

7 post-election priorities for Ghana's energy sector

President Nana Akufo-Addo's first term began in 2016 amidst Ghana's "dumsor" power crisis and other energy-related challenges including inadequate investment in transmission infrastructure and high commercial and technical losses. Legacy debt in the energy sector – estimated at \$2.8 billion in 2020 – risks growing to \$12.5 billion by 2023 unless Ghana undertakes significant reforms. Re-elected in late 2020, Akufo-Addo is now charged with implementing [Ghana's Energy Sector Recovery Programme \(ESRP\)](#), an ambitious program designed to get back on track.

7 Post-Election Priorities for the Ghana Government

1. Reduce debt by continuing to address financial challenges

The government has already implemented some of the ESRP's key recommendations, including the cash waterfall system to mitigate payment risk, and support for street lighting. But others, such as PPA renegotiation, remain secretive and incomplete.

- Cover the annual sector shortfall through a "Delta Fund" to prevent further accumulation of arrears.
- Budget and pay subsidies on time, and link such subsidies to performance outcomes.
- Enact laws and regulations to back key reforms, such as the competitive procurement and least cost fuel procurement policies.

2. Achieve universal electrification in remote areas via offgrid solutions

The estimated 15% of Ghana's population that still lacks electricity access is located in remote rural areas – making off-grid renewables an important least-cost option.

- Establish guidelines for grid expansion in these remote communities so that the off-grid industry can invest with more certainty.
- Unlock increased off-grid investment through public-private partnerships, promoting community ownership through a modified version of the Self Help Electrification Program that would support off-grid development in communities too remote for grid-extension, and developing special funding mechanisms to help bring down the cost of credit.
- Remove moratorium on renewable energy licenses.

3. Optimize natural gas infrastructure and pricing

Ghana's large domestic gas reserves can be utilized domestically if directly linked to downstream power and industry.

- Facilitate investment in downstream natural gas infrastructure along with pricing reforms to address oversupply and underpricing.
- Desist from politically influencing the Public Utility Regulatory Commission (PURC) in determining the weighted average cost of gas. In the medium-term, restructure the board of PURC to allow more institutional representatives (consumer groups, power

producers and distributors, civil society) and not more than two government appointees.

4. Lay the groundwork for advanced nuclear power

According to the Ghana Nuclear Power Programme Organization, a 1GW nuclear power plant could be active by 2030 if it begins construction in 2024. Since nuclear investments have long lead times, in the meantime the government can:

- Seek assistance from supplier countries and international organizations to build technical capacity.
- Support public education and sensitization on nuclear energy.
- Develop appropriate regulatory and policy regimes by working with the International Atomic Energy Agency (IAEA).

5. Advance electric vehicles policy

The Energy Commission established a unit on electric vehicles (EVs), but there have been few concrete developments. However, this technology could help bring down emissions while addressing excess capacity.

- Develop policies for EVs that address pricing issues, charging infrastructure and other relevant requirements.

6. Make power procurement open and competitive

Competitive procurement policies in the energy sector and the wholesale electricity market can help promote efficiency, reduce rent-seeking and boost investment. In 2018 for instance, Senegal achieved a price of less than 4 US cents/kWh for its Touba Solar project through a competitive bidding process supported by the International Finance Corporation (IFC). Though the Ghanaian government has designed least cost fuel procurement and competitive procurement policies, implementation remains a challenge without an enforcement mechanism.

- Convert these policies into legislative instruments and include them in the performance indicators of Boards and Management of the state owned energy companies.

7. Invest in transmission infrastructure

Historically, adding capacity and reforming distribution have taken precedence over expanding transmission infrastructure. Now, increasing electricity demand outside the center of the country, along with a desire to export more power to Burkina Faso, is putting pressure on an already strained system. Insufficient redundancies can cause a single fault to trip multiple lines, and there are limited capacitor banks to allow for voltage modulation, degrading quality of supply.

- While the government historically has relied on development partners to fund major transmission projects, moving forward there will need to be a budget allocated for investments into this type of infrastructure, or partnerships with the private sector.

Conclusion

The provision of energy is a systematic process, therefore, the solution should be holistic. This means that generation, transmission, distribution and pricing are all important and should be given equal attention. In addressing existing energy sector challenges, the government needs to implement fully, urgently and diligently policies such as competitive procurement, plans on commercial loss reduction, and recommendations of the Energy Sector Reform Program.