

IN THE FIRST SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC
OF GHANA

**REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL
REPORT OF THE PUBLIC INTEREST AND ACCOUNTABILITY
COMMITTEE (PIAC) ON THE MANAGEMENT OF PETROLEUM
REVENUES FOR THE YEAR 2020**

AND

**THE REPORT OF THE PUBLIC INTEREST AND ACCOUNTABILITY
COMMITTEE (PIAC) ON THE MANAGEMENT OF PETROLEUM
REVENUES FOR THE PERIOD JANUARY TO JUNE, 2020**

1.0 INTRODUCTION

The Report of the Public Interest and Accountability Committee (PIAC) on the Management of Petroleum Revenues for the year 2020 and the Report on the Public Interest and Accountability Committee (PIAC) Report on the Management of Petroleum Revenues for the period January to June, 2020 were laid in the House on 8th June, 2021 in accordance with Section 56 (d) of the Petroleum Revenue Management Act, 2011 (Act 815) and the Standing Orders of the House.

The Rt. Hon. Speaker referred the reports to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the Hon. Deputy Minister of Finance, Mrs. Abena Osei Asare, a Deputy Governor of the Bank of Ghana, Dr. Maxwell Opoku Afari, and officials from the Ministry of Finance, Ministry

of Energy, the Bank of Ghana, Petroleum Commission, Electricity Company of Ghana, Ghana National Petroleum Corporation (GNPC), Ghana National Gas Company (GNGC), Ghana Revenue Authority (GRA), Tullow Oil Ghana Limited, Kosmos Energy and the Public Interest and Accountability Committee (PIAC).

The Committee is grateful to the Hon. Deputy Minister and officials for their assistance.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents at its deliberations:

- The 1992 Constitution of Ghana;
- The Petroleum Revenue Management Act, 2011 (Act 815); and
- The Standing Orders of the Parliament of Ghana;

3.0 BACKGROUND OF THE REPORT

The Public Interest and Accountability Committee was established under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815) to:

- i. monitor and evaluate compliance with the Act by government and other relevant institutions involved in the management and utilization of the petroleum revenues and investments as provided in the Act; and
- ii. provide independent assessment on the management and use of petroleum revenues to assist Parliament and the Executive in the oversight and performance of related functions respectively.

Pursuant to its mandate under Section 52 and 56 of Act 815, the Public Interest and Accountability Committee submitted its Report of the Public Interest and Accountability Committee (PIAC) on the Management of Petroleum Revenues for the year 2020 and the Report on the Public Interest and Accountability Committee (PIAC) Report on the Management of Petroleum Revenues for the period January to June, 2020 to Parliament. The reports covered a broad range of issues associated with the management and utilization of petroleum revenue including information on production, liftings,

total revenues accruing to the state, allocation and utilization of these revenues by government. The reports also examined the performance of the various institutions charged with responsibilities under Act 815 and the level of compliance of the institutions to provisions in the Act.

The Committee noted that the Report on the Public Interest and Accountability Committee (PIAC) Report on the Management of Petroleum Revenues for the period January to June, 2020 was actually captured in the Annual Report of the Public Interest and Accountability Committee (PIAC) on the Management of Petroleum Revenues for the year 2020. The Committee therefore considered the two reports together and reports as follows:

4.0 KEY FINDINGS BY PIAC

4.1 Developments in the Upstream Oil and Gas Sector

The Petroleum Commission at the beginning of the year approved work programmes and budgets amounting to about US\$324 Million for Exploration and Production (E&P) companies. These programmes and works are currently at the exploratory and appraisal stages. The companies were due to undertake various drilling campaigns, acquisition and interpretation of seismic, geological and geophysical data, well-planning, procurement tender and mobilization. Unfortunately, due to the COVID-19 global pandemic, project execution, planning, risk management as well as associated preparatory activities have stalled, with implications for cost and time overruns.

Aker Energy postponed its development activities in the Pecan Field project, valued at US\$4.4 Billion due to the pandemic. In respect of the Central Tano Block, AMNI had to reschedule its planned drilling campaign slated for Quarter 2 to Quarter 4 of 2020, and beyond. ECO Atlantic, the Operator of the Deepwater Cape Three Points West Block, was compelled to suspend all exploration drilling preparatory activities due to the COVID-19 pandemic, despite commencing the process of rig tendering, tangibles contracts, and support services contracts.

Eni, the Operator of the Cape Three Points Block 4, has also indicated to the Petroleum Commission its plan to postpone the drilling of the Eban-1X exploratory well to the first quarter of 2021. GOŞCO, the Operator of the Off shore South West Tano Block, put on hold all exploration drilling preparatory activities, contracting of key services, and plans to secure a rig and appraisal programmes of Eni's Akoma-1X, AGM Petroleum's Nyankom 1X and Kyekyen 1X, and Springfield's Afina-1X discoveries also faced significant delays.

Generally, there was a freeze on the work programmes and a decision was taken to restore the initial period or extensions lost for all companies whose agreements would have otherwise expired in 2020 but for the COVID-19 pandemic.

4.2 Crude Oil Production

For the year 2020, a total of 66,926,806 barrels (bbls) were obtained from the three oil producing fields, lower than the 2019 figure of 71,439,585 bbls by 6.3 percent. The relatively lower production volume in 2020 was due to reduced production on the Jubilee and TEN Fields.

Of the total output produced, the Jubilee Field produced 30,424,539 bbls compared with a 2019 volume of 31,915,377 bbls; the TEN Field's 17,802,536 bbls as against 22,319,137 bbls in 2019; and the SGN Field, 18,699,731.01 bbls relative to 17,205,070.85 bbls in 2019. The Jubilee Field continues to contribute nearly half the total output, even though production reduced slightly by 4.7 percent.

The decline in TEN Field's production was due to the drilling and completion activities of the Nt09-P well and other maintenance activities which led to a loss in production time.

The SGN Field recorded an increase in its output by 8.7%. The performance was attributable to stable production operations, resulting from the FPSO John Agyekum Kuffuor's (JAK) improved plant uptime and the coming on stream of the OP-9 and OP-10 producer wells.

4.3 Gas Production

For the period under review, a total of 237,962.82 MMSCF of Associated Gas (AG) and Non-Associated Gas (NAG) was produced in 2020, about a 40 percent increase over the 2019 volume of 169,508.61 MMSCF of raw gas produced from the Jubilee, TEN, and SGN Fields.

For the second consecutive time, the SGN Field continued to produce the highest volume of combined AG and NAG with 114,825.74 MMSCF while the Jubilee and TEN Fields produced 64,462.41 MMSCF and 58,674.67 MMSCF. Jubilee gas production was relatively lower in the first two months of the year due to some maintenance works on the gas pipelines. Gas production subsequently increased and maintained stable production in the ensuing months. The TEN field gas production was relatively stable, with higher output towards the end of the third and last quarters of the year.

4.4 Crude oil Liftings

In respect of the Jubilee fields, a total of 32 liftings (30,865,105.00 bbls) were made by the Jubilee Partners, representing a slight decrease from the 33 liftings (31,573,759 bbls) recorded in 2019. The Ghana Group, represented by GNPC, lifted six parcels totalling 5,788,676.00 bbls, representing 18.75 percent of total liftings. This is a slight decrease from the 5,871,303 bbls lifted in 2019.

The TEN Partners also lifted a total of **18,627,127 bbls** from 19 liftings, as opposed to **22,349,325 bbls** from 23 liftings in 2019. GNPC lifted three parcels on behalf of the Ghana Group in 2020, two parcels lower than its 2019 liftings.

Crude oil lifted from the SGN Field was 17,965,974 bbls in 19 parcels compared with 17,062,381 bbls from 18 parcels in 2019. The Ghana Group's share makes up 15.85 percent of the total liftings (including royalty lifting).

4.5 Crude Oil Pricing

International crude oil prices fell significantly in 2020 amid excess supply of oil in the early parts of the year and the subsequent effects of the global COVID-19 pandemic. The average achieved price by GNPC on behalf of the Ghana Group which was US\$63.496/bbl in 2019 for all three producing fields, reduced significantly to US\$42.211/bbl in 2020, a little above government's revised 2020 estimated benchmark price of US\$39.1/bbl. The SGN average achieved price was the highest at US\$44.335 /bbl for the three liftings from that Field while TEN and Jubilee average achieved prices were US\$42.051/bbl and US\$40.248/bbl respectively.

During the period, the average differential price achieved for the respective Fields are US\$ 0.926/bbl, US\$2.40/bbl and US\$0.742/bbl.

Comparing Ghana Group's achieved prices to that of the Jubilee, TEN, and SGN partners, the Ghana Group achieved an overall average price of US\$42.211/bbl for all three Fields. This average price was relatively equal to Tullow's average price of US\$42.20/bbl, but higher than both Kosmos' and Eni's average price of US\$37.03/bbl and US\$41.78/bbl respectively.

4.6 Receipts into the Petroleum Holding Fund (PHF)

Total receipts into the Petroleum Holding Fund for the period under review was US\$666,390,751.22. This was made up of US\$496,286,197.87 from Lifting Proceeds and US\$170,104,553.35 from Other Incomes (Corporate Income Tax, Surface Rentals, Interest on PHF balance, etc.). The total receipt is 27.96% lower than the receipt for 2019. The total receipt for the year 2020 is 42.51% of the 2020 budgeted petroleum revenue and 101% of the 2020 mid-year budgeted figure.

An amount of US\$12,546,324.00 was received as Other Income in October 2019, and it was distributed in the period under review. Also an amount of US\$40,406,501.67 also representing the Other Incomes was received in 2020, but it will be distributed in the first half of 2021.

4.7 Distribution of Revenues from the Petroleum Holding Fund (PHF)

The total amount of US\$638,643,030.71 was disbursed from the PHF. This was 30.96% less than the distribution for 2019. The total distribution for the period under review is 59.26% lower than the budgeted distribution and 3.3% lower than the revised distribution budget of US\$660.45 Million. The reduction was due to the adverse impact of the novel corona virus on petroleum prices which directly affected revenue. Details of the distribution is captured in Table 1 below:

Table 1 Distribution of Revenues from the PHF

	Item	Amount
1	GNPC	198.65
2	ABFA	273.38
3	GSF	116.63
4	GHF	49.98
	TOTAL	638.64

From the Table above, the Ghana Petroleum Funds (GPFs) received an amount of US\$166.60 Million from the Petroleum Holding Fund (PHF), with the Ghana Stabilisation Fund (GSF) and Ghana Heritage Fund (GHF) receiving US\$116.62 Million and US\$49.98 Million respectively. The GPFs receipt represented 38.07% reduction compared to the respective 2019 receipts.

4.8 Returns on Investment

The Committee observed that net returns on investments of the GPFs during the period under review was US\$17.51 Million, compared to US\$21.95 Million realised in 2019. The 2020 net returns represented a 20.23 percent reduction

compared to that realised in 2019. Of the net returns realised in 2020, the GSF contributed 13.19 percent (US\$2.31 Million) while the GHF contributed 86.81 percent (US\$15.20 Million).

4.9 Allocation to GNPC

The Committee observed that for the period under review, the Corporation received an amount of US\$198.65 Million as crude sales. Details of the Sources of the allocation to GNPC is contained in Table 2 below:

Table 2 Details of Sources of Allocation to GNPC

	Source	Amount (M)
1	Jubilee Equity Financing (Share of Development & Production)	74.23
2	TEN Equity Financing (Share of Development & Production)	68.39
3	Sankofa (OCTP Eni) Equity Financing (Share of Development & production)	12.19
4	30% share of Net Proceeds of Jubilee crude revenue	17.72
5	30% share of Net Proceeds of TEN crude revenue	20.6
6	30% share of Net Proceeds of Sankofa crude revenue	5.51
	Total	198.64

5.0 OBSERVATIONS

5.1 GNPC's Expenditure

The Committee observed that allocations to GNPC are expended on two main expenditure items described as Levels A and B. Level A allocation is dependent on the Corporation's equity share - cash calls, charged on gross revenues while Level B allocation is charged on the net Carried and Participating Interest (CAPI) of the NOC.

Under Level A, the following expenditure activities were undertaken:

- Field Production and Development Costs amounting to US\$48.49 Million (24%) was expended on the Jubilee Field.
- TEN Field development and production costs attracted US\$64.32 Million (32%), of the total receipt. An amount of US\$17.68 Million was spent in respect of the 40 percent of GNPC's CAPI obligation to the JV Partners which is tied to the 14th TEN lifting, which took place in December 2019.
- The SGN Field (predominantly gas) production and development costs, received an amount of US\$7.09 Million (4%) of the total receipts for the period.

Level B activities undertaken within the period under review is captured in Table 3 below:

Table 3 Level B Activities

	Item	Amount (M)
1	Exploration and Development Projects	17.15
2	Staff and Administration	22.94
3	Administrative Capital Expenditure	1.2
4	Capital Projects	17.2
5	General Operating Costs	10.55
6	GoG gas related Payments	11.72
7	Sustainability & Stakeholder relations and GNPC Foundation	31.48
8	SOPCL Decommissioning	1.4
9	Mid-Stream and other Projects	5.71
10	Repayment of loan for Karpower Barge movement	14.56

5.2 Debt owed by State Agencies to GNPC

In the period under review, loans and payments outstanding to GNPC by Government and other state enterprises amounted to US\$549,324,551.49. Details of the receivables are captured in Table 4 below:

Table 4 List of SOEs owing GNPC

	Agency	Amount (US\$)
1	Government of Ghana	18,092,485.80
2	MoF Enclave Roads (GHS)	26,901,979.64
3	MoF Enclave Roads (US\$)	17,188,682.54
4	Advance to Ministry of Finance	50,000,000.00
5	Tema Oil Refinery	58,404,875.00
6	ECG - BG Related Charges	4,966,027.40
7	GNGC - 14km Offshore Pipeline	37,913,333.00
8	MOE Current Account (GCB Bank Loan)	14,557,168.12
9	* OCTP Escrow	100,000,000.00
10	ECG HFO Commitment (Litasco)	200,000,000.00
11	MoF BOST Underrecoveries	21,300,000.00
	TOTAL	549,324,551.50

Other receivables due to GNPC are receivables outstanding from Gas sales to VRA and GNGC amounted to US\$817,629,981.70 and GNPC Guarantees on behalf of Karpower amounted to US\$145,500,000.00.

The Ministry of Finance responded that it has cleared its outstanding debt of US\$50,000,000.00 to the GNPC. It explained that this was down through the release of funds amounting to the Cedi equivalent of US\$50,000,000.00 which otherwise should had been withheld due to Capping.

5.3 Unutilized balances of the ABFA

The Committee observed from the report that a total amount of GH¢827.60 Million of the unspent ABFA was utilized to partially meet shortfalls in ABFA

receipts caused by the impact of the COVID-19 pandemic and its associated effects on crude oil prices globally.

The Ministry of Finance explained that the amount of GH¢827.60 Million that was utilized was not as a result of a shortfall in ABFA receipts for 2020 but rather they were in respect of outstanding projects under the ABFA that were completed in 2020 and were duly paid for. Hon. Members would recall that PIAC, in its previous reports drew attention to the existence of unspent ABFA to which in the Ministry of Finance's response, the Ministry indicated that the said funds would be utilized when the said earmarked projects are complete and the requisite certificates raised. The said projects were completed in the year under review and upon the presentation of the certificates, payment was effected amounting to GH¢827.60 Million.

5.4 Utilization of the ABFA

The Committee observed from the report that the number of projects and programmes have been earmarked to receive funding from the ABFA. A count of the individual projects reveals approximately four thousand and eighty eight (4,088) at various stages of completion. Disbursements to capital projects ranged from GH¢3,031.20 to GH¢29,610,532.70, with median disbursement for the ABFA-funded projects being GH¢1,282,514.95.

PIAC expressed the opinion that the thin spread of the revenue weakens the impact of the revenue as the project tends not to be completed in time for citizens' use. This further leads to cost escalation and undue delay. As part of its recommendations, PIAC recommended that the ABFA should be invested in fewer national legacy projects that will be completed in good time for the benefit of the citizenry.

The Ministry of Finance responded that Government determines the Four priority areas and out of which a medium term program is drawn which takes into account the priority projects. It is under this framework that the allocations are made. It is rather the sector ministries who determine which projects are to be undertaken for their various sectors and not the Ministry of

Finance. The onus is therefore on the sector ministries to ensure the effective management of the projects. The Ministry however assured the Committee that it would carry the concerns to the specific Sector Ministries for appropriate action to be taken.

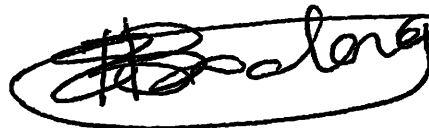
6.0 CONCLUSION

The Committee has carefully considered the referrals and recommends to the House to adopt its report on the Report of the Public Interest and Accountability Committee (PIAC) on the Management of Petroleum Revenues for the year 2020 and the Report on the Public Interest and Accountability Committee (PIAC) Report on the Management of Petroleum Revenues for the period January to June, 2020.

Respectfully submitted



HON. KWAKU KWARTENG
CHAIRMAN, FINANCE COMMITTEE



EVELYN BREFO-BOATENG (MS)
CLERK, FINANCE COMMITTEE

27th October 2021