulation of rates that they charge customers. A public utility may only fix rates that are in accordance with applicable PURC guidelines and approved by the PURC.

## Key Laws

Ghana's power sector is governed by an ever evolving framework of laws and regulations.

The Energy Commission Act 1997 sets out two key restrictions: that a licence from the Energy Commission (EC) is required to generate, transmit or distribute electricity; and that only a citizen, body corporate or partnership registered under Ghanaian laws may be granted such a licence.

Ghana's predominant energy policy (the National Energy Policy) is issued by the Ministry of Energy and Petroleum with advice and counsel from the EC. The National Energy Policy outlines the government's policy direction for the energy sector with the aim of facilitating the effective management and development of the sector and providing the public with information about the Government of Ghana's (GoG) policy goals.

After the issue of the National Energy Policy in 2010, Ghana's parliament passed the Renewable Energy Act 2011 aimed at encouraging the development of renewable energy generating capability. According to the Renewable Energy Act 2011, a person wishing to carry on commercial operations in Ghana's renewable energy industry must obtain a licence from the EC.

In 2015, the GoG passed the Nuclear Regulatory Authority Act 2015 which provides for the regulation and management of activities for the use of nuclear material, radioactive material and radiation.

## The state of the power sector

Over the last two decades, the demand for electricity has increased annually by 10-15 per cent due to the expanding industrial and service sectors, rapid urbanization and a growing population with larger incomes. However, still only 40% of the rural and just over 70% of the urban population have access to electricity.

As a result, GoG has announced that it seeks to resolve such problems by focusing on: (i) doubling installed generation capacity; (ii) extending universal access to electricity by 2020; and (iii) ensuring that renewable energy represents 10 percent of installed capacity by 2020.

In Part 2 of this article, we will look more closely at the opportunities Ghana has to bridge the gap between supply and demand through expanding current energy generation and developing alternative sources of power. Nevertheless, the GoG has also adopted a number of public and fiscal policies to boost the industry and encourage sustainable development of the power sector:

- **Development loans** – the GoG looks to source loans from international agencies to help stimulate the sector and develop power projects. For example, International Development Association of the World Bank has lent money to Ghana's power sector to help finance major projects such as the Akosombo dam and Kpong power plant;
- **Infrastructure investment** – the GoG has set up the Ghana Infrastructure Investment Fund, an independent fund to mobilize, manage, coordinate and provide financial resources for investment in a diversified portfolio of infrastructure projects in Ghana;
- **Power sector reforms** – reforms to the power sector were initiated in 1994 to regulate the monopoly of players in the market and help open access to transmission lines to permit new market participants to share in power generation, transmission, and distribution. Implementation of organisations such as the Electricity Regulation and policies like the National Energy Policy aim to expand upon this reform; and
- **Levies** - certain power utilities, including the VRA, have faced severe cash flow problems, resulting predominantly from the depreciation of the cedi against the dollar and low oil prices. In 2015, Ghana's Parliament passed the Energy Sector Levies Act, 2015 (Act 899) which imposes certain levies on sales of fuels including petrol and diesel to support the payment of power utility debts and ensure power sustainability.

## Conclusion

Ghana remains an important player in Sub-Saharan Africa. Attaining its stated goal of universal access to electricity by 2020 requires market participants in the government and private sectors to work together towards addressing existing challenges.

However, Ghana is now facing a period of change, as president, Nana Akufo-Addo, was voted in on 7 December 2016 on a platform of promising investment in national industry. Voters had had enough of high energy costs and erratic supply. The new president will be expected to set out to address these issues with significant infrastructure investments and a discernible drive to overhaul the sector.

Part 2 will focus on the challenges the power sector faces and the potential opportunities which, to the extent maximised by market participants, could address these challenges.

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## **Ashong Benjamin & Associates**

This article was written in partnership with Ghanaian law firm, Ashong Benjamin & Associates, with whom we have a very close relationship through our Preferred Firm network.

Ashong Benjamin & Associates is a four partner firm focusing on providing legal services in, among others, the energy, banking and finance sectors. The firm is based in Accra, Ghana.

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## About BLP

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