

ORAL ANSWERS TO QUESTIONS

CT POWER PROJECT & POWER PURCHASE AGREEMENT

The Leader of the Opposition (Mr P. Bérenger) (*By Private Notice*) asked the Minister of Public Utilities whether, in regard to electricity production, he will state if the CT Power Project is now abandoned and –

- (a) if so, whether tenders will be called for a bagasse/coal plant, and
- (b) if not, whether the Power Purchase Agreement has been finalised, indicating –
 - (i) if an international environment expert has been appointed;
 - (ii) the names of the promoter's negotiators;
 - (iii) the countries in which the promoter operates similar plants, and
 - (iv) the names of the ultimate shareholders, and
- (c) whether tenders for two 15 megawatt plants have been issued.

Dr. Kasenally: Mr Speaker Sir, in line with the Power Sector Capacity Expansion Plan 2006-2013, a number of projects have been identified to allow for the matching of demand and supply in the short to medium term. In fact, these projects have been identified to ensure reliability and security of supply over time.

In this context, the (Mauritius) CT Power Ltd filed in a proposal to the Board of Investment and was issued a letter of intent on 21 April 2006 for the setting up of a 3 x 50 MW coal fired plant at Pointe aux Caves using a pulverised coal technology which is known to be more efficient than the spreader stoker one. Consequently, the promoter approached the CEB to start discussions on the proposal.

Thereafter, the CEB set up a panel to negotiate with the promoter with a view to concluding a power purchase agreement. During that stage, Government had to create space to accommodate power projects from the sugar industry. This came in the wake of the major structural reform of the sugar sector. Accordingly, the CEB requested the promoter to downsize its project. The BOI raised no objection to the downsizing proposal. The promoter agreed to that decision and came up with a revised proposal for a 2 x 55 MW plant. Since then, much ground has been covered and I am informed by the CEB that it is almost on the point of concluding a power purchase agreement.

Mr Speaker, Sir, the project has not been abandoned and, therefore, there is no need to call for tenders for a bagasse coal plant at this stage. However, it is worth pointing out that in the Power Sector Capacity Expansion Plan, which I have referred to earlier, provision has been made for a number of bagasse-coal plants with a view to optimising the use of bagasse in electricity generation. Actually, the *Compagnie Thermique de Savannah* was expected to come up with a 25 MW plant in 2008 for which a letter of intent was issued by the CEB on 16 November 2006.

Provision has also been made for FUEL to come up with a 30 MW bagasse-coal plant in 2009. Besides, a 25 MW plant from Médine was expected on a strictly felt basis, after horizon 2011.

As for part (b), I am informed by the CEB that negotiations for the Power Purchase Agreement and the Interconnection Facility Design and Build Agreement have already been clinched. I am, further informed that along side the PPA, there are other instruments which are called for and these are being currently looked into. CEB is attending to matters pertaining to land lease agreement, shareholder's agreement and coal supply agreement.

In addition, the implementation agreement has to be addressed at the level of the Ministry of Finance and Economic Development.

Mr Speaker, Sir, as regards part (b) (i) of the question, I am informed by the Ministry of Environment and National Development Unit that with the assistance of UNDP, an Environment expert will shortly be appointed to help assess and review the EIA application. UNDP has already launched tenders for the recruitment of the expert and the closing date is 18 July 2008.

For part (b) (ii), the representatives of the (Mtius) CT Power involved in the negotiations have been as follows -

1. Mr Sundram Muthusamy, Project Manager
2. Mrs Babita Jowaheer
3. Mr Francis Bazil Peter
4. Mr Mohamed Najib Hussain
5. Mrs Margaret Velayutham
6. Mrs Sabriya Khan
7. Mr Zain Bazor
8. Mr Chee Foon Poy
9. Mr Bobby Tan Moon Kiat
10. Mr Faiz Hashim
11. Mr Xi Xue Chang
12. Mr Liu Bai Qing
13. Mr Richard Xai

As far as part (b)(iii) of the question is concerned, I have to inform that the (Mauritius) CT Power is in the advanced stage of finalising the Engineering Procurement and Construction contract with the Shanghai Electric Corporation (SEC) a well established Chinese EPC contracting company which is listed in the Shanghai Stock Exchange.

In collaboration with the Shanghai Electric Corporation, the (Mauritius) CT Power has earmarked Datang Taiyuan No. 2 Co-Generation Power Plant to be the Operation & Maintenance Contractor.

Datang Tai Yuan No. 2 Co-Generation Power Plant is a unit owned by the China Datang Corporation which is one of the five large scaled power generation enterprises in the Republic of China, established out of the former State Power Corporation of China. The Datang Corporation is one of the largest conglomerates in China, highly respected and involved in multifarious activities with more than 100 operating units involved in power production.

Datang Taiyuan No. 2 Co-Generation Power Plant has a very long experience as an Operations & Maintenance provider. To date it has approximately 3000 staff and operates up to 1200 MW capacity coal fired plants.

As regards shareholding in the venture, this is the first time ever in Mauritius that the CEB has secured equity partnership in a power plant project. CEB holds 26% of the shareholding and the (Mauritius) CT Power Ltd the remaining 74%. I am informed that the (Mauritius) CT Power Ltd has made a proposal to the CEB as follows –

- Class A shares without moratorium and pre-emptive rights to the (Malaysia) CT Power Ltd;
- Class B shares 26% to the CEB Investment Co. Ltd., a private company set up by the CEB for the purpose of securing equity partnership;
- Class C shares 58% to the (Malaysia) CT Power Ltd with pre-emptive rights and moratorium.

However, the CEB has not yet reached any agreement thereon and discussions are still on. I understand that the CEB favours the option whereby there will be two classes of shares; more precisely 26% CEBICL and the remaining 74% the (Malaysia) CT Power Ltd on same terms.

When answering to part (c) of the question, I shall also replying to PQ No. B/871 which is on the agenda for to day.

I am informed by the Central Electricity Board that it proposes to expand the existing thermal production capacity at Fort Victoria Power Station. This expansion is required to meet mid-merit demand which is semi-base for electrical energy.

Tender documents have been prepared and submitted to the Central Procurement Board for examination.

As regards parts (b) and (c) of the question, I am informed that the CEB is planning to install two diesel-based thermal units of a capacity in the range of 12-15 MW each. It is estimated that the two additional units will cost about Rs1.2 billion.

As regards part (d) of the question, a fast-track procedure is being followed for the timely commissioning of the plants. It is expected that tenders will be issued by August 2008 and the closing date will be September 2008. Following evaluation of tenders and award of contract, a further 18 months would be required for the construction of the plants on a turnkey basis. The commissioning of the plants is planned to take place around 2010.

Mr Bérenger: Mr Speaker, Sir, I won't quarrel with the fact that the Clerk has sent several improved copies and the Minister is using not the last copy that reached his Ministry but the last, but one, therefore the numbering and so on won't be the same. How does the Minister explain that in the Budget Speech, the Minister of Finance said most categorically that we must reduce our dependence on fossil fuel and, coal is the dirtiest fossil fuel, and only last week, we amended the legislation so that fully unsolicited bids are no longer allowed. In spite of these two things, how can we explain that we go forward with an unsolicited bid to produce electricity from coal, the dirtiest fossil fuel that we are supposed to reduce our dependency upon?

Dr. Kasenally: Mr Speaker, Sir, we can reduce our dependency on fossil fuel. But fossil fuel is here to stay. What we can do is by diversifying our energy mix, we are going to use renewables and as little fossil fuel as possible. Even at the recent G8 meeting, attempts have been made to pressurize the big powers, the emerging economies like those of India and China to sign up a protocol for reducing carbon emission. But I must say that these countries and even the USA where most of the electricity is generated by coal, are also diversifying to try to reduce it. What we can do is to improve; I agree that coal is a polluting element, but we have so far been using coal. We have got one coal plant, CTDS, which is using only coal, and all the IPPs are co-generation plants using coal as well as bagasse. As far as this unit is concerned, we are using pulverized coal which is less polluting than the others we have been so far using. Over and above that there is an electronic precipitator which is going to reduce the emission of coal particles to the atmosphere. Over and above that, we have created a dish pond which no other IPPs have, to contain the ash which has been liberated all over and spread in the sugar cane. As far as the other question is concerned, the letter of intent was given by the BOI and we have already started negotiations not only for CT Power, but also for Gamma Civic, and this has reached an advanced stage. I think it would have been detrimental to the CEB and Government to stop it, but from now on, we will stick strictly to what we have voted. I think this Government is all out to ensure that there is a level playing field to all stakeholders and we are going to do it in a very transparent manner. In fact, our energy policy will be finalized in the months to come following a document which has been produced by an expert from the European Union and handed over to me a couple of weeks ago. I have put a small committee of experts in my Ministry together with the CEB to finalise it because we have to ensure that whatever we put is in line with the policy of Government. I must stress that some of the recommendations are clearly not acceptable to Government but, in due course, we will come out officially with what we propose. We are also hoping to get the help of the UNDP to have the TP21 which came up last week and they are going to ensure how we can achieve all the goals with whatever we propose.

Mr Bérenger: Mr Speaker, Sir, I am sure the hon. Minister will agree with me. The fact remains that going ahead with the 110 megawatts coal only plant will not decrease but, on the contrary, increase our dependence on fossil fuel and the dirtiest one is coal. In that context, can I ask the hon. Minister whether he has taken cognizance of statements made recently by the Executive Director of the Mauritius Sugar Authority saying that the strategy is for Mauritius to produce one third of its electricity from sugar and byproducts of sugar by 2015 and he added that this increased use of sugar and sugar byproducts in electricity production will eventually displace about 300,000 tonnes of coal every year, saving nearly a million tonnes of carbon dioxide. How does he react to that comment and will he agree that it is total contradiction with the idea of pressing ahead with the coal only plant?

Dr. Kasenally: I have not read the statements made by the Executive Director of the Mauritius Sugar Authority. They have come up, I understand, with some ideas of using thrash and cane tops to boost up the amount of electricity generated by sugar cane. In fact, it is also Government and the CEB policy to make use of each and every single gramme of bagasse in a very efficient manner. The new technology, which I understand the sugar industry will be introducing forward, will be high power pressure which gives you much more electricity than the current technology. But I don't know where he got his figures. Sometimes we are at odd with that gentleman and we do not believe in all his forecasts. However, I would have to point out that, as far as we are concerned, what Mauritius is producing in terms of carbon dioxide emission is much less than whatever is our share. Also I must point out that sugar cane is one of the most efficient plant to capture carbon dioxide. It, in fact, acts as a carbon sink. It does not capture carbon and sequesterate it as the current term CCS is concerned - this is a very expensive technology, but it is a natural technology. I will agree with my hon. friend, the hon. Leader of the Opposition, who had been putting so many questions on CT Power. He seems to be very interested and knows all the technologies.

But, Mr Speaker, Sir, we are going to need that electricity and I think there will be no excess of electricity produced by these two units. Anyway, whatever new plants are coming, for co-generation, coal will be a very important component. Therefore, we must ensure that we use the best technology.

Mr Bérenger: Mr Speaker, Sir, I think I heard the hon. Minister say that the Power Purchase Agreement between CEB and the promoter has been finalised. If I heard rightly, can I request that a copy be put in the Library?

Dr. Kasenally: It has nearly been finalised. I can give some indications of something which is very interesting and which will interest the House. I give a comparison of what we pay. Currently, we are paying CTBV: Rs4.63 per kilowatt/hour; CTSAV: Rs4.41; CT Gears: Rs4.53, and CT Power, according to our PPA, will cost us only Rs4.20. But once the Power Purchase Agreement is finalised, I will see if there is no legal impediment not to lay it on the Table, because I am prepared to put everything on the Table in the name of transparency and good governance.

Mr Bérenger: I heard the hon. Minister say that it is nearly ready to finalise our purchase agreement. How can he explain that in the House, on 25 March of this year, he told us that the final draft agreements had been forwarded to the promoter on 29 February 2008? We are now in July. Can we know where the problem lies?

Dr. Kasenally: I don't know about all the technical details. It was the final draft, but a final draft can also be amended. I have told the CEB to ensure that they get the best deal for the people of this country. Therefore, there must have been some technical details. I am sorry, I don't know what they are but, in fact, I will press upon the CEB to conclude it as fast as possible.

Mr Bérenger: I heard the hon. Minister say that the UNDP will be issuing tenders, and he mentioned the date of 18 July. Can I know who prepared the terms of reference of that consultant who is going to look at the EIA document submitted by the promoter?

Dr. Kasenally: Mr Speaker, Sir, this concerns the Ministry of Environment and they have been doing it, I understand, jointly with the UNDP to ensure that we get the right person to do such a delicate exercise. In fact, I think it is closing in 3 days' time. And we will be getting it soon because we have delayed quite a lot on this aspect.

Mr Bérenger: It is a good thing that we have an international environment expert who will be looking at the EIA document submitted by the promoter. Can I ask the hon. Minister, in a more general way, whether he is aware of the number of cases across the world, and not far from us, most recently, last week, in Kenya, where the Courts have been stepping in, to stop on environmental grounds, projects going ahead? Last week, the Courts stepped in, in Kenya, to hold a US\$370 project on environmental grounds. Is he aware of the number of cases coming up in that way and that this is a possibility in the future as far as CT Power is concerned?

Dr. Kasenally: Mr Speaker, Sir, we are in a free country, *un état de droits*. I think it will be bound to be people who will protest and bring legal action. In fact, they have done it recently for Gamma Civic and the Court has ruled favourably. While hoping for the best, we must be prepared for all scenarios. Coal technology is being used all over the world and as we move on, there are more recent technologies which are being used. I agree with the hon. Leader of the Opposition that the former coal technology is polluting. In fact, in China, I think every week we have got two or three coal power stations going up. It is the same thing in India. That is why they did not agree to whatever carbon reduction that has been advocated by the G8.

Mr Bérenger: On 04 December 2007, we asked for information as to who operates the plant in China which was visited by the CEB and other experts. In the course of the exchange of questions and answers on 04 December, the hon. Minister was categorical. I asked him, apart from China, is there any country and, in Malaysia itself, do they operate a plant? His reply was, I quote –

“Yes, Mr Deputy Speaker, Sir, there is a plant operating in Malaysia. We will send a team there.”

Is he confirming? Because my information, as I said, on that occasion, is to the contrary, that there is no plant operated in Malaysia by that promoter. Will he confirm that there is? And if yes, have we sent a team, as he said, he would?

Dr. Kasenally: Yes, Mr Speaker, Sir, the CEB did send a team who went not only to Malaysia, but also to China. In fact, I have got a report which I will probably lay on the Table of the Assembly in the name of transparency. The promoter is not, as I said, the operator. They will be contracting a promoter to operate. I have said extensively in my answer that the companies which I have mentioned are operating not only in China, but also in Malaysia. It is not under the Malaysian CT Power, but they have got their company which operates and maintains these plants, not only in China, but also in Malaysia.

Mr Bérenger: Can I have the name of the company in Malaysia?

Dr. Kasenally: There is a Malaysia CT Power which is, as I have said in my answer, the Datang Taiyuan No. 2 Co-Generation Power Plant. It is a unit of China Datang Corporation.

Mr Bérenger: As to my question relating to the ultimate shareholders, in his reply, from what I heard, the hon. Minister said that the shareholders would be ultimately the CEB and Malaysia CT Power Ltd. Can I ask the hon. Minister whether it has been checked that Malaysia CT Power is a registered company in Malaysia, that it is on the stock exchange and, I meant, ultimate, that is, who are the shareholders of Malaysia CT Power Ltd?

Dr. Kasenally: Before answering that, Mr Speaker, Sir, I would say that the EPC contractor also operates power plants in Malaysia, I will give the precise location, it is in Sarawat which is in Malaysia and also, as I said, in China.

As far as the shareholding is concerned, I said I have to check. I will probably provide the information subsequently about the financial status of Malaysia CT Power in the stock exchange. But, as I have said, the CEB, as far as we are concerned, wants 26% ...

Mr Speaker: That has already been given by the hon. Minister. I would not like the hon. Minister to repeat it again, in the interest of time.

Mr Lesjongard: Mr Speaker, Sir, the hon. Minister has been stating regularly in this House that with regard to the boilers, the promoter is going to use the pulverised coal technology. Will he agree that the promoter is

using the least performing technology which is some 50 years old and is called the sub-critical pulverised coal burners?

Dr. Kasenally: Being an engineer, the hon. Member is using all the technical points to try to put it forward. As far as I am concerned, my engineers at the CEB are looking for the best technology. I do not know whether it is 50 years old China is moving so fast and they are producing not only 1 or 2, but 500 per week and most of them are used China; some of them in India and the rest is for the world. I am told that they are the most performing one, unless I got proof otherwise, I will start investigating.

Mr Bodha: Mr Speaker, Sir, may I ask the hon. Minister how he reconciles what he has just said, that it is a very efficient one and what he replied to a question on 01 April, that it is not the most advanced coal technology? He himself says so. May I ask him how he reconciles the statement he made in the House today and what he made in the House a few months back?

Dr. Kasenally: It is easy, Mr Speaker, Sir, I said it in April, but things are evolving.

(Interruptions)

This world is dynamic. At the beginning of the year, how much was the price of a barrel? It is moving. In fact, I said it about the spreader stoker technology. It is the least efficient as compared to pulverised coal.

Mr Bundhoo: Mr Speaker, Sir, may I ask the hon. Minister, in the agreement under discussion now, what is going to happen to CT power station once the agreement lapses? Secondly, the hon. Minister mentioned the unit cost of electricity by CT power. How does it compare with rather sale than for the cost of producing electricity?

Dr. Kasenally: Mr Speaker, Sir, it does not arise because we are nearly finishing it. As far as the cost is concerned, this is what it costs to produce it and then we sell it across the grid and we have got a tariff of the CEB.

Mr Ganoo: Can the hon. Minister confirm whether CEB will set up a subsidiary company which will import coal and the CEB will have to bear the costs of any increase in coal? As we know, Mr Speaker, Sir, the price of coal has gone up from USD70 to USD200 per ton and that will be to the detriment to the consumers and the CEB.

Dr. Kasenally: In fact, it is correct. The CEB has set up a coal equity company to import coal. Let me remind my colleague that, as far as coal is concerned, the CEB still pays for the coal whatever the price. There is no difference because we have got a company which brings in the coal, but the price of electricity is indexed to that of coal. It is no great financial disadvantage. In fact, it will help the CEB to exactly see what is happening as far as transport of coal and actual cost of coal are concerned. Everything is going up in this world. Nobody is going to have a free lunch.

Mr Bhagwan: The hon. Minister has just stated that time is evolving. Can the Minister give an undertaking to the House that this company will not bring to Mauritius dismantled plants from elsewhere, especially from China or Malaysia?

Dr. Kasenally: Mr Speaker, Sir, this Government will not tolerate second-hand rubbish being dumped to Mauritius. We have had it once with CTDS and Beau Champ. We are not going to have it, we will be very watchful. We will ensure that the interests of the CEB and the consumers are taken care of.

Dr. Mungur: Mr Speaker, Sir, we are dependent on fossilised energy. Of course, it is a dirty fuel, but let us not have illusions. This is going to stay for quite some time. The annual carbon footprint for the African countries is .9; for European countries it is 11.1 and for America, the worst polluter country, it is 25. May I ask the hon. Minister if he is contemplating any study to know what is the annual footprint per capita for Mauritius?

Mr Speaker: I think the question must be addressed to the hon. Minister of Environment.

Mr Lesjongard: Mr Speaker, Sir, this is for the first time that we are going to use sea water as a cooling medium. Will the hon. Minister give the figures of the temperature of the water at the outtake? Because we understand the figures that the promoter has submitted is well above international standards and this is going to be detrimental to aquatic life.

Dr. Kasenally: I am very surprised that the hon. Member has got access to all the confidential documents.

(Interruptions)

As far as I am concerned this matter is being looked into and that is why we have got the expert from UNDP who is going to sort it all out.

Mr Bérenger: Mr Speaker, Sir, we are dealing with coal, the most polluting fossil fuel. We are dealing with an unsolicited bid and, through the process, there have been all sorts of *magouilles* like, for example, not building a jetty or shifting responsibility for coal importation on to the CEB. This is there. The plant was supposed to start producing electricity in 2009. Now 2011 is mentioned and it won't be 2011, if it is ever. I mentioned the possibility of long court case and so on. We are talking about a 110 megawatt. Is the hon. Minister prepared to put his neck on the chop and gives us the guarantee that in two or three year's time there will not be blackouts, shortage of electricity supply in Mauritius?

Dr. Kasenally: Mr Speaker, Sir, I spent most of my time chopping necks, I do not know whether I should allow my neck to be chopped. We have got a plan B, as the hon. Prime Minister always says, we have got ways and means in the very unlikely case of this project coming down. We are going to cross the bridge when we come to it. Whether it is wishful thinking from some people who are praying for us to have outages, but you know, there are outages all over the world, even in Pakistan and South Africa. But let's hope and pray that this does not happen and I am confident that it will not happen.

Mr Speaker: Questions addressed to the hon. Prime Minister! The Table has been advised that PQ No. B/850 will be answered by the hon. Deputy Prime Minister and Minister of Public Infrastructure.