

**IN THE FIRST MEETING OF THE FIRST SESSION OF THE  
SEVENTH PARLIAMENT OF  
THE FOURTH REPUBLIC OF GHANA**



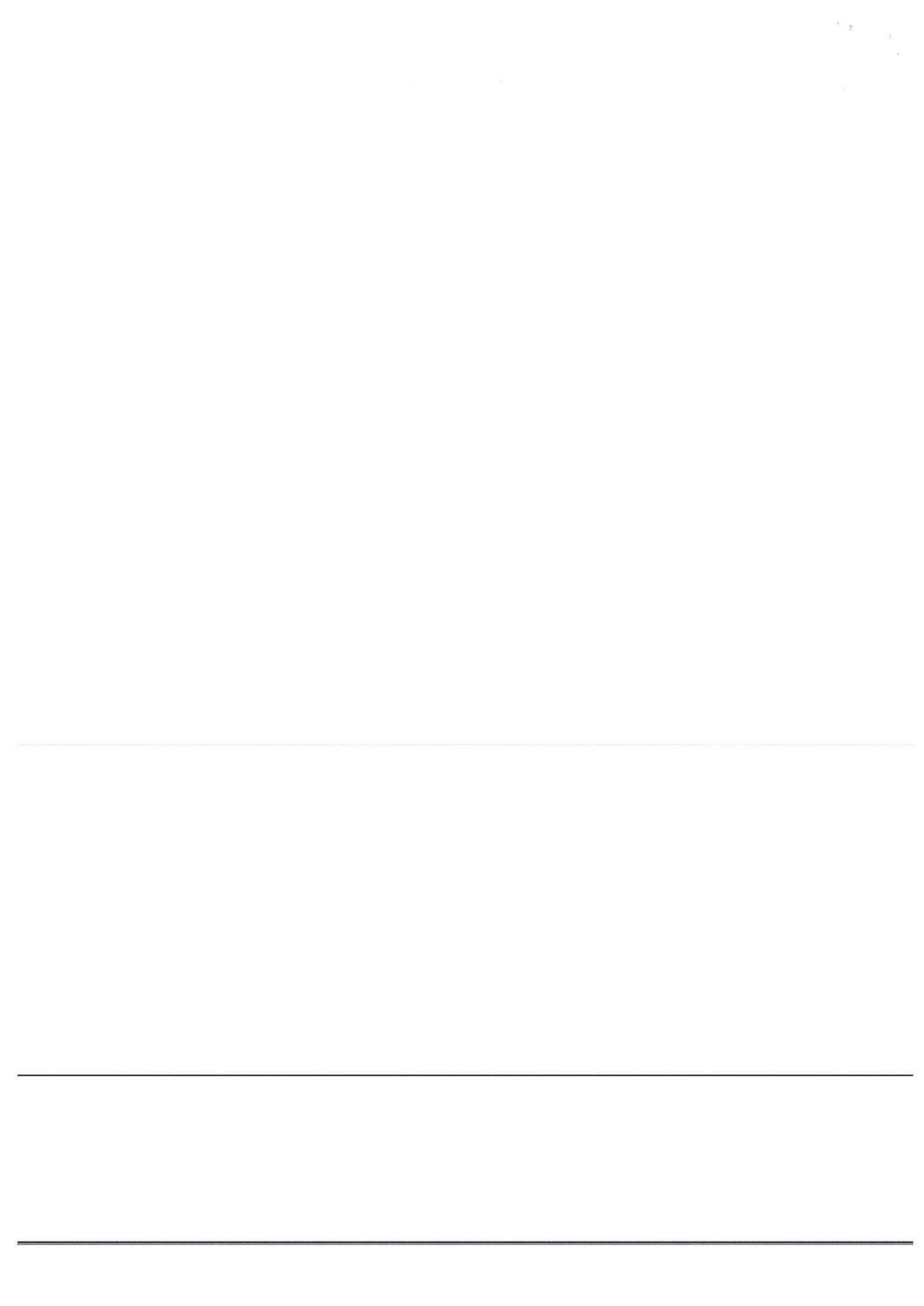
**REPORT OF THE SELECT COMMITTEE ON MINES AND  
ENERGY**

**ON THE**

**2017 ANNUAL BUDGET ESTIMATES OF THE MINISTRY  
OF ENERGY**

***FRIDAY, 24<sup>TH</sup> MARCH, 2017***





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REPUBLIC**

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ESTIMATES OF THE MINISTRY OF ENERGY**

**1.0 INTRODUCTION**

The Budget Statement and Economic Policy of the Government of Ghana for the year ending 31<sup>st</sup> December, 2017 was presented to Parliament, by the Hon. Minister for Finance, Mr. Ken Ofori-Atta, on 2<sup>nd</sup> March, 2017 in accordance with Article 179 of the 1992 Constitution. Pursuant to Orders 140(4) and 188 of the Standing Orders of Parliament, the Rt. Hon Speaker referred the BUDGET estimates of the Ministry of Energy to the Select Committee on Mines and Energy for consideration and report to the House.

**1.1 DELIBERATIONS**

The Committee met on 21<sup>st</sup> March, 2017 and examined the Estimates of the Ministry. Present at the meeting were the Hon. Minister for Energy, Mr. Boakye Agyarko and his technical team from the Ministry as wells as other officials of the Ministry of Finance. The Committee is grateful for their inputs and clarifications.

**1.2 REFERENCE DOCUMENTS**

In considering the Estimates, the Committee made reference to the under-listed documents:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Renewable Energy Act, 2011 (Act 832);
- iv. The Energy Commission Act, 1997 (Act 541);
- v. The Petroleum Commission Act, 2011 (Act 821);
- vi. The Petroleum Revenue Management Act, 2011 (Act 815); and
- vii. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2017 Financial Year.

## **2.0 AGENCIES UNDER THE MINISTRY**

The Ministry of Energy comprises the Headquarters and the under-listed Agencies:

### **2.1 Power Sub-Sector**

- ❖ Energy Commission;
- ❖ Volta River Authority;
- ❖ Bui Power Authority;
- ❖ Ghana Grid Company;
- ❖ Electricity Company of Ghana;
- ❖ Northern Electricity Distribution Company;
- ❖ Volta Aluminium Company; and
- ❖ Volta Resettlement Trust Fund.

### **2.2 Petroleum Sub-Sector**

- ❖ National Petroleum Authority;
- ❖ Petroleum Commission;
- ❖ Ghana National Petroleum Corporation;
- ❖ Ghana National Gas Company;
- ❖ Bulk Oil Storage and Transportation Company;
- ❖ Tema Oil Refinery;
- ❖ Ghana Cylinder Manufacturing Company; and
- ❖ Ghana Oil Company Limited (listed on GSE)

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

3.1 The vision of the Ministry of Energy is to develop a modern diversified, efficient and financially sustainable energy economy that will ensure that all Ghanaian homes and industries have access to adequate reliable, affordable and environmentally sustainable supply of energy to meet and support accelerated growth and development agenda envisaged for the country.

3.2 The Mission of the Ministry is to develop and sustain an efficient and financially viable Energy Sector that provides secure, safe and reliable supply of energy to meet Ghana's developmental needs in a competitive manner.

#### **4.0 POLICY/STRATEGIC OBJECTIVES OF THE MINISTRY**

The Ministry has adopted the following policy objectives to be achieved within the short to medium term:

##### **4.1 Power Sub-Sector**

- ❖ Provide adequate, reliable and affordable energy to meet the national needs and for export;
- ❖ End the power outages (*Dumsor*) in the short-term, through government liquidity injection, restructuring of debts, and securing of firm commitments for the reliable supply of fuel;
- ❖ Reduce taxes on electricity tariffs to provide immediate relief to households and industry;
- ❖ Conduct a technical audit on all power sector infrastructure and develop and implement a 10-year Power Sector Master Plan which may be reviewed in the course of implementation to meet our medium to long-term energy needs;
- ❖ Ensure that there is sufficient Reserve Margin- the safety cushion to prevent blackouts and ensure the stability of the power system;
- ❖ Develop and implement an Energy Sector Financial Restructuring and Recovery Plan, incorporating, a liquidity management mechanism for VRA, ECG, NEDCo and the BDCs;
- ❖ Restructure the power sector by bringing all hydro generation exclusively under VRA and create a separate thermal market;
- ❖ Increase the proportion of renewable energy (solar, biomass, wind, small and mini-hydro and waste-to-energy) in the national energy supply mix;
- ❖ Explore the options for nuclear, geo-thermal and tidal wave energy
- ❖ Ensure efficient utilisation of energy;
- ❖ Build transparent and effective regulatory environment;
- ❖ Encourage public and private sector investments in the power sector; and
- ❖ Build adequate local human resource capacity for effective management of the energy sector

##### **4.2 Petroleum Sub-Sector**

- ❖ Create an enabling environment for sustainable activities along the oil and gas value chain;
- ❖ Ensure accelerated and integrated development of the oil and gas industry;
- ❖ Promote value-added investments, indigenization of knowledge, expertise and technology in the oil and gas sector;
- ❖ Maximize local content and participation in all aspects of the petroleum value chain;
- ❖ Ensure adequate availability of petroleum products on the Ghanaian market;

- ❖ Ensure the development of the needed institutional and human resource capacity for the petroleum sector; and
- ❖ Ensure transparency in the management of petroleum resources.

## 5.0 **PERFORMANCE OF THE MINISTRY IN 2016**

Some of the key achievements of the Ministry for the year 2016 are as follows:

### 5.1 **Power Sub-Sector**

The following were the key achievements made by the Ministry in the power sub-sector during the year under review:

#### 5.1.1 **Power generation**

- i. A total of 880MW of power capacity was added to the country's installed generation capacity to bring the installed capacity to 4,132MW;
- ii. The following projects were completed during the year under review:
  - 200MW Kpone Thermal Power Project (KTPP);
  - 360MW Asogli Project; 20 MW BXC Solar Project;
  - 250MW Ameri Project; and
  - 50MW Trojan (Phase III) Project

#### 5.1.2 **Power Distribution**

To improve the power distribution system for efficient service delivery, the following projects were undertaken by ECG and NEDCo during the year under review (2016):

- ❖ construction of a 2 x 20MVA 33/11kV primary substation at Kisseiman in Accra (85 percent complete);
- ❖ construction of a 2 x 20MVA 33/11kV primary substation at Dansoman in Accra (completed and in circuit);
- ❖ construction of 161/33kV Bulk Supply Point at Tema (completed);
- ❖ replacement of obsolete 33kV switchgear at Station 'H' in Accra (completed);
- ❖ reconstruction of Barekese substation in the Ashanti Region (95 percent complete);
- ❖ network extension & intensification in Western, Central, Eastern & Volta Regions (90 percent complete);
- ❖ upgrade of Cape Coast Bulk Supply Point (BSP) (90 percent complete);
- ❖ construction of Asamankese substation to improve quality of supply to over 120 communities in the Upper and Lower West Akyem and Suhum municipalities (80 percent complete);

- ❖ reconstruction of networks in major markets in Tema (completed); and
- ❖ reconstruction of network transmission (80% complete).

### 5.1.3 Power Transmission

Under the Transmission System Rehabilitation Project (TSRP), GRIDCO successfully completed the Tumu-Han-Wa 161kV line project and achieved 90% and 48% of completion for the Kpandu-Kadjebi 161kV line project and Aboadze-Prestea 330kV line respectively.

### 5.1.4 Ghana Power Compact II

Under the Ghana Power Compact II, the following milestones were achieved:

- ❖ An environmental and Social Management System (ESMS) was completed and put to use;
- ❖ The Request for Qualification (RfQ) for the ECG Private Sector Participation (PSP) Transaction was launched, prequalification applications received and evaluation completed;
- ❖ MiDA executed Implementation Entity Agreement (IEA) with the Ghana Electricity Company of Ghana Ltd (ECG).

### 5.1.5 Rural Electrification

Under the Ministry's Rural Electrification Programme, 1,212 communities were connected to the national grid increasing the national electricity access rate from 80.5% in December, 2015 to 83.24% as at December, 2016.

### 5.1.6 Renewable Energy

The following were achieved by the Ministry under its renewable energy projects:

#### *i. Off-grid Electrification*

The Renewable and Alternative Energy Directorate collaborated with the UNIDO and United Nations Foundation (UNF) and developed two separate off-grid renewable energy-based electrification for public institutions.

#### *ii. Solar Lantern Programme*

- ❖ A total of 70,000 units of portable solar lanterns (with phone charging functionality) were procured and sold at 70 percent subsidy.
- ❖ To develop and integrate Nuclear Power in the national electricity generation mix, the Ministry collaborated with the Ghana Atomic Energy Commission (GAEC) and signed Agreements and MoUs with two strategic countries in the nuclear power industry to build human resource capacity.

**iii. Mini-grid electrification**

- ❖ Five mini –grids were completed and technically commissioned in the following districts; Ada East Districts, Aglakope (Krachi West District); Atigagome and Wayokope (Sene East District) and kudorkope (Krachi West District), most of these areas are island communities.
- ❖ Under World Bank mini-grid project, management and operations contract with TTA Consortium was commenced for pilot 5 mini-grids projects.
- ❖ The socioeconomic study of the proposed three (3)-island communities for the SECO grant funded mini-grids received approval and the evaluation of the expression of interest completed for the Ada East district.
- ❖ A technical paper for General Electric CSO Mini-grid to be sited at Accra Town in the Pru East District, Brong Ahafo region was also prepared.

**vi. Utility Scale Renewable Energy Programme**

- ❖ A 20MW solar farm by BXC was completed and connected into a medium voltage distribution network at Gomoa Onyeadze and awaiting official commissioning.
- ❖ An evaluation bid for 20MW MOP/ECG Solar Tender was completed and the recommended bidder (Biotherm SA) has been notified. A Negotiation team has been constituted and awaiting ECG Board approval to commence negotiation.
- ❖ An evaluation bid for 50MW BPA/MOP Solar Tender has been completed and the recommended bidder (3SIL/Hareon China) has been notified and implementation Agreement initialled by bidder and Bui Power Authority.

**v. Sustainable Energy for Cooking and Productive Use Programme**

- ❖ The Ministry collaborated with the Energy Commission and the Ghana Alliance for Clean Cooking (GHACCO) and launched an awareness campaign on the promotion of improve cook stoves for households and ago-processing.
- ❖ A total of 135,930 number of stoves were distributed by the end of third quarter of the year under review.



**vi. Nuclear Power Programme**

The Ministry collaborated with the Ghana Atomic Energy Commission (GAEC) and initiated a number of steps towards the development and integration of Nuclear Power in the national electricity generation mix. This culminated into achieving the following:

- ❖ Nuclear Regulatory Authority Board was established to regulate the nuclear energy sector in all spheres of nuclear application. The regulatory authority has also been mandated to come out with guidelines, procedures and regulations for the safe integration of Nuclear Power onto Ghana's electricity generation mix.
- ❖ A National Roadmap for the integration of nuclear power into Ghana's energy mix was developed. Roadmap has also been reviewed and accepted by the International Atomic Energy Agency (IAEA) as an effective one.
- ❖ A draft Nuclear Power Policy document was developed and is undergoing final review by Ghana Nuclear Power Programme Organisation and the National Development Planning Commission. The policy document is to serve as a guide for the implementation of the Nuclear power programme.

**5.2 Petroleum Sub-Sector**

The following are some of the achievements made under the petroleum sub-sector during the year under review:

**5.2.1 Development of Gas Master Plan (GMP)**

A Gas Master Plan (GMP) that seeks to address infrastructure requirements, funding and institutional mandates for gas sector agencies and gas pricing policy was approved by Cabinet.

**5.2.2 Transfer of the Single Point Mooring (SPM) and Conventional Buoy Mooring (CBM) Facility to Government**

The Single Point Mooring (SPM) and Conventional Buoy Mooring (CBM) Facility constructed on Build Operate and Transfer (BOT) arrangements was transferred to Government at the expiration of the ten-year concession. The facility was constructed to receive both crude oil and refined petroleum products for the domestic market.

**5.2.3 LPG Policy**

The draft LPG Policy which seeks to consolidate activities in the LPG value chain with the view to reducing HSSE risks exposure among others was developed. The draft policy has since been sent to key stakeholders for their comments.

#### **5.3.4 Evacuation of Gas from West to East**

Ghana National Gas Company completed the extension of its pipeline to the battery limit of the West Africa Gas Company (WAPCo) Regulatory & Metering Station at Aboadze. The facility is to ensure bidirectional transportation of gas between the two critical load centers of Takoradi and Tema and guarantee flexibility and security of supply.

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

In spite of the challenges experienced during the first quarter of year due to damage on the turret bearing of the FPSO Nkrumah, Oil production from the jubilee field for the year was 27,006,014 barrels with an average daily production of 80,340. Gas production for the same period was 38,142 mmscfd.

#### **5.3.6 Tweneboa Enyeran Ntomme (TEN) Field**

The TEN Field commenced production during the year with average production of rate about 55,000 barrels per day. A total of 5,138,708 barrels of oil was produced during the year under review.

#### **5.3.7 Offshore Cape Three Points Project**

Work on the Offshore Cape Three Points (OCTP) Project progressed steadily during the year. The project is expected to deliver about 45,000bopd and 180 mmscfd of gas, enough to generate 1000 MW of power.

#### **5.3.8 National Strategic Stock of Petroleum Products**

In line with its mandate of ensuring availability of petroleum products, BOST held over 106,979 tonnes of gasoline and 98,400 tonnes of premium super in strategic stock as during the year which averted emergency importation of petroleum products.

### **6.0 EXPENDITURE TRENDS FOR THE MINISTRY FOR 2016**

#### **6.1 Petroleum Sub-Sector**

The total of **Forty Million, Two Hundred and Ninety-Eight Thousand, Three Hundred and Thirty-One Ghana Cedis Fifteen Pesewas (GH¢40,298,331.00)** was approved for the activities of Ministry under the Petroleum Sub-Sector for the 2016 Financial Year. As at the end of December, 2016, an amount of **Thirty-Eight Million, Seven Hundred and Thirty-Eight Thousand, Five Hundred and Twenty-Four Ghana Cedis and Forty-Five pesewas (GH¢38,738,524.45)** had been released out the total approved budget for the sub-sector. The details are presented in the table below:

**Table 1: Financial Performance of the Petroleum Sub-Sector of the Ministry, 2016**

| S/N | EXPENDITURE ITEM    | APPROVED BUDGET      | AMOUNT RELEASED      | PERCENTAGE RELEASES |
|-----|---------------------|----------------------|----------------------|---------------------|
| 1.  | Compensation        | 1,092,620            | 1,154,489.00         | 105                 |
| 2.  | Goods & Services    | 600,000.00           | 132,813.45           | 22                  |
| 3.  | Capital Expenditure | -                    | -                    | -                   |
| 4.  | ABFA                | -                    | -                    | -                   |
|     | IGF                 | 23,523,689.00        | 23,523,689.00        | 100                 |
| 5   | Donor               | 15,082,022.00        | 15,082,022.00        | 100                 |
|     | <b>Total</b>        | <b>40,298,331.00</b> | <b>38,738,524.45</b> | <b>96</b>           |

Sources: Ministry of Energy

## 6.2 The Power Sub-Sector

An amount of **One Billion, One Hundred and Sixty Million, Three Hundred and Ninety-One Thousand, Four Hundred and Eight-Five and Two Pesewas (GH¢1,160,391,485.02)** was approved for the activities of Ministry under the Power Sub-Sector for the 2016 Financial Year. As at end of December, 2016, an amount of **Five Hundred and Forty-Six Million, Six Hundred and Sixty-Two Thousand, Five Hundred and Thirty-Four Ghana Cedis and Twenty-Nine Pesewas (GH¢546,662,534.29)** had been released out the total approved budget for the sub-sector. The details are presented in the table below:

**Table 2: Financial Performance of the Power Sub-Sector of the Ministry, 2016**

| S/N | EXPENDITURE ITEM    | APPROVED BUDGET         | AMOUNT RELEASED       | PERCENTAGE RELEASES |
|-----|---------------------|-------------------------|-----------------------|---------------------|
| 1.  | Compensation        | 1,250,908.00            | 1,013,996.27          | 81.06               |
| 2.  | Goods & Services    | 667,567.00              | 281,967.00            | 42.24               |
| 3.  | Capital Expenditure | -                       | -                     | -                   |
| 4.  | ABFA                | 525,938,359.02          | 525,938,359.02        | 100                 |
|     | IGF                 | 19,428,212.00           | 19,428,212.00         | 100                 |
| 5   | Donor               | 613,106,439.00          | 0                     | 0                   |
|     | <b>Total</b>        | <b>1,160,391,485.02</b> | <b>546,662,534.29</b> | <b>47.1</b>         |

Sources: Ministry of Energy

## **7.0 OUTLOOK OF THE MINISTRY FOR 2017**

### **7.1 Key performance Targets For 2017**

The Ministry has set the following key targets for the year, 2017:

- i. Increase power generation capacity by 1,227MW;
- ii. Reduce power distribution system losses from 21% to 20%;
- iii. Increase access of electricity from 83.24% to 85%
- iv. Increase the renewable energy supply in the national energy mix from 1% to 2.3%;
- v. Increase productivity of Jubilee field from the current 99,569 to 111, 833, 21 barrels of oil and 80.8 to 102.3 million standard cubic feet of Gas per day;
- vi. Increase productivity of TEN from 23,092 to 65,082 barrels of oil per day;
- vii. Develop and approve the Gas Master Plan;
- viii. Expand the programme of promoting the use of LPG as cooking fuel in rural areas to additional 28 districts; and
- ix. Supply 79,060 Cylinders as compared to 42,650 cylinders supplied in 2016.

### **7.2 2017 Outlook for the Power Sub-Sector**

The Ministry in the Power Sub-Sector intends to pursue the following deliverables during the 2017 Financial Year:

#### **7.2.1 *Expansion in Generation capacity***

The Ministry intends to increase the installed generation capacity of the country by adding a total of 1,227MW to the existing installed capacity. The breakdown is as follows:

- ❖ 370MW AKSA project
- ❖ 107MW GPGC project
- ❖ 350MW CenPower Project
- ❖ 400MW Early Power Project

#### **7.2.2 Transmission Enhancement Projects**

Under Power Transmission, the Ministry plans to ensure the completion of the following projects:

- ❖ Transmission System Rehabilitation Project (TSRP) and the extension of the 161kV system to Berekum;

- ❖ 330kV Prestea-Kumasi Transmission Line Project; and
- ❖ Aboadze-Prestea Transmission Line Project to ensure reliable evacuation of power from the western power generation enclave.

### 7.2.3 Rural Electrification

The Ministry in line with its aim of achieving universal access, intends to undertake the following projects under the Rural Electrification Programme:

- ❖ Implement outstanding works on SHEP-4 project;
- ❖ Implement SHEP-5 Pilot projects in the Northern, Upper East and Upper West regions;
- ❖ Implement Phase-1 of CWE project for five (5) regions;
- ❖ Implement Phase-1 of Hunan Project for three (3) regions; and
- ❖ Complete outstanding electrification projects under the US EXIM Bank Facility, being executed by Weldy Lamont and Associates.

### 7.2.4 2017 Outlook for Renewable Energy

As part its effort to ensure reliable and sustainable energy source for accelerated economic transformation, the Ministry plans to undertake the following projects under its Renewable Energy Programme:

#### i. Utility Scale Renewable Energy Programme

- ❖ Complete the tender for 20MW solar PV Project;
- ❖ Installation of 300kW PV solar at the Ministry of Energy;
- ❖ Assist BPA to complete the design process for the 50MW Solar Hybrid Project;
- ❖ Facilitate the planning and development of the 150MW Ayitepa Wind Project; and
- ❖ Achieve 2-3% RET penetration in the generation mix



#### ii. Mini-grid Electrification

- ❖ Complete socioeconomic study and award EPC contract for 3 mini-grids in Ada;
- ❖ Complete negotiation with GE, approval design and construction commenced;
- ❖ Complete Product Appraisal Document (PAD) for mini-grids under SREP;
- ❖ Commence full implementation of mini-grids under SREP; and
- ❖ Upgrade generation capacities of 2 of 5 existing IDA/WB mini-grids

### iii. Solar Lantern

- ❖ Increase access to improved lighting solutions in deprived off-grid homes and also increase solar lantern replacement in rural non-electrified households to 2 million.

### vi. Bioenergy

- ❖ Rehabilitate the Appolonia RE Demonstration Centre and also provide one stop information services on bioenergy in Ghana for investors.

## 7.3 2017 Outlook for the Petroleum Sub-Sector

### 7.3.1 Jubilee Field

- ❖ In spite of 12 weeks plans to shut down operations for remedial work, average daily production of oil in the Jubilee field is targeted at 68,500 barrels of oil per day as opposed to the average daily production of 73,700 barrels per day recorded in 2016.

### 7.3.2 Gas from TEN Field

- ❖ First gas from the TEN field is expected to begin in the 2<sup>nd</sup> quarter of, 2017.

### 7.3.2 First Oil from OCTP

- ❖ First oil from OCTP is expected to commence in Third-Quarter of 2017. GNPC is expected to engage with the partners to develop an integrated technical and commercial schedule that will target gas start-up in second quarter of 2018.

## 7.4 Regulations

The Ministry intends to develop, during the year, the following regulatory measures:

- ❖ Gas Policy and a Gas Act to provide transparent regulatory Framework for the Gas Industry, address infrastructure requirements; funding, institutional mandates for gas sector agencies and a revised gas pricing policy to response to Ghana's developmental priorities;
- ❖ Regulations on Health Safety and Environment and Data Management;
- ❖ A framework for the establishment of the Local Content Fund prescribed by the new E&P Law; and
- ❖ A Local Content Regulations for Petroleum Downstream.

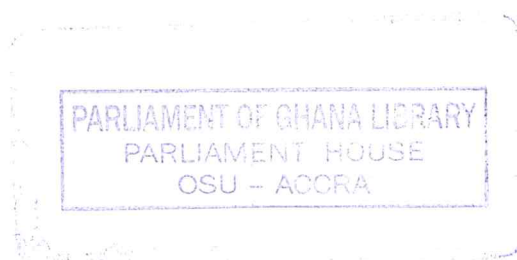
## 7.0 BUDGETARY ALLOCATION FOR THE 2017 FISCAL YEAR

An amount of Eight Hundred and Eight-Nine Million, Seven Hundred and Ten Thousand, One Hundred and Thirty-Four Ghana Cedis (GH¢889,710,134.00) has been allocated to the Ministry of Energy for the implementation of its activities for the 2017 Financial Year. The breakdown of the allocation is provided in Table 3 below:

**Table 3: Breakdown of the 2017 Budgetary Allocation by Economic Classification**

| Expenditure Item    | Sources of Funding |                   |            |                    |                    | Percent Allocation |
|---------------------|--------------------|-------------------|------------|--------------------|--------------------|--------------------|
|                     | GOG (GH¢)          | IGF (GH¢)         | ABFA (GH¢) | Donor (GH¢)        | Total (GH¢)        |                    |
| Compensation        | 5,231,642          | -                 | -          | -                  | 5,231,642          | 0.588              |
| Goods & Services    | 2,557,548          | 37,743,102        |            | 156,914,431        | 197,215,081        | 22.166             |
| Capital Expenditure | 100,000,000        | -                 | -          | 587,263,412        | 687,263,412        | 77.246             |
| <b>Grand Total</b>  | <b>107,789,190</b> | <b>37,743,102</b> |            | <b>744,177,843</b> | <b>889,710,134</b> | <b>100.00</b>      |

Source: The Budget Statement and Economic Policy of the Government for 2017 Financial Year.



**Table 4: Breakdown of Allocation by Programme**

| Programme                               | Sources of funding |                   |            |                    |                    | Percent allocation |
|---|--------------------|-------------------|------------|--------------------|--------------------|--------------------|
|   | GOG (GH¢)          | IGF (GH¢)         | ABFA (GH¢) | Donor (GH¢)        | Total (GH¢)        |                    |
| Management and Administration           | 16,911,474         | -                 | -          | 307,827,201        | 324,738,675        | 36.49              |
| Power Sector Development and Management | 83,560,428         | -                 | -          | -                  | 83,560,428         | 9.39               |
| Petroleum Development                   | 5,468,671          | -                 | -          | -                  | 5,468,671          | 0.61               |
| Renewable Energy Development            | 1,848,616          | -                 | -          | 2,891,724          | 4,740,340          | 0.53               |
| Energy Sector Regulations               | -                  | 37,743,102        | -          | -                  | 37,743,102         | 4.24               |
| Power Generation and Transmission       | -                  | -                 | -          | 63,056,065         | 63,056,065         | 7.08               |
| Power Distribution                      | -                  | -                 | -          | 370,402,853        | 370,402,853        | 41.6               |
| <b>Total</b>                            | <b>107,789,189</b> | <b>37,743,102</b> | <b>-</b>   | <b>744,177,843</b> | <b>889,710,134</b> | <b>100</b>         |

Source: Programme Based Budget Estimates for 2017, Ministry of Energy



## **9.0 OBSERVATIONS**

The following observations were made by the Committee:

### **9.1 Local Content in Petroleum Upstream**

The Committee noted that since the passage of the Petroleum Local Content and Local Participation Regulations, 2013, (L.I. 2204), local participation in the industry in terms of capital investments, local sourcing and subcontracting has seen remarkable increase.

It was further observed that, currently, about eighty per cent (80%) of the total workforce in the oil and gas industry are Ghanaians. Also, Indigenous Ghanaian Service Providers received contracts amounting to about **US\$221million** in 2016.

Whiles acknowledging the impact of the Regulations on local participation in the industry, the Committee believes that using Regulations is not the only panacea to indigenization of the oil industry, especially, in this era of free market economy. The more sustainable approach is to develop the capacity of the local people to be able to competitive fairly with the foreign companies.

The Committee urges the Ministry to expedite action on the adoption of the Local Content and Local Participation Policy for the Petroleum Downstream which seeks to increase local content in the petroleum downstream to over 80 percent in the next five years as a complement to other efforts.

### **9.2 Rural LPG Programme**

The Committee noted that under the Rural Liquefied Petroleum Gas (RLPG) Promotion Programme of the Ministry, about 53,000 cylinders with cook stoves and related accessories were distributed to 43 constituencies and institutions in 2016 alone. The Committee was informed that the programme aims at reducing deforestation and the suffering of the vulnerable people in the deprived communities in terms of access to energy for cooking as well as reducing the burden of school going children having to go and cut firewood for household use during school hours; and the anticipation that Ghana is likely to get excess Gas for which reason the use of LPG needs to be promoted.

The Committee was of the view that the country seems to be overly optimistic about its projection of likely production of excess Gas given the records available which indicates mixed situations. The Committee was however assured by the Minister that signals from all the Gas production operators reveal a clear indication that, with the right type of incentives, it is possible for the country to produce more than the national needs.

### 9.3 Additional Releases of ABFA to the Ministry

The Committee observed that the ABFA allocation approved for the Ministry in 13<sup>th</sup> November, 2016 annual budget was **Eighty Million Ghana Cedis (GH¢80,000,000.00)**. It was however noted that, an additional ABFA amount of **Four Hundred and Forty-Five Million, Nine Hundred and Thirty-Eight Thousand, Three Hundred and Fifty-Nine Ghana Cedis and Two Pesewas (GH¢445,938,359. 02)** was spent by the Ministry during the same period.

The Ministry explained to the Committee that the additional funds was received under the Supplementary Budget approved by Parliament for the same year. The detailed information on the utilization of the additional funds was not provided in the Ministry's 2017 budget.

### 9.4 Capacity building for Oil and Gas

The Committee observed that the priority areas for spending of the expected ABFA for 2017 does not include capacity building as was the case in the previous years. The Committee therefore wondered as to how the Ministry could continue its effort at developing the local capacity to actively participate in the emerging Industry.

The Minister assured the Committee that provisions have been made in the Ministry's budget to undertake critical capacity development programmes.

The Committee further noted that part of the 2016 allocation for capacity building for oil and gas was used to purchase equipment for some of the Technical Universities in the country. The Committee urged the Ministry to have a second look at the nature of capacity being provided under the Oil and Gas Capacity Development Agenda and where possible, develop a national oil and gas Capacity Building Strategy to guide such spending and sponsorships.

### 9.5 Development and Integration of Nuclear Power in the National Electricity Generation Mix

It was further noted that one of the ambitious objectives under the Ministry's renewable energy policy is to integrate Nuclear Power in the national electricity generation mix. The Committee was informed that given its security implications and the requirements that needs to be satisfied, Ghana may be able to fully integrate nuclear power into the national power supply by the year 2023.

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The Committee welcome the effort of the Ministry in search of alternative sources of energy such as nuclear power with the view to ensuring affordable and reliable energy supply to support Ghana's accelerated development agenda.

The Committee therefore urges the government to adequately resource the Nuclear Regulatory Authority to put in place the necessary safety measures to avert any unfortunate incidence occasionally associated with Nuclear Power generation.

#### 9.6 Compensation

The Committee noted a huge increase of about 44.4% in the vote for compensation from 2016 to 2017. A total amount of **GHC2, 168,485** was approved for compensation in the year 2016 however, this amount has been increased to **GHC5, 231,642** for the year 2017.

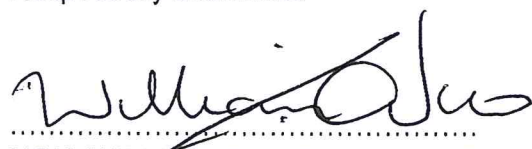
The Committee was informed that this was an anomaly which the Ministry has notified the Ministry of Finance and the necessary steps are being taken to rectify the anomaly.

#### 10.0 CONCLUSION AND RECOMMENDATION

The Committee has thoroughly examined the budget estimates of the Ministry of Energy for the 2017 fiscal year and is satisfied that the policies and programmes outlined for the year would go a long way to support the achievement of the Sector goals as set out in the Ghana Shared Growth and Development Agenda II (GSGDA II).

The Committee accordingly recommends to the House to adopt its Report and approve for the Ministry of Energy, the total sum of **Eight Hundred and Eighty-Nine Million, Seven Hundred and Ten Thousand, One Hundred and Thirty-Four Ghana Cedis (GH¢889,710,134.00)** to undertake its planned programmes and activities for the 2017 financial year.

Respectfully submitted.



HON. WILLIAM OWURAKU AIDOO  
(CHAIRMAN, COMMITTEE ON MINES AND ENERGY)



JOANA A. S. ADJEI  
(CLERK TO THE COMMITTEE)

FRIDAY, 24TH MARCH, 2017

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