

# Cenpower: From Concept to Commercial Reality



## Ghana

Accra Cenpower Generation Ltd

Gas power US\$903m 8m people

### Context

The Government of Ghana has committed, under its National Electrification Scheme (NES), to improve living standards and economic opportunities by connecting more households to the National Grid. The NES aims to secure a reliable electricity supply to all major communities by 2020. However, demand for energy is increasing by 10% per annum and current supply is highly unreliable. In 2013, businesses reported an average of eight power outages per month, despite an increase in energy imports. Unreliable power constrains economic growth therefore increasing operating costs for businesses and deterring investment.

### Project

Cenpower Generation Ltd (Cenpower) will construct and operate an efficient 350MW combined-cycle gas turbine plant (the Kpone Independent Power Plant). Once constructed, the Kpone IPP will increase Ghana's dependable installed generation capacity by 13% and meet the projected energy needs of over 8 million Ghanaians.

A consortium of Ghanaian investors (Cenpower Holdings Ltd) approached InfraCo Africa in 2005 as they were struggling to interest private sector investors in their project. The Ghanaian energy market was newly de-regulated and the project was to be Ghana's first greenfield, project-financed IPP. The project and regulatory risks and costs associated with early stage development of this project were therefore high. InfraCo Africa, through its principal developer eleQtra, was uniquely positioned to help. With InfraCo Africa's support,

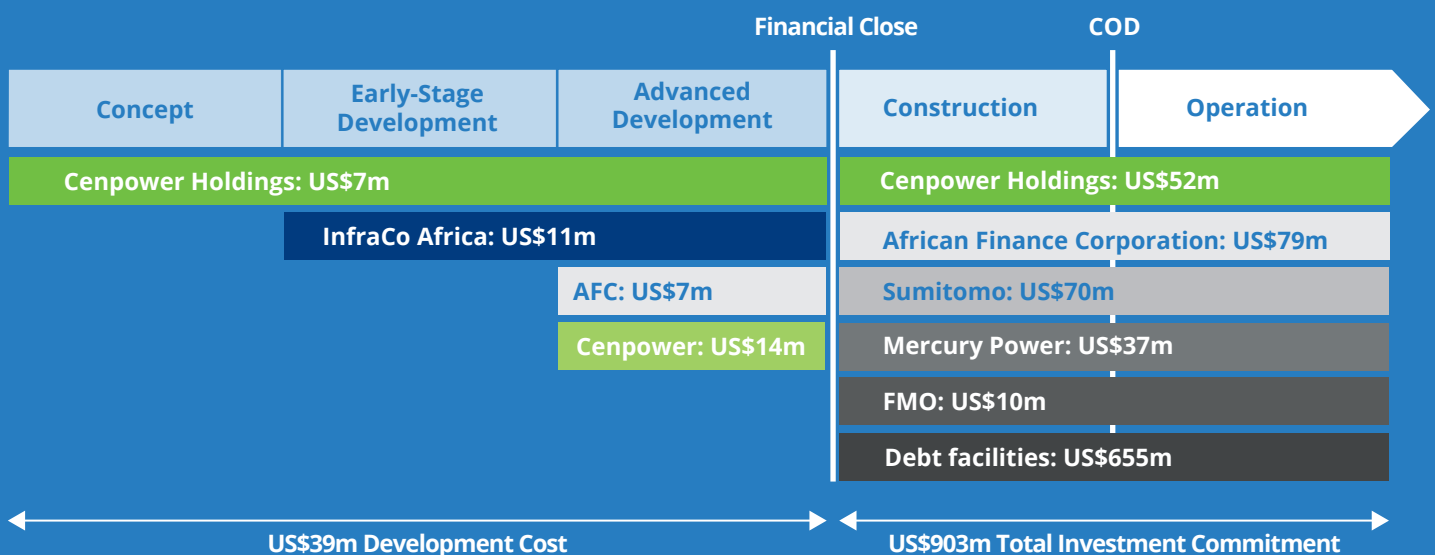
detailed engineering, social and environmental studies could be completed, a power purchase agreement negotiated and procurement of an EPC contractor could commence. This demonstrable progress enabled InfraCo Africa to bring the African Finance Corporation (AFC) into the project in 2010. Together they turned this pioneering, complex project into a bankable, government supported initiative. By 2014, Cenpower had been successfully established and over US\$903m was mobilised from a spectrum of African (70%) and International (30%) investors. Construction started in January 2015.

The Kpone IPP will be the first and largest of its kind in Ghana. To make the project a commercial reality, InfraCo Africa therefore needed to first build capacity within Ghana's energy sector. The project secured the first ever generation license (License 001) and is the first IPP to take fuel supply risk and establish a fuel financing facility for the Electricity Company of Ghana (ECG). Cenpower now serves as a model for independent power generation across the region.

*Oliver Andrews, Executive Director and Chief Investment Officer of AFC commented: 'This is a shining example of what can be achieved when Africa's public and private sectors combine in innovative and sustainable partnership, to create the bankable energy infrastructure projects so critical to the continent's economic growth.'*

Cenpower's outstanding achievement was recognised when it was named 'African Power Deal of the Year' by Project Finance International in 2014. InfraCo Africa had succeeded in turning an initially commercially challenging project into one which is recognised as representing excellence and quality by the project finance community.

### Investment for Cenpower



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## Impact

InfraCo Africa's work with the Government of Ghana has provided it with the tools needed to drive forward their National Electrification Scheme with the private sector. The Kpone IPP will provide the critical base load power needed to supply communities, reduce reliance on expensive energy imports and facilitate economic growth. As a result, this project will contribute to poverty alleviation in Ghana.

Cenpower's legacy will go beyond reliable power. The project was able to attract Sumitomo, a large blue-chip company who will both own and operate the Kpone IPP. This investment represents Sumitomo's first in Ghana and could act as a springboard for their further involvement in the region. Likewise, the Development Bank of

Southern Africa sought and gained parliamentary approval to expand their mandate and lend outside of South Africa for the first time. This project has therefore mobilised new investment into Ghana and laid the foundation for further private sector participation within the region.

The project no longer needs InfraCo Africa's support to attract investment. InfraCo Africa has therefore sold its remaining equity in Cenpower to Sumitomo and AFC. This allows InfraCo Africa to recoup and re-invest the funding provided by its Donors into new infrastructure projects. Thus, the development cycle continues.

