

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 ANNUAL REPORT AND
FINANCIAL STATEMENT OF THE
PETROLEUM COMMISSION FOR THE
PERIOD, JANURAY TO DECEMBER, 2016**

25TH JUNE, 2019

**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
ANNUAL REPORT AND FINANCIAL STATEMENT OF THE PETROLEUM
COMMISSION FOR THE PERIOD, JANURAY TO DECEMBER, 2016**

1.0 INTRODUCTION

Pursuant to Sections 3 (k) and 18 of the Petroleum Commission Act, 2011 (Act 821) the Annual Report and Financial Statement covering the operations and activities of the Petroleum Commission for the period, January to December, 2016 was laid in Parliament on 31st October, 2018 by the Hon. Deputy Majority Ms. Sarah Adwoa Safo, on behalf of the Majority Leader.

The Annual Report and Financial Statement 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 5th December, 2018 and considered the Annual Report and Financial Statement of the Commission. Present at the meeting were a Deputy Minister for Energy, Hon. Joseph Cudjoe, the Chief Executive Officer of the Petroleum Commission and other officials from the Commission.

The Committee is grateful for their inputs and clarifications.

3.0 REFERENCE DOCUMENTS

In considering the Annual Report and Financial Statement, the Committee made reference to the under-listed documents:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. Petroleum Commission Act, 2011 (Act 821);
- iv. The Ghana National Petroleum Corporation Law, 1983 (PNDCL 64);
- v. The Petroleum (Exploration and Production) Law, 1984 (PNDCL 84);
- vi. The Petroleum Income Tax Law, 1987 (PNDCL 188);
- vii. The Environmental Protection Agency Act, 1994 (Act 490);
- viii. The Environmental Impact Assessment Regulations, 1999 (L.I. 1652); and

- ix. The Petroleum (Local Content and Local Participation) Regulations 2013 (L.I. 2204).

4.0 BACKGROUND INFORMATION

Following the discovery of oil in commercial quantities at the Jubilee Field in 2007, Ghana intensified its oil and gas exploration activities in its offshore sedimentary basins leading to the discovery of other significant oil and gas reserves. The Parliament of Ghana, in accordance with Article 269(1) of the 1992 Constitution, passed the Petroleum Commission Act, 2011 (Act 821) to establish the Petroleum Commission in 2011 to regulate and manage the utilisation of petroleum resources and to coordinate policies related to same.

Sections 3(k) and 18 of the Petroleum Commission Act, 2011 (Act 821) oblige the Commission to submit its annual report on its programme of activities including financial statement. The report captures status of petroleum reserves and activities along the value chain of the upstream industry, right from exploration through to disposal of petroleum resources of the country.

In fulfilment of the above-stated requirements, the Minister has presented the 2016 Annual Report and the Financial Statement of the Petroleum Commission to Parliament for consideration and approval.

5.0 PETROLEUM RESOURCE INFORMATION AS AT THE END OF 2016

5.1 Reconnaissance Licences Issued And Petroleum Agreements Ratified

During the year under review, no reconnaissance license was issued. An Agreement between Petroleum Commission and Core Laboratories Sales NV was signed to study a regional reservoir and seal integrity of the basins of Ghana. The Agreement was executed to create a systematic, interpretative geological and petro-physical database from archive rock material to provide access to organised, integrated interpretation of reservoirs and seals set in a correctable framework.

Three (3) new petroleum agreements were ratified in the year 2016. These were:

- i. Springfield exploration and production limited;
- ii. Swiss African oil company; and
- iii. Eni Ghana exploration and production Ltd.

5.2 Petroleum Activities Conducted

The Operators of the various Fields were all in the initial exploration period. The key activities which were undertaken included licensing of existing seismic data, acquisition on new seismic data, geoscience studies, prospectivity mapping and planning for drilling of exploration

well(s). The summary of the exploration activities are presented in Table 1 below.

Table 1: Summary of Exploration Activities

Operator	license	Block size (sq.km)	Year awarded	Location	Status of Operations
Erin(camac) energy	Expanded shallow water Tano	1508	2014	Offshore Tano Cape Three Points Basin	exploration
Amni Int. Petroleum	Central Tano	277.9	2014	Offshore Tano Cape Three Points Basin	exploration
Sahara Energy fields	Shallow water cape three points	1500	2014	Offshore Tano Cape Three Points Basin	exploration
Britannia-U	South west saltpond	2050	2014	Offshore Tano Cape Three Points Basin	exploration
Eco Atlantic	Deeper watercape three points west	944	2014	Offshore Tano Cape Three Points Basin	exploration
GOSCO	Offshore south west tano	175	2014	Offshore Tano Cape Three Points Basin	exploration
	East Keta ultra deep water	2239	2014	Offshore keta basin	exploration
UB Resources	South west cape three points	755	2014	Offshore Tano Cape Three Points Basin	exploration
Medea Development	East cape three points	1565	2013	Offshore tano cape three points and saltpond basin	exploration
AGM Petroleum	South deepwater tano	3482	2013	Offshore Tano Cape Three Points Basin	exploration
Springfield	West cape three point block 2	673	2016	Offshore Tano Cape Three Points Basin	exploration
Swiss African	Onshore/offshore Keta delta block	3000	2016	Onshore	
ENI Ghana	Cape three points block 4	1127	2016	Offshore Tano Cape Three Points Basin	exploration

5.3 Petroleum Development Activities

The following were key development activities which took place in the various fields during the year under review:

5.3.1 TEN Development

Seven (7) wells namely - EN05-OP, NT03-OP, EN08-OP, NT04-WL, NT01-OP, EN06-WL and NT07-WL were completed, bringing the total number of wells drilled and completed on the TEN development project to eleven prior to first oil. The total amount expended to complete the TEN project was \$647,013,541.

5.3.2 ENI OCTP Field Development

Eighteen (18) wells out of nineteen (19) development wells namely - 8 oil producers, 4 gas producers, 3 gas injectors and 3 water injectors were drilled. The remaining development well was slated to be drilled in 2018.

5.3.3 Jubilee Field Development

The turret bearing of the FPSO Kwame Nkrumah experienced a breakdown which led to eventual shutdown of production. The Jubilee Partners undertook a turret remediation project (TRP) to resolve the issue. The remedial project consisted of temporary spread mooring of the FPSO. No new wells were drilled at the Jubilee Field in 2016.

5.4 PRODUCTION (VOLUME OF OIL AND GAS PRODUCED)

5.4.1 Jubilee Field

Oil production performance followed an undulating pattern throughout the year. There was no production in the month of April, following the shutdown and troubleshooting of the turret bearing of the FPSO Kwame Nkrumah. Twenty-seven (27) cargos of crude oil representing a volume of 26,234,013.00 bbls were lifted by the Jubilee Partners. Table 2 below summarizes the lifting for the year, 2016.

Table 2: Crude oil lifting by Jubilee Partners

Company	Quantity lifted (BBLs)	No. of lifting	Percentage
Tullow Ghana	8,805,677.00	9	33.69%
Kosmos Energy	5,759,534.00	6	25.67%
Anadarko & Petro SA	6,708,340.00	7	22.04%
Ghana Group	4,860,462.00	5	18.60%
Total	26,134,013.00	27	100.00%

5.4.2 Saltpond Field

There was no oil production from the Saltpond Field in the year 2016. Production from the field halted in 23rd December 2015. Subsequent to this, the field was declared due for decommissioning following an assessment by a Committee established by the Ministry of Energy. Ghana National Petroleum Corporation was accordingly directed by the Ministry to lead the decommissioning exercise.

5.4.3 TEN field Production

Production from the TEN field commenced at a rate of 2,390 bbls per day. A total of 5,316,140 bbls of oil and 6,531.86 MMscf of gas were produced at average rates of 33,84 bbls/d and 47.68 MMscf/d respectively at the end of 2016. There was no gas export from the field. Preparation for gas export commenced in the latter part of the year and was ongoing by the year ending. An amount of 4,679.73 MMscf of gas flared while 367.30MMscf was injected into the reservoir to support pressure maintenance. Production was at an average efficiency of 68%.

The disagreement between Ghana and Ivory Coast in respect of the ownership of certain territory area of the TEN Field led to freezing of further development of wells.

6.0 HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

6.1 Accidents

A total of two hundred and three (203) incidents were reported in 2016. Out of this number, 129 were recorded by TGL representing 63.5% of the total incidents reported by the operators. ENI's total number of incidents reported for the year ending 2016 was 66 representing 32.51% of the total number of incidents. The 7 incidents reported by Ghana National Gas Company (GNGC) represented 3.45% of the total incidents. Hess Ghana Exploration limited recorded 1 minor incident in the year which accounted for 0.49% of the total reported incidents by the operators. Kosmos Energy did not record any incident throughout the year mainly as a result of the low level of activities.

6.2 Flaring

TGL flared a total of 5,703.16 mmscf of gas due to DE liquidizer installation, pressure value by-passing, compressor trips, maintenance activities and plant start-up with progressive increase in production from the two FPSO Kwame Nkrumah and FPSO J.E.A Mills. Some amount of gas were also flared on the West Leo rig as a result of well completion test being carried out on some production wells.

GNGC also flared a total of 235.61 mmscf of gas. The GNGC assigned no reason for the flaring of this amount of gas.

6.3 Spills

For the year ending 2016, a total of 0.176 bbl of spills was recorded by TCL. The site location for the spills were Sekondi/Takoradi Base and West Leo Rig. All the spills were minor. It included the accidental discharge of hydraulic oil due to hose failure on moon pool door whilst recovering remotely Operated Vehicle (ROV) and Blow out Preventer (BOP).

ENI also recorded a spill of 0.96 bbl in 2016. One of the reasons for the spill was a report of a discharge of Marine Ga Oil at the Sekondi Naval Base when a vessel, Pacific Gannet was undergoing a bunkering operation at the Goil terminal located at the Sekondi Naval Base.

7.0 APPRAISAL ACTIVITIES

No new appraisal programs were submitted in 2016 for review and approval. The commission received appraisal report on Tullow Ghana's Wawa discovery. The report indicated that the Wawa resources are uneconomic to tie-back to Enyenra infrastructure but could be integrated economically with the development of north extension of Enyenra and planned for integration, development and production with the TEN field.

The partners of the DWT and WCTP blocks agreed to expand the current Jubilee unit area to include the Mahogany, Teak and Akasa resource and develop the field as a unit to be integrated in the planned plan of development.

8.0 VOLTAIAN BASIN RECONNAISSANCE SURVEY PROJECT

The Voltaian Basin Reconnaissance Survey Project was intensified from the drilling of (6) slim holes to the acquisition of 2D seismic to map the geological fairway of the basin to identify the existence of a petroleum system.

9.0 STRENGTHENING STAKEHOLDER ENGAGEMENT

The issues of incursion of fishermen into safety/exclusion zones around petroleum facilities was a matter of grave concern to upstream operators during the period. Consequently, the Commission established a multi-agency Community Engagement Strategy Committee to coordinate efforts in the Government Sector to assist in the reduction of the incursions.

10.0 LOCAL CONTENT/LOCAL PARTICIPATION

The Commission pursued various issues relating to enforcement, development of policies and guidelines including financial services and local content guideless for upstream petroleum activities in the pursuit of the provisions of the Petroleum Commission Act, 2011 (Act 821).

11.0 DEVELOPMENT OF LAWS, REGULATIONS AND GUIDELINES

The Commission pursued its regulatory activities vigorously by improving the legal framework in the upstream sector. Among the laws and regulations initiated were the Petroleum (Exploration and Production) Bill which passed in 19th August 2016, Petroleum (Exploration and Production) Measurement Regulations, 2016 which became effective in November 2016, Petroleum (Exploration and Production) Health, Safety and Environment Regulations etc.

12.0 NEGOTIATION OF PETROLEUM AGREEMENTS

The petroleum agreements which were under negotiation during the period include:

- i. ExxonMobil Petroleum Agreement over Deepwater Cape Three Point Block;
- ii. Springfield Petroleum Agreement;
- iii. Plethora Bay Oil and Gas limited over Block in the central Saltpond Basin;
- iv. Cyka Petroleum Agreement; and
- v. Eni, Vitol, Woodfields Petroleum Agreement in respect of Cape Three Points Block 4.

13.0 PERMITS FOR UPSTREAM PETROLEUM ACTIVITIES

The period under review witnessed the processing of 440 Registration Applications from companies both foreign and indigenous local companies who have intended to undertake upstream petroleum business in Ghana. This was made up of 229 initial Registration Applications and 221 renewals, showing a decline of 2.28% compared to year 2015 registration applications processed.

The total of 422 permits were issued out of the 440 applied for. This consisted of 220 initial permits and 202 renewals as against 403 permits issued in the year 2015 indicating participating interest by companies to undertake petroleum business in Ghana.

14.0 OBSERVATIONS

14.1 Non-adherence to the reporting requirements

The Committee observed that the information provided in the report fall short of the requirements of the law. Schedule (Section (3k)) of the Petroleum Commission Act, 2011 (Act 821) provides guidance on the reporting requirements of the Commission. For instance, critical information like the open areas for petroleum exploration and production, total petroleum reserves including Volume of original hydrocarbon in place, recoverable reserves and remaining recoverable reserves (net of production) of existing fields were not reported on by the Commission.

The Committee urges the Commission to adhere to the requirements of Act 821 as per the Schedule in its subsequent Annual Reports to the House to promote transparency in the management of the country's petroleum resources and to also guide policy decisions of the State relating to the sustainable management and utilisation of the petroleum resources.

14.2 Timely submission of Annual Report

The Committee expressed its displeasure about the delay in submission of the Annual Report of the Commission. It notes that the essence of the Annual Report is to apprise Parliament of the effectiveness of the Commission in regulating the upstream sector of Ghana's petroleum industry, and where necessary, initiate legislations to strengthen the legal environment. The delayed in the submission of the report defeats this purpose because it becomes difficult to ascertain whether or not the situation remains the same as the time of consideration of the report.

14.3 Business Interruptions Insurance Policy

The Committee observed that the unanticipated breakdown of the turret bearing of the FPSO Kwame Nkrumah had a huge impact on the operations at the Jubilee field as well as projections in oil revenues for the year. The effect became more significant because of the absence of business interruption insurance policy on the petroleum production activities.

The Committee recommends for business interruption insurance policy for all the producing fields.

14.4 Promotion of local content and local Participation in Petroleum Activities

The Committee observed that the total value of services for contracts awarded to both foreign and indigenous Ghanaian companies amounted to US\$1.34billion in the year 2016. Out of this, US\$434.3million was awarded to indigenous Ghanaian companies while US\$908.14million was awarded to foreign companies. The Committee notes that the huge disparity in the value of services between the foreign and indigenous Ghanaian companies does not foster backward integration of the upstream industry into the Ghanaian economy which will bring enormous benefit to Ghanaians.

Accordingly, the Committee urges the Commission to conduct regular workshops and seminars to develop the capacities of indigenous companies and SMEs to compete with their foreign counterparts in the award of contracts as well as conduct effective monitoring of award of contracts to ensure that services which can be offered by indigenous Ghanaian companies are given to them.

14.5 Employment in the Upstream Petroleum Industry

The Committee observed an upward trend in the engagement of locals in the upstream petroleum industry during the period under review. A total of 12,183 individuals were engaged in the industry comprising 863 expatriates and 11,320 Ghanaians representing 93%. This further indicates a remarkable growth of 130.8% compared to the 2015 engagement of 4,905 Ghanaians. Details of the engagement of the Ghanaians in 2016 revealed that out of the total 11,320 Ghanaians engaged in the industry, 1,132 occupied Senior Management Positions, about 2,270 were in middle level Management whilst the remaining 7,930 are technicians, welders and sample catchers among others.

The Committee commends the Commission in ensuring that more Ghanaians are engaged in the upstream petroleum industry and also for commencing the Second phase of the Ghana Upstream Sector Internship Programme (GUSIP) to enable unemployed Ghanaian Graduates and technicians acquire practical experiences and vocational skills.

The Committee however expressed its concerns about the reported yawning gaps in remunerations or compensations between Ghanaians and expatriates who perform similar duties. The Committee urges the Commission to continuously engage the international oil companies to ensure that the differences in compensations are reduced to the barest minimum.

14.6 Promotion of Cost efficient Petroleum Activities

The Committee was informed that the Commission in executing its mandate under Section 3(a) of the Act 821 during the year under review collaborated with the Ghana Revenue Authority (GRA) to develop an effective cost management processes including the review of the current Additional Oil Entitlement (AOE) model to control upstream petroleum cost. A joint Cost Management Team was also constituted to discuss petroleum cost management strategies quarterly.

The Committee noted that the implementation of cost management strategies is crucial in ensuring that Ghana derives the maximum benefits from the exploitation of its petroleum resources. It urges the Commission and the GRA to continuously build the capacity of the Joint Cost Management Team in new cost management techniques and methods to enable them discharge their duties effectively.

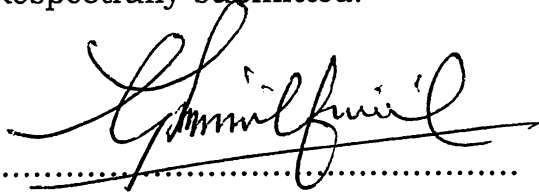
14.7 Financial performance

It was observed an amount of Forty-Seven Million Eight Hundred and Three Thousand, Eight Hundred and Thirty-Five Ghana Cedis (GHS47,803,835.00) was realised as surplus of income over expenditure during the year. An amount of Thirty-Four Million, Nine Hundred and Three Thousand, One Hundred and Sixty Ghana Cedis (GHS34,903,160.00) was brought forward during the previous year bringing the total cumulative surplus income to Eighty-Two Million, Seven Hundred and Six Thousand, Nine Hundred and Ninety-Five Ghana Cedis (GHS82,706,995.00).

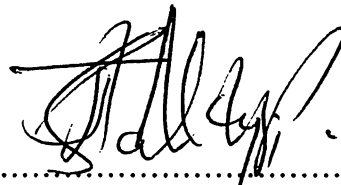
15. CONCLUSION AND RECOMMENDATION

- 15.1 The Committee has examined the Annual Report and Financial Statement covering the operations and activities of the Petroleum Commission for the Period, January to December, 2016 and has observed that the Commission generally performed well in its regulatory activities.
- 15.2 The Committee recommends to the House to adopt its report and urges that the Minister expedite actions on the presentation of the 2017 and 2018 annual reports of the Commission.

Respectfully submitted.



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



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

25TH JUNE, 2019