

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

**REPORT OF THE FINANCE COMMITTEE**

**ON**

**THE 2018 PIAC SEMI-ANNUAL REPORT ON THE MANAGEMENT  
OF PETROLEUM REVENUES FOR THE PERIOD JANUARY TO  
JUNE 2018**

**1.0 INTRODUCTION**

The 2018 PIAC Semi-Annual Report on the Management of Petroleum Revenues was presented to Parliament on Tuesday, 28<sup>th</sup> May, 2019 in accordance with the Petroleum Management (Act 815) and the Standing Orders of the House. It was referred to the Finance Committee for consideration and report

The Committee met and considered the report with a Deputy Minister for Finance, Hon. Charles Adu Boahen, and officials from the Ministry of Finance, Bank of Ghana and Public Interest and Accountability Committee (PIAC), Volta River Authority, Ghana Revenue Authority, Petroleum Commission, Ghana National Petroleum Corporation (GNPC), KOSMOS Energy, Ghana National Gas Company, Tullow Oil Company and Controller and Accountant General's Department and reports as follows.

## **2.0 DOCUMENTS REFERRED TO**

The Committee referred to the following documents:

1. The 1992 Constitution of Ghana;
2. The Petroleum Revenue Management Act, 2011 (Act 815);
3. The Public Financial Management Act, 2016 (Act 921) ; and
4. The Standing Orders of Parliament.

## **3.0 BACKGROUND**

The Public Interest and Accountability Committee (PIAC), established under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815) is required to prepare and publish two reports – semi and annual reports – each year detailing how much petroleum revenue has been collected during the period under review and how the amount so collected has been utilized.

The reports, among others, is to provide oversight and monitoring of the management of petroleum revenues. The reports are also expected to capture the performance of the Ghana Petroleum Funds (GPFs) and the feedback received from the citizenry during the PIAC public consultations.

In accordance with its mandate, PIAC has prepared and submitted to Parliament the Semi-Annual Report on the Management of Petroleum Revenues for the period January to June, 2018.

The 2018 Semi-Annual Report for the period January to June, 2018 examines crude oil production, marketing, distribution and utilization of the petroleum revenues while making recommendations on the judicious use of the petroleum funds.

## **4.0 OBJECT OF THE REPORT**

The object of the Report is to inform the House and the general public on the management and use of the petroleum revenues for the period January to June 2018.

## **5.0 KEY FINDINGS IN THE REPORT**

### **5.1 Oil Production**

A total of 28,982,050 barrels (bbls) of oil was produced from Ghana's three offshore producing fields between January and June, 2018. A total of 11,923,286 barrels was produced from the Jubilee field, 11,772,267 bbls from TEN, and 5,286,497 bbls from SGN. This represents a 19.04% increase over the first half of 2017 production. The increased half-year production is as a result of improved production from the TEN and SGN fields.

### **5.2 Gas Production**

Total volume of raw gas produced for the first half of 2018 amounted to 44,797.21 MMScf compared to 31,673.96 MMScf for the same period in 2017. A total of 14,694.27 MMScf of raw gas was exported to the Atuabo Gas Processing Plant (AGPP) in the first half of 2018.

### **5.3 Oil liftings**

A total of 13 liftings were made by the Jubilee Partners of 12,506,068 bbls; 12 liftings amounting to 11,711,943 bbls by the TEN Partners while the SGN Partners lifted six (6) parcels of crude which amounts to 5,840,411 bbls. The Ghana Group lifted two parcels each from the Jubilee and TEN fields totaling 3,959,699 bbls. From the SGN Field, Ghana Group lifted one parcel (995,351 bbls) as royalty. There was no lifting by GNPC in respect of its Carried And Participating Interest (CAPI) for the period under review.

### **5.4 Marketing**

The average unit price achieved by the Ghana Group for Jubilee Crude for the period under review was US\$70.78/bbl compared to the Government's estimated benchmark price of US\$56.85/bbl. The two cargoes lifted by the Ghana Group from the TEN Field also achieved an average unit price of US\$57.58/bbl.

## 5.5 Petroleum Receipts

Total petroleum receipts of US\$463,569,064.38 was paid into the Petroleum Holding Fund (PHF) for the first half of the year. This amount was realized from the various sources that constitute petroleum revenues and are captured in Table 1 below:

**Table 1 Petroleum Receipts**

	<b>Item</b>	<b>Amount (US\$)</b>
1	Carried Interests	168,575,887.49
2	Royalties	151,754,754.45
3	Additional Participating Interest	69,685,300.69
4	Surface Rentals, Corporate Tax and Interest Income	73,553,119.72
	<b>Total</b>	<b>463,569,064.38</b>

## 5.6 Distribution of Petroleum Revenue

The total amount distributed from the Petroleum Holding Fund (PHF) during the period under review was US\$475.86 Million. Out of this amount, the Ghana Stabilisation Fund (GSF) received the largest share of 32%, followed by GNPC with 30%, ABFA with 25%, and the Ghana Heritage Fund (GHF) with 13%. The amounts far exceed what was distributed in the first half of 2017. Details of the distribution is contained in Table 2 below.

**Table 2 Distribution of Petroleum Revenue**

	<b>Item</b>	<b>Amount (US\$)</b>	<b>%</b>
1	GNPC	142,822,504.82	30
2	ABFA	117,551,658.10	25
3	Ghana Stabilisation Fund	150,841,316.89	32
4	Ghana Heritage Fund	64,646,278.66	13
	<b>Total</b>	<b>475,861,758.47</b>	<b>100</b>

## **5.7 Performance of the Ghana Petroleum Funds (GPFs)**

The report revealed a mixed performance of the Ghana Petroleum Funds (GPFs) for the half-year, similar to the 2017 half-year performance. The yield of the US 10-year Treasury note rose from 2.304% in June 2017 to 2.8601% in June 2018, while the yield of the 2-year note rose from 1.382% in June 2017 to 2.5282% in June 2018. Due to sensitivity of the performance of the GPFs to the interest on the US Treasury notes, the rise in yields adversely affected the market performance of the Ghana Heritage Fund (GHF).

The Ghana Petroleum Funds returned a net realised income of US\$6.49 million compared to US\$4.47 million in the first half of 2017. The Ghana Stabilisation Fund (GSF) contributed 37.74% (US\$2.45 million) to total net income compared to 23.23% (US\$1.04 million) in the first half of 2017. The GHF on the other hand contributed 62.26% (US\$4.04 million) in the first half of 2018 compared to 76.77% (US\$3.44 million) during the same period in 2017.

At the end of June 2018, net profit on investment of the Ghana Petroleum Funds since inception was US\$34.70 million compared to US\$28.21 million at the end of December 2017.

The GPFs reserves at the end of the first half of 2018 was ~~US\$342.14 million~~ which was made up of US\$413.48 million for the GHF and an amount of US\$428.66 million in respect of GSF.

### **5.7.1 Ghana Stabilisation Fund (GSF)**

The return on the GSF in the first half of 2018 was 0.65% compared to 0.54% for the same period in 2017. With an opening balance of US\$353,052,037.36, the GSF received transfers of US\$150,841,316.89 during the period, and a net return of US\$2,450,408.21. Closing book value as at 29 June, 2018 for the GSF was US\$428,662,005.06

### **5.7.2 Ghana Heritage Fund (GHF)**

The return on investment of the GHF for the first half of 2018 was -0.90% compared to 2.09% for the same period in 2017. The opening balance of the GHF was US\$344,792,661.86, with US\$64,646,278.66 being transfers during the period and a net return of US\$4,042,888.9. The Closing book value as at 29 June, 2018 was US\$413,481,829.47.

### **5.8 Transfer into Sinking Fund**

In accordance with Section 23(4) of the PRMA, Act 815, and Section 9 of Act 893 as amended, the GSF was capped at US\$300 Million per the 2018 Budget and Economic Policy Statement. Following the capping, an amount of US\$77,681,757.40 which was the excess over the cap was transferred to the Sinking Fund in accordance with Section 23(3) of the PRMA, Act 815 and Act 893 as amended. The excess as at June 29, 2018 stood at US\$128,662,005.06.

### **5.9 GNPC Share of Petroleum Revenue up to June, 2018**

The Committee observed that for the half-year ending June, 2018, GNPC received a total amount of US\$142.82 Million for their activities. The amount was made up of:

- i. Jubilee Equity financing (share of development & production cost) of US\$55.24 million;
- ii. TEN Equity financing (share of development & production cost) of US\$46.68 million;
- iii. 30% share of net proceeds of Jubilee crude revenue of US\$27.40 million; and
- iv. 30% share of net proceeds of TEN crude revenue of US\$13.51 million

### 5.10 GNPC's Expenditure on its Programme of Activities for the Half-Year Ending June, 2018

The Committee noted that for the half year ending June, 2018, out of the amount of US\$142.8 Million, the Corporation spent an amount of US\$ 140.57million on their programmed activities, leaving a balance of US\$2.25 million. Details of the Corporations Expenditure is captured in Table 4 below:

**Table 4 GNPC's Expenditure for the half Year ending June, 2018**

	<b>Item</b>	<b>Amount</b>	<b>%</b>
1	Jubilee Equity Financing Cost	30,042,551.35	21.0
2	TEN Equity Financing Cost	54,457,441.82	38.1
3	Exploration and Development Projects	15,690,555.06	11.0
4	Staff Cost	10,614,048.25	7.4
5	Admin. Capital Expenditure	6,171,771.68	4.3
6	Capital Projects	7,466,187.73	5.2
7	General Operational Expenditure	13,028,450.33	9.1
8	Downstream Projects	2,134,822.16	1.5
9	SOPCL	969,131.80	0.7
	<b>Total Expenditure</b>	<b>140,574,960.19</b>	<b>98.4</b>
	Net Position	2,247,544.62	1.6

### 5.11 Exploration & Development Projects

The Committee observed that GNPC spent a total amount of US\$15.69 million of the amount received on exploration and development projects and on funding of the Maritime Boundary Secretariat activities. The expenditure on exploration and petroleum projects included the Corporation's cost incurred on projects other than Jubilee and TEN such as OCTP, Voltaian Basin, North and South Tano projects, etc. Details of the Expenditure are shown in Table 5 below:

**Table 5 Breakdown of Exploration and Development Projects**

	<b>Activities</b>	<b>Amount</b>
1	OCTP ENI Project	887,777.75
2	North & South Tano Petroleum projects	1,204,679.78
3	Voltaian Basin Petroleum	9,361,251.61
4	South Deep Water Tano Petroleum Projects	936,431.25
5	Hess	1,447,034.20
6	Ultra Deep Water [Keta Heritage]	356,851.84
7	Tano – Heritage	356,851.84
8	A-Z Petroleum	356,851.84
9	Explorco	456,103.03
10	Maritime Boundary Special Project	326,811.93
	<b>Total</b>	<b>15,690,555.06</b>

### **5.12 Indebtedness of the Government of Ghana and State-Owned Enterprises (SOEs) to GNPC**

The Committee observed that in 2014, GNPC, at the request of the Ministry of Finance (MoF) and the then Ministry of Energy and Petroleum (MoEP), advanced an amount of US\$50 million to the MoF and the Ghana Gas Company Ltd (GNGC) for the construction and/or resurfacing of selected roads in the Western Region for the transportation of natural gas liquids (LPG) extracted from Jubilee Gas with the promise of repayment by the MoF. The road construction was to make it possible for Jubilee Gas to be supplied through GNGC to power plants to help alleviate the power crisis the country was experiencing. As at the end of June 2018, no payment has been received in respect of this advance.

In addition to the US\$50 million advance, GNPC has further made payments and guarantees amounting to GH¢1,318,393,339 to five (5) entities which amounts



were due for repayment in the second quarter of 2018. Details of the payments and guarantee made on behalf of other Entities is captured in Table 6 below:

**Table 6 Payments & Guarantees made on behalf of other Entities**

	<b>Entity</b>	<b>Amount</b>
1	Government of Ghana	102,537,354
2	Ministry of Finance	220,820,000
3	Tema Oil Refinery	257,939,289
4	Ghana National Gas Company	316,271,908
5	BOST Loan	420,824,788
	<b>Total</b>	<b>1,318,393,339</b>

## **6.0 OBSERVATIONS**

### **6.1 Unutilised ABFA of GH¢403.74 Million**

The Committee observed that the Unutilised ABFA amount of GH¢403.74 million has increased to GH¢440 Million as a result of exchange rate gains but still remained unpaid

The Ministry of Finance confirmed the amount and indicated that the amount was outstanding because it was not included in the 2018 Appropriated Budget. The Ministry intends to obtain the necessary Parliamentary approval in order to disburse the amount.

### **6.2 Indebtedness to GNPC**

The Committee observed that State Owned Entities (SoEs) such as the Ministry of Finance, Tema Oil Refinery, Bulk Oil Storage and Transport (BOST) and Ghana Gas owed the GNPC to the tune of GH¢1,318,393,339.

The Ministry indicated that steps would be taken to address the situation.

### **6.3 No lifting by GNPC in the SGN Field**

The Committee noted that during the period under review, GNPC did not lift oil in the SGN field as part of its Carried and Participating Interests.

It was explained that as part of the approved Petroleum Agreement, GNPC was to use its liftings in the SGN field to offset its indebtedness. As a result, the Partners lifted the Corporation's share to offset its indebtedness in respect of unpaid cash calls.

## **7.0 RECOMMENDATIONS**

### **7.1 Need to Urgently Seek Parliamentary Approval to Disburse the Un-Utilised ABFA of GH¢403.74 million**

The Committee was informed that the amount of GH¢403.74 million is sitting in the Treasury Single Account and was brought forward in 2018.

Since the Ministry is of the opinion that the amount requires parliamentary approval before disbursements could be made, the Committee recommends to the House to urge the Minister for Finance to take urgent steps to seek the needed Parliamentary approval in order to disburse the unutilised amount of GH¢403.74 million.

### **7.2 Indebtedness to GNPC**

The Committee observed that the debts owed to GNPC by SOEs now stands at GH¢1,318,393,339. Per the terms of the agreements, these debts were expected to be paid by the end of December, 2018. As of date, the amounts are yet to be paid. This would impact negatively on the operations of GNPC in fulfilling its core mandate.

The Committee recommends to the Minister for Finance to ensure that all SOEs who are indebted to the GNPC honour their obligations as per the terms of their agreements to enable GNPC achieve its mandate.

## **8.0 CONCLUSION**


The Committee has carefully considered the Report and is of the view that the Report satisfies the requirements of Act 815. It also urges the various Oil and Gas Agencies and Stakeholders to implement the valuable recommendations in the PIAC's Semi-Annual Report up to June, 2018 as required by Law.

The Committee accordingly recommends to the House to adopt this report and adopt the Semi-Annual Report on the Management of Petroleum Revenues by the Public Interest and Accountability Committee (PIAC) from January to June, 2018.

Respectfully submitted,



**HON. MARK ASSIBEY YEBOAH (DR)**  
**(CHAIRMAN OF THE FINANCE COMMITTEE)**



**EVELYN BREEFO BOATENG (MS)**  
**(CLERK TO THE COMMITTEE)**