

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

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REPORT OF THE FINANCE COMMITTEE

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2013 RECONCILIATION REPORT ON PETROLEUM HOLDING FUND

JULY 2015

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**REPORT OF THE FINANCE COMMITTEE ON THE 2013 RECONCILIATION
REPORT ON PETROLEUM HOLDING FUND**

1.0 INTRODUCTION

The 2013 Reconciliation Report on Petroleum Holding Fund was presented to the House by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper on Tuesday, 1st April, 2014 and referred to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

The Committee met and discussed the report with the Hon. Minister of Finance, Mr. Seth Emmanuel Terkper, Hon. Deputy Minister of Finance Mrs. Mona Quartey, Outgoing Chairman of Public Interest Accountability Committee (PIAC) Major J Abloh Quarcoo, officials from the Ministry of Finance, Bank of Ghana, PIAC and Ghana National Petroleum Corporation and presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

2.0 REFERENCE DOCUMENTS

The under listed documents served as additional reference guide to the Committee during its deliberations:

- The 2012 and 2013 Annual Reports on Petroleum Funds;
- The 2011, 2012 and 2013 PIAC Reports on Management of Petroleum Revenues
- Petroleum Revenue Management Act, 2011 (Act 815);

- The 2011, 2012 and 2013 Annual Budget Estimates and Economic Policies of Government
 - The 1992 Constitution of the Republic of Ghana; and
 - The Standing Orders of the House
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3.0 BACKGROUND

The Petroleum Revenue Management Act, 2011 (Act 815), (PRMA) was passed by Parliament in the first quarter of 2011 and assented to by H.E. the President on 11th April, 2011. Section 15 of the PRMA requires the Minister responsible for Finance to reconcile the actual petroleum receipts and the Annual Budget Funding Amount of the immediately preceding year and shall submit a written report to Parliament not later than the end of the first quarter of each year after the commencement of the Act. It is therefore in fulfillment of this, that the 2013 Reconciliation Report on Petroleum Holding Fund has been prepared and presented to Parliament. Further, the report is necessary given that the 2013 Annual report on the Petroleum Funds which was presented together with the 2014 National Budget in line with section 48 of the PRMA, was prepared with data from the first nine months of the year. The report, thus completes data and information for the full year, and reconciles the reports of the various PRMA stakeholders particularly reports of PIAC. The Reconciliation Report covers the inflows into the Petroleum Holding Fund (PHF) and outflows to the various allowable destination accounts and also accounts for the utilisation of the 2013 ABFA allocation.

4.0 SECTIONS OF THE REPORT

The report comprises eight sections. The first section is the introduction; the second reports on development in the upstream petroleum sector, while the third section reports on developments in production and prices in 2013. Section Four throws light on the inflows into and outflows from the PHF, while Section Five discusses the use of the ABFA in 2012 and 2013. Section Six discusses the NOC's use of its 2013 petroleum revenue allocations; Section Seven discusses the performance of the GPFs, while Section Eight concludes the report.

5.0 DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR IN 2013

Following the approval of the Tweneboa-Enyera-Ntomme (TEN) Plan of Development (PoD) by the Minister for Energy and Petroleum on 29th May, 2013, a second field has been developed. The first oil is expected to be realized in the third quarter of 2016 with production levels reaching its peak at 76,000 bopd by 2018.

Two new Petroleum Agreements (PAs) were ratified by Parliament in December 2013 after approval from Cabinet in September 2013. These are the PA with AGM-Exploroco over the South Deep Water Tano block and the PA with Cola Natural Resources over the East Cape three Points block.

Technical appraisal work has been completed on the Offshore Cape Three Points (OCTP) block, the Sankofa-Gye Nyame (SGN) discovery, establishing combined oil and gas reserves of 116 million barrels of crude oil and 1.11 Trillion Cubic feet of gas. The Commercial assessment on the SGN gas discoveries has been conducted. It is expected that first oil from SGN will be in the fourth quarter of 2016 with the first gas expected twelve months afterwards.

The Ghana National Petroleum Corporation (GNPC) took advantage of the farm-in opportunity in which ENI, a major international oil company, acquired majority stakes in the OCTP exploration license to increase its interest by five percent to 20 percent. Similarly, GNPC increased its total interest to 20 percent from 15 percent under a new Petroleum Agreement negotiated with Vanco/Lukoil.

Negotiations for an additional four new PAs have been substantially completed. Most importantly, two new discoveries (Cob and PN-1) were made during the early part of 2013.

6.0 DEVELOPMENTS IN PRODUCTION AND PRICES

Total crude oil produced from the Jubilee Field in 2013 was 35,587,558 barrels or 99,685 bopd, compared with the 2013 Budget estimate of 30,419,465 barrels or 83,341 bopd and the 2012 actual production of 26,351,278 barrels or 71,997 bopd, as shown in Table 1.

Table 1: Jubilee Production, 2011 – 2013

YEAR	BUDGET		ACTUAL		VARIANCE OF TOTAL
	Bopd	Total	Bopd	Total	
2011	84,737	30,929,005	66,290	24,195,895	(6,733,110)
2012	90,000	32,850,000	71,997	26,351,278	(6,498,722)
2013	83,341	30,419,465	99,685	35,587,558	5,168,093

Source: MOF

7.0 ACTUAL INFLOWS TO AND OUTFLOWS FROM THE PETROLEUM HOLDING FUND

7.1 **Inflows to the Petroleum Holding Fund in 2013**

The proceeds from the sale of the six cargos consisting of 5,876,260 barrels of Jubilee crude oil in 2013, amounted to US\$628.58 million (**GHC 1,221.97 million**), compared with US\$541.07 million (**GHC 978.27 million**) in 2012, as shown in Table 2. For the purposes of this report, and in keeping with public records on petroleum revenue management, the first lifting in 2013 is designated as the tenth overall Jubilee lifting by the Government of Ghana (GoG) since the inception of crude oil production from the Jubilee Field. The rest of the liftings in 2013 follow in that order.

Total petroleum receipts, which include proceeds from the sale of crude oil, together with all other petroleum receipts, was US\$846.77 million (GHS 1,645.59 million), as shown in Tables 3 and 4. This compares favorably with the 2013 Budget estimate of US\$581.72 million (GHS 1,122.72 million) and the 2012 actual receipts of US\$ 541.56 million (GHS 979.32 million).

In 2013, Corporate Income Tax received was US\$ 216.99 million (GHS 421.34 million), Surface Rentals was US\$0.80 million (GHS 1.53 million), Carried and Participating Interest (CAPI) was US\$453.57 million (GHS 881.74 million) and Royalties (i.e. both

Jubilee and Saltpond Royalties) amounted to US\$ 175.41 million (GHS 340.98 million), as shown in Tables 3 and 4.

Table 2: Details of 2013 Ghana Group Crude Oil Liftings

Date of lifting	dd/mm/yy	4-jan-13	1-mar-13	21-apr-13	23-jun-13	11-aug-13	1-nov-13	Total
Lifting		10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	14 th Lifting	15 th Lifting	
Volume of lift	Barrels	995,550	996,201	995,520	995,685	994,966	898,338	5,876,260
Selling Price	US\$	113.171	108.620	99.038	103.744	111.656	105.440	
Value of Lift	US\$	112,667,389	108,207,353	98,594,310	103,296,345	111,093,924	94,720,759	628,580,078
	GHS	212,118,893	205,610,201	188,773,595	201,272,928	217,294,160	196,900,777	1,221,970,554

Source: MOF/GNPC

NOTE: The sixteenth lifting (which was the seventh lifting for 2013) involved 917,189 barrels of oil. The proceeds will be captured in the 2014 report, as earlier indicated.

Table 3: Sources of 2013 Petroleum Receipts (US\$)

Item	1 st Qtr		2 nd Qtr		3 rd Qtr		TOTAL
Date of lifting	4-jan-13	1-mar-13	21-apr-13	23-jun-13	11-aug-13	1-nov-13	
	10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	14 th Lifting	15 th Lifting	
Royalties from Jubilee	31,368,307	30,126,566	27,450,149	28,759,267	30,930,231	26,371,694	175,006,213
Carried and Participating Interest	81,299,082	78,080,787	71,144,161	74,537,078	80,163,693	68,349,065	453,573,866

Surface Rentals	121,914	80,821	466,964	128,634	-	-	798,332
Royalties from Saltpond	232,236	16,985	43,501	-	110,554	-	403,276
Corporate Income Tax	40,210,100	-	78,854,807	53,152,025	-	44,768,566	216,985,498
Total Petroleum Receipts	153,231,638	108,305,158	177,959,582	156,577,003	111,204,478	139,489,325	846,767,184

Source: MOF/GNPC

Table 4: Sources of 2013 Petroleum Receipts (GHS)

Item	1 st Qtr		2 nd Qtr		3 rd Qtr		TOTAL	
	Date of lifting	4-jan-13	1-mar-13	21-apr-13	23-jun-13	11-aug-13		1-nov-13
		10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	14 th Lifting		15 th Lifting
Royalties from Jubilee		59,057,112	57,243,487	52,556,055	56,037,431	60,496,438	54,820,158	340,210,606
Carried and Participating Interest		153,061,781	148,361,303	136,212,610	145,235,497	156,792,167	142,080,619	881,743,977

Surface Rentals	228,757	152,199	896,871	248,944	-	-	1,526,700
Royalties from Saltpond	436,881	31,978	83,289	-	216,166	-	768,313
Corporate Income Tax	75,699,533	-	151,517,018	103,617,713	-	90,501,754	421,336,018
Total Petroleum Receipts	288,484,065	205,788,968	341,265,843	305,139,584	217,504,772	287,402,531	1,645,585,764

Source: MOF/GNPC

Table 5: Analysis of 2013 Petroleum Receipts

ITEM	GHS			US\$		
	Budget	Actual	Variance	Budget	Actual	Variance
	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	
Royalties	277,379,240	340,978,996	63,599,756	143,719,814	175,409,489	31,689,675
o/w Jubilee Royalties	276,985,882	340,210,682	63,224,800	143,516,001	175,006,213	31,490,212
o/w Saltpond*	393,358	768,314	374,956	203,812	403,276	199,464
Carried and Participating Interest	717,880,557	881,743,978	163,863,421	371,958,838	453,573,866	81,615,028
Corporate Income Tax	107,812,193	421,336,018	313,523,825	55,861,240	216,985,498	161,124,258
Surface Rentals *	814,072	1,526,771	712,699	421,799	798,332	376,533
Gas Receipts	18,836,800	-	(18,836,800)	9,760,000	-	(9,760,000)

Total Petroleum Receipts	1,122,722,863	1,645,585,763	522,862,901	581,721,690	846,767,184	265,045,494
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Source: MOF/GNPC

*Figures includes 2012 receipts not captured in the 2012 Annual Report on the Petroleum Funds

7.2 Outflows from the Petroleum Holding Fund in 2013

In 2011, Parliament approved a 40 percent share of the Carried and Participating Interest, net of Equity Financing Costs, for the National Oil Company (i.e. GNPC) and 60 percent for Government, in line with the PRMA. This distribution arrangement ended in 2013 and, in November 2013, as part of the 2014 Budget, Parliament approved a proposal to reduce the NOC's share of the net Carried and Participating Interest to 30 percent, with effect from 2014. Out of Government's net petroleum receipts, 70 percent is designated as Annual Budget Funding Amount while 30 percent is transferred into the Ghana Petroleum Funds.

By a similar arrangement, the Ghana Heritage Fund and the Ghana Stabilization Fund attract 30 percent and 70 percent, respectively, of the total receipts into the GPFs. The transferred amounts to the various components in 2013 are shown in Tables 6 and 7.

Table 6: Distribution of 2013 Petroleum Receipts (US\$)

Item	1 st Qtr		2 nd Qtr		3 rd Qtr	4 th Qtr	Total
	10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	14 th Lifting	15 th Lifting	
Transfer to GNPC	42,342,760	38,587,525	37,432,100	32,687,149	35,141,266	36,230,616	222,421,416
o/w Equity Financing Cost	16,371,879	12,258,684	14,957,392	4,787,197	5,126,315	14,818,316	68,319,783
o/w Net Carried and Participating Interest	25,970,881	26,328,841	22,474,708	27,899,952	30,014,951	21,412,300	154,101,633
o/w Contribution to Min Bal. on PHF	-	(100,000)	-	-	-	-	(100,000)

o/w Payment of Net Shortage from 1 st and 2 nd Lifting	-	(40)	-	-	-	-	(40)
GOG Net Receipts for distribution to ABFA and GPFs	110,888,878	69,717,633	140,527,482	123,889,854	76,063,211	103,258,709	624,345,768
o/w ABFA	68,299,392	-	688,299,392	-	68,299,392	68,299,392	273,197,567
o/w GPFs	42,589,487	69,617,577	72,228,090	123,889,845	7,763,820	34,959,317	351,048,145
o/w Ghana Stabilization Fund	29,812,641	48,732,304	50,559,663	86,722,898	5,434,674	24,471,522	245,733,702
o/w Ghana Heritage Fund	12,776,846	20,885,273	21,668,427	37,116,956	2,329,146	10,487,795	105,314,442
o/w Contribution to Min. Bal. on PHF	-	(100,000)	-	-	-	-	(100,000)
o/w Payment of net shortage from 1 st and 2 nd Lifting	-	(56)	-	-	-	-	(56)
Total Payment	153,231,638	108,305,158	177,959,582	156,577,003	111,204,478	139,489,325	846,767,184

Source: MOF

NOTE: The total amount transferred to GNPC was US\$ 222,421,416, less the deductions made under the 11th Lifting (i.e. US\$ 100,040) for the payment of the minimum balance on the PHF account, as well as the net shortage from the first and second jubilee liftings. The amount transferred to GoG is also less US\$100,056 for the same payments as GNPC.

Table 7: Distribution of 2013 Petroleum Receipts (GH¢)

Item	1 st Qtr		2 nd Qtr		3 rd Qtr	4 th Qtr	Total
	10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	14 th Lifting	15 th Lifting	
Transfer to GNPC	79,718,714	73,486,083	72,784,846	63,962,214	69,704,459	77,939,300	437,595,616
o/w Equity Financing Cost	30,823,337	23,345,438	29,083,901	9,367,587	10,168,302	31,877,161	134,665,726
o/w Net Carried and Participating Interest	48,895,378	50,140,645	43,700,945	54,594,627	59,536,156	46,062,139	302,929,890
o/w Contribution to Min Bal. on		(190,440)	-	-	-	-	(190,440)
PHF							
o/w Payment of Net Shortage from 1 st and 2 nd Lifting	-	(760)	-	-	-	-	(76)
GOG Net Receipts for distribution to ABFA and GPFs	208,770,491	133,080,961	273,227,583	242,427,666	150,875,183	222,130,135	1,230,512,019
o/w ABFA	128,587,265	-	132,794,507	-	135,475,258	146,925,651	543,782,682
o/w GPFs	80,183,226	123,889,694	140,433,076	242,427,666	15,399,925	75,204,484	686,538,071
o/w Ghana Stabilization Fund	56,128,258	93,156,673	98,303,153	169,699,366	10,779,947	52,643,139	480,710,536

o/w Ghana Heritage Fund	24,054,968	39,924,288	42,129,923	72,728,300	4,619,977	22,561,345	206,018,801
o/w Contribution to Min. Bal. on PHF	-	(191,160)					(191,160)
o/w Payment of net shortage from 1 st and 2 nd Lifting	-	(107)					(107)
Total Payment	283489206	206,567,044	346,012,429	306,389,880	220,579,642	300,069,435	1,668,107,636

Source: MOF

8.0 ANNUAL BUDGET FUNDING AMOUNT

8.1 Use of the Annual Budget Funding Amount

Section 21 (1) of the PRMA requires the Minister for Finance to prioritise not more than four areas for the use of the ABFA, in the absence of a long term national development plan, with the view to maximizing the impact of petroleum revenues. Accordingly, Parliament approved the use of the ABFA for the following four priority areas for 2011-2013 in 2011:

- Expenditure and Amortization of Loans for Oil and Gas Infrastructure;
- Agriculture Modernization;
- Roads and Other Infrastructure; and
- Capacity Building (including Oil and Gas)

8.2 Annual Budget Funding Amount Receipts for 2012 and Utilisation

Total ABFA in 2012, amounted to GH¢516.83 million which was GH¢97.71 million (US\$96.96 million) below the budget estimates. The variance was due largely to the low

crude oil production and the non-realization of Corporate Income Tax. The utilisation of the 2012 ABFA is as shown in Table 8 below:

TABLE 8: EXPENDITURE OF 2012 ABFA ON THE FOUR PRIORITY AREAS

S/N	Priority Area	Amount (GH¢)
1	Expenditure and Amortization of Loans for Oil and Gas Infrastructure	100,000,000
2	Agriculture Modernization	72,471,824
3	Roads and Other Infrastructure	232,403,269
4	Capacity Building (including Oil and Gas)	111,959,738
5	Total	516,834,831

Source: MOF

8.3 Annual Budget Funding Amount Receipts for 2013 and Utilisation

The 2013 Annual Budget Report on the Petroleum Funds reported the ABFA in the first three quarters of 2013 as US\$204.90 million (GH¢392.94). By end-2013, however, the total ABFA received and disbursed amounted to US\$273.20 million (GH¢543.78 million). By the end of the period, the cedi equivalent of the ABFA had exceeded the 2013 Budget allocation of GH¢527.27 million by GH¢16.51 million, due to exchange gains. Disbursement of the 2013 ABFA to the four priority areas is outline in Table 9 below:

TABLE 9: EXPENDITURE OF 2013 ABFA ON THE FOUR PRIORITY AREAS

S/N	Priority Area	Amount
1	Expenditure and Amortization of Loans for Oil and Gas Infrastructure	137,920,847
2	Agriculture Modernization	13,604,329
3	Roads and Other Infrastructure	372,074,147
4	Capacity Building (including Oil and Gas)	20,183,359
5	Total	543,782,682

Source: MOF

9.0 UTILIZATION OF GNPC'S 2013 ALLOCATIONS

GNPC received a total amount of US\$222.42 million in 2013 and as at 31st December, 2013 an amount of US\$142.39 million has been disbursed, leaving a balance of US\$80.03 million, as shown in Table 10. With an open balance of US\$61.67 million at the beginning of 2013, GNPC's available balance as at 31st December, 2013 stood at US\$141.70 million.

TABLE 10: UTILIZATION OF GNPC'S SHARE OF 2013 JUBILEE PETROLEUM REVENUE

S/N	RECEIPTS FROM JUBILEE PROCEEDS	AMOUNT (US\$)	EXPENDITURE AS OF RECEIPT
1	Level A Receipts (Equity Financing)	68,319,783.18	30.70%
2	Level B Receipts (40% of Net proceeds)	154,101,633.02	69.30%
3	Total Amount Received: (A)	222,421,416.20	100%
	USE OF AMOUNTS ALLOCATED		
4	Jubilee Equity Financing Cost	76,681,194.80	34.30%
5	TEN Project Cost	3,027,153.21	1.40%
6	Petroleum Projects Other than Jubilee, TEN & Sankofa Gye Nyame Project	9,922,975.26	4.50%
7	Staff Cost	9,695,076.70	4.40%
8	Admin. Capital Expenditure	2,046,024.62	0.90%
9	General Operational Expenditure	7,773,863.88	3.50%

10	BNP Paribas	31,337,309.53	14.10%
11	Bank of Ghana Transfer Charges	2,323,269.07	1.00%
12	Total Expenditure:- (B)	142,393,867.06	64.00%
13	Cash yet to spend: (C=A-B)	80,027,549.14	36.00%
14	Add: Cash B/Fwd (01.01.2013) (D)	61,674,215.00	
15	Total Cash-Available (E=C+D)	141,701,764.14	

The details of GNPC's expenditure on other petroleum projects are presented in Table 11.

Table 11: GNPC's Expenditure of Petroleum Receipts on other Petroleum Project

PETROLEUM PROJECT	AMOUNT (US\$)
South Deep water Tano	1,894,356
Votain Basin Project	1,305,036
North & South Tano	1,267,581
Hess Block	3,024,781
Ultra Deep Water Keta	411,948
Reservoir Characterization	294,728
ICT Upgrade & Expansion	154,006
Research and Technology Centre	39,994
Organizational Development Project	44,189

Petroleum Project Consultancy	332,220
Maritime Boundary Special Project	1,154,134
Total Amount	9,922,975

Source: GNPC

10.0 PERFORMANCE OF THE GHANA PETROLEUM FUNDS IN 2012 AND 2013

A total of US\$351.05 million dollars was transferred to the GPFs in 2013, with the GSF receiving US\$245.73 million, while the GHF received US\$105.31 million. This compares favorably with the total transfer of US\$24.12 million in 2012, of which GSF received US\$16.88 million and GHF received US\$7.24 million. The GPFs earned a net return on investment of approximately US\$2.52 million in 2013, up from US\$0.26 million in 2012. Of this amount, the GHF earned a net return of US\$1.12 million, up from US\$0.06 million in 2012 while the GSF earned US\$1.40, up from US\$0.21 million.

At the end of 2013, the total amount standing in the GPFs was US\$447.16 million, out of which GSF had US\$319.04 million and GHF, US\$128.13 million.

11.0 OBSERVATIONS

Developments in Production and Prices

Highlighting on the development in production and prices the Minister for Finance indicated that of the total Jubilee crude oil production, GNPC undertook seven crude oil cargo liftings which involved 6,793,449 barrels of crude oil, on behalf of the State in 2013. According to the Hon. Minister, this compares favorably with the 4,931,034 barrels lifted by GNPC in 2012. The Minister however, stated that the proceeds from the seventeenth lifting (i.e. the seventh lifting for 2013), which was undertaken on 20th December, 2013, were received on 20th January, 2014, and is, thus, credited to 2014. Thus, the 2013 report captures the seventh lifting as an activity which took place with the proceeds being credited in 2014.

It was also added that total production from the Saltpond Field, the only other producing field apart from Jubilee in 2013, was 105,039.60 barrels as against 77,374 barrels in 2012. This, according to the Hon. Minister represents an increase in production of approximately 35.8 percent.

Regarding price, the Committee noted that the average achieved Jubilee crude oil price for 2013 was US\$106.945 per barrel against a projected price of US\$94.36 per barrel. This, it was observed compares favorably with the average Dated Brent price of US\$106.327 per barrel during the period that the GNPC liftings took place.

Increased Jubilee production in 2013

The Committee noted that the 2013 Jubilee production represents a 17 percent increase over that of 2012 and two main factors that accounted for the increased production in the Jubilee Field. These were stated as:

- Increased number of producing wells from 9 to 12; and
- Successful execution of acid simulation operation which arrested the premature production decline of existing wells.

Inflows of Petroleum receipts

Total petroleum receipts, which include proceeds from the sale of crude oil, together with all other petroleum receipts, was US\$846.77 million (GHS 1,645.59 million), as shown in Tables 3 and 4. This compares favorably with the 2013 Budget estimate of US\$581.72 million (GHS 1,122.72 million) and the 2012 actual receipts of US\$ 541.56 million (GHS 979.32 million). Corporate Income Tax received was US\$ 216.99 million (GHS 421.34 million), Surface Rentals was US\$0.80 million (GHS 1.53 million), Carried and Participating Interest (CAPI) was US\$453.57 million (GHS 881.74 million) and Royalties (i.e. both Jubilee and Saltpond Royalties) amounted to US\$ 175.41 million (GHS 340.98 million), as shown in Tables 3 and 4.

Analysis of 2013 Petroleum Receipts

The Committee learnt that except for gas receipts, which were not realised, and Saltpond Royalties, which fell below target in spite of increased production, all the sources of petroleum revenue exceeded their targets in 2013. Actual receipts from Saltpond which relate to 2013 amounted to US\$171,040 (GHS331, 433); with the difference of US\$232,236 (GHS 436,881) being Saltpond Royalties paid in 2012 but reflected in 2013. Similarly, the amount recorded for Surface Rentals included an amount of US\$121,914 (GHS 228,757) which was received in 2012 being reported in 2013 as a result of lags between actual receipts and reporting periods.

In total petroleum receipts in 2013 exceeded budget estimate by about US\$265.05 million (GHS 522.86 million), as shown in Table 5. But the Committee noted that this resulted mainly from increased crude oil production and the receipt of Corporate Income Tax for the first time since production commenced. In all Corporate Income Tax constituted 25.63 percent of the total petroleum receipts in 2013 while Royalties came to 20.72 percent. The share of Carried and Participating Interest was 53.57 percent, while Surface Rentals was 0.09 percent of total petroleum receipts.

Outflows from the Petroleum Holding Fund (PHF) in 2013

The Committee noted that the outflows from the PHF has been in line with the PRMA as approved by Parliament in 2011, thus, a 40 percent share of the Carried and Participating Interest, net of Equity Financing Costs, for the National Oil Company (i.e. GNPC) and 60 percent for Government till ended in 2013 when as part of the 2014 Budget, Parliament approved a proposal to reduce the NOC's share of the net Carried and Participating Interest to 30 percent, with effect from 2014.

The Committee further noted that also in accordance with the PRMA and Parliamentary approvals, 70 percent out of Government's net petroleum receipts designated as Annual Budget Funding Amount (ABFA) was used to support the 2013 budget while 30 percent was transferred into the Ghana Petroleum Funds. By a similar arrangement, the Ghana Heritage Fund and the Ghana Stabilization Fund attract 30 percent and 70 percent, respectively, of the total receipts into the GPFs.

Use of the Annual Budget Funding Amount

The Committee observed that in accordance with Section 15 (2a) of the PRMA which requires the Minister for Finance to include the ABFA for the immediately preceding two years to the year the reconciliation report is written the 2013 report includes the ABFA for both 2012 and 2013. The Committee also observed that the use of the ABFA for the 2011-2013 was in line with the under-listed four priority areas approved by Parliament in 2011:

- Expenditure and Amortization of Loans for Oil and Gas Infrastructure;
- Agriculture Modernization;
- Roads and Other Infrastructure; and
- Capacity Building (including Oil and Gas)

It was noted that of the 2012 ABFA, GH¢100.00 million or 19.3 percent was spent on Expenditure and Amortization of Loans for Oil and Gas Infrastructure, GH¢72.47 million or 14.0 percent was spent on Agriculture Modernization, GH¢232.40 million or 45.0 percent was spent on Roads and Other Infrastructure, while GH¢111.96 million or 21.7 percent was spent on Capacity Building.

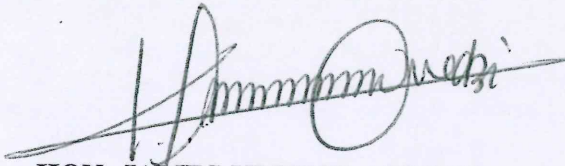
For the 2013 financial year, a total ABFA of GH¢543.78 (US\$273.20 million) was disbursed to the four priority areas, in line with Section 21 (5) of the PRMA. Out of the total amount disbursed, Expenditure and Amortization of Loans for Oil and Gas Infrastructure received GH¢137.92 million or 25.4 percent, while Agriculture Modernization received GH¢13.60 million or 2.5 percent. An amount of GH¢372.07 million, representing 68.42 percent, was spent on Roads and Other Infrastructure, while GH¢20.18, representing 3.71 percent, was spent on Capacity Building.

12.0 CONCLUSION AND RECOMMENDATION

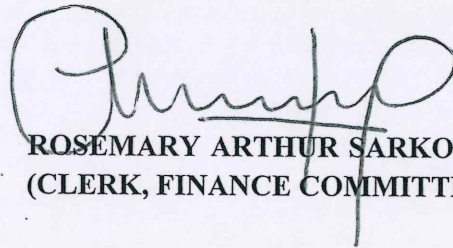
The Committee after careful consideration of the Report observed that the 2013 Reconciliation Report on the Petroleum Holding Funds has been written in compliance with the PRMA. The Committee therefore recommends to the House to adopt its report

and approve by resolution, the 2013 Reconciliation Report on the Petroleum Holding Funds in accordance with section 15 of the Petroleum Revenue Management Act, 2011, (Act 815).

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)**



**ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)**

July, 2015
