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



REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL REPORT ON THE PETROLEUM FUNDS FOR THE 2021 FISCAL YEAR

AND

THE 2021 RECONCILIATION REPORT ON THE PETROLEUM HOLDING FUND

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, 2022, the 2021 Annual Report on the Petroleum Funds and the 2021 Reconciliation Report on Petroleum Funds were 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 reports were 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. Dr. John Ampontuah Kumah 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. REFERENCE

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 and other companies which applied through Direct Negotiations, including First Exploration and Petroleum Development Company (Ghana) Limited and ENI Ghana Exploration & Production Limited over the GH_WB_02 (Ghana Western Basin Block 02) and GH_WB_03 (Ghana Western Basin Block 03) respectively of the Republic of Ghana.

In order to conclude negotiations, the GNT is currently negotiating with CNOOC, a global energy company and subsidiary of CNOOC Limited, for a Petroleum Agreement on the Contract Area, in the Eastern Basin and GNT is also negotiating with KOKA Energy Company Limited for a Petroleum Agreement on block GH_WB_04 in the Western Basin.

GNPC also acquired a 7% interest in both the Deepwater Tano (DWT) and West Cape Three Points (WCTP) Petroleum Agreements (PAs) with corresponding interests in the related Joint Operating Agreements (JOA) respectively, from Occidental Petroleum ("OXY") (Anadarko WCTP Company) for a purchase price of US\$199 million effective 1 April 2021.

This acquisition translates to 5.950% and 6.045% production interest in the TEN and Jubilee fields respectively for GNPC. These additional interests acquired have been transferred to a subsidiary of GNPC (JOHL).

ExxonMobil voluntarily relinquished all of its 85% participating interest in the Deepwater Cape Three Points Contract Area in May 2021, after being granted a restitution time of nine (9) months by the Minister of Energy to compensate for the time lost due to the COVID-19 pandemic.

Eni Ghana Exploration & Production Ltd., operator of the Cape Three Points Block 4 ("CTP Block 4") commenced and drilled the successful Eban-1X well in second quarter of 2021.

The Minister of Energy granted restitution to the following companies:

- i. Amni was granted eight (8) months to compensate for the time lost due to the COVID-19 pandemic. Amni plans to drill its obligatory exploration well, Kusia-1X in fourth quarter 2022. Well planning and drilling related procurement of goods and services continued throughout 2021;
- ii. OSWT & EK Operating Service Company Limited was granted nine (9) months by the Minister to compensate for the time lost due to the COVID-19 pandemic. OSWT OPCO carried out well planning and drilling related procurement of goods and services continued throughout 2021; and
- iii. ECO Atlantic (Deepwater Cape Three Points West) was granted 9-month restitution period to give ample time for well planning preparations.

4.2. Petroleum Receipts for 2021

Total petroleum receipts for 2021 was US\$783.32 million (equivalent to GH¢4,704,733,387) and higher than the US\$666.39 million received in the same period in 2020 by 17.55%. The higher revenues in 2021 was mainly on account of higher achieved average crude oil price of US\$67.77, compared to US\$43.30 same period in 2020. The breakdown of the receipts is shown in the Table 1 below:

Table 1 - Breakdown of Receipts for 2020

ITEM	Actual (US\$)		
Royalties	185,683,636		
Carried and Participating Interest	392,930,250		
Surface Rentals	826,816		
Corporate Income Tax	203,854,804		
PHF Income	30,343		
Total	783,325,850		

4.3. Allocation of 2021 Petroleum Receipts

The report revealed that total petroleum receipts for 2021 was US\$783.32 million. In addition to this receipt, petroleum receipts that spilled over from 2020 to 2021 was US\$25.29 million bringing the total petroleum receipts available for distribution to US\$808.61 million. The distribution was done in accordance with Section 18 of the PRMA (Act 815) and Section 4 of the PRMA as amended (Act 893). Details of the allocation are captured in Table 2 below:

Table 2: Allocation of 2021 Petroleum Receipts

Item	Actual
Transfer to GNPC	228,328.73
o/w Equity Financial Cost	157,785.21
o/w Crude Oil Net Carried and Participation Interest	70,543.52
ABFA and GPFs	580,281.59
o/w Annual Budget funding Amount	352,789.22
o/w Ghana Petroleum Funds	227,492.37
o/w Ghana Stabilisation Fund	159,244.66
o/w Ghana Heritage Fund	68,247.71
Total	808,610.32

4.4. Utilisation of the Annual Budget Funding Amount (ABFA)

The total actual ABFA utilised for the period under review amounted to GH¢1,859.13 million. The payments represent an under-utilization of GH¢202.00 million (9.8 percent) compared with the 2021 ABFA actual receipts of GH¢1,859.12Million. The underutilization of the ABFA for 2021 was primarily due to the fact that invoices raised by some MDA's in the implementation of the projects had not reached the payment stage at the time of preparing the report. Details of the utilisation of the ABFA is captured in Table 3 below:

Table 3: Utilisation of ABFA

	Revised	Actual (M)	Variance (M)
	Budget (M)		
Agriculture	10	9.4	-0.7
Education and Health Service	808.6	449.3	-359.3
Delivery			
Road, Rail and Other Critical	1,746.9	1,381.9	-365.0
Infrastructure Development	****		
o/w DACF	129.3	32.4	-96.9
o/w GIIF	361.9	290.4	-71.5
Industrial Development	17.3	16.3	-1.0
Sub Total	2,582.7	1,856.8	-726.0
Ministry of Finance	2.4	2.4	
Public Interest and	2.4	2.4	
Accountability Committee			
Total	2,585.1	1,859.1	-726.0

4.6. Ghana Petroleum Funds (GPFs)

The Committee observed that the GPFs was allocated US\$166.61Million with the GSF and the GHF receiving US\$116.63Million 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 Petroleum Revenue Management Act (PRMA) 2011, (Act 815) as amended was yet to be amended despite assurances by the Ministry to amend the Act to enable the Fund Manager of

the Ghana Petroleum Funds at Bank of Ghana to diversify the investment instruments in the bid to increase returns to the Funds.

The Ministry of Finance explained that work on the proposed amendments was almost complete and that it would soon submit the Amendment Bill to the House for consideration. The revision, among others, will also help remove administrative bottlenecks adversely affecting the implementation of the provisions of the PRMA.

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 2021.

Respectfully submitted.

HON. KWAKU KWARTENG CHAIRMAN, FINANCE COMMITTEE JOANA ABENA SAKYI-ADJEI CLERK TO THE COMMITTEE

2ND NOVEMBER, 2022

