

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

REPORT

OF THE

**SELECT COMMITTEE ON MINES
AND ENERGY**

ON THE

2013 ANNUAL BUDGET ESTIMATES

OF THE

**MINISTRY OF ENERGY AND
PETROLEUM**

MARCH, 2013

REPORT OF THE COMMITTEE ON MINES AND ENERGY ON THE ANNUAL BUDGET ESTIMATES OF THE MINISTRY OF ENERGY AND PETROLEUM FOR THE 2013 FISCAL YEAR

1.0 INTRODUCTION

The Budget Statement and Economic Policy of the Government for the 2013 Financial Year was presented to Parliament by the Hon. Minister for Finance and Economic Planning, Mr. Seth Terkper on Tuesday, 5th March, 2013 in accordance with Article 179 of the Constitution. Subsequent to this, the draft Annual Budget Estimates of 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 Hon. Minister for Energy and Petroleum, Mr. Emmanuel Kofi Buah, Officials of the Ministry and Heads of Agencies under the Ministry to discuss the Estimates. In attendance were Officials from the Ministry of Finance and Economic Planning to assist in the deliberations.

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

3.0 REFERENCE DOCUMENTS

The Committee referred to the under-listed documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. The Production and Exploration Act, 1984 (PNDCL 84);
- iv. The Petroleum Revenue Management Act, 2011 (Act 815);

- v. The Petroleum Commission Act, 2011 (Act 821);
- vi. The Ghana National Petroleum Corporation Act (PNDCL 64); and
- vii. The Budget Statement and Economic Policy of the Government of Ghana for the 2013 Financial Year.

4.0 VISION OF THE MINISTRY

The Vision of the Ministry is to develop an energy economy that would ensure secure and reliable supply of high quality energy services of the Ghanaian economy and to become an exporter of oil and power by 2012 and 2015 respectively.

5.0 MISSION OF THE MINISTRY

The Mission of the Ministry of Energy and Petroleum 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.

6.0 MEDIUM TERM POLICY OBJECTIVES OF THE MINISTRY

To achieve its mandate, the Ministry has set out the following policy objectives for the medium term:

- i. Provide adequate and reliable power to meet the needs of Ghanaians and for export;
- ii. Increase the proportion of renewable energy, particularly solar, wind and mini hydro in the national energy supply mix;
- iii. Build transparent regulatory environment and strengthen regulatory institutions in the energy sector;
- iv. Sustain and optimize the exploration, exploitation and utilization of oil and gas endowment;
- v. Ensure the development of oil and gas industry;
- vi. Build relevant capacity for players in the oil and gas industry;

- vii. Promote and facilitate private sector investments in the energy sector;
and
- viii. Promote energy efficiency and conservation programmes.

7.0 AGENCIES UNDER THE MINISTRY

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 Ghana National Petroleum Corporation (GNPC);
- vi. The Electricity Company of Ghana (ECG);
- vii. The Northern Electricity Distribution Company (NEDCo);
- viii. The Volta Aluminium Company (VALCO);
- ix. The Ghana National Petroleum Corporation (GNPC);
- x. The National Petroleum Authority (NPA);
- xi. The Petroleum Commission;
- xii. The Tema Oil Refinery (TOR);
- xiii. The Ghana National Gas Company (GNGC);
- xiv. The Bulk Oil Storage and Transportation Company Limited (BOST);
- xv. The Ghana Cylinder Manufacturing Company (GCMC); and
- xvi. The Ghana Oil Company Limited (GOIL).
- xvii. The Volta Aluminum Company Ltd (VALCO).

8.0 OVERVIEW OF 2012 APPROVED BUDGETARY ALLOCATION FOR THE MINISTRY

In the year under review, a total of Thirty-Seven Million, Five Hundred and Fifty Thousand, Two Hundred and Three Ghana Cedis (GH¢37,550,203.00) was approved for the activities of the Ministry for the 2012 Financial Year. A total of Thirty-Eight Million, Nine Hundred and Thirty-Six Thousand, Three Hundred and Twenty-Four Ghana Cedis (GH¢ 38,936,324.00) was however released to the Ministry for its activities during the year under review. This gives an excess of One Million, Three Hundred and Eighty-Six

Thousand, One Hundred and Twenty-One Ghana Cedis (GH¢1, 386, 121.00). This was as a result of the implementation of the Single Spine Salary Structure. The breakdown of the allocation and expenditure is shown in the Table 1 below.

Table 1: Breakdown of Approved Budget and Expenditure of the Ministry for the Year 2012

No.	Item	Approved Budget for 2012 (GH¢)	Actual Expenditure as at end of 2012
1.	Compensation of employees	2,371,054.00	4,256,540.00
2.	Goods and Services	2,595,149.00	2,395,089.13
3	Investment	2,584,000.00	2,284,695.74
	Sub Total GoG	7,550,203.00	8,936,324.00
	ABFA	30,000,000.00	30,000,000.00
	Total	37,550,203.00	38,936,324.00

9.0 PERFORMANCE OF THE MINISTRY IN 2012

In line with its mandate, the Ministry and its sector Agencies undertook a number of programmes and projects in power, renewable energy and petroleum.

9.1 Power Sub-Sector

Expansion in Power Generation Capacity

- i. Additional generation of 126 MW was added to the country's installed capacity of 2,186 MW from CENIT Power Plant at Tema to 2,312MW in 2012;
- ii. Completed construction works on the single cycle unit for the 132 MW Takoradi Thermal Project (T3);
- iii. Continued construction works for the 400MW Bui Power Project; and
- iv. Initiated other pipeline power generation projects - Tico (Takoradi II) Expansion Project (110MW) and the Centpower Generation Company Ltd (340MW).

Transmission System Enhancement Projects

- i. Completed construction of a 161/34.5kV Substation at Buipe to serve a new cement factory, the Buipe Township and its environs.
- ii. Transmission lines for power evacuation for Bui-Sawla, Bui-Kintampo and Bui-Techiman are 98 percent complete.
- iii. Upgraded nine (9) Substations to increase transformer capacity in the New Tema, Akwatia, Achimota, Asanwinso, Takoradi, Techiman, Kumasi, Winneba and Akosombo Substations.
- iv. Commenced work on the Tumu-Han-Wa Transmission Line.

Distribution System Improvement Projects

- i. Completed construction of five (5) primary substations for ECG in Accra and Tema under the Ghana Energy Development Project (GEDAP) and various 33kV and 11kV feeders required to interconnect the new primary substations into the grid.
- ii. Upgraded 33kV lines at Mallam-Tuba, Tuba -Kasoa; and Tafo-Koforidua and completed secondary automatic works for Greater Accra, Central, Eastern and Western Regions.
- iii. Commenced the Supply Improvement and Rehabilitation Project (NSIRP) in the Northern Electricity Distribution Company (NEDCO) area.

National Electrification Scheme

Continued implementation of the National Electrification Scheme which connected 466 communities to the national electrification grid in all 10 Regions under the Self Help Electrification Programme (SHEP), Turn-key Projects and Grid Extension under GEDAP.

Energy Efficiency and Conservation

Launched a Refrigerator Rebate and Turn-In Scheme in September 2012 to facilitate transformation of the Refrigerating Appliance Market in Ghana.

The Scheme aims at eliminating the use of obsolete and high energy wasting appliances from the market.

Installation of Automatic Capacitor Banks

Installed Automatic Capacity Banks (ACB) to improve energy efficiency of public buildings, reduce electricity consumption and expenditure at selected public facilities including the Korle-Bu Teaching Hospital, the Office of the President, the Food and Drugs Authority, the Accra Sports Stadium and the Parliament House.

9.2 Renewable Energy

- i. Commenced installation work for 752 off-grid solar systems for remote public institutions (GEDAP Phase II)
- ii. Installed 255 off-grid solar systems for remote public institutions on lakeside island communities.
- iii. Continued construction of the 2MW grid connected solar system by VRA in Navrongo and the 0.72MW Noguchi Memorial Institute for Medical Research Solar Park.

9.3 Petroleum Sector

Jubilee Field Production

- i. The GNPC and the Jubilee Partners successfully stopped the premature decline of oil production from the Jubilee Oil Field from October, 2011 average daily production rate of eighty thousand (80,000) barrels of oil per day to about sixty-three thousand (63,000) barrels per day by end July, 2012. Daily production had come up to an average of over a hundred thousand (100,000) barrels a day by December, 2012.
- ii. Increased oil production from 24.2 million barrels in 2011 to 26.4million barrels of crude oil in 2012 from the Jubilee Fields.
- iii. The Ghana Group lifted a total of 4.9million barrels in 2012.

- iv. Six (6) new discoveries were made in 2012 which are at various stages of appraisal. They are Hickory North, Almond, Beech, Pecan, Sankofa East and Wawa, bringing the total number of hydrocarbon discoveries to twenty-two (22).
- v. Developed the Petroleum (Exploration and Production) Bill and the Local Content Regulations.
- vi. Signed a Memorandum of Understanding for the establishment of Enterprise Development Centre in Takoradi amongst the Ministry of Energy and Petroleum, the Jubilee Partners and the Ministry of Trade and Industry to train SMEs in the Oil and Gas Industry.

Gas Infrastructure Project

- i. Completed construction of a 59km offshore pipeline for the Gas Infrastructure Project with a pre-lay activity and tied-in to deep water pipeline.
- ii. Installed 25km of offshore pipeline in addition to the 14km laid by GNPC.
- iii. Completed an Environmental and Social Impact Assessment for the Offshore Shallow Water pipeline.
- iv. Paid compensation to about six thousand (6,000) farmers whose crops were affected by the Project.
- v. Commenced work on the laying of onshore 111km 20-inch pipes from the site of the Processing Plant at Atuabo to the Aboadze Thermal Station. The core processing units of the Plant are expected to arrive in Ghana in the first quarter of 2013.
- vi. Completed the right of way clearing and the line pipe stringing for the 111km onshore pipeline.
- vii. Work on the pipe fitting and welding is 83 percent complete.

- ix. Developed a Natural Gas Pricing Policy and received Cabinet approval for its implementation to guarantee full participation in the Gas Industry by Oil Companies.

10.0 OUTLOOK FOR 2013

For the year 2013, the Ministry will continue implementation of on-going and key sector programmes and projects.

10.1 Power Sub-Sector

The key projects to be undertaken under the Sub-Sector within the year 2013 are:

- i. Complete and commission the 132MW Takoradi T3 Power project
- ii. Complete and commission the 400MW Bui hydro Electric Project
- iii. Complete outstanding SHEP Projects in all ten regions
- iv. Continue works on the extension of electricity to the three Regions of the North
- v. Continue expansion and network improvement projects
- vi. Continue work on electricity distribution upgrade
- vii. Undertake commercial and technical capacity upgrade

10.2 Renewable Energy Sub-Sector

The following activities will be undertaken by the Ministry within the year 2013:

- i. Implement Phase II of installation of Solar PV systems for remote public institutions and community lighting in off-grid communities
- ii. Complete and commission 2MW grid connected solar system at Navrongo
- iii. Implement pilot II-grid electrification for lakeside and island communities.

- iv. Continue the Solar Lantern Promotion Project
- v. Coordinate activities in the implementation of the Action Plan on the UN Initiative on Sustainable Energy for All (SE4ALL)
- vi. Roll out the Refrigerator Rebate Scheme piloted in Accra and Tema in 2012.

10.3 Petroleum Sub-Sector

In the year 2013, the following activities will be undertaken under the Sub-Sector by the Ministry:

- i. Explore hydrocarbon potential of the South Deep Water Tano Block and the Voltaian Basin to expand and augment the country's hydrocarbon reserve base
- ii. Complete construction of the Gas Processing Plant at Atuabo in the Western Region
- iii. Complete development of a Gas Master Plan to ensure efficient monetization of Ghana's natural gas resources
- iv. Commence construction of Petroleum Terminal to store petroleum products including LPG at Punpuni in the Western Region
- v. Facilitate preparation of legislations to improve governance in the Upstream Petroleum Sector including the Petroleum and Production Bill, Fiscal Metering, Data Management, Local Content, and Safety and Environment.

11.4 BUDGETARY ALLOCATION FOR THE YEAR 2013

A total of **One Billion and Sixty-One Million, Nine Hundred and Forty-Seven Thousand, Two Hundred and Sixty-Five Ghana Cedis (GH¢1,061,947,265.00)** has been earmarked for the Ministry for the implementation of its activities for the 2013 Fiscal Year. The breakdown of the total budgetary provision is shown in Table 2 as follows:

Table 2: Breakdown of Total Budgetary Provision for the Year 2013

Item	Provision for 2013 (GH¢)
Cost Centre Allocation	9,473,124.00
ABFA SHEP	30,000,000.00
ABFA CDB Matching Fund (MOF)	100,000,000.00
Transfer to GNPC	369,478,143.00
Matching Funds for Projects funded with loans	552,995,998.00
Total	1,061,947,265.00

12.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee made the following observations and recommendations during its deliberations:

12.1 Compensation for Employees Vote

The Committee noted that the Compensation of Employees Vote for the Ministry for 2013 is less than the actual Vote for the year 2012. Thus, while an amount of **Two Million, Seven Hundred and Twenty-Four Thousand, Three Hundred and Fifty-Eight Ghana Cedis (GH¢2,724,358.00)** has been allocated to the Ministry (Headquarters) and the Energy Commission as the Compensation of Employees Vote for the year 2013, the actual release for 2012 amounted to **Four Million, Two Hundred and Fifty-Six Thousand, Five Hundred and Forty Ghana Cedis (GH¢4,256,540.00)**.

The Committee was informed by the Ministry that the Compensation of Employees Vote allocated to the Ministry fell short of its request for the sum of **Five Million and Ninety-Three Thousand, Seven Hundred and Thirty-Four Ghana Cedis (GH¢5,093,734.00)**. The allocation leaves a shortfall of **Two Million, Three Hundred and Sixty-Nine Thousand, Three Hundred and Seventy-Six Ghana Cedis (GH¢2,369,358.00)**. The actual releases for Compensation of Employees for the Ministry and the 2013 allocation for the Compensation of Employees Vote are indicated in Table 3.

Table 3: Comparison between the Compensation of Employees Vote and the Request by the Ministry

Cost Centre	Actual for 2012	Request for 2013	Allocation for 2013	Gap(b-c)
MoEP (HQ)	2,442,967	2,820,650	1,654,500	1,166,150
Energy Commission	1,813,572	2,273,084	1,069,858	1,203,226
Total	4,256,540	5,093,734	2,724,358	2,369,376

12.2 Goods and Services Vote

It was noted that the Ministry's Vote for Goods and Services for the year 2013 is **One Million, Eight Hundred and Thirty-Nine Thousand, One Hundred and Sixty-Six Ghana Cedis (GH¢1,839,166.00)** which is less than the actual releases of the same Vote amounting to **Two Million, Three Hundred and Ninety-Five Thousand and Eighty-Nine Ghana Cedis (GH¢2,395,089.00)**. The details of the Vote are provided in Table 4 below.

Table 4: Comparative Analysis of the Goods and Services Vote for the Ministry

Cost Centre	Actual for 2012	Request for 2013	Allocation for 2013	Gap (b-c)
MoEP (HQ)	2,204,817	11,080,472	1,589,199	9,491,273
Energy Commission	190,272	1,865,370	250,000	1,615,370
Total	2,395,089	12,945,842	1,839,166	11,106,676

12.3 Investment Vote

For its investment activities for the year 2013, the Ministry is allocated an amount of **Four Million, Nine Hundred and Nine Thousand, Eight Hundred and Forty-Three Ghana Cedis (GH¢4,909,843.00)** instead of a request by the Ministry for an amount of **Twelve Million, Nine Hundred and Forty-Five Thousand, Eight Hundred and Forty-Three Ghana Cedis (GH¢12,945,843.00)**. This provision leaves a shortfall of **Eight Million and Thirty-Six Thousand, Two Hundred and Forty-Three Ghana Cedis (GH¢8,036,243.00)**. There is no provision for the Energy

Commission for its investment activities for the year 2013. The details are as indicated in Table 5.

Table 5: Details of Investment Vote for the Ministry for the Year 2013

Cost Centre	Actual for 2012	Request for 2013	Allocation for 2013	Gap (b-c)
MoEP (HQ)	2,284,695	12,945,843	4,909,600	8,036,243
Energy Commission	-	-	-	-
Total	2,284,695	12,945,843	4,909,600	8,036,243

12.4 No Budgetary Allocation to Petroleum Commission (PC)

The Committee noted with concern that no budgetary provision has been made to the Petroleum Commission (PC) for its activities for the 2013. The Commission informed the Committee that a total of **Five Million Ghana Cedis (GH¢5,000,000.00)** was released to the PC by the MOFEP since the Commission was not captured under the 2012 Budget. On account of this, it was the expectation of the Committee that due provision would have been made for the Commission for the year 2013.

The Commission accordingly request that a total of **Twenty-Four Million, One Hundred and Twenty-two Thousand and Ten Ghana Cedis (GH¢ 24,122,010.00)** be provided for its activities for the year 2013. Referring to Section 14 of the Act 821, the Committee arrived at the decision that budgetary provision should be made for the Commission. In recognition of the critical role played by the Commission in regulating the upstream petroleum industry, the Committee wishes to appeal to the MOFEP to, as a matter of urgency, rectify the anomaly by providing funds for the Commission for the First Quarter of the year 2013.

The Committee also urges the Petroleum Commission to develop the necessary legislative instrument to enable it generate funds as a way of weaning itself of governmental financial support.

12.5 Financial Requirements of the GNGC

The Committee noted that an amount of **Hundred Million Ghana Cedis (GH¢100,000,000.00)** has been provided to the Company to meet the Chinese Development Bank Loan. This allocation is lower than the total of **One Hundred Fifty Million Ghana Cedis (GH¢150,000,000.00)** required to meet this obligation, thereby leaving a short fall of Fifty Million Ghana Cedis (GH¢50,000,000.00).

The Committee was also informed that there is a balance on the Company's capitalization amounting to **Thirty Million Ghana Cedis (GH¢30,000,000.00)**. This brings the total financial requirement to **Eighty Million Ghana Cedis (GH¢80,000,000.00)**. To ensure that the company meets the timelines for the completion of the Gas Project to ameliorate the current energy crisis facing the country, the Committee wishes to request the MOFEP to provide additional funds possibly in the Supplementary Budget to meet the shortfall.

12.6 Utilization of GNPC Share of the Jubilee Crude Oil Revenue

The Committee was informed that the GNPC received a total of **Two Hundred and Thirty Million, Nine Hundred and Forty-Nine Thousand, Nine Hundred and Twenty-Six United States Dollars (US\$230,949,926.00)** per the formula under the Act 815. The amount is made up of **One Hundred and Twenty-Four Million, Six Hundred and Thirty Thousand, Six Hundred and Twenty-Eight United States Dollars (US\$124,630,628.00)** as Equity Financing Cost and the amount of **One Hundred and Six Million, Three Hundred and Nineteen Thousand, Two Hundred and Ninety-Eight United States Dollars (US\$106,319,298.00)** of the 40% Net Carried and Participating Interest.

On the utilization of its Share of the Oil Revenue, the GNPC disclosed to the Committee that an amount of **One Hundred and Twenty-Five Million, Eight Hundred and Twenty-Four Thousand, Seven Hundred and Forty-Seven United States Dollars (US\$125,824,747.00)** was used in meeting the Jubilee Equity Financing Cost. Also, an amount of **Forty-Three Million, Four Hundred and Fifty Thousand, Nine Hundred and Sixty-Four**

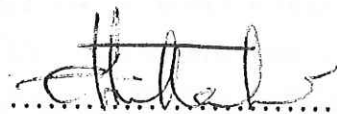
United States Dollars (US\$43,450,964.00) was utilized on projects including the Gas Project related cost, Staff cost, general operational and administrative expenditure. The Committee was informed that the remainder of **Sixty-One Million, Six Hundred and Seventy-Four Thousand, Two Hundred and Fifty-One United States Dollars (US\$61,674,251.00)** had been rolled over and committed to ongoing projects to be undertaken within the year 2013. The projects include the North and South Tano Petroleum Projects, TEN, the Voltaian Basin Petroleum Projects, the South Deep-water Tano Petroleum Projects and reserves for corporate investment projects.

13.0 CONCLUSION

Having critically scrutinized the 2013 Annual Budget Estimates of the Ministry of Energy and Petroleum and being mindful of the current energy challenges facing the Country, the Committee is satisfied with the financial requirements requested by the Ministry for its activities for the year 2013.

the Committee therefore recommends to the House for the approval of the sum of **One Billion and Sixty-One Million, Nine Hundred and Forty-Seven Thousand, Two Hundred and Sixty-Five Ghana Cedis (GH¢ 1,061,947,265.00)** for the activities of the Ministry of Energy and Petroleum for the 2013 Fiscal Year.

Respectfully submitted.



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



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