



Public Interest and Accountability Committee (PIAC)

Press Release

30th October, 2019

STATEMENT BY THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC) ON THE PUBLICATION OF ITS 2019 SEMI-ANNUAL REPORT

The Public Interest and Accountability Committee (PIAC) has published its Semi-Annual Report on the management of petroleum revenues for the first half of 2019 on its website www.piacghana.org. This is in fulfilment of Section 56 of the Petroleum Revenue Management Act (PRMA), 2011 (Act 815).

This Report is being released over a month later than the statutory reporting date of 15th September, and is without the Annual Budget Funding Amount (ABFA) expenditure data for the period, arising from the Ministry of Finance's failure to honour PIAC's data request.

The Committee observes that over the past three years, the Ministry of Finance has been non-responsive to requests for data. In its view, the Ministry has deliberately resorted to the practice of supplying incomplete information by releasing revenue data without the expenditure component.

On this occasion, the Ministry submitted its expenditure data on 18th October, 2019, to the Committee, over a month after the due reporting date for PIAC. The expenditure data will therefore be analysed later and if necessary, a supplementary report issued.

PIAC wishes to commend Kosmos Energy, ENI Ghana, Energy Commission, GRA, Petroleum Commission, Bank of Ghana, and GNPC for meeting the Committee's data requirement timelines. The Committee takes its data requisitions seriously and urges all reporting entities to adhere to the timelines for supply of data.

The following are some of the key findings from the Report:

- Production on the TEN Field was impacted by shut-down activities over a 14-day period from 22nd April to 5th May 2019 to undertake major maintenance works and inspections, affecting the average daily production and output of the Field.
- For the second time, there was no lifting by GNPC in respect of Carried and Participating Interest (CAPI) on the SGN Field due to the Corporation's inability to honour outstanding payments (plus interest) in respect of its equity participation in the Field. The SGN Partners lifted seven (7) parcels of crude totalling 6,612,967 bbls.



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- As at 30th June, 2019, GNGC's indebtedness to GNPC amounted to US\$263,949,220.40 made up of US\$4,229,076.70 for the period and an opening balance of US\$259,720,143.70.
- The accumulated net profit on investment of the GPFs since November 2011 to the end of the first half of 2019 was US\$55.16 million. The returns have so far been modest, due to the requirement to invest in conservative instruments.
- An amount of US\$155.53 million, being the excess over the cap of US\$300 million placed on the GSF, was not transferred into the Sinking and/or Contingency Funds during the period.
- An amount of US\$1 million has been budgeted towards the establishment of a fertilizer plant. GNPC reports that the project is still at a desktop study stage, to be undertaken with the Ministry of Agriculture, Ghana Gas, and other stakeholders.
- While processed gas was sold to VRA at US\$7.29 per MMBtu, the same gas was sold to Wangkang and Keda (Twyford) at US\$6.50 per MMBtu under a special dispensation to encourage gas-fueled industrialisation and to enhance the competitiveness of Ghanaian industrial products.

Recommendations

- PIAC recommends that the Petroleum Commission works with the Partners to put in place a well-coordinated framework for routine shutdown and maintenance to minimize disruption to production and gas exports.
- The Committee recommends the review of the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64) to better define the mandate of GNPC. A more compelling reason for the revision of GNPC's statute of establishment arises from the fact that, by the enactment of Act 919, certain functions performed by GNPC in the past, such as serving as data repository and providing technical advice to the Minister have now been assigned to the Petroleum Commission.
- The Committee reiterates its call for the Corporation to proactively plan to respond to cash calls when they are made in order to avoid the cost of borrowing.
- PIAC reiterates its call for GNGC to discontinue the practice of retaining gas revenues. Receipts from the sale of gas must be applied to defray the cost of raw gas supplied by GNPC,



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for lodgement in the PHF in accordance with Sections 2 & 3 of the PRMA, and in line with sound business practice.

- To improve on returns on the GPFs investments, the Committee recommends a review and diversification of their qualifying instruments.
- Given the existence of an excess of US\$155.53 million over the GSF cap of US\$300 million, the Committee recommends the transfer of the excess into the Sinking and /or Contingency Funds in accordance with Section 23(4) of the PRMA, or a re-adjustment of the cap to accommodate the excess.
- The decision to grant concessionary tariffs on lean gas to industries bodes well for government's industrialisation program as it has the tendency to reduce the cost of production.

PIAC urges all media houses to obtain a copy of the 2019 Semi-annual Report from its website for further analyses of the issues.

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Dr. Steve Manteaw

Chairman, PIAC

Media Contacts

Dr Steve Manteaw, Chairman	0244 273 006
Dr Thomas Stephens, Vice Chairman	0271 720 444
Nana Agyenim Boateng, Member	0244 262 708
Mr Noble Wadzah, Member	0242 257 972