



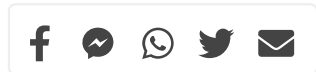
GUYANA NEWS

China Railway having difficulty raising \$\$ for Amaila hydro



Bharrat Jagdeo

By [Stabroek News](#) May 31, 2022



Unable to finance the construction of the roughly US\$1b Amaila Falls Hydropower Project (AFHP), China Railway Group Limited (CRGL) has written to the government requesting that it consider a different model of financing and this may now require re-tendering for the controversy-ridden project.

Speaking on the negotiations between the company and government, Vice President Bharrat Jagdeo yesterday told a press conference that CRGL had advised that they are "having a hard time doing the BOOT (Build, Own, Operate and Transfer) Contract and they want to shift to an EPC (Engineering, Procurement and Construction) plus financing, where the government finances the project and they will be the contractors."

According to Jagdeo the suggested method of financing is not possible at this time since those are not terms under which the company bid for the project. It is likely the government will have to re-tender the project if company fails to find the financing.

"We are still in negotiations. We are still trying to get them to meet the commitment that they bid for... if we can't change that we can't get it done under the BOOT, we can't proceed with the company we will have to re-tender. We will not be able to conclude the contract," Jagdeo said during the press conference at the Office of the President.

Government has been in negotiations since November last year and has not been able to make headway for an agreement on the project which has been on and off the agenda for over 15 years.

"The last six months we have been struggling to reach an agreement. We will have to give a deadline and cancel if they can't proceed with the original model...The tender was about Build, Own, Operate, Transfer, not a EPC Plus finance model...so we may have a setback on that," Jagdeo said.

The Vice President said that while this will delay their plans for the energy sector, the PPP/C government remains committed to ensuring the cost for energy is reduced by 50%.

Pressed on what difficulties the company has been experiencing, Jagdeo said "they simply can't raise financing."

When asked if there are considerations to engage the second most competitive bidder, he responded in the negative stating that that bidder proposed a higher retail figure per kilowatt hour – US 9.9 cents.

CRGL in their bid proposed to sell electricity to the government at US\$0.07737 per kWh. With the gas to energy project set to come on stream in several years, Jagdeo said it would not be feasible to lock in an agreement to purchase electricity higher than US 6 to 7 cents per kilowatt hour.

He stated that when the project was initially conceptualised and was being undertaken by Sithe Global, a subsidiary of Blackstone, government was prepared to purchase electricity at US 10 cents per kilowatt hour since they were generating electricity at twice that cost.

Questioned too on whether government is prepared to engage in an EPC financing model should they return to tender, the Vice President said no consideration has been given to that and it will have to be discussed extensively before they make a commitment.

It was contended that the model chosen for the construction of the AFHP was well thought out as government did not want to incur any debt.



Under the BOOT arrangement, CRGL would have operated the project for twenty years before transferring it to government.

Most capable

CRGL was awarded the contract on Cabinet's no-objection after being deemed the "most capable partner" for the project.

A release from the Ministry of Finance had said the Chinese company will provide the entire equity required and undertake all the risks associated with the project and Guyana will not be investing any finances.

Jagdeo last November had said "Amaila still remains the best option for meeting baseload renewable energy for Guyana. That is the only way you can decarbonise, so the only way to achieve renewable energy is through the construction of the hydropower," while making reference to a Norway study done after the former David Granger-led administration took office.


He explained that despite the delays and shelving of the project by the APNU+AFC coalition-led government in 2015, Guyana stands to benefit from a better deal. In the initial deal, he explained, electricity would have been purchased at US 10 cents per kWh but under the new deal GPL will be purchasing electricity at US 7 cents per kWh or lower.

Four companies – three Chinese and one Brazilian – responded to government's Request for Proposals (RFPs) for the resuscitation of the AFHP.

Government wants the project to be completed and commissioned by the end of 2025.

According to the RFP, the Summary of Scope of Works entails a 165 MW installed hydro dam, plant, and related works; Transmission Line and Structures: 270 KM double-circuit 230 KV from Amaila to Sophia; 230 KV Substations in Linden and Sophia; Creation of a 23 square KM storage reservoir; upgrades and completion of roads and bridges to the site (85 KM new; 122 KM existing); and assumption of all geo-technical risks including guarantees relating to the structure of the reservoir, dam and transmission towers.

The hydro project, previously pegged at US\$858.1 million, had been the flagship project of the PPP/C government when it was in power pre-2015. However, then opposition A Partnership for National Unity (APNU) and the Alliance For Change (AFC) had used their joint one-seat majority to effectively halt the project.

Once in government in 2015, the APNU+AFC coalition scrapped the project, citing costs and other concerns, while signalling that it was focusing on an energy mix with natural gas as a prime component. 

A Norconsult report, which was meant to be a final study of the project and commissioned under the Guyana-Norway partnership, was generally favourable towards the venture but the APNU+AFC government interpreted it differently.

In September 2012, the then PPP/C government led by former President Donald Ramotar signed the initial agreement for the construction of the project with Sithe Global and China Railway First Group.

