

IN THE FOURTH SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

**REPORT OF THE JOINT COMMITTEE ON FINANCE & MINES AND ENERGY ON THE
SUBSIDIARY AGREEMENT IN RELATION TO THE WESTERN CORRIDOR PETROLEUM
TERMINAL PROJECT.**

1.0 INTRODUCTION

The Subsidiary Agreement amongst the Government of the Republic of Ghana, and China Development Bank (CDB) in relation to the Western Corridor Petroleum Terminal was presented to the House on 16th May, 2012 and referred to a Joint Committee on Finance and Mines and Energy for consideration and report in accordance with Orders 171 and 188 of the Standing Orders of the House and Section 3 of the Loans Act, 1970.

Pursuant to the referral, the Committee met with the Hon. Deputy Ministers for Finance & Economic Planning, and Energy, Mr. Seth Terkper and Mr. Emmanuel Armah Kofi-Buah respectively and considered the referral. Present at the meeting were officials from Bulk Oil Storage and Transportation Company (BOST) and Ministry of Finance and Economic Planning (MOFEP). The Committee is grateful to the Deputy Ministers and the officials for their input at the Committee.

2.0 REFERENCES

In considering the Agreement, the Committee made reference to and was guided by the following documents:

1. The 1992 Constitution of the Republic of Ghana;
2. The Standing Orders of Parliament;
3. The Loans Act, 1970, (Act 335)

4. The Master Facility Agreement between the Republic of Ghana and China Development Bank Corporation (CDB).

3.0 BACKGROUND

The Government of the Republic of Ghana represented by the Minister for Finance and Economic Planning entered into a Master Facility Agreement (MFA) with the China Development Bank Corporation for an amount of US\$3,000,000,000.00 to undertake various infrastructure projects in the country.

The Agreement was approved by Parliament on 26th August, 2011. Subsequently, an Addendum to the MFA was approved on 21st February, 2012 by the House.

The MFA requires that the Government of Ghana enters into separate subsidiary agreements with CDB in respect of each project to be implemented under the US\$3,000,000,000.00 facility. Further, Parliament in giving approval for the MFA, directed the Ministry of Finance and Economic Planning to present each Subsidiary Agreement to the House for approval in accordance with Art 181 of the Constitution and Section 4 of the Loans Act, 1970, Act 335.

In accordance with the above directive of the House, and the provisions of the MFA, the Subsidiary Agreement in relation to the Western Corridor Petroleum Terminal Project in the sum of US\$133,000,000.00 was presented to the House for consideration and approval.

4.0 PURPOSE OF THE FACILITY

The purpose of the facility is to enable BOST construct a Petroleum Terminal as part of its national petroleum storage and distribution network. The terminal will provide a multi-purpose service to the western basin oil and gas producers as well as domestic and international customers. The terminal is envisaged to be the center of Petroleum

Trading and Petroleum Product Storage and Bunkering Services in the West Africa sub-region.

4.0 TERMS AND CONDITIONS OF THE AGREEMENT

The Facility is a Tranche B facility with the following terms:

Tenor	10 years
Grace Period	up to 5 years
Interest rate	6 months Libor + 2.85%
Commitment Fee	1.00% p.a.
Upfront Fee	0.25% flat (charged on the entire US\$3 Billion)

5.0 OBSERVATIONS AND RECOMMENDATIONS

5.1 THE PROJECT

The Committee was informed that the project is to be implemented as a response to inadequate infrastructure for storage and the transportation of petroleum products in the country. According to BOST the Project when executed, will go a long way to expand the nation's storage and bulk distribution infrastructure in order to make petroleum products and liquefied petroleum gas (LPG) available nationwide and at affordable prices. It would also enhance Ghana's energy security by increasing its strategic stock storage capacity. The Facility will allow BOST to import and re-export petroleum products. Aside the fact that it will be the largest storage facility, the completion of the storage facility will encourage downstream processing of natural gas from the Jubilee field.

5.2 PROJECT COST AND SOURCES OF FUNDS FOR THE EXECUTION OF THE PROJECT

The Committee was informed that the Project is estimated to cost \$ 235,000,000. The following are the sources of funds for the execution of the project:

- i. China Development Bank Corporation - \$133,000,000
- ii. Government of Ghana - \$ 23, 500,000
- iii. Others (second phase) - \$ 78,500,000

The Committee was further informed that the selected EPC Contractor have given indication of pre-financing the second phase of the Project which is estimated at \$78,500,000m. Management of BOST noted that the Company has over the years financed most of its expansion projects through commercial loans and that the Company will be able to pay back the CDB facility and the amount earmarked for the second phase.

5.3 LAND ACQUISITION AND RESETTLEMENT PACKAGES

The Committee was informed that BOST had acquired a 300 acre parcel of land at Pumpuni near Takoradi at a cost of GH¢4.5m from its IGF. The amount also covers the cost of resettlement of persons affected by the project

The Committee cautioned BOST to ensure that all matters relating to the resettlement of communities in respect of the said land are dealt with expeditiously in order not to affect the execution of the Project.

5.4 GOVERNING LAW AND DISPUTE RESOLUTION UNDER THE CONTRACT

The Committee observed that the Project Implementation Agreement is governed by the Laws of Ghana and therefore all disputes arising from or in connection with the Project Implementation Agreement which are not resolved amicably by *the* parties are to be referred to arbitration in Ghana and are to be governed by the laws of Ghana.

The Committee was particularly happy with this provision in the Agreement because legal and allied costs of dispute settlement in Ghana is less likely to be less expensive compared to disputes settled in an International Court.

In the light of this the Committee urges Government and its Agencies to endeavour to negotiate for such provisions in future contracts and agreements.

5.5 RELATIONSHIP BETWEEN GHANA NATIONAL GAS COMPANY AND BOST

The Committee was informed that the Petroleum Storage Terminal which is being executed by BOST has been designed to offtake Liquefied Petroleum Gas from the Gas Infrastructure facility at Atuabu which is being managed by the Ghana National Gas Company.

The Committee therefore urges BOST to ensure that the project is completed in good time in order to offtake LPG from GNGC to make the product available in every part of the country especially the rural areas.

5.6 BOST AND PETROCHEM ENGINEERING SERVICES

The Committee was informed that consultancy services for the design, engineering, procurement, construction, supervision and commissioning of the petroleum terminal is to be undertaken by Petrochem Engineering Services of Pakistan at a contract price of US \$ 17,420,626.00.

The Committee was further informed that Petrochem was selected from amongst five companies. The five companies were selected through a restrictive tendering process. Management of BOST indicated that Petrochem had the financial and technical competence to execute the work and that the company had executed similar services for the VRA and CENIT Thermal Power Project in Tema.

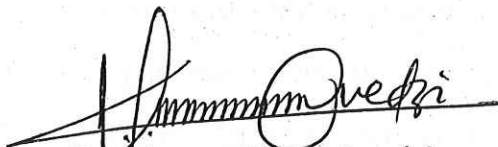
5.7 CONSTRUCTION OF RAILWAY TRACK TO JOIN THE WESTERN CORRIDOR RAILWAY LINE

According to BOST as part of the Project a Railway Tanker and Loading Terminal would be constructed from the proposed project site at Pumpuni at a cost of US\$ 20,000,000.00 The Terminal would subsequently be connected to the western corridor railway line to Kumasi to facilitate the transportation of LPG and other refined petroleum products. This component of the project would be executed in collaboration with the Ghana Railway Development Authority.

The Committee however noted that there was provision for the actual construction of the railway line connecting the Terminal to the western rail line. The Committee observed that the connection of the Terminal to the western rail line was very critical to the success of the entire project and therefore urges BOST to take necessary steps to make provision for the actual construction of the rail line.

6.0 CONCLUSION

The Committee having carefully scrutinized the Agreement recommends to the House to approve the Subsidiary Agreement in relation to the Western Corridor Petroleum Terminal in the sum of US\$133,000,000.00 in accordance with Article 181 of the 1992 Constitution.



Hon. James Klutse Avedzi
Chairman, Finance Committee



Ms. Peace A. Fiawoyife
Clerk, Finance Committee



Hon. Ernest Kofi Yakah
Vice Chairman, Committee on Mines & Energy



Camillo Pwamang (Mr.)
Clerk, Committee on Mines & Energy