

REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL REPORT ON
THE PETROLEUM FUNDS FOR 2020

1.0 INTRODUCTION

Further to the presentation of the Budget Statement and Economic Policy of the Government of Ghana for the year ended 31st December, 2021, the Annual Report on the Petroleum Funds for 2020 was first presented to the House pursuant to Sections 15 and 48 of the Petroleum Revenue Management Act, 2011 (Act 815) as amended by Act 893.

The report was referred to the Finance Committee for consideration and report in accordance with Article 179 of the 1992 Constitution and Orders 140 (5) and 169 of the Standing Orders of the House.

The Committee met with a Deputy Minister for Finance, Hon. Abena Osei Asare and the technical teams from the Ministry of Finance, Bank of Ghana, Public Interest Accountability Committee (PIAC), Ministry of Energy, Ghana Revenue Authority (GRA), Energy Commission, Ghana Road Fund Secretariat, National Petroleum Authority, Electricity Company of Ghana, Volta River Authority, Ghana National Petroleum Company (GNPC), Ghana National Gas Company (GNGC) and Controller and Accountant General's Department and reports as follows:

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents:

1. 1992 Constitution
2. The Petroleum Revenue Management Act, 2011 (Act 815) as amended by Act 893; and
3. The Standing Orders of Parliament

3.0 PURPOSE OF THE REPORT

The purpose of the Report as stipulated in Section 48 of Act 815 is to inform the House on the audited financial statements of the previous year comprising:

- i. The receipts and transfers to and from the Petroleum Holding Fund;
- ii. The deposits into and withdrawals from the Ghana Stabilization Fund (GSF) and the Ghana Heritage Fund (GHF); and
- iii. Balance Sheet including a note listing the qualifying instruments of the Ghana Petroleum Funds.

Section 15 of Act 815 as amended by Act 893 requires the Finance Minister to reconcile the actual total petroleum receipts and the Annual Budget Funding Amount (ABFA) of the previous year and submit a written report to Parliament not later than the end of the first quarter of the current year.

It is in compliance with this section that the Minister responsible for Finance has submitted this report to Parliament. The report also covers receipts into the Petroleum Holding Fund (PHF) and withdrawals from the PHF to the various designated accounts in accordance with the Act.

4.0 OBSERVATIONS

4.1 Upstream developments

The Committee observed that during the period under review, the Ghana Negotiating Team (GNT) continued its negotiation of Petroleum Agreements and engagement with bid winners of the Licensing Round as well as other companies which applied through direct negotiations.

The Ministry of Energy also granted authorization to the Ghana National Petroleum Corporation (GNPC) to undertake exploration and production activities in the GH-WB-01 Block awarded to them in the Tano basin.

Pursuant to Subsection (9) of Section 10 of the Petroleum (Exploration and Production) Act, 2016, Act 919 and Regulation 19(6) of the Petroleum (Exploration and Production) (General) Regulations, L.I. 2359, the Ministry of Energy published an invitation for direct negotiations for Petroleum Exploration

and Production Rights in respect of Block GH_WB_04 offshore. Similarly, an invitation for direct negotiations for Petroleum Exploration and Production Licences for Fifteen (15) Blocks in the Eastern Basin-Offshore Ghana has been sent out for interested companies to apply.

The Committee observed that the Petroleum Agreement (PA) negotiations with Eni Ghana and First E&P Ltd was far advanced despite some delays which were occasioned by the Covid-19 pandemic. When complete, the negotiated PA would be sent to cabinet for approval and to Parliament for ratification in accordance with Article 268 (1) of the 1992 Constitution.

4.2 Petroleum Receipts for 2020

Total petroleum receipts for 2020 was US\$666.4 Million which is 0.9% above the target of US\$660.5 million but lower than the 2019 outturn of US\$937.6 Million by 28.9%. The relatively lower revenues in 2020 was mainly on account of lower achieved average crude oil price of US\$43.3, compared to US\$63.2 in 2019. The breakdown of the receipts (in US\$ million) is shown in the Table 1 below:

Table 1 – Breakdown of Receipts for 2020

	Budgeted	Revised Budget	Actual
Royalties	236.79	144.7	195.36
Carried and Participating Interest	505.99	380.39	300.93
Surface Rentals	1.11	1.35	0.93
Corporate Income Tax	191.14	134.01	168.77
PHF Income	2.55	0	0.23
	0	0	0.18
Total	937.13	660.45	666.40

4.3 Allocation of 2020 Petroleum Receipts

The report revealed that out of the total petroleum receipts of US\$666.39 Million for the year 2020, US\$638.64 Million was distributed. The rest, amounting to US\$27.75 Million, represents receipts from Corporate Income Tax and Surface Rentals were not distributed in 2020 as there was no subsequent lifting proceeds

for the year to be distributed with this amount. Details of the allocation is captured in Table 2 below:

Table 2 Allocation of 2019 Petroleum Receipts

Item	Actual
Transfer to GNPC	198,649.2
o/w Equity Financial Cost	154,816.0
o/w Crude Oil Net Carried and Participation Interest	43,833.20
ABFA and GPFs	439,993.8
o/w Annual Budget funding Amount	273,382.4
o/w Ghana Petroleum Funds	166,611.4
o/w Ghana Stabilisation Fund	116,628.0
o/w Ghana Heritage Fund	49,983.40
Total	638,643.00

4.4 Utilisation of the Annual Budget Funding Amount (ABFA)

The total ABFA utilization amounted to GH¢2,771.12 Million with the ABFA has been spent on the priority areas. The actual utilised ABFA exceeded the programmed revised ABFA by GH¢1,114.93 Million, a deviation of 67.3%. Details of the utilisation of the ABFA is captured in Table 3 below:

Table 3 Utilisation of ABFA

	Revised Budget (M)	Actual (M)	Variance (M)
Agriculture	112.87	79.02	-33.85
Education and Health Service Delivery	567.96	698.24	130.28
Road, Rail and Other Critical Infrastructure Development	925.47	1,958.97	1,033.50
Industrial Development	46.80	31.80	-15.00
Public Interest and Accountability Committee	3.09	3.09	00
Total	1,656.19	2,771.12	1,114.93

4.5 Unutilised balances of ABFA

The Committee was informed that from 2017 to 2019, total unutilised ABFA balances amounted to GH¢1.48 Billion. Details of the unutilised ABFA are captured in Table 4 below:

Table 4 Details of unutilised ABFA

Year	Amount (GH¢)
2017	400,914,441
2018	251,377,870
2019	827,603,988.86
Total	1,479,896,299.87

The total ABFA balances of GH¢1,479.90 Million was fully utilised in 2020 as follows:

- a) GH¢471.59 Million was transferred to the Road Fund to reduce the Fund's indebtedness to road contractors and creditor banks to avoid payment of interest on delayed payments;
- b) GH¢180.7 Million was utilized under the Ministry of Roads and Highways for roads infrastructure; and
- c) GH¢827.60 Million, was utilized to partially meet the shortfall in ABFA receipts caused by the impact of the COVID-19 pandemic and its associated effects on crude oil prices globally. This could not be reported in the 2019 Annual Report because the transaction was yet to be finalised.

4.6 Ghana Petroleum Funds (GPFs)

The Committee observed that the GPFs was allocated US\$166.61 Million with the GSF and the GHF receiving US\$116.63 Million and US\$49.98 Million respectively

4.7 Returns on the Ghana Petroleum Funds (GPFs)

The Committee observed that the total amount of money received by the GPFs were invested in qualifying instruments by the Bank of Ghana in line with the requirements of the PRMA. At the end of 2020, the closing balance for the Ghana

Stabilisation Fund was US\$199.98 Million and US\$644.78 Million for the Ghana Heritage Fund. The return on investment on the Ghana Heritage Fund in 2020 was 4.66% whilst the Ghana Stabilisation Fund returned 0.35%.

4.8 Review of the Petroleum Revenue Management Act (Act 815)

The Committee observed that the Ministry of Finance in collaboration with other stakeholders are working on the amendment of the Petroleum Revenue Management Act (PRMA) 2011, (Act 815) as amended and is expected to be finalised in 2021 and send to Cabinet and eventually to Parliament for approval. The revision of the PRMA among others, will enable the Fund Manager of the Ghana Petroleum Funds (Bank of Ghana) to diversify the investment instruments for the Ghana Petroleum Funds (GPFs), particularly, the Ghana Heritage Fund, in a bid to increase the returns to the Funds. Other administrative bottlenecks in the implementation of the PRMA are also expected to be cured in the proposed amendment.

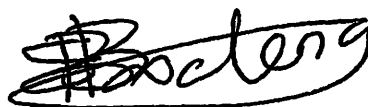
5.0 CONCLUSION

After careful considerations, the Committee is of the view that the report complies with the requirements of the Petroleum Revenue Act, Act 815.

The Committee, having carefully examined the referral, recommends to the House to adopt its report on the Annual Report on the Petroleum Funds for 2020. Respectfully submitted.



**HON. KWAKU KWARTENG
CHAIRMAN, FINANCE COMMITTEE**



**EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE**

27th October, 2021