

**IN THE THIRD SESSION OF THE
SIXTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE SELECT
COMMITTEE ON MINES AND
ENERGY**

ON THE

**2016 PROGRAMME OF
ACTIVITIES OF THE GHANA
NATIONAL PETROLEUM
CORPORATION (GNPC)**

MAY, 2016

REPORT OF THE SELECT COMMITTEE ON MINES AND ENERGY ON THE 2016 PROGRAMME OF ACTIVITIES OF THE GHANA NATIONAL PETROLEUM CORPORATION (GNPC)

1.0 INTRODUCTION

The 2016 Programme of Activities of the Ghana National Petroleum Corporation (GNPC) was laid in Parliament on Monday, 21st December, 2015 by the Hon. Minister for Petroleum, Mr. Emmanuel Armah-Kofi Buah in accordance with Section 7(3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815).

The 2016 Programme of Activities was subsequently referred to the Select Committee on Mines and Energy by the Rt. Hon. Speaker for consideration and report pursuant to Order 188 of the Standing Orders of Parliament.

2.0 DELIBERATIONS

The Committee met with the Deputy Minister for Petroleum, Hon. Benjamin Dagadu and Officials of the Ministry to consider the Programme of Activities. Officials of GNPC led by the Chief Executive Officer, Mr. Alex Mould also attended the meeting.

The Committee is grateful to the Officials for their attendance and for providing clarifications on issues raised at the meeting.

3.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. The Petroleum Revenue Management Act, 2011 (Act 815);
- iv. The Petroleum (Exploration and Production) Act, 1984 (PNDCL 84); and

v. The Ghana National Petroleum Corporation Act, 1983 (PNDCL 64).

4.0 BACKGROUND INFORMATION

The Ghana National Petroleum Corporation (GNPC) was established in 1984 through the enactment of the Ghana National Petroleum Corporation Act, 1983 (PNDC Law 64). Under Section 2(1) of the PNDC Law 64, the Corporation was mandated to undertake the exploration, development, production and disposal of petroleum in the country.

The Corporation, in pursuit of the above-stated object, has been actively engaging in petroleum activities either directly or in association with other petroleum exploration and production companies.

In April 2011, the State through the passage of the Petroleum Revenue Management Act, 2011 (Act 815) committed part of its proceeds from the sale of petroleum (Section 7(1) and (2) of Act 815) to resource the Corporation to deliver on its mandate. Section 7(3)(b) of the Act 815 further mandates Parliament to approve the Programme of Activities of the Corporation for which the State's resources will be committed to in every financial year

It was in furtherance of the above legal obligations that the Minister for Petroleum laid the 2016 Programme of Activities of the Corporation in Parliament for approval.

5.0 VISION AND MISSION OF THE GNPC

- 5.1 The vision of the GNPC is to become a global Oil and Gas Company whose operations will have a profound impact on the quality of life of the people of Ghana.
- 5.2 As per its mission statement, the Corporation commits to lead the sustainable exploration, development, production and disposal of petroleum resources of Ghana.

6.0 STRATEGIC OBJECTIVE OF THE GNPC

In pursuit of its vision and mission statements, the Corporation intends to be a stand-alone operator in seven (7) years (by the end of 2019) and a world class operator within fifteen (15) years (by the end of 2027).

7.0 KEY ACHIEVEMENTS OF GNPC FOR 2015

The Corporation together with its partners chalked the following key successes in the year 2015:

7.1 Reserves

Attained a total proven hydrocarbon reserve of 1.360 Million Barrels of Oil Equivalents (mmboe) as against a target of 1.350 mmboe as at November, 2015; representing 0.74% increase in reserve target.

7.2 Oil and Gas Production

Achieved total oil production of 34.22 million barrels from the Jubilee Fields as at November, 2015; an average of 102,461.98 barrels of oil per day for the period.

Achieved a total volume of gas exports of 20.7 billions of cubic feet of gas; an average of 62mmscf/d.

7.3 Voltaian Basin Exploration

Completed geological review and basis for the placement of seismic lines over the Voltaian Basin as well as stakeholder engagement as part of the Environmental Impact Assessment (EIA) of the Voltaian Basin Project

7.4 Petroleum Development Activities

The Corporation achieved the following in respect of its planned petroleum development activities for the year 2015:

- i. Jubilee Field Development Project - two (2) development wells were drilled and completion activities executed on the J36 well. The Greater Jubilee Full Field Development Plan (GJFFDP) was completed and submitted to the Minister for approval.
- ii. TEN Development Project – four (4) of the first oil wells were drilled. The Gas Export Tie-in contract was awarded to TS7 in April. Fabrication of Gas Export manifold and Suction Pile was commenced.
- iii. Sankofa-Gye-Nyame Development Project - four (4) development wells were drilled and RFP issued to raise US\$500 million backed by the World Bank IDA guarantee as a second level security over GNPC's financial obligations under Gas Sales Agreement (GSA) in the OCTP project. The physical completion of the FPSO was 38.6% within the same period.

8.0 FINANCIAL PERFORMANCE OF GNPC FOR 2015

As at September 2015, the Corporation had received a total amount of Ninety-Eight Million, Three Hundred Thousand, Two Hundred and Fifty-Three United States Dollars, Seventy-Three Cents (US\$98,300,253.73) as its share of equity financing cost and net oil proceeds for the year 2015. The amount comprises Thirty-Eight Million, Nine Hundred and Sixty-Seven Thousand, Seventy United States Dollars Forty-Two Cents (US\$38,967,070.42) as the Corporation's share of equity financing cost and the amount of Fifty-Nine Million, Three Hundred and Thirty-Three Thousand, One Hundred and Eighty-Three United States Dollars Thirty-One Cents (US\$ 59,333,183.31) as its share of net proceeds from the Jubilee oil.

Out of the total amount received, a total of Ninety-Three Million, Three Hundred and Seventy-Eight Thousand, Nine Hundred and Thirty-Three United States Dollars Forty-Five Cents (US\$93,378,933.45) was expended on the planned activities of the Corporation as at the end of September 2015.

Table 1 below shows the details of the revenue and expenditure of the Corporation.

Table 1: Details of Revenue and Expenditure of the GNPC as at September, 2015

		Amount (US\$)	Expenditure as % of Receipts
SRN	Receipts from Jubilee Proceeds		
1.	Level A Receipts (Equity Financing)	38,967,070.42	39.6%
2.	Level B Receipts (30% of Net Proceeds)	59,333,183.31	60.4%
3.	Total Amount Received (A)	98,300,253.73	100.0%
SRN	Uses of Amounts Allocated		
4.	Jubilee Equity Financing Cost	57,490,528.90	58.5%
5.	Exploration & Development Projects	12,322,843.55	12.5%
6.	Staff Cost	7,955,790.54	8.1%
7.	Admin. Capital expenditure	1,888,335.80	1.9%
8.	Capital Projects	2,140,369.23	2.2%
9.	General Operational Expenditure	11,089,526.07	11.3%
10.	Amount Appropriated by Bank of Ghana as charges	491,539.36	0.5%
11.	Total Expenditure (B)	93,378,933.45	95.0%
12.	Cash-yet-to-spend (C = A - B)	4,921,320.28	5.9%
13.	Add: Cash B/ Fwd (01.01.2015) (D)	187,217,589.71	
14.	Total Cash-Available (E = C+D)	192,138,910.00	

9.0 PETROLEUM PROJECTS PLANNED FOR THE YEAR 2016

The following projects have been planned to be executed in the year 2016:

9.1 Exploration And Appraisal Activities

The GNPC plans to undertake the following exploration and appraisal activities:

9.1.1 Voltaian Basin Studies

- i. Acquire 300 Line Kilometers of 2D seismic data and also processed 150 Line Kilometers of seismic data.

9.2 Development and Production Projects

The GNPC plans to work with its Partners to undertake the following petroleum development and production projects during the year 2016:

9.2.1 Greater Jubilee Full Field Development

- i. Commence the execution of the Greater Jubilee Full Field Development Plan (GJFFDP);
- ii. Award contracts for the drilling of fourteen (14) development wells, Engineering Procurement Construction and installation of Umbilical, Risers and Flowlines and the Subsea Production Systems;
- iii. Complete the drilling of two (2) development wells and the J36 well; and
- iv. Achieve an annual daily average oil production of 99,545bopd and average gas export of 80mmscf per day.

9.2.2 Tweneboa-Enyenra-Ntomme (TEN) Development Project

- i. Complete the drilling and preparations of six (6) wells for production;
- ii. Conduct installation campaign of subsea equipment including gas export pipeline and manifold;
- iii. Receive and anchor the FPSO Atta Mills on the TEN field;
- iv. Hook-up the FPSO Atta Mills to subsea equipment;
- v. Commission and Start-up facilities to accept production; and
- vi. Undertake production operations on the field.

9.2.3 Sankofa-Gye-Nyame (SGN) Development

- i. Drill nine (9) development wells comprising four (4) oil producers, one (1) gas producers, three (3) water injectors and one (1) gas injector;
- ii. Continue the construction of FPSO and fabrication of the subsea production systems equipment and units;
- iii. Continue detailed engineering works on the risers and flowlines and commence their construction;
- iv. Commence early earth work activities on the ORF site at Sanzule; and
- v. Continue procurement activities by issuing Invitation to tender documents.

9.2.4 Saltpond Offshore Production

In line with a recommendation to terminate the Petroleum Agreement on the Saltpond Offshore Field as a result of challenges confronting the field, the Corporation will undertake the following activities in 2016:

- i. Continue to pay salaries and maintenance cost of the field prior to the termination of the Petroleum Agreement;
- ii. Supervise the maintenance of production platform in its shut-in state;
- iii. Procure the services of legal transaction advisors for the termination of the Saltpond field Petroleum Agreement to avert unnecessary cost and damages that the termination may possibly be claimed by the Operator against the GNPC; and
- iv. Procure services of Engineers and other Consultants for the commencement of the decommissioning process.

10.0 CAPITAL PROJECTS PLANNED FOR 2016

The GNPC intends to continue with its on-going rehabilitation works on its properties and develop new properties as well. In this regard, the Corporation will undertake the following capital projects in 2016:

10.1 New Office Building Project

Engage a developer to commence construction works in the first quarter of 2016 after having completed the initial pre-construction works on the Corporation's proposed New Office Building.

10.2 Research and Technology (RAT) Project

Complete tender processes and commence construction work of the Research and Technology Project after having conducted a re-scoping exercise of the project which culminated in the replacement of the original design and tender documents in 2015.

10.3 Beach Road Redevelopment Project

Complete fifty percent (50%) of works under the redevelopment of the Corporation's beach road property into an ultra-modern complex to provide suitable living and office accommodation for the Staff.

10.4 National Emergency Response Centre

Provide support for the acquisition of land and architectural drawings for the construction of a state-of-the-art facility to cater for national emergencies as part of the Corporate Social Responsibility of the Corporation.

10.5 ICT System Upgrade and Expansion

Undertake ICT projects to cover areas including the Local Area Network (LAN), Backup, Monitoring, IT Disaster Recovery Security and Virtualization.

11.0 CORPORATE SOCIAL RESPONSIBILITY

In line with its objective of establishing GNPC as an admired brand, the Corporation would continue to manage its brand and reputation. It will also adopt measures to enhance its public relations and stakeholder engagement and further undertake initiatives in health, education and sports.

12.0 FINANCIAL REQUIREMENTS FOR THE 2016 FINANCIAL YEAR

For the purpose of executing its mandate, the GNPC has estimated a total amount of Two Billion, Six Hundred and Thirty-One Million, Six Hundred and Fifty Thousand Ghana Cedis (GH¢2,631,650,000.00) for its activities for the 2015 Financial Year. This will be financed from the Corporation's share of equity financing, thirty percent share of net Jubilee oil proceeds, counterpart funds from its Partners, fund carried over from 2015 and from loans (see Appendix 1 for the details).

13.0 OBSERVATIONS

The Committee made the following observations during its deliberations:

13.1 Cost Savings

The Committee noted that over One Billion United States Dollars (\$1,000,000,000.00) was made in savings to the nation in respect of cost on the Greater Jubilee Full Field Development Plan through due diligence exercised by Officials of the GNPC. The savings were achieved through interventions by GNPC in the optimization of subsea infrastructure, concepts for Front End Engineering Design as well as drilling and project management budgets for the GJFFD. The Committee commends the Officials for the good work done and urges them to enhance their capacities to ensure that the country maximizes benefits from its petroleum resources.

13.2 Construction of New Head Office Building

The Officials of the GNPC informed the Committee that architectural designs for the new Head Office Complex (PFI Building) had been completed. They however stated that further work on the project has been stalled because the Board of the GNPC had begun preliminary discussions with a developer for the acquisition of an Office Building Complex at the Energy City, within the Airport redevelopment area. The Officials further indicated that the Corporation had not taken decision on the matter as of the time of considering the 2016 Programme of Activities and that a request will be brought to the House for its consideration when a decision is so made.

13.3 Budget Financing

The Committee noted that the GNPC will require additional funds to undertake the activities planned for the year 2016. Thus, while the amount of Seven Hundred and Ninety-Nine Million, Nine Hundred and Two Thousand Ghana Cedis (GH¢799,920,000.00) has been projected to be realised by the Corporation in the year 2016, an amount of Two Billion, Six Hundred and Thirty-One Million, Six Hundred and Fifty Thousand Ghana Cedis (GH¢2,631,650,000.00) will be required to undertake planned activities within the year. This leaves a shortfall of One Billion, Eight Hundred and Thirty-One Million, Seven-Thirty Thousand Ghana Cedis (GH¢1,831,730,000.00). According to the Officials of GNPC, the Corporation intends to leverage its negotiated partner financing arrangements to reduce the shortfall by US\$14.3million (GH¢661million). In addition, GNPC will draw down on the loan of US\$350million from Trafigura to bridge the funding gap. This was the loan that was originally planned to be US\$700million but subsequently reduced to US\$350million due to significant drop in oil prices.

13.4 Training Grant

The Committee noted that the GNPC has provided in its 2016 Budget an amount of Seventy-Five Million, Three Hundred and Sixty Thousand Ghana Cedis (GH¢75,360,000.00) as income to be received in respect of the training and technology support under the Corporation's executed Petroleum Agreements. The amount comprises Forty-One Million and Ten

Thousand Ghana Cedis (GH¢41,010,000.00) to be received in respect of training grants and technology support of Thirty-Four Million, Three Hundred and Fifty Ghana Cedis (GH¢34,350,000.00). The Committee urges the Corporation to prudently apply the grants by investing in the development skills and professionals in oil and gas related fields so that the GNPC and the industry can rely on to undertake their operations and to contribute to national development.

13.5 Karpower Ship Guarantee

The Committee found that an amount of One Hundred Million United States Dollars (\$US100,000,000.00) has been budgeted by the GNPC to provide guarantee for the Karpower Ship which has been contracted by the Electricity Company of Ghana (ECG). Officials of the Corporation explained that the guarantee meant that the funds when so committed to the project will reduce the cash balance of the Corporation.

13.6 Impact of Low Crude Oil Prices on Planned Activities

It was noted that developments in the oil and Gas sector including low crude oil prices in the global oil industry impacted adversely on the execution of GNPC's planned activities in 2015. It was observed that though a crude oil price of \$90/bbl was used as the basis for the 2015 budget of the Corporation, the average crude oil price has been in the neighbourhood of US\$50/bbl. The Officials expressed the optimism that emergency interventions to address energy deficits across the world in the ensuing year, 2016 would provide relief to the industry despite the glooming picture being painted by the industry analysts. On the account of this, the GNPC intends to continue all its ongoing activities in the year 2016.

13.7 Activities Regarding the Acquisition of GNGC by GNPC

The Committee observed with concern the slow pace of processes for the acquisition of Ghana National Gas Company (GNGC) by the Corporation as the National Gas Aggregator. Even though the Officials explained that the acquisition process had reached an advanced stage, the Committee observed that the situation could breed anxiety among the Staff of GNGC and also

affect the performance of the Company. It therefore urges the Minister for Petroleum to resolve the bottlenecks to expedite the acquisition.

13.8 GNGC's Indebtedness to GNPC

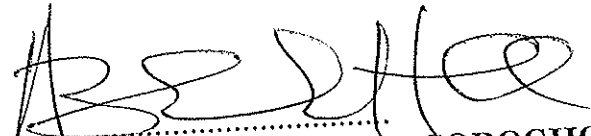
Finally, the Committee observed that Ghana National Gas Company has not made any payment for gas sold to them since December 2014 even though the GNPC has always issued invoices to the Company at the end of every month. The Committee was informed that the debt as at October, 2015 stood at Seventy Million, Seven Hundred and Forty Thousand United States Dollars (US\$70,740,000.00). Of this amount, the GNPC's share will be 30% as per the PRMA distribution formula. As to how the matter was being addressed, the Committee was told that the GNPC has been engaging all Stakeholders particularly those in the value chain towards the development a bankable structure to guarantee payments. The Committee is of the view that the situation if not immediately remedied could threaten the effective functioning of the national gas system.


14.0 CONCLUSION AND RECOMMENDATION

Having duly scrutinized the Programme of Activities of the GNPC and the associated financial requirements for the 2016 Financial Year, the Committee believes that they fall within the scope of the mandate of the Corporation under PNDC Law 64. The Activities have also been found to be in line with the Corporation's strategic objective of becoming a stand-alone operator in 2019 and a world class operator by 2027.

The Committee therefore recommends to the House to adopt its Report and to approve the Programme of Activities of the Ghana National Petroleum Corporation (GNPC) for the year 2016 in accordance with Section 7(3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815).

Respectfully submitted.


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HON. ALHAJI AMADU B. SOROGHO
CHAIRMAN, COMMITTEE ON
MINES AND ENERGY


.....
PEACE FIAWOYIFE (MS.)
CLERK TO THE COMMITTEE

APPENDIX I

Table 1: GNPC FUNDS REQUIREMENT FOR 2016

FUNDS REQUIREMENT FOR 2016

	US\$ 30/bbl		US\$ 32.05/bbl	
	2016		2016	
	Budget	Budget	Budget	Budget
	GHS(M)	US\$(M)	GHS(M)	US\$(M)
INCOME				
INCOME (OIL & GAS)	689.02	150.44	709.13	154.83
Equity Financing - Level A	344.39	75.19	344.39	75.19
Share of Net Proceeds - Level B	226.34	49.42	246.45	53.81
Gas	118.29	25.83	118.29	25.83
TRAINING GRANT	75.36	16.46	75.36	16.46
Training Grant	41.01	8.96	41.01	8.96
Technology Support	34.35	7.50	34.35	7.50
MISCELLANEOUS INCOME	35.53	7.76	35.53	7.76
Rental Income	0.19	0.04	0.19	0.04
Services to Exploration Companies	0.49	0.11	0.49	0.11
Interest on Short Term Investments	34.35	7.50	34.35	7.50
Miscellaneous Income	0.50	0.11	0.50	0.11
TOTAL INCOME	799.92	174.65	820.02	179.04
EXPENDITURE				
DEVELOPMENT & PRODUCTION COST	1,932.85	422.02	1,932.85	422.02
Jubilee	400.20	87.38	400.20	87.38
Tweneboa Enyema & Ntomme - DWT	719.48	157.09	719.48	157.09
Sankofa - Gye Nyame Complex	768.70	167.84	768.70	167.84
SOPCL	44.47	9.71	44.47	9.71
EXPLORATION & APPRAISAL PROJECTS	216.80	47.34	216.80	47.34
Voltaian Basin Project	111.37	24.32	111.37	24.32
Explorco	105.43	23.02	105.43	23.02
CAPITAL PROJECTS	244.34	53.35	244.34	53.35
New Head Office Building	115.42	25.20	115.42	25.20
Research and Technology Centre	69.73	15.22	69.73	15.22
Acquisition of Land & Construction	2.52	0.55	2.52	0.55
Other Works on Landed Property	11.47	2.50	11.47	2.50
ICT Upgrade & Expansion	45.20	9.87	45.20	9.87
OPERATING EXPENDITURE	171.45	37.43	171.45	37.43
Personnel Emoluments	56.51	12.34	56.51	12.34
Admin Capital	13.04	2.85	13.04	2.85
General Expenses	63.08	13.77	63.08	13.77
Maritime Boundary Secretariat	38.81	8.47	38.81	8.47
FINANCING	66.20	14.46	66.20	14.46
Interest Payable	66.20	14.46	66.20	14.46
TOTAL EXPENDITURE	2,631.65	574.60	2,631.65	574.60
NET POSITION	(1,831.73)	(399.94)	(1,811.62)	(395.55)
FINANCING	2,686.01	586.46	2,686.01	586.46
TEN Partners	397.54	86.80	397.54	86.80
Sankofa Gye Nyame Partners	263.58	57.55	263.58	57.55
Loan Repayment	(320.60)	(70.00)	(320.60)	(70.00)
Funds B/FW from 2015	2,345.49	512.11	2,345.49	512.11
NET POSITION AFTER FINANCING	854.27	186.52	874.38	190.91
Less: Committed Funds	(458.00)	(100.00)	(458.00)	(100.00)
Karpower Ship Guarantee	(458.00)	(100.00)	(458.00)	(100.00)
Net Position After Commitments	396.27	86.52	416.38	90.91