

No. 2018-112

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the Republic of Liberia and has the honor to seek the Ministry's assistance in passing the attached document entitled: "Stabilizing Liberia's energy sector to deliver affordable and reliable power requires a financially sound utility to sustain significant donor investment", from partners including the EU, Germany, Ireland, Norway, Sweden, United Kingdom, United States and the World Bank directed to the Honorable Samuel D. Tweah, Minister of Finance and Development Planning, Honorable Gesler E. Murray, Minister of Mines and Energy, Honorable Archibald Bernard, Chairman, LEC Board of Directors, with courtesy copies to Honorable Nathaniel F. McGill, Minister of State for Presidential Affairs, Honorable Trokon Kpui, Minister of State without Portfolio, Honorable Gbehzhongar M. Findley, Minister of Foreign Affairs.

The Embassy of the United States of America avails itself of this opportunity to renew to the Ministry of Foreign Affairs of the Republic of Liberia, the assurances of its highest consideration.

Embassy of the United States of America,

Monrovia, July 18, 2018

Attachments: As Stated



DIPLOMATIC NOTE

Monrovia, July 17, 2018

Honorable Minister Samuel D. Tweah Jr.

Honorable Minister Gesler E. Murray

Honorable Archibald Bernard

**Power to the People: Stabilizing Liberia's energy sector to deliver affordable and reliable power requires a financially sound utility to sustain significant donor investments**

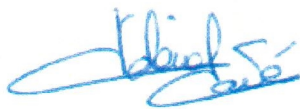
We congratulate the Government of Liberia on the generation of 187 GWh of affordable energy from the Mt. Coffee Hydropower Plant since December 2016, with more to follow when works are finalized. Total installed generation capacity is now 126MW (88MW from Mt. Coffee hydropower and 38MW of thermal plants) against a peak demand of only 31MW. Total partner commitments of over USD 825 million in the electricity sector of Liberia support the government's efforts at the Mt. Coffee Hydropower Plant, in transmission and distribution of power, training at the Liberia Electricity Corporation (LEC), sound administration of the utility, and the completion of the CLSG network. If successful, these projects will transform the lives of millions of Liberians and underpin economic growth urgently needed to achieve President Weah's pro-poor agenda. In light of the stakes, we note with great concern that LEC faces substantial financial and managerial challenges which risk the sustainability of the Mt. Coffee Hydropower Plant, as well as the success of other initiatives and opportunities in the energy sector. Urgent challenges requiring the Government's engagement include:

- Payment by the Government (LEC's largest customer) of its utility bills; these arrears represent needed funding for LEC's basic operations, such as connecting customers and servicing contractual obligations toward suppliers--including operations, maintenance, and training at Mt. Coffee;
- High commercial losses for LEC that nullify rewards of lower cost energy generated by Mt. Coffee;
- Deviation from the terms of a management services contract signed by the LEC board delegating exclusive operational authority to ESBI through oversight of a board of directors. It is difficult to see how the interim management team of ESBI could bolster LEC's foundation if the Government were to propose a long-term, financially and technically mismatched power purchase contract;

The remedy for a potential 0 – 20 week gap of 0-15MW during the dry season (CLSG is expected to bridge the gap in early 2020) cannot be a decade-long, year-round financial commitment to purchase 36MW of power and fuel to keep a power barge running 24/7. The Karpower proposal provides more of what Liberia already has in excess, would inhibit LEC's ability to focus on connections and distribution, and would incur for LEC unnecessary debt in the millions of dollars that would result in higher prices for consumers. Practical solutions to this short-term gap exist; for example, a combination of full utilization of Mt. Coffee hydropower and HFO plants at Bushrod Island, and managing demand (large commercial

users switching back to self-generation in the dry season) should the demand exceeded 44MW. By 2020, the CLSG's additional capacity (27MW) could be further increased to meet 2020-21 dry season needs.

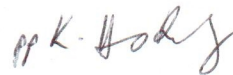
We appeal for urgent intervention to safeguard current investments in the electricity sector, and we remain available to the Government for consultations on these or additional issues of concern. Without the Government's positive engagement on these issues, it would be difficult to sustain the unprecedented level of coordinated support for Liberia's electricity sector.



Hélène Cavé  
Ambassador  
Delegation of the  
European Union to  
Liberia



Hubert J. Jäger  
Ambassador  
Embassy of the Federal  
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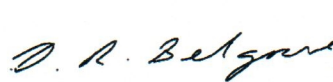
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cc: Honorable Nathaniel F. McGill  
Honorable Trokon Kpui  
Honorable Gbehzohngar M. Findley