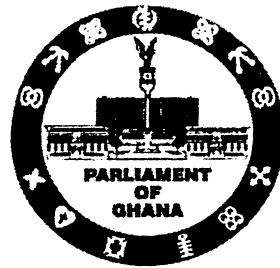


PARLIAMENT OF GHANA LIBRARY

**IN THE THIRD MEETING OF THE SECOND
SESSION OF THE SEVENTH PARLIAMENT OF
THE FOURTH REPUBLIC**



**REPORT OF THE SELECT COMMITTEE ON
MINES AND ENERGY ON THE BUDGET
PERFORMANCE OF THE MINISTRY OF
ENERGY FOR THE PERIOD, JANURAY TO
DECEMBER, 2017**

25TH JUNE, 2019

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

**REPORT OF THE SELECT COMMITTEE ON MINES AND ENERGY
ON THE BUDGET PERFORMANCE OF THE MINISTRY OF ENERGY
FOR THE PERIOD, JANURAY TO DECEMBER, 2017**

1.0 INTRODUCTION

Pursuant to Section 27(1) of the Public Financial Management Act, 2016, (Act 921) the Performance Report in Respect of the Ministry of Energy for the Period, January to December, 2017 was laid in Parliament Tuesday, 5th June, 2018 by the Minister for Energy, Hon. Boakye Agyarko

The Performance Report was subsequently referred by the Rt. Hon. Speaker to the Committee on Mines and Energy for consideration and report

2.0 DELIBERATIONS

The Committee met on 11th July, 2018 and considered the Report. Present at the meeting were the Hon. Deputy Minister for Energy, Mr. Joseph Cudjoe and his technical team from the Ministry as wells as other officials of the Ministry of Finance.

The Committee is grateful for their inputs and clarifications.

3.0 REFERENCE DOCUMENTS

In considering the Performance Report, the Committee made reference to the under-listed documents:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2017 Financial Year;
- iv. The Medium Term Expenditure Framework for the Ministry of Energy, 2017 – 2019;
- v. The Report of the Select Committee on Mines and Energy on 2017 Annual Budget Estimates of the Ministry of Energy; and

- vi. The 2017 Annual Budget Estimates of the Ministry of Energy.

4.0 VISION AND MISSION OF THE MINISTRY

- 4.1 The vision of the Ministry of Energy is to develop a modern diversified, efficient and financially sustainable energy economy that will ensure that all Ghanaian homes and industries have access to adequate reliable, affordable and environmentally sustainable supply of energy to meet and support accelerated growth and development agenda envisaged for the country.
- 4.2 The Mission of the Ministry of Energy is to develop and sustain an efficient and financially viable Energy Sector that provides secure, safe and reliable supply of energy to meet Ghana's developmental needs in a competitive manner.

5.0 STRATEGIC POLICY OBJECTIVES FOR 2017

During the year under review, the Ministry sought to achieve the following strategic policy objectives:

5.1 Power Sub-Sector

In 2017, the Ministry of Energy set for itself the following objectives for the power sub-sector:

- a. Provide adequate, reliable and affordable energy to meet the national needs and for export;
- b. End the power outages (*Dumsor*) in the short-term, through government liquidity injection, restructuring of debts, and securing of firm commitments for the reliable supply of fuel;
- c. Reduce taxes on electricity tariffs to provide immediate relief to households and industry;
- d. Conduct a technical audit on all power sector infrastructure and develop and implement a 10-year Power Sector Master Plan which may be reviewed in the course of implementation to meet our medium to long-term energy needs;
- e. Ensure that there is sufficient Reserve Margin- the safety cushion to prevent blackouts and ensure the stability of the power system;

- f. Develop and implement an Energy Sector Financial Restructuring and Recovery Plan, incorporating, a liquidity management mechanism for VRA, ECG, NEDCo and the BDCs;
- g. Restructure the power sector by bringing all hydro generation exclusively under VRA and create a separate thermal market;
- h. Increase the proportion of renewable energy (solar, biomass, wind, small and mini-hydro and waste-to-energy) in the national energy supply mix;
- i. Explore the options for nuclear, geo-thermal and tidal wave energy
- j. Ensure efficient utilisation of energy;
- k. Build transparent and effective regulatory environment;
- l. Encourage public and private sector investments in the power sector; and
- m. Build adequate local human resource capacity for effective management of the energy sector.

5.2 Petroleum Sub-Sector

In 2017, the Ministry of Energy set for itself the following objectives for the petroleum sub-sector:

- a. Create an enabling environment for sustainable activities along the oil and gas value chain;
- b. Ensure accelerated and integrated development of the oil and gas industry;
- c. Promote value-added investments, indigenization of knowledge, expertise and technology in the oil and gas sector;
- d. Maximize local content and participation in all aspects of the petroleum value chain;
- e. Ensure adequate availability of petroleum products on the Ghanaian market;
- f. Ensure the development of the needed institutional and human resource capacity for the petroleum sector; and
- g. Ensure transparency in the management of petroleum resources.

6.0 2017 KEY PERFORMANCES OF THE MINISTRY

The following were the key performances of the Ministry during the year under review:

6.1 Expansion in Generation Capacity

6.1.1 A total of 445MW was added to the country's installed generation capacity to up it from 4,132MW in 2016 to 4,577MW in 2017. The replacement of the 225MW Karpowership by a 450MW Karpowership and the completion of Phase 1 of 370MW AKSA Power Project added 225MW and 220MW capacity respectively.

6.1.2 Works on the 340MW CenPower, 400MW Early Power 240MW Amandi Power projects achieved 97.78%, 5% and 10% complete respectively.

6.1.2 The construction of the 220MW Kpone Thermal Power Plant (KTPP) was completed, leaving residual works including, Plant Roads, drains, communication and telephone to be completed. Works on the Unit 1 and 2 of the Kpong Generation Station Retrofit Project was also completed.

6.1.3 In all, there was a shortfall of 782MW representing 63.7% of the 2017 target of 1,227MW.

6.2 Improvement in Power Transmission

6.2.1 In line with Government's policy to create a non-congested transmission system, GRIDCo continued with the Transmission System Reinforcement Project to improve operational reliability, security and control among others. Key among these included:

- a. Kpando-Kadjebi 161kV Transmission Line (completed)
- b. Aboadze-Prestea 330kV Transmission Line (86% complete)
- c. Prestea-Kumasi 330kV Transmission Line (70% complete)
- d. Kumasi-Bolgatanga 330kV Transmission Line (70% complete)

6.3 Improvement in Power distribution

- 6.3.1 A target reduction from 23.18% in 2016 to 20% was set for the year under review. At the end of the year, the Ministry had achieved 23.5%, an increase rather than reduction.
- 6.3.2 A target of 2185 communities were set to be connected to the national grid under the Rural Electrification Project but 587 was achieved. The underperformance was attributed to challenges encountered in securing tax exemptions for the clearance of project materials and unavailability of some key electrical materials.
- 6.3.3 The National Electricity Access Rate as at December, 2017 was 84.15% against a target of 85%, marginal increase of 0.915% over the 2016 figure of 83.24%.
- 6.3.4 The Regional Capital Street lighting Project involving the rehabilitation and replacements of High Pressure sodium (HPS) with LED streetlights achieved 87% of the target set.
- 6.3.5 Under the Ghana Energy Development and Access Project (GEDAP), a new 40MVA capacity 33kv Primary Substation was constructed at GIMPA with 15km 33kv sub transmission lines to interconnect the sub-station to the Achimota Bulk Supply Point (BSP) and Accra Third BSP from Shiashie 33/11kV Primary substation. The Ministry also completed 85% of construction works on a new 10km 80MVA capacity 33kV line from Dodowa to Akwapim Mampong planned to replace the existing 40 year old 20MVA 33KV line.

6.4 Renewable and Alternative Energy Development

- 6.4.1 The Ministry achieved power generation mix of 1.5% out of a target of 2% for the year under review.
- 6.4.2 52,191 out of 70,000 units of portable solar lanterns with phone charging functionality were sold at 75% subsidy to poor off-grid rural households.
- 6.4.3 Five mini-grids were constructed and commissioned in some island communities in the following districts: Ada East District

(Pediatorkope), Krachi East (Kudorkope), Krachi West (Aglakope) and Sene East District (Atigagome and Wayokope).

6.4.5 The Ministry also completed 35% works required for the supply and installation of solar micro-grids for 26 Health Facilities in Brong Ahafo, Northern and Western regions.

6.4.6 Under the Ghana Nuclear Power Programme, 90% of the Phase 1 of work programme required for undertaking a nuclear power project in the country was completed. The report on the Phase 1 was also presented to the country by the International Atomic Energy Agency.

6.5 Petroleum Upstream Development

6.5.1 During the year under review, the following milestones were achieved in the petroleum upstream development:

- a. Jubilee FPSO turret remediation with the Interim Spread Mooring operation was successfully executed;
- b. Production from the Jubilee Field as at 31st October 2017 was 27,165,129 barrels, compared to 19,832,097 barrels for the same period in 2016, representing an increase of 26.9 percent;
- c. A total of 35,997.29 MMscf of associated gas was produced from the Jubilee Field as at 31st October 2017 out of which 20,195.85 MMscf was exported to the Gas Processing Plant at Atuabo for power generation;
- d. Plan of Development for Greater Jubilee Full Field development was approved;
- e. A total oil production of 14,253,478bbls was achieved at Teneboa-Enyenra-Ntomme (TEN) Field as at 4th December 2017. Average daily oil production achieved for the period stood at 52,211 bbls against a planned daily average of 50,000 bopd;
- f. Sankofa Gye Nyame Field attained first Oil on 20th May, 2017 ahead of schedule with two (2) oil producer wells (OP-3 and OP-4). Total oil production from the field from inception (20th May, 2017) to 31st October 2017 stood at 2,929,935.43 bbls and gas produced was 3,819.21 MMscf; and

- g. The Ghana-Cote d'Ivoire maritime boundary dispute judgement at the International Tribunal for the Law of the Sea (ITLOS) was made on 23rd September 2017. Fortunately, none of Ghana's active upstream petroleum projects was negatively impacted by the ruling. Companies previously affected by the provisional measures resumed normal operations under respective Petroleum Agreements.

6.6 Petroleum Downstream Development

6.6.1 A total of 149,500 LPG cylinders, cook stoves and related accessories had been distributed between 2013 and 2017 under the Rural LPG Promotion Programme (RLPGPP). **The target for the year under review was not indicated in the Ministry's 2017 annual sector budget.**

6.6.2 Under the local content and local participation, the following were achieved during the year:

- a. Approval of the Local Content Policy for the Petroleum downstream by Cabinet;
- b. Passage of the Local Content Legislation for the Power sector; and
- c. Launching of the Ghana Upstream Service Internship Programme (GUSIP)

6.6.3 A new National LPG Promotion Policy was approved by Cabinet to replace the current LPG Marketing model with the Cylinder Recirculating market model. The policy seeks to consolidate activities in the LPG value chain with the view to reducing Health, Safety, Security and Environmental risks exposure. Under the Policy, households and commercial users will no longer send their empty cylinders to gas stations for filling but to exchange the empty cylinders for filled cylinders from LPG distribution companies.

6.6.4 As part of measures to ensure that the quality of petroleum products sold to consumers do not negatively impact on the environment and health of consumers, National Fuel Quality Policy was developed to provide the framework for the development of guidelines, standards and regulations on the quality of petroleum products produced or imported into the country

7.0 Financial Performance For The Year 2017

7.1 summary of financial performance

Table1: Financial Performance By Economic Classification

Expenditure Item	Approved Budget	Actual Release As At 31st Dec. 2017	Percent Released (%)
Compensation *	5,231,642.00	2,815,451.22	53.82
Goods and Services	2,557,548.00	996,896.40	38.98
Capital Expenditure	100,000,000.00	63,913,524.59	63.91
Sub-Total (GoG)	107,789,190.00	67,725,872.21	62.83
IGF**	37,743,102.00	18,900,000.00	50.08
DONOR**	741,286,119.00	188,377,072.00	25.41
Sub-Total	779,029,221.00	207,277,072.00	26.61
Grand Total	886,818,411.00	275,002,944.21	31.01

*Note: *The compensation approved was in excess of what was required. This was however rectified by the Ministry of Finance when its attention was drawn to it.*

***Releases as at September, 2017*

****Releases as at November, 2017*

8.0 OBSERVATIONS

8.1 Financial Performance

The Committee observed that an amount of GHS 275,002,944.21 representing 31.01% of the approved budget of GHS 886,818,411.00 was released. This included goods and services component of GHS 996,896.40 (38.98%) against approved goods and services budget of GHS2,557,548.00 and Capital expenditure of GHS63,913,524.59 (63.91%) against approved capital expenditure budget of GHS100,000,000.00.

8.2 Power Sub-Sector Policy Targets

The Committee noted that none of the five (5) policy targets for the power sub-sector was achieved by the Ministry during the year under review. The following summarizes the performance under the power sub-sector:

- 445MW added to the installed capacity out of the target of 1227MW;
- distribution losses increased from 23.18% in 2016 to 23.50% against a planned reduction target of 20.0%;

- 587 communities connected to the national grid out of the target of 2185 communities;
- electricity access rate increased to 84.15% against the target of 85%; and
- renewable energy in the national energy supply mix increased from 1% to 1.5% against a planned target of 2%.

8.3 Petroleum Sub-Sector Policy Targets

The Committee noted that the Ministry achieved satisfactory performance in the petroleum upstream sub-sector. For instance, oil production at Jubilee exceeded a target of 26,981,640 bbl to 27,165,129 bbl. In the same way, production in the TEN Fields exceed a target of 5,320,000 bbl to 18,438,575 bbl.

In respect of the downstream sub-sector, the Ministry missed most of the targets. For instance, out of a target of 79,060 LPG Cylinders and stoves planned for distribution, only 28,000.00 were distributed. The Committee finds this achievement worrying, as it may affect the pace at which the country is moving in its quest to addressing health, safety and environmental concerns associated with the use of the traditional method of cooking and heating.

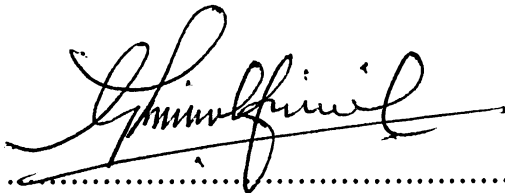
8.4 Major Challenges which affected the Ministry's Performance

The Ministry informed the Committee that the de-coupling and merging of the Ministries of Power and Petroleum, overlapping institutional mandates, and indebtedness of energy sector utilities were the major factors which affected its performance during the year under review. It was anticipated that the completion of the realignment process, settlement of energy sector debts and finalisation of the energy sector policy would go a long way to accelerate the achievement of the sector goals.

9.0 CONCLUSION AND RECOMMENDATIONS

- 9.1.1 The Committee has examined the Performance Report of the Ministry of Energy for the period, January to December, 2017 and has observed that the Ministry generally performed well in meeting most of its policy outcome targets for the petroleum sub-sector but missed most of the policy output targets for the power sub-sector.
- 9.1.2 The Committee recommends that funds allocated for the implementation of programmes by the Ministry are released on time. It further recommends that the Ministry takes steps to expedite actions in addressing the challenges mentioned in paragraph 8.4 above.
- 9.1.3 The Committee commends the Ministry for fulfilling its obligations under Section 27(1) of the Public Financial Management Act, 2016, (Act 921) and accordingly urges the House to adopt its Report.

Respectfully submitted.



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HON. EMMANUEL AKWASI GYAMFI
(CHAIRMAN, COMMITTEE ON MINES AND ENERGY)



.....
JOANA A. S. ADJEI (MRS.)
(CLERK TO THE COMMITTEE)

25TH JUNE, 2019