

**REPORT OF THE FINANCE COMMITTEE ON THE 2017  
ANNUAL REPORT ON THE PETROLEUM FUNDS**

**1.0 INTRODUCTION**

Further to the presentation of the Budget Statement and Economic Policy of the Government of Ghana for the year ended 31<sup>st</sup> December, 2018, the 2017 Annual Report on the Petroleum Funds was first presented to the House pursuant to Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815) as amended by Act 893.

The Report was 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 and considered the Report with a Deputy Minister for Finance, Hon. Kwaku Kwarteng, and the technical teams from the Ministry of Finance, Bank of Ghana, Public Interest Accountability Committee (PIAC), Ministry of Energy, Volta River Authority, Ghana Revenue Authority, Petroleum Commission, Ghana National Petroleum Company (GNPC), and Controller and Accountant General's Department and reports as follows;

**2.0 REFERENCES**

The Committee referred to the following documents

1. 1992 Constitution
2. Petroleum Revenue Management Act, 2011 (Act 815) as amended (by Act 893)
3. 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 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;

### 4.0 OBSERVATIONS

#### 4.1 Analysis of January to September 2017 Petroleum Receipts (US\$)

For the period covering January to September, total petroleum receipts amounted to US\$362.58 million (GH¢1,552.13 million). The breakdown of the receipts is shown in Table 1 below.

Table 1- Analysis of January to September 2017 Petroleum Receipts (US\$)

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>A</b>	<b>B</b>	<b>C=A-B</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Royalties – Jubilee Royalties	134,869,237.97	91,760,907.48	43,108,330.49
Carried and Participating Interest	379,308,448.39	247,561,839.21	131,746,609.18
Surface Rentals	1,496,558.08	845,428.91	651,129.17
Corporate Income Tax	-	22,073,745.00	
PHF income	-	334,121.37	
Interest on Late Payment on TEN Lifting		4,274.04	
<b>Total Petroleum Receipts</b>	<b>515,674,244.44</b>	<b>362,580,316.01</b>	<b>153,093,928.43</b>

#### 4.2 Allocation of the 2017 Petroleum Receipts

The Report revealed that a total amount of US\$**389.57**million from Petroleum Receipts was allocated to GNPC as Equity Financing Cost, and its share of the net Carried and Participating Interest, ABFA and the Ghana Petroleum Funds. Details of the allocation is shown on Table 2 below.

Table 2 – Distribution of Petroleum Receipts for 2017

Item	US\$
<b>Transfer to GNPC</b>	<b>126,673,291</b>
o/w Equity Financial Cost	74,863,913
o/w Crude oil net Carried and Participation Interest	51,809,378
<b>ABFA and GPFs</b>	<b>262,906,326</b>
o/w Annual Budget Funding Amount	217,094,006
o/w Ghana Infrastructure Investment Fund	
o/w Ghana Petroleum Fund	135,812,324
o/w Ghana Stabilization Fund	95,068,627
o/w Ghana Heritage Fund	40,743,697
<b>Total</b>	<b>389,579,620</b>

#### 4.3 Utilization of the Annual Budget Funding Amount (ABFA)

The Committee observed that total Budgeted ABFA Expenditure for 2017 was GH¢796,315,251. The outturn was GH¢ 265,283,812.64 giving a variance of GH¢531,031,438.36 as follows:

Table 3 – Utilization of the ABFA as at September, 2017

	Budgeted (GH¢)	Actual (GH¢)	Variance (GH¢)
Agriculture	156,077,177	21,156,840.43	134,920,337.00
Physical Infrastructure and Service Delivery in Education	211,717,458	202,379,893.20	9,337,564.80
Physical Infrastructure and Service Delivery in Health	50,000,000	6,044,229.09	43,955,770.91
Road, Rail and Other Critical Infrastructure	376,620,676	34,357,771.92	342,262,904.08
PIAC	1,900,000	1,345,078.00	554,922.00
	<b>796,315,251</b>	<b>265,283,812.64</b>	<b>531,031,438.36</b>

#### 4.4 Update on the Turret Mooring system

GNPC informed the Committee that work on the turret system is progressing as planned. The first shutdown in February was very successful. The next shutdown is planned for May and a third one would be in November of this year.

The Committee was informed that these shutdowns were factored in the 2017 Budget Statement.

On scope of completed works on the mooring system, the team indicated that since 2016 to date, about 60% of the repairs have been completed. It is expected that by the end of the year, about 85% of the repair works required would be done.

In a response to whether works to be carried out in 2019 would require a shutdown, the technical team responded in the negative.

#### **4.5 Impact of changes in the World Oil Prices**

The Committee was informed that for 2017, the Benchmark oil price was US\$51 per barrel. During the period, however, world oil prices dropped. The impact was not fully felt because during the same period, there was an increase in production. The increase recorded in production was as a result of the rescheduling of the Turret repairs from 2017 to 2018.

#### **4.6 Gas production for the period**

For the period up to September, 2017, total Gas produced amounted to 31, 812 MMscf. Out of this volume, 20, 216 MMscf was exported to Atuabo Gas Processing Plant. The remainder was used to power the FPSO and for reinjection to maintain the reservoir pressure.

#### **4.7 Transfers to GIIF**

The Committee noted that an amount of GH¢29.2 million was transferred to the Ghana Infrastructure Investment Fund (GIIF).

The technical team clarified that this transfer was done prior to the repealing of the GIIF enabling law. The amount transferred was to fund on-going projects under the Fund.

The Committee was assured that the projects undertaken during the period would be captured in the Annual Report of GIIF for 2017.

#### **4.8 Exploration in the Volta Basin**

The Committee was informed that exploratory works undertaken by GNPC in the Volta Basin was on course. The 2D seismic acquisitions and geo-chemical explorations have already begun. The relevant data are currently being gathered for the necessary analysis.

The technical team indicated that they expect to complete the exploration works on the Volta basin as scheduled.

#### **4.9 Capping of the Budget for GNPC for 2018**

The Committee was informed that for 2018, GNPC budgeted GH¢1.6 billion to finance its operations including its exploration and development projects, among others. Unfortunately, as a result of the capping law, the amount allocated in the budget is GH¢1 billion. This will adversely impact GNPC undertaking its activities timeously.

The team pleaded with the Ministry of Finance to consider the strategic role of GNPC in the economy and urge the Minister for Finance to exempt GNPC from the capping law.

#### **4.10 Saltpond Field decommissioning**

Following the termination of the Saltpond Field Petroleum Agreement, the Committee was informed that GNPC has commenced the decommissioning of the field. The cost of the decommissioning is estimated at US\$850, 000. The Contract has been awarded.

#### **4.11 Withdrawal from the Ghana Stabilization Fund**

In a response to whether there were withdrawals from the GSF for 2017, the Committee was informed that ABFA targets for all three quarters were met. Consequently, no withdrawals were made from the GSF.

#### **4.12 Net Profit on GPFs for 2017**

The total net profit on the Ghana Petroleum Funds (GPFs) for the period January to September, 2017 amounted to US\$7.03 million. This amount was higher by US\$2.34 million over the 2016 amount of US\$4.69 million.

Of this amount, Ghana Heritage Fund contributed US\$5.20 million and the Ghana Stabilization Fund contributed US\$1.83 million.

#### **4.13 Reporting Period for the Annual Report**

The Committee noted that even though the Report was an Annual Report, it captured only three quarters namely January to September.

It was explained that per the law, the Report is to be submitted alongside the Budget. As at the time that the Budget is submitted in November, only three quarters data would normally be available for reporting.

The Committee was informed that last quarter information for 2017 would be captured in the 2018 Report.

## **5.0 RECOMMENDATIONS**

### **5.1 Over-sighting the activities of GNPC**

During the deliberations, it came to the fore that Ghana National Petroleum Corporation (GNPC) has indicated it will require about \$986.13 million for implementation of its programmes for the year, 2018. In view of this, it intends to take a loan of more than \$564.81 million to augment its resources to finance its activities for 2018. In the Budget, however, only GH¢1 billion was allocated to the Company.

The Committee therefore urges the Finance Minister to take particular interest in the activities of GNPC especially in the areas of their finances and borrowings.

### **5.2 Amendment to the Petroleum Revenue Management law**

The Committee noted that given the reporting requirement of the law, the Annual Petroleum Report does not cover the entire year as expected.

The Committee therefore recommends to the House to urge the Minister for Finance to effect an amendment to the Petroleum Revenue Management Law for the Report to be submitted in the first quarter of the following year in order to ensure that the Report captures the entire year under review.

## **6.0 CONCLUSION**

After careful consideration of the Report, the Committee is of the view that the Report generally complies with the requirements of the Petroleum Revenue Act (Act 815) as amended. It accounted for the use of the petroleum funds and the returns on the Ghana Stabilization Fund and Ghana Heritage Fund.


The Committee also urges the Minister for Finance to implement valuable recommendation in the Report as required by Law.

The Committee accordingly recommends to the House to adopt this report and adopt the 2017 Annual Report on the Petroleum Funds.

Respectfully submitted.



**HON. KWABENA AMANKWAH-ASIAMAH**  
**VICE CHAIRMAN, FINANCE COMMITTEE**



**EVELYN BREFO-BOATENG (MS)**  
**CLERK TO THE COMMITTEE**