

**IN THE FIRST SESSION OF THE FIFTH PARLIAMENT OF  
THE FOURTH REPUBLIC**

**REPORT OF THE COMMITTEE ON MINES AND ENERGY ON  
THE 2011 ANNUAL BUDGET ESTIMATES OF THE  
MINISTRY OF ENERGY**

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**1.0 INTRODUCTION**

The Budget Statement and Economic Policy of the Government of Ghana for the 2011 Financial year was presented to Parliament by the Hon. Minister for Finance and Economic Planning, Dr. Kwabena Duffuor, on Thursday 18<sup>th</sup> November, 2010 in accordance with Article 179 of the 1992 Constitution. The draft budget estimates for the Ministry of Energy were referred to the Committee on Mines and Energy for consideration and report pursuant to order 188 of the Standing Orders of Parliament.

**2.0 SITTINGS**

The Committee met on Thursday, 9<sup>th</sup> December, 2010 with the Hon. Minister for Energy, Dr. Joe Oteng Adjei and officials from the Ministry of Energy and considered the referral.

The Committee acknowledges with thanks, the inputs of the Minister and all officials who attended upon it.

**3.0 REFERENCES**

The following documents were referred to during the discussions:-

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Standing Orders of the Parliament of Ghana
- iii. The Budget Statement and Economic Policy of the Government of Ghana for the 2011 financial year.
- iv. The Budget Statement and Economic Policy of the Government for the 2010 Financial year

#### **4.0 DEPARTMENTS /AGENCIES OF THE MINISTRY**

The Ministry of Energy has supervisory jurisdiction over 11 Agencies. These are as follows:

- i. Energy Foundation
- ii. Energy Commission
- iii. Ghana National Petroleum Corporation(GNPC)
- iv. National Petroleum Authority (NPA)
- v. Volta River Authority (VRA)
- vi. Electricity Company of Ghana (ECG)
- vii. Bulk Oil Storage and Transportation Company Limited (BOST)
- viii. Ghana Cylinder Manufacturing Company (GCMC)
- ix. Tema Oil Refinery (TOR)
- x. Bui Power Authority
- xi. Ghana Grid Company Limited (GRIDCo)

All the above mentioned Agencies are self financing and therefore do not receive direct Government subvention for their operational and administrative activities. They nonetheless receive Government support for specific programmes. This is done through direct budgetary support or through Government guaranteed loans and other facilities.

#### **5.0 GHANA'S ENERGY SECTOR VISION**

The Vision of the Energy sector is to achieve universal access to modern energy forms by 2020 and to become a net exporter of power in West Africa by 2015.

#### **6.0 MISSION STATEMENT**

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 sustainable manner.

## 7.0 MEDIUM TERM OBJECTIVES OF THE MINISTRY

In order to achieve the above Mission the Ministry of Energy has developed the following objectives for the medium term:

- i. Increase access to adequate, reliable and economically priced modern forms of energy supply.
- ii. Diversify the national energy mix including the use of environmentally friendly indigenous sources of energy.
- iii. Ensure the efficient management of the energy sector.
- iv. Ensure productive and efficient use of energy.
- v. Promote private sector participation in the energy sector.

## 8.0 OVERVIEW OF THE 2010 APPROVED BUDGETARY ALLOCATION TO THE MINISTRY OF ENERGY

The Ministry of Energy was allocated a total sum of GH¢329,783,764 for its activities for the 2010 financial year. The breakdown of the sources of funding was as follows:

i. Government of Ghana	-	GH¢6,097,303 (1.85%)
ii. Donor support	-	GH¢293,686,461 (89.05%)
iii. Multilateral Debt Relief Initiative (MDRI)	-	GH¢30,000,000 (9.1%)
<b>TOTAL</b>	-	<b>GH¢329,783,764 (100%)</b>

The allocation per expenditure Item is provided in the table below:

NO.	ITEM OF EXPENDITURE	2010 BUDGET ALLOCATION (GH¢)	ACTUAL EXPENDITURE AS AT 31 <sup>st</sup> August, .2010 (GH¢)	VOTES BALANCE AS AT 31 <sup>st</sup> August, 2010	% UTILISED
1.	PERSONNEL EMOLUMENTS	2,230,053	2,342,925.70	(94,872.70)	105.6
2.	ADMIN. EXPENSES	374,250	346,502	24,748	92.6
3.	SERVICE	325,000	199,156.16	125,843.80	61.3
4.	INVESTMENT	326,854,461	214,316,020.62	109,925,572.47	66.4
	TOTAL	329,783,764	219,951,303.48	109,832,460.52	33.3

## 9.0 THE MINISTRY'S ACHIEVEMENTS IN 2010

The Ministry of Energy in 2010 undertook the following projects and activities among others:

1. A total of 642 communities were connected to the national electricity grid under SHEP during the year.
2. Commenced preliminary survey work on the extension of electricity to 1,200 communities.
3. Began work on the extension of electricity to 79 communities in the Ashanti and Eastern regions under BNP Paribas facility.
4. Completed work on the regional capital street lighting project in Takoradi, Ho, Sunyani, Bolgatanga and Wa.
5. Continued work on the 400MW hydro power plant at Bui.
6. Commenced work on the construction of a 132 MW combined-cycle power plant at Aboadze.

7. Constituted a joint implementation team comprising GNPC, VRA and GRIDCo to supervise the establishment of a 200 MW power plant at Bonyere in the Western Region to utilize gas from the Jubilee field.
8. Completed 80% of the substation upgrade project in Techiman, Kumasi, Wineba and Akosombo.
9. Supplied, installed and commissioned solar PV systems in 75 rural health institutions in the three Northern Regions. In addition, 189 public institutions have been identified and mapped out for solar electrification.
10. Development of the Jubilee field for the production of first oil in the last quarter of 2010 is on track.
11. Completed the construction of 4 No. 10,000m<sup>3</sup> storage tanks with ancillary facility at the Accra Plains Depot and operationalised.

## **10.0 OUTLOOK FOR 2011**

### **10.1 Power Sub Sector**

For the 2011 financial year, the Ministry of Energy intends to focus on actions aimed at upgrading electricity transmission and distribution networks while stepping up rural electrification to ensure universal access to electricity by 2020.

#### **10.1.1 National Electrification Scheme**

In order to increase the power generation capacity of the country and to scale up rural electrification to ensure efficient and reliable supply of power for the country, the Ministry intends to undertake the following projects in 2011:

- i. Continue work on the 400 MW Bui hydro power project and the 132 MW Takoradi Thermal Power Project; and
- ii. Continue work on the establishment of 200 MW power plant at Bonyere to utilize the gas from the Jubilee field;

#### **10.1.2 Increased Access of Rural Communities to the National Electricity Grid**

In order to accelerate the pace of expansion of access to electricity, the Ministry plans to undertake the following ongoing and new projects:

- i. Extend electricity to 412 communities in the Volta and Greater Accra Regions;
- ii. Extend electricity to 1,200 communities in the Western, Central and Brong Ahafo Regions;
- iii. Complete work on the extension of electricity to 800 communities in Ashanti and Eastern Regions under SHEP-4 project;
- iv. Extend electricity to 500 communities in the Northern Region, 500 communities in the Upper East Region and 400 communities in the upper West Region; and
- v. Connect 79 communities in the Ashanti and Eastern Regions to the National Grid to be financed by BNP Paribas Bank.

#### **10.1.3 Renewable Energy**

The main focus of the Ministry under renewable energy is to support KNUST and Tamale and Koforidua Polytechnics to develop and improve human resource capacity in renewable energy. The Ministry will continue

the supply and installation of PV Systems in selected remote communities and public institutions. The Ministry will also support efforts of private sector developers in the area of hydro, wind, solar PV and Biomass power generation.

## **10.2 Petroleum Subsector**

In the Petroleum sector, the Ministry intends to focus on intensification of exploration, production and distribution activities. The following key projects and activities are expected to be undertaken in 2011:

- i. Appraisal of Tweneboa Complex and ENI Sankofa in deepwater Tano Block will be completed;
- ii. The gas commercialization project is to be scaled up and a Gas Master Plan developed;
- iii. Complete work on the inland jetty, river barges and tug boats at Debre; and
- iv. Enforce the EITI in the Oil and Gas sector to ensure transparency in revenue management.

## **11.0 ALLOCATION FOR THE 2011 FINANCIAL YEAR.**

The Ministry of Energy has been allocated a total sum of GH¢405,495,572.00 to execute the above activities for the 2011 financial year. Out of this amount, GH¢4,289,022.00, representing 1.05%, is expected to come from GoG whilst GH¢371,206,550.00, representing 91.54%, is expected to come from Donor support. The remaining GH¢30,000,000, representing 7.41% is from the MDRI for Social

Intervention Programmes (SIP). A summary of the Budgetary Allocation for the Ministry for the 2011 financial year is presented in the Table below:-

NO.	SOURCE OF FUNDS	PERSONAL EMOLUMENTS GH¢	ADMINISTRATION GH¢	SERVICE GH¢	INVESTMENT GH¢	TOTAL GH¢
1.	GOG	2,109,873	297,575	297,575	1,584,000	4,289,022
2.	DONOR	-	-	493,350	370,713,200	371,206,550
3.	MDRI	-	-	-	30,000,000	30,000,000
<b>TOTAL</b>		2,109,873	297,575	790,925	402,297,200	405,495,572

## 12.0 OBSERVATIONS AND RECOMMENDATIONS

### 12.1 Allocation to GNPC

The Committee observed that an amount of GH¢262.2m has been allocated to the GNPC from expected petroleum revenue. The amount, the Committee was informed, will add to expected borrowing by the Corporation to finance its petroleum activities. Part of the amount will be used to pay for GNPC's carried and participating interest in the Jubilee field and also finance the development cost of the Jubilee field. The Committee was informed that the contribution of GNPC in the development of the Jubilee field is currently being financed by the other partners and that GNPC was to commence payment for its share of the development cost and other operational expenses upon the commencement of commercial production.

Part of the allocation is also earmarked for the conduct of studies and collection of data on the Voltaian basin to determine the hydrocarbon



potentials of the basin. The Committee was further informed that part of the allocation to GNPC would be used to part finance the gas commercialization project.

## **12.2 2010 Expenditure Profile**

The Committee observed that whereas the Ministry's allocation for P. E. was GH¢2,230,053 for 2010, Actual expenditure as at August was GH¢2,342,925.70, an overexpenditure of GH¢94,872.70 or 5%. As explained to the committee, this overexpenditure was the result of the payment of outstanding salary arrears during the year.

The Committee also observed that an amount of GH¢293,686,461 was approved for the Ministry of Energy from Donor sources in 2010. However, as at 31<sup>st</sup> August, 2010 only 184, 008, 834.41 representing 62.7% was used. The Committee was informed that, the Ministry was unable to spend the funds due to the inability of Government to provide counterpart funding for some of the projects the funds were voted for.

## **12.3 Allocation to VRA and ECG**

The Committee noted that an amount of GH¢386.9m and GH¢28.8 had been allocated to VRA and ECG respectively. The Committee was informed that the said amounts represent outstanding payments to the two companies. The VRA's allocation represents arrears of crude oil lifting and the payment of judgment debts whereas the ECG's allocation represents Government's subsidy for lifeline power consumers. The Committee observed that provision had not been made to the two companies for 2011 particularly ECG to absorb the subsidy granted by Government. The Committee therefore urges Government to take steps to ensure that funds are made available to the two utility companies.

## **12.4 Bulk Oil Storage and Transportation Company (BOST)**

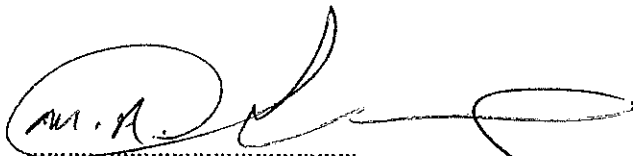
The Committee observed that no provision was made for BOST. The Committee was informed that BOST requested for an amount GH¢25.8m as working capital to finance its operations but this was not approved by

MOFEP. It is the view of the Committee that in order for BOST to be viable it was important that Government as the sole shareholder, recapitalise the company. This will enable the company wean itself from Government support in the near future.

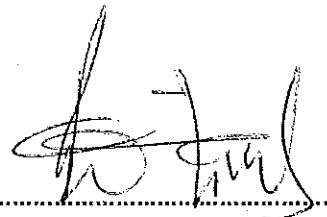
### 13.0 CONCLUSION

Considering the important role of energy in alleviating poverty and accelerating growth and development, and having carefully considered the Ministry's justifications for the Budget Estimates for 2010, the Committee recommends that the House approves the sum of **Four Hundred and Five Million, Four Hundred and Ninety-five Thousand, Five Hundred and Seventy-two Ghana Cedis (GH¢405,495,572)** for the Ministry of Energy for the 2011 financial year.


Respectfully submitted



HON. MOSES ASAGA  
CHAIRMAN, COMMITTEE ON MINES  
& ENERGY



CAMILLO PWAMANG (MR)  
CLERK, COMMITTEE ON MINES  
& ENERGY

 December, 2010