

The Editor
The Public Agenda
Accra

23rd November 2009

Dear Sir

REJOINDER: 'THE GREAT GOLD ROBBERY'

THE GREAT GOLD ROBBERY

We refer to the story in the Public Agenda of 9th November with the above heading, inaccurately and improperly characterized the price Ghana's mining industry pays for electricity. We would like to correct those misperceptions.

Acting in every way as a good and valued citizen is the first goal of the companies that comprise the Ghana Chamber of Mines. We do this through our investment in the economy, creation of high quality jobs and care for the environment. We know that Ghanaians value the industry and we in the Industry always want to act in ways that earn the respect and trust of the people of Ghana.

The recent article challenged this trust by inferring that the mines are somehow being subsidized by the people of Ghana. Nothing is further from the truth. It is true, however, that the mines pay less per unit of electricity purchased than do people at home. There are good and logical reasons why this is the case.

The mines are classified by the Government of Ghana as "bulk supply" customers. The same is true with most large industries in most countries. The mining companies purchase electricity in bulk directly from the Volta River Authority. In this way, the mines are much like the Electricity Company of Ghana as it also takes its electricity from VRA. But to get power to residential customers, ECG must install and maintain thousands of miles of electrical distribution lines. The additional cost of serving residential customers is the primary reason for the difference in electric prices. The current distribution service charge gazetted by the PURC in June 2008 is GHp 5.85/kWh.

So ordinarily, one would expect that the difference between the Mines tariff (Bulk Supply Consumers) and that of the average ECG residence should be the GHp 5.85/kWh. Anything more or less would determine who indeed subsidizes the other.

The average ECG consumer (all classes of ECG consumers including lifeline consumers) pay GHp 16/kWh while the average Mine Consumer (Bulk Supply Consumers) pay 10 US Cents/kWh or GHp 14.3/kWh. If one subtracts the distribution service charge of GHp 5.85/kWh, the ECG should be paying the VRA a Bulk Supply Tariff of GHp 10.15/kWh. On this basis alone, it shows the mines are paying GHp 4.15/kWh or 41% more than the ECG. Granted that the VRA provides some services at our mine based substations that are valuable, the mines do understand that they should be paying slightly more than the ECG to justify those services. It will also interest you to know that the ECG currently pays the VRA a Bulk Supply Tariff of GHp 6.92/kWh, or 107% less than what the mines pay. This premium naturally goes to subsidize the consumption of the ordinary residential consumer and not the other way round. It is obvious that if government subsidizes a consumer group then it cannot be the mining companies.

Another thing of note is that the Chamber's calculation shows that the current cost of bulk power should be around 8 US cents/kWh or GHp 11.4/kWh on the basis of known price of light crude oil, generation mix and exchange rate of GH¢ to the US dollar.

There has been an argument being put forward by some groups that Ghana should resort to short run marginal cost pricing for its electricity. Whilst there may be valid reasons for this advocacy, it is worthy to note that the application of short run marginal pricing will clearly result in a significant increase in the tariff to all class of consumers given the current state of the country's electricity market. In our advised opinion, given the demand and supply dynamics in Ghana, the introduction of short run marginal cost pricing of electricity is premature and will be counter productive.

It is surprising that an argument could be advanced for the price of an industry's input, in this case power to be related to the price of its output. These are 2 entirely unrelated parameters. Indeed the cost of an industry's input should be related to the cost of producing or generating and delivering the product. Tying the price mines pay for power which is an input, to the price of what they produce makes no economic sense. To do so could damage the Ghanaian economy when gold prices are low.

We believe that the cost of power to the mining industry and all other consumers should be reflective of the cost of generating, transmitting and distributing the product. Of course with a social shield for the vulnerable in society who cannot

afford. In that regard we support the life line tariff and have contributed to its funding by paying a premium over the Bulk Supply Tariff.

It is surprising that the paper makes reference to the EITI Aggregator's report that mining companies have not paid capital gains tax. This is an issue which has been over flogged. It is common knowledge that depending on the nature of a business transaction, payment of capital gains tax may not be triggered. It is worthy of note that the Aggregator has subsequently stated that a mining company had paid capital gains tax.

Mineral royalty rates payable are dependent on a company's operating ratio. Generally, the higher the operating ratio, the higher the royalty rate. The formula to trigger the movement of royalty payable is determined by government and the companies comply. No one has cited any company for infringing the government's regulations in order to pay the minimum 3% royalty rate.

We are disappointed that the Public Agenda printed the recent allegations without fulfilling its responsibility to verify the facts.

The Chamber and its members are always available to provide al the information you need to enrich your stories on the industry.

Thank you in anticipation.

Ahmed Nantogmah
The Ghana Chamber of Mines
Accra.

The Editor
The Statesman
Accra

22nd April 2008

Dear Sir

REJOINDER: ‘Mining Firms Polluting Water Bodies – Minister Admits’.

We refer to the story on page 10 of the Monday April 14, 2008 edition of your paper written by Vassillisa S. Antwi and Kwabena Adu Koranteng, and headlined **‘Mining Firms Polluting Water Bodies – Minister Admits’.**

We wish to draw your attention to the fact that the Hon. Minister for Lands, Forestry and Mines did not say that Mining Firms are polluting water bodies. What he Minister said was that, **“small scale mining companies are polluting the various water bodies in mining communities with mercury”**. And as captured by your reporters, the Minister said that; **“interestingly, the small scale mining companies for indulging in the illicit act rather than the bigger mining firms”**.

The above just reiterates our argument that your reportage has misled the public into believing that mining firms are responsible for the pollution of the water bodies.

We think the headline was deceptive and cast a slur on the image of the industry as well as the rigorous environmental protective measure adopted by mining companies in Ghana. In this regard, we demand that you publish this rejoinder in order to set the records straight.

As a socially and environmentally responsible industry, the mining industry does not discharge its effluents into water bodies.

The Chamber and its members are always available to provide al the information you need to enrich your stories on the industry.

Thank you in anticipation.

Media and Protocol Department
Chamber of Mines
Accra.