

ORAL ANSWERS TO QUESTIONS

CEB - CT POWER PROJECT & ELECTRICITY SUPPLY

The Leader of the Opposition (Mr P. Bérenger) (*by Private Notice*) asked the Vice-Prime Minister, Minister of Energy and Public Utilities whether, in regard to electricity supply and the CT Power Project, he will state -

(a) if Government is going ahead with the project and -

(i) if so, indicate the -

(A) updated estimated cost and price of electricity, and

(B) date on which the Ministry of Finance and Economic Development gave the green light therefor, and

(ii) if not, indicate whether a tender for a 50/100 MW base load power plant will be issued;

(b) if the report on Liquefied Natural Gas use will be made public, and

(c) the measures being taken to remove obstacles in the grid to optimum use of renewable energy.

The Vice-Prime Minister, Minister of Energy and Public Utilities (Mr I. Collendavelloo): Madam Speaker, in August 2001, the Ministry of Energy and Public Utilities commissioned a study for the setting up of a 100 MW Coal Power Plant at Pointe Aux Caves. The original project was that CEB was to build and operate this power plant itself.

In 2005, CT Power (Malaysia) Ltd. made a proposal to the Board of Investment for a 2 x 55 MW pulverized coal power plant to be implemented by its subsidiary, the Mauritius CT Power Ltd. This was an unsolicited proposal. At that time, there was a committee called a "Fast Track Committee". It was chaired by the then Prime Minister. The Fast Track Committee approved the proposal. In July 2006, the Board of Investment issued a Letter of Intent to the promoter. Immediately thereafter, the Central Electricity Board, on 26 July 2006, decided that negotiations be held with the promoter. This eventually led to the signature of a Power Purchase Agreement on 23 December 2008. On the same date, a Shareholders' Agreement, a Coal Supply Agreement and an Interconnection Facility Design

and Build Agreement were concluded on the same date. No EIA licence had been obtained at the time these documents were signed.

In January 2011, the EIA Committee decided not to recommend the issue of an EIA licence. The promoter appealed against this decision and the matter was taken up by the EIA Tribunal. Finally, in January 2013, the Tribunal gave its ruling in favour of CT Power.

In January 2013, the Ministry of Environment issued the EIA licence to Mauritius CT Power Ltd. with 31 conditions including the transportation of coal by sea route. Condition 15 of the EIA licence required that the promoter should provide proof of its financial capabilities for the duration of the project to the satisfaction of the Ministry of Finance and Economic Development.

On 23 June 2013, the Mauritius CT Power Ltd. submitted a revised project to satisfy the conditions of the EIA with the following changes -

- (i) the project value increased from USD192 m. to USD348m;
- (ii) the use of water treated at Montagne Jacquot treatment plant for cooling of the coal plant, and
- (iii) debt Equity split 70/30 instead of 80/20.

In December 2013, the Central Electricity Board signed the amended Power Purchase Agreement (PPA) to incorporate the requirements of the EIA with the promise that the effective date of the PPA is subject to the signing of the Implementation Agreement.

In April 2014, the Central Electricity Board signed the following amended agreements

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- (i) the Coal Supply Agreement providing for the supply of coal by sea route and the construction of a jetty by the Central Electricity Board;
- (ii) the Shareholders' Agreement, and
- (iii) the Land Sub lease Agreement.

A Mauritius CT Power Ltd. delegation visited Mauritius in January 2015 and met me as well as the Minister of Finance and Economic Development. They requested that the Implementation Agreement be signed.

The Ministry of Finance and Economic Development asked CT Power Ltd. to submit a letter of comfort from its banks to confirm that it has the financial capacity to implement the project, in accordance with the condition 15 of the EIA licence. As at today, the promoter has not met this condition.

On 06 February 2015, Government has decided that the company should state its source of funding, within a reasonable delay, failing which the project would not be implemented. Up to now, no letter of comfort has been communicated. Insofar as my Ministry is concerned, it intends to recommend to Cabinet that Government does not go ahead with the project.

With regard to part (a)(i) of the question, the updated estimated cost of the project is USD348 m. and the purchase price of electricity is Rs4.58 per kWh excluding coal transportation costs, estimated at 10cts per kWh and power transmission at 0.17cts. The price will change on the basis of an indexation formula over 20 years.

With regard to part (a)(i)(B), the House is referred to what I have stated above. There has been no green light.

As regards part (ii) of the question, the CEB would require additional generation capacity of 50MW in 2017 and 2018 respectively. The Central Electricity Board has taken the following decisions –

- (i) installation of 60MW fuel oil based engines at St Louis Power station, that is, 4 x 15MW;
- (ii) extension of the agreement with Consolidated Energy Limited, Beau Champ to generate 22MW for a further period of three years, and
- (iii) invitation of Expressions of Interest for the generation of energy from renewable sources, including biomass and waste to energy.

With these measures, Madam Speaker, demand will be met within the short term until 2018. As regards the medium term, the World Bank is reviewing the capacity expansion plan based on updated economic conditions. The report is being finalised and is expected to reach us by the end of March. Based on the recommendations of the World Bank, a decision will be taken on the base load requirement as from 2018.

I have impressed and I assure the House that the Central Electricity Board will resort to a transparent and competitive bidding process, contrary to past practices of opaque unsolicited proposals, with clauses of confidentiality preventing disclosure of the agreements, and also, preventing public debates on these matters.

Now, I come to part (b) of the question, the Central Electricity Board did commission the Consultant Worley and Parsons, to carry out a study on the potential of using Liquefied Natural Gas for electricity generation in Mauritius. The report submitted in July 2014,

concluded that the upfront investment required in the Port to handle the Liquefied Natural Gas (LNG) including regasification facility would be around Rs20 billion.

There is no objection in making it public. I am, in fact, tabling a copy on the Table of the Assembly right now.

With regard to the last part of the question, CEB has consistently stressed the low absorption capacity of renewable energy with the CEB's grid. I have had several discussions with the *Agence Française de Développement*, the *Syndicat des Energies Renouvelables* and the International Renewable Energy Agency and I am confident in obtaining technical cooperation for the upgrading of the grid. I must also state that I have met Professor Joël de Rosnay who, in spite of the dismay he felt at being sidelined by the previous regime, has indicated his willingness to provide this Government with his expertise.

The CEB commissioned a study financed by UNDP and the World Bank to assess the extent of integration possible in the existing electricity grid. The report received in October 2014 recommended the following -

- (i) the existing grid can accommodate up to 70 MW;
- (ii) further upgrade is recommended to the existing Central Electricity Board power plants to enhance the integration up to 110 MW, and
- (iii) the use of large battery storage to increase the penetration up to 150 MW.

The ongoing renewable energy projects will cater for the 70 MW, or more, to increase the capacity to above 70 MW Central Electricity Board will implement the recommendations of the Consultant to increase the absorption of renewable energy technology. The Central Electricity Board will shortly issue the Expression of Interest to invite proposals from promoters for the generation of electricity from renewable sources namely wind, sun, biomass and waste.

Mr Bérenger: Madam Speaker, I am very happy to have heard the hon. Vice-Prime Minister say that insofar as his Ministry is concerned, it intends to recommend to Cabinet that Government does not go ahead with the project. Now, the suspense, I take it, has lasted long enough. Can I have some indication from the hon. Vice-Prime Minister that, now that all the checking and the cross-checking and so on have been done, that this will be brought to Cabinet within the shortest possible time?

Mr Collendavelloo: Absolutely, within the shortest possible time.

Mr Bérenger: While this is ongoing, on as we know, Madam Speaker, there have been very serious allegations of fraud and corruption, and *trafic d'influence*, right from the beginning with this CT Power Saga, but I have not heard any reference in the Vice-Prime Minister's reply, whereas his colleague, the hon. Minister Bhadain said on 04 February that his enquiries, *les projets de Neo Town, CT Power et l'achat d'Airbus sont aussi dans le collimateur du gouvernement*. Can I ask the hon. Vice-Prime Minister whether he has liaised with Minister Bhadain and whether, indeed, a full enquiry on the corruption side of the CT Power Saga is on?

Mr Collendavelloo: The CT Power is also in my *collimateur*, not only that of Minister Bhadain, and we are both using the same *collimateur*.

(Interruptions)

Yes, the hon. Leader of the Opposition did not hear me saying so, because his question did not invite that sort of answer, but now that he asked it, it is clear that at the level of my Ministry, in liason with the hon. Minister of Financial Services, we are looking into that aspect, but we want to stick to the facts and only at the facts at this crucial point in time.

Mr Bérenger: I have heard the new figures, from what I have heard, the total cost for the project if the decision was to go ahead, has gone up to USD 348 million and the price of electricity is Rs4.58 per kWh, excluding coal transportation costs. Can we know with the coal transportation cost what it would amount to and within that project cost revised of USD 348 million, as we know, the one scandalous part of the whole saga was that the CEB would construct a jetty. Before it was going to be constructed by the promoter, then it was decided that the CEB would construct the jetty without an EIA Certificate having been obtained. Do we have an estimate of how much, should the project go ahead, with the jetty part of that, because I think it went up to Rs750 m. to be paid for by the CEB? Where does the CEB stand now?

Mr Collendavelloo: If the project had gone ahead, the hypothetical estimate cost of the jetty would have been Rs600 m.

Mr Bérenger: It has been stated to stand at Rs750 m.; so, that is the first time I hear the cost of a part of a project moving backwards, but it is a good thing that it is a thing of the past, anyway. Madam Speaker, I better move to other parts of my question pending the Cabinet sitting in the very near future.

As far as the new tender is concerned, I heard the hon. Vice-Prime Minister say, once the World Bank and so on, we have come with estimates of our power requirements in the years ahead, then a tender would be issued in a transparent and competitive bidding process. Can I have confirmation that, indeed, it would be an international and local tender, open to international operators, but also to local operators for 50 or 100 MW pending on the results of the different studies ongoing and that, indeed, we would invite any proposal, any up-to-date technology to be employed, that is, coal, gas, LNG, bagasse coal, heavy oil to keep it open at an international and local level, and go for the best solution?

Mr Collendavelloo: As far as coal and oil are concerned, there is a worldwide prohibition, I would say, on development of power plants fired by oil or coal. For instance, the *Agence Française de Développement* told us, in no uncertain terms, that they would not finance any coal powered fire engine. The emphasis is on renewable energy and, however romantic that may be, it is actually something which can be realised very fast. All the people with whom I have talked favour joint ventures between the local private sector and international firms. There are certain variants; the emphasis will have to be made on that new type of energy. I will have to impress on the CEB that they need to have a culture change, that they need to accommodate their grid, they cannot just live in the same system that has been in existence since 1939. We will have to review our legislation, we will need to have a regulator, which I know the Leader of the Opposition has made a point to stress time and time again. I fully share this point; I have this file on my desk at the moment. All this must be seen in a global concept. Therefore, joint ventures between local private sector, international firms, tenders worldwide, and we will have to make emphasis also on waste to energy, because we are crumbling under our municipal waste, our leaching fields are getting more and more polluted when this can be used to supply energy. I am trying in a few words to say what I am going to say in my speech on Thursday.

Mr Bérenger: I don't want to rush a decision, but does that mean that when the time comes for an international and local tender for 50 or 100 MW additional base load energy, that a pure state-of-the-art so-called technology, a full coal plant will be excluded in the tender?

Mr Collendavelloo: This is my thinking actually to exclude this coal plant, even in the present state-of-the-art technology, unless it becomes inevitable for Mauritius to need to have access to coal for its power generation.

Mr Bérenger: I am very uncomfortable, Madam Speaker, with the tone. There seems to be no urgency as far as the hon. Vice-Prime Minister is concerned, and where he says that a decision will be taken on the base load requirements as from 2018. To build a new plant is tomorrow! It has to be tendered out, commissioned and so on, now, otherwise we don't meet that. Is the hon. Vice-Prime Minister aware that the former Minister said that we would be in trouble not as from 2018 if CT Power does not go ahead, not as from 2018, but as from 2017? Therefore, will he agree with me that there is no room for complacency as far as base load is concerned even if we are as optimistic as he is on renewable energy in the years to come?

Mr Collendavelloo: Well, I have the answer of the former Minister here. I have got tremendous friendship for him, but it seems that he was of the view that without CT Power it was doomsday for Mauritius. I do not share this view although I should not be complacent; I should not be dramatic either. I do not think that there is room for drama; I think we can manage the situation if we go fast. And, of course, all these points will be taken on board. I have carefully and almost religiously read all the interventions of my predecessor and of the hon. Leader of the Opposition in order to make up my mind on these matters. I shall be pursuing discussions with all concerned and, if need be, if the hon. Prime Minister so accepts, we will have an inter-ministerial committee with invitations to Members of the other side of the House if they so wish to come and help us because this is a national issue on which there is no room for trying to obtain credit or personal advantage or whatever.

Mr Bérenger: *Zis la ki li pas ine courtiser !*

(Interruptions)

Madam Speaker, I heard a positive reaction as far as LNG gas in the future is concerned but, again, I agree totally with the hon. Minister and I have been saying that for years, that we need desperately a regulator; the legislation was prepared by the 2000-2005 Government, ready, forgotten since then, and being judge and party has landed us in the trouble we are in. But we are aware that this report on LNG gas was commissioned, paid for by the CEB; again judge and party. Is the present Government satisfied that it is a genuine report, that it is not just reproducing what the CEB usually says, that Government can rely on that report to take strategic decisions and, in the meantime, have there been any discussions from LNG countries like Qatar, India and Mozambique nearer to us?

Mr Collendavelloo: There have been no discussions, but there are at least three promoters who have manifested an interest in LNG. One is saying that the best LNG is from India, two others from Mozambique, Qatar does not seem to manifest big love for these persons.

With regard to the report, admittedly, there is room for doubt as to the independence. This is why my predecessor had asked the World Bank to review this LNG report. I agree that this is what should have been done and we are awaiting the World Bank's findings on that report. We are not taking that report as being the gospel.

Mr Bérenger: The last part of my question, Madam Speaker, I take it from what I have heard that the policy decision of Government is to make optimum use of renewable energy in the days and years to come. Does the report received recently give any cost indication, how much it would cost to eliminate obstacles that exist, from what I understand, in the existing grid to allow for maximum use of renewable energy? Has there been any costing thereof and on storage, because that is the key question, the renewable energy, Madam Speaker, as we all know, is intermittent, it depends on the wind, on the sun, cyclone and on whatever; it is intermittent and there is a lot of work being done on storage, but, again, I heard the hon. Minister being very optimistic. Have we had discussions concretely with the people that are prepared now to offer a commercially viable method of storage of renewable energy?

Mr Collendavelloo: Well, the concrete discussions will be held only after formal expressions of interest have been received, but my Ministry and myself, we have held consultations, especially with IRENA and I have been surprised at the tremendous technological advances which have been made in the last year or so. I mean, this business about the clouds stopping the sun is gone a long time ago. In Germany, which is not a country as sunny as Mauritius, they have got renewable solar photovoltaic for ages past. Now, storage, the batteries are reduced, in Abu Dhabi, they are building up a town to go only on solar energy and it is fantastic what they want to do. We just go on the Internet and we see what technological advances are being made. Of course, it is going to cost money; of course, it is more than CT Power would have cost; more than the Rs348 m. if we want to do it for Mauritius. But Reunion has done it, Seychelles is doing it and they are well in advance of us. We shall learn from our friends in Reunion and Seychelles and we shall apply and adapt with the help of the private sector which is not going to be a State enterprise. The CEB will have to move out of what they were doing and we will have to have a new paradigm shift for the

installation of reliable, renewable, safe and constant energy for Mauritius in the years to come.

Madam Speaker: Hon. Bhagwan!

Mr Bhagwan: Madam Speaker, I think it is good news for the inhabitants of Albion and Pointe aux Sables region who have been living a nightmare since 2005. Can I make a request to the hon. Minister now that it seems that the Government would not go ahead with the project? Can the population be made aware of the extent of land which has been leased to that company and that in the course of future activities of development in the region the inhabitants be consulted prior to any new project being commissioned on that portion of land?

Mr Collendavelloo: Yes, it is 92 *arpents* which was leased at a nominal price of, I believe, Rs480,000 and then sublet to CT Power which was going to be at market rates. I am giving this answer from memory, the 92 *arpents* has just been given to me, but I believe the rest of the answer, if there is an error, I will correct it in due course.

Madam Speaker: Yes, hon. Bhagwan!

Mr Bhagwan: We are talking about renewable energy. Can the hon. Minister, at least, request an audit be carried out on all the projects which have been submitted to the Ministry? There have been proposals from individuals, private sector and which, for reasons unknown, we all know what has been happening at that Ministry at a period of time; whether an audit can be carried out in all the projects which have been submitted, especially with wind power and solar power; there may be valuable projects which have been left aside for reasons which we all know.

Mr Collendavelloo: Well, the reasons unknown which we all know, we are going through, but what is going to happen is that we are going to make an invitation for all those who have submitted projects to come back and *reactualiser* these projects.

Madam Speaker: Hon. Leader of the Opposition, you have a last question.

Mr Bérenger: My last question, although I am very pleased with the answer obtained from the hon. Minister, through the hon. Minister, I would like to aim my question at the hon. Prime Minister. Can we expect, as I said, especially with the strong recommendation of the hon. Minister directly concerned, that Cabinet will consider his recommendation to give up for good that CT Power project will really be as soon as possible? And secondly, although I

understand that hon. Minister Bhadain is very busy these days with other things, can I ask the hon. Minister since this is going to be a double-barrelled collimateur apparently, that the corruption side of it should not be forgotten or left behind and that we should be kept informed as we go along of the results of this double-barrelled collimateur at work?