



## **Utilisation of rice residues for decentralised electricity generation in Ghana** An economic analysis

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*Published in:*  
Energy

*Link to article, DOI:*  
[10.1016/j.energy.2016.05.116](https://doi.org/10.1016/j.energy.2016.05.116)

*Publication date:*  
2016

*Document Version*  
Peer reviewed version

[Link back to DTU Orbit](#)

*Citation (APA):*

Ramamurthi, P. V., Fernandes, M. C., Nielsen, P. S., & Pedro Nunes, C. (2016). Utilisation of rice residues for decentralised electricity generation in Ghana: An economic analysis. *Energy*, 111, 620-629. <https://doi.org/10.1016/j.energy.2016.05.116>

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1 **Utilisation of rice residues for decentralised electricity generation in Ghana: An**  
2 **economic review**

3

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11

12 **Abstract:** Developing countries, especially in Sub-Saharan Africa, face large challenges to  
13 achieve universal electrification. Using the case of Ghana, this study explores the role that  
14 rice residues can play to help developing countries meet their electrification needs. In Ghana,  
15 Levelised Electricity Costs (LEC) of a grid-connected 5 MWe straw combustion plant ranged  
16 between 11.6 - 13.0 UScents/kWh, based on region of implementation. Rice straw  
17 combustion is a viable grid-connected option in all regions, as the bioenergy Feed-in-Tariff is  
18 29.5 UScents/kWh in Ghana. Residue supply cost (49-54%) contributes significantly to LEC  
19 of rice straw combustion.

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20 LEC of husk gasification mini-grids ranged between 5-53 UScents/kWh for rural populations  
21 between 3000-250 people. Husk gasification mini-grids can be a suitable electrification  
22 solution for these un-electrified populations, as its LEC is lower than the average LEC of grid  
23 extension (57 UScents/kWh), diesel mini-grids (102 UScents/kWh) and off-grid solar (110  
24 UScents/kWh) systems for remote communities in Ghana. Electricity produced from husk  
25 gasification has the potential to cater to 7% of the needs of un-electrified communities in  
26 Ghana. The methodology and analysis of this study can support policymakers of similar  
27 countries decide the economic feasibility of decentralised bioenergy solutions while forming  
28 national electrification plans.

29

30 **Keywords:** Rice residues; electricity access; economic feasibility; rural electrification;  
31 Levelized Electricity Cost; Ghana

32

### 33 **1 Introduction**

34 It is well accepted that access to electricity is a key driver of economic growth, and can lead  
35 to improved education, health delivery, environmental sustainability, agricultural  
36 development and gender equality [1, 2, 3]. Despite this knowledge, 25% of the global  
37 population lives without access to electricity [3], with the Sub-Saharan African (SSA) region  
38 showing the poorest trends. While it only makes up 14% of the total population in developing  
39 countries, it accounts for 40% of the population without electricity access. The electricity  
40 access challenge in SSA has a rural-urban divide, with 89% of urban areas having access as  
41 opposed to 46% in the rural areas [4]. Furthermore, the International Energy Agency (IEA)  
42 predicts that by 2030, over 900 million people in rural areas will remain without electricity,

43 in contrast to only 100 million in urban areas, with the vast majority being in SSA. This will  
44 result in 49% of the Sub-Saharan population still lacking electricity access by 2030 [3].  
45 Ghana, a country in SSA has made relatively remarkable progress in electrification over the  
46 past years. However, although successive governments have implemented various policy  
47 mechanisms to increase access to electricity services [5], if electrification continues at the  
48 present rate Ghana will not be able to achieve universal electrification by 2020 as planned in  
49 their National Electricity Scheme of 1989 [6]. Similar to a number of developing countries,  
50 the major reason for the slow growth of electrification in Ghana has been the emphasis laid  
51 by the government on extending the national transmission grid. A large part of the population  
52 lives in rural areas, but less than 50% of this population in Ghana is electrified [6], with a  
53 number of villages being in remote and scattered locations [7]. This leads to a situation of  
54 'energy isolation', with regard to grid-based electrification, where the complex geography of  
55 rural areas, long transmission lines requirements, along with low electricity demands of the  
56 diffused population makes grid extension uneconomical. The rural poor also often face  
57 economic barriers of not being able to afford connection fees, household wires and  
58 appliances [8]. Therefore, there is an increasingly widespread agreement that an integrated  
59 approach which focusses on centralised grid-based options as well as a spectrum of  
60 autonomous decentralised options should be practised in order to achieve energy access for  
61 the rural poor [8]. The modular nature of Renewable Energy (RE) resources make them well  
62 suited for decentralised systems. They provide the advantages of independence from  
63 national-level grid-based planning, limited capital requirements, and easier access to remote  
64 rural communities [2]. Further renewable resources help to lower the concerns of energy  
65 security and carbon emissions of a country, as well as promote local employment  
66 opportunities. Other than meeting electrification goals, a key driver to promote RE in Ghana

67 is the Renewable Energy Act (2011), which seeks to promote the establishment of renewable  
68 sources in the country, and has a target of supplying 10% of the country's electricity through  
69 renewables by 2020 [9]. However, while RE options have numerous advantages, a key factor  
70 to consider with regards to their implementation, is their economic viability. An extensive  
71 review by Kaundiya et al. on decentralised electrification systems states that several studies  
72 have conducted economic analyses of such systems in developed countries (Spain, Greece,  
73 Canada and Australia) as well as developing countries (Nigeria and India) [1]. Recently, few  
74 studies have attempted similar analyses in the SSA region, to determine the cost of  
75 decentralised systems there. Francis et al. used the Network Planner, a decision support tool  
76 to estimate the costs of different electrification technologies (grid extension, solar off-grid  
77 and off-grid diesel systems) to satisfy the needs of unelectrified populations in Ghana [3].  
78 Adaramola et al. assessed the cost of hybrid PV-solar diesel systems for rural and semi-urban  
79 areas of northern Nigeria using the Hybrid Optimization Model for Electric Renewable  
80 (HOMER) tool [10]. Szabó et al. applied a spatial analysis for the African continent to  
81 compare the levelised costs of grid extension, mini-hydro, and off-grid solar and diesel  
82 generators [11]. A World Bank study also used spatial modelling to study the most  
83 appropriate regions in the SSA countries of Ghana, Ethiopia and Kenya for the  
84 implementation of off-grid solutions [12]. For single household systems, photovoltaic (PV)  
85 solar, wind, and diesel generators were studied, while for mini-grids wind, combined solar–  
86 wind systems, biodiesel, and diesel generators were evaluated. These studies show that there  
87 is merit in analysing the costs of decentralised electrification systems, as they are often the  
88 least-cost option for certain rural communities. However, there has been a focus on solar and  
89 diesel options, and lack of information on modern bioenergy solutions.

90 Modern techniques of converting biomass into energy services such as electricity and fuels  
91 have been globally recognised as a promising path to address today's growing energy  
92 challenges. This is because modern bioenergy solutions not only provide sustainable energy  
93 services, but can also promote social, agricultural and economic growth [13, 14]. Thus, the  
94 Renewable Act (2011) also considers merit in encouraging the growth of modern bioenergy  
95 solutions in Ghana [9].

96 Decentralised bioenergy systems such as biogas, gasification and combustion plants have  
97 been used for captive use and rural electrification in many developing countries. Shackley et al.  
98 state that rice husk gasifiers (about 50 existing plants) are extensively used in Cambodia to  
99 produce power in rice mills and ice-making factories [15]. Parnphumeesup and Kerr mention  
100 that Thailand has many decentralised bioenergy electricity plants, mainly used for industrial  
101 purposes [16]. In India, lignocellulosic material is used widely in gasifiers (1700 plants) to  
102 produce electricity in mills, sawdust industries and for rural electrification [17]. Husk Power  
103 Systems, an Indian company has installed rice husk systems for the electrification of over  
104 300 villages in Bihar [18]. A 500 kW gasification plant was installed in one of the islands of  
105 the Sundarbans, in West Bengal in 2001, where grid extension is not feasible. This plant is  
106 still running and provides electricity to 650 consumers on this island [19].

107 In SSA, very few electricity producing biomass plants have been installed. Mohammed et al.  
108 mention that only one biogas plant project for electricity generation has been established in  
109 Ghana [7] and Buccholz et al. studied the performance of two woody gasifier plants that were  
110 implemented for industrial purposes in Uganda [20]. It can be observed that decentralised  
111 bioenergy has been used successfully for electricity generation in other developing regions,  
112 but there has been little implementation in SSA. Hence, this study attempts to explore the

113 potential of decentralised grid connected and mini-grid bioenergy systems as an  
114 electrification option in SSA.

115 Previously, modern bioenergy was mainly generated through the fermentation of sugar and  
116 starch (cereals, grains and sugar crops) and transesterification of vegetable oils. As these  
117 methods could result in competition with food production, leading to rising food prices, food  
118 shortages and unsustainable changes in land use patterns, there has recently been an interest  
119 in the use of lignocellulosic waste for bioenergy production [21]. This process of using  
120 lignocellulosic matter such as agricultural, forestry and municipal wastes for the generation  
121 of energy is known as Second Generation production of Bioenergy (SGB). In order to avoid  
122 any threats to food prices, supply of grains to the national food basket and land use change in  
123 developing countries, only SGB technologies have been considered in our study.

124 Rice is an important commercial crop in Ghana, with an annual production of almost 400  
125 million tonnes of paddy, covering a cultivation area of 162,000 hectares in 2009 [22]. Hence,  
126 agricultural wastes from rice production in the form of rice husk and straw have been shown  
127 to offer considerable potential for energy production (5.65 TJ/year) in the country [23].

128 According to a previous study [24] in 2012 up to 70-90% of rice residues in major rice  
129 growing regions of Ghana were openly burned or dumped in landfills and waterbodies.  
130 Thus, they were abundantly available for bioenergy production. Open burning of residues  
131 leads to the emission of harmful pollutants which pose serious environmental and health  
132 risks. Due to these concerns, many countries have imposed legislations to curb the open  
133 burning of rice fields and farmers are encouraged to seek alternative disposal methods  
134 [14].

135 Due to the abundant availability of rice residues in Ghana and the need to prevent unsafe  
136 disposal practises, it is worth investigating the role of rice residues as a resource for the

137 production of bioenergy to meet the country's electrification demands. In order to best  
138 exploit the potential of rice residue in a country, it is necessary to perform an economic  
139 feasibility assessment of SGB technologies which are best suited in the local context [25].  
140 This is important because local conditions determine factors such as residue availability,  
141 transport conditions, electricity needs of the local population and available infrastructure for  
142 developing the power plant, which can affect the cost of electricity production.

143 Earlier economic studies on the use of rice residue for electricity generation include a study  
144 by Delivand et al. who carried out an economic feasibility assessment for rice straw  
145 combustion projects of various capacities to generate electricity in Thailand [25]. The effect  
146 that scaling-up of a power plant has on different financial parameters was analysed. Zhang et  
147 al. presented a methodology for estimating the cost of power generation from a rice straw  
148 combustion plant using life cycle analysis in the Jiangsu Province of China [26]. In India,  
149 Afzal et al. performed a simulation to analyse the environmental and financial profile of  
150 electricity generation from an 800 kWe rice husk gasifier [27]. Another study in India by  
151 Kapur et al. assessed the potential and economic viability of rice husk to meet the demand of  
152 parboiling, drying and milling operations in the rice processing industry through gasification  
153 [28]. Bergqvist et al. studied the economics of rice husk gasifiers, to see if these systems can  
154 meet the energy demands of the rice milling industry in the Mekong Delta of Vietnam.  
155 Bergqvist et al. also looked at the effect of Clean Development Mechanism (CDM) benefits  
156 on the economic viability of rice husk gasifiers [29]. In the SSA region, Fock et al. conducted  
157 a pre-feasibility analysis for setting up a 5 MWe rice straw combustion plant in a rice  
158 growing regions of Mali [30]. These studies all conclude that rice residue can be an  
159 economically attractive option to produce electricity. However, no previous study has  
160 compared the electrification costs of a decentralised grid-connected and stand-alone mini-



161 grid bioenergy system using agricultural wastes in a developing country. Further, this is the  
162 first time that the economics of an agro-residue based off-grid system has been developed  
163 based on meeting the specific needs of rural communities with varying populations.  
164 This study used the following methodology for its analysis. After choosing the best suited  
165 SGB technologies for the conversion of rice residues into bioenergy, an economic feasibility  
166 analysis of the chosen technologies was conducted. The various factors that influenced the  
167 Levelised Electricity Cost (LEC) were identified, and recommendations on how to minimise  
168 the LEC were made. As the scale of the bioenergy plant can significantly impact energy  
169 generation costs [25], the variation of the LEC of a chosen SGB technology as a function of  
170 plant size was studied for a grid-connected plant. As the off-grid plant, was intended to serve  
171 the specific needs of remote communities, the variation of plant scale was based on the size  
172 of the community. Thus the variation of LEC with community size was studied in this case.  
173 Furthermore, the LECs of chosen SGB technologies were compared with the cost of energy  
174 production from the national grid, and other mini-grid and off-grid technologies to determine  
175 if rice residue based energy production is a cost competitive option in the country. The  
176 information from this study is intended to assist policy-makers and other interested  
177 stakeholders in understanding the suitability of implementing agro-residue based  
178 electrification options in Ghana. The analysis and information in this study is also relevant  
179 and can be applied to other developing countries, to help them estimate the economic  
180 feasibility of electrification through the use of agro-residues available in their respective  
181 countries.

## 182 **2 Materials and Methods**

### 183 **2.1 Technology Options and Sizing**

184 Many factors such as type and availability of biomass, socio-economic conditions and end-  
185 user applications, help in determining the most suitable bioenergy conversion process for a  
186 certain region [31]. For potential implementation in Ghana, four technology pathways were  
187 initially investigated for application to rice residues. These included bio-chemical and  
188 thermo-chemical processes. The bio-chemical processes that were investigated included  
189 fermentation of rice residues for bioethanol production and Anaerobic Digestion (AD) for  
190 biogas production. These bio-chemical processes were found to be unsuitable for Ghana. AD  
191 is ideal for feeds which have a moisture content greater than 50%. However rice residues  
192 have a typical moisture content of only 10-30%. Additionally, AD requires water and animal  
193 dung for inoculum. Water is scarce in the Northern regions of Ghana and animal dung is  
194 scarce in the Central regions due to lack of cattle. Hence, no region is well suited for AD.  
195 Globally, the technology for production of ethanol from lignocellulosic feedstock is still in its  
196 initial phases of research and development, with production costs being quite high.  
197 Therefore, bioethanol from rice residues in Ghana maybe an option in the future [24]. As bio-  
198 chemical routes were ruled out, thermo-chemical options were further investigated for  
199 specific application to rice straw and husk.

#### 200 **2.1.1 Rice Straw**

201 The combustion of straw has been widely used for heat and power generation in Europe and  
202 North America. Denmark has been a pioneer in straw combustion plants, and uses 52% of the  
203 wheat straw available in the country as a sole feed for the production of power [32]. Hence,  
204 the feedstock used in European power plants has primarily been wheat straw. The amount of  
205 ash produced by a feedstock and the silica and alkali content of ash mainly contribute to  
206 corrosion and fouling of a combustion system. A Danish study mentions that the ash

207 production (15– 20%) and the amount of silica (75%) in rice straw ash is higher than that of  
 208 wheat straw, which has an ash content of 5–8% and a silica content of ash as 55% (Table 1).

209 **Table 1: Proximate composition and selected major elements of ash in rice straw, rice**  
 210 **husk and wheat straw [33, 34]**

	Rice straw	Rice husk	Wheat straw
<b>Proximate analysis (% dry fuel)</b>			
Fixed carbon	15.86	16.22	17.71
Volatile matter	65.47	63.52	75.27
Ash	18.67	20.26	7.02
<b>Elemental composition of ash (%)</b>			
SiO <sub>2</sub>	74.67	91.42	55.32
CaO	3.01	3.21	6.14
MgO	1.75	<0.01	1.06
Na <sub>2</sub> O	0.96	0.21	1.71
K <sub>2</sub> O	12.3	3.71	25.6
S	0.09	0.05	0.16
Cl	0.58	0.09	0.2-0.75

211

212 However the amount of alkali in ash from rice straw is lower (15%) than wheat straw (25%)  
 213 [30]. Thus, it is expected that both types of feedstock will have similar corrosion and fouling  
 214 characteristics in the combustion system. Hence wheat straw combustion technology can be  
 215 applied for rice straw. As straw combustion technology has been successfully established at  
 216 commercial scales, is relatively simple in construction and can be used for rice straw  
 217 available in Ghana, it looks promising for implementation in the country.

218 Grate stoker combustion is the most preferred for application in Ghana, as it is flexible to the  
 219 type of feedstock used and is less sensitive to slagging and fouling [35]. While choosing the  
 220 size of the combustion power plants, both security of biomass supply and economic  
 221 considerations should be taken into account. Studies have shown that rice straw combustion  
 222 becomes economically more favourable with increasing scales [25]. However this will be  
 223 limited by the amount of rice straw available in the rice growing regions. An earlier study

224 [24] estimates that each rice growing region in Ghana has approximately sufficient rice straw  
 225 available to satisfy the fuel needs of a 5 MWe plant (annual rice straw availability is shown  
 226 in Table 2). Since this is the largest scale at which a rice straw combustion plant becomes  
 227 feasible in all the rice-growing regions of Ghana, this size was chosen for the base case. We  
 228 assumed that the combustion power plant is connected to the national grid.

229 **Table 2: Annual production of rice residues in Ghana in 2012 [25]**

Region	Rice straw (kt/year)	Rice husks (kt/year)	Days available for handling rice straw/year
<b>Northern regions (including Upper East and Upper West)</b>	386	70	150
<b>Volta</b>	99	20	100
<b>Ashanti</b>	43	7	100

230

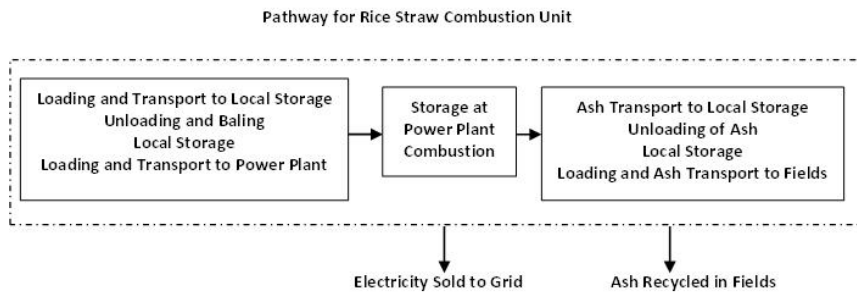
### 231 **2.1.2 Rice Husk**

232 Grate combustion is the preferred technology choice for the combustion of rice residues. Rice  
 233 husks are not commonly used in combustion units as the husks will fall through the grate  
 234 causing uneven air distribution, leading to uneven temperatures and combustion within the  
 235 system [30]. Gasification of rice husks is an established technology that has been  
 236 implemented in China, India and South East Asia successfully. They serve as decentralised  
 237 units to either power a small private industry or a community and thus have been used at  
 238 scales less than 1 MW [35]. Leung et al. states that though efforts of scaling up plants have  
 239 been made in China, in attempts to lower electricity production costs, large size plants have  
 240 not yet been widely deployed due to problems of tar treatment and secondary pollution [36].  
 241 Sudhakar et al. strongly recommend keeping the size of rice husk gasifiers small, as larger

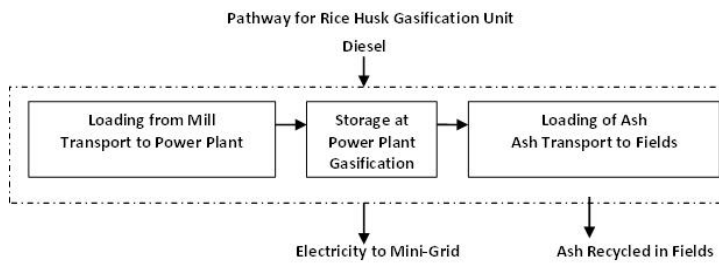
242 plants often face difficulty in establishing sustainable feedstock supply chains and can  
243 become dysfunctional. Furthermore they say that, at smaller sizes, these systems become  
244 ideal to serve small clusters of populations, where centralised solutions are not feasible [37].  
245 Keeping this mind, the present study has attempted to deploy husk gasification as a  
246 decentralised electricity source for scattered populations. Thus, rather than prioritising only  
247 economies of scale, what has been considered is the size of the plant that will be required to  
248 serve population clusters of different sizes. Although larger plants might have lower costs,  
249 they might not be appropriate for the purpose of achieving Ghana's mission of universal  
250 electrification.

251 Previous experiences of lignocellulosic gasification plants show that a typical commercially  
252 established plant varies between 50-400 kWe however plants as small as 10 kW and as large  
253 as 2 MW have also been established [19, 20, 27, 29]. For the base case a plant of 100 kWe  
254 has been chosen for analysis. While choosing a plant location, it is vital to determine the  
255 availability of rice husk in that region. In Ghana, the Northern and Ashanti regions have  
256 clusters of mini rice mills with an average yearly turnout of 8,000 tonnes of husk and in the  
257 Volta region large-scale commercial mills produce about 5,000 tonnes husk/year. Therefore,  
258 husk residues are abundantly available to satisfy the needs of a 0.10 MWe gasifier in all  
259 regions [24]. For the base case it was assumed that the average distance between the power  
260 plant and rice mill was 5 km [24]. As rice residues are a waste product from the rice  
261 cultivation process, the economic analysis has only been considered from the collection of  
262 the waste residues once the rice has been harvested. The boundaries of the chosen technology  
263 pathways are as shown in Fig. 1.

264



265



266

Figure 1. Pathways for power generation from rice straw and husk

267

## 268 2.2 Cash Flow Analysis

### 269 2.2.1 Supply of Rice Residue

270 The amount of residue required by the power plants was calculated as

$$271 \text{ Annual demand of residue}(t) = \frac{\text{Electrical output (MWe)} \times 3.6 \times \text{Operating hours per year}}{\text{Lower Heating Value } \left(\frac{\text{MJ}}{\text{kg}}\right) \times \text{Efficiency} \times (1 - \text{Moisture content})} \quad (1)$$

272 where electrical output is the gross capacity of the power plant; operating hours indicate the  
 273 time that the plant will be operating under full load; and efficiency is defined as the ratio of  
 274 net electricity output to total rice residue fuel delivered to the power plant based on lower  
 275 heating value (LHV) of the dry residue. The assumptions of the combustion and gasification  
 276 systems are mentioned in Table 3. The specific logistics costs for rice residue supply to the  
 277 power plants were adopted from Ramamurthi et al. [24], whose analysis was based on the  
 278 logistics steps shown in Fig. 1 for rice straw and husk systems.

279

**Table 3: Parameters of combustion and gasification system**

	Rice straw combustion unit <sup>a</sup>	Rice husk gasification unit <sup>b</sup>
Plant gross power capacity (MWe)	5	0.10
Overall system efficiency	0.21	0.16
Operating hours per year	6500	5500
Lower Heating Value on a dry basis (MJ/kg)	13.5	13.5
Moisture content	0.13	0.10
Ash content in dry residue	0.18	0.20
Depreciation (years)	20	15
Maintenance costs (% of total annual capital costs)	4	12
<sup>a</sup> Values from [14, 30, 38] for a typical straw combustion plant		
<sup>b</sup> Values from [14, 20, 29, 30, 39, 40] for a typical rice husk gasification plant		

280

281 As seen in Tables 4 and 5, the specific cost of rice straw (39-47 USD/t) varies between  
 282 different regions unlike rice husk (2.64 USD/t). This is because rice husk is available at a  
 283 single location, unlike rice straw, which requires a collection area based on the straw yield of  
 284 different farming land. This makes the cost of rice straw region dependent and the cost of  
 285 rice husk region independent. Additionally the cost of rice straw is much higher than that of  
 286 rice husk, because rice straw needs to be collected from fields, transported to storage units,  
 287 baled, stored and finally transported to the power plant. This requires investment in transport,  
 288 storage and baling equipment, unlike rice husk which only needs to be transported from the  
 289 mill to the power plant. To increase the density of rice husks, they can be converted into  
 290 pellet form. However this is not preferred as it leads to increased expenses, and most systems  
 291 today use rice husk feedstock in the loose form.

292 The annual cost of supplying rice residue ( $C_{\text{supply}}$ ) to power plants (Table 4 and 5) was  
 293 calculated as

294  $C_{supply} (USD) = \text{Specific supply cost of residue} \left( \frac{USD}{t} \right) * \text{Annual demand of residue} (t)$  (2)

295 **Table 4: Levelised Electricity Cost calculations for the combustion units**

	Rice straw combustion unit		
	Northern regions	Volta	Ashanti
Annual residue quantity required (kt)	47.4	47.4	47.4
Specific supply cost of rice residue (USD/t) <sup>a</sup>	39.0	47.5	47.9
Annual supply cost of rice residue (thousand USD)	1850.4	2254.2	2271.6
Capital costs (thousand USD)	13000	13000	13000
Annual capital costs (thousand USD)	1632.5	1632.5	1632.5
Annual maintenance costs (thousand USD)	65.3	65.3	65.3
Annual staff costs (thousand USD)	27.4	27.4	27.4
Annual quantity of ash produced (kt)	8.9	8.9	8.9
Specific cost for ash disposal (USD/t) <sup>a</sup>	21.1	24.9	25.3
Annual costs for disposal of ash (thousand USD)	186.7	220.5	223.8
Annual O&M costs (thousand USD) <sup>b</sup>	92.7	92.7	92.7
Total annual costs (thousand USD)	3789.3	4361.5	4390.4
LEC (UScents/kWh)	11.6	12.9	13.0
<sup>a</sup> Values from [25]			
<sup>b</sup> Sum of staff and maintenance costs			

296

297 **Table 5: Levelised Electricity Cost calculations for the gasification units**

	Rice husk gasification unit
Annual residue quantity required (kt)	1.0
Specific supply cost of rice residue (USD/t) <sup>a</sup>	2.6
Annual supply cost of rice residue (thousand USD)	2.7
Capital costs (thousand USD)	106.6
Annualised capital costs (thousand USD)	14.8
	10.9



Length of LV lines (km)	
Annualised LV transmission line costs (thousand USD)	20.5
Annual maintenance costs (thousand USD) <sup>b</sup>	2.6
Annual staff costs (thousand USD)	16.4
Annual O&M costs (thousand USD) <sup>c</sup>	19.0
Annual quantity of ash produced (kt)	0.2
Specific cost for ash disposal (USD/t) <sup>a</sup>	4.2
Annual costs for ash disposal (thousand USD)	0.9
Total annual costs (thousand USD)	57.9
LEC (UScents/kWh)	10.5
<sup>a</sup> Values from [25]	
<sup>b</sup> Sum of maintenance costs for LV transmission lines and power plant	
<sup>c</sup> Sum of staff and maintenance costs	

298

## 299 2.2.2 Power Plant Capital Costs

### 300 2.2.2.1 Combustion Power Plant

301 Due to lack of previous experience in combustion and gasification plants in Ghana [7],  
302 investment costs for power plants have been taken from countries which have been globally  
303 most successful in establishing such types of plants at commercial scales. All costs were  
304 calculated for the date of 1<sup>st</sup> August 2013; currency conversions on this day were 1 United  
305 States Dollars (USD) = 2 Ghana Cedi (GHC); 1 USD = 60 Indian Rupee (INR).

306 The costs for the straw-fired grate combustion (CHP) combustion power plant were taken  
307 from a Thai study, which assesses the economic feasibility of electricity generation from rice  
308 straw combustion. In this study, the authors have obtained data of grate combustion  
309 equipment from experienced biomass combustion companies in Thailand. The capital costs  
310 as well as the raw material and labour requirements of a power plant depend on the size of  
311 the plant. Therefore a cost relationship between investment costs and plant size has been  
312 made in the study. Such correlations help to derive valid and predictable correlations between

313 the physical and functional characteristics of a plant and subsequent costs [25]. The  
 314 relationship between the two factors (size of combustion plant and investment costs) was  
 315 created in the form of a general equation  $Y=aX^b$ ; where a and b are specific coefficients, Y is  
 316 the investment cost in thousand USD and X is the gross electrical output of the power plant  
 317 in MW. As this will be the first straw combustion plant in Ghana, expenses such as building  
 318 of the storage area, importing equipment from long-distances and the need for specially  
 319 skilled workers not available in Ghana would have to be accounted for. Thus, these costs  
 320 could vary depending on local site conditions. Hence an analysis has been made to see the  
 321 change in electricity costs based on variation in capital costs in Section 3.1.2.  
 322 Assuming that the capital investment would partly come from local banks and partly from  
 323 international loans, an interest rate of 11% was chosen for the base case. The annuity of the  
 324 capital costs has been calculated using Eq. (3).

$$325 \quad \alpha = \frac{i*(1+i)^n}{(1+i)^n-1} \quad (3)$$

326 Where,  $\alpha$  is the annuity factor; i is the interest rate; and n is the depreciation years as  
 327 mentioned in Table 3. Fixed charges such as property insurance and property taxes were not  
 328 included as they are not expected to have a strong impact on the costs [39].

329 The annual capital costs ( $C_{Capital}$ ) shown in Table 4 and 5 were calculated as

$$330 \quad C_{capital}(USD) = \alpha * Total\ capital\ costs\ (USD) \quad (4)$$

### 331 **2.2.2.2 Gasification Power Plant**

332 The relationship between investment cost and plant size was taken from an Indian study [40],  
 333 where the authors study the economy of scale of small to medium (10-100 kW) rice husk  
 334 gasifier projects. The authors have derived this relationship based on case studies of husk  
 335 gasification plants deployed in India. Studies based in India were chosen for analysis because  
 336 it is the country with the most experience in small-scale gasification units, with over 15

337 equipment manufacturers [41] and over 1700 power plants (with sizes ranging between 2-  
338 500kW) installed [17]. Indian gasifiers are being used in SMEs as well as mini-grids to  
339 provide electricity to remote unelectrified areas [19]. Indian manufacturers such as Ankur  
340 Scientific Pvt. Limited have provided systems to a number of countries in Europe, South East  
341 Asia and South America and have installed a power plant in Uganda [20, 42].  
342 These reports provide information about different plants that have been installed over the  
343 past ten years, which have been used for community electrification as well as for running  
344 small industries. Similar to combustion units, the capital costs of gasification plants would  
345 increase with the size of the plant due to additional resource requirement. Hence, it is  
346 reasonable to look at the investment costs for varying plant sizes in these reports, to get an  
347 understanding of what sort of relationship exists between the two factors. The relation was an  
348 equation in the form  $y=cx^d$ , where the coefficients  $c$  and  $d$  were 135200 and -0.1626  
349 respectively;  $y$  is the investment costs per kW in INR and  $x$  is the gross electrical output of  
350 the power plant in kW.

351 As we can expect that there will be certain extra expenses for installing a system of this sort  
352 for the first time in Ghana, a sensitivity analysis of the capital costs have also been conducted  
353 in Section 3.2.1. The annuity factor and annual capital costs for the gasification power plant  
354 were calculated using Eqs. (3) and (4).

### 355 **2.2.3 Transmission Line Costs**

356 The cost for laying transmission lines for combustion plants was not taken into consideration  
357 as we assumed that it is going to be connected to the national grid using existing  
358 infrastructure. However for the gasification power plant, since it would serve as a mini-grid  
359 system, it would provide electricity through Low Voltage (LV) transmission lines. For the  
360 base case the length required for the LV lines was calculated as

$$361 \quad \text{Length (km)} = \frac{\text{Length required per household (km)} * \text{Population served}}{\text{Number of members per household}} \quad (5)$$

362 Where, the length of line required per household is 0.0248 km [43]; number of members per  
363 household is 5 [44] and population served is calculated using Eq.(6)

$$364 \quad \text{Population served} = \frac{\text{Electrical output (kWe)} * \text{Operating hours per year}}{\text{Per capita electricity consumption (kWh)}} \quad (6)$$

365 Where the annual operating hours of the plant is mentioned in Table 3; and the Ghana Energy  
366 Statistics in 2012 [45] mention that the annual per capita consumption of electricity was  
367 357.5 kWh. However taking into consideration that the energy consumption of the rural  
368 population will be lower than the national average (but that it will increase with improved  
369 electricity provision), we assumed that the annual per capita rural electricity consumption  
370 will be 250 kWh. 2200 rural households can be served with the base case plant size of 0.10  
371 kWe. The total cost for the transmission lines was calculated as

$$372 \quad \text{Total costs for LV lines (USD)} = \text{Specific cost of LV lines} \left( \frac{\text{USD}}{\text{km}} \right) * \text{Length (km)} \quad (7)$$

373 The specific costs of the LV lines were assumed as 13500 USD/km (as stated in personal  
374 interviews with staff at the Department of Agric. Engineering at KNUST, Ghana). The  
375 annuity factor (0.139) for the gasification plant which was earlier calculated using Eq. (3)  
376 was multiplied into the total LV line costs to get the annual LV line costs ( $C_{LV}$ ).

#### 377 **2.2.4 Maintenance Costs**

378 Maintenance costs were calculated as a percentage of the annualised capital cost as  
379 mentioned in Table 3; the maintenance cost for the LV transmission lines were taken as 4%  
380 of the annualised capital costs for the lines (based on interviews with the faculty at KNUST).

#### 381 **2.2.5 Staff Costs**

382 Staff costs for the combustion plant included the amount required to pay 15 workers (we  
383 assumed a need of 5 workers at the plant at any given time where each worker has an 8 hour  
384 shift) a daily wage of 5 USD for 365 days a year. The staff costs of the gasification power

385 plant included the amount required to pay 9 (we assumed a need of 3 workers at the plant at  
 386 any given time where each worker has an 8 hour shift) workers a daily wage of 5 USD for  
 387 365 days.

### 388 2.2.6 Ash Disposal Costs

389 Ash which is produced from the combustion and gasification process of rice residues has  
 390 been used as a nutrient for soil improvement in countries such as Thailand, Cambodia, China  
 391 and India [15,16, 34]. Therefore, similar to the studies conducted in [30] and [46], our study  
 392 assumed that ash was going to be recycled to the fields. The amount of ash produced from  
 393 the systems were computed as

$$394 \text{ Annual amount of ash produced}(t) = \text{Annual amount of rice residue}(t) * \text{Ash content in rice residue} \quad (8)$$

395 Where, ash content of rice straw and husk is mentioned in Table 3. The logistic steps  
 396 involved in the disposal of ash are as shown in Fig.1. Relevant costs from the rice straw  
 397 delivery system, mentioned in [24] can be applied for ash disposal; for example, in the  
 398 Northern region, by adding up the specific costs for transport of ash from the power plant to  
 399 the local storage unit (5.9 USD/t), storage (12.9USD/t) and for transport from storage units to  
 400 the fields (2.2 USD/t), a specific cost of 21.0 USD/t for ash disposal was determined. The  
 401 specific costs for ash disposal for the gasification system were adopted as 4.2 USD/t in all  
 402 regions (Table 5), assuming that the roundtrip distance between the rice mill and fields is 20  
 403 km [24]. The annual costs for ash disposal were calculated as

$$404 C_{ash}(USD) = \text{Annual amount of ash produced}(t) * \text{Specific costs for ash disposal} \left( \frac{USD}{t} \right) \quad (9)$$

### 405 2.2.7 Levelised Electricity Cost (LEC)

406 LEC of the power plants were calculated using the following relationship

$$407 LEC \left( \frac{USCents}{kWh} \right) = \frac{C_{supply}(USD) + C_{capital}(USD) + C_{LV}(USD) + C_{O\&M}(USD) + C_{ash}(USD)}{\text{Operating hours per year} * \text{Electrical output}(kWe)} * 100 \quad (10)$$

408 Where the total annual O&M costs for the power plants were calculated as

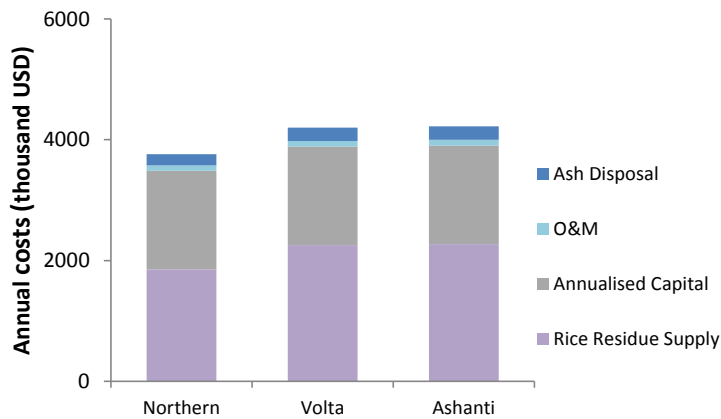
409  $C_{O\&M}(USD) = \text{Maintenance costs (USD)} + \text{Staff costs (USD)}$  (11)

410 All the required annual costs have been calculated earlier in Sections 2.2.1-2.2.6 and the  
 411 results are presented in Table 4 and 5.

### 412 3 Results and Discussions

#### 413 3.1 Combustion Unit

414 LECs of the 5 MWe base-case rice straw plant were 11.6, 12.9 and 13.0 UScents/kWh in the  
 415 Northern, Volta and Ashanti regions respectively. The annual costs of supplying rice residues  
 416 to the power plants contribute to about 49-54% of the total costs (Fig. 2).

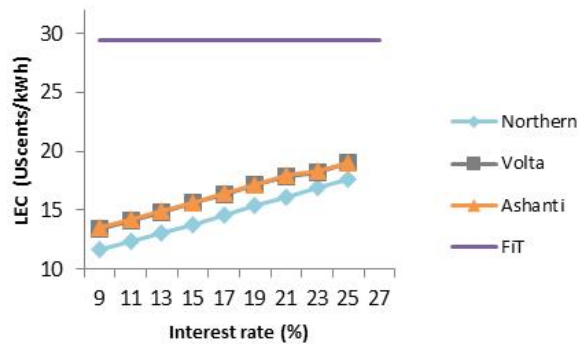


417  
 418 Figure 2. Break-up of annual costs for power production from rice straw combustion

419  
 420 LEC of the Northern region is 6% less than that of the other two regions, as annual cost of  
 421 rice residue supply is 22% times less [24]. According to Ramamurthi et al. costs in rice  
 422 residue supply are lower in the Northern region, due to a shorter growing season (Table 4),  
 423 which makes the days available for collection of straw from fields longer [24]. Therefore the  
 424 storage period and per day baling requirement are lower than the other regions. This results  
 425 in lower investment requirements in the number of storage units and baling equipment, which  
 426 together make up the bulk of the supply cost (79-84% of total).

427 Annualised capital costs contribute to 39-43% to total annual costs in all regions. Lending  
 428 rates in Ghana in 2014 varied between 10.6 to 28.9% in 2014 [47]. A sensitivity analysis  
 429 showed that by tripling interest rates from 9%-27%, the LEC cost increased by 55-62% in the  
 430 different regions (Fig.3).

431



432

433 Figure 3. LEC of 5MWe straw combustion as a function of interest rate

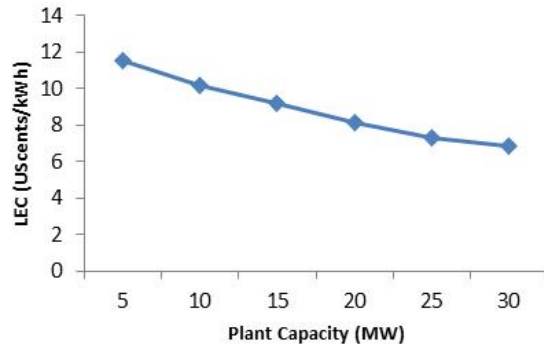
434

435 Thus, at lending rates currently available in Ghana, the combustion plants will be viable as  
 436 the Feed in Tariffs (FiT) for biomass projects in Ghana are 29.5 UScents/kWh [48].

### 437 3.1.1 Economy of Scale

438 The cost relationship in section 2.2.2.1 was used to evaluate the LECs of combustion plants  
 439 ranging between 5-30 MW using efficiency values mentioned in [25] and specific rice supply  
 440 cost values in [24]. This was only done for the Northern region (386 kt/year), as the Volta  
 441 (99kt/year) and Ashanti regions (43 kt/year) do not have fuel supply to meet the demands of  
 442 a plant greater than 10 MW (87 kt/year) and 5 MW (48 kt/year) respectively (Table 2). As  
 443 mentioned in Section 2.1.1, since the plant becomes economically more attractive as its scale  
 444 increases, we decided not to consider plants smaller than 5 MW (the largest plant size viable

445 in all regions). Calculations showed that by increasing the plant size by six times (a six times  
 446 increase in biomass requirement) there was a 40% decrease in electricity costs (Fig.4).



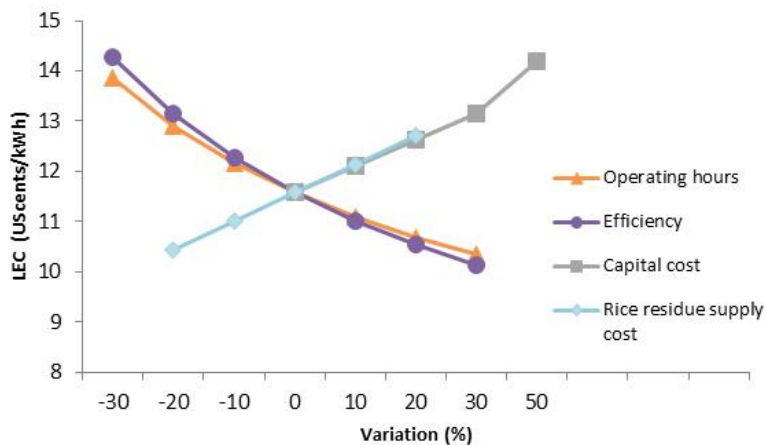
447

448 Figure 4. LEC of straw combustion as a function of power plant capacity in the Northern  
 449 region

450

### 451 3.1.2 Sensitivity Analysis of Key Parameters

452 Capital and operating costs are important parameters to be estimated while evaluating the  
 453 feasibility of projects. Therefore, a sensitivity analysis of certain key parameters such as  
 454 capital costs, operating hours, efficiency and residue supply costs was conducted (Fig.5).



455

456 Figure 5. LEC of straw combustion as a function of key parameters



457 Since there can be large variations in capital costs based on local site conditions, a sensitivity  
458 analysis of capital costs (0-50%) was made on the electricity production costs. A 50%  
459 increase in capital costs, resulted in a 23% increase in LEC, therefore, it had a significant  
460 effect on the costs of the plant.

461 For residue supply costs, base-case assumptions state that straw is available for free and has  
462 fixed logistic parameters. However straw might have to be paid for and logistical costs could  
463 change based on varying baling, transport and storage conditions. Ramamurthi et al. states  
464 that doubling the storage and baling capacity results in a 4.9-5.4% and 13-15% reduction in  
465 costs respectively. Hence a sensitivity analysis was conducted for a  $\pm 20\%$  variation in straw  
466 costs, which resulted in an 11% variation in LEC. Operating parameters such as operating  
467 hours and efficiency can be affected by the level of O&M and the choice of technology.  
468 Higher operating hours and lower efficiency would require more feedstock as well as affect  
469 the amount of electricity produced. A  $\pm 30\%$  variation in operating hours and efficiency  
470 resulted in a 25% and 29% variation in LEC respectively.

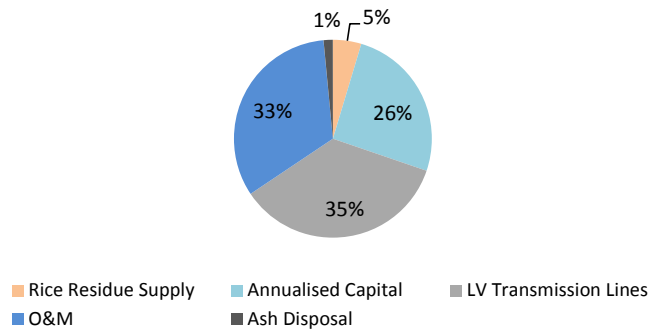
### 471 **3.1.3 Applications in Ghana**

472 In order for Ghana to meet its goal of supplying 10% of electricity from renewables by 2020,  
473 it is expected to add 500 MW of renewable capacity in the next 5 years. The total potential of  
474 biomass electricity has been estimated to range between 90-110 MW [50, 51]. Therefore,  
475 bioenergy can contribute to 20% of the total installed renewable capacity in 2020. Due to the  
476 attractive FiT offered by the Ghanaian government, rice straw combustion plants can be a  
477 viable option for the production of electricity. The suitability of straw-fired combustion units  
478 for large-scale grid-based applications doesn't make their implementation attractive in the  
479 Northern regions. This is because the Northern regions don't have a very extensive grid  
480 system and have many small communities which are located in remote locations, ideal for

481 off-grid solutions. However, combustion units can be an attractive option to supplement the  
 482 existing grid capacity in the rice growing regions of Volta and Ashanti, and help meet the  
 483 industrial power demands in the Ashanti and Great Accra regions which accounted for over  
 484 50% of the total industrial establishments in Ghana as of 2003 [52].

### 485 3.2 Gasification Unit

486 LEC of the base case 0.10 MW rice husk gasification plant is 10.5 UScents/kWh. LV  
 487 transmission costs (35%) and O&M (33%) contribute significantly to the annual costs as seen  
 488 in Fig. 6.



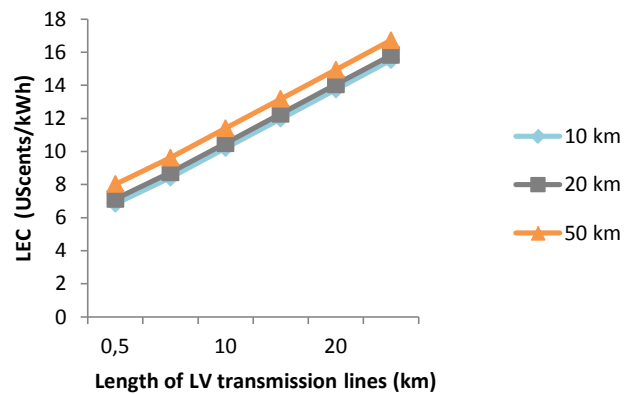
489

490 Figure 6. Break-up of annual costs for power production from rice husk gasification

491

492 As LV transmission lines significantly contribute to the overall costs of the plant (Fig. 6), a  
 493 sensitivity analysis was carried out by varying the length of the LV transmission lines. This  
 494 analysis was done at different roundtrip distances between the mill and power plant (10, 20  
 495 and 50 km), as a previous study [25] states that the supply price of rice husks increases  
 496 significantly with an increase in transport distance. A global optimisation should be  
 497 conducted to choose the appropriate distance of the power plant from the rice mills as well as  
 498 consumer households.

499 The results showed (Fig. 7) that by increasing the length of the transmission line by 5 times  
 500 from 5 to 25 km (at different round trip distances between the rice mill and power plant) the  
 501 LEC of the gasification unit increased by 108-127%. However by increasing the roundtrip  
 502 distance by 5 times, from 10 to 50 km between the power plant and the mill the LEC only  
 503 increased by 8-18%.



504

505 Figure 7. LEC of husk gasification as a function of length of LV transmission lines (at different  
 506 roundtrip transport distances of rice husk from rice mill to power plant

507

508 Therefore, the restrictive distance is the length of the LV lines and not the distance between  
 509 the rice mills and the power plant. This implies that increasing distances for husk supply will  
 510 not impede the cost of the power plant very significantly.

### 511 3.2.1 Sensitivity Analysis of Key Parameters

512 Similar to the combustion unit (in Section 3.1.2), certain operating parameters of the  
 513 gasification unit could vary due to differing site conditions. Therefore, a sensitivity analysis  
 514 of key parameters was made for the gasification unit (Fig. 8).

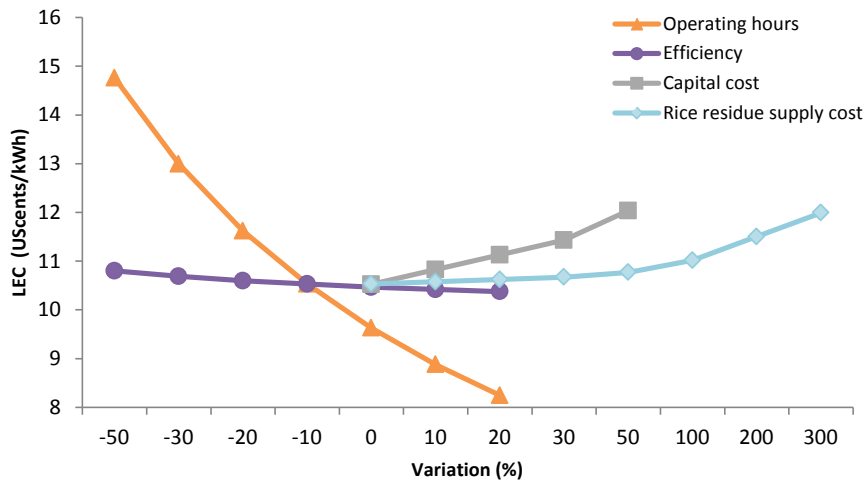


Figure 8. LEC of husk gasification as a function of key parameters

515

516

517

518 A 50% increase in capital costs resulted in a 14% increase in LEC. As 10 km is already a  
 519 small round-trip distance, we only assumed an increase in the cost of rice residues in this  
 520 sensitivity analysis. Ramamurthi et al. states that an increase in rice residues from 10-50 km  
 521 can result in a 250% increase in rice residue prices. Therefore a sensitivity analysis was  
 522 carried out for an increase of up to 300% (including costs of procuring the husk) in rice husk  
 523 supply costs. A 300% increase showed a 14% variation in LEC costs. Similar to the  
 524 sensitivity exercise carried out for the combustion system in Section 3.1.2, operating hours  
 525 and efficiency was varied. A  $\pm 30\%$  variation in the operating hours and efficiency resulted in  
 526 a 44% and 4% variation respectively.

### 527 3.2.2 Captive Use in Small and Medium Industries

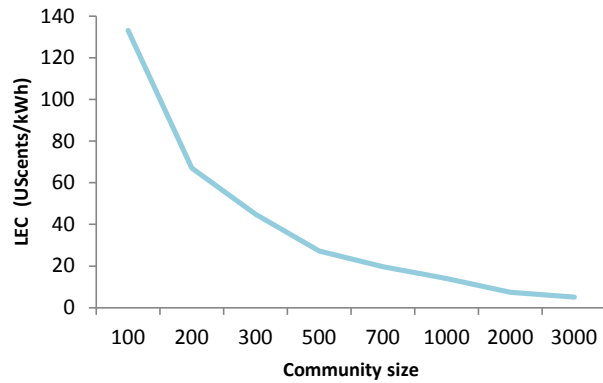
528 In South and South East Asia, rice husk gasifiers (100-1000 kWe) have been commercially  
 529 established as a means to satisfy the electricity needs of SMEs for many decades now  
 530 [14,16,27, 29, 34]. In parts of Ghana, where there is no electricity access, as well as in the  
 531 regions that undergo constant power outages, rice husk gasifiers can be an economical

532 option. Currently, diesel generators are being used as the back-up electricity production  
533 option at a cost of 17 UScents/kWh [5], which is higher than the cost of producing electricity  
534 from rice gasifiers (7 UScents/kWh, assuming SMEs will require a negligible length of LV  
535 transmission lines).

### 536 **3.2.3 Rural Electrification for Remote Communities**

537 One of Ghana's strategies to produce 10% of its electricity from renewables is to support the  
538 use of decentralised mini-grid and off-grid systems for remote communities that cannot be  
539 reached by the grid in the next 5-10 years [51]. A previous study [6] has estimated that by  
540 2020, communities in Ghana without electricity will primarily range between 100-3000  
541 people and that these communities will mainly be in the Northern region.

542 Keeping this in mind a sensitivity analysis was conducted to see how much it would cost to  
543 electrify communities of this size range with husk based mini-grids. The power plant  
544 capacity required to meet the needs of a community of a certain population was calculated  
545 using Eq. 6 and the transmission length required using Eq. 5. The cost for electrifying rural  
546 communities between sizes of 100-3000, will be 133-5 UScents/kWh (Fig. 9). For  
547 communities up to 250 people, the cost of husk gasification mini-grids is less than the  
548 average cost of grid extension (57 UScents/kWh), diesel mini-grids (102 UScents/kWh) and  
549 solar off-grid solutions (110 UScents/kWh) [43]. For communities which are smaller than  
550 250 people, the projects may be able to take advantage of the subsidies proposed by the  
551 government as stated in the Renewable Energy Act (2011).



552

553

554 Figure 9. LEC of husk gasification as a function of population of community

555

556 Therefore, taking into consideration, the low electrifications status of the Northern regions  
 557 (50%), the highest availability of rice residues and the remoteness of the village  
 558 communities, this region will be the most suitable for the establishment of decentralised rice  
 559 husk mini-grids. Using Eq. (1), and referring to Table 2 to get the total annual availability of  
 560 rice husks in the Northern regions (70 kt), we estimate that the total annual electricity  
 561 production capability from rice husks (assuming base case conditions) is about 38 GWh.  
 562 Assuming that the energy need of the unelectrified population is 250 kWh per capita, (as  
 563 explained in Section 2.2.3), using the total population of the Northern regions (4228116) [3]  
 564 we estimate that the energy needs of unelectrified populations (50%) in these regions is  
 565 annually 528 GWh. Hence, rice husk gasifiers can help by contributing to 7% of the total  
 566 electricity generated for the unelectrified population of Northern Ghana.

#### 567 4 Conclusions

568 This study assesses the feasibility of using rice residues to generate electricity in Ghana. By  
 569 2020, Ghana desires to achieve universal electrification and produce 10% of its electricity

570 from renewable resources. This will require Ghana to think beyond conventional centralised  
571 electrification solutions. Decentralised solutions might not be a substitute for reliable grid  
572 connected electricity and some previous experiences show that communities and local  
573 utilities have preferred waiting for grid connections [3, 8, 37]. However, Alstone et al. state  
574 that decentralised solutions are still an integral option to explore, as these systems provide  
575 incremental and often substantial increases in electricity services [8]. They offer access to  
576 basic lighting and communication (phone charging facility), thereby resulting in improved  
577 health, safety (by replacing kerosene) and education, which are the first steps in climbing the  
578 'modern energy ladder' [3]. Therefore, energy planners of Ghana and similar countries  
579 should consider both grid-connected and off-grid solutions while forming national  
580 electrification. While, previous studies in the SSA region have looked at the economic  
581 viability of decentralised grid-connected and off-grid solutions, there has been a focus on  
582 solar and diesel based technologies [3, 10, 11, 12], with little work on bioenergy. This study  
583 provides an insight into the way that agro- residue bioenergy solutions can contribute to  
584 electrification, with an added advantage of reducing the harmful effects of open burning of  
585 agro-residues.

586 As the economics of grid-supplied electricity is more attractive in densely populated areas,  
587 where there is already sufficient grid infrastructure available [3, 12], it is recommended that  
588 grid-connected rice straw combustion systems be implemented in the Ashanti and Volta  
589 regions of Ghana, which have a thriving industrial sector. These plants become economically  
590 viable at the current FiT rates offered by the Ghanaian government (29.5 UScents/kwh).  
591 Scale, efficiency and operating hour variations had the most impact on the LEC of  
592 combustion plants.

593 Kemausuar et al. state that 15% of the total unelectrified rural population would be well  
594 suited to be electrified with off-grid solutions in Ghana [3]. They state that these needs can  
595 be met using solar mini-grids. The LEC of husk-mini grids is 5-133 UScents/kWh for  
596 communities ranging between 3000-100 people, making them cheaper or comparable to solar  
597 mini grids whose average LEC is 110 UScents/kWh. Husk mini-grids can meet the electricity  
598 needs of up to 7% of the total unelectrified population in Northern Ghana. Hence, in addition  
599 to solar solutions, there is merit in Ghana looking at husk mini-grids projects, and there is  
600 future scope in studying the feasibility of hybrid-solar rice husk mini-grids which are being  
601 deployed in developing countries like India [53]. As most rice residue is available in the  
602 Northern regions and the rural communities which are best suited for off-grid solutions lie  
603 there, gasifier pilot projects can be initiated in that area. These projects can be given financial  
604 assistance via the schemes offered in Ghana's Renewable Energy Act (2011). This  
605 methodology of studying the cost of rice husk plants, based on the size of the population is  
606 novel and can be replicated in other rice-growing developing countries which have remote  
607 communities that are struggling to be electrified. In addition, rice gasification is a cheaper  
608 alternative (7 UScents/kWh) to satisfy the electricity needs of SMEs, which often use diesel  
609 generators as a backup (17 UScents/kWh). In conclusion, when countries are deciding the  
610 best way forward to increase their RE capacity, especially as a way to increase remote rural  
611 electrification, it is key that the economics of agro-residue based bioenergy solutions are  
612 considered, because these solutions could be the least-cost option for scattered rural  
613 populations (as in the case of Ghana).

614

615 **Acknowledgements**



616 Pooja Vijay Ramamurthi would like to extend a thank you to the Department of Agric  
617 Engineering at KNUST, for all the assistance in Ghana. She thanks the Center for Study of  
618 Science, Technology and Policy (CSTEP), Bangalore, India for providing her with the  
619 guidance and support required to publish this paper. She thanks KIC-Innoenergy for  
620 providing her with the scholarship during her Master's degree which allowed her to travel to  
621 Ghana and undertake this project.

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