

MINISTRY OF FINANCE

GHANA EXTRACTIVE INDUSTRIES' TRANSPARENCY INITIATIVE (GHEITI)



FINAL GHEITI REPORT

ON THE

OIL/GAS SECTOR -2014

DECEMBER 2015

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LIST OF ABBREVIATIONS/ACRONYMS

<i>CAGD</i>	<i>Controller and Accountant General's Department</i>
<i>CAPI</i>	<i>Carried and Participating Interest</i>
<i>EITI</i>	<i>Extractive Industries Transparency Initiative</i>
<i>GHEITI</i>	<i>Ghana Extractive Industries Transparency Initiative</i>
<i>GRA</i>	<i>Ghana Revenue Authority</i>
<i>PITL</i>	<i>Petroleum Income Tax Law</i>
<i>PRMA</i>	<i>Petroleum Revenue Management Act</i>
<i>GNGC</i>	<i>Ghana National Gas Company</i>
<i>GNPC</i>	<i>Ghana National Petroleum Corporation</i>
<i>MoF</i>	<i>Ministry of Finance</i>

EXECUTIVE SUMMARY

The Extractive Industries' Transparency Initiative was launched at the World Summit of sustainable development in Johannesburg in September 2002. Ghana signed on to the initiative in London on 17th June 2003.

The main objective of the initiative is to enhance transparency around the generation and spending of revenues from the extractive sector, so as to improve development outcomes, reduce the potential for corruption or large scale embezzlement of funds by host governments, and to stimulate debate about uses to which these revenues are put.

The initiative which is governed by a multi stakeholder group made up of representatives of government, extractive companies(publicly and privately owned) and NGO'S, prepares annual EITI report that reconcile extractive sector payments to government receipts.

The following is the summary of activities undertaken and the results obtained in the 2014 oil and gas sector reconciliation report as provided by Messrs Boas & Associates, the independent Administrator hired to produce the report.

APPROACH AND METHODOLOGY

The assignment was broadly categorised into two parts, i) Preliminary Information gathering stage which involved document review and determining fully the parameters for reporting, including the provision of contextual information.

ii) The Reconciliation phase, which is the main thrust of the assignment involved, data collection, initial reconciliation and the production of the report.

Reporting entities

The following companies and government Agencies' were required to report. (See Table A)

Table A: Participants in the 2014 reconciliation process

OIL & GAS COMPANIES	GOVERNMENT AGENCIES
Tullow (Ghana) Limited	Ghana Revenue Authority
Kosmos Energy Ghana HC	Ghana National Petroleum Corporation(GNPC)
Ghana National Petroleum Corporation(GNPC)	Ministry of Finance /Bank of Ghana
Saltpond Offshore Producing Co. Ltd	Petroleum Commission
Anadarko WCTP (Ghana) Limited	Ministry of Energy and Petroleum
Petro SA	

Revenue Streams

The following revenue streams were to be reported on in the 2014 Reconciliation report.

Surface Rental

Royalty

Corporate Tax

Carried Interest

Additional Participating Interest

Dividend by NOC

Training /Technology Fund

Results of reconciliation

With the exception of Anadarko WCTP Ltd, all companies and government Agencies that paid or received any of the relevant revenue streams in 2014 duly reported.

The reconciliation by companies is shown below:

DETAILS OF RECONCILIATION									
REPORTING PERIOD: 2014									
	Initial Amounts US\$				Resolved		Final Amounts		Unresolved
No.	Company	Company	Government	Initial Discrepancy	Company	Government	Company	Government	(Over)
	OIL & GAS								
1	KOSMOS	85,379,904	85,204,904	175,000	-	175,000	85,379,904	85,379,904	-
2	TULLOW	63,770,404	115,040,762	(51,270,358)	51,520,358	250,000	115,290,762	115,290,762	-
3	GNPC	700,540,000	691,991,103	8,548,897	(8,560,104)	-	691,979,896	691,991,103	(11,207)
4	ANADARKO	-	84,370,881	(84,370,881)	-	-	-	84,370,881	(84,370,881)
5	SALTPOND	151,986	-	151,986	-	151,986	151,986	151,986	-
6	PETRO SA	-	-	-	-	-	-	-	-
	TOTAL	849,842,294	976,607,650	(126,765,356)	42,960,254	576,986	892,802,548	977,184,636	(84,382,088)

DISCREPANCY

A net discrepancy of US\$(84,382,088) was obtained at the end of the reconciliation exercise. Over 99% of the discrepancy was caused by the fact that Anadarko did not submit a reporting template. An amount of US\$84,370,881 reported by GRA as having been paid by Anadarko was therefore not corroborated.

RECOMMENDATIONS

Some of the recommendations made in the report are stated below.

LACK OF ON LINE REPOSITORY IN THE PETROLEUM SECTOR

The Petroleum Commission is advised to establish as quickly as possible an online repository where the information on upstream Petroleum blocks are found.

➤ PERFORMANCE OF THE GHANA PETROLEUM FUNDS

To effectively monitor the performance of the Ghana Petroleum funds it is necessary to adhere to the provisions of section 30(1) c of the PRMA, 2011, Act 815, by developing an investment guide.

➤ UTILIZATION OF THE ANNUAL BUDGET FUNDING AMOUNT

The reporting on the activities funded by the ABFA should meet the requirements of section 48 of Act 815, i.e. the stage of implementation must be stated as well.

➤ **LICENSING REGIME AND THE PUBLICATION OF CONTRACTS**

To ensure transparency and efficient management of the petroleum resources, the Ministry of Petroleum should introduce Licensing rounds including bidding and also make available on its website details of contracts with operators.

➤ **COMPUTATION OF REVENUE STREAMS BY GNPC AND GRA**

Singular methodology should be employed for royalty and CAPI computations.

➤ **CARRIED INTEREST PAYMENT –SALTPOND OFFSHORE PRODUCING FIELDS**

The Petroleum Commission, the GNPC and the GRA should ensure that carried interest is paid from the Saltpond Offshore Producing Fields.

➤ **THE E&P BILL**

The E&P Bill should be passed without delay to ensure good governance in the petroleum sector.

➤ **OUTSTANDING SURFACE RENTAL PAYMENTS**

The Petroleum Commission and the GRA should ensure that outstanding surface rentals are paid.

1.0 BACKGROUND

The Extractive Industries' Transparency Initiative (EITI) was launched at the World Summit on Sustainable Development in Johannesburg, September, 2002.

It aims to enhance transparency around the generation and spending of revenues from the extractive sector so as to improve development outcomes, reduce the potential for corruption or large-scale embezzlement of funds by host governments; and to stimulate debate on utilisation.

The Initiative encourages governments, extractive companies, International Agencies and NGOs to work together to develop a framework to promote transparency in payments in the extractive industries.

1.1 BRIEF ON EITI IN GHANA

The Government of Ghana formally committed itself to implementing EITI in 2003, when it signed on to the initiative in London.

The EITI Steering Committee is the governing body of the EITI in Ghana. Various stakeholders in the Extractive industry are represented on the committee.

The members of the committee comprise of representatives from the under listed agencies or bodies:

Ministry of Finance

Ministry of Land and Natural Resources

Minerals Commission

Ghana National Petroleum Corporation

Ghana Chamber of Mines (representing the mining companies)

Jomoro District Assembly Office of the Administrator of Stool Lands

Ghana Revenue Authority

Civil Society Organizations (led by ISODEC)

Ministry of Petroleum

Petroleum Commission

Kosmos Energy HC

Tullow (Ghana) Ltd

The EITI also has an implementation Secretariat at the Ministry of Finance

As part of its commitment, Ghana commenced publication of extractive industries' payments and government receipts with reports on the mining sector. The initiative was extended to the oil and gas sector in September 2010.

In November 2010, the EITI International Board announced that Ghana has attained EITI Compliant country status.

1.2 CONTENT AND OBJECTIVE OF THE REPORT

The Ghana Extractive Industries' Transparency Initiative (GHEITI) has engaged Messrs Boas & Associates to aggregate and reconcile the payments from the Oil & Gas Sector and Receipts by the government of Ghana for 2014.

The rest of the report include:

- i) Approach and Methodology
- ii) An overview of the Oil and Gas industry in Ghana
- iii) Reconciliation phase
- iv) Scope of work
- v) Results of Reconciliation
- vi) Disbursements ,expenditure and Utilization of Petroleum revenues.
- vii) Observations and significant findings
- viii) Conclusion

The objectives of the report include the following:

- The reconciliation of extractive payments and government receipts in the Oil and Gas Sector (activities which comprise of cash or in kind inflows) for 2014.
(See Appendix 1-Terms of Reference)
- Collect, analyze and aggregate payments made by Oil and Gas companies to Government of Ghana.
- Reconcile Oil and Gas companies' submissions of payments to those received by Government.
- Analyze the disbursements to the Ghana National Petroleum Corporation (GNPC), Annual Budget Funding Amount and the Ghana Petroleum Funds.

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- Ascertain if the disbursements made by the Government are in accordance with the provisions of the Petroleum Revenue Management Act 2011; Act 815.
- Utilization lessons learnt from the Reconciliation process to enhance Transparency in Payments, Receipts, Disbursements and Utilization of these benefits.

A multi- stake holder steering committee made up of representatives from the government, extractive industry companies and civil society reviews the reconciled information before EITI publication.

2.0: APPROACH AND METHODOLOGY

The assignment's methodology has two main phases comprising of;

- Preliminary information gathering (inception phase)
- Reconciliation phase

The preliminary information gathering stage involved interactions with all the stakeholders in order to put the assignment into the correct perspective.

The reconciliation phase was made up i) Data Collection and Analysis; ii) Initial Reconciliation; iii) Draft Reporting phase and iv) Final Reporting.

There was interaction with the Steering committee in order to

- i) Elaborate on the details of the terms of reference
- ii) Determine fully the responsibility of the Independent Administrator regarding provision of contextual information, i.e. to confirm that the Administrator has to provide all the contextual information
- iii) Agree on the reporting template.

Preliminary meetings were also held with the representatives of the participants of the reconciliation exercise. Focal persons for the provision of data were determined.

❖ Document Review

Available documentation was reviewed to gain a deeper understanding of the assignment. Document review also provided the necessary resources for the provision of contextual information.

Documents identified and studied included the following:

- Model Petroleum Agreement
- The Internal Revenue Act 2000 (Act 592)
- Petroleum Income Tax Law
- Reports of seminars and workshops held on the EITI.
- Public Interest and Accountability Committee (PIAC) reports.
- The Internal Revenue Act, Act 896

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- Relevant web sites.

Document review was undertaken at all stages of the assignment.

An inception report was presented to the Steering Committee at the end of the preliminary studies.

- The activities at the reconciliation stage are detailed in section 5.0

3.0 THE OIL /GAS INDUSTRY IN GHANA

❖ *Geology*

Ghana has four sedimentary basins namely: the Voltaian Basin (Neo-Proterozoic, inland), Saltpond or Central Basin (Paleozoic, offshore), Accra-Keta or Eastern Basin (Cretaceous, offshore with onshore extension), and Tano-Cape Three Points or Western Basin (Cretaceous, offshore with onshore extension).

The offshore basins cover about 60,000 km² (0-3500m water depth) extending from the Cote d'Ivoire-Ghana maritime border in the west to the Ghana-Togo maritime border in the east.

The onshore/coastal expressions of the Tano and Keta basins have a total size of about 4,000 sq. km. The Inland Voltaian basin is the largest sedimentary basin in Ghana. It occupies the central-eastern-northern part of Ghana. It is about 103,600 sq. km in size.

The Sedimentary basins are divided into quadrants of size one degree by one degree, equivalent to about 12, 420 sq. km. Each quadrant is further divided into eighteen (18) blocks with each block size equal to about 690 sq. km.

❖ *The Tano-Cape Three Points Basin*

The Tano-Cape Three Points Basin is a Cretaceous wrench modified pull-apart basin. The basin was formed as a result of trans-tensional movement during the separation of southern West Africa and northern South America. Active rifting resulted in the formation of a deep basin. With time the continental crust further thinned and sea floor spread. New oceanic crust formed at the trailing edges of the two continental plates as they began separating and the two plates finally separated.

Prevailing conditions at the time were ideal for the deposition of shales, thus thick organic rich shale was deposited. Several river systems contributed significant clastics into the deep basin and led to deposition of large turbidite fan/channel complexes. Some sandstones were in tilted fault blocks as reservoirs. Trapping is both stratigraphic and structural. The hydrocarbon potential of Ghana's portion of the basin has been known since the 1890's based on onshore oil seeps but the first major discovery was made in 2007 at the Jubilee Field with oil production commencing in 2010.

The risk initially associated at the Tano-Cape Three Points Basin has been lowered following various discoveries made by Tullow Oil PLC (Tweneboa, Owo, Ntomme, etc.), ENI (Sankofa and Gye

Nyame), Kosmos Energy (Mahogany, Odum, Teak, Akasa), and Hess (Paradise, Beech, Hickory North, Pecan, etc.).

❖ **Saltpond Basin**

The Saltpond Basin is a Paleozoic wrench modified pull-apart basin centrally located between the Tano-Cape Three Points and Accra-Keta basins. It covers an area of approximately 12,294 sq. km. Sediments in the basin were deposited in non-marine to coastal marine environments. The basin has been stratigraphically divided into formations namely Elmina Sandstone, Takoradi Sandstone, Takoradi Shales, Efiu Nkwanta Beds, Sekondi Sandstone. The structure of the basin is characterized by multiple faulting, which has resulted in a complex set of horsts and grabens.

The only known and proven petroleum system in the Saltpond Basin is the Lower Paleozoic Petroleum System. This system has Devonian source rocks and Devonian to Carboniferous reservoirs. The reservoirs are sandstones of the Takoradi Sandstone Formation. Trapping is both structural (fault-bounded blocks) and stratigraphic (sandstones interfingering into shales) with sealing provided by the Takoradi Shale Formation.

❖ **The Accra-Keta Basin**

The Accra-Keta Basin is a Cretaceous wrench modified pull-apart basin. It covers an area of approximately 33,900 sq. km of which 1900 sq. km is onshore. Studies by Abu et al. (2010) suggest the presence of a working Cretaceous Petroleum System, with at least two key mature source rocks. These are early Cretaceous lacustrine shales and Turonian-Coniacian organic rich shales. Both stratigraphic and structural trapping mechanisms are present, with the former predominating.

The Accra-Keta Basin has also received considerable attention in recent time. Exploration activity has also shifted from shallow water and onshore areas to the deepwater areas.

❖ **The Voltaian Basin**

The Voltaian Basin is an asymmetrical epicontinental interior sag basin covering about 40% of Ghana's continental landmass. It stretches into Togo, Benin and Burkina Faso. The basin formed as a result of the collision between the stable West African Craton, known as Birimian Supergroup in Ghana, and the Pan African Mobile Belt, known as Dahomeyan System in Ghana

Sediments are of shallow marine to continental origin and comprise sub-horizontal beds of sandstones, shales, mudstones and conglomerates which range in age from Precambrian to Paleozoic. The thickness of sediments exceeds 6000 m in the deepest portion of the basin.

GNPC's exploration activities on the inland Voltaian basin have intensified. These activities are geared toward enhancing the prospects of the basin and also to establish a petroleum system and thermal maturity in the basin.

It has conducted a desktop geological study of all available data on the basin, including satellite imagery interpretation, aeromagnetic and gravity data.

In 2014, the corporation announced its intention to drill six slim holes at very strategic locations within the basin to collect valuable geological data, prior to the planning and acquisition of the Two Dimensional (2D) seismic data across the basin¹.

The Voltaian basin consists of sedimentary Neoproterozoic rocks with similarities to hydrocarbon producing areas in other parts of North Africa.

3.1 ACTIVITIES WITHIN THE OIL & GAS SECTOR

3.1.1 Ghana National Gas Company and the Western Corridor Gas Infrastructure Development Project

The first phase of the Western Corridor Gas Infrastructure Project was completed in the third quarter of 2014 and test transmission of gas through the pipelines carried out in November 2014.

The project cost is estimated at US\$1 billion. It was partially financed (to the tune of US\$850 million) from the China Development Bank (CDB) loan. The Government of Ghana (GOG) provided a counterpart fund of US\$150 million, mainly from the Annual Budget Funding Amount (ABFA). The total project cost is to be recovered during the commercial phase of the project.

The arrangement for the recovery of the cost is through the signing of an on-lending agreement and the establishment of an escrow account into which payments would be made from gas proceeds. As at the close of the year, Ghana Gas and the Ministry of Finance had finalized negotiations on the on-lending and escrow agreement but the agreement was yet to be signed by the two parties.

(Source: MoFEP Annual Report on the Petroleum Funds).

¹ Business chronicle, April 9, 2014

The gas infrastructure project saw its completion timelines shifted several times, mainly due to a 9-month delay in the disbursement of funds to the project contractors, and what Ghana Gas describes as unforeseen developments, including the loss of fabricated plates and equipment parts in a maritime accident.

The gas processing plant is expected to process more than 180,000 tonnes of liquefied petroleum gas (LPG) for domestic use, representing about 70 per cent of the national requirement of 240,000 tonnes; the delivery of 46,000 tonnes of condensate and about 15,000 tonnes of isopentane (a highly volatile organic compound whose uses cut across power generation and cosmetics).

It has the capacity of producing some 150 million standard cubic feet (mmscf) of gas. However Ghana Gas began by supplying some 50 million mmscf. By the close of the year, the Ghana Gas Company was supplying 80 million mmscf. It projected to ramp up to its full capacity when repair works on the Takoradi International Company (TICO) plants were completed.

3.1.2 Policy, legislative, and institutional developments in Ghana's Oil and Gas Industry

In 2014, Ghana continued to make progress towards putting in place the full complement of policies and laws required to efficiently manage the petroleum sector. The progress made since the last reporting period include:

- a) Cabinet's approval of the draft Petroleum Exploration and Production bill;
- b) The passage of Local Content regulations (L.I. 2204) which became effective in February 2014 to operationalize the country's Local Content policy;

❖ Amendments to the Petroleum Revenue Management Act

While regulations to the Petroleum Revenue Management Act of 2011 (Act 815) was being awaited, a decision was taken by government to amend the Act, suspending and therefore delaying further the completion of work on the regulations. A number of amendments were proposed to the PRMA which when approved would impact on Oil and Gas Revenue Management including Petroleum Accounting. Table 3.0 shows some of the major amendments.

Table 3.0: Major proposed Amendments to the PRMA

Section	Proposed Amendment
Section 16: Disbursement from Petroleum Holding Fund	Disbursements from the Petroleum Holding Fund prioritized in the order of (a) to a national oil company (b) to the Consolidated Fund (c) to the Ghana Petroleum Funds and (d) for exceptional purposes
	Provision for more than one NOC anticipated for by law
	Capital financing for NOC to be made out of petroleum revenue
Section 16(4)	Expedition release of revenue to NOC to pay for loan leverage and to settle gas liabilities
Section 17: Benchmark Revenue	Minister to make a recommendation for a revision to the Benchmark Revenue if evident that unexpected petroleum price movements or production conditions result, or are likely to result, in a gross over or under projection of the Benchmark Revenue.
	Variation of the Benchmark Revenue not to be effective until it has been certified and approved by Parliament.
Section 21 and 48: Ghana Infrastructure Fund	Minimum of seventy percent of the Annual Budget Funding Amount to be used for public investment of which a maximum of 25 percent be allocated to the Ghana Infrastructure Investment Fund (GIIF) for infrastructure development to be included in the National Budget and approved by Parliament.
Section 31: Advisory Committee	The Investment Advisory Committee to comprise of seven members of which, at least two are women.
Section 54: Accountability Committee	The Accountability Committee membership increased from eleven to thirteen.
Section 57: Funding and Allowance of Accountability Committee	The Accountability Committee to submit a budget on its annual programmes to the Minister for inclusion in the annual National Budget. Members of the Accountability Committee to be paid allowances.
Section 17 on First Schedule	Inclusion of Corporate Tax and Surface Rental in Benchmark Revenue determination. Benchmark Revenue = Expected current receipts from crude oil + Expected current receipts from gas + Expected dividends from a national oil company + corporate income tax + surface rental + any other revenue identified in Section 6 of Act.
First Schedule	Benchmark Revenue to be certified by a reputable independent expert appointed in accordance with the Public Procurement Act, 2003 (Act 663).

❖ Contingency Fund

The government during the reporting period, set up a Contingency Fund where a portion of the surpluses over the cap on the Stabilisation Fund would be put. The other portion would be put in a Sinking Fund to help better manage the country's debt. This was a major development because even though the 1992 constitution provided for such a Fund to deal with emergencies that particular provision of the Constitution has never been fulfilled. An amount of GHC50 million from the excess of the cap on the Stabilisation Fund was transferred into the Contingency Fund as seed capital.

❖ Institutional confab

At the institutional level, discussions continued between GNPC and the Petroleum Commission over protocols and arrangements for transferring fully to the Commission those aspects of the regulations that GNPC handled in the past.

The signing of protocols to regulate the relationship between Ghana Gas Company and GNPC remained outstanding.

❖ Ghana – Cote d'Ivoire Maritime Dispute

After several years of bilateral negotiations, Ghana and Cote d'Ivoire, resorted to arbitration on their maritime boundary at the International Tribunal of the Law of the Sea (ITLOS).

Cote d'Ivoire had staked a claim to parts of Ghana's offshore a year after Ghana discovered oil in commercial quantities, and the outcome of the arbitration could affect exploratory and development activities in the disputed area.

❖ Strengthening of Ministry of Petroleum's Policy Oversight

The Ministry of Petroleum took steps during the period under review to strengthen its policy oversight in the petroleum sector. Specifically it began developing regulations on Fiscal Metering, and Data Management. The Ministry also produced a draft gas master plan and submitted same for stakeholder input. Its finalization is expected to guide the uses to which Ghana puts its gas resource in order to achieve greater impact on the country's economic development.

3.2 GHANA'S REGULATORY FRAMEWORK FOR THE PETROLEUM SECTOR

The following laws regulate the oil and gas operations (Upstream) in Ghana.

- Ghana National Petroleum Corporation Law, 1983 (PNDCL 64)
- Petroleum Exploration and Production Law, 1984(PNDC Law 84)²- *Under Review*
- Petroleum Income Tax Law, 1987 (PNDC LAW 188)
- The Internal Revenue Act, 2000 (Act 592)
- The Petroleum Revenue Management Act, 2011(Act 815).
- The Petroleum Commission Acts, 2011(Act 821)
- Local Content and Local Participation Regulations, 2013(LI2204)
- The Petroleum Agreements.

❖ *Ghana National Petroleum Corporation Law, 1983*

(PNDCL 64) gives GNPC the right to the development of the oil sector, oil exploration and production.¹

❖ *Petroleum (Exploration and Production) Law, 1984*

The petroleum law regulates the exploration, development and production of petroleum in Ghana. It provides the authority for the Government of Ghana (represented by the Ministry of Energy) and GNPC to negotiate petroleum contracts. It also contains some fiscal provisions including that for royalty payment.

The Model Petroleum Agreement emanates from the Petroleum (Exploration and Production) Law and is intended to guide the negotiation process (including terms and conditions) in a Petroleum Agreement between GNPC, Government of Ghana and the Oil Company.

❖ *Petroleum Income Tax Law, 1987(PITL)*

(PNDCL 188) provides details of income and withholding taxes levied at the upstream stage (exploration, evaluation and appraisal, development and production) of oil and gas operations.³

² To be replaced by the new Petroleum (Exploration and Production) Bill currently before Parliament

³ This has been repealed on the coming into effect of the new Income Tax Act, 2015 (Act 896)

❖ *The Internal Revenue Act, 2000*

The Internal Revenue Act, 2000 is an act which provides the general law relating to income tax, capital gains tax and gift tax.⁴

❖ *The Petroleum Commission Act, 2011*

The Petroleum commission is a body corporate with perpetual succession with the objective to regulate, and manage the utilization of petroleum resources and to coordinate policies in relation to them.

❖ *The Petroleum Revenue Management Act, 2011*

This Act provides the framework for the collection, allocation and management of petroleum revenue derived from upstream and mid-stream petroleum operations.

3.2.1 Fiscal Regime

There were no changes to the fiscal regime as detailed in the Model Petroleum Agreement during the year under review. The applicable taxes remained as follows:

- Royalty 10%
- GNPC Initial Interest (Carried) 10%
- GNPC Additional Interest (Paying) 15%
- Petroleum Income Tax 35%
- Surface rental - US\$30/sq. km/year (Initial exploration phase) (See section 5.0) for details on revenue streams.

The above are taxes detailed in the Model Petroleum agreement. However individual contracts may contain specific provisions that are different from the model agreement.

- ❖ Signature bonuses are currently not part of the fiscal regime of the petroleum industry in Ghana.

3.2.1.1: Capital Gains Tax

In 2014 the government extended the applicability of the Capital Gains Tax provisions in the Internal Revenue Act, 2000 (Act 592) to petroleum operations.

⁴ A new Income tax Act, 2015(Act 896) came into effect in September 2015.

3.3 LICENCE REGISTRY

The Ministry of Petroleum does not have an on-line repository. The details of Petroleum blocks within the upstream sector in Ghana by the close of 2014 are indicated in Table 3.2.

3.4 CONTRACT DISCLOSURE

The Ministry of Petroleum does not have any policy regarding the publication of details of contracts between Oil companies and the government of Ghana. However the Ministry as well as Tullow Ghana Ltd and Kosmos Energy Ghana HC have published some agreements and contracts.

Petroleum Agreement Published by Tullow Oil

1. Deepwater Tano Contract Area, Petroleum Agreement
2. West Cape Three Point Contract Area, Petroleum Agreement

Petroleum Agreement Published by KOSMOS Energy

1. Kosmos Petroleum Agreement-West Cape Three Point -22nd July 2004
2. Joint Operating Agreement –Kosmos and E.O Group-West Cape Three Points
3. Tullow Petroleum Agreement –Deepwater Tano- 10th March 2006
4. Joint Operating Agreement –Tullow, Sabre⁵, Kosmos –Deepwater Tano
5. Unitization and Unit Operating Agreement- Jubilee Field Unit
6. Deed of Assignment –Kosmos/Anadarko
7. Kosmos Energy Initial Public Offering (IPO)Prospectus

(Source: ghanaoilwatch.org)

3.5 OIL AND GAS LICENSING REGIME

No changes were recorded in the licensing regime during the year under review. Ghana continued to apply the first-come-first-served, negotiated deal type, which though has in-built safe-guards to protect its integrity, cannot be said to be an open process.

⁵ Petro SA has acquired Sabre's shares in the Jubilee field.

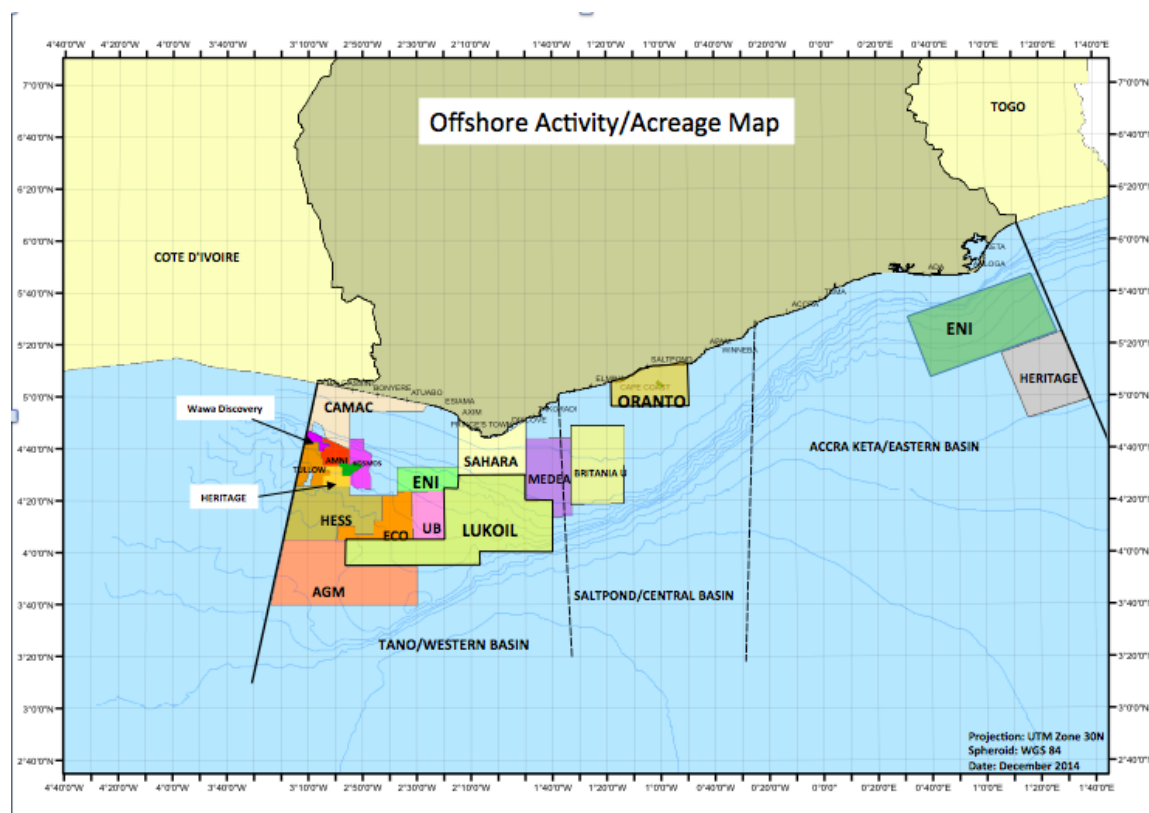
3.5.1 The Acquisition of Oil Block

- The Acquisition of oil block commences with an application to the Ministry of Petroleum (MoP). (*See Appendix 3*)
- The requisition is referred to the Petroleum Commission.
- Applicant may then be invited to make a presentation of the company to PC.
- Applicant is advised (by letter) to formally request the Petroleum Commission for an appointment to visit the Data Room
- Applicant identifies available block of interest and picks up application forms at MoP.
- Application is submitted to MoP together with an application fee of US\$10,000 in Bankers Draft.
- GNPC and Petroleum Commission review and evaluates application and sends outcome of evaluation to the Minister.
- Decision is taken on the application and Applicant is advised accordingly.
The Minister sets up a team comprising of representatives from the Ministry of Petroleum, Attorney General's Department, Ministry of Finance and the Ghana Revenue Authority.
- The PC/GNPC/MoP team then negotiates a Draft Petroleum Agreement with the applicant.
- Ministers from Ministries of Petroleum, Finance, Environment and Justice consult on draft Petroleum Agreement.
- Minister for Petroleum sends Draft Petroleum Agreement for Cabinet approval.
- Cabinet approved draft Petroleum Agreement sent for Parliamentary ratification.
- The Petroleum Agreement becomes effective on the date of ratification.

3.6 DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR

There were major developments in Ghana's upstream oil and gas sector in 2014, which have accelerated the prospects of increasing oil and gas production in Ghana. The Activity map has gone through significant changes following the signing and ratification of new Petroleum Agreements between the Government of Ghana, the Ghana National Petroleum Corporation (GNPC) and International Oil Companies. The activity map on the offshore basins of Ghana is presented as follows:

Figure 3.1: Ghana's Offshore Activity Map



Source: Ghana Petroleum Commission

3.6.1 Award of Oil and Gas Sector Contracts

Eight (8) new Petroleum Agreements (PAs) received Parliamentary approval during the period. (See Table 3.1 below) These were:

- Expanded Shallow Water Tano Block with CAMAC;
- Offshore Central Tano Block with Amni International;
- Offshore Cape Three Points South PA with UB Resources Limited;
- South West Tano Block with Heritage/Blue Star;
- Ultra Deepwater East Keta Blocks with Heritage/Blue Star;
- Shallow Water Cape Three Points PA with Sahara Energy Fields;
- South-West Cape Three Points PA with A-Z Petroleum Products; and
- South West Saltpond PA with Britannia-U.

All these agreements are effective and the operators have commenced operations at the exploration phase. The only exception is Britannia-U, which is yet to commence operations.

Table 3.1: Status of New Petroleum Agreements

Operator	Block	Concession size (sq. km)	Year awarded	Effective Date	Location	Status
Camac Energy	Expanded Shallow Water Tano	1508	2014	January 22, 2015	Offshore Tano Cape Three Points Basin	Exploration phase
Amni International	Central Tano	278	2014	March 27, 2014	Offshore Tano Cape Three Points Basin	Exploration phase
Sahara Energy	Shallow Water Cape Three Points	1500	2014	July 14, 2014	Offshore Tano Cape Three Points Basin	Exploration Phase
Brittania-U	South West Saltpond	2050	2014	Not Effective	Offshore Tano Cape Three Points Basin	In Exploration Phase and yet to commence operations
Eco Atlantic Heritage Oil	Deepwater Cape Three Points West	944	2014	February 22, 2014	Offshore Tano Cape Three Points Basin	Exploration Phase
	East Keta	2239	2014	July 17, 2014	Offshore Keta Basin	Exploration Phase
	Offshore South West Tano	175	2014	July 17, 2014	Offshore Tano Cape Three Points Basin	Exploration Phase
UB Resources	Offshore Cape Three Points South	755	2014	July 18, 2014	Offshore Tano Cape Three Points Basin	Exploration Phase

Source: Ghana Petroleum Commission

The following Table 3.2 also presents an over view of upstream activity in Ghana's hydrocarbon basins.

Table 3.2: Status of Upstream Activity

Operator	Block	Concession size (sq. km)	Year awarded	Effective Date	Location	Commodity Produced
Tullow Ghana	Deepwater Tano	Jubilee Field = 61 TEN = 450 Wawa = 106	2006	July 19, 2006	Offshore Tano Cape Three Points Basin	Oil and Associated gas from Jubilee Field
Kosmos Ghana HC	West Cape Three Points	Jubilee = 48 MTA = 416	2004	July 13, 2004	Offshore Tano Cape Three Points Basin	Oil from Jubilee Field
Eni Ghana	Offshore Cape Three Points	693	2008	March 15, 2008	Offshore Tano Cape Three Points Basin	No production. Still in Development Phase of Sankofa and Gye Nyame Fields. First oil expected Q4 2017
	Offshore Keta	493	2009	2009	Offshore Accra-Keta Basin	Exploration Phase
Hess	Deepwater Tano-Cape Three Points	2010	2006	July 19, 2006	Offshore Tano Cape Three Points Basin	In Appraisal Phase
Saltpond Offshore Producing Company Ltd	Saltpond Field	12	2004	July 30, 2004	Offshore Saltpond Basin	Production of oil from Saltpond Field
Camac Energy	Expanded Shallow Water Tano	1508	2014	January 22, 2015	Offshore Tano Cape Three Points Basin	Exploration Phase
Amni International	Central Tano	278	2014	March 27, 2014	Offshore Tano Cape Three Points Basin	Exploration Phase
Sahara Energy	Shallow Water Cape Three Points	1500	2014	July 14, 2014	Offshore Tano Cape Three Points Basin	No production. In Exploration Phase
Brittania-U	South West Saltpond	2050	2014	Not Effective	Offshore Tano Cape Three Points Basin	In Exploration Phase and yet to commence operations
Eco Atlantic	Deepwater Cape Three	944	2014	February 22, 2014	Offshore Tano Cape	In Exploration Phase

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	Points West				Three Points Basin	
Heritage Oil	East Keta	2239	2014	July 17, 2014	Offshore Keta Basin	In Exploration Phase
	Offshore South West Tano	175	2014	July 17, 2014	Offshore Tano Cape Three Points Basin	In Exploration Phase
UB Resources	Offshore Cape Three Points South	755	2014	July 18, 2014	Offshore Tano Cape Three Points Basin	In Exploration Phase
Medea Development	East Cape Three Points	1565	2013	April 12, 2013	Straddles Offshore Tano Cape Three Points and Saltpond Basins	In Exploration Phase
AGM Petroleum	South Deepwater Tano	3482	2013	December 4, 2013	Offshore Tano Cape Three Points Basin	In Exploration Phase
Oranto Petroleum Int. Ltd	Offshore Saltpond	1500	2008	2008	Offshore Saltpond Basin	In Exploration Phase

Source: Petroleum Commission

3.6.1.1 Major Developments

a. Jubilee Field

The Jubilee Field is the only major producing field since commercial production commenced in 2010 and is estimated to hold about 460 million barrels of crude oil and 568 billion cubic feet of natural gas. As at end of 2014, a total of twenty-three (23) wells have been drilled. These are made up of 12 production wells, 8 water injection wells and 3 gas injection wells. However, only 10 production wells, 6 water injection wells and 2 gas injection wells were operational by the end of 2014.

b. Tweneboa-Enyenra-Ntomme (TEN) Fields

TEN Fields are on course to delivering additional oil and gas to the partners. As at end of 2014, project progress was on schedule at 46.1% against a target of 47.7%. This was notwithstanding the onset of lower crude oil prices. All ten (10) development wells have been drilled and suspended, six (6) of which are expected to be completed in 2015. Also significant is the commencement of

development planning activities in the year for the gas export tie-in to Jubilee, aimed at the commercialization of gas from the TEN Fields using Jubilee pipeline infrastructure.

First oil is scheduled for mid-2016 with a facility capacity of around 80,000 barrels of oil per day.

PARTNERS

1. Tullow is the Operator holding 47.175%
2. KOSMOS - 17%
3. Anadarko- 17%
4. GNPC -15%
5. Petro SA -3.825%

c. Sankofa-Gye-Nyame (SGN)

The Plan of Development (POD) for the Sankofa-Gye Nyame (SGN) Fields of the Offshore Cape Three Points (OCTP) Block was approved on 30 December 2014 by Government following almost a year of delays in the approval due to technical reasons. This led to the following significant developments on the project:

- i. Parliament reviewed and ratified the necessary commercial contracts in December 2014, with GNPC holding a 20% total interest in the field.
- ii. Agreement between GNPC and the project partners on the broad principles of the Gas Sales Agreement (GSA), Security Package Agreements, and Supplementary Agreement. Accordingly, the Term Sheets of these agreements were signed in December 2014.
- iii. The development is located in the Offshore Cape Three Points (OTCP) licence approximately 60 km offshore the Ghanaian coast.
- iv. The project will access approximately 1.5 trillion cubic feet (tcf) of gas-in-place and around 500 million barrels of oil-in-place.
- v. The engineering design has been completed and the project has commenced. First oil and gas production will be phased through 2017 and early 2018 and oil production will reach around 80,000 bopd in 2019.
- vi. The Field is expected to peak at 44,800 bopd, and base load gas rate of 180 mmscf per day⁶

⁶ MOFEP

About OCTP⁷

The development is in a depth of 600 – 1000 m of water. The fields will be produced via sub-sea production systems located on the sea bed and the oil and gas are brought to surface by flowlines and risers connected to a floating production, storage and offloading (FPSO) vessel. Gas will be processed and transported via a dedicated pipeline to onshore gas receiving facilities located near the village of Sanzule on the coast in the Western Region of Ghana. Gas will be compressed and injected into the Western Corridor Gas Pipeline for transportation to industrial customers in Ghana. Oil will be stored in the FPSO and then offloaded to tankers for sale in the international market.

Eni, a partner at the Offshore Cape Three Points has signed a compensation agreement with the Sanzule Community in the Western Region to acquire a vast land of about 227 acres for the establishment of onshore facilities. Part of it will also be used for residential purposes for some of its staff who will be working on the field.

d. Mahogany, Teak and Akasa (MTA) discoveries

On 31st December, 2014, Kosmos Energy concluded an appraisal work to determine the commercial viability of the Mahogany, Teak and Akasa (MTA) discoveries in the West Cape Three Points (WCTP) Block.

⁷ Source: <http://www.vitol.com/ghana-vitol-and-eni-announce-transformational-gas-project-for-ghana/>

DEVELOPMENT PROGRAM – TULLOW OIL

The development program involving Tullow Oil are summarized in table

Table 3.2B: Tullow Oil's development program

Development	First Production	Wells	Remarks
Jubilee Phase 1A	2012	8	Infill wells using existing and additional subsea infrastructure. Planned to raise recovery and extend plateau production with a mix of up to 8 producer and injection wells. Six are on line at end of 2014 whilst 2 others to be completed in 2015 to add to additional well capacity
Greater Jubilee Full Field Development (including Mahogany Teak Akasa)	2016	10-32	Incremental development consisting of additional infill wells and subsea infrastructure to further raise recovery and maintain plateau production level. A Greater Jubilee Full Field Development Plan incorporating Mahogany Teak Akasa is being discussed. Additional subsea tree equipment with long lead time has been ordered.
Tweneboa/Enyera/Ntome	2016	10-24	Plan of Development (PoD) approved. First Oil expected in mid 2016.

Source: Tullow Oil

3.6.2 Crude Oil Reserve Audit

Crude oil reserve audit reviews the status of proven reserves in operating oil and gas fields. The fields reviewed included the Jubilee, TEN, and SGN; which are operated by Tullow Oil (Jubilee and TEN) and ENI (SGN). Reserves of oil and gas are measured in barrels of oil equivalent (BOE). This allows for the assessment of the total amount of energy potentially available in the oil and gas fields, without breaking it into barrels of crude oil or cubic feet of natural gas (See Table 3.3 below).

Table 3.3: Ghana's Hydrocarbon Reserves Potential in 2014

A	B	C	D	E	F
Field	Oil	Associated Gas	Non-Associated Gas	Total Gas	Total Reserves (GNPC)
	MMBO	BCF	BCF	MMBOE	MMBOE
Jubilee	460	568	-	108	568
TEN	245	294	59	67	312
SGN	162	287	1,071	258	420
TOTAL	867	1,149	1,130	433	1,300

Source: GNPC, PIAC (2014)

3.6.3 Crude Oil Production

In 2014, a total of 37,201,691 BBLS of crude oil and 55,758.04 MMSCF of natural gas was produced from the Jubilee field. Also, 79,602 BBLS of crude oil was produced from the Saltpond field. This brought total crude oil and gas produced in Ghana to 37,281,293 BBLS and 55,758.04 MMSCF respectively.

Table 3.4: Field Production Summary: January-December, 2014

Month	Jubilee Field						Saltpond
	Oil Production (BBL)	Gas Production (MMSCF)	Gas Injected (MMSCF)	Gas Flared (MMSCF)	Gas Used for Fuel (MMSCF)	Gas Exported (MMSCF)	Oil Production
January	3,151,844.00	4,617.32	4,178.45	145.65	293.21	0.00	
February	3,029,655.00	4,281.47	3,896.33	120.06	265.08	0.00	
March	3,005,125.00	4,342.04	3,702.12	378.92	261.01	0.00	15,118
April	3,145,556.00	4,552.56	4,045.21	258.78	248.56	0.00	

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May	3,257,380.00	4,801.58	4,135.64	398.09	267.85	0.00	
June	3,090,336.00	4,670.65	3,852.20	590.79	227.66	0.00	22,325
July	3,131,786.00	4,769.34	3,843.13	702.16	224.005	0.00	
August	3,225,142.00	4,919.70	3,976.50	661.60	281.6	0.00	
September	2,981,166.00	4,511.12	3,481.58	784.83	244.71	0.00	23,285
October	3,146,614.00	4,864.69	3,853.65	738.86	272.18	0.00	
November	3,050,062.00	4,755.21	3,940.20	176.26	255.99	382.75	
December	2,987,025.00	4,672.46	2,621.14	244.75	279.25	1,527.32	18,874
TOTAL	37,201,691.00	55,758.14	45,526.15	5,200.75	3,121.11	1,910.07	79,602

Source: GNPC

The monthly quantities of crude oil production were validated by the GNPC, which represents the Government of Ghana in the Petroleum Agreements with the oil companies.

It was found that there is no standard format for reporting on crude oil lifting by the three reporting agencies. There are differences therefore in the reported quantity of Ghana's crude oil lifting for the 2014 period. Both MOFEP and BOG reported total lifting at 6,690,798 BBLS whilst PIAC reported it to be 7,681,120 BBLS, a difference of 990,322 BBLS.

3.7 CONTRIBUTION OF THE OIL AND GAS SECTOR TO THE ECONOMY

GDP numbers released by the Ghana Statistical Service indicates that the economy grew by 4.0 percent at the end of 2014. This is lower than the 7.3 percent recorded in 2013 and the 7.1 percent projected for the overall growth of 7.1 percent (including oil), and 6.6 percent (excluding oil) for 2014.

The non-attainment of the 2014 growth target was on account of a decline in growth in all sectors of the economy relative to the projected sectoral growth targets. The Agriculture Sector grew by 4.6 percent, against a target of 5.2 percent; the Industry Sector grew by 0.8 percent, against a target of 6.8 percent; and the Services Sector grew by 5.6 percent, against a target of 7.2 percent. Upstream petroleum activity grew by 18.2 percent in 2014, compared to 18.0 percent in 2013.

In terms of economic structure, the Services Sector remains the largest sector, with a share of 51.9 percent of GDP, up from 49.8 percent in 2013. The Industry Sector experienced a second successive year of declining share of GDP, having declined to 26.6 percent in 2014, down from 27.8 percent in 2013. The Agriculture Sector experienced a further decline in its share of GDP, with a share of 21.5 percent, down from 22.4 percent in 2013 (MoFEP 2014 & 2015 budget statements).

3.7.1 Contribution of the Oil and Gas Sector to GDP

In Percentage terms, Oil and Gas contributed 7.2% of Total GDP in 2014 having slowed down from 8.2% in 2013. Table 3.5 shows the percentage contribution of the sectors from 2010-2014. (See www.statsghana.gov.gh)

Table 3.5 Distribution of GDP (at Basic Prices)

Sector	2010	2011	2012	2013	2014
Agriculture	29.8	25.3	22.9	22.4	21.5
Industry	19.1	25.6	28.0	27.8	26.6
o/w Mining and Quarry	2.3	8.4	9.5	9.4	8.0
o/w Oil and Gas	0.4	6.7	7.7	8.2	7.2
Services	51.1	49.1	19.1	49.8	51.9
Total	100	100	100	100	100

Source: Ghana Statistical Service

Table 3.6: Oil and Gas Sector Contribution to GDP

Sector	2011	2012	2013	2014
INDUSTRY	41.6	11.0	6.6	0.8
Mining and Quarrying	206.5	16.4	11.6	3.2
o/w Petroleum	2023.4	21.6	18	4.5
Gross Domestic Product in Purchase's Value	14.0	9.3	7.3	4.0
Non-oil GDP	8.6	8.6	6.7	4.4

Source: Budget and Policy Statement, 2015

3.7.2 Revenue impact of Oil and Gas

The revenue impact of oil and gas has also been significant. Oil and gas revenue increased from US\$444.1 million in 2011 to US\$978.9 million in 2014. This provided fiscal relief to the budget for the implementation of key government programmes.

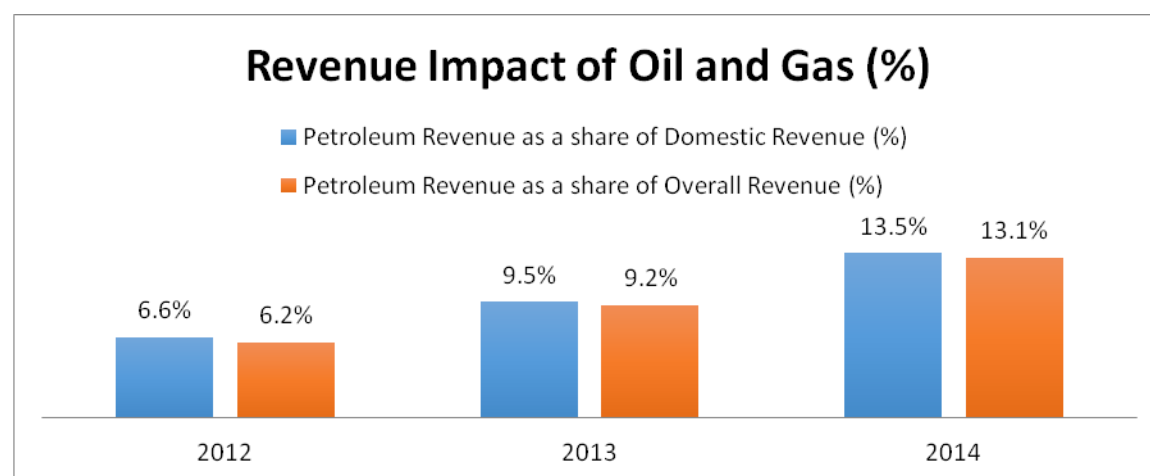
Table 3.7: Comparison of oil and gas revenues versus Domestic Revenues

Revenue Type	2012	2013	2014
Petroleum Revenue (US\$)	541,623,741.00	846,767,184.00	978,886,409.97
Domestic Revenue (US\$)	8,225,573,360.02	8,915,807,005.49	7,253,645,833.64
Total Revenue & Grants (US\$)	8,795,773,595.81	9,169,065,677.55	7,496,714,076.06

Source: Ministry of Finance

The relative impact of oil and gas revenue is illustrated in Figure 3.2. Oil and gas revenue for instance, contributed 13.5% of total government domestic revenue in 2014; and 13.1% of overall government revenue in the same year.

Figure 3.2: Share of Oil and Gas Revenue in Total Government Revenue



Source: Ministry of Finance

3.7.3 Contribution of Oil and Gas Sector to Exports

Since the commencement of oil production, Ghana's export profile increased, with oil overtaking cocoa in 2013 as the second largest foreign exchange earner to the country.

Comparison of Oil and Gas with other sectors in the Economy indicated that Oil and Gas sector recorded about 28.6% of the total Merchandise Export in 2014 from 28.23% in 2013.

Table 3.8 shows the contribution of Oil and Gas to total merchandise exports in 2013-2014.

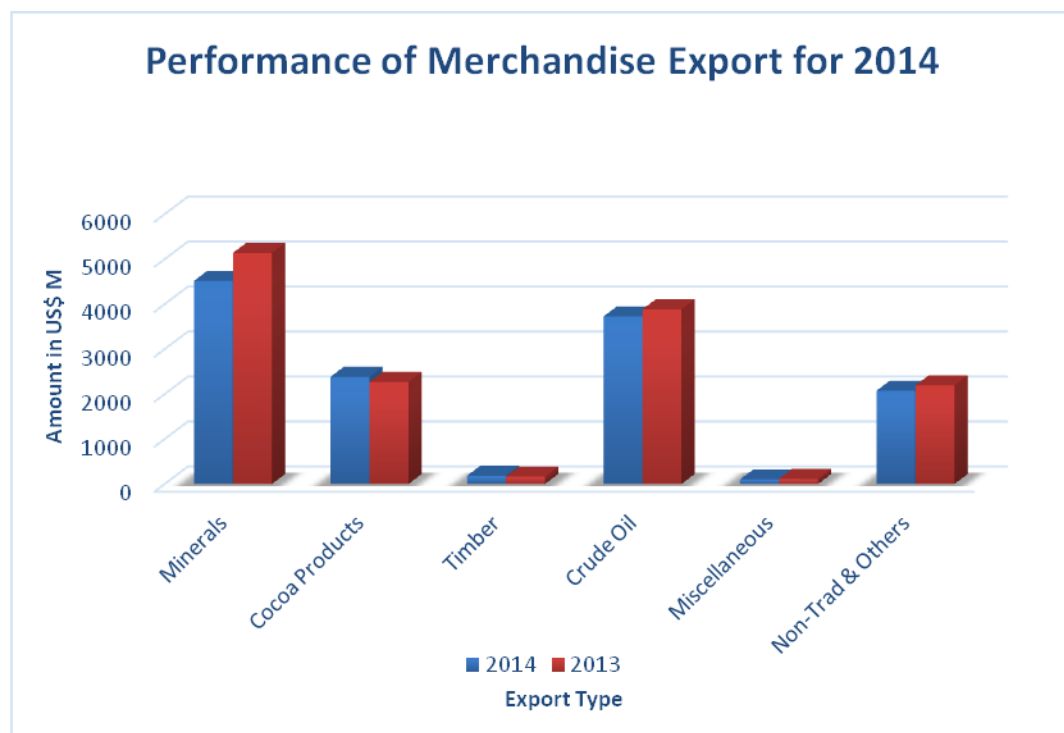
Table 3.8: Oil and Gas Contribution to National Exports (US \$ '000)

Item	2013	2013 % Distribution	2014	2014 % Distribution	Remarks
A. Total Merchandise Export	13,762	100	12,983	100	
B. Minerals	5138.89	37.34	4,516	34.78	Includes Aluminium Alloys
C. Cocoa	2267.29	16.47	2382.9	18.35	Includes Cocoa Products
D. Timber	163.93	1.19	182.95	1.40	
E. Miscellaneous	113.24	0.83	101.32	0.78	
F. Non Traditional	2193.69	15.94	2074.72	15.98	
G. Crude Oil	3885.07	28.23	3724.98	28.69	Jubilee Field Exports

Source: Ministry of Finance

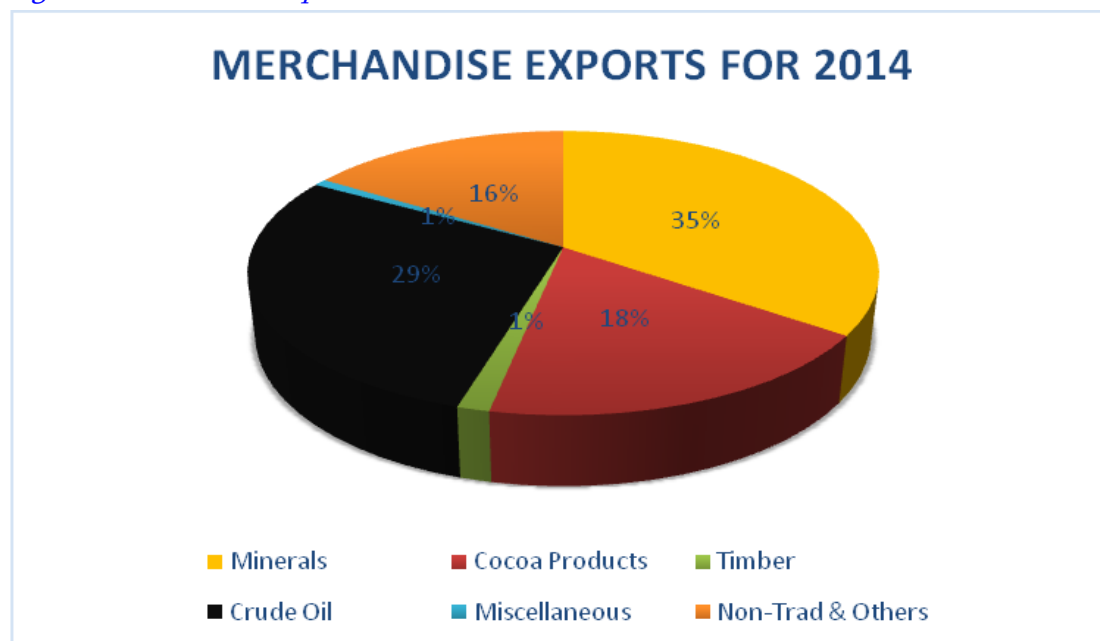
Breakdown of the other commodities shows that Oil and Gas constituted the second highest export commodity in 2014.

Fig 3.3: Merchandise export in 2014



In percentage terms, Crude Oil contributed about 29% of total merchandise exports in 2014 behind Mining. Table 3.8 shows the contributions of the other commodities (See fig 3.4)

Fig 3.4: Merchandise Exports for 2014



The share of oil and gas in total exports increased from 22% in 2012 to 28.7% in 2014. The impact of oil and gas exports on the external sector has been significant. Notwithstanding the rising earnings from oil and gas exports, the import bill also ballooned, further worsening the terms of trade. Therefore, with expected growth in oil and gas production from the TEN Fields and Sankofa Gas Fields, future export earnings from oil and gas could provide significant leverage for reducing the current account deficit.

3.7.4 Employment Opportunities

According to the Ghana Statistical Service survey published in August 2014, about 12,039,700⁸ people of 15 years and above are in employment in Ghana. Of this, about 686,202 are found in the private (formal) sector of the economy. Table 3.8.1 shows details.

⁸ All persons who did some work either for pay, profit or for family gain

Table 3.8.1: 2014 Employment profile in Ghana

Description	Number	%	
Population	26,400,000	100	
15 years and older (Employed)	12,039,700	45.6	100
o/w Civil Service	288,952		2.4
o/w Other Public Service	397,310		3.3
o/w Parastatals	24,079		0.2
o/w Total Private (Formal)	686,262		5.7
o/w Oil and Gas	7,000		0.058
o/w NGO Private	24,079		0.2
o/w Cooperatives	12,039		0.1
o/w Diplomatic Missions	12,039		0.1
Total in Establishments	1,444,764		12.0
o/w Others	10,594,936		88.0

Source: Ghana Statistical Service (GLSS 6) Labor Force Report, Aug, 2014

The oil and gas sector provided employment opportunities for all categories of workers – technicians and professionals - during the period. As at the end of 2014, a total of 7,000 people were employed in the Ghanaian upstream oil and gas industry.

Table 3.9: Status of Employment in the Oil and Gas Industry

Item	Industry Employees	%	International Oil Companies	
Ghanaians	5,600	80%	2315	64%
Expatriates	1,400	20%	1297	36%
Total	7,000	100%	3612	100%

Source: Ghana Petroleum Commission

Of these, 5,600 (or 80%) of the employees were Ghanaians; and 1,400 (or 20%) were Expatriates. Of the total employees, 3,616 were employed by the International Oil Companies, of which 2,315 were Ghanaians. The Oil Services Companies and the Public Sector absorbed the rest. These opportunities were created by both existing companies and newly registered ones. To date, about 415 companies are registered with the Ghana Petroleum Commission to operate and or provide services in the oil and gas industry.

3.8 ASSESSEMENT OF CRUDE OIL AND PRICE DEVELOPMENTS

3.8.1 The Marketing of oil by the GNPC

The Ghana National Petroleum Corporation -GNPC is responsible for lifting and marketing of oil on behalf of the state at the Jubilee Field.

The Ghana National Petroleum Corporation-GNPC (seller) and Unipet Asia Company Ltd (Buyer) entered into an agreement for a Seller to supply to Buyer on commercial terms, agreed volumes of crude oil⁹.

This agreement is pursuant to a Master Facility Agreement between China Development Bank Corporation, the Republic of Ghana represented by the Minister of Finance, Bank of Ghana, Ghana National Petroleum Corporation and UNIPET Asia.

In the GNPC/UNIPET agreement dated on the 1st of February 2012, GNPC shall deliver to Unipet Asia Company Ltd, 5 cargoes per calendar year (**@13,000 barrels per day** of Jubilee Crude Oil).

The standard cargo size shall be **950,000 net US barrels**. Deviations from the standard cargo sizes may be mutually agreed between seller and buyer on a cargo by cargo basis.

Price

The U.S. Dollar FOB price per (net bill of lading) barrel shall, unless the Parties agree otherwise, have the following components:

- a) a Dated Brent Component; and
- b) a Differential;

The **price** shall be calculated in accordance with the following formula; The US dollar FOB Price =**Dated Brent + Differential**.

⁹ Source: GNPC

For the Dated Brent Price, the buyer shall have the option to choose from four (4) Dated Brent component pricing options as the applicable pricing method for the sale of the jubilee crude oil.

The buyer shall pay a margin of US cents eight (8) per barrel for exercising any price option.

Differential: The differential shall be:

The average of the differentials realized for all the jubilee crude oil liftings in the month of lifting (i.e. B/L month). This will be reviewed at the end of the year,

Taxes

All taxes, duties, imposts, fees, charges(including, without limitations, pilotage, mooring and towage expenses) and dues including, without limitation, quay dues) in respect of the vessel incurred at the loading terminal shall be for the Buyer's account.

The Amount of any taxes, duties, imposts, fees, charges and dues of every description imposed or levied by any governmental, local or port authority on the Jubilee Crude Oil supplied hereunder, or on its export, delivery, transportation, ownership, sale or use, in respect of any stage prior to the risk in such jubilee crude oil passing to the Buyer shall be for the seller's account.

Payment

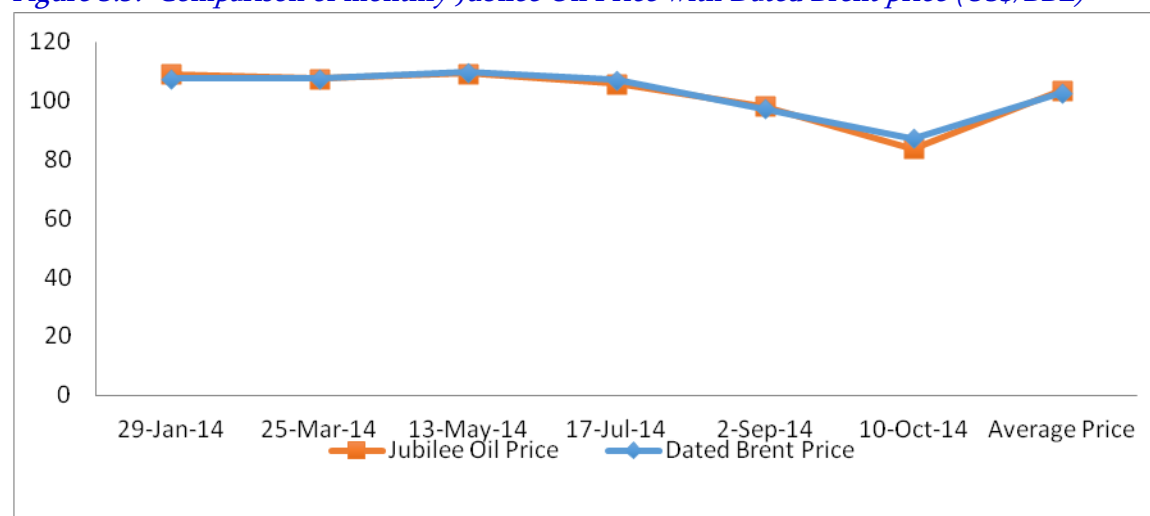
Payment for all crude oil sales under this Agreement shall be made into the Petroleum Holding Fund in US dollars by telegraphic transfer, in full without discount, withholding setoff or counterclaim(but subject always to and pursuant to the terms of the Master Agreement and the Five party Agreement),

3.8.1.1 Price Developments

Comparing Jubilee Oil price with Dated Brent Price

Generally, Brent oil price was lower in 2014 and this was consistent with jubilee oil price. Realized prices were lower on account of a significant fall in the second half of the year particularly in October, 2014. The fall in the average price was due to a global oversupply of oil and reduced oil demand resulting from continued economic weakness particularly in late 2014. Jubilee price competed well against dated Brent, except in the month of October when the jubilee oil traded on a marginal discount of about US\$3.463/BBL (See Figure 3.5 below).

Figure 3.5: Comparison of monthly Jubilee Oil Price with Dated Brent price (US\$/BBL)



Source: Ministry of Finance, Reconciliation Report on Petroleum Holding Fund, 2014; International Energy Agency.

3.8.1.2 Comparing Jubilee Oil Price with Saltpond Oil Price

The Saltpond Offshore Production Company reported its realized prices as follows in Table 3.10. The year began with a net price of US\$99.125/BBL and ended in an average lower price of US\$82.582/BBL largely due to a significant fall in price in the fourth quarter of the year.

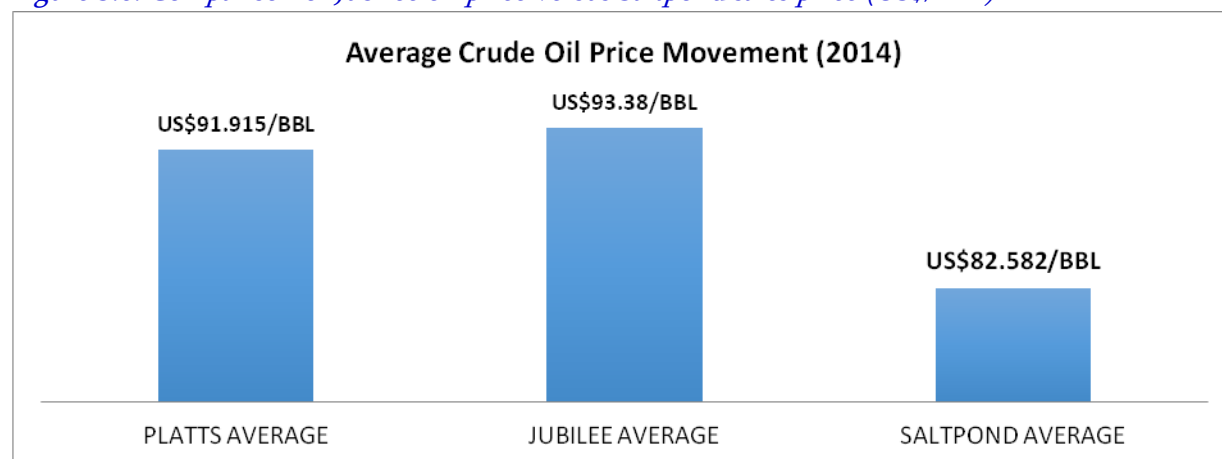
Table 3.10: Achieved Crude Oil Price for Saltpond Field

Period	QTR 1	QTR 2	QTR 3	QTR 4	Average Selling Price
Price (Mean Platt – US\$/Bbl)	107.125	109.78	-	58.84	91.915
Discount (US\$/Bbl)	8	8	-	12	9.33
Net Price (US\$/Bbl)	99.125 1	101.78	-	46.84	82.582

Source: GNPC

It was observed that in comparison with Jubilee oil price and Platts average, Saltpond oil price was not competitive. Jubilee oil performed much better trading at a premium of US\$10.79/BBL to Saltpond oil. (See Figure 3.6)

Figure 3.6: Comparison of Jubilee oil price versus Saltpond sales price (US\$/BBL)

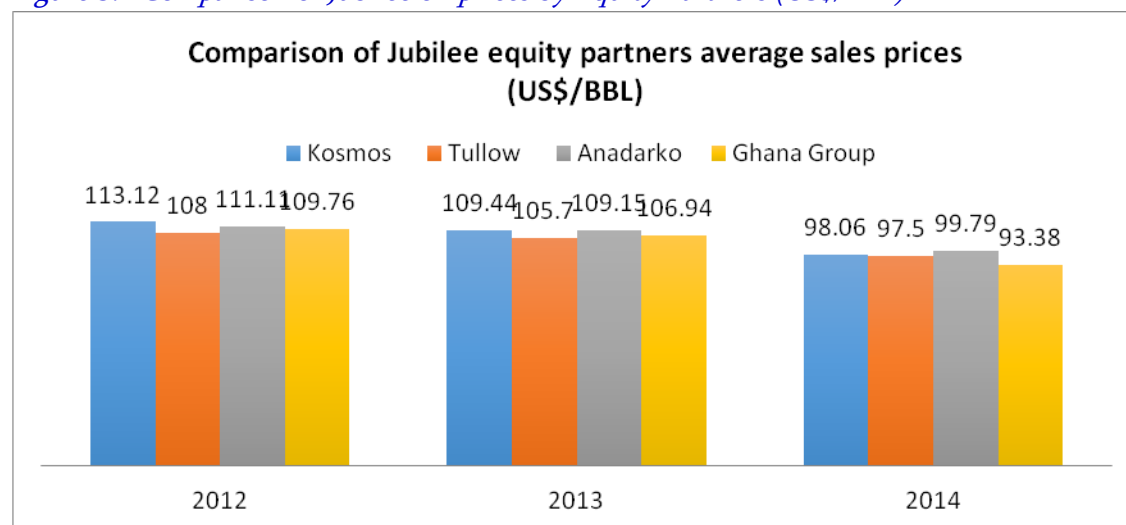


Source: Ministry of Finance, Reconciliation Report on Petroleum Holding Fund, 2014; International Energy Agency, PIAC 2014 Report on the management of Petroleum revenues.

3.8.1.3 Comparing Jubilee oil price by Equity Partners

The Ghana Group achieved a relatively lower price for its share of jubilee oil in 2014 compared with its equity partners trading at a discount of US\$6.41/BBL against Anadarko, US\$4.12/BBL against Tullow, and US\$4.68/BBL against Kosmos. The trend over the period 2012 – 2014 however showed that jubilee oil price was on a downward trend consistent with general movement of market oil prices (See Figure 3.7).

Figure 3.7 Comparison of Jubilee oil prices by Equity Partners (US\$/BBL)



Source: Kosmos Energy Annual Report, 2014; Tullow Oil Annual Report, 2014; Anadarko Annual Report, 2014; Ministry of Finance, Reconciliation Report on Petroleum Holding Fund, 2013, 2014.

It was found that on average, crude oil prices were lower in 2014 relative to 2013. The Ghana Group sales price was also competitive to dated Brent.

Sustainability and Resource Dependence

Ghana's Oil and Gas industry has a sustainable future. Reserves are indicated on Table 3.11.1.

Table 3.11.1: Reserve positions of Oil and Gas Resources in Ghana

Field	Oil Reserve	Total Gas Reserve	2014 Production
	MMBO	MMBOE	
Jubilee	460	108	37MBBL
Tweneboa/Enyera/Ntome(TEN)	245	67	Not Commenced
Sankofa Gye Nyame	162	258	Not Commenced

Thus the reserve position and the rate of exploitation put the sector's resource sustainability very high. With new discoveries being appraised and developed into production units, the Oil and Gas operations in the country tends to be highly prospective.

GDP Growth

Ghana's Oil and Gas GDP growth on a constant price basis has been consistently higher than the national average indicating a positive contribution to the economy. In 2012 it registered about 21% growth compared with 18% in 2013. In 2014 growth rate further decreased to 4.5% due to production plateau achieved at the Jubilee Fields. Growth is set to increase from 2016 when TEN, MTA and Sankofa Gye Nyame fields come on production stream.

The Effects of Oil Price Changes

There have been sustained period of price depression for crude oil in the last quarter of 2014 and persisting till December 2015. This undoubtedly has necessitated the review of the country's budgets for 2015 and beyond. That notwithstanding, the anticipated growth of crude oil production in the country would to some extent compensate for revenue shortfalls in the years ahead.

There has been favorable symbiotic relationship between oil and gas activity and general socioeconomic development in Ghana since 2010 when production commenced.

Resource Dependence

According to United Nations Development Program (UNDP), Ghana's human Development Index stands at 0.558 and its poverty rate also at 28.6. (www.undp.org)

GLSS Round 6 of the Ghana Statistical Service states that the country has met the first MDG target of halving poverty between 1990 and 2015, reducing it from 51.7 percent of the population in 1992 to 24.2 percent in 2013. The proportion of people living in poverty declined from 31.9 percent in 2005/06 to 24.2 percent in 2012/13, the number of people living in poverty declined from 7 million to 6.4 million. Similarly, the proportion of people living in extreme poverty (those unable to meet their basic food needs) declined from 16.5 percent in 2006 to 8.4 percent in 2013. This means that the number of people living in extreme poverty has reduced from 3.6 million in 2006 to 2.2 million in 2013.

The Oil and Gas sector contributes towards the attainment of such goals through increased foreign direct investments, central government fiscal revenues, GDP growth and employment opportunities.

As a further indication of the importance of the oil and gas resource, Ghana has reviewed its budget estimates for oil and gas receipts in supplementary budget in 2015 in anticipated market trend in 2015. (www.mofep.gov.gh) Mid-Year Budget Review, 2015

LOCAL CONTENT

The Petroleum (Local Content and Local Participation) Regulations (LI2204), 2013 mandates oil and Gas companies (both IOC and ISP) to meet certain stipulations regarding human resource and supply chain requirements. Table 3.12 shows its progress in implementation by end of December 2014.

Table 3.12: Implementation of Local Content in the Oil and Gas Sector

OICs and ISPs ¹⁰	Operation Date	Ghanaian Staff	Expatriate Staff	LI 2204 Target	% Actual
Tullow Ghana	2006	255	127	70%-80%	66.8
ENI Ghana	2009	24	16	70%-80%	60
Baker Hughes	2009	95	56	70%-80%	62.9
FMC Technologies	2009	72	24	70%-80%	75
KOSMOS Energy	2004	32	1	70%-80%	96.9
MODEC Ghana	2010	138	66	50%-60%	67.6
NOV Ghana	2009	34	8	70%-80%	81
TECHNIP	2009	36	6	70%-80%	85.7
SCHLUMBERGER	2008	420	166	50%-60%	71.6
EXPRO Ghana	2008	27	34	70%-80%	44.3
MEDEA	2013	5	0	30%	100
WEATHERFORD	2008	8	3	70%-80%	11
YINSON Production	2014	6	2	30%	8
HESS Ghana	2005	15	1		93.8
Total		1167	510		

A total of 474 companies are registered with the Petroleum Commission of which 321 are Indigenous, 102 are foreign and 46 are joint ventures with Ghanaians.

The industry has generated a total of 7,000 people in employment. About 80% or 5,300 are Ghanaian employees and 1,300 representing 20% are expatriate. IOC's employ 3,616 people of which 1,301 are expatriates and 2,315 are Ghanaians

On the supply chain, between 2010-2015 Q4, a total of US\$ 6,242,757,339 worth of contracts have been awarded. Out of it US\$ 1bn was awarded to indigenous companies. As at Q3 2015, US\$ 201,072,785 has already been awarded to indigenous companies.

The local fabrication industry has been able to supply Module Stools, Jumpers, Suction pipes, Sleepers, Riser Base, Manifolds, Mud mats.

¹⁰ International Oil Companies and International Service Providers

1. Capital Investments include cements units at Takoradi, Waste Management/Thermal Absorption Plants and Fabrication yards in Takoradi
2. Insurance protocol in the upstream sector
3. Capacity building institutions such as JTTC- RMU and Takoradi Polytechnic and the establishment of the Enterprise Development Centre.

OWNERSHIP OF IN SCOPE OIL AND GAS COMPANIES

Tullow Oil, KOSMOS Energy and Anadarko are publicly quoted and have details of company ownership publicly disclosed. GNPC is a SOE in Ghana and Sabre Oil is owned by the South African Government. Table 3.13 indicates listing symbols and pertinent details of participating companies.

OIL & GAS PRODUCING COMPANIES - OWNERSHIP

Table 3.13: Ownership of Producing Oil and Gas companies

Licence Holder	Ownership
Tullow Oil	Tullow Oil has 35.5% stake in the Jubilee Field. Listed on the London Stock Exchange TLW:GBX, Irish Stock Exchange TQW:EUR and Ghana Stock Exchange TLW:GHS. Major Shareholders Capital Group Companies Inc with 92,720,787 shares estimated at 10.18%, Genesis Asset Managers LLP holding 72,871,524 shares approximately 8%, Oppenheimer Funds, Inc. owns 49,582,679 shares estimated to be 5.45% and IFG International Trust Co holding 38,960,366 shares which is 4.28%. Directors include McDade, G. Martin. S. Thompson, Ann Grant, Tutu Agyare, Steve Lucas, A Drinkwater, J. Wilson and Mike Daly
Kosmos Energy	Kosmos has 24.07% stake in the Jubilee Field. Listed on the New York Exchange NYSE:KOS . Directors include Andrew Inglis, Brian Maxted, T. Chambers, W. Dunley, C. Ball, Paul Dailly, J. Doughty, M. Garrett, Eric Haas, W. Hayes, Reg. Manhas, Paul Nobel
Anadarko Petroleum Corporation	Anadarko has 24.07% stake in the Jubilee Field. Listed on the New York Stock Exchange NYSE:APC. Directors R. Walker, A Chase, Kevin Chilton, H. Eberhart, Peter Flour, R. George, C Goodyear, J. Gorder, John Gordon , Eric Mullins

Sabre Oil & Gas Holdings Ltd, Wholly subsidiary of Petro S.A*	Sabre Oil ¹¹ owns 2.73% in the Jubilee Field. Subsidiary of Central Energy Fund(CEF) which is owned by the Government of South Africa. . PetroSA was formed in 2002 upon the merger of Soekor E and P (Pty) Limited, Mossgas (Pty) Limited and parts of the Strategic Fuel Fund, another subsidiary of CEF. Directors include M. Madumise, S. Mncwango, Musa Zwane, F. Letlape, A. Molusi, L Hlastshwayo, S. Mokoena, Victor Sibiya, N. Nokwe-Macano, L. Mthimunya-Bakano, K. Kekana
GNPC	GNPC which is the National Oil Company(NOC) of Ghana has a stake in all the fields. It has a 13.64% in the Jubilee Field.Its directors include Alex Mould, A. Amaliba, A. Attbrukusu, Amoako Mensah, Felix Addo, Kyeretwie Opoku, Worlanyo Amoah
Saltpond Oilfields	Saltpond Oilfields is 55% owned by Lushan Eternitt which is a subsidiary of Lushan International Energy Corp(LIEC), Houston, Texas USA. 45% is owned by GNPC, the NOC .Its directors include Q. Sintim Aboagye, Jude Idigbe, J. Okorafor, Victor Nwosa , K. Temeng and K. Manu.

State Owned Enterprise (SOE) in the Oil and Gas Sector

Ghana National Petroleum Company is the National Oil Company. Its subsidiaries and joint ventures are:

GNPC Exploration and Production Company (Explorco)

GNPC's 100% owned exploration and production subsidiary serving as its operating arm on selected projects. Explorco is a partner in SPA's 1) South Deepwater Tano; 2) Expanded Shallow Water Tano; 3) Offshore South West Tano; 4) Deepwater East Keta and 5) Deepwater Cape Three Points West

Tradeco

Tradeco is GNPC's trading arm which has been set up to carry out the business of trading crude oil and gas. It will market and sell Ghana's crude oil and gas, as well as buy and sell crude oil on its own account.

¹¹ Shares acquired by Petro SA.

GNPC Oil and Gas Learning Foundation

The GNPC Oil and Gas Learning Foundation, is a company limited by guarantee, with GNPC initially as its sole subscriber. It is an autonomous institution set up to ensure the training of citizens of Ghana and the development of national capabilities in all aspects of petroleum operations.

GNPC Oil and Gas Learning Foundation facilitates scholarship awards and grants to support individuals and Educational and Training institutions, to build national capacity in oil and gas sciences, policy, management and operations in order to achieve national local content aspirations.

The Foundation is governed by a five-member Council with the day-to-day management responsibility residing in a Secretariat headed by an Executive Secretary.

Mole Motel

GNPC holds 60% equity in the Motel located in the Mole National Park, the remaining 40% is held by the Wildlife Department of Forestry Commission. The Mole National Park is the largest wild life reserve in Ghana, located in the West Gonja District of the Northern Region of Ghana, 24 km from Damongo.

PresteaSankofa

GNPC holds 90% equity in the gold mine. The Government of Ghana holds the remaining 10%.

GNPC-Technip Engineering Services

This is a joint venture between GNPC and Technip to advance GNPC's goal of developing cutting edge expertise in upstream oil and gas engineering services, as well as project management. Established in 2011, the joint venture has won a number of contracts in both the Jubilee and TEN Fields operations. GNPC-Technip Engineering Services designed, manufactured and installed the first subsea jumpers in Ghana industry. GNPC holds a 30% equity share with an option to increase its shareholding.

Saltpond

It is the oil production company for the Saltpond Oil Field. GNPC owns 45% with the remainder held by Lushann Eternit Energy Limited. The Saltpond Field was discovered in 1970. Its current production is about 250 barrels of oil per day.

GNPC – AGM Operating Company (OPCO)

GNPC uses the Joint Operating Company concept in which GNPC-Explorco and AGM Ghana jointly operate selected blocks.

Airtel Ghana

GNPC holds a 25% equity stake in Airtel Ghana Limited after divestment of part of its stake in 2008. Airtel Ghana is currently the number 4 mobile operator by market share in Ghana

CORPORATE SOCIAL RESPONSIBILITY- 2014

Social Investment spending¹² in 2014 was over US \$ 2.2 million.

KOSMOS contributed to the Jubilee Unit Social Investment Projects which focus largely on vocational training. These initiatives are overseen by a team of representatives from the Jubilee Partners.

KOSMOS invested US \$ 711,000 in social programs. In 2014 KOSMOS and Safe Water Network with support from Community Water and Sanitation Agency completed the third and final phase of the Water Project to bring clean water to 19 communities in the Western Region.

The third Phase which was completed in December 2014, benefits 12,300 people in 8 communities.

The newly built facilities – 4 water stations and 3 substations produce approximately 25,000 litres per day to each targeted community. The project includes health and hygiene programs being implemented in communities and schools.

The Water Project which was started in 2012 and completed in 2014 has benefited more than 27,000 people in 19 communities in 4 districts.

Table 3.14 shows the investments of the Tullow Oil, KOSMOS, Anadarko etc. which program is coordinated by representatives of Jubilee Partners.

GNPC

Corporate Social Responsibilities undertaken by GNPC include the following:

¹² The Independent Administrator did not verify these corporate social responsibility projects

JUBILEE TECHNICAL TRAINING CENTRE, JTTC.

This is a public private initiative (PPI) between the Jubilee Partners, Takoradi Polytechnic and TTE. The Centre funded, built and operated by the Jubilee Partners provides technical skills training to industries.

HESS-GNPC Scholars Programme

A special initiative between Hess Corporation and GNPC to provide scholarships in the 3 coastal districts of the Western Region - Ellembelle, Jomoro and Nzema East districts. The scholarship covers tuition, books and feeding cost.

Table 3.14 Social Investment Spending

Project	2012(US\$)	2013(US\$)	2014(US\$)
KOSMOS	373,000	404,000	711,000
Jubilee Unit & TEN Development	2,699,000	4,739,000	1,509,000

Source: KOSMOS Energy

4.0 RECONCILIATION

4.1 DATA COLLECTION & ANALYSIS

Templates were distributed to all the reporting companies. Companies were required to complete template and return to the Independent Administrator.

❖ Credibility of data

To assure the credibility of data in accordance with Requirement 5.2(c), it was agreed that the participants should provide the following information as part of the completed template.

- a) A senior Company or government official attest to the completeness and accuracy of the completed template by signing off.
- b) Detailed payment by payment data or supporting document so that each transaction is reconciled separately.

❖ Data Reliability check

All templates collected were scrutinized to ensure that they fully meet the requirements set out for the completion of templates. Data reliability was checked against the following

- a) **Completeness:** Templates submitted by participating candidates were checked to ensure that all requisite responses have been thoroughly completed.
- b) **Relevance:-** Attached documentations such as receipts and schedules were checked for their relevance to figures and periods provided on the templates.
- c) **Correctness/accuracy:-** Figures provided in the templates were checked for correctness against receipts or other documentations provided. Also figures on receipts were summed up to ensure they tally with the figures provided in the templates.
- d) **Certification:-** Templates were checked to ensure that they have been properly endorsed by completing officers with appropriate signatories and official stamps.

Senior officials signing templates, do so on behalf of the board of directors. It is believed by the Steering committee that these officials will ensure the authenticity of the data provided, as the board of directors is likely to sanction any senior official who provide false data.

❖ Initial Reconciliation

A database in Microsoft excel was set up using the data obtained from both the companies' reporting templates and government reporting templates as well as their supporting documents.

Reconciliation of data was undertaken on company or project by project basis and item by item basis. All discrepancies were identified.

❖ Investigation of Discrepancies

In situations where discrepancies were identified the following steps were undertaken to investigate the differences;

- i) Clarifications were sought from the reported entities on discrepancies.
- ii) Discrepancies were amended as a result of the submission of relevant supported document and explanations.
- iii) The original database was amended with the new information and final figures were produced.

4.2 MATERIALITY

It was determined by the EITI steering Committee that all companies and joint venture partners engaged in the production of oil/gas and contributed up to 99% of oil/gas royalty, were expected to participate in the reconciliation exercise.

Background

The Oil and Gas sector consists of production and exploration areas. There are two producing fields, Jubilee Field (which straddles two fields; West Cape three point and Deep Water Tano) and the Saltpond Offshore producing field. There are several companies also engaged in exploration in several areas, such as the WCTP and DWT fields, offshore Keta Basin and offshore Saltpond basin.

Revenue streams

The exploration and producing companies make payments including the following to central government and government Agencies.

Royalty, Carried interest, additional participating interest, corporate taxes, surface rental, training allowance, PAYE, withholding taxes and Value added taxes.

At the jubilee fields, the jubilee partners do not pay cash for royalty, carried interest and additional participating interest. The GNPC picks parcels of oil periodically depending on the lifting schedules, sells same and then apportions the revenue into royalty, carried interest and participating interest in accordance with the entitlements and the fiscal regime operating at the jubilee field. However at the Saltpond offshore producing field, the operator pays royalty in cash.

Revenue Management

The management of oil and gas revenues in Ghana is guided by the Petroleum Revenue and Management Act (PRMA 2011, ACT 815).

Section 2(2) of Act 815, states that “Petroleum revenue shall be deposited in the Petroleum Holding Fund for subsequent transfers in accordance with the provisions of this Act’

Sections 6 and 7 of the PRMA, define petroleum revenues or receipts as

- a) Royalties from oil and gas, additional oil entitlements, surface rentals, other receipts from any petroleum operations and from the sale or export of petroleum.
- b) Any amount received from direct or indirect participation of the government in petroleum operations
- c) Corporate income taxes in cash from upstream and midstream petroleum companies;
- d) Any amount payable by the national oil company as corporate income tax, royalty, dividends, or any other amount due in accordance with the laws of Ghana,
- e) Any amount received by government directly or indirectly from **petroleum resources** not covered by paragraphs (a) to (d) including where applicable, capital gains tax derived from the sale of ownership of exploration, development and production rights.
- f) Carried and participating interest after deducting equity financing and cash or the equivalent of barrels that shall be ceded to the national oil company out of carried and participating interests recommended by the Minister and approved by parliament.

In 2014 the total amount paid into the Petroleum Holding Fund amounted to **US\$978,886,379**.

The following steps were undertaken in determining the materiality:

- Taxes levied on consumption such as value added taxes, personal income tax (PAYE) or sales taxes were excluded as they were considered as indirect taxes.
- Payments covering 99% of total payments into the Petroleum Holding Fund were to be reconciled.

- The Steering committee determined that all relevant revenue streams listed in the PRMA, Act 815 sections 6 and 7 be selected as in scope (Surface Rental, Royalty, Carried Interest, Additional Participating Interest, Corporate tax and Dividend paid by the National Oil Company).

Thus all the revenue streams paid into the Petroleum Holding Fund were considered in scope. Additionally, the steering committee determined that training allowance and technology bonus that was paid by producing companies to the GNPC (and not into the Petroleum Holding Fund) should also be included as in-scope.(see Appendix 4 for 2014 Training allowance and Technology bonus.

- The selected companies were required to report on all the relevant revenue streams.

Table 4.1.1 shows the contribution of the revenue streams to total revenue. It depicts that about 99% of the total receipts in 2014 were contributed by companies engaged in the production of oil and gas at the Jubilee Fields, which pay the four topmost benefits including royalty (see Table 4.1.2).

Although the contribution from the Saltpond Oil field (US\$ 151,986)¹³ was not material, the Steering committee determined the inclusion of Saltpond Offshore Producing Company for the purpose of shedding light on Ghana's second producing field..

Surface rentals, training allowance and technology bonus (see Appendix 4) and Table 4.1.1 together constituted only 0.98% of total receipts and were thus considered as not material and non-reconcilable in 2014.

Thus by setting the materiality contribution at 99% royalty payment, full oil producing companies disclosure was achieved. Secondly it assured over 99% coverage of relevant payments for reconciliation, resulting in a comprehensive reporting process.

¹³ Royalty amount in Table 4.1.1 includes royalty of US\$151,986 paid by Saltpond Offshore Producing Company.

Table 4.1.1: Relevant Revenue streams and Materiality

Receipt type(Revenue Stream)	Amount(US\$)	%	Cumulative %
Carried Interest	366,055,428	37.05	37.05
Corporate tax	284,546,191	28.80	65.84
Royalty	192,812,737	19.51	85.36
Additional Paid Interest	133,274,924	13.49	98.84
Training Allowance	4,725,000	0.48	99.32
Technology/Technical support	4,500,000	0.46	99.78
Surface Rental	1,775,767	0.18	99.96
Unipet 2013 Differentials	297,249	0.03	99.99
Interest on PHF investment	124,083	0.01	100.00
Total	988,111,379	100.000	

• REPORTING

Basis of Reporting/ Currency

The basis of reporting is cash or actual. Thus only payments/revenues actually made and received in the period under consideration shall be reconciled. The reporting currency is the United States dollars. Most of the transactions in the sector including the payment of the relevant revenue streams are all denominated in the US\$.

Auditing

All the participating companies had their financial statements audited by Independent Auditors for 2014. The independent auditors of the companies employed auditing standards issued by the International Auditing and Assurance Standards board.

None of the Auditors' statements was qualified. The Auditor General of Ghana and the Audit Service had completed the audit of all participating government Agencies for 2014.

The Audit Service of Ghana is a member of the International Organization of Supreme Audit Institutions(INTOSAI)and AFROSAI and applies the International Standards of Supreme Audit Institutions (ISSAI) issued by (INTOSAI) in its auditing work.

The Audit Service monitors the use and management of all Public funds and report to Parliament.

NATIONAL BUDGETS

❖ Description of Budgets and Audit Process

Legal Bases that Underpin the Budget Process

1. The Constitution – Estimates of the revenues and expenditure of the Government of Ghana are to be laid before Parliament.
2. Appropriations Bill/Act –Passes every fiscal year.
3. Financial Administration Act (FAA)- 2003, Act 654
4. Financial Administration Regulations-2004, (LI 1820)

In Ghana, the Ministry of Finance provides a vigilant supervision of all the MDAs through the provision of quarterly and monthly expenditure ceilings and the institutions of sanctions to departments that exceed their ceilings. Expenditure returns from the various MDAs are submitted to the Expenditure Monitoring Unit of the Ministry of Finance, which then advises on what actions to take.

There are four main phases of the budgetary cycle in Ghana. These are:

- **Planning and Preparation (Budget Formulation)**
- **Analysis and approval (Authorisation and Approval)**
- **Implementation and monitoring**
- **Auditing and evaluation**

At any point in time, more than one of these processes take place simultaneously.

1. **Planning and Preparation (Budget Formulation) Stage**

This consists initially of the determination of the macro-economic framework for the country after which budget circular on the guidelines for the preparation of sector budgets are formulated and distributed. MDAs are made to submit their draft estimates at budget hearings, after which the conclusions are sent to Cabinet.

2. Analysis and Approval (Authorisation and Approval)

After Cabinet has discussed the draft estimates, it is forwarded to parliamentary select committee for examination and concluded with an approval by Parliament of the Appropriation Bill.

3. The Implementation and Monitoring

This phase proceeds with the issue of a General warrant/Specific warrants to the Controller and Accountant General's Department (CAGD) by the Minister of Finance, followed by the CAGs issuance of instruction to the Treasuries.

At the macro level, the Minister of Finance has to authorise releases. There are limits to which releases can be effected by the Minister, Deputy Minister, The Chief Director, Director of Budget.

At the Micro/MDA level, the Vote Controller is responsible for releases. Treasury officers from CAGD are posted to various MDAs.

4. Audit and Evaluation

This phase involves the assessment of performance and determination of the variances between programmed targets and what was actually achieved. Evaluation of policy and the year's performance provides basis for appropriate corrective measures in the ensuing year.

❖ The Role of Internal and External Audits

MDAs have their internal auditors who certify the appropriateness of expenditures before they are incurred.

External auditing is carried out by the Auditor-General who is independent of the CAGD. All appropriations are copied to the Auditor-General.

4.3 REPORTING ENTITIES

All international and national oil companies with stakes in the Jubilee Field, Saltpond Oil/ Gas Field and MDA's relevant to the EITI reporting process. (See Table 4.1.2)

Table 4.1.2: Participants in the 2014 reconciliation process

OIL & GAS COMPANIES	GOVERNMENT AGENCIES
Tullow (Ghana) Limited	Ghana Revenue Authority
Kosmos Energy Ghana HC	Ghana National Petroleum Corporation(GNPC)
Ghana National Petroleum Corporation(GNPC)	Ministry of Finance /Bank of Ghana
Saltpond Offshore Producing Co. Ltd	Petroleum Commission
Anadarko WCTP (Ghana) Limited	Ministry of Energy and Petroleum
Petro SA	

OTHER COMPANIES

Other companies operating in the Oil and Gas industry which did not participate in the reconciliation exercise include,

- Eni Ghana Exploration & Production Ltd
- Oranto Energy Ltd
- Azonto Petroleum Ltd
- Hess Ghana Exploration Ltd
- Lukoil Overseas Ghana Ltd
- AGM Petroleum Ghana Ltd
- Amni International Petroleum Resources Ghana Ltd. (See table 5.12, for surface rental payments made by these companies)

4.4 GOVERNMENT AGENCIES

❖ Ghana Revenue Authority (Domestic Tax Revenue Division)

The Domestic Tax Revenue Division of the Ghana Revenue Authority is responsible for the collection of taxes including: income tax, royalties, capital gains tax, corporate tax and gift tax. According to the Petroleum Revenue Management Act (PRMA), ACT 815, the GRA is mandated to assess, collect and account for all petroleum revenues. ACT 815 defines petroleum revenues to include:

- a) Royalty in cash or in equivalent barrels of oil or units of gas, payable by the holder of a licence to produce which includes the national oil company.
- b) Surface rentals.
- c) Additional Oil Entitlement
- d) Corporate income taxes from upstream and midstream petroleum companies including the national oil company.
- e) Dividends payable by the National Oil Company.
- f) Carried and Participating Interests.
- g) Investment income derived from accumulated petroleum funds.
- h) Any amount received by government directly or indirectly from petroleum resources including where applicable, capital gains tax derived from the sale of ownership of exploration, development and production rights.

Data on payments of benefit streams paid in 2014 were provided by the Domestic Tax Revenue Division of the GRA.

❖ Ghana Revenue Authority (Customs Division)

The customs division of the GRA is responsible for monitoring oil production, supervise oil export and conduct preventive duties on the facility. At the Jubilee Field its duties include:

- Daily check of the status of revenue locks both electronically and physically to ensure that they are intact
- Participate in daily physical survey of tanks to determine daily oil production
- Perform Preventive duties to prevent the use of the facility for activities other than oil production.
- During export of oil.

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Participate in physical survey of nominated tanks with other interested parties to determine the quantity of oil delivered from the FPSO tanks.

Disarm the electronic seal on the main export valve and open it to allow export; close and arm seal after export.

Confirm export quantities and endorse export documents particularly the following;

- Cargo Manifest
- Certificate of origin
- Metering custody transfer system-sealed Valve Verification

The GRA (customs Division) maintains one Customs officer on the FPSO to perform its duties, however during liftings/exports, one more Officer is added.

❖ **Ministry of Finance (Bank of Ghana)**

The Bank of Ghana is responsible for the day-to-day operational management of the Petroleum Holding fund, the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund under the terms of the Operations Management Agreement. (Section 26, PRMA, 2011). The supervising Ministry of the Central Bank is the Ministry of Finance. The Administrator requested for information from the Bank of Ghana through the Ministry of Finance.

❖ **The National Oil Company (Ghana National Petroleum Corporation) GNPC**

The Ghana National Petroleum Corporation (GNPC) was established by PNDC Law 64 to undertake the sustainable exploration, development, production and disposal of hydrocarbon resources in Ghana. The Corporation has a vision *to be a leading global oil and gas company whose operations have a profound impact on the quality of life of the people of Ghana*. To achieve this vision GNPC in 2012, developed and adopted the Accelerated Growth Strategy hinged on 4 key pillars namely;

- Building Capacity and Expanding Activities
- Replacing and Growing Reserves
- Efficient Capitalization and Optimum Participation
- Catalyzing Local Content Development

The combined effect of these strategies is that GNPC would become a stand-alone operator in the next 7 years and a world class operator with 15 years.

❖ Operational updates

Over the years GNPC has cultivated close working relations with all E&P companies operating in Ghana which has culminated in a string of significant oil and gas discoveries offshore Ghana, which include the world-class Jubilee Field, the upcoming TEN Field and the Sankofa-Gye Nyame fields.

In 2012 alone, seven (7) discoveries were made on the Deepwater Tano/Cape three Points (DWT/CTP) block, thus significantly de-risking the offshore basins. The discoveries revealed new areas open for exploration such as the ultra-deep water and Voltaian (105,000 km²) basins.

❖ GNPC's Strategic Outlook

GNPC in 2014 was mandated to assume the role of gas off taker from the upstream partners, and was subsequently drawn into gas sales negotiations. The achieved price for Jubilee is US\$2.3/MMCF and for ENI / Sankofa is US\$9/ MMCF.

The national oil company's strategy for growth has been to set up a subsidiary, the GNPC Exploration and Production Company (Explorco) which is its vehicle for investment and commercial participation in exploration and production activities. GNPC, through Explorco holds commercial interests in the following contracts:

Table 4.2: GNPC's Strategic Outlook

SRN	Block	Operator	Explorco (%)
1	Expanded Shallow Water Tano Block Offshore	Camac	25.00
2	South Deepwater Tano	AGM	24.00
3	Blue Star/Heritage – Keta	Heritage – Keta	11.60
4	Blue Star/Heritage – Tano	Heritage – Tano	8.80
5	Deepwater Cape Three Point West	A-Z Petroleum	4.35

Source: GNPC

❖ GNPC's Exploratory Initiatives

GNPC, in 2014, stepped-up exploration activities onshore, in the Voltaian Basin, having conducted a study of all available data, including aeromagnetic survey maps acquired from the Minerals Commission. The Corporation's objective in 2014 was to carry out 80% of the preparatory work required to commence the acquisition of seismic data on the basin as a basis for establishing its thermal maturity. A 5-year work plan has been developed covering contracting, seismic data acquisition, processing and drilling of conventional wells by 2019.

❖ **GNPC's Investments / other Commercial Activities**

A joint venture enterprise established between GNPC and Technip, a world class upstream engineering firm, won a number of contracts in both the Jubilee and TEN Fields operations during the period under review.

The NOC has also set up a trading subsidiary, Tradeco, to carry out the business of trading crude oil and gas.

GNPC has subsidiaries in other spheres of economic activity, particularly in the Mole Game Park, and Prestea Sankofa Gold Mine.

4.5: REVENUE STREAMS

The benefit streams considered in the 2014 reconciliation exercise include the following;

Table 4.3: Revenue Streams

No.	Revenue Stream	Purpose						
1	<i>Royalty</i>	It is a production levy which is based on the gross value of oil and gas won irrespective of profitability						
2	<i>Corporate Tax (PIT)</i>	<p>Corporate tax payment is based on Petroleum Income Tax Law 1987¹⁴. This is the tax payable on income derived from oil and gas production. The Capital allowance regime is 20% on a straight line basis. Expenses ranging from exploration, capital expenditure, development and operational costs prior to the year of commencement of production is accumulated, and amortized over a 5 year period.</p> <p>Recoverable preproduction expenses relates to exploration, plant and equipment, field development comprising of building facilities for oil and gas exploitation such as drilling wells, laying of supporting infrastructure, interest expenses and general and administrative expenses. Petroleum income tax is computed at 35% of the taxable income derived as follows:</p> <p>Gross Income less Allowable expenses, Capital allowances and Losses carried forward</p> <p>Allowable expenses include Petroleum royalties, contributions to a decommissioning fund, Rentals, interest expense and charges on sums borrowed for petroleum operations.</p>						
	<i>Loss carried Forward</i>	Tax losses can be carried forward indefinitely under the PITL.						
3	<i>Surface Rental</i>	<p>According to the Model Petroleum Agreement (MPA), contractors with exploration rights are required to pay surface rental for blocks assigned to them for petroleum operations at a rate charged per square kilometre. However these rates may vary for different agreements with contractors.</p> <table><tr><td>Phase of Operation</td><td>Surface Rental per Annum</td></tr><tr><td>Initial Exploration Period</td><td>US \$ 30 per sq. km</td></tr><tr><td>1st Extension Period</td><td>US \$ 50 per sq. km</td></tr></table>	Phase of Operation	Surface Rental per Annum	Initial Exploration Period	US \$ 30 per sq. km	1 st Extension Period	US \$ 50 per sq. km
Phase of Operation	Surface Rental per Annum							
Initial Exploration Period	US \$ 30 per sq. km							
1 st Extension Period	US \$ 50 per sq. km							

¹⁴ The Petroleum Income Tax Law (PITL 1987) was repealed in September 2015. The Income Tax Act, Act 896, has provisions for taxation of petroleum activities in the upstream sector.

		2 nd Extension Period Development and Production	US \$ 75 per sq. km US \$ 100 per sq. km
4	<i>Dividend</i>	Dividends paid by National Oil Company for Government's equity interest.	
5	<i>Initial (carried) Interest</i>	The Carried Interest means an interest held by the Republic in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the Republic. However the republic contributes towards production cost. For the Jubilee field the carried interest is 10%. (See Table 4.5)	
6	<i>Additional Participating Interest</i>	This is the interest acquired by the GNPC on behalf of the state after the discovery of oil and gas in commercial quantities. Under this arrangement, the GNPC/ Government of Ghana pay its share of development and production costs. The state or government of Ghana however does not contribute towards exploration expenditure. (See Table 4.4)	
7	<i>Training Allowance</i>	Amount paid by Oil/Gas companies to assist in building the capacity of the regulator of the sector.	

The Government of Ghana's interest in the Jubilee Field and its categorization is shown below.

Table 4.4: Categorization of GNPC/GOG interest

Interest	Exploration	Development	Production Costs
Initial	Carried	Carried	Paid
Additional	Carried	Paid	Paid

Source: GNPC

❖ REDETERMINATION

This involves using a formula to compute each partner's aggregate percentage interest in the unitized Jubilee field which depended on;

1. Each partner's percentage interest holding in either the WCTP and DWT blocks. Some partners had percentage interest in both blocks which the formula took care of.

2. How much of the hydrocarbon resources were computed to be separately accumulated in the WCTP or the DWT blocks.

The table below shows the Sharing Ratios for Pre-Redetermination and Post-Redetermination based on the 2011/2012 Redetermination Exercise.

Table 4.5 : Sharing ratios for predetermination and post determination

PRE-REDETERMINATION			POST-REDETERMINATION		
DEEPWATER TANO	DEVELOPMENT	OPEX / PRODUCTION	DEEPWATER TANO		
	PI Post GNPC equity 15%	WI Post GNPC equity 15.0%		PI Post GNPC equity 15%	WI Post GNPC equity 15.0%
Tullow	52.7250%	47.1750%	Tullow	52.7250%	47.1750%
Kosmos	19.0000%	17.0000%	Kosmos	19.0000%	17.0000%
Anadarko	19.0000%	17.0000%	Anadarko	19.0000%	17.0000%
Sabre	4.2750%	3.8250%	Sabre	4.2750%	3.8250%
E.O.Group	0.00000%	0.00000%	E.O.Group		
GNPC	5.0000%	15.0000%	GNPC	5.0000%	15.0000%
	100.0%	100.0%		100.0%	100.0%
WCTP			WCTP		
	PI Post GNPC equity 12.5%	WI Post GNPC equity 12.5%		PI Post GNPC equity 12.5%	WI Post GNPC equity 12.5%
Tullow	28.59567%	25.66278%	Tullow	28.59567%	25.66278%
Kosmos	33.44792%	30.01736%	Kosmos	33.44792%	30.01736%
Anadarko	33.44792%	30.01736%	Anadarko	33.44792%	30.01736%
Sabre	2.00850%	1.80250%	Sabre	2.00850%	1.80250%
GNPC	2.50000%	12.50000%	GNPC	2.50000%	12.50000%
	100.00000%	100.00000%		100.00000%	100.00000%

Source: GNPC

❖ Other payments

Other payments made by Oil and Gas Companies but not considered in the reconciliation process included the following: Withholding tax, PAYE (Pay as You Earn), Social Security, GNPC data Licence and Ghana Navy Rentals).

4.5.1 Revenue flows and Operational Activities

Revenues from the Jubilee Field and the Saltpond Oil Fields have been considered for this assignment. The fiscal regimes for the fields are indicated in Table 4.6

Table 4.6: Fiscal regime of Jubilee Field/Saltpond Offshore Producing

Fiscal item	Jubilee Fields	Saltpond Offshore Producing Company
Royalty	5% on the gross oil production. (Liftings); 3% on gross gas production.	3%
Carried Interest	10% on the oil revenue net of royalty .	15%
Income Tax	35%	30%
Surface Rent	US\$30 per square km at exploration US\$100 per square km for development and production area.	US\$50 per square km for development and production area.

Source: MOF/Saltpond offshore Producing Company.

At the Jubilee Fields, GNPC is responsible for lifting and marketing of oil on behalf of the state. In addition to the carried and additional paid interest, GNPC also lifts the royalty oil and markets same on behalf of the state.

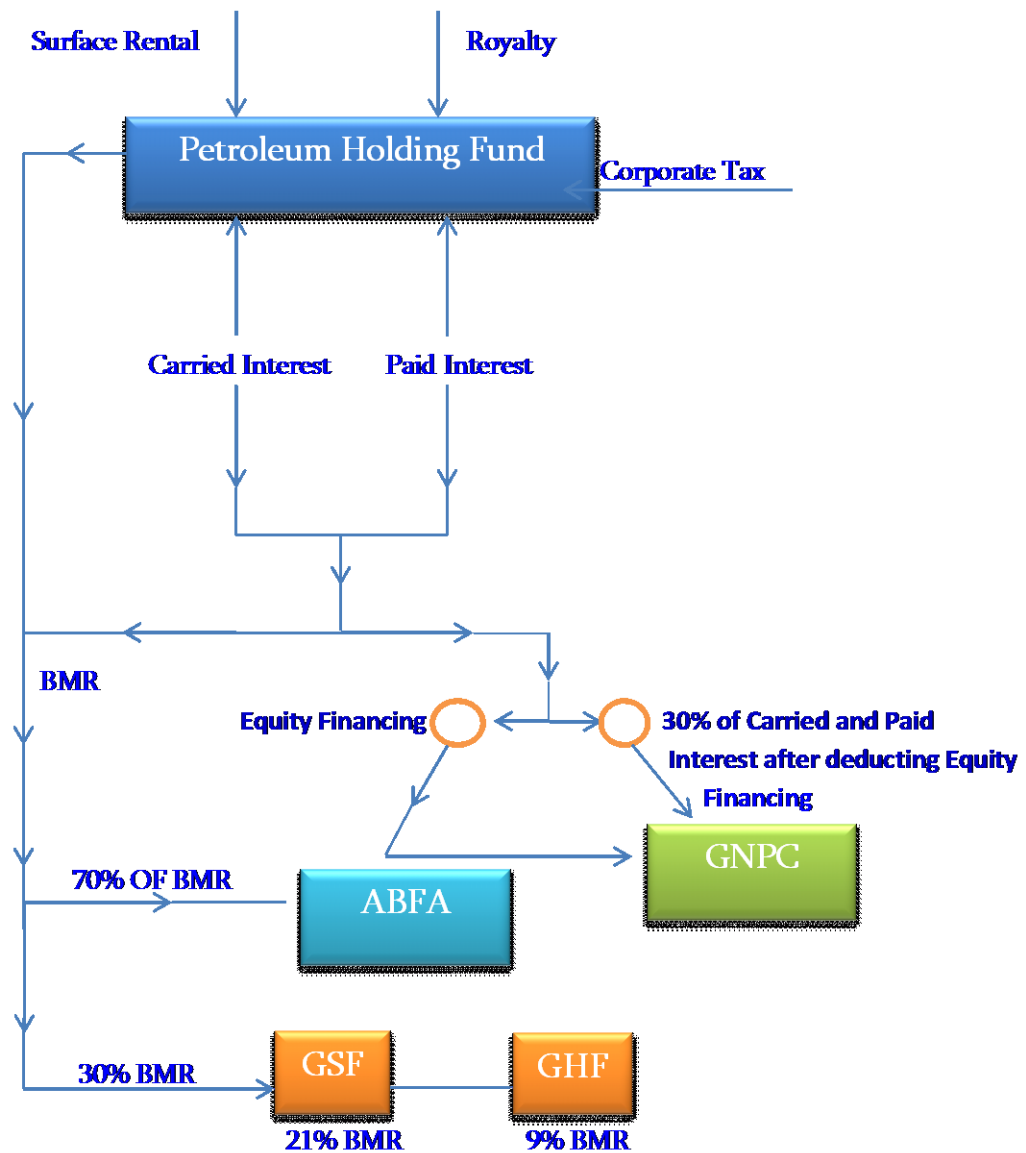
Proceeds from the carried and additional interests as well as royalty oil are paid into the Petroleum Holding Fund at the Bank of Ghana.

International oil companies operating in the Jubilee fields pay royalties in kind. This royalty oil is lifted and marketed by the GNPC.

Surface rental payments are also made into the petroleum holding fund.

Fig 4.1 Petroleum Sector Revenue Flow

PETROLEUM SECTOR REVENUE FLOW



5.0: RESULTS OF RECONCILIATION

5.1 THE RECONCILIATION PROCESS AND REPORTING ENTITIES

- Government Ministries, Departments and Agencies that participated in the reconciliation process included, The Ministry of Petroleum; Ghana Revenue Authority and the Petroleum Commission. They submitted the required data and templates.
- Two international oil companies Kosmos Energy HC and Tullow (Ghana) Ltd submitted templates for the reconciliation exercise. Anadarko WCTP Ltd did not report, despite persistent reminders by the Independent Administrator.
- All the templates/data submitted met the completeness, integrity and reliability tests and with supporting documents, the data provided was reliable.

The following reconciliations were undertaken;

- Reconciliation of liftings (exports) by Oil companies and GNPC to lifting records from the Ghana Revenue Authority (Customs Division).
- Reconciliation of payments made by oil companies including GNPC and receipts by the Ghana Revenue Authority (Domestic Tax Revenue Division). The payments by GNPC covered Carried Interest, Additional paid interest and royalty. The Oil companies (IOC) reported on surface rental and corporate tax.
- The lifting/export details at the Jubilee Field for 2014 are shown in Table 5.1

Table 5.1: Reconciliation of Oil liftings by GNPC/GRA records in 2014

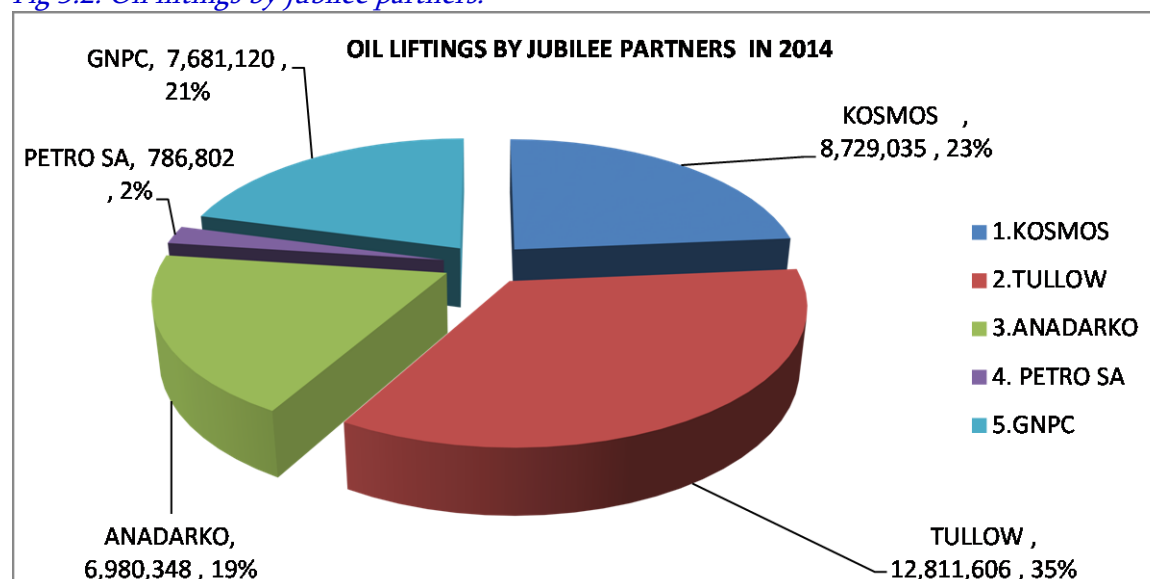
Date of Lifting	GNPC LIFTINGS(BBL)	GRA(LIFTINGS)BBLs	DISCREPANCY
2014			
1 29.01.2014	947,220.00	947,220	-
2 25.03.2014	947,276.00	947,276	-
3 13.05.2014	947,574.00	947,574	-
4 17.07.2014	987,415.00	987,415	-
5 02.09.2014	995,230.00	995,230	-
6 10.10.2014	948,894.00	948,894	-
7 09.12.2014	912,346.00	912,346	-
8 28.12.2014	995,165.00	995,165	-
Total	7,681,120	7,681,120	

Source: GNPC/GRA

Table 5.2 Reconciliation of Liftings by GRA and IOC'S.

YEAR	COMPANY(BBL)	GRA(LIFTINGS(BBLs)	DISCREPANCY
2014			
1.KOSMOS	8,728,617.00	8,729,035	-418
2.TULLOW	12,811,608	12,811,606	2
3.ANADARKO	-	6,980,348	-6,980,348
4. PETRO SA	-	786,802	-786,802

Fig 5.2: Oil liftings by jubilee partners.



5.2 RECONCILIATION OF CRUDE OIL LIFTING BY REPORTING AGENCIES

This section seeks to reconcile the data on crude oil lifting reported by the various agencies that have reporting responsibilities. These agencies are, the Ministry of Finance (MOFEP), Bank of Ghana (BOG) and the Public Interest and Accountability Committee (PIAC).

Table 5.3: Breakdown of Ghana's Crude Oil Lifting

Period	Number	Date	Volume (Barrels)		
			PIAC	MOFEP	Bank Of Ghana
	16th	20-Dec-13	-	917,189	917,189
1ST QUARTER	17th	29-Jan-14	947,220	947,220	947,220
	18th	25-Mar-14	947,276	947,276	947,276
2ND QUARTER	19th	13-May-14	947,574	947,574	947,574
3RD QUARTER	20th	17-Jul-14	987,415	987,415	987,415
	21st	2-Sep-14	995,230	995,230	995,230
4TH QUARTER	22nd	10-Oct-14	948,894	948,894	948,894
	23rd	8-Dec-14	912,346	-	-
	24th	28-Dec-14	995,165	-	-
TOTAL			7,681,120	6,690,798	6,690,798

Source: Ministry of Finance, Reconciliation Report on Petroleum Holding Fund, 2014; Bank of Ghana Semi Annual Reports on the Petroleum Holding Fund; Report of the Public Interest and Accountability Committee, 2014.

It was found that there is no standard format for reporting on crude oil lifting by the three reporting agencies. There are differences therefore in the reported quantity of Ghana's crude oil lifting for the 2014 period. Both MOFEP and BOG reported total lifting at 6,690,798 BBLS whilst PIAC reported it to be 7,681,120 BBLS, a difference of 990,322 BBLS. The differences in the reports are attributed to the following reasons:

1. MOFEP and BOG focuses on the date of receipt of proceeds from the lifting. Therefore, they included the 16th lifting, which occurred on 20th December 2013 because the proceeds were received in 2014. Similarly, they excluded the 23rd and 24th lifting because proceeds from them were received in 2015.

2. PIAC's reports focuses on the date of lifting of crude oil by the Ghana Group. It therefore excluded from its report the 16th lifting because it occurred in 2013 although its proceeds were received in 2014. It also included the 23rd and 24th lifting because they occurred in 2014.

It was determined that the EITI and terms of reference require the Independent Administrator to report on actuals and reconcile quantity of crude oil lifting, the crude oil sales price and the proceeds from the sale of crude oil. However, due to reporting differences, we applied the provisions of the Petroleum Revenue Management Act 2011 (Act 815) to determine the appropriate data for use in our reconciliation.

The PRMA provides in Section 4(1): —*"Where Government elects for payment in petroleum instead of cash, the value of petroleum in US dollars on the day the petroleum is received by or on behalf of the Government, shall be reported and recorded by the Ghana Revenue Authority as the payment for the Petroleum Holding Fund"*

From the above provision of the Act, we understood the law to put emphasis on the date of crude oil lifting, as well as crude oil sales price on the date of lifting, for valuation purpose. It does not emphasize the date of receipt of the lifting proceeds. Therefore, for EITI reconciliation, the data on crude oil lifting reported by PIAC and GRA was more consistent with the law and consistent with EITI requirements.

5.3 CRUDE OIL LIFTING BY JUBILEE EQUITY PARTNERS

During the period 2014, total lifting of crude oil from the Jubilee fields stood at 36,988,911 BBLS of crude oil.

Table 5.4: Crude Oil Lifting by Jubilee Equity Partners

Partner	Unit	Ghana	Tullow Oil	Anadarko & PetroSA	Kosmos Energy	Total
Crude Oil Lifting (Royalty)	BBL	1,860,085				1,860,085
Crude Oil Lifting (Working Interest)	BBL	5,821,035	12,811,606	7,767,150	8,729,035	35,128,826
Crude Oil Lifting (Working Interest)	%	16.57%	36.47%	22.11%	24.85%	100.00%
Crude Oil Entitlement (Working Interest)	%	13.64%	35.48%	26.80%	24.08%	100.00%
Crude Oil Over-Lift/Under-Lift (Working Interest) ⁱ	%	2.93%	0.99%	-4.69%	0.77%	0.00%

Source: GRA

Crude oil lifting imbalances are recognized by the Parties through the Crude Oil Lifting Agreement (COLA) signed by them. The Agreement provides for how lifting imbalances are to be rectified in line with provisions in the Petroleum Agreements over the Jubilee blocks. For example, Article 10.7 of the Deep Water Tano Block provides:

“The parties shall through consultations enter into supplementary agreement concerning crude oil lifting procedures, lifting and tanker schedules, loading conditions, crude oil metering and the *settlement of lifting imbalances, if any, among the parties* at the end of each quarter”.ⁱ

Therefore, it must be noted that such over-lifting by the Ghana Group would affect future lifting in favour of the partners.

5.4 Crude Oil Lifting from Saltpond Fields

A total of 89,307 BBLs of crude oil was lifted from the Saltpond fields according to data provided by the Saltpond Offshore Producing Company.

To determine oil lifting by the Ghana Group, we applied the fiscal regime in the Joint Venture Agreement signed on 11th November, 2004, between GNPC and Lushan Eternit Energy Limited. Given royalty of 3% and free carried interest of 15%, we computed Ghana's share of crude oil lifting as follows.

Table 5.5: Ghana's Crude Oil Lifting from Saltpond Fields

Fiscal Regime	Volumes (BBLs)
Total Production	79,602
Royalty (3%)	2,388
Total Lifting	86,628
Net Oil lifting after royalty	84,239.73
Carried Interest (15%)	12,636
Ghana's Share (Royalty + Carried Interest)	15,024

Source: Computations by Evaluator

5.5 PRODUCTION VERSUS CRUDE OIL LIFTING

The analysis also shows that crude oil lifting from the jubilee field was lower than total production.

Table 5.6: Disparity between Crude Oil Production and Lifting

Field	Annual production	Total Available Stock	Oil Lifting	Balance c/f
Jubilee	37,201,691	37,588,131	36,988,315	599,816
Saltpond	79,602	91,460	89,307	2,153

Source: GNPC

However, for the Saltpond Fields, the balance of 2,153 BBLs brought forward to 2015 was attributed to the barrel balance (11,858 BBLs) carried from 2013. Crude oil lifting in 2014 exceeded total production for the year. This implied that apart from total oil produced in the year, the additional 9,705 BBLs lifted came from the barrel balance of 2013.

The Jubilee field crude oil reconciliation is shown in Table 5.6.1.

Table 5.6.1: 2014 Jubilee Crude Oil Reconciliation

2014 gross production				37,201,691.00
Stocks brought forward from 2013				26,199.59
	CARRIED INT.	PARTICIPATING INTEREST	ROYALTY	TOTAL
Ghana Group Entitlement	3,534,160.65	1,286,732.09	1,860,084.55	6,680,977.28
Total stock available for lifting in 2014				6,707,176.87
Less 2014 liftings	4,063,227.32	1,479,351.99	2,138,540.69	7,681,120.00
Closing stock 2014				(973,943.13)

Source: GNPC All figures in BBLs

Table 5.7: Reconciliation of GNPC Payments and Government Receipts in 2014

Revenue Stream	GNPC Payments	Government Receipts	Discrepancy
	U\$\$ (B)	US\$ (D)	US\$
Royalty	192,656,736	192,660,751	-4,015
Carried Interest	366,051,800	366,055,428	-3,628
API	133,271,360	133,274,924	-3,564
Total	691,979,896	691,991,103	-11,207

Source: GNPC/GRA

Table 5.8: Carried Interest, Paid Interest and Royalty by GNPC 2014

Date	Qty lifted	Carried Interest(BBLS)	Paid Interest (BBLS)	Royalty	Marketing cost/ option pricing fee	Carried Interest (US\$)	Paid Interest (US\$)	Royalty (US\$)	TOTAL
29/01/2014	947,220	501,068.88	182,430.66	263,720.46	108.98	54,604,482.03	19,880,563.63	28,739,201.07	103,224,246.72
25/03/2014	947,276	501,098.50	182,441.45	263,736.05	107.59	53,913,688.84	19,629,057.57	28,375,625.70	101,918,372.12
13/05/2014	947,574	501,256.14	182,498.84	263,819.02	109.25	54,762,233.28	19,937,998.18	28,822,228.04	103,522,459.50
17/07/2014	987,415	522,331.59	190,172.05	274,911.36	105.77	55,246,489.64	20,114,307.69	29,077,099.81	104,437,897.14
02/09/2014	995,230	526,465.64	191,677.19	277,087.18	98.06	51,623,640.82	18,795,290.02	27,170,337.27	97,589,268.11
10/10/ 2014	948,894	501,954.41	182,753.07	264,186.53	83.81	42,067,292.84	15,315,986.18	22,140,680.44	79,523,959.46
09/12/2014	912,346	482,620.92	175,714.07	254,011.01	61.49	29,674,429.79	10,803,955.42	15,618,120.94	56,096,506.16
28/12/2014	995,165	526,431.25	191,664.67	277,069.08	54.50	28,692,082.48	10,446,299.47	15,101,096.04	54,239,478.00
Total	7,681,120	4,063,227.32	1,479,351.99	2,138,541		370,584,339.71	134,923,458.16	195,044,389.32	700,552,187.19

Source: GRA

5.6 PAYMENTS INTO THE PETROLEUM HOLDING FUND IN 2014

Payments into the Petroleum Holding fund in 2014 were made up of

- Royalties, Carried interest and Additional paid interest received from liftings made by the GNPC on behalf of the State.
- Corporate tax paid by international Oil companies; Tullow(Gh)Ltd, Kosmos Energy HC and
- Anadarko WCTP.
- Royalty paid by Saltpond Offshore Producing Company
- Surface rentals paid by Oil companies and amount transferred from BOG account.
- Return on investment and Unipet 2013 price differentials.

5.6.1 GNPC Liftings; Royalty, Carried Interest And Participating Interest

A total of eight liftings were made by the GNPC on behalf of the state in 2014.

However the proceeds from two liftings made in December 2014 were received in 2015.

Thus proceeds from six liftings in 2014 were lodged in the PHF. Additionally the proceeds of the 16th lifting (last lifting in 2013; 917,189 barrels) amounting to **US\$101,775,847.34** was also received in 2014.

Table 5.9: GRA Receipts in 2014 from GNPC

ROYALTY, CARRIED & PARTICIPATING INTEREST		
PROCEEDS OF 16TH LIFTING (DEC. 2013) PAID IN JAN. 2014		
TYPE OF BENEFIT	YEAR & PERIOD	AMOUNT US\$
ROYALTY	2014 - Q1	28,335,929.65
CARRIED INTEREST	2014 - Q1	53,838,266.33
ADDITIONAL PARTICIP	2014 - Q1	19,601,651.36
SUB-TOTAL (a)		101,775,847.34
2014 LIFTING PROCEEDS		
ROYALTY	2014 - Q1	57,114,532.84
CARRIED INTEREST	2014 - Q1	108,517,612.39
ADDITIONAL PARTICIP	2014 - Q1	39,509,526.39
SUB-TOTAL (a)		205,141,671.62
ROYALTY	2014 - Q2	28,822,212.80
CARRIED INTEREST	2014 - Q2	54,762,204.31
ADDITIONAL PARTICIP	2014 - Q2	19,938,042.39
UNIPEC 2013 DIFFERENTIAL		
SUB-TOTAL (b)		103,522,459.50
ROYALTY	2014 - Q3	56,247,407.33
CARRIED INTEREST	2014 - Q3	106,870,073.93
ADDITIONAL PARTICIP	2014 - Q3	38,909,684.00
SUB-TOTAL (c)		202,027,165.25
ROYALTY	2014 - Q4	22,140,668.73
CARRIED INTEREST	2014 - Q4	42,067,270.59
ADDITIONAL PARTICIP	2014 - Q4	15,316,020.14
SUB-TOTAL (d)		79,523,959.46
TOTAL 2 (a+b+c+d)		691,991,103.17

Source: GRA

❖ **ROYALTY PAYMENT BY SALTPOND OFFSHORE PRODUCING COMPANY:**

Saltpond offshore Producing company paid royalty of US\$ 151,986 in 2014.

❖ **CORPORATE TAX**

Tullow (Gh) Ltd, Kosmos Energy HC and Anadarko WCTP paid corporate tax in 2014 as indicated in Table 5.10 below.

Table 5.10: Corporate Tax receipts by GRA

COMPANY	YEAR & PERIOD	AMOUNT US\$
TULLOW	2013 - Q4	41,048,728.00
KOSMOS	2013 - Q4	15,431,379.00
ANADARKO	2013 - Q4	48,624,836.00
CIT SUB-TOTAL (a)		105,104,943.00
TULLOW	2014 - Q1	15,532,675.00
KOSMOS	2014 - Q1	13,135,763.00
ANADARKO	2014 - Q1	17,341,575.00
CIT SUB-TOTAL (b)		46,010,013.00
TULLOW	2013 TAX NID	10,471,629.83
TULLOW	2014 - Q2	27,282,219.48
KOSMOS	2014 - Q2	56,619,898.00
ANADARKO	2014 - Q2	18,360,627.00
ANADARKO	ADDITIONAL TAX	43,843.00
CIT SUB-TOTAL (c)		102,306,587.48
TULLOW	2014 - Q3	20,653,018.00
KOSMOS	2014 - Q3	
ANADARKO	2014 - Q3	
CIT SUB-TOTAL (d)		20,653,018.00
TOTAL 1 (a+b+c+d)		284,546,191.31

Source: GRA

SURFACE RENTALS

A total of US\$1,775,767 was received into the PHF as surface rentals in 2014. Of this amount US\$802,251 was transferred from BOG account to the PHF in December 2014. Reconciliation reporting companies Tullow (Gh) Ltd and Kosmos Energy HC paid US\$ 70,356.

Companies outside the reconciliation scope paid US\$903,190.14 (See Table 5.11)

Table 5.11 Surface Rental Payments – 2014

Company	Surface Rentals (US\$) Company Reported payments –A	Surface Rentals (US\$) Government Reported Receipts-B	Discrepancy(A-B)
Tullow Ghana	52,492	52,492	-
Kosmos Energy	17,864	17,864	-
Saltpond Oil Fields	-	-	
Total	70,356	70,356	-

Table: 5.12 A:Surfacerental payments by non-participating companies

NAME OF COMPANY	CONTRACT AREA	PAYMENT
		US\$
ENI GHANA EXPLORATION AND PRODUCTION LTD	OFFSHORE KETA CONTRACT AREA	176,000.00
ENI GHANA EXPLORATION AND PRODUCTION LTD	OFFSHORE CAPE THREE POINTS CONTRACT AREA	22,600.00
ORANTO/STONE ENERGY	OFFSHORE SALTPOND CONTRACT AREA	73,207.54
AZONTO PETROLEUM LTD (LOCAL REPS) / AFEX	OFFSHORE ACCRA CONTRACT AREA	60,000.00
HESS GHANA EXPLORATION LTD	DEEPWATER TANO/CAPE THREE POINTS CONTRACT AREA	150,750.00
LUKOIL OVERSEAS GHANA LTD	CAPE THREE POINTS DEEPWATER BLOCK	154,398.60
AGM PETROLEUM GHANA LTD	SOUTH DEEPWATER TANO	174,000.00
COLA NATURAL RESOURCES GHANA LTD	EAST CAPE THREE POINTS	78,230.00
AMNI INTERNATIONAL PETROLEUM DEVELOPMENT	CENTRAL TANO BLOCK OFFSHORE	13,974.00
2011 Surface Rental reverse from account at BoG to PHF in December 2014		802,251.47
TOTAL		1,705,411.61

Some exploration companies however, did not pay surface rentals in 2014. (See Table 5.12 B)

Table 5.12B: Outstanding Surface Rentals from Exploration Companies in 2014

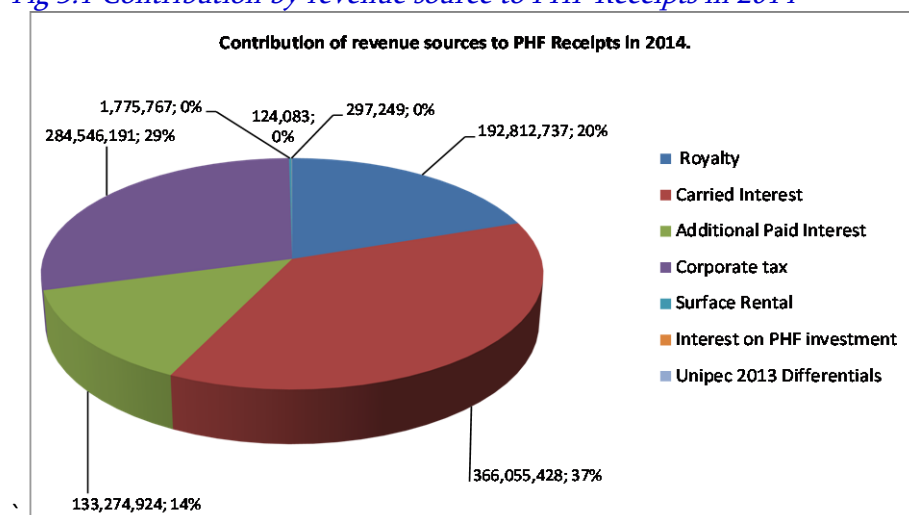
Operator	Block	Concession Size (Km2)	Outstanding Rentals (US\$)
Camac Energy	Expanded Shallow Water Tano	1508	45,240
Sahara Energy	Shallow Water Cape Three Points	1500	45,000
Britannia-U	South West Saltpond	2050	61,500
Eco-Atlantic	Deep Water Cape Three Points West	944	28,320
Heritage Oil	East Keta	2239	67,170
UB Resources	Offshore Cape Three Points South	755	22,650
Medea Development	East Cape Three Point	1655	49,650

Table 5.13: Payments into PHF in 2014

Receipt type	Amount(US\$)
Royalty	192,812,737
Carried Interest	366,055,428
Additional Paid Interest	133,274,924
Corporate tax	284,546,191
Surface Rental	1,775,767
Interest on PHF investment	124,083
Unipet 2013 Differentials	297,249
Total	978,886,379

Source: GRA/MOF

Fig 5.1 Contribution by revenue source to PHF Receipts in 2014



5.7 RECONCILIATION BY REVENUE STREAM AND EXTRACTIVE COMPANIES

In this section the reconciliation of oil and gas company payments and reported receipts by the Government Agencies are presented. The amounts stated on the templates as received from companies and government agencies are captioned initial amount, and the discrepancies associated with the initial amounts are labeled as initial discrepancies.

Resolutions of some of the discrepancies are shown and the final amounts after the resolutions of discrepancies are also indicated. The details of unresolved discrepancies are also provided.

Table 5.14 shows the reconciliation by revenue streams, whilst Table 5.15 provides the reconciliation by extractive companies.

Table 5.14 : Reconciliation by Revenue Streams

REPORTING PERIOD: 2014										
No.	Revenue Stream	Paid To	Initial Amounts US\$			Resolved		Final Amounts		Unresolved (Over)
			Company	Government	Initial Discrepancy	Company	Government	Company	Government	
	OIL & GAS									
1	Carried Interest		370,580,000.00	366,055,428	4,524,572	(4,528,200)	0	366,051,800	366,055,428	(3,628)
2	Participating Interest		134920000	133,274,924	1,645,076	(1,648,640)	0	133,271,360	133,274,924	(3,564)
3	Royalty		195191986	192,660,751	2,531,235	(2,383,264)	151986	192,808,722	192,812,737	(4,015)
4	Surface Rental		70,356	70,356	-	0	0	70,356	70,356	-
5	Corporate Tax		148,654,952	284,546,191	(135,891,239)	51520358	0	200,175,310	284,546,191	(84,370,881)
6	Dividends		0	0	-	0	0	-	0	-
7	Training/Tech fees		425,000	0	425,000	0	425000	425,000	425000	-
	TOTAL		849,842,294	976,607,650	(126,765,356)	42,960,254	576,986	892,802,548	977,184,636	(84,382,088)

Table 5.15: Reconciliation by Company

DETAILS OF RECONCILIATION									
REPORTING PERIOD: 2014									
	Initial Amounts US\$				Resolved		Final Amounts		Unresolved
No.	Company	Company	Government	Initial Discrepancy	Company	Government	Company	Government	(Over)
	OIL & GAS								
1	KOSMOS	85,379,904	85,204,904	175,000	-	175,000	85,379,904	85,379,904	-
2	TULLOW	63,770,404	115,040,762	(51,270,358)	51,520,358	250,000	115,290,762	115,290,762	-
3	GNPC	700,540,000	691,991,103	8,548,897	(8,560,104)	-	691,979,896	691,991,103	(11,207)
4	ANADARKO	-	84,370,881	(84,370,881)	-	-	-	84,370,881	(84,370,881)
5	SALTPOND	151,986	-	151,986	-	151,986	151,986	151,986	-
6	PETRO SA	-	-	-	-	-	-	-	-
	TOTAL	849,842,294	976,607,650	(126,765,356)	42,960,254	576,986	892,802,548	977,184,636	(84,382,088)

5.8 DISCREPANCIES

- A discrepancy is stated as positive, if for the same revenue stream, company reported amount exceeds that of government.

Negative discrepancy results if government reported amount exceeds that reported by a company for the same revenue stream.

An initial absolute discrepancy of US\$ 145,017,122 and initial net discrepancy of US\$ (126,765,356) were obtained.

The initial discrepancy resulted from

- Failure to submit template(non-reporting)
- Discrepancies resulting from differences in reported amounts by companies and government Agencies.

Non Submission of templates by companies.(negative discrepancy)

i)

Extractive company	Gov't (US\$)	Discrepancy
Anadarko WCTP Ltd	84,370,881	(84,370,881)
Total (Non submission of templates)		(84,370,881)

ii)

Differences in revenue streams reporting	US\$
GRA/GNPC –Royalty/carried interest/API	8,548,897
Royalty(Saltpond)	151,986
GRA/Tullow-Corporate tax	(51,520,358)
Kosmos-GNPC-Training fees	175,000
Tullow-GNPC-Training fees	250,000
Total	-42,394,475

Total absolute discrepancy i) + (ii) was US\$ 145,017,122 and initial net discrepancy of US\$ (126,765,356)

- Non submission of templates accounted for 58% of the initial discrepancies.

5.8.1 RESOLUTION OF DISCREPANCIES

a) Company payments

The resolution of discrepancy on payments, involved adjusting the figures stated by GNPC on its template to reflect receipts in 2014. The royalty, carried interest and additional participating interest stated by GNPC were based on liftings in 2014 irrespective of when the proceeds were received.

The last two liftings in 2014 had their proceeds received in 2015. These adjustments were made using GNPC's valuations of the liftings. (See Table 5.16)

Table 5.16 Adjustments for GNPC liftings/proceeds in –scope/out –scope

	Resolved(US\$)
Revenue Stream	
<i>Adjustment for 2013 lifting, proceeds received in 2014</i>	
Royalty	28,335,953
Carried Interest	53,838,311
Participating Interest	19,601,614
<i>Adjustment for 2014 liftings, proceeds received in 2015</i>	
Royalty	-30,719,217
Carried Interest	-58,366,511
Participating Interest	-21,250,254
Total	(8,560,104)

GRA/Tullow-Corporate	(51,520,358)
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b) Government receipts.

This resolution involves the payment of royalty in 2014 by Saltpond offshore Producing Company which was not captured on the GRA template.

Table 5.17: Gov't receipt of royalty paid by Saltpond Offshore and training fees by IOCs

Extractive Company	Government receipt(US\$)	
Saltpond Offshore Producing field		- 151,986
Kosmos GNPC-Training fees		- 175,000
Tullow-GNPC-Training fees		- 250,000

Unresolved Discrepancy

Unresolved discrepancy at the end of the reconciliation exercise and their composition is shown in table 5.18 below. After resolving some of the discrepancies, the final unresolved net discrepancy was US\$84,382,088 from the initial figure of US\$-126,765,356. The final unresolved discrepancy is 8% of the government receipts. The non submission of template by Anadarko accounted for over 99% of the unresolved discrepancies.

Table 5.18: Unresolved discrepancies for 2014 reconciliation.

Extractive company	Non submission of templates	Revenue stream omitted	Differences in reported revenue streams	unresolved Discrepancy(US\$)	Positive	Negative
Anadarko	(84,370,881)			(84,370,881)		(84,370,881)
GNPC			(11,207)	-11,207		-11,207
Total	(84,370,881)		(11,207)	(84,382,088)		(84,382,088)

5.9 RECONCILIATION COVERAGE

The proportions of revenue streams reported in the reconciliation exercise to total government receipts are detailed below.

Table 5.19 : 2014 Reconciliation Coverage

Revenue Stream	Total Collected by Government in 2014(A)-US\$	Total reported by Government at reconciliation(B)-US\$	% Coverage(B/A)
Royalty	192,812,737	192,812,737	100.00
Carried Interest	366,055,428	366,055,428	100.00
Participating Interest	133,274,924	133,274,924	100.00
Corporate Tax	284,546,191	284,546,191	100.00
Surface Rental	1,775,767	70,356.00	3.96
Training/Technology fees	9,225,000	425,000	4.61
Investment returns on PHF	124,083	0	0.00
Unipet differential	297,249	0	0.00
TOTAL	988,111,379	977,184,636	98.89

6.0 PETROLEUM EXPENDITURE ACCOUNTING

❖ Determination of Benchmark Revenue

The Benchmark Revenue is the total amount of revenues available to the Government from its share of petroleum revenues in a year. The benchmark revenue is influenced by three main factors:

- i. Crude Oil Prices
- ii. The size of total petroleum receipts
- iii. Transfers to the National Oil Company which consist of equity financing cost and a share of the Net Carried and Participating Interest.

It is computed by multiplying the benchmark crude oil price by the average crude oilⁱ share of the government of Ghana. Thus, the revenue of barrel equivalent that is transferred to the NOC is not part of the Benchmark Revenue. This implies that total petroleum receipts consist of the Benchmark Revenue and the share of revenues allocated to the NOC.

Based on the average crude oil price projected for the 2014 revenue year, the Benchmark Revenue projected for the year was less than the actual benchmark by US\$212.9 million.

Table 6.1: Allocation of Petroleum Receipts (Determination of Benchmark Revenue) – US\$

Allocations	Budget (US\$)	Actual (US\$)	Variance (US\$)
Transfer to GNPC	192,610,020	180,712,503.87	-11,897,516.13
Total Petroleum Receipts	776,999,703	978,017,788.70	201,018,085.70
Less Equity Financing	99,140,000	44,162,009.67	-54,977,990.33
Less CAPI	93,470,020	136,550,493.87	43,080,473.87
Benchmark Revenue	584,389,683	797,305,285.16	212,915,602.16

Source: Ministry of Finance and Computations by Evaluator

The higher benchmark revenues for the year were attributed to higher than projected oil production and the relative stability of crude oil prices. However, in spite of the higher than projected revenues for the year, transfers to GNPC were lower than projected.

The total transfers to GNPC for the year stood at US\$180,712,503.87 less than the projected amount of US\$192,610,020.

Thus

- i. Based on the average crude oil price projected for the 2014 revenue year, the Benchmark Revenue projected for the year was less than the actual benchmark by US\$212.9 million. Thus, more revenue from petroleum was available for spending and savings in the year than projected.

6.1 DISTRIBUTION OF PETROLEUM RECEIPTS

The higher than projected benchmark revenue also reflected in the distribution of petroleum revenue in the year. However, there were compliance issues relating to the distribution of petroleum receipts.

In November, 2013, Parliament gave approval for 70 percent out of Government's net petroleum receipts (i.e. Benchmark Revenue) to be designated as ABFA, while 30 percent is transferred into the GPFs for the same period, in line with the PRMA. Similarly, the GHF and the GSF were granted 30 percent and 70 percent, respectively, of the total flows into the GPFs. (See Tables 6.2).

Table 6.2 Distribution of Petroleum Receipts (US\$)

Allocations	Budget (Mil US\$)	%	Actual (Mil US\$)	%	Compliance with Act 815
Benchmark Revenue	584,389,683	100 %	797,305,285.16	100%	
o/w ABFA	409,072,778	70%	409,072,777.80	51%	

o/w Transfers to GPFs	175,316,905	30%	388,232,507.43	49%	
o/w GHF	52,595,071	30%	116,469,752.21	30%	Compliant
o/w GSF	122,721,833	70%	271,762,755.16	70%	Compliant

Source: Ministry of Finance and Computations by Evaluator

The Government was compliant with the law in the distribution of the Benchmark revenue to the Ghana Heritage Fund and the Ghana Stabilization Fund (See Table 6.2).

6.2 EXPENDITURE DISTRIBUTION

Expenditure from petroleum revenues was categorized into two: Transfers to the NOC and the Annual Budget of the Government.

6.2.1 Transfer to the National Oil Company

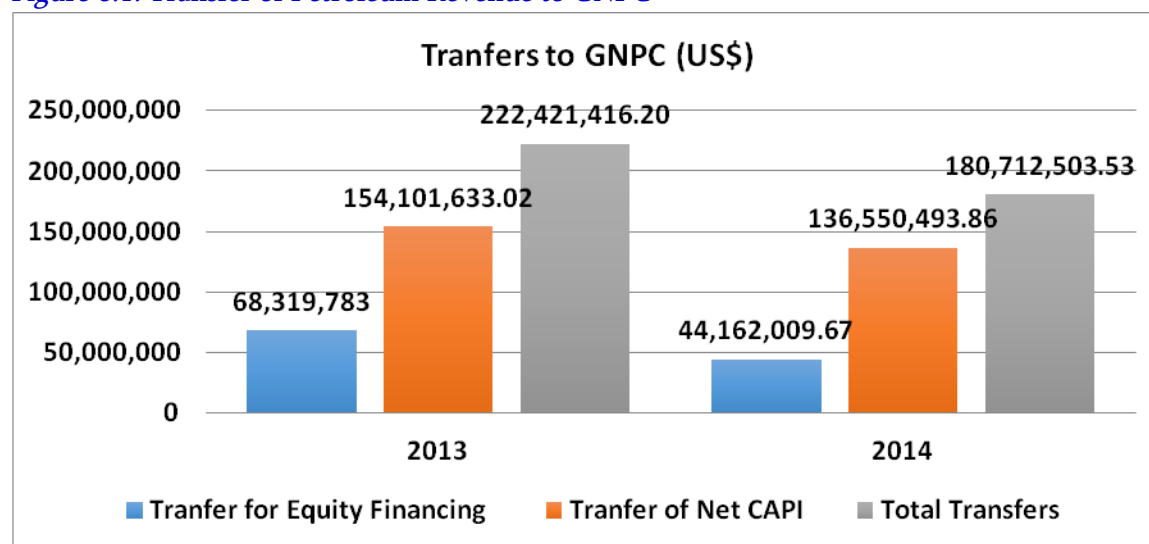
The National Oil Company is entitled to a share of the total petroleum receipts to the Ghana Group according to Section 7(2) of the PRMA (now 16(2) of the PRMA (Amendment) Act 2015 (Act 893).

This consist of:

- The equity financing cost, including advances and interest of the carried and participating interests of the Republic; and
- The cash or the equivalent barrels of oil that shall be ceded to the national oil company out of the carried and participating interests recommended by the Minister and approved by Parliament.

The Government followed the provisions of the Act 815 by making the appropriate allocations and transfers of petroleum receipts to GNPC. A comparison of transfers to the company is shown in the following graph.

Figure 6.1: Transfer of Petroleum Revenue to GNPC



The analyses on GNPC capitalization show that the equity financing cost in percentage of total GNPC receipts declined from 30% in 2013 to 24% in 2014. This was due to the significant retirement of GNPC's equity financing obligation in the Jubilee Fields. Also, the share of net CAPI in percentage of total GNPC receipts increased from 69% in 2013 to 76% in 2014. This was due to higher than projected carried and participating interest. Revenue from carried and participating interest in 2014 was US\$88.6 million more than the projected amount.

6.2.2 Expenditure Performance of GNPC

The following Table presents GNPC's utilization of its share of petroleum receipts in 2013 and 2014.

Table 6.3: GNPC's utilization of petroleum revenues (US\$)

SRN	USES OF AMOUNTS ALLOCATED	2013		2014	
		US\$	Expenditure as % of Total Transfers	US\$	Expenditure as % of Total Transfers
1	Jubilee Equity Financing Cost	76,268,194.80	34.30%	47,414,812.16	26.20%
2	TEN Project Cost	3,027,153.21	1.40%	-	
3	Petroleum Projects other than Jubilee	9,922,975.26	4.50%	14,227,280.61	7.90%
4	Gas projects related Costs	-	-	-	-
5	Staff Costs	9,695,076.70	4.40%	8,811,296.61	4.90%
6	General operational and administrative	9,819,889.50	4.40%	12,936,153.76	7.20%
	Capital expenditure				
7	BNP Paribas	31,337,309.53	14.10%	-	-
8	Amount appropriated by Bank of Ghana as Transfer charges	2,323,269.07	1.00%	1,807,134.99	1.00%
9	Amount Advanced to Ministry of Finance			50,000,000	27.70%
10	Total Expenditure:- (B)	142,393,867.06	64.00%	135,196,677.96	74.80%
11	Total Cash-yet-to-Spend (Committed to Projects):- (C=Total Receipts - B)	80,027,549.14	36.00%	45,515,825.57	25.20%
15	Add: Cash B/Fwd. (01.01.2013/2014) (D)	61,674,215.00		141,701,764.14	
16	Total Cash-Available:- (E=C+D)	141,701,764.14		187,217,589.71	

Source: GNPC

The status of expenditure on non-jubilee projects in comparison with the budget is also presented as follows.

Table 6.4: Expenditure on Petroleum Projects other than Jubilee

Projects	Brief Profile	Budget (U\$)	Expenditure (U\$)	Percentage Utilization	Reason for Non-utilization
North & South Tano Petroleum Projects	Conceptual engineering & reservoir studies	10,080,000.00	1,473,545.24	14.60%	Delayed approvals
TEN	Internal preparatory works to support drilling campaign	4,790,000.00	3,403,448.87	71.10%	On course
Voltaian Basin Petroleum Projects	Preliminary activities lending to samples collection & analyses to establish petroleum system and thermal maturity of the Source rocks and reservoir properties of the Basin	22,850,000.00	2,127,874.17	9.30%	Change in Scope
South Deepwater Tano Petroleum Projects	G&G studies, data acquisition	4,260,000.00	1,151,891.37	27.00%	Protracted negotiations
Reservoir Characterization & Reserves Estimate	Phase III of RCRE, to be executed in house with the supervision of Consultants	1,940,000.00	918,289.71	47.30%	Timing differences (commitments in early 2015)

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OCTP PROJECT	ENI	Internal legal, commercial & other preparatory works to support project documentation & drilling campaign	2,320,000.00	1,085,799.25	46.80%	Delayed approvals
Hess		Portion of appraisal cost & internal preparatory works to support project	31,150,000.00	1,769,989.34	5.70%	Delayed approvals
Ultra Deepwater Keta Block (UDWK)		Detailed evaluation of the UDWK Block by undertaking extensive Geological, Geophysical and Engineering activities, the work programme will encompass analysis of the petroleum systems and well results	55,440,000.00	687,057.87	1.20%	Protracted negotiations with partners
Explorco		Setup and recruitment of Petro-technical Staff	1,000,000.00	826,977.96	82.70%	On course
Maritime Boundary Special Project		The identification, collection and systemization of all historical, economic, legal and diplomatic data and information relating to the defence of Ghana's maritime boundaries	1,630,000.00	782,406.83	48.00%	Momentum shifted to 2015
TOTAL			135,460,000.00	14,227,280.61	35.40%	

Source: GNPC

- i. GNPC spent more on its Jubilee Equity financing cost than budgeted in both 2013 and 2014 by US\$7.9 million and US\$3.3 million respectively. It is not clear whether the extra spending was due to arrears or unexpected increase in the equity-financing obligation of GNPC.
- ii. Total accumulated cash not spent by the end of 2014 stood at US\$187 million. This was attributed to delayed approvals in respect of non-jubilee capital projects, Protracted negotiations with partners and shifting of projects to 2015.

6.3 THE ANNUAL BUDGET FUNDING AMOUNT (ABFA)

The Annual Budget Funding Amount (ABFA) is the proportion of the Benchmark revenue that is allocated to the Government's annual budget for use in executing government programmes.

Section 15(2a) of the PRMA requires the Minister for Finance to include the ABFA for the immediately preceding two years to the year the Reconciliation Report on the Petroleum Holding Fund is being written. The priority areas and their respective shares of ABFA in 2014 are presented in the Table 6.5 below.

Table 6.5: Disbursement of ABFA to Priority Areas 2014

Priority Area	(US\$)			(GHS)		
	Budget	Actual	Variance	Budget	Actual	Variance
Expenditure and Amortization of Loans for Oil and Gas Infrastructure	165,882,676	56,122,713	-109,759,963	364,941,887	163,084,572	- 201,857,315.00
Agriculture Modernization	62,009,436	57,425,018	-4,584,418	136,420,759	170,624,180	34,203,421.00
Road and Other Infrastructure	154,101,379	72,592,760	-81,508,619	339,023,034	215,691,357	-123,331,677.00
Capacity Building (including Oil and Gas)	27,072,778	-	-27,072,778	59,574,431	0	- 59,574,431.00
Total (Spent)	409,072,778	186,140,491	-222,932,287	899,960,111	549,400,109	-350,560,002.00
Balance as at end-2014		222,932,287	222,932,287		666,058,058	666,058,058.00
Total ABFA	409,072,778	409,072,778	0	899,960,111	1,215,458,167	315,498,056.00

Source: Ministry of Finance and Computations by Evaluator

Generally, government followed the list of priority areas selected for the 2011-2013 period and retained for 2014-2016 period in accordance with the Act 815. There were however large variances between the budget and actual disbursement to the priority areas.

The projects, which were to be funded under the CDB-facility, included the following ;

Table 6.6: CDB-funded Counterpart component of ABFA

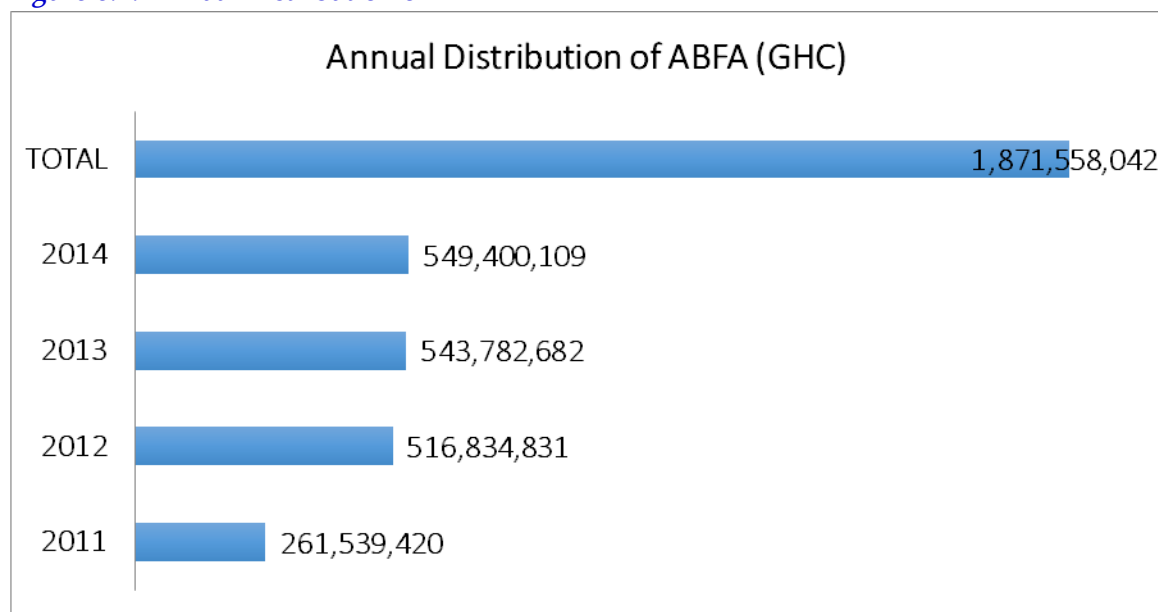
Priority Area	CDB-Funded Counterpart	Budget	Actual	Budget	Actual
		US\$	US\$	GHS	GHS
Expenditure Amortization of Oil and Gas Infrastructure Development	i. Western Corridor Gas Infrastructure Project	114,883,351.00	56,122,713.00	252,743,372.00	163,084,572.00
	ii. Development of ICT Enhancement Surveillance Platform for Western Corridor "Oil Enclave"	50,999,325.00	-	112,198,515.00	-
Road and Other Infrastructure	i. Western Corridor Infrastructure Renewal Project: Takoradi Port Retrofit Phase 1	13,677,031.00	-	30,089,468.00	-
	ii. Accra Metropolitan Area ICT-enhanced Traffic Management Project	36,397,748.00	-	80,075,046.00	-
Agriculture Modernization	Coastal Fishing Harbour & Landing Sites Redevelopment Project	36,018,258.00	-	79,240,168.00	-
Capacity Building	SME Projects Incubation Facility	27,079,282.00	-	59,574,431.00	-
Total		279,054,995.00	56,122,713.00	613,921,000.00	163,084,572.00

Source: Ministry of Finance

It was found that from the projected CDB-funded counterpart of (US\$279 million), GHS613.9 million only GHS163.08 million (US\$56 million) was disbursed. This left a balance of GHS450.8 million constituting 68% of the total non-disbursed ABFA of GHS666 million. This means that the high variances were not only attributed to the non-disbursement of the CDB-funding counterpart, but also GHC215 million of non-CDB ABFA.

As a result of the non-disbursement of a substantial part of the ABFA in 2014 in spite of the higher than expected petroleum revenues received in the year, the actual overall ABFA for the year was not more than those of the previous years particularly 2013 and 2012 (See Figure 6.2 below).

Figure 6.2: Annual Distribution of ABFA

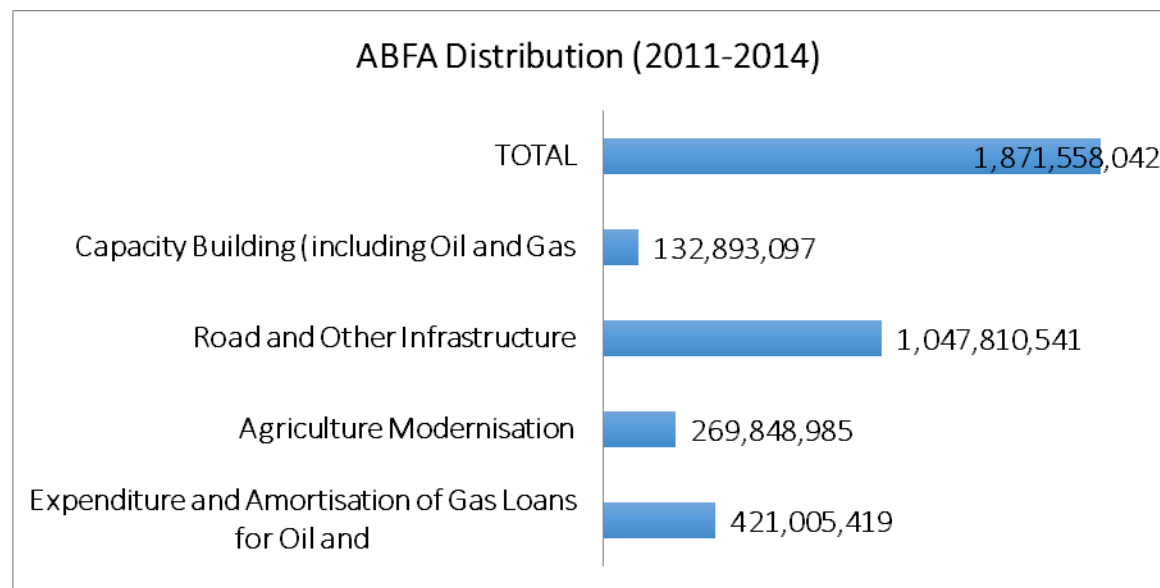


Source: Ministry of Finance

❖ Distribution of ABFA to Projects under Priority Areas

The distribution of ABFA to the priority areas shows the sectors government targeted for maximizing the use of petroleum revenues. Over the last four years (2011 – 2014), road and other infrastructure were disbursed the largest amount of ABFA with GHS1 billion, followed by the expenditure and amortization of loans for oil and gas infrastructure with GHS421 million, and then by agriculture modernization with GHS269.8 million. The priority with least disbursement was capacity building with GHS132.8 million. The following Figure 6.3 presents the annual distribution of ABFA from 2011 to 2014.

Figure 6.3: Distribution of ABFA – 2011-2014



Source: Ministry of Finance

Section 48(2b) of the Act 815 (now Section 48(2bi) in the PRM (Amendment) Act 893) requires the Minister of Finance to issue an annual report “describing the stage of implementation of the programmed activities funded by and the expenditure incurred on the activities covered by the Annual Budget Funding Amount in the financial year of the report”.

We found that the Minister has only reported on the programmed activities funded by the ABFA and the expenditure incurred on those activities; but failed to report on the stage of implementation of the activities.

The following sections presents and discuss the list of programmed activities funded by ABFA and the expenditure.

a. Expenditure and Amortization of Loans for Oil and Gas Infrastructure

For this priority area, two major projects were planned for the use of the budget of GHS364.9. The projects were the Western Corridor Gas Infrastructure Project with a budget of US\$114.86 (GHS252.7) and the Development of ICT Enhancement Surveillance Platform for Western Corridor "Oil Enclave" Project with a budget of US\$51million (GHS112.2 million). However, a disbursement of US\$74.13 GHS163.08 million was made to only the Western Corridor Gas Infrastructure Project which was further disbursed as follows:

Table 6.7: Breakdown of Expenditure and Amortization of Loans for Oil and Gas Infrastructure in 2014

PROJECT DESCRIPTION	GOODS AND SERVICES	CAPEX	TOTAL	% of Total amortization
	Amount (GHS)	Amount (GHS)		
CDB Facility Matching Fund	-	56,385,632	56,385,632	35%
CDB Facility Interest Payment	-	52,598,647	52,598,647	32%
Debt Service Reserve Payment	5,471,062	-	5,471,062	3%
Free Span Correction of the 14km Offshore Pipeline	-	19,088,663	19,088,663	12%
Cost of Tie-in Works to FPSO	-	25,693,729	25,693,729	16%
MEG Handling Charges	3,846,840	-	3,846,840	2%
TOTAL	9,317,902	153,766,670	163,084,573	100%

Source: Ministry of Finance

The bulk of the disbursements, about 67% of the total disbursements were in favour of the CDB Facility Matching Fund (35%) and the CDB Facility Interest Payment (32%).

It was found that in January 2014, an amount of US\$17.94 million was disbursed to GNGC, but this was not reported as part of the disbursement of the (US\$74.13) GHS163.08 million for the expenditure and amortization of loans in 2014. If added, the total disbursement for this priority in 2014 would amount to GHS215.22 million at the prevailing exchange rate at the.ⁱ

b. Road and Other Infrastructure

i. Road Infrastructure

ii. Education Infrastructure

The education sub-sector received a total of GHS12 million for various projects. The projects included largely capital infrastructure such as classroom blocks, Dormitories and Facilities in tertiary institutions.

Table 6.8: Breakdown of Educational Projects Funded by ABFA in 2014

Type of Project	Quantity	Amounts (GHS)
Six-Unit Classroom Blocks	25	2,289,369
Three-Unit Classroom Blocks	1	24,513
Home Economics Block	1	185,894
Kindergarten Blocks	4	293,126
Dormitory Blocks	6	494,989
Facilities at Tertiary Institutions	2	4,963,078
Counterpart funding for 'Development of Skills for Industry Project'	1	3,780,000
TOTAL	40	12,030,969

Source: Ministry of Finance

i. Energy Infrastructure

A total amount of GHS 75.44 million was disbursed from the road and other modernization share of ABFA to fund energy related projects. A total of 10 expenditure items were reported by the Government in 2014. These included counterpart payment for the Regional Electrification Project, Electrification of newly created District Capitals, the Coastal Protection Works and Consultancies among others.

Table 6.9 Breakdown of Energy Sector Projects funded by ABFA in 2014

Project	Quantity	Amount (GHS)
Regional Electrification Projects - Part-payment of Counterpart Funding and Taxes (Upper East, Upper West, Northern Region)	6	24,635,979.00
Cost of materials/equipment for the electrification of Newly Created District Capitals	1	12,553,266.00
Payment to 37 Consultants, 6 Contractors & 6 Transporters for various services to the SHEP	1	5,414,883.00
Part-payment for the construction of the Aboadzi Coastal Protection Works to protect the Aboadzi Power Generation Plant	1	28,990,890.00
Logistics & Supplies for the Evacuation and Disposal of MONO ETHLENE GLYCOL under the Offshore component of the Gas Infrastructure Project at Atuabo	1	3,846,840.00
Total		75,441,858.00

Source: Ministry of Finance

c. Agriculture Modernization

The agriculture sector received a total of GHS170.6 million for various projects including part payments for Sea Defence Projects in Fishing Communities, Rehabilitation of Irrigation Infrastructure, Works at Fisheries College among others.

Table 6.10 Breakdown of ABFA Funding to the Agriculture Sector in 2014

Type of Project	Quantity	Amounts (GHS)
Part Payments for Sea Defence Projects in Fishing Communities	4	118,386,119
Payment for 2013 Fertilizer Subsidy Programme	2	46,319,028
Rehabilitation of Irrigation Infrastructure	16	5,154,264
Works at Fisheries College	1	764,770
TOTAL	23	170,624,181

Source: Ministry of Finance

The analyses show that about 69% of total expenditure on agriculture modernization was spent on part payments for Sea Defence Projects in Fishing Communities. This raised a categorization question, as sea defence projects do not fall under agriculture modernization.

Further, about 27% of the total expenditure from agriculture modernization was spent on 2013 Fertilizer Subsidy Programme. This means that this expenditure item was not budgeted for in 2013 for the use of ABFA. The practice of using petroleum revenues for unplanned and adhoc spending is not good practice.

Thus

- i. Of the total projected CDB-funded counterpart of GHS613.9 million (US\$279 million), only GHS163.08 million (US\$56 million) was disbursed.
- ii. The Minister has only reported on the programmed activities funded by the ABFA and the expenditure incurred on those activities; but failed to report on the stage of implementation of the activities as required by Section 48 of the Act 815.
- iii. In January 2014, an amount of US\$17.94 million was disbursed to GNGC, but this was not reported as part of the disbursement of the GHS163.08 million for the expenditure and amortization of loans in 2014.
- iv. An amount of GHS3.8 million was disbursed as payments for Logistics & Supplies for the Evacuation and Disposal of MONO ETHLENE GLYCOL (MEG) under the offshore component of the Gas Infrastructure Project at Atuabo. The MONO ETHLENE GLYCOL is a vital ingredient for the production of polyester fibres and film, polyethylene terephthalate (PET) resins and engine coolants.

6.4 PERFORMANCE OF THE GHANA PETROLEUM FUNDS

❖ Measurement of Performance

The Ghana Petroleum Funds consist of the Ghana Stabilization Fund and the Ghana Heritage Fund. The Ghana Stabilization Fund transfers revenues for the purpose of alleviating shortfalls in actual petroleum revenues and for transfers into Contingency Fund and debt repayment. The Ghana Heritage Fund on the other hand is to provide an endowment to support development for future generations when petroleum reserves have been depleted.

In 2014, the balance standing to the credit of the Ghana Stabilization Fund and Ghana Heritage Fund came from three sources:

- i. Balance carried forward from the previous year
- ii. Receipts during the year
- iii. Income from the investments of the Funds.

However, in line with the PRMA, some withdrawals are permitted such as bank charges; and particularly for the Ghana Stabilization Fund, further withdrawals are allowed under some conditions for transfers to the Contingency Fund or for debt repayment.

In assessing the performance of the Ghana Petroleum Funds, Section 48(2) of the Act 815 outlined the performance indicators. A report signed by the Minister describing:

- i. The receipts and transfers to and the Petroleum Holding Fund,
- ii. The transfers into and withdrawals from Ghana Stabilization Fund and the Ghana Heritage Fund, and
- iii. A balance sheet including a note listing qualifying instruments of the Ghana Petroleum Funds;
- iv. the activities of the Funds in the financial year, including the advice provided by the Investment Advisory Committee; and any reports prepared by the Auditor-General.
- v. The income derived from the investment of the Ghana Stabilization Fund and Ghana Heritage Fund during the financial year under review compared with the income of the previous two financial years;
- vi. A comparison of the income with the benchmark performance indices provided to the Minister by the Investment Advisory Committee and the income of the previous two financial years;

The following assessment therefore follows the provisions of the Act 815.

6.4.1 The Ghana Stabilization Fund

❖ Balance in the Ghana Stabilization Fund

The Ghana Stabilization Fund had an opening balance of US\$319.03 million was carried forward from 2013 to 2014, a total of US\$271.76 million was received during the year and investment income received during the year was US\$1.5 million. These receipts result in a total amount of US\$592.4 million. With Bank charges put at US\$17,556, the closing balance amounted to. Therefore the closing balance should have been US\$592.3 million. However, the reported closing balance was put at US\$286.6 million due to the statutory withdrawals sanctioned by law upon the determination of the maximum cap on the GSF approved by Parliament.

Table 6.11: Balance in the Ghana Stabilization Fund (US\$)

Item	2011	2012	2013	2014
Opening Book Value	-	54,810,032	71,898,588	319,034,153
Receipt during the year	54,805,353	16,883,548	245,733,702	271,762,755
Income from Investments	4,679	214,049	1,413,341	1,549,380
Bank Charges	-	-9,041	-11,477	-17,556
Less Withdrawal				-305,684,688
o/w Contingency Fund				-17,433,144
o/w Debt Service Account				-288,251,545
Closing Book Value	54,810,032	71,898,587	319,034,153	286,644,044

Source: Bank of Ghana

Section 23(3) of Act 815 provides that, the “accumulated resources of the Ghana Stabilization Fund shall not exceed an amount recommended by the Minister and approved by Parliament and the amount shall be reviewed from time to time as necessitated by macroeconomic conditions”. Section

23(4) further provides that “Once the amount is attained, subsequent transfers into the Ghana Stabilization Fund shall be allocated as transfers into the Contingency Fund or for debt repayment approved by Parliament”.

Therefore in line with the law, a maximum cap of US\$250 million was approved by Parliament for the year 2014. Thus for the balance in the GSF to remain at US\$250 million, a total of US\$342.3 million was due for withdrawals, being the excess over the cap. However, Government withdrew US\$305.6 million, bringing the closing balance in the GSF to US\$286.6 million. The following table shows withdrawals from the GSF in excess of the cap for the year 2014.

Table 6.12 Determination of Funds in Excess of the Cap on the GSF

SN	ITEM	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1	Opening Balance	319,034,153	250,000,000	250,000,000	250,000,000
2	Total Quarterly Receipts	106,911,886	14,696,603	114,217,613	35,936,653
3	Net PHF Investment Income	545,298	-	279,136	724,946
4	Bank Charges	-	-	-	-17,556
5	Closing Book Value	426,491,337	264,696,603	364,496,748	286,644,043
6	Less Cap	-250,000,000	-250,000,000	-250,000,000	0
7	GSF Excess for Contingency Fund and Debt Repayment	176,491,337	14,696,603	114,496,748	0

Source: Ministry of Finance - Reconciliation Report on the Ghana Petroleum Holding Fund.

It was observed from the analyses that the withdrawals from the GSF were in line with Section 23(3&4) of Act 815 and the subsequent transfers were made to the appropriate accounts – the Contingency Fund and the Debt Service Accounts opened at the Bank of Ghana.

It was further realized that after the quarterly statutory withdrawals from the GSF, there were no inconsistencies in the closing balance of the GSF, reported by the Government and the Bank of Ghana which stood at US\$286.6 million.

6.4.1 Utilization of the Excess Revenues over the Ghana Stabilization Cap

The total excess revenues of US\$305.6 million were transferred to the Contingency Fund and Debt Service Accounts. Of this, US\$17.4 million was transferred to the Contingency Fund and US\$288.3 million transferred to the Debt Service Account.

Table 6.13 Utilization of Excess Funds over Cap Transferred from GSF

S/N	ITEM	ALLOCATED AMOUNT (US\$)	STATUS
1	Contingency Fund	17,433,143.89	Account established in May 2014 by the BOG.
2	Debt Service Account for Debt Repayment	288,252,544.51	Last transfer effected in Oct-14
2A	o/w Retirement of Domestic Marketable Instruments	179,808,824.61	Used to retire part of domestic marketable instruments on October 30 and December 31, 2014
3	Balance of the Debt Service Account	108,442,719.90	

Source: Bank of Ghana; Ministry of Finance

The transfers made to the Contingency Fund and the Debt Service Account were applied for the purposes consistent with the Act 815. Particularly, US\$179.8 million of the US\$288.3 million transferred to the Debt Service Account was used to retire part of domestic marketable instruments.

- i. Withdrawals from the GSF were in line with Section 23(3&4) of Act 815 and the subsequent transfers were made to the appropriate accounts – the Contingency Fund and the Debt Service Accounts opened at the Bank of Ghana.

- ii. Transfers made to the Contingency Fund and the Debt Service Account were applied for the purposes consistent with the Act 815. Particularly, US\$179.8 million of the US\$288.3 million transferred to the Debt Service Account was used to retire part of domestic marketable instruments.

6.4.2 The Ghana Heritage Fund

The Ghana Heritage Fund in 2014 opened with US\$128.1 million carried forward from 2013, received US\$116.5 million in the year and made investment income of US\$4.3 million. With Bank charges of US\$12,135, it closed the year with a balance of US\$248.9 million.

Table 6.14: Balance in the Ghana Heritage Fund

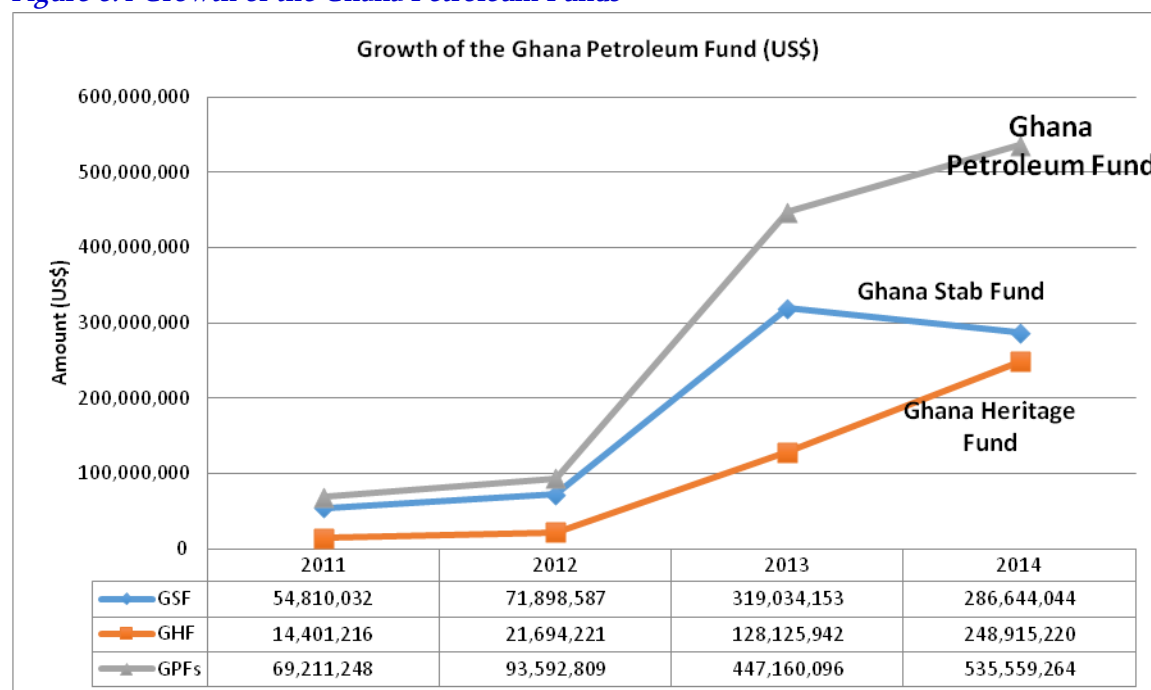
Item	2011	2012	2013	2014
Opening Book Value	-	14,401,216	21,694,221	128,125,942
Receipts During the Year	14,400,002	7,235,806	105,314,444	116,469,752
Income from Investment	1,215	60,209	1,126,764	4,331,660
Bank Charges	-	-3,010	-9,486	-12,135
Closing Book Value	14,401,216.33	21,694,221.10	128,125,942	248,915,220

Source: Bank of Ghana

6.4.3 Growth of the Ghana Petroleum Funds

The Ghana Petroleum Funds is a combination of the Ghana Stabilization Fund and the Ghana Heritage Fund. The following graph shows the growth in the closing balances of the Ghana Stabilization Fund, the Ghana Heritage Fund and the Ghana Petroleum Funds.

Figure 6.4 Growth of the Ghana Petroleum Funds



Source: Bank of Ghana

The graph shows that the Ghana Stabilization Fund grew faster (in nominal terms) than the Ghana Heritage Fund from 2011 to 2013. The reasons accounting for this is that a larger proportion of receipts for the Ghana Petroleum Funds (70%) is transferred to the Ghana Stabilization Fund whilst 30% is transferred to the Ghana Heritage Fund.

However, the Ghana Stabilization Fund declined in 2014 as a result of withdrawals for the Contingency Fund and debt repayment prescribed by law. The Ghana Heritage Fund continued in a steady growth in nominal terms.

The Ghana Petroleum Funds grew faster from 2011 to 2013, but grew slower in 2014. The growth rate of the Ghana Petroleum Fund in 2012 over 2011, was 35%, which increased to 378% in 2013 over 2012 on account of large transfers of US\$319 million and US\$128 million respectively to the Ghana Stabilization Fund and Ghana Heritage Fund. However, due to the dampening effect of the

withdrawals from the Ghana Stabilization Fund, the Ghana Petroleum Fund grew by only 20% in 2014 over 2013.

6.5 INVESTMENT PERFORMANCE OF THE GHANA PETROLEUM FUNDS

The range of instruments in which the Ghana Petroleum Funds were invested include:

- a. Overnight and call deposits
- b. Discount notes
- c. Treasury bills
- d. Short-term deposits
- e. Investment grade bonds
- f. Certificates of deposit
- g. Commercial papers
- h. Medium term notes

Table 6.15 Return Performance of the Ghana Petroleum Funds in 2014

Quarter End	Current Returns		Total Return Year to Date	
	Stabilization (%)	Heritage (%)	Stabilization (%)	Heritage (%)
March	0.133	0.406	0.809	1.554
June	0.71	2.44	1.47	5.37
September	-0.04	0.32	1.43	5.7
December	0.18	1.92	1.61	7.73

Source: Bank of Ghana

In terms of return performance, the GHF year to date (YTD) return rose from 5.37% in H1 to 7.73% in H2 while GSF YTD rose from 1.47% in H1 to 1.61% in H2. In monetary terms, net return on investment of the Ghana Petroleum Funds since inception was US\$8.64 million at the end of H2, 2014, compared to US\$4.61million by end H1, 2014.

The Bank of Ghana explained that at the beginning of 2014 the portfolios of the Ghana Petroleum Funds (GPFs) were positioned to benefit from an anticipated flattening of the US Treasury yield curve. Therefore, throughout the year, the strategy performed in line with expectations as the yield

on the US Treasury 10 year note dropped from 2.99% on January 3, 2014 to 2.17% on December 31, 2014.

The investment performance of the Ghana Petroleum Funds so far has been based on yearly comparison of the returns on the investment of the Ghana Stabilization Fund and the Ghana Heritage Fund. This falls short of the performance requirement prescribed by law, which requires performance to be measured against set benchmark returns.

The Investment Advisory Committee is required by Section 30(1c) of Act 815 to “develop for the Minister as part the investment guidelines, the benchmark portfolio, the desired returns from the associated risks of the Ghana Petroleum Funds.”. The benchmark returns have neither been developed nor have they been compared with the investment income from the Ghana Petroleum Funds.

Details of implementation of recommendations

Table 6.16 Update on recommendations made in 2010-13 oil and gas reports

Issue	Recommendation	Status	Remark
Thin Capitalisation	Petroleum income tax law should be harmonized with Act 592, with regards to interest charges	Outstanding	GRA applies thin capitalization provision in Act 592 to the Petroleum sector
Ring Fencing	Ring Fencing should be applied at the production field level.	Outstanding	
Carry Forward Losses	Carry Forward losses to be capped at 5 years	Outstanding	
Lack of On Line Repository	Upstream On line Repository to be established to improve efficiency	Outstanding	
Licensing Regime	Licensing Round of bidding	Outstanding	
Publication of Contracts	All Upstream Contracts and Agreements to be disclosed publicly	Selected Contracts are made public	
GNPC Expenditure	GNPC Investment plans to be published	Outstanding	
ABFA Expenditure	Progress report on ABFA Expenditure to be furnished	Not detailed	Itemized Expenditure breakdown broad.
Crude Oil Lifting	Provision on Carry Forward Crude Oil Volumes in the PRMA	Outstanding	
Performance of Ghana Petroleum Funds	Investment guide to be furnished	Outstanding	
Revenue Stream Computation	Royalty and CAPI computations from GRA and GNPC. Singular methodology to be employed	Oustanding	

7.0 MAIN FINDINGS AND RECOMMENDATIONS

7.1 LACK OF STANDARD REPORTING FORMAT FOR REPORTING CRUDE OIL LIFTING AMONG STATUTORY REPORTING AGENCIES

It was found that there is no standard format for reporting on crude oil lifting by the three reporting agencies. There are differences therefore in the reported quantity of Ghana's crude oil lifting for the 2014 period. Both MOFEP and BOG reported total lifting at 6,690,798 BBLS linking liftings to periods in which the associated proceeds are received whilst PIAC reported it to be 7,681,120 BBLS, which provided total lifting 2014.

7.1.2 Recommendation

All statutory crude oil and revenue reporting agencies prescribed in the Petroleum Revenue Management Act, should apply the same reporting standard consistent with section 4(1) of Act 815, PRMA 2011 which states that "where government elects for payment in petroleum instead of cash, the value of the petroleum in US dollars on the day the petroleum is received by or on behalf of the government shall be reported and recorded by the Ghana Revenue Authority as the payments for the Petroleum Holding Fund'.

7.2 PERFORMANCE OF THE GHANA PETROLEUM FUNDS

Section 30(1) c of Act 815 states that the Investment Advisory Committee shall '*develop for the Minister as part of the investment guidelines, the benchmark portfolio, the desired returns from and the associated risks of the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund taking into consideration the investment guidelines used by the Bank of Ghana for investments of a similar nature*'

No benchmark returns have been developed by the Investment Advisory Committee as required by Section 30(1) c of Act 815. The measurement of the performance of the Ghana Petroleum Funds by the Bank of Ghana therefore does not conform to the provisions of Act 815.

7.2.1 Recommendation

To effectively monitor the performance of the Ghana Petroleum funds it is necessary to adhere to the provisions of section 30(1) c, by developing an investment guide.

The measurement of the performance of the Ghana Petroleum Funds by the Bank of Ghana therefore does not conform to the provisions of Act 815.

7.3 COMPUTATION OF REVENUE STREAMS BY GNPC AND GRA

The reconciliation produced discrepancies in amounts stated for royalty, carried interest and Participating interest by GNPC and GRA. The total discrepancy was 11,207.

These computations are based on liftings by the GNPC on behalf of Ghana. Parcels of oil sold is apportioned into royalty, carried interest and participating interest.

The total amounts are equal but the Agencies obtain different figures for the component parts.

7.3.1 Recommendation

It will be more appropriate if the Agencies use the same methodology in their computations in order to ensure that figures for royalty, carried interest and participating interest are the same for the organizations.

7.4 OBSERVATION: LACK OF ON LINE REPOSITORY IN THE PETROLEUM SECTOR

The Petroleum Commission does not have an online Repository, where information for the Petroleum Sector such as ownership of blocks, coordinates of oil blocks, allocation of blocks as well as annual payments made by Upstream Petroleum Companies are found. Currently it takes a long while for such information to be obtained.

7.4.1 Recommendation

Although the Petroleum Commission has commenced activities to establish an online repository it is advised to quicken up the process.

Information from the online repository will enhance transparency and improve the efficiency of the Commission.

7.5 OBSERVATION: LICENSING REGIME AND THE PUBLICATION OF CONTRACTS.

The Ministry of Energy and Petroleum awards oil blocks/licences using the open door negotiated process. This is not an open process and may lead to awarding oil blocks to inefficient operators,

Again the details of these negotiations and contracts are not made available to the public. To ensure transparency and efficient management of the petroleum resources, the Ministry of Petroleum should introduce Licensing rounds including bidding and also make available on its website details of contracts with operators

7.5.1: Recommendations

7.6: UTILIZATION OF THE ANNUAL BUDGET FUNDING AMOUNT

7.6.1: Non-reporting on stage of implementation of ABFA funded projects

The Minister has only reported on the programmed activities funded by the ABFA and the expenditure incurred on those activities; but failed to report on the stage of implementation of the activities as required by Section 48(b) of the Act 815.

7.6.2: Recommendation

The reporting on the activities funded by the ABFA should meet the requirements of section 48 of Act 815, i.e. the stage of implementation must be stated as well.

7.7. THE PETROLEUM EXPLORATION AND PRODUCTION BILL

The rationale for replacing PNDCL 84 with the new E&P Bill is to address identified limitations in the existing law. Experience since oil production started, has shown that PNDCL 84 is incompetent in addressing issues or proprietary rights over geological and seismic data, the right of first refusal, liability for spill of oil in operational areas etc.

Any further delay in the passage of the much improved law therefore means Ghana's inability to deal with any potential reoccurrence of disputes it had with certain players in the industry over these matters.

Recommendation

The E&P Bill should be passed without delay to ensure good governance in the petroleum sector.

7.8 FAILURE TO PAY SURFACE RENTALS:

Some exploration companies did not pay surface rentals in 2014.

Recommendation

The Petroleum Commission should ensure that these outstanding surface rentals are collected.

7.9: CARRIED INTEREST PAYMENT BY SALTPOND OFFSHORE PRODUCING COMPANY

It was observed that although the state of Ghana retains a carried interest of 15% in the Saltpond Offshore Producing Fields, this has neither been paid in cash or in kind.

7.9.1 Recommendation:

The Petroleum Commission, the GNPC and the GRA should ensure that carried interest is paid from the Saltpond Offshore Producing Fields.

8.0 CONCLUSION

The Petroleum Holding Fund received an amount of U\$978,886,379.

Government receipts after reconciliation amounted to US\$977,184,636.

The difference is made up of surface rentals of the exploration companies, the return from investment on the petroleum funds and Unipet price differential. These were not considered for reconciliation.

Training fees were also considered for the EITI reconciliation, but were absent from the PHF.

With the exception of Anadarko WCTP Ltd, all oil and Gas companies that made payments in 2014 reported.

Unresolved discrepancies amounted to US\$(84,382,088) with the non-submission of template by Anadarko accounting for over 99%.

It is important that Anadarko which is still a partner in the Jubilee Field operations is persuaded to participate in future EITI reconciliation exercises.

APPENDICES

APPENDIX 1: Terms of Reference (TOR)

Oil and Gas

Background contextual information

Under the terms of reference for the assignment the obligations of the Independent Administrator shall include the provision of the following contextual information about the oil and gas industry in Ghana:

- i. An overview of the oil and gas industry, including exploration activities, analysis of oil and gas production liftings (under lift/over lift) and levels of investments, reserves, level of employment, price developments and average cost developments.
- ii. An overview of the relevant laws and regulations (legal framework and fiscal regimes), and information on roles and responsibilities of relevant government agencies.(Noting the proposed amendments to the PRMA)
- iii. The contribution of the oil and gas industry to the economy for the 2014 fiscal year.
 - Contribution of the industry to GDP including the informal sector. Production data including volumes and values by commodity for 2014
 - Total government revenues generated by the oil and gas industry (including sales/export receipts, taxes, royalties, National Oil Company's (NOC) equity share, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues.
- iv. Compare the contribution of the oil and gas sector to the mining sector and the rest of the sectors in the economy. Use pie chart(s) and tables to show the comparison of the contributions and all the data must be properly referenced.
- v. Report on the spending patterns of oil revenues through the national budget.
- vi. State participation in the oil and gas sector. Disclosures from state owned companies on their revenues costs and expenditures such as payments for social services, public infrastructure, fuel subsidies and national debt servicing.
- vii. Track changes in the beneficial ownership structure of petroleum (oil and gas) companies operating in Ghana and establish whether or not capital gains tax opportunities that arise as a result of these changes have been seized upon by the revenue collection agencies.

- viii. Distribution of revenues from the oil and gas sector; sovereign wealth (Ghana Petroleum Funds) and other development funds, subnational governments, state-owned companies, and other extra-budgetary entities.
- ix. Provide information on the licensing processes, register and the allocation of licenses (license holders, coordinates of the license area, date of application, award, duration and commodity being produced) for all Exploration and Production companies.
- x. Information on oil and gas contracts: disclosure practices and policy of companies and government.
- xi. Report on Social expenditures: Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, report on it, where possible, reconcile these transactions.
- xii. Where such benefits are provided in-kind, report on the nature and the deemed value of the in-kind transaction. Where the beneficiary of the mandated social expenditure is a third party, i.e. not a government agency, provide/disclose the name and function of the beneficiary.
- xiii. Where reconciliation is not feasible, include unilateral company and/or government disclosures of these transactions.
- xiv. In addition to the review of the relevant background information, the Independent Administrator is expected to review the findings from any preliminary scoping work, and conclusions and relevant recommendations from the previous oil and gas EITI Report as agreed with the Oil & Gas stakeholder companies.

For the oil and gas report the Independent Reconciler is expected to execute the following specific tasks:

1. Analyze relevant documentations on all oil and gas volumes produced and planned volumes and report on any discrepancies.
2. Analyse documentation on all oil and gas lifted by the National Oil Company (NOC) and the International Oil Companies (IOCs) and compare with the documentation on production and lifting.

3. Analyze declarations of oil and gas liftings reported by the NOC and the IOCs and compare with the aggregate of periodic declarations made to the regulatory institutions and the Ghana Revenue Authority and report on any discrepancies.
4. Analyze documentations on the realized price of all oil and gas lifted and compare with reference prices and verify the revenue from the oil and gas lifted.
5. Review documentations on petroleum cost (exploration, appraisal, development and production) and other costs of the oil and gas companies so as to confirm that only actual and qualifying costs are deducted from income to arrive at profits.
6. Review audited documentation on capital expenditure and operational expenditure and compare it with GRA's reviews and analysis
7. Ascertain the correctness of all payments (cash and in kind) made by the NOC and the IOCs to the State. Payments shall include royalties, initial (carried) interest, additional participating interest, petroleum income tax, additional oil entitlement, surface rentals, dividend, the investment income derived from accumulated petroleum funds, capital gains tax derived from the sale of ownership of exploration, development and production rights.
8. Reconcile all payments made by the NOC and IOCs with receipts by the State and report on any discrepancies.
9. Verify the basis for the determination of Benchmark Revenue, Annual Budget Funding Amount, and confirm whether they are in accordance with the provisions of the Petroleum Revenue Management Act of 2011, Act 815.
10. Check and report on disbursements from the Petroleum Holding Fund to the Annual Budget Funding Amount, Heritage and Stabilization Funds and confirm if they are in conformity with the provisions of Act 815.
11. Analyse and report on the performance (returns) of the investment activities of the Ghana stabilization Fund and the Ghana Heritage Fund in accordance with provisions of Act 815
12. Report on the utilization of the Annual Budget Funding Amount, the Stabilization Fund and Heritage Fund and confirm whether they are in accordance with the provisions of Act 815.

Deliverables

The Independent Reconciler is expected to deliver the following:

- An inception 2014 EITI reports on the Oil and gas sector to be submitted in hard and soft copies four weeks after the contract signature

The report should include: Review of the background information, an overview of the proposed scope of the reporting process, including a proposal on an appropriate definition of materiality and associated thresholds. A list of the entities that will be asked to report, the reporting templates to be completed by the reporting entities and details on the assurances and supporting documentation to be requested from reporting entities. The data collection and reconciliation procedures, including appropriate guidance to reporting entities and the timeframe for finalization of the EITI Report. Where necessary the inception report should highlight any unresolved issues or potential barriers to effective implementation, and possible remedies for consideration by the Multi stakeholder Group (MSG).

- A draft 2014 EITI reports of the oil and gas sector to be submitted in hard and soft copies ten weeks after the contract signature.

The draft EITI Reports should comprehensively reconcile the information disclosed by the reporting entities, identifying any discrepancies and should also include the following:

- a description of each revenue stream, related materiality definitions and thresholds. In addition, the Independent Administrator reconciler is required to produce graphs and charts to capture trends in figures ie sales/export receipts, taxes, royalties, bonuses, fees and other payments that were reported in the earlier EITI oil and gas report.
- It should also include an assessment from the Independent Administrator on the comprehensiveness and reliability of the data presented, including an informative summary of the work performed by him and the limitations of the assessment provided.
- An assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness of the report.
- Document whether the participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI Report. Any gaps or weaknesses must be disclosed. Where audited financial statements are publicly available, it is recommended that the EITI Report advises readers on how to access this information. *It is a requirement that EITI reports are based on accounts based on international audit standards.*

- Progress made in implementing relevant recommendations of the earlier EITI reports. Additionally he/she should make recommendations for strengthening the reporting process in the future, including any recommendations regarding reforms needed to bring them in line with international standards.
- Final 2014 EITI reports of the oil and gas sector to be submitted in hard and soft copies after comments have been incorporated into the draft document containing the findings, financial data, conclusions and recommendations as regards the above mentioned tasks. **The final reports shall be submitted twelve weeks after the contract signature.**
- Oral presentation of the final document to the Ghana EITI Steering Committee. The Administrator should also produce and submit to the GHEITI Secretariat, electronic data files that can be published together with the hard copy of EITI Reports.
- The Independent Administrator should through the Ghana EITI Secretariat submit summary data of the EITI Report electronically to the International Secretariat according to the standardized reporting format available from the International Secretariat.

APPENDIX 2: DETAILS OF RECONCILIATION

DETAILS OF RECONCILIATION

COMPANY'S NAME: KOSMOS

TIN:

REPORTING PERIOD: 2014

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	
	OIL & GAS										
1	Carried Interest				0			0	0	0	0
2	Participating Interest				0			0	0	0	0
3	Royalty				0			0	0	0	0
4	Surface Rental		17,864		17,864	17,864		17,864	17,864	17,864	0
5	Corporate Tax		85,187,040		85,187,040	85,187,040		85,187,040	85,187,040	85,187,040	0
6	Dividends				0			0	0	0	0
	Training/Tech fees		175,000		175000		175,000	175000	175000	175000	0
	TOTAL		85,379,904	-	85,379,904	85,204,904	#####	85,379,904	85,379,904	85,379,904	-

DETAILS OF RECONCILIATION

COMPANY'S NAME: TULLOW

TIN:

REPORTING PERIOD: 2014

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	
	OIL & GAS										
1	Carried Interest				0			0	0	0	0
2	Participating Interest				0			0	0	0	0
3	Royalty				0			0	0	0	0
4	Surface Rental		52,492		52,492	52,492		52,492	52,492	52,492.00	-
5	Corporate Tax		63,467,912	51520358	114,988,270	114,988,270		114,988,270	114,988,270	114988270	-
6	Dividends				0			0	0	0	0
	Training /Tech fees		250,000		250000		250000	250000	250,000	250000	-
	TOTAL		63,770,404	51520358	115,290,762	115,040,762	250000	115,290,762	115,290,762	115290762	-

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DETAILS OF RECONCILIATION

COMPANY'S NAME: GNPC

TIN:

REPORTING PERIOD: 2014

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	(Over)
	OIL & GAS										
1	Carried Interest		370,580,000	(4,528,200)	366,051,800	366,055,428		366,055,428	366,051,800	366,055,428	(3,628)
2	Participating Interest		134,920,000	(1,648,640)	133,271,360	133,274,924		133,274,924	133,271,360	133,274,924	(3,564)
3	Royalty		195,040,000	(2,383,264)	192,656,736	192,660,751		192,660,751	192,656,736	192,660,751	(4,015)
4	Surface Rental				0			0	0	0	0
5	Corporate Tax				0			0	0	0	0
6	Dividends				0			0	0	0	0
7	Training/tech fees				0			0	0	0	0
	TOTAL		700,540,000	(8,560,104)	691,979,896	691,991,103	0	691,991,103	691,979,896	691,991,103	(11,207)

DETAILS OF RECONCILIATION

COMPANY'S NAME: ANADARKO

TIN:

REPORTING PERIOD: 2014

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	(Over)
	OIL & GAS										
1	Carried Interest				0			0	0	0	0
2	Participating Interest				0			0	0	0	0
3	Royalty				0			0	0	0	0
4	Surface Rental				0			0	0	0	0
5	Corporate Tax				0	84,370,881		84,370,881	0	84,370,881	(84,370,881.00)
6	Dividends				0			0	0	0	0
7	Training/Tech fees				0			0	0	0	0
	TOTAL		0	0	0	84,370,881	0	84,370,881	0	84370881	-84370881

2014 Oil & Gas Sector GHEITI Report

DETAILS OF RECONCILIATION

COMPANY'S NAME: SALTPOND

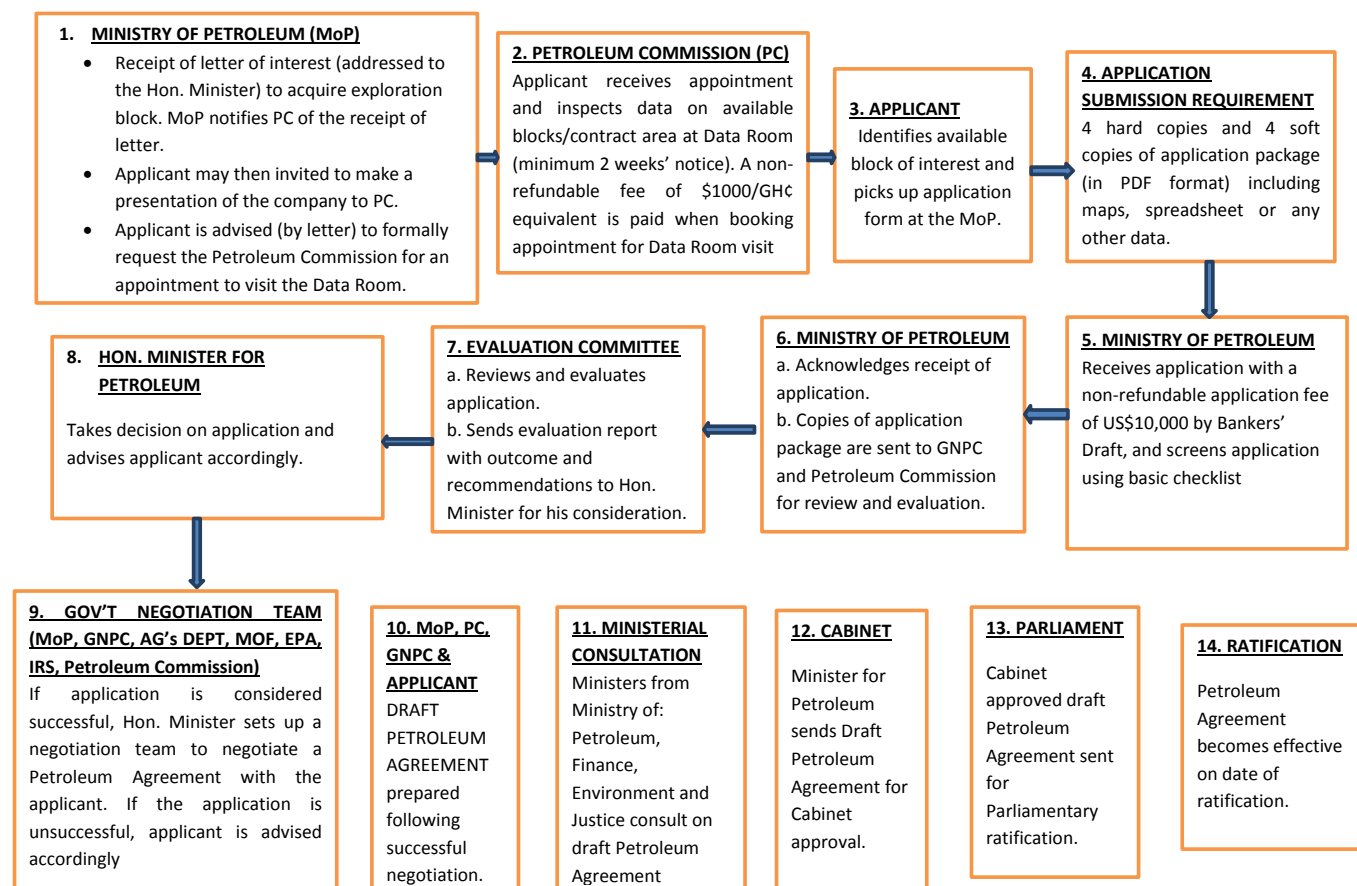
TIN:

REPORTING PERIOD: 2014

No.	Revenue Stream	Paid To	Company			Government			Final Amounts		Unresolved
			Initial Amount US\$	Resolved	Final	Initial Amount US\$	Resolved	Final	Company	Government	
	OIL & GAS										
1	Carried Interest				0			0	0	0	0
2	Participating Interest				0			0	0	0	0
3	Royalty		151,986.00		151,986.00		151986	151986	151,986.00	151986	-
4	Surface Rental				0			0	0	0	0
5	Corporate Tax				0			0	0	0	0
6	Dividends				0			0	0	0	0
7	Training/Tech				0			0	0	0	0
	TOTAL		151,986.00	0	151,986.00	0	151986	151986	151,986.00	151986	-

APPENDIX 3

MINISTRY OF PETROLEUM PROCESS FOR ACQUIRING A BLOCK/CONTRACT AREA FOR EXPLORATION



APPENDIX 4: TRAINING AND TECHNOLOGY FEES.

Training Allowance paid in 2014.

GHANA NATIONAL PETROLEUM CORPORATION				
TRAINING ALLOWANCE INVOICES/PAYMENT CONFIRMATION - JANUARY 2014 - DECEMBER 2014				
COMPANY	CONTRACT AREA	INVOICE NUMBER	INVOICE AMOUNT -US\$	INVOICE AMOUNT PAID - US\$
TULLOW GHANA LTD	DEEPWATER TANO BASIN	PIN/14/010	250,000.00	250,000.00
HESS GHANA EXP LTD	DEEPWATER TANO/CAPE THREE POINTS	PIN/14/011	300,000.00	300,000.00
ENI GHANA E & P LTD	OFFSHORE KETA BASIN	PIN/14/012	1,000,000.00	1,000,000.00
ENI GHANA E & P LTD	OFFSHORE CAPE THREE POINTS	PIN/14/013	200,000.00	200,000.00
LUKOIL OVERSEAS GHANA LTD	DEEPWATER CAPE THREE POINTS	PIN/14/014	200,000.00	200,000.00
KOSMOS ENERGY GHANA LTD	WEST CAPE THREE POINTS	PIN/14/015	175,000.00	175,000.00
AGM PETROLEUM GHANA LTD	SOUTH DEEPWATER TANO	PIN/14/020	1,000,000.00	1,000,000.00
COLA NATURAL RESOURCES GHANA LTD	EAST-CAPE THREE POINT	PIN/14/021	500,000.00	500,000.00
OPHIR GHANA (ACCRA) LTD	OFFSHORE ACCRA CONTRACT AREA	PIN/14/060	100,000.00	100,000.00
CAMAC ENERGY GHANA LTD	SHALLOW WATER TANO BLOCK	PIN/14/057	1,000,000.00	1,000,000.00
			4,725,000.00	4,725,000.00

Source :GNPC

APPENDIX 4B:Technology and Technical support

2014 TECHNOLOGY/TECHNICAL SUPPORT					
COMPANY	CONTRACT AREA	INVOICE NUMBER	INVOICE AMOUNT -US\$	INVOICE AMOUNT PAID - US\$	AMOUNT OUTSTANDING
COLA NATURAL RESOURCES GHANA LTD	EAST-CAPE THREE POINT	PIN/14/022	1,000,000.00	1,000,000.00	
AMNI INTERNATIONAL PETROLEUM DEV CO GH. LTD	CENTRAL TANO BLOCK, OFFSHORE OF THE REPUBLIC OF GHANA	PIN/14/051	1,500,000.00	1,500,000.00	
CAMAC ENERGY GHANA LTD	SHALLOW WATER TANO BLOCK	PIN/14/058	2,000,000.00	2,000,000.00	

Source : GNPC