

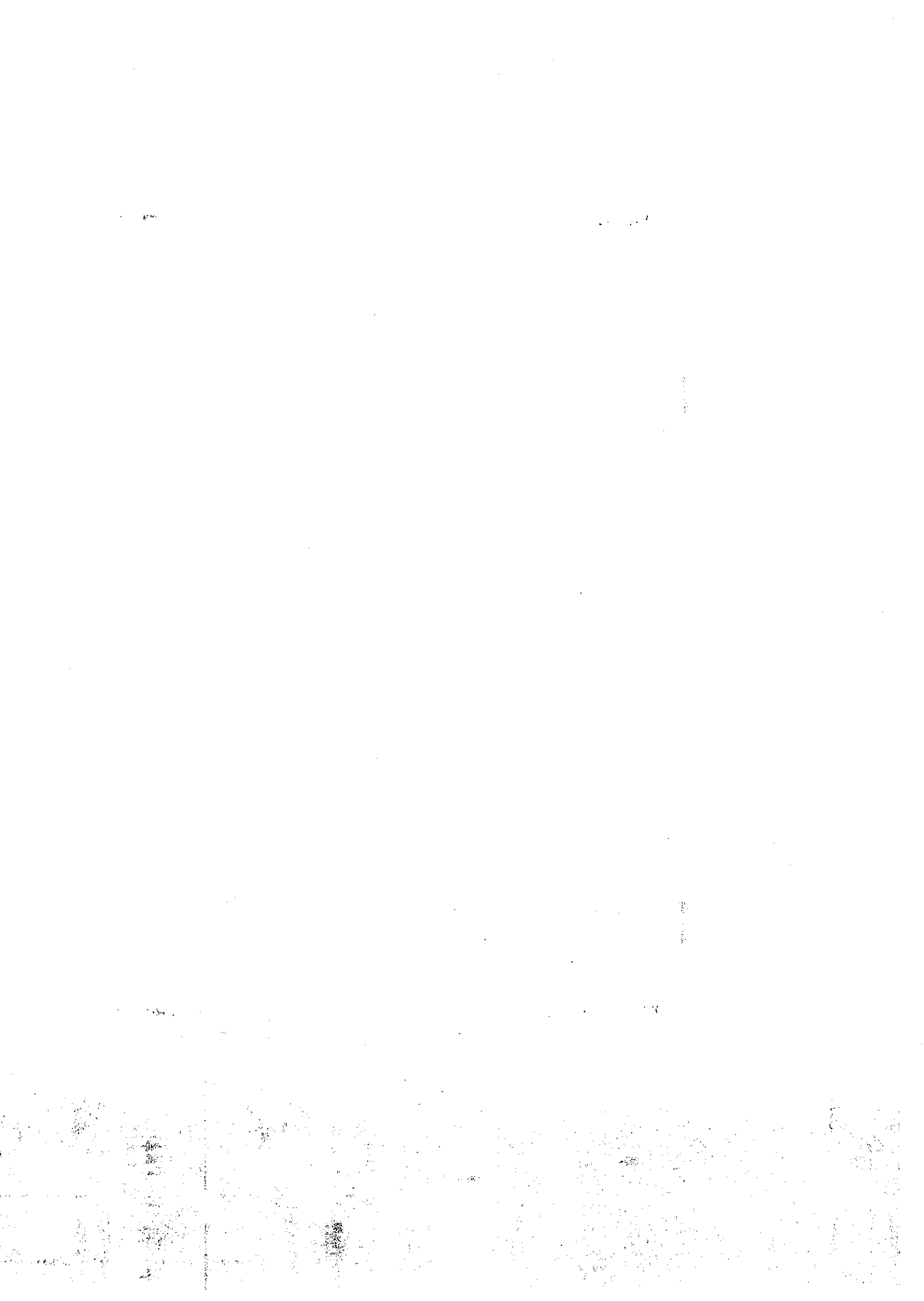
**IN THE SECOND SESSION OF THE SEVENTH
PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA**

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

ON THE

**2018 PROGRAMME OF ACTIVITIES OF THE
GHANA NATIONAL PETROLEUM CORPORATION**

MARCH, 2018



**REPORT OF THE COMMITTEE ON MINES AND ENERGY
ON THE 2018 PROGRAMME OF ACTIVITIES OF THE GHANA
NATIONAL PETROLEUM CORPORATION (GNPC)**

1.0 INTRODUCTION

- 1.1 The 2018 Programme of Activities of the Ghana National Petroleum Corporation (GNPC) was laid in Parliament on Tuesday, 23rd January, 2018 by the Hon. Minister for Monitoring and Evaluation, Dr. Anthony Akoto Osei on behalf of the Hon. Minister for Energy, Mr. Boakye Kyeremateng Agyarko in accordance with Section 7(3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815).
- 1.2 The Rt. Hon. Speaker subsequently referred the Programme of Activities to the Select Committee on Mines and Energy for consideration and report pursuant to Order 188 of the Standing Orders of Parliament.

2.0 DELIBERATIONS

- 2.1 The Committee met on 4th February and 9th March 2018 and considered the Programme of Activities. Presents at the meeting were the Hon. Minister for Energy, Mr. Boakye Kyeremateng Agyarko, Deputy Minister for Energy in-charge of Finance and Infrastructure, Hon. Joseph Cudjoe and Officials of GNPC led by the Chief Executive Dr. Kofi Koduah Sarpong.
- 2.2 The Committee is grateful to the Minister and Officials of GNPC for attending upon the Committee to provide clarifications to the content of the Programme of Activities.

3.0 REFERENCE DOCUMENTS

- 3.1 The Committee referred to the following documents during its deliberations:
- i. The 1992 Constitution of the Republic of Ghana;
 - ii. The Standing Orders of Parliament;
 - iii. The Petroleum Revenue Management Act, 2011 (Act 815);
 - iv. The Petroleum Revenue Management (Amendment) Act, 2015 (Act 893);
 - v. The Petroleum (Exploration and Production) Act, 2016 (Act 919);
 - vi. The Ghana National Petroleum Corporation Act, 1983 (PNDCL 64); and
 - vii. The 2017 Programme of Activities the Ghana National Petroleum Corporation

4.0 BACKGROUND INFORMATION

- 4.1 The Ghana National Petroleum Corporation (GNPC) was established in 1984 through the promulgation of the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64). Under Section 2(1) of the PNDC Law 64, the Corporation is mandated to undertake the exploration, development, production and disposal of petroleum in the country.
- 4.2 In pursuit of the above stated objective, the Corporation is enjoined to ensure that the country derives the possible maximum benefits from the exploitation of the petroleum resources, the development of national capabilities along the entire petroleum value chain and the conduct of petroleum activities is in such a manner that minimize potential adverse effect on the environment and the people.
- 4.3 To deliver on the above objectives, the Petroleum Revenue Management Act, 2011 (Act 815) was passed in April 2011 to commit part of the proceeds from the sale of petroleum resources to the Corporation. Section 7(3)(b) of the Act 815 mandates the Corporation to submit its Annual Programme of Activities to Parliament for approval as a measure of ensuring prudent use of funds allocated to the Corporation.
- 4.4 It was in fulfilment of this legal injunction that the Minister for Energy presented the 2018 Programme of Activities of the Corporation to Parliament for approval.

5.0 VISION AND MISSION OF GNPC

- 5.1 The vision of the GNPC is to become a global Oil and Gas Company whose operations will have a profound impact on the quality of life of the people of Ghana.
- 5.2 As per its mission statement, the Corporation commits to lead the sustainable exploration, development, production and disposal of petroleum resources of Ghana.

6.0 STRATEGIC OBJECTIVES FOR 2018

The key strategic objectives as set out by GNPC for the year 2018 are to:

- i. To efficiently manage upstream petroleum operations to achieve at least 95 percent of agreed targets;

- ii. To achieve additional 26% of work required to find hydrocarbon presence in the Voltaian basin;
- iii. To catalyse strategic investments along the gas value chain by reaching a capital investment decision on at least one gas utilisation project and complete feasibility studies on another project;
- iv. To ensure timely and cost-effective execution of 25 percent of all preparatory works for the capital projects;
- v. To enhance GNPC's impact on host communities and other stakeholders through Education and Training, Economic Empowerment and Environment and Social services by achieving at least 95% of agreed targets;
- vi. To improve the institutional capacity to manage petroleum operations with focus on developing systems, processes, standard operating procedures and policies; and
- vii. To prudently manage the Corporation's financial resources to maximise benefits from petroleum operations by achieving not lower than 95 percent of its financial targets.

7.0 KEY ACHIEVEMENTS FOR 2017

The Corporation together with its partners achieve the following during the year under review (2017):

7.1 Reserves

Reserve position of 1,198.6 Mmboe was achieved as at Sept, 2017; exceeding 2017 target by 8%. The Reserves were made up of 851.6MMbbls of oil and 2.014TCF of gas (347mmboe)

7.2 Oil and Gas Production

Achieved First Oil production from the Sankofa-Gye-Nyame field on 20th May 2017, three months ahead of planned date in August. A total of 40.7 mmbbls of oil were produced from the three (3) producing fields -Jubilee (24.3 mmbbls), Tweneboa-Enyenra-Ntomme (TEN) (14.25 mmbbls) and Sankofa-Gye-Nyame (SGN) (2.15 mmbbls). Average daily production for the period was 154,372.53 bopd, 9.5% above the planned target of 141,004 bopd

7.3 Disposal

Six (6) cargoes totaling 5.79 mmbbls were lifted by GNPC on behalf of Ghana Group (Jubilee – 4 and TEN – 2). Revenue realized from the liftings was US\$289.71 million at an average price of US\$49.27/bbl (Jubilee-US\$51.20/bbl & TEN-US\$47.20/bbl). A total volume of 20,196.85MMscf of gas valued at US\$47.46 million was delivered to Ghana National Gas Company.

7.4 Voltaian Basin Exploration

The Corporation achieved seventy-seven percent of its 2017 exploratory programme within the Voltaian Basin. It completed an Environmental Social Impact Assessment and distributed copies of the report to all 24 districts in the project area, and signed 2D Seismic Survey Contract after approval from the Central Tender Review Committee (CTRC). The Corporation also signed an Explosives Contract with Maxam. In addition, Data processing contract was completed and executed at no additional cost to GNPC which then commenced mobilisation for seismic data acquisition.

7.5 Basin Exploration

The Corporation as part of its basin exploration works identified forty-five (45) new leads and generated eighteen (18) prospects across various contract areas within the Tano and Keta basins. It also completed 90% of the geochemical and source rock interpretation of the Eastern Basin. In addition, it also completed 65% of the velocity model for Eastern Basin using 2D GN-9 lines.

7.6 Petroleum Development Activities

The Corporation completed development activities on the Sankofa-Gye-Nyame field ahead of schedule, leading to production of First Oil in May, 2017. It also brought FPSO J.A. Kufuor from Singapore to Ghana on 10th April 2017. The Corporation also completed and commissioned the TEN-Jubilee interconnection gas pipeline infrastructure. The Greater Jubilee Full Field Plan of Development was approved and expected to be executed by the Joint Venture Partners in 2018.

7.7 Drilling

In respect of Drilling, the Corporation carried out completion works on 10 Offshore Cape Three Point (OCTP) wells (GI-1, GI-2, OP-3, OP-4, OP-5, OP-6, OP-7, OP-8ST, WI-1 & SNKE-1S).

7.8 Gas Business

The Corporation signed a contract with West Coast Gas Ghana Limited to manage the country's gas nomination system. It also signed a Western Interconnection Agreement term sheet with (WAPCo) for gas transportation via the West African Gas Pipeline. A Gas Sale and Purchase Agreement (GSPA) was also executed with

Gazprom. Gas Sales Agreement Negotiations with Cenpower was also initiated. TEN Gas Sales negotiations were completed and signed. The Corporation during the period under review, Supplied 288,072.16 MT of Heavy Fuel Oil (HFO) to Karpowership Ghana Company Limited (KPS) for power generation.

8.0 FINANCIAL PERFORMANCE FOR THE YEAR 2017

8.1 Total Amount Received and Utilised

The Corporation received a total amount of US\$113.80 million for the period January to September 2017, made up of the following:

- I. Equity financing – Jubilee (share of development & production cost) – US\$22.19 million;
- II. Equity financing – TEN (share of development & production cost) – US\$48.00 million;
- III. 30% share of net proceeds of Jubilee crude revenue – US\$25.77 million;
- IV. 30% share of TEN crude revenue – US\$17.85 million.

Cash balance brought forward from the previous year 2016 was US\$68.03 million, bringing the total cash available for 2017 to US\$181.83 million. Out of the total amount received and balance brought forward from 2016, a total amount of US\$116.94 million was utilised, leaving a cash balance on hand of US\$64.89 million earmarked towards pending projects' milestone disbursements. The breakdowns are in table 1.

**Table 1: Summary of Receipts and Expenditure for 2017
2017 UTILISATION - (JANUARY - SEPTEMBER)**

SRN	RECEIPTS FROM JUBILEE & TEN PROCEEDS	REQUEST US\$m	RECEIPT US\$m	%
1	Level A Receipts (Equity Financing)- Jubilee	22.19	22.19	19.5%
2	Level B Receipts (30% of Net Proceeds)- Jubilee	25.77	25.77	22.6%
3	Level A Receipts (Equity Financing)- TEN	48.00	48.00	42.2%
4	Level B Receipts (30% of Net Proceeds)- TEN	17.85	17.85	15.7%
5	Total Amount Received:-	[A] 113.80	113.80	100.0%
SRN	USES OF AMOUNTS ALLOCATED:-	BUDGET	ACTUAL	
6	Jubilee Equity Financing Cost	27.59	28.35	24.9%
7	TEN Equity Financing Cost	44.77	46.01	40.4%
8	Exploration & Development Projects	12.94	13.30	11.7%
9	Staff Cost	9.80	10.07	8.8%
10	Admin. Capital Expenditure	0.66	0.68	0.6%
11	Capital Projects	4.07	4.18	3.7%
12	General Operational Expenditure	8.17	8.39	7.4%
13	Mid-Stream Project	0.80	0.82	0.7%
14	SOPCL	0.07	0.07	0.1%
15	GOG Gas Related Payments-Enclave Roads	4.92	5.06	4.4%
16	Total Expenditure:-	[B] 113.80	116.94	102.8%
17	Net Position:-	C=A - B	(3.14)	-2.8%
18	Add: Cash B/Fwd (01.01.2017)	D	68.03	
19	Total Cash-Available :-	E = C+D	64.89	

<i>Exploration & Development Projects</i>	<i>US\$m</i>
- OCTP ENI Project	1.88
- North & South Tano Petroleum Projects	1.24
- Voltaian Basin Petroleum Projects	2.28
- South Deepwater Tano Petroleum Projects	0.97
- Hess	1.49
- Ultra Deep Water [Keta Heritage]	0.37
-Tano - Heritage	0.37
-A - Z Petroelum	0.37
- Explorco	1.35
- Maritime Boundary Special Project	2.98
Total Non Jubilee and TEN Project Expenditure	13.30

9.0 OULOOK FOR 2018

9.1 EXPLORATION AND APPRAISAL PROJECTS

9.1.1 Voltaian Basin Project

In 2018, the Corporation intends to intensify its efforts at discovering oil in commercial quantities in the Voltaian Basin. In this respect, the Corporation would acquire 600 Line Kilometres of 2D seismic data; process 600 Line Kilometres of seismic data; complete geochemistry data planning report; produce satellite imagery report; continue with its environmental impact assessments and community engagement programmes and complete the construction of a bunker to store explosives. It would also secure the right of way and pay compensation to communities to be impacted as a result of the project.

An amount of US\$45.20 million has been budgeted towards the execution of the Voltaian basin activities.

9.1.2 Explorco Petroleum Agreement Obligations

Explorco is an Exploration and Production subsidiary of the GNPC established to pursue commercial interest in the exploration, development and production of oil and gas in the country. The Corporation is currently managing commercial interests in eight (8) blocks and paying for ten percent (10%) commercial interest in the Deep Water Tano/Cape Three Point Block. Consequently, in 2018 the Corporation intends to contribute an amount of US\$92.39 million in respect of Explorco's interest in the following Petroleum Agreements detailed in Table 2 below:

Table 2: Details of Explorco's Petroleum Agreement Obligations for 2018

Project Name/ Contract Area	Interest Holding	Working Interest	Operator	GNPC (Explorco) Share of Project Costs(US\$ Million)
South Deep Water Tano	24.00%	26.67%	AGM	5.27
Expanded Shallow Water Tano Block	22.50%	25.00%	ERIN	6.65
Deep Water Tano/Cape Three Points	10.00%	11.11%	HESS	68.25
Ultra-Deepwater East Keta Block	11.60%	13.00%	GOSCO	0.90
Offshore South West Tano	8.80%	10.00%	GOSCO	3.95
Deep Water Cape Three Points West Block	4.35%	5.00%	Eco Atlantic	2.85
West Cape Three Points Block 2	5.00%	5.62%	Springfield	1.8
Cape Three Points Block 4	4.00%	4.44%	ENI	1.88
SUB-TOTAL				91.55
GNPC Explorco Operating Cost				0.85
GRAND TOTAL				92.39

9.2 PETROLEUM DEVELOPMENT AND PRODUCTION PROJECTS

9.2.1 Greater Jubilee Field Development and Production

The Corporation will execute the Plan of Development of the Greater Jubilee Full Field Development (GJFFD) and continue with the implementation of the FPSO Turret Remediation Project (TRP). This will involve reservoir studies, production surveillance and management, stabilization and change of the turret bearing to permanent spread moored.

The Corporation intends to drill one (1) and complete two (2) development wells and undertake engineering, fabrication, installation and commissioning of subsea infrastructure relating to the development wells. It will also undertake remediation of Gas Injection Riser – GIR 15; and conduct operational and financial Audit. Average daily production at the Jubilee Field is expected to be 75,900 barrels of oil and 69 MMScf of gas.

The total project cost to be incurred by the Greater Jubilee Partners in undertaking these activities in 2018 is US\$979.10 million. An amount of US\$92.63 million has been budgeted to cover the Corporation's share of the project cost.

9.2.2 Tweneboa-Enyenra-Ntomme (TEN) Development and Production

The ITLOS having ruled in favour of Ghana in the Maritime Boundary Dispute between Ghana and Ivory Coast on 23rd September 2017, the Corporation intends to continue with its development programme at the TEN field this year 2018. The Corporation will drill and complete two (2) development wells and continue its

reservoir surveillance and management of the Field as well as its maintenance operations on the FPSO.

Total production from the TEN field for 2018 is expected to be 20 MMbbls of oil and 10.95 Bcf of gas export. This translates to expected average daily oil production 55,000 barrels and average daily gas export of 30 MMScf. The Ghana Group is expected to make four (4) liftings from the field.

The total amount budgeted for the Corporation's contributions towards the TEN project in 2018 is US\$91.15 million. The details are presented in Table 3 below.

Table 3: Breakdown of 2018 TEN Budget Cost

Accumulated Liability	Total JV Cost (US\$ Million)	GNPC Share (US\$ Million)
Accrued Development and Production cost by end of 2017	4,159.21	270.72
2018 Development and Production Costs (including Gas Tie-in)	661.56	53.73
Total	4,820.76	324.44
2018 Commitment		91.15

9.2.3 Sankofa – Gye Nyame (SGN) Development and Production

Having achieved its first oil on 20th May, 2017 from the Sankofa – Gye Nyame Field ahead of the target date, the Corporation intends to continue with its development of the field to produce first gas by June 2018. In this regard, it will drill two (2) development wells and complete the seven (7) development wells (4 Non-Associated Gas (NAG) wells, 1 oil well and 2 water injector wells).

The Corporation intends to undertake reservoir studies and production surveillance and management of production of the Field and continue the construction of an Onshore Receiving Facility (ORF) and tie-in the ORF export pipeline to the GNGC onshore pipeline to enable delivery and commercialization of gas by the end of the second quarter of 2018. It also intends to complete all works on the reverse flow and the Regulating and Metering Facilities in Takoradi and Tema as well as conclude negotiations on all gas sales agreements covering gas sales from the Field.

Total oil production is expected to reach 12.41MMbbls while gas export is anticipated to reach a total of 31.8 Bcf in 2018, translating into expected average daily oil production 34,000 barrels and average daily gas export of 87 MMScf. It is anticipated that the Ghana Group will make two (2) crude oil liftings in 2018.

An amount US\$83.21 million has been budgeted to cater for the Corporation's share of the development and production cost (Table 4).

Table 4: Breakdown of 2018 Sankofa – Gye-Nyame Budget Cost

Accumulated Liability	Total JV Cost (US\$ Million)	GNPC Share (US\$ Million)
Accrued Development cost, Interest and Production Costs by end of 2017	2,299.10	120.26
Commitments in respect of Remainder on Board (ROB)		12.40
2018 Development and Production Costs	895.75	87.03
Total	3,194.85	219.69
2018 Commitment		83.21

9.2.4 Deep Water Tano/Cape Three Points Block (HESS Corporation)

Following the ruling by ITLOS in favour of Ghana, the Hess project can now move into the pre-development phase with a view to achieving first oil production by 2022. In 2018, the project partners will submit a Plan of Development to the Minister of Energy. The Partners will also conduct development well studies, feasibility studies on a gas export pipeline, geotechnical studies and Front-End Engineering and Design (FEED).

The GNPC's financial commitments to the project is US\$68.25 million. This is made up of payment of US\$54.40 million in respect of the acquisition of Explorco's 10% commercial interest and US\$13.85 million to cover cash calls for the scheduled activities in 2018.

9.2.5 Decommissioning of Saltpond Field

The Corporation has planned to continue the decommissioning of the Saltpond Field following the field's declaration as unproductive. In 2018, the Corporation will as part of a pre-decommissioning process select a decommissioning project consultant and a decommissioning contractor, and acquire a decommissioning permit and an environmental permit.

The Corporation will continue provision of platform supplies including water, fuel, food, medicines, Personnel Protective Equipment (PPE), spare parts, communication facilities and transportation to maintain the platform before the actual decommission; and payment of salaries/emoluments to the key staff manning the offshore platform in its idle state.

An amount of US\$4.22 million has been earmarked for the pre-decommissioning activities. The Corporation would however consider prospective investors who may show interest to take over the Saltpond field and assume the decommissioning obligations.

9.3 MIDSTREAM AND OTHER PROJECTS

9.3.1 Tema and Takoradi LNG Projects

As part of measures to increasing gas supply for industrial and domestic use, the Corporation plans to engage Consultancy services to conduct legal, commercial and technical due diligence to ascertain the viability of the Gas Sales and Purchase Agreement signed with Gazprom in the third quarter of 2017. The Corporation had also commenced a process of negotiating with West African Gas Limited (WAGL) for LNG project at Takoradi. An amount of US\$2.0 Million has been budgeted for the completion of the legal, technical and commercial viability studies in respect of the Gazprom Project; and same amount has also been budgeted to complete the negotiation and commencement of due diligence studies for the WAGL.

9.3.3 Maritime Boundary Secretariat

Following successfully resolution of the Boundary Dispute between Ghana and cote d'ivoire, it was important that Ghana takes the necessary steps to implement the terms of the judgment as delivered on 23rd September, 2017. An amount of US\$4.0 million has therefore been budgeted towards this regard.

9.3.4 Ammonia Plant

In line with the Corporations determination to maximize the benefits of petroleum resources to Ghanaians, an amount of US\$0.75 million has been budgeted to complete the full development concept of the Ammonia Plant, conduct reconnaissance surveys, engage prospective investors, and to train and build capacity of the Corporation towards the successful implementation of the project. The Project is intended to take advantage of the indigenous gas resources.

9.3.5 Gas Evacuation Enclave Roads

In view of the Corporation's role as national gas aggregator, the Ministry of Finance through the Ministry of Petroleum in January 2015 requested GNPC to pre-finance the construction of the oil & gas enclave roads in the Western Region on behalf of Ghana National Gas Company. This was to enable the evacuation of Liquefied Petroleum Gas (LPG) from the processing plant at Atuabo to the downstream markets to prevent possible production challenges from the Jubilee field.

The Ministry of Finance was however to reimburse GNPC for this expenditure. The project is categorized into two components (US\$ and GH¢) with an estimated cost of US\$26.57 million and GH¢160.40 million respectively. As at September 2017, the total value of works certified was US\$21.96 million and GH¢80.07 million out of which a total of US\$17.1 million and GH¢78.37 million have been paid, leaving an outstanding balance of US\$4.78 million and GH¢1.69 million.

Given the significant nature of the Project, the Corporation intends to complete the outstanding works in 2018 and settle the outstanding certificates of US\$5.15 million. A total amount of US\$27.61 million has therefore been earmarked for this purpose. The details are shown in Table 5 below with Cedi amounts converted to US Dollars.

Table 5: Detailed breakdown of 2018 Costs for Gas Evacuation Enclave Roads

Details	GHS Component		US Dollar Component	Total
	GHS Million	US\$ Million Equiv.	US\$ Million	US\$ Million
Total Contract Sum	108.86	24.19	21.86	46.05
Contract Variation	51.55	11.45	4.71	16.16
Total Value	160.40	35.65	26.57	62.21
Total Certificate For Work Done as at September 2017	80.07	17.79	21.96	39.76
Payments as at September 2017	78.37	17.42	17.19	34.60
Certificates Pending as at September 2017. (Bills Outstanding)	1.69	0.38	4.78	5.15
Value Of Outstanding Works as at September 2017	80.34	17.85	4.60	22.46
Balance Payable in 2018	82.03	18.23	9.38	27.61

9.3.6 Prestea Sankofa Gold Limited (PSGL)

The Corporation also informed the Committee that the Prestea Sankofa Gold Ltd. in which the Corporation and the Government of Ghana have 90% and 10% interests respectively has faced liquidity challenges and as a result has ceased operations in the last quarter of the year 2016.

In view of this, the Corporation is currently seeking investors to take over the company. In the interim, however, an amount of US\$24.78 million has been earmarked to support the company to meet certain liabilities as indicated in the Table 6 below:

Table 6: Breakdown of PSGL Accumulated Liability

Details	Amount (US\$ Million)
Staff Cost	2.88
Statutory Bodies	5.85
Local Creditors	3.81
Foreign Creditors	0.43
Bank Facilities	7.27
Separation Package	6.48
Total Liabilities	26.72
<i>Less</i>	
2017 Payments	1.33
2017 Payables	0.60
Projected Total Payment For 2017	1.93
2018 Payables	24.78

10.0 UPSTREAM DEBT MANAGEMENT

10.1 Loan Facility for Accrued OCTP Debt

The Committee was also informed the Corporation owed OCTP JV Partners for an amount of US\$120.26 million which is forecasted to reach about US\$150.77 million by the end of 2017. The Committee further noted that the OCTP Petroleum Agreement allows the Partners to off take GNPC's share of production in settlement for the debt owed. In order to avoid a situation where GNPC would not lift its share of crude oil because of the debt owed, an amount of US\$150 million has been budgeted to settle the debt.

10.2 WAPCo Interconnection Loan

It was also noted that an amount of US\$120 million has been budgeted for the Ghana National Gas Company GNGC-WAPCo pipeline interconnection. The Corporation indicated that it was in discussion with the Minister of Energy as to the best approach to finance this project. The Corporation however holds the view that Ghana will be better served if the US\$120 million is applied towards gas price savings. In that case, a savings of US\$0.66 per MMBTU will be achieved which translates into a nominal savings of US\$873.31 million (Present Value total of US\$445.15 million at 7.5 percent discount rate) over the life of the field. Consequently, the Corporation proposes to borrow the amount of US\$120 million to fund the interconnection and to benefit from the above-mentioned savings.

10.3 Escrow Account

The Committee noted an amount of US\$137.15 million has been budgeted for OCTP Escrow account in 2018, of which US\$20 Million would be maintained in cash and US\$117.15 million would be a Stand-by Letter of Credit (SBLC). Consistent with section 5.2 of the OCTP Calculation Deed, the Corporation is required to post

an amount equivalent to four and a half months supply of the contractor's gas. This was estimated at US\$205 million at the time of signing the Agreement using a headline gas price of \$9.80 per MMBTU

11.0 NON-PETROLEUM CAPITAL PROJECTS

11.1 Corporate Head Office Accra

The Corporation would in 2018 continue its effort at securing a permanent office. In this regard, an amount of US\$20.0 million has been budgeted towards the Head Office project. The total estimated cost of the office was still being determined and pledged to make it available after the detailed design work is completed.

11.2 Corporate Operational Head Office - Takoradi

In line with the GNPC's decision to move its operational Office to Sekondi-Takoradi, the Committee noted a provision of US\$10.0 million has been made in the 2018 budget towards the construction of the office.

11.3 Research and Technology (RAT) Project

The Corporation has allocated an amount of US\$15 million for the RAT project in 2018. The facility is expected to offer an electronic storage centre for GNPC's geoscience, engineering and production data; a core and tapes storage facility; various physical, chemical and research laboratories as well as offices for the Research and Technology Centre staff. The Corporation was in discussion with Societe Generale for a loan facility not exceeding US\$75 million to fund both the Head Office and RAT projects.

11.4 Refurbishment of Petroleum House

The Corporation has also allocated an amount of GH¢13.4 million to continue the refurbishment work of its head office (Petroleum House) which has undergone its first life cycle of over 30 years.

11.5 GNPC Clinic

The Corporation intends to establish an ultra-modern clinic with a resident doctor to safeguard staff health and wellbeing and to minimize costs in the long term. The Corporation plans to use its Club House at Community 3 in Tema for this purpose. An amount of US\$1.50 million has therefore been set aside for this project in 2018.

11.6 Beach Road Redevelopment Project

The Corporation has allocated to an amount of US\$1.89 million redevelop its Beach Road property into a facility to house staff working visit to Takoradi to serve as a transit quarters for staff on transfer to Takoradi or undertaking offshore duties.

11.7 Works on Other Landed Properties

This involves rehabilitation works on four (4) GNPC landed properties in Tema and Accra. An amount of US\$0.73 million has been earmarked to undertake the projects in 2018 as detailed in Table 7 below.

Table 7: 2018 Cost of Other Works on Landed Properties

Name of Property/Project	Total Contract Sum (US\$ Million)	Cost allocation in 2018 (US\$ Million)
Enpro Rehabilitation Project	0.57	0.31
Redco Madina Bungalow No. 2, Accra	0.10	0.10
Redco Madina Bungalow No. 3, Accra	0.10	0.10
Unacourt Flats, Accra. (10 Flats)	0.22	0.22
TOTAL	1.0	0.73

11.8 Digital Transformation

An amount of US\$ 5.7 million has been allocated for improvement in the IT infrastructure. Specific areas for the improvement are Security and IT Services Management (ITSM); Enterprise Resource Planning (ERP); Disaster Recovery; and Virtualizations.

11.9 Corporate Social Responsibility (CSR) Projects

In keeping with the Corporation's new focus, the Corporation would in 2018 focus its CSR activities on the following three key areas:

- **Education and Training** – with emphasis on Science, Technology, Engineering and Mathematics (STEM), technical skills and special needs education.
- **Economic Empowerment** – focusing on targeted economic interventions that promote ventures for sustained livelihood for persons affected by oil and gas activities.
- **Environment & Social Amenities** – investing to protect the environment and improve the social conditions of Ghanaians.

To cater for both new and existing commitments, the Corporation has budgeted an amount of US\$28.95 million in 2018. This comprises US\$23.80 million for activities under the three focus areas above and US\$5.15 million for existing activities. Tables 7 and 8 below show the detailed breakdown of these figures.

Table 7: 2018 CSR Budget for New Focus Areas

NEW CSR FOCUS AREAS		
Key Activities	Detailed Activity	Budget US\$ Million
Education & Training	Educational Infrastructure	2.00
	Scholarships	3.50
	Capacity Development	1.70
	Sub-Total	7.20
Environment & Social Amenities	Sanitation	1.00
	Water: Boreholes	1.50
	Health: Support for health Facilities/Campaigns	1.50
	Sub-Total	4.00
Economic Empowerment	Advisory Services	0.50
	Skill Development	1.50
	Market Access	0.75
	Agricultural Support	1.50
	SME Support	1.10
	Enterprise Development Centre	1.75
	Sub-Total	7.10
Special Projects	Sports	2.50
	Sports Legacy Projects: Inter Colleges Sports	1.50
	GNPC Special Community Initiative	1.50
	Sub-Total	5.50
TOTAL		23.80

Table 8: 2018 CSR Budget for Existing Commitments

Key Activities	Detailed Activity	Budget US\$ million
Education	Completion of applications laboratory at University of Energy and Natural Resources (UENR)	0.11
	UMaT School of Petroleum Studies	0.67
	Zuarungu Community Library	0.10
	Sub-Total	0.88
Sports	Ghana's Fastest Human (GFH) Headline Sponsorship	0.10
	Running of GNPC Speedsters Club	0.06
	Ghana's Fastest Human (GFH) clothing and paraphernalia	0.06
	Sub-Total	0.22
Health	Construction of Sickie Cell Screening and Treatment Centre at Komfo Anokye Teaching Hospital (KATH)	3.00
	AYA Community Centre for the Aged in Ampain, Ellembelle District: towards the purchase of consumables and running of the Centre	0.02
	Transplant Links Community -Ghana Project (training for Ghanaian doctors in kidney transplant-nephrology)	0.03
	Sub-Total	3.05
Special Projects	Western Regional house of Chiefs	0.40
	National House of Chiefs	0.60
	Sub-Total	1.00
TOTAL		5.15

12.0 OBSERVATIONS

12.1 Budget Financing

It was observed that an amount of US\$356.43 million is expected to be received by the GNPC for the year 2018. The sources of the revenue include incomes from the Jubilee, TEN and Sakofa-Gye-Nyame Fields and other sources such as Training and Technology Grants and investments (the details are attached as appendix A).

The Corporation however requires a total of US\$986.13 million for implementation of its Programme of Activities for the year, leaving a funding gap of US\$629.70 million. The Committee was informed that the funding gap would be financed by cash balance of US\$64.89 million brought forward from 2017 and a loan of US\$564.81 million.

12.2 Additional Pre-Export Financing

The Committee was informed that as part of government's commitment to deal with the liquidity challenges of the State institutions in power sub-sector, the Corporation would secure an additional US\$60million loan facility under the existing pre-export financing arrangement of US\$100million with Lukoil International Trading and Shipping Company (which Parliament approved in 2017) to pay some of trade creditors of the Bulk Oil Storage and Transportation Company Ltd (BOST).

While supporting government's commitments to address power sector challenges and the indebtedness of BOST to have a clean balance sheet, the Committee is of the view that the current petroleum industry dynamics are remarkably different from what existed at the time of establishing BOST. The Committee therefore urges the Ministry of Energy to review the business strategy and redefine the strategic policy objectives of BOST to make the Company financially viable and responsive to the current needs of the country.

12.3 Decommissioning of Saltpond Oil Fields

The Committee expressed its displeasure at the slow pace at which the Corporation was tackling the decommissioning of the Saltpond Oil Fields. It noted that the current state of the fields poses a great health threat to the inhabitants of the coastal communities in particular, and the marine environment in general.

The Committee therefore urges the Corporation to expedite action on the decommissioning process and to explore remedies within the Petroleum Agreement covering the Fields to get the Partners to honour their obligations towards the decommissioning exercise.

12.4 Relocation of Liquefied Natural Gas (LNG) Project of West Africa Gas Limited to Takoradi

In response to what necessitated the relocation of the West Africa Gas Limited LNG Project from Tema to Takoradi, the Hon. Minister explained that the decision was to bridge the gas deficit in the western corridor following gas demand - supply analysis conducted by the Ministry. The decision was also re-enforced by the proposals to establish fertilizer plant at Jomoro, Petrochemical Plant in the Atuabo Enclave and Integrated Bauxite-Aluminium Project at Aya-Nyinahin which require huge amount of power at affordable prices.

In response to the Committee's concerns about the capacity of the indigenous gas to sustain the demands of the proposed projects, the Hon. Minister informed the Committee that new gas discoveries around the world suggests that the price of gas is likely to come down considerably. Consequently, it was important that Ghana position itself to take advantage of the increased supply and cheaper LNG to spearhead Ghana's industrialization agenda.

12.5 Investments in Prestea Sankofa Gold Ltd

The Committee observed that an amount of US\$24.78 million has been allocated to effect payment of critical debt for its subsidiary Company, Prestea Sankofa Gold Ltd and thereafter dispose of the Company. The Committee however noted that the Company had previously made some profits, and as a result, with capital injection and good corporate governance, it could be revamped to maintain its role as a strategic asset of the country and for job creation, particularly for the people in Prestea, and its immediate environs.

Whiles disagreeing with investments in areas outside the Corporation's mandate, the Committee was of the view that disposing of the asset at its current state would not yield the appropriate value. The Committee accordingly recommends that the Corporation should restructure the Company and prioritize the debt repayment and use the remaining amount as working capital to revitalize the Company.

12.6 Office Accommodation of the Corporation

The Committee bemoaned the inability of the Corporation to put up an Office Complex befitting its status as a National Oil Company after three years of receiving the approval of Parliament to construct the Office. The Officials of the Corporation attributed the delay largely to earlier policy directive that the Corporation should take tenancy in the proposed Energy City which has still not taken off.

The Committee recommends that the Corporation constructs its Office Complex on its property on the George Walker Bush Highway. The Office could be put to other uses when the Energy City is completed.

12.7 Procurement of Marine Patrol Vessels

The Committee noted that the Corporation in 2018, plans to enter into a tripartite arrangement with the Ghana Navy and a third-party investor to acquire a total of six (6) Patrol vessels at an estimated cost of US\$45 Million to provide security services for offshore activities. The Corporation intends to use the strength of its balance sheet to partner with a prospective investor to procure the Vessels whiles Ghana Navy provides the direct services. These has become necessary because of the constant violation of the exclusive zone around FPSOs.

He further intimated that the Partners, including the GNPC are currently engaging foreign vessels to monitor the operational areas at a cost of US\$11,000.00 per vessel per day. A cost-benefit analysis conducted revealed that proceeds from the services of the Vessels could be used to amortized the costs of the vessels within five years after which Ghana Navy would assume ownership. The subsequent proceeds that may be accrued could be used to procure additional equipment to enhance the effectiveness of the Ghana Navy.

12.8 Savings from Development of OCTP Field

The Committee noted that a significant savings amounting to US\$691 Million have been made in the cost of developing the OCTP field. The Operator had however proposed to the Joint Venture Partners to apply the savings as follows:

- US\$250 million towards infilling of wells to boost oil production;
- US\$210 million towards gas plateau of 300MMScf from the initial 180MMScf;
- US\$120 million towards Ghana National Gas Company (GNGC) – West African Gas Pipeline Company (WAPCo) gas pipeline interconnection; and
- US\$111 Million towards contingency.

The Committee was however informed that the existing information on the reservoir was inadequate to make a firm determination at this stage. In respect of the 300MMScf Gas plateau, the Corporation indicated, increasing the gas plateau to the said volume would negatively impacts on gas export and in effect oil production from the Jubilee, TEN and HESS fields. It was further indicated that the capacity of the Ghana National Gas Company onshore pipeline system is constrained at 404 MMScfd. Jubilee and HESS have a combined potential gas output of 230 MMScfd. Therefore, allowing ENI to export 300 MMScfd would mean that Jubilee, TEN and HESS would only have a combined usage of 105 MMScfd. Thus cheaper production from those fields could be strained in favour of a more expensive OCTP gas. Moreover, in order to satisfy the 105 MMScfd constraint, Jubilee and TEN may have to reduce production which would lead to loss of oil

revenue. The GNPC position was that the savings be used to reduce the cost of gas price.

12.9 GNPC equity stake in a proposed Oil Refinery at Takoradi

The Committee was informed that the government in its determination to making Ghana a regional energy hub, has initiated steps to build a new state-of-the-art oil refinery at Takoradi using public-private-partnership arrangement. The proposed Refinery is intended to supplement production from the Tema Oil Refinery (TOR) with daily production of 60,000 barrels, scalable to 120,000 barrels per day to help meet both current and future demands of the country. The total project cost as provided by the Corporation was US\$900 million with a requirement for 15% local equity participation of 15 percent which translates into US\$50 million.

Considering the project potential to supporting the Corporations upstream business, while at the same time, maximizing the in-country value for Ghana's petroleum production, the Committee observed that the Corporation has made a budgetary provision of US\$50 million to acquire the 15% local equity participation.

Further interrogation by the Committee however revealed that discussion on the project may not be completed until next year. The Committee was therefore of the view that it is premature to appropriate a budget for the project at this stage, and accordingly recommended to the Corporation to defer the intent till discussions on the project are concluded. This recommendation was agreed to by the Hon. Minister for Energy and the Corporation.

12.0 CONCLUSION AND RECOMMENDATION

The Committee has thoroughly scrutinized the Programme of Activities of GNPC and the associated financial requirements for the 2018 Financial Year and it believes the activities outlined fall within the scope of the mandate of the Corporation as stated under PNDC Law 64.

The Committee therefore recommends to the House to adopt its Report and approve the 2018 Programme of Activities of the Ghana National Petroleum Corporation (GNPC) for the year 2017 in accordance with Section 7(3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815).

Respectfully submitted,


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HON. EMMANUEL KWASI GYAMFI
CHAIRMAN, COMMITTEE ON
MINES AND ENERGY


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

1.0 Appendix A

Table 1: Projected Income & Expenditure Statement

	2018	2018
	BUDGET	BUDGET
2018 GNPC FUNDS REQUIREMENT	US\$m	GHSm
INCOME		
JUBILEE - OIL & GAS	133.34	599.63
Equity Financing Cost (Level 'A')	74.39	334.53
GNPC Share (Level 'B')	36.67	164.90
Gas	22.28	100.19
TEN - OIL & GAS	122.97	553.00
Equity Financing Cost (Level 'A')	84.55	380.22
GNPC Share (Level 'B')	23.05	103.66
Gas	15.37	69.12
SANKOFA GYE NYAME - OIL & GAS	83.31	374.65
Equity Financing Cost (Level 'A')	63.63	286.14
GNPC Share (Level 'B')	2.13	9.58
Gas	17.55	78.92
TOTAL OIL & GAS REVENUE	339.62	1,527.27
TRAINING SUPPORT	9.63	43.31
Training Support	9.63	43.31
MISCELLANEOUS INCOME	7.18	32.29
Rental Income	0.04	0.18
Interest on Short Term Investments	5.44	24.46
HFO Margin	1.44	6.48
Services to Exploration Companies	0.15	0.67
Miscellaneous Income	0.11	0.49
TOTAL INCOME	356.43	1,602.87

	2018	2018
2018 GNPC FUNDS REQUIREMENT CONT.	BUDGET	BUDGET
EXPENDITURE	US\$m	GHSm
DEVELOPMENT & PRODUCTION COST	279.81	1,258.31
Jubilee	92.63	416.56
Tweneboa Enyenra & Ntomme - DWT	91.15	409.90
OCTP (ENI) Sankofa- Gye Nyame Complex	83.21	374.20
Gas Management	8.60	38.67
SOPCL - Decommissioning	4.22	18.98
EXPLORATION & APPRAISAL PROJECTS	137.59	618.74
Voltaian Basin Project	45.20	203.26
Explorco PA Obligations	92.39	415.48
UPSTREAM DEBT MANAGEMENT	303.17	1,363.36
OCTP Escrow Cash	20.00	89.94
OCTP - Retirement of Accumulated Development Cost	150.77	678.01
Remainder on Board	12.40	55.76
WAPCo Interconnection	120.00	539.64
MIDSTREAM & OTHER PROJECTS	68.14	306.43
Tema LNG - Gazprom	2.00	8.99
Takoradi LNG - WAGL	2.00	8.99
Ammonia Fertiliser Project	0.75	3.37
Gas Evacuation Enclave Roads	27.61	124.16
Prestea Sankofa Gold Ltd	24.78	111.44
Marine Patrol Vessels	11.00	49.47
CAPITAL PROJECTS	57.13	256.91
Corporate Offices	30.00	134.91
Research and Technology Centre	15.00	67.46
Works on Landed Property	6.43	28.92
Digital Transformation	5.70	25.63
OPERATING EXPENDITURE	80.29	361.06
Personnel Emoluments	25.03	112.56
Admin Capital	5.21	23.43
General Expenses	17.10	76.90
Sustainability & Local Content Projects	28.95	130.19
Maritime Boundary Secretariat	4.00	17.99
TOTAL EXPENDITURE	926.13	4,164.81
NET POSITION	(569.70)	(2,561.94)

