



**IN THE SECOND SESSION OF THE  
SIXTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA**

**REPORT OF THE COMMITTEE ON  
MINES AND ENERGY**

**ON THE**

**ANNUAL BUDGET ESTIMATES OF THE  
MINISTRY OF ENERGY AND  
PETROLEUM FOR THE 2015 FISCAL  
YEAR**

***DECEMBER, 2014***



# **REPORT OF THE COMMITTEE ON MINES AND ENERGY ON THE ANNUAL BUDGET ESTIMATES OF THE MINISTRY OF ENERGY AND PETROLEUM FOR THE 2015 FISCAL YEAR**

---

## **1.0 INTRODUCTION**

The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2015 Fiscal Year was presented to Parliament by the Minister for Finance, Hon. Seth Terkper under the authority of His Excellency the President on Wednesday, 19<sup>th</sup> November, 2014 in accordance with Article 179 of the Constitution.

Consequent to this, the 2015 Annual Budget Estimates relating to the Ministry of Energy and Petroleum were referred to the Committee on Mines and Energy for consideration and report pursuant to Order 188 of the Standing Orders of the House.

## **2.0 DELIBERATIONS**

The Committee met with the Minister for Energy and Petroleum, Hon. Emmanuel Armah-Kofi Buah and his deputy, Hon. Benjamin Dagadu to discuss the Estimates. Officials of the Ministry of Energy and Petroleum and Heads of Agencies under the Ministry also attended the meeting to clarify issues relating to their respective Agencies. In attendance were Officials from the Ministry of Finance to assist in the deliberations.

The Committee is grateful to the Officials for their attendance and for providing clarifications on issues raised during the deliberations.

## **3.0 REFERENCE DOCUMENTS**

The Committee referred to the following documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. The Petroleum Commission Act, 2011 (Act 821);
- iv. The Energy Commission Act, 1997 (Act 541);
- v. The Petroleum Revenue Management Act, 2011 (Act 815); and
- vi. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2015 Fiscal Year.

#### **4.0 VISION AND MISSION OF THE MINISTRY**

- 4.1 The vision of the Ministry of Energy and Petroleum is to ensure secure and sustainable supply of energy for Ghana and beyond.
- 4.2 The mission of the Ministry is to formulate, monitor and evaluate policies for the provision of secure, safe and reliable supply of energy to meet Ghana's developmental needs in an efficient, competitive and environmentally friendly manner.

#### **5.0 STRATEGIC OBJECTIVES OF THE MINISTRY**

The policy objectives for the Ministry under the 2015-2017 Medium Term Development Plan Framework (MTDPF) are grouped under two thematic areas comprising infrastructure and human resource development, and Oil and Gas development as follows:

##### **5.1 Infrastructure and Human Resource Development**

- i. Provide adequate, reliable and affordable energy to meet national needs and for exports.
- ii. Increase the proportion of renewable energy (solar biomass, wind, mini hydro and waste to energy) in the national energy supply mix.
- iii. Promote the conversion of waste to energy.
- iv. Explore the options for nuclear, geo-thermal and tidal wave energy.
- v. Ensure regular availability of petroleum products on the Ghanaian market.
- vi. Ensure efficient utilisation of energy.
- vii. Ensure that energy is produced and utilised in an environmentally sound manner.

##### **5.2 Oil and Gas Development**

- i. Ensure accelerated and integrated development of the oil and gas industry.
- ii. Promote value addition in oil and gas.

- iii. Strengthen technical and regulatory capacity for the oil and gas industry.
- iv. Provide security for oil and gas installations and operations in the upstream, midstream and downstream.
- v. Ensure local content and local participation across the oil and gas value chain.
- vi. Leverage opportunities offered by the oil and gas industry to create decent jobs.
- vii. Ensure that the practices in the oil and gas industry are consistent with Ghanaian and international standards of environmental sustainability.
- viii. Ensure effective and transparent management of oil and gas revenue.

## **6.0 AGENCIES UNDER THE MINISTRY**

6.1 The Ministry has oversight responsibilities over the under-listed Agencies:

- i. The Energy Commission;
- ii. The Volta River Authority (VRA);
- iii. The Bui Power Authority (BPA);
- iv. The Ghana Grid Company Limited (GRIDCo);
- v. The Electricity Company of Ghana (ECG);
- vi. The Northern Electricity Distribution Company (NEDCo);
- vii. The Volta Aluminum Company (VALCO);
- viii. The Ghana National Petroleum Corporation (GNPC);
- ix. The National Petroleum Authority (NPA);
- x. The Petroleum Commission;
- xi. The Tema Oil Refinery (TOR);
- xii. The Ghana National Gas Company (GNGC);
- xiii. The Bulk Oil Storage and Transportation Company Limited (BOST);
- xiv. The Ghana Cylinder Manufacturing Company (GCMC); and

xv. The Ghana Oil Company Limited (GOIL).

6.2 The 2015 Annual Budget Estimates however relate to the Ministry of Energy and Petroleum, the Energy Commission, the Petroleum Commission and Ghana National Petroleum Corporation.

## **7.0 EXPENDITURE TRENDS FOR THE MINISTRY IN 2014**

7.1 A total of One Billion, Three Hundred and Forty Million, Nine Hundred and Eight Thousand, Five Hundred and Fifteen Ghana Cedis (GH¢1,340,908,515.00) was approved for the activities of the Ministry of Energy and Petroleum for the 2014 Fiscal Year.

7.2 Under its Goods and Services Vote for 2014, the amount of Two Million, Six Hundred and Seventy Thousand, Two Hundred and Sixty-Seven Ghana Cedis (GH¢2,670,267.00) was approved. As at June 2014, the total of One Million, Seven Hundred and Thirty-Five Thousand, Six Hundred and Seventy-Two Ghana Cedis, Twenty-Three Pesewas (GH¢1,735,672.23.) had been released to the Ministry for utilization.

7.3 Regarding donor funds, the Ministry received 10% of the total Donor amount of Six Hundred and Forty-Six Thousand, Two Hundred and Sixty-Nine, Two Hundred and Six Ghana Cedis (GH¢646,269,206.00) allocated to the Ministry for projects under loans.

## **8.0 KEY ACHIEVEMENTS OF MINISTRY IN 2014**

Some of the key achievements of the Ministry in 2014 include the following:

8.1 Under the energy efficiency and conservation programme, three (3) Energy Conservation Programmes were launched under which 4,000 used refrigerators were turned in and replaced with new ones.

8.2 A Bill to replace the Petroleum (Exploration & Production) Law, 1984, PNDC Law 84 to regulate the upstream sector has been submitted to Parliament for passage.

8.3 Completed drafting of a gas master plan under the Oil & Gas Capacity Building Project to serve as a framework for Gas commercialization.

8.4 Continued work on the Kpone Thermal Power Plant and the 110MW TICO expansion project and the feasibility studies and Environmental and Social Impact Assessment on 12 MW Solar PV plant in the Upper West Region.

- 8.5 Completed the Sunyani – Mim 161kV Line Upgrade and the Kumasi 2<sup>nd</sup> Bulk Supply Point (BSP). Work on the Tumu-Han- Wa 161kV Line is 80% complete whilst the Prestea - Bogosu 161kV Line is 90% complete.
- 8.6 Migrated 2,100 out of 2,555 Ministries/Departments/Agencies unto the prepayment metering system.
- 8.7 The Ghana Power Compact II under the Millennium Challenge Corporation (MCC) was signed in August 2014 to create a financially viable power sector to meet current and future power needs. Projects under Compact include the ECG Financial and Operational Turnaround Project, the NEDCo Financial and Operational Turnaround Project, Access to Electricity Project and Regulatory Strengthening Project.
- 8.8 A total of 1,081 communities were connected to the national electricity grid in 2014 under the rural electrification project.
- 8.9 In respect of petroleum development and production, oil production from the Jubilee Field for 2014 stood at 31,164,604 barrels as at October 2014, with an average daily production of 105,000 barrels per day.
- 8.10 Eight new Petroleum Agreements (PA) were ratified by Parliament in 2014.
- 8.11 Preparatory activities for the Tweneboa Enyenra and Ntomme (TEN) project is far advanced and is expected to come on stream in 2016.
- 8.12 The Gas Sales Agreements (GSA) and other related securitization and Heads of Agreement negotiations with the contractors are ongoing in respect of Offshore Cape Three Points (OCTP) Project and is expected to start oil and gas production in 2017.
- 8.13 Gas reached the Gas Processing Plant (GPP) site after a successful completion of the tie-in work of the offshore pipeline to the FPSO on 10<sup>th</sup> November, 2014. Commissioning is on-going with flows ranging between 16 and 60mmscfd.
- 8.14 A modern Petroleum Engineering Laboratory has been set up at Kwame Nkrumah University of Science and Technology and a Data Centre is being constructed at the Petroleum Commission under the Oil and Gas Capacity Building Project.

## 9.0 OUTLOOK OF THE MINISTRY FOR 2015

For the year 2015, the Ministry intends to apply its budgetary allocation to implement the following planned activities:

- 9.1 Finalize the preparation of legislations and policies including the Local Content Policy for the Power Sector.
- 9.2 Roll out the implementation of the Rebate Scheme on Energy Conservation.
- 9.3 In line with the government's objective of expanding the generation capacity to reach 5000MW by 2016, an additional power generation of **770MW** from thermal sources and **33.5MW** from renewable energy sources to come on stream in 2015. These would come from the following sources; **Thermal sources:** 220MW (KTPP); 450MW (Karship); 100MW (Aggreco Int.) **Renewable Source:** 20MW (Siginik Energy), 13.5MW (TC Energy).
- 9.4 Complete the Kpandu – Kadjebi and Kpone Power Evacuation Lines and construct the 225kV Bolgatanga - Ouagadougou and 330 kV Kumasi – Bolgatanga Lines.
- 9.5 Construct three (3) new Bulk Supply Points (BSPs) and 11 new Primary substations and complete the Grid Expansion and Intensification projects under (GEDAP) 1 & 2.
- 9.6 Commence work under the GEDAP 3 and the Ghana Compact II to connect about 1,500 communities to the national grid.
- 9.7 Undertake feasibility studies for the Mini hydro power projects on ten (10) small-medium hydropower potential sites and also continue the feasibility studies on the Pwalugu multi - purpose hydro project.
- 9.8 Pursue a number of Mini-grid Electrification projects under its renewable energy programme and commence a pilot project for the design, supply, installation, operation and management of mini-grids on 4 selected islands communities.
- 9.9 Distribute about 100,000 improved firewood and charcoal stoves nationwide through the Ghana Alliance for Clean Cook Stoves.
- 9.10 Undertake activities under the Alternate Energy Options Programme including an analysis of techno-economic data for nuclear power planning and collection of seismic and other geological data for the identification of potential sites for nuclear power operation.



## 10.0 2015 ANNUAL BUDGET ESTIMATES OF THE MINISTRY

A total of **Seven Hundred and Ninety-Nine Million, Six Hundred and Fifteen Thousand, Two Hundred and Thirty-Four Ghana Cedis (GH¢799,615,234.00)** has been allocated to the Ministry for the 2015 Fiscal Year base on its four prioritized programmes. The details of the programme based allocation are shown in Table 1 below:

**Table 1: Details of Total Budgetary Allocation to the Ministry for the Year 2015 based on Prioritized Programmes**

S/N	Programme	Estimates (GH¢)
1	Management and Administration	320,846,108
2	Power Generation, Transmission & Distribution ( Power Management)	442,093,721
3	Petroleum Development	36,540,091
4	Renewable Energy Development	135,315
<b>Total</b>		<b>799,615,234</b>

## 11.0 OBSERVATIONS

The Committee made the following observations during its deliberations:

### 11.1 Funding for the Petroleum Commission

The Committee noted with grave concern the failure by the Ministry of Finance in ensuring the implementation of its recommendations to remove bottlenecks affecting the allocation and implementation of budgets to the Petroleum Commission. It was disturbing to note that the issue has remained unresolved over a period of 2years after the Committee's recommendations. Due to this challenge, the Committee was informed that the Commission could not access the amount of **Five Million, Nine Hundred and Fourteen Thousand, Three Hundred and Forty Ghana Cedis (GH¢5,914,340.00)** approved for it for 2014. In response to the issue, Officials of the Ministry of Finance explained that they encountered

challenges in course of the placement of Staff of Petroleum Commission on the Single Spine Salary Structure due to difficulties in getting financial clearance on the establishment schedule. The Committee urges the Ministry of Finance to, as a matter of urgency, resolve the issue to enable the Commission access the amount of **Six Million, Three Hundred and Sixty-Six Thousand and Seven Ghana Cedis (GH¢6,366,007.00)** allocated to the Commission for the year 2015. It also requested the Ministry of Energy to expedite action on the preparation of a legislative Instrument to empower the Commission to charge fees for its services in order to generate funds to complement its funding.

### **11.2 Releases of Annual Budget Funding Amount for Power Projects**

It also noted that though the total amount of **Sixty-Six Million, Ten Thousand Ghana Cedis (GH¢66,010,000.00)** was approved under the Annual Budget Funding Amendment to undertake power activities in 2014, only **Twenty-One Million, Seven Hundred and Forty-Five Thousand, One Hundred and Eighty-Five Ghana Cedis (GH¢21,745,185.00)** has been released as at end of October, 2014. This represent 33% of the total allocation. The Committee was informed that the low release of the funds greatly affected the execution of earmarked power projects to help address the current power shortfalls. The Committee urges the Ministry of Finance to prioritize releases to critical sectors such as the power sector.

### **11.3 Inadequate Provision for Investment Activities**

It was noted that the allocation under the Asset Vote of the Ministry of Energy and Petroleum was woefully inadequate to enable the Ministry meet its numerous investment needs. It was observed that even though a total of **Six Hundred and Thirty-eight million, Seven Hundred and Thirty Thousand, One Hundred and Eighty-Six Ghana Cedis (GH¢638,730,186.00)** has been provided under the Asset Vote for 2015, only **Five Hundred Thousand Ghana Cedis (GH¢500,000.00)** will be available to the Ministry of Energy and Petroleum to undertake investment activities in 2015. This is due to the fact that a substantial portion of **Six Hundred and Thirty-Eight Million, Two Hundred and Thirty Thousand, One Hundred and Eighty-Six Ghana Cedis (GH¢638,230,186.00)** is committed to loan projects of Agencies under the Ministry and earmarked funds for the SHEP Infrastructure and the LPG Accessories projects. The Committee deemed this provision unacceptable at a time when the Ministry needs to implement critical investment projects to help address the energy challenges facing the country.

#### **11.4 Funding for the Newly Created Ministry of Power**

The Committee noted that no provision was made in the 2015 National Budget to fund the activities of the newly created Ministry of Power. Officials of Ministry of Finance explained to the Committee that at the time of the completion of the budget process the new Ministry had not been created, no specific allocation could have been made to the new Ministry. The Minister of Energy and Petroleum however disclosed to the Committee that the issue has been discussed with the Minister for Finance and where it was agreed that funds relating to the power sector under the Budget of the Ministry of Energy and Petroleum would be channeled to the new Ministry. At the said meeting, the Minister for Finance also assured that allocation would be made to the Ministry of Power possibly in a Supplementary Budget to be prepared in 2015 to meet critical investment needs of the Ministry. The Committee urges the Ministry of Finance to fulfill the assurance to make funds available to the Ministry of Power to help find lasting situation to the country's power challenges.

#### **11.5 Oil Production from the Jubilee Field**

The Committee finally found that the average daily oil production from the jubilee Field increased from 102,969 in 2013 to 105,000 barrels per day as in 2014. The oil production from the Field was stepped up in 2014. The total production was 31,164,604 barrels as at the end of October, 2014. While commending the Jubilee Partners for the achievement, the Committee urges them to work hard to achieve the target of the average daily production of 120,000 barrels.

#### **11.6 Utilization of 2014 approved budget of the GNPC**

The Committee noted that the amount of **Six-Three Million, Four Hundred and Eighty-Six Thousand, Six Hundred and Ninety-Four United States Dollars, Seventeen Cents (US\$63,486,694.17)** was utilized by the GNPC to undertake exploration and appraisal activities, meet its equity financing costs relating to the Jubilee Project, TEN and Sankofa Gye Nyame Projects among other expenses.

#### **11.7 Projected Expenditure of the GNPC for 2015**

In pursuit of its strategic policy objectives to consolidate Ghana's upstream and midstream market segments and assume the role of a national gas aggregator, the GNPC has projected a budget of **One Billion, One Hundred and Thirty-Six Million, and Six Hundred and Thirty Thousand United States Dollars (US\$1,13 6,630,000.00)** to finance

its activities for the 2015 Fiscal Year. The breakdown is indicated in Table 2 below:

**Table 2: Breakdown of the 2015 Projected Expenditure of the GNPC**

S/N	ITEM	Projected Expenditure in US\$	Projected Expenditure in GH¢
1	Development & Production Costs	201,570,000	665,170,000
2	Costs of Petroleum Projects	549,580,000	1,813,620,000
3	Ghana Gas Related Cost	307,000,000	1,013,100,000
4	Capital Project	46,810,000	154,460,000
5	General Operational Expenditure	31,670,000	104,520,000
	<b>Total Expenditure</b>	<b>1,136,630,000</b>	<b>3,750,870,000</b>

### 11.8 Expected Revenue and Shortfall

The Committee noted that GNPC's total projected revenue from its activities amounts to **Five Hundred and Five Million, One Hundred and Forty Thousand United States Dollars (US\$505,140,000.00)** for the year 2015. This was based on the Corporation's share of Jubilee oil proceeds at price of oil of US\$70 per barrel, counterpart funding from TEN and Sankofa Gye-Nyame Partners and its budgetary allocations from 2014. This projected revenue falls below the Corporation's projected budget of **One Billion, One Hundred and Thirty-Six Million, Six Hundred and Thirty Thousand United States Dollars (US\$1,136,630,000.00)** thereby leaving a shortfall of **Six Hundred and thirty-One Million, Four Hundred and Eighty Thousand United States Dollars (US\$631,480,000.00)** for the Corporation to look for funds from other sources to fund its planned activities for 2015.

### 11.9 Acquisition of Ghana National Gas Company and Related Matters

The Committee noted that the amount of **Two Hundred and Thirty-Five Million United States Dollars (US\$235,000,000.00)** has been budgeted by the GNPC to provide for capitalization and the amount of **Six-**

**Seven Million United States Dollars (US\$67,000,000.00)** operational expenses of the Ghana Gas Company (GNGC). Officials of the GNPC informed the Committee that the GNGC is a new wholly owned subsidiary of the Corporation and hence needed to provide for its capital and operational expenses to enable the subsidiary take off smoothly.

#### **11.10 Construction of New Head Office Building and Research and Technology Centre**

The Committee also noted that the amount of **Sixteen Million United States Dollars (US\$16,000,000.00)** has been budgeted by the GNPC to continue work on its new Head Office Building. With regard to the status of the project, the Committee was informed that the Corporation could not execute the planned work on the building due to delays in securing the necessary approvals. They however informed the Committee that having secured the necessary approval and completed architectural designs, the project is due to take off fully in 2015.

The Committee further noted that the amount of **Twenty-Six Million, Six Hundred and Sixty Thousand United States Dollars (US\$26,660,000.00)** has been budgeted by the GNPC for the construction of a new Research and Technology Centre for the Corporation.

#### **11.11 Non-Oil Revenue Sources**

In response to a question on whether the GNPC have other revenue sources besides its revenue from oil, officials from the GNPC informed the Committee that the GNPC also receives training and technology allowances as contained in approved Petroleum Agreements. They however explained the training and technology allowances are earmarked funds dedicated for the training of Ghanaians generally. The allowances are distributed to specific institutions for that purpose as such the funds are not available to GNPC to finance its budget.

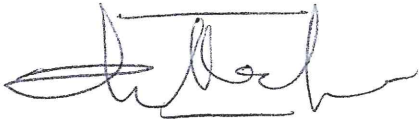
#### **11.12 Consideration of the GNPC's Work Programme for 2015**

In considering the Budget of the Ministry and its agencies, the Committee limited itself to the allocation laid to GNPC in the Budget. The Committee however deferred to consider the detailed 2015 work programme of the Corporation. Instead, the Committee decided to further examine the work programme and report on it separately to the House during the next Meeting in accordance with Section 7(3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815). Section 7(3)(b) of the Act mandates Parliament to approve the programme of activities of the GNPC for every year.

## 12.0 CONCLUSION AND RECOMMENDATION

The Committee, having critically scrutinized the 2015 Annual Budget Estimates of the Ministry of Energy and Petroleum recommends to the House for the approval of the sum of **Seven Hundred Ninety-Nine Million, Six Hundred and Fifteen Thousand, Two Hundred and Thirty-Four Ghana Cedis (GH¢799,615,234.00)** for the activities of the Ministry of Energy and Petroleum for the 2015 Fiscal Year.

Respectfully submitted.



.....  
**HON. KWABENA DONKOR (DR.)**  
**CHAIRMAN, COMMITTEE ON**  
**MINES AND ENERGY**



.....  
**PEACE FIAWOYIFE (MS.)**  
**CLERK TO THE COMMITTEE**