

REPUBLIC OF GHANA



PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC)
ESTABLISHED UNDER THE PETROLEUM REVENUE MANAGEMENT ACT, 2011
(ACT 815)

**SEMI-ANNUAL REPORT ON MANAGEMENT OF PETROLEUM
REVENUES FOR THE PERIOD**

JANUARY TO JUNE, 2014

TABLE OF CONTENTS

TABLE OF CONTENTS.....	ii
ABBREVIATIONS AND ACRONYMS.....	iv
LIST OF TABLES.....	vi
LIST OF FIGURES.....	vi
EXECUTIVE SUMMARY.....	vii
SECTION 1.....	I
BACKGROUND.....	I
1.1 Introduction.....	I
1.2 Scope and Methodology.....	I
SECTION 2.....	2
DEVELOPMENTS IN UPSTREAM OIL AND GAS INDUSTRY.....	2
2.1 Introduction.....	2
2.2 Updates on Development and Appraisal Fields.....	2
2.3 Ongoing Exploration Activities.....	3
2.4 The Western Corridor Gas Infrastructure Development Project (WCGIDP)....	4
SECTION 3.....	7
CRUDE OIL/GAS PRODUCTION AND LIFTING.....	7
3.1 Jubilee Crude Oil Production.....	7
3.2 Saltpond Offshore Crude Oil Production.....	8
3.3 Crude Oil Lifting from the Jubilee oilfield.....	9
3.4 Crude Liftings from Saltpond oilfields.....	9
SECTION 4.....	11
PETROLEUM RECEIPTS AND UTILISATION.....	11
4.1 Total Receipts from Petroleum (January to June, 2014).....	11
10,471,629.83	12

4.2	Analysis of Petroleum Revenues.....	13
4.2.1	Royalties	13
4.2.2	Carried and Participating Interests.....	14
4.2.3	Corporate Income Tax.....	14
4.2.4	Surface Rental.....	14
4.3	Budget Forecast for 2014 versus Half Year Performance.....	15
	17
	SECTION 5.....	18
	ALLOCATION OF PETROLEUM REVENUES.....	18
5.1	Petroleum Revenue Distribution.....	18
5.1.1.	GNPC Allocation and Utilisation (January-June 2014).....	19
5.1.2.	Allocation and Utilisation of the Annual Budget Funding Amount.....	20
5.1.3	Performance of the Ghana Petroleum Funds.....	22
	24
	SECTION 6.....	25
	SUMMARY OF KEY FINDINGS.....	25
	SECTION 7.....	26
	CONCLUSIONS AND RECOMMENDATIONS.....	26
7.1	Conclusions.....	26
7.2	Recommendations.....	26
	REFERENCES.....	27
	APPENDIX.....	28

ABBREVIATIONS AND ACRONYMS

ABFA	Annual Budget Funding Amount
BCF	Billion Cubic Feet
BOG	Bank of Ghana
BOPD	Barrels of Oil Per Day
BR	Benchmark Revenue
CAPI	Carried and Participating Interest
CDB	China Development Bank
CIT	Corporate Income Tax
CTIA	Construction and Tie-in Agreement
EDS	Esiama Distribution Station
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
GHF	Ghana Heritage Fund
GNGC	Ghana National Gas Company
GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GHF	Ghana Heritage Fund
GPFs	Ghana Petroleum Funds
GSF	Ghana Stabilization Fund
GPP	Gas Processing Plant
GRA	Ghana Revenue Authority
GSF	Ghana Stabilisation Fund
HDD	Horizontal Directional Drill
LPG	Liquefied Petroleum Gas

MCC	Machine Cabinet Rooms
MDAs	Ministries, Departments and Agencies
MMBO	Million Barrels of Oil
MOF	Ministry of Finance
PHF	Petroleum Holding Fund
PIAC	Public Interest Accountability Committee
POD	Plan of Development
PRMA	Petroleum Revenue Management Act
SOPCL	Saltpond Offshore Producing Co. Ltd
TEN	Tweneboa-Enyenra-Ntomme
TRMS	Takoradi Regulating and Metering Station
ROW	Right of Way
WCGIDP	Western Corridor Gas Infrastructure Development Project

LIST OF TABLES

Table 1: Summary of the Status of WCGIDP	4
Table 2: Disbursements to WCGIDP (January to June, 2014)	5
Table 3: Jubilee Crude and Gas Production (Jan-June 2014)	7
Table 4: Crude Oil Production from Saltpond Field (Jan-June 2013 & 2014)	8
Table 5: Crude Oil Lifting by Ghana Group, 2014	9
Table 6: Crude Oil Lifting from Saltpond Fields (January to June, 2014)	9
Table 7: Crude Oil Sales from Jubilee Field (January to June 2014)	11
Table 8: Composition of Petroleum Revenue from the Jubilee Field.....	11
Table 9: Break-down of Petroleum Revenues (January-June 2014) in US\$	12
Table 10 : Corporate Income Tax Payments for first half of 2014	14
Table 11: Surface Rental Payment by Companies	14
Table 12: Petroleum Revenue Forecasts and Actuals	15
Table 13: Distribution of Petroleum Revenue (US\$) Jan – June 2014.....	18
Table 14: ABFA Allocation and Variance Analysis (January to September 2014)	20
Table 15: Distribution of ABFA to Priority Areas (January to September 2014)	21
Table 16: Performance of Ghana Petroleum Holding Funds	22

LIST OF FIGURES

Figure 1: Overview of Water Fire Tanks.....	4
Figure 2: LPG Tanks	4
Figure 3: Mid-Year Crude Oil Production from the Jubilee Field, 2011-2014	7
Figure 4: Composition of Petroleum Revenues (January to June, 2014)	13
Figure 5: Distribution of Total Petroleum Receipts (January to June 2015).....	19

EXECUTIVE SUMMARY

The Public Interest and Accountability Committee (PIAC) is a statutory body created by an Act of Parliament – the Petroleum Revenue Management Act (Act 815) – to exercise oversight in respect of the collection and utilisation of Ghana’s petroleum revenues. PIAC is required by the Act establishing it to provide two periodic reports – a Semi-Annual and an Annual Report – within the year detailing out how revenues from oil and gas during the period have been accounted for and utilised.

This report is the third Semi-Annual Report to be published by the Committee since its inception. The report analyses crude oil production and liftings; validates the accuracy of petroleum revenues declared by state institutions; assesses allocations of petroleum revenues to support annual budget and the Ghana Petroleum Funds as stipulated by the Act; discusses how petroleum receipts are allocated and utilised as well as the performance of the petroleum funds during the period under review. A combination of desk research and key informant interviews were employed in gathering and analysing data for this report.

The following are the key findings made in the 2014 semi-annual report:

1. The Western Corridor Gas Infrastructure Development Project has finally been completed and 27 million standard cubic feet (mscf) of associated gas evacuated from the Jubilee field during the period under review to the gas processing plant to be used for the commissioning phase of the project;
2. Payment of crop compensation totalling GH ¢ 8.6 million has been made to all affected farmers as at the end of June 2014. However payment of compensation for land compulsorily acquired for the project estimated to cost GH ¢ 17 million is yet to commence even though requisite surveys and valuation have been completed by the Land Valuation Board.
3. Approximately 73% of the total expected revenue from the petroleum sector for 2014 had been received by the end of June 2014 despite the fact that total volume of liftings by the Ghana Group during the first half of 2014 declined by approximately 29% compared to total liftings over the same period in 2013.

4. Production of oil from the Saltpond fields over the past three years has been on a steady decline.
5. A surface rental invoice amounting to US\$ 67,438.36 issued to Oranto/Stone Energy in February 2013 was still unpaid at the end of June 2014. No explanation has been given as to why the amount remains unpaid.

In the light of the above findings, the PIAC has proffered the following recommendations for the consideration of relevant stakeholder institutions:

1. Key stakeholders in the upstream petroleum sector are encouraged to release reports and data (especially on the utilisation of the ABFA) in a timeous manner. The information released should also be disaggregated as much as possible to cover the reporting periods of PIAC.
2. Oranto/Stone Energy should be compelled by GRA and/or BOG as a matter of urgency to pay the outstanding surface rental invoice (preferably with interest) or in further default be made to face any applicable sanction(s).
3. The Ministry of Finance must make every effort to release funds to GNPC and GNGC for the payment of the land compensation.

SECTION 1

BACKGROUND

1.1 Introduction

The Public Interest and Accountability Committee (PIAC), is a public oversight committee created under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815) to, among other things, ensure that the collection and management of petroleum revenues in Ghana are consistent with the provisions of Act 815. Section 56 (a) of Act 815 enjoins PIAC to publish two reports – a Semi-annual and an Annual Report – every year. These reports are intended to provide independent assessment of the management and use of petroleum revenues in a given year. Consequently, the Committee has, since its inauguration in 2011, published five reports which are the 2011, 2012 and 2013 Annual Reports and the 2012 and 2013 Semi-Annual Reports. This report – the 2014 Semi-Annual Report – is the third in the series of the semi-annual reports and sixth overall.

1.2 Scope and Methodology

In compiling this report, the Committee obtained information on crude oil production, liftings by the Ghana Group, revenues generated from Ghana's share of crude, etc. from stakeholder institutions such as the Ministry of Finance (MOF), the Ghana National Petroleum Corporation (GNPC), the Bank of Ghana and the Ghana Revenue Authority (GRA). Information was also obtained from the MOF on the utilisation of the Annual Budget Funding Amount (ABFA) and the management of the Ghana Petroleum Funds (GPFs). Detailed desk analysis was done on the information so gathered. The final draft was sent to the stakeholder institutions for validation of the information.

The Committee was however constrained in the analysis of information received on how petroleum revenue allocated during the first half of the year was utilized by the recipient institutions (GNPC, GNGC, and MDAs). This was because this information does not easily lend itself to detailed analysis since they are usually not disaggregated on quarterly basis. The PIAC therefore will do a more in-depth analysis for the end of year 2014 report.

SECTION 2

DEVELOPMENTS IN UPSTREAM OIL AND GAS INDUSTRY

2.1 Introduction

There have been some developments in Ghana's upstream petroleum sector during the first half of 2014 that show that Ghana is gradually making strides towards becoming a major oil producing country. Ghana's total proven oil and gas reserve for 2014 was estimated at approximately 883.4 million barrels of oil (MMBO) and 2,312.4 billion cubic feet (bcf) of gas. The four (4) fields of current importance in the country are:

1. the producing Jubilee field, now in its second development (Phase 1A) and
2. the Saltpond field,
3. the Tweneboa-Enyenra-Ntomme (TEN) fields currently under development and;
4. the Sankofa-Gye Nyame (SGN) fields at the pre-development stage.

A brief description of these active fields is given in the subsequent sections.

2.2 Updates on Development and Appraisal Fields

Tweneboa-Enyera-Ntomme (TEN)

The TEN field is the second major oilfield in Ghana with estimated recoverable reserves of 245 million barrels (mmbbls) of oil and 365 billion cubic feet (bcf) of gas. Development of the TEN field began in the second half of 2013 and is expected to be completed by the end of 2016/2017 at a total cost of US\$5.077 billion. All key contracts have been awarded and an Environmental Impact Assessment (EIA) report submitted to Environmental Protection Agency (EPA) for approval. Oil production is expected to start in 2016/2017 reaching a plateau of 76,000 barrels per day from 2017 to 2020 (GNPC, 2015).

Sankofa-Gye Nyame (SGN)

The Sankofa-Gye Nyame field is estimated to contain a number of discoveries with combined oil and gas reserves of 132 MMBO and 1,110 bcf of gas. Following the completion of appraisal work, an integrated development plan was being finalised and negotiations at June 2014 were on-going between GNPC and its partners ENI and Vitol to conclude the Gas Sales Agreement. First oil from the Sankofa-Gye Nyame field is expected in 2016/2017. The second phase which

is the gas phase – is expected to be completed in 2017/2018. The field is expected to peak at 44,800 barrels of oil per day (bopd), and about 180 mmscf per day of gas according to GNPC.

2.3 Ongoing Exploration Activities

Voltaian Basin

GNPC made efforts to intensify exploration activities on the inland Voltaian basin. These activities were geared towards enhancing the prospectivity of the basin and also to establish a petroleum system and thermal maturity in the basin. GNPC conducted a desktop geological study of all available data on the basin including satellite imagery interpretation, aeromagnetic and gravity data, as a result, six (6) slim-hole wells were planned to be drilled by the end of 2014 for which reason two consultants, Norwell Engineering and RPS were nominated to offer engineering and geological services respectively, to the project. As at mid-year, GNPC was working with the consultants to identify possible drilling locations and redefine the scope of work.

Other Exploration Activities

Since the Jubilee discovery, twenty three (23) more discoveries have been made by GNPC and its partners with various quantities of oil, gas and condensate. Exploration and appraisal activities are also on-going in various blocks including the Deepwater Tano Cape Three Points (Hess), Deepwater Cape Three Points (Lukoil), South Deep Water Tano (AGM).

During the first half of 2014, GNPC secured two more strategic partners when Parliament ratified two more Petroleum Agreements, with the ratification by Parliament of two Petroleum Agreements with CAMAC and Amni International over the Expanded Shallow Water Tano Block and Central Tano Block Offshore Ghana respectively. This is in furtherance of GNPC's objective to broaden the exploration activities in Ghana's basins. In addition to this, four (4) applications from UB Group and A-Z Petroleum for portions of the relinquished Offshore Cape Three Points South block, Heritage/Blue Star for the South West Tano and Ultra Deepwater East for the Keta blocks were evaluated. All these applications are currently at an advanced stage of negotiations. (GNPC, 2015).

2.4 The Western Corridor Gas Infrastructure Development Project (WCGIDP)

The implementation of Phase 1 of the Western Corridor Gas Infrastructure Development Project (WCGIDP), which entails the construction of 45km Shallow Water Offshore Pipeline, 111km Onshore Pipeline and a 150 million standard cubic feet per day (mmscf/d) gas processing plant, including an LPG and condensate loading gantry near Atuabo, progressed steadily during the period under review. As at December 2013 the Onshore Pipeline project and the Offshore Pipeline were on average 96% complete while the entire Gas Processing Plant was 67% complete with the average percentage completion of the entire WCGIDP project assessed at 78.37%. At the end of June 2014, the Onshore and Offshore pipelines were 99% complete while the Gas Processing Plant was 98% complete.

Figure 1: Overview of Water Fire Tanks



Figure 2: LPG Tanks



Table 1 summarizes the status of the various components of the project as at the end of June, 2014.

Table 1: Summary of the Status of WCGIDP

PROJECT ACTIVITY	STATUS
The Right of Way (ROW) clearing, line pipe stringing, pipe fitting and welding, Non-Destructive Tests (Ultrasonic Test, Radiography Test) for weld joints, coating of welding joints, trenching, lowering and backfilling for the 111 km onshore (main) Pipeline	Completed
Drilling of 3 Horizontal Directional Drills (HDD) under the Ankobra, Ebi and Amanzure rivers	Completed
Seven Thrust Boring across main roads and railway lines	Completed
Tie-in with the VRA pipeline system at Aboadze	Completed
Discussions on the Construction and Tie-in Agreement (CTIA) and Gas Sales Agreement	On-going
Foundation and installation of mechanical equipment at the pipeline stations	Completed

Auxiliary buildings which contain the control rooms, Machine Cabinet Rooms (MCC), Cathodic Protection Room, transformer room and Uninterruptable Power Supply Room at the Esiam Distribution Station (EDS) and the Takoradi Regulating and Metering Station (TRMS)	Completed
Piping, instrumentation and electrical works at the EDS, Atuabo Initial Station (AIS), block valve 1 & 2 and TRMS	More than 97% complete
Acquisition of the Onshore Pipeline ROW from crop/land owners	Negotiated and handed over to Sinopec
Payment of compensation of GH ₵ 8.6 million to 2,374 farmers in 58 Communities for the destruction of the crops	Completed
Payment of compensation to land owners and others affected by project	On-going at an advanced stage
Earthworks at the Gas Processing Plant (GPP) and Gravel (vibro-stone column)	Completed
Work on Irish bridge at Eloyin for the transportation of heavy loads to the GPP	Completed
Fabrication, assembling and erection of the GPP modules	Completed
Civil works at the GPP	Almost complete
Inter-tie with the already installed 14km 12-inch pipeline	Completed
Remaining Shore approach and burying of jetting to 1.5 meters of the surf zone	Completed
Free Span correction of the offshore pipeline	Completed

Source: Ghana Gas Company Limited, 2015

A total amount of US\$59.77 million was disbursed to the WCGIDP during the first half of 2014, as indicated in Table 2. This brings to US\$658.71 million the total disbursement since the inception of the project; 15% of this total amount has been disbursed by GOG, in line with the CDB loan agreement (GNGC, 2015).

Table 2: Disbursements to WCGIDP (January to June, 2014)

Date	Utilisation Amount	CDB Portion	GOG Portion
	US\$		
30-May-14	4,194,861.15	3,565,631.98	629,229.17
30-May-14	54,162,323.51	46,037,974.98	8,124,655.18
30-May-14	1,409,071.10	1,197,710.44	211,360.67
TOTAL	59,766,255.76	50,801,317.4	8,965,245.02

Source: Ministry of Finance, 2015

According to the Ministry of Finance (2015) and confirmed by Ghana National Gas Company (GNGC), a total of US \$40,943,862.18 had been disbursed by the Government of Ghana to the

GNGC as at June 2014 for the initial capitalisation of GNGC out of which US\$ 17,935,611.16 was received in January 2014. The total capitalisation received so far by GNGC (US\$ 40.94 million) has been expended on items such as crop compensation; rental of office space and residential accommodation for construction staff onsite; environmental and social impact assessments; construction support logistics; procurement of project equipment and general administrative expenses.

Findings:

- The WCGIDP was 98% complete as at June 2014;
- US\$658.71 million, representing approximately 66% of total project budget had been disbursed at the end of the reporting period;
- An amount of US\$17.94 million was paid to GNGC as part of its initial capitalisation during the period under review bringing to US\$40 million the total amount released to GNGC since project inception.
- An amount of US\$75.03 million requested for by GNGC during the period under review remains outstanding. The delay in payment is attributable to the amendments to the initial CBD loan agreement and late payments of loan fees and charges by the GoG.
- Although payment for crop compensation to farmers has been completed as at the end of June 2014, arrangements for compensation for land owners were still on-going at the time of reporting.

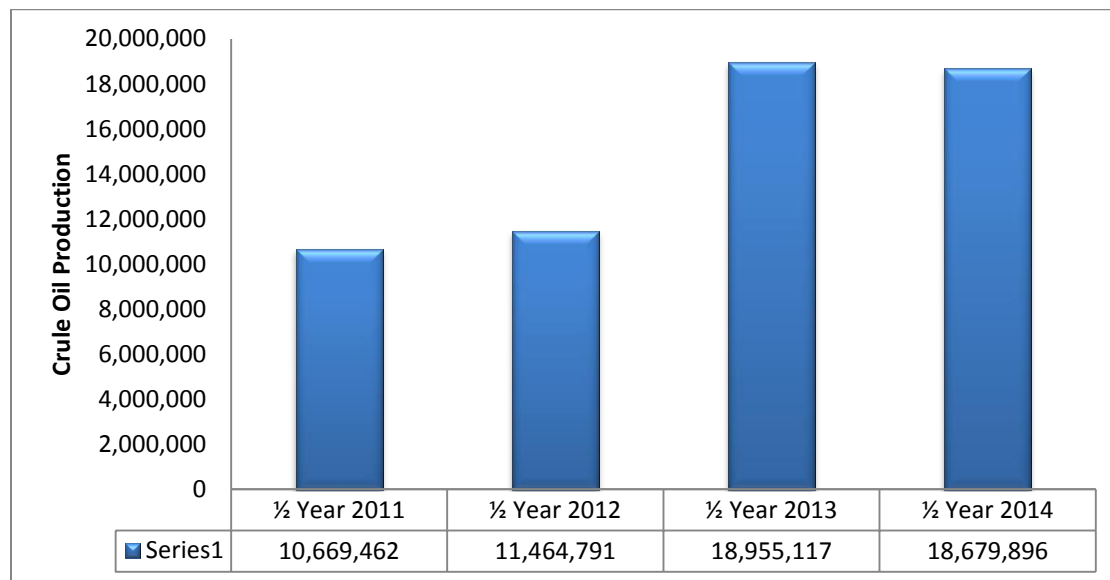
SECTION 3

CRUDE OIL/GAS PRODUCTION AND LIFTING

3.1 Jubilee Crude Oil Production

The volume of crude oil produced from the Jubilee field was 18,679,896 barrels during the first half of the 2014 (an average of 101,521 bopd). This brings the total volume of crude oil produced from this field since commercial production began in 2010 to 106,034,657 barrels. A marginal decline in production volume of 1.45% was observed in the period under review as compared with that of the same period in 2013 as shown in Figure 3.

Figure 3: Mid-Year Crude Oil Production from the Jubilee Field, 2011-2014



In the case of natural gas, a total of 27.3 million standard cubic feet (mmscf) was produced during the period January to June 2014. The breakdown of crude oil and gas production is as shown in Table 3.

Table 3: Jubilee Crude and Gas Production (Jan-June 2014)

MONTH	AVG DAILY PROD (BOPD)	PRODUCTION DAYS	MONTHLY PRODUCTION	
			(OIL/ BBLs)	GAS/ MMSCF
January	101,672.39	31	3,151,844	4,617.32
February	108,201.96	28	3,029,655	4,281.47
March	96,939.52	31	3,005,125	4,342.04
April	104,851.87	30	3,145,556	4,552.56
May	105,076.77	31	3,257,380	4,801.58
June	103,011.20	30	3,090,336	4,670.65

TOTAL	103,293.39	181	18,679,896	27,265.52
-------	------------	-----	------------	-----------

Source: GNPC, 2015

3.2 Saltpond Offshore Crude Oil Production

Total production from the Saltpond field for the first half of year 2014 was 37,443 barrels, compared to 42,124 bbls over the same period in 2013, representing approximately 12% decline in production as shown in Table 4.

Table 4: Crude Oil Production from Saltpond Field (Jan-June 2013 & 2014)

YEAR	PRODUCTION (Barrels of Oil)		TOTAL
	Qtr 1	Qtr 2	
2013	20,558	21,566	42,124
2014	15,118	22,325	37,443

Source: SOPCL, 2014 and 2015

Findings:

- The total volume of oil produced during the period under review was slightly lower than the production figures for the same period in 2013. Average daily production in the first half of 2014 was 103,293 barrels compared to 104,731 in 2013. The slight dip in production volumes was as a result of lower than expected daily average production figure of 96,939 bopd recorded in March 2014;
- In spite of the drop in production, the average daily production of 103,293 barrels of oil realized during the period is approximately 11% higher than 93,029 used in the determination of the Benchmark Revenue in the 2014 Budget.
- The Saltpond oilfield also recorded a decline in production from 42,124 barrels during the first half of 2013 to 37,443 barrels over the same period in 2014;
- For the first time since oil production began, 27.3 million standard cubic feet (mmscf) of natural gas was neither flared nor re-injected but evacuated to the Gas Processing Plant at Atuabo to be used for the commissioning of plant.

3.3 Crude Oil Lifting from the Jubilee oilfield

In accordance with the Jubilee oilfield Crude Oil Lifting Agreement (COLA), the GNPC lifted three parcels of crude oil (its 17th, 18th and 19th liftings) on behalf of the State (Ghana Group) totalling 2,842,070 barrels of oil during the first half of 2014, compared to 3,982,956 barrels lifted during the same period in 2014, as shown in Table 5. This brings to 18,496,742 barrels of oil lifted by the Ghana Group since 2011.

Table 5: Crude Oil Lifting by Ghana Group, 2014

PERIOD	LIFTING INFORMATION			
	NUMBER	DATE	GHANA GROUP (barrels)	JUBILEE PARTNERS (barrels)
1ST QUARTER	17 th	29-Jan-14	947,220	1,991,751
	18 th	25-Mar-14	947,276	
2ND QUARTER	19 th	13-May-14	947,574	1,991,205
TOTAL			2,842,070	3,982,956

Source: GNPC, 2015

3.4 Crude Liftings from Saltpond oilfields

The total lifting from the Saltpond oilfield between January and June 2014 was 35,535 barrels of oil as shown in Table 6.

Table 6: Crude Oil Lifting from Saltpond Fields (January to June, 2014)

YEAR	LIFTINGS (Barrels of Oil)		TOTAL
	QTR 1	QTR 2	
2013	20,738	22,988	43,726
2014	22,766	12,769	35,535

Source: SOPCL, 2014 and 2015

Findings:

- The Ghana Group lifted 2.84 million barrels of oil during the period under review representing 13.97% of total liftings from the Jubilee field between January and June 2014
- Compared to the same period in 2013, the liftings carried out by Ghana Group on the Jubilee Field by mid-year 2014 dropped by approximately 30% from 3.98 million barrels to 2.84 million. This was as a result of the scheduled lifting in accordance with the COLA under which Ghana Group lifted the last parcel of the year on 20th December 2013.

SECTION 4

PETROLEUM RECEIPTS AND UTILISATION

4.1 Total Receipts from Petroleum (January to June, 2014)

The sale of the three cargoes of crude oil lifted from the Jubilee field (totalling 2,842,070 barrels) on the international market yielded an amount of **US\$308.67 million** as shown in Table 7. An additional amount of US\$101.78 million was also realised from the sale of the 16th lifting carried out in December 2013 but paid in January 2014 bringing to US\$410.44 million the total revenue that accrued from the sale of crude oil from the Jubilee field during the period under review.

Table 7: Crude Oil Sales from Jubilee Field (January to June 2014)

Item	Unit	1st Qtr			2nd Qtr	TOTAL
		Date of Lifting	20-Dec-13*	29-Jan-14	25-Mar-14	
Lifting	dd/mm/yy	16 th Lifting	17 th Lifting	18 th Lifting	19 th Lifting	
Volume of Lift	barrels	917,189	947,220	947,276	947,574	2,842,070
Selling Price	US\$	110.965	108.975	107.591	109.250	
Value of Lift	US\$	101,775,877.39	103,223,299.50	101,918,372.12	103,522,459.50	410,440,008.51
	GH ¢	244,155,241.06	259,585,953.58	283,526,719.40	311,571,546.36	1,098,839,460.40

Source: Ministry of Finance, 2015

Proceeds from the sale of Ghana's share of Jubilee crude oil consist of royalties (of 5% of total production) and the Carried and Participating Interest (CAPI) (of 13.64%), as shown in Table 8 below.

Table 8: Composition of Petroleum Revenue from the Jubilee Field

Item	Share	1st Quarter		2nd Quarter		TOTAL
		Date of Lifting	20-Dec-13*	29-Jan-14	25-Mar-14	
Lifting No.	dd/mm/yy	16 th	17 th	18 th	19 th	
ROYALTIES	US\$	28,335,945.51	28,738,929.740	28,375,618.20	28,822,220.42	114,272,713.87
CAPI	US\$	73,439,931.88	74,484,369.76	73,542,753.92	74,700,239.08	296,167,294.64
	US\$	101,775,877.39	103,223,299.50	101,918,372.12	103,522,459.50	410,440,008.51
TOTAL	GH ¢	493,862,915.88	259,630,528.07	412,157,522.88	313,734,693.78	1,479,385,660.61

Source: Ministry of Finance, 2015

In addition to the revenues from Jubilee royalties and CAPI, the GoG also received US\$161,586,585.83 million in Corporate Income Tax (CIT), US\$673,050 in Surface Rentals and US\$151,986 in royalties from Saltpond Field during the period under review as shown in Table 9.

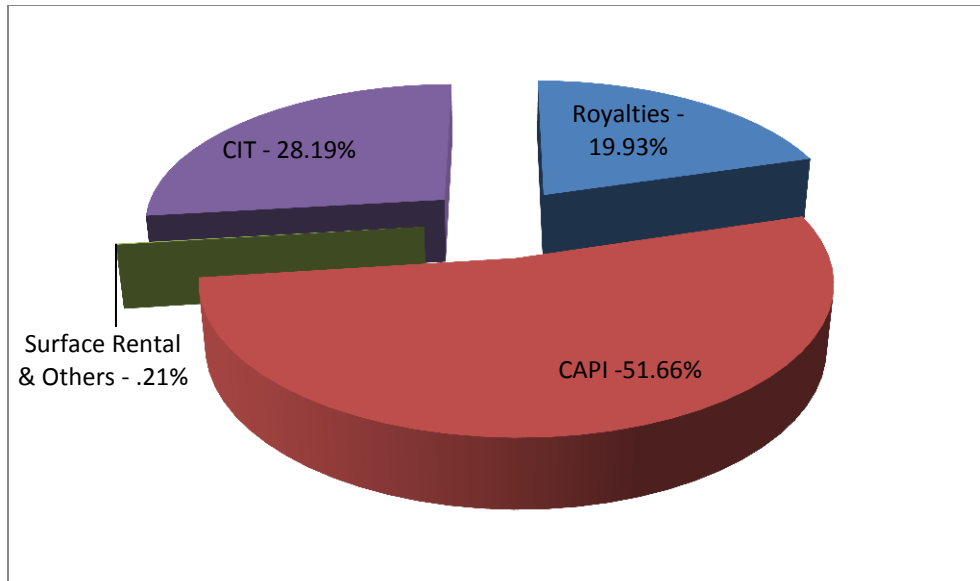
Table 9: Break-down of Petroleum Revenues (January-June 2014) in US\$

Item	1st Qtr		2 nd Qtr		Total
	20/12/13	29/01/14	25/03/14	13/05/14	
Date of lifting	20/12/13	29/01/14	25/03/14	13/05/14	
Jubilee Royalties	28,335,945.51	28,738,929.74	28,375,618.20	28,822,220.42	114,272,713.87
Carried & Participating Interest	73,439,931.88	74,484,369.76	73,542,753.92	74,700,239.08	296,167,294.64
Surface Rentals		17,864.45	73,207.54	581,978.60	673,050.59
SOPCL Royalties				151,986.14	151,986.14
Corporate Income Tax	105,104,943.00	-	46,010,013.00	10,471,629.83	161,586,585.83
Price Differential					297,248.72
PHF Interest	96,013.39		8,248		104,261.39
Total Receipts	206,976,833.78	103,241,163.95	148,009,841.60	114,728,05.07	573,253,141.18

Source: Ministry of Finance and BOG, 2015

An amount of US\$573.25 million was received into the Petroleum Holding Fund (PHF) during the first half of 2014 as shown Table 9. The relative contribution of different components of petroleum revenue to total petroleum revenue during the period under review is shown in Figure 4. From the chart in Figure 4, Carried and Participating Interest (CAPI) was the highest contributor to petroleum receipt during the first half of 2014 accounting for 51.66% of total petroleum receipts. This was followed by Corporate Income Tax (28.19%) and Royalties (19.93%).

Figure 4: Composition of Petroleum Revenues (January to June, 2014)



4.2 Analysis of Petroleum Revenues

4.2.1 Royalties

Total royalties received in relation to both Jubilee and Saltpond oilfields amounted to US\$ 114,424,700 (representing 19.93 % of the total petroleum receipts) for the period under review, compared to US\$117,704,288 received during the first half of 2013. SOPCL paid a total of **US\$151,986** during the period under review, representing less than 1% of revenues accruing to the Government as royalties from the petroleum sector. However, the royalties from SOPCL for the period up to June 2014 is approximately 18% more than the amount of US\$128,958 paid by SOPCL over the same period in 2013, ostensibly because it included arrears of royalties outstanding at the end of 2013 (refer to PIAC 2013 Annual Report).

4.2.2 Carried and Participating Interests

State carried and participating interest in Jubilee fields during the first half of 2014 brought in US\$296,167,294 (representing 51.66% of the total petroleum receipts), compared to US\$ 305,061,108 received during the same period in 2013.

4.2.3 Corporate Income Tax

Corporate taxes paid by the Jubilee Partners for the first half of 2014 amounted to US\$161,586,585.83 (representing 28.19% of total petroleum receipts) during the period compared to US\$119,064,906.56 that accrued over the same period in 2013. A detailed breakdown of the CIT paid between January and June 2014 is as shown in Table 10.

Table 10: Corporate Income Tax Payments for first half of 2014

VALUE DATE	ORDERING INSTITUTION	AMOUNT PAID (US\$)	NARRATION
24-Jan-14	Kosmos GH	15,431,379.00	Q4 2013
30-Jan-14	Anardarko	48,624,836.00	Q4 2013
30-Jan-14	Tullow GH	41,048,728.00	Q4 2013
23-Apr-14	Kosmos GH	13,135,763.00	Q1 2014
28-Apr-14	Tullow GH	15,532,675.00	Q1 2014
29-Apr-14	Anardarko	17,341,575.00	Q1 2014
27-Jun-14	Tullow GH	10,471,629.83	2013 Add. Tax
TOTAL		161,586,585.83	

Source: Ghana Revenue Authority, 2015

4.2.4 Surface Rental

As indicated in Table 9, an amount of US\$673,050.59, representing 0.14% of total half year revenue, was received as surfacerental during the period under review compared to US\$ 676,418.33 received at end of June 2013. Table 11 gives a breakdown of the companies that paid surface rental.

Table 11: Surface Rental Payment by Companies

VALUE DATE	ORDERING INSTITUTION	AMOUNT PAID (US\$)
19-Feb-14	Kosmos Energy	17,864.45
31-Mar-14	Oranto	73,207.54
05-May-14	Cola Natural Resources Gh Ltd.	78,230.00
05-Jun-14	Lukoil Overseas	154,398.60

13-Jun-14	Eni Ghana EP	198,600.00
23-Jun-14	Hess GH Exploration Ltd	150,750.00
	Total	673,050.59

Source: Bank of Ghana, 2015

As reported in the 2013 Semi-Annual and Annual Reports, a surface rental bill dated February 21, 2013 for US\$67,438.36 in the name of Oranto/Stone Energy still remains outstanding at the end of June, 2014. It is unclear why this invoice has not been honoured, especially considering the fact that Oranto paid surface rental during the period under review.

4.3 Budget Forecast for 2014 versus Half Year Performance

The 2014 Budget Statement estimated that an amount of US\$776,999,703 was expected to accrue to the State from the petroleum sector in 2014. Table 12 shows how the projected revenues from the various sources fared against the actuals by the end of the first half of 2014.

Table 12: Petroleum Revenue Forecasts and Actuals

REVENUE STREAM	ANNUAL FORECAST AMOUNT US\$	HALF YEAR AMOUNT RECEIVED US\$	% TOTAL FORECAST
Royalties	158,817,954	114,424,700	72.05
<i>o/w Jubilee Royalties</i>	158,466,427	114,272,713	72.11
<i>o/w Saltpond Royalties</i>	351,527	151,986	42.24
Carried & Participating Interest	410,706,733	296,167,294	72.11
Corporate Income Tax	187,238,898	161,586,585.83	80.71
Surface Rental	796,117	673,050	84.54
Gas Receipt	19,440,000	-	0
Payment by Unipet	-	297,248.72	0
PHF Interest	-	104,256	0
TOTAL	776,999,703	573,253,141.18	72.39

Source: Ministry of Finance, 2014 and 2015

Table 12 shows that the Government of Ghana was well on course to achieving its targeted revenue from the petroleum sector for 2014 by the half year mark as over 72% of all expected revenues had been received by end of June 2014.

Findings:

- With the exception of royalties from the Saltpond oilfields, there were marginal drops in all the other components of petroleum revenues during the period under review when compared to revenues received over the same period in the preceding year, 2013. This was largely attributable to a slight decline in the volumes of oil produced and lifted during the first half of the year;
- A surface rental bill of US\$ 67,438.36 dating back to February 2013 payable by Oranto/Stone Energy remains outstanding;
- In spite of the marginal drop in petroleum receipt, total revenue received during the period under review represented over 72% of the benchmark revenue.

SECTION 5

ALLOCATION OF PETROLEUM REVENUES

5.1 Petroleum Revenue Distribution

The total amount of US\$562.48 million out of the US\$573.25 million that was received into the PHF during the first half of the year was allocated to the GNPC, the ABFA and the GPFs as indicated in Table 13 and Figure 5 (Page 7).

Table 13: Distribution of Petroleum Revenue (US\$) Jan - June 2014

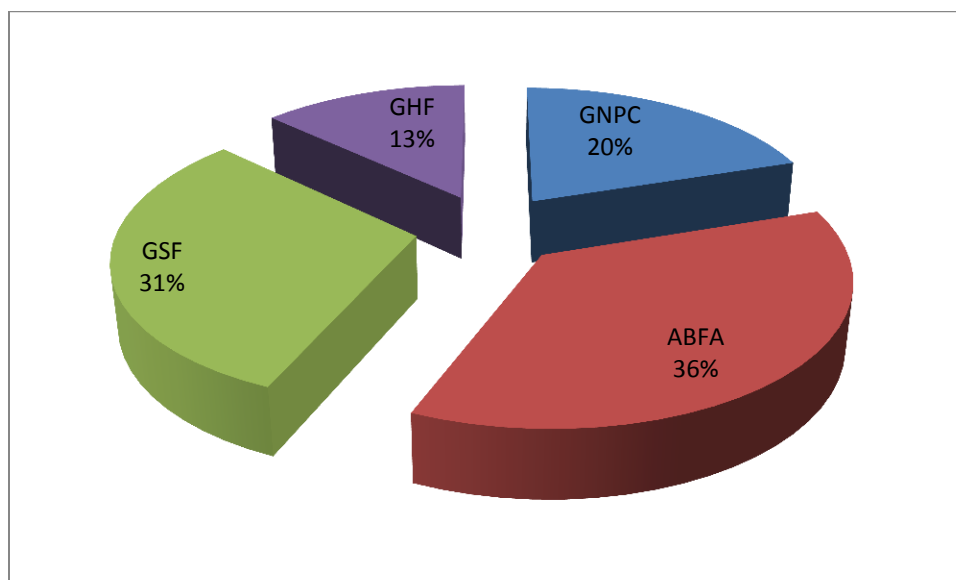
Item	Amount (US\$)
Transfer to GNPC	112,456,011.35
<i>o/w Equity Financing cost</i>	33,722,604.22
<i>o/w Net Carried and Participating Interest</i>	78,733,407.13
GOG Net Receipts for Distribution to ABFA and GPFs	450,028,252.22
o/w ABFA	204,536,388.90
o/w Ghana Petroleum Funds (GPFs)	245,491,863.32
<i>o/w Ghana Stabilisation Fund</i>	171,844,304.32
<i>o/w Ghana Heritage Fund</i>	73,647,559.00
Total Payments	562,484,263.57¹

Source: Ministry of Finance, 2015

The Ghana Petroleum Funds (GPFs) received the largest share of 44% made up of 31% into the GSF and 13% into the GHF. Thirty-six per cent (36%) of the proceeds went to support the budget (ABFA) while the GNPC received 20% of total proceeds during the period under review.

¹ Corporate Income Tax of US\$10,471,629.83 and the Price Differential of US\$297,248.72 do not appear in the allocation schedule of the Ministry of Finance for the period under review. The 2014 PIAC Annual Report will present a more comprehensive picture.

Figure 5: Distribution of Total Petroleum Receipts (January to June 2015)



Finding (s):

For the second time since oil production began in late 2010, the GPFs put together received more funds than the ABFA and GNPC. As a matter of fact the allocation to the GSF alone was more than the allocations to the GNPC.

5.1.1. GNPC Allocation and Utilisation (January-June 2014)

As indicated in Table 13, the GNPC received an amount of US\$112.46 million out of the total petroleum receipts of US\$562.48 earned by the State during the period under review representing 19.99% of total receipts. Of this amount, US\$33.72 million (29.99%) was for its share of the Equity Financing Cost obligations in the Jubilee Field, with the remaining balance of US\$78.73 million (70.01%) being its share of the net Carried and Participating Interest.

The analysis of GNPC's utilisation of its share of the petroleum revenues would be presented in the 2014 full year report.

5.1.2. Allocation and Utilisation of the Annual Budget Funding Amount

A total amount of US\$204.54 million representing 36.63% of total petroleum receipt was allocated to the ABFA during the first half of 2014. As shown in Table 14, the actual ABFA allocation was the same as the projected allocation in US dollar terms while the allocations in cedi terms exceeded its target by 36%, which is attributed to exchange rate gains.

Table 14: ABFA Allocation and Variance Analysis (January to September 2014)

Period	Budget		Actual		Variance	
	US\$	GH ¢	US\$	GH ¢	US\$	GH ¢
Qtr 1	102,268,194.45	208,657,797.25	102,268,194.45	272,407,305.88	-	63,749,508.63
Qtr 2	102,268,194.45	208,657,797.25	102,268,194.45	295,759,618.35	-	87,101,821.10
TOTAL	204,536,388.9	417,315,594.5	204,536,388.9	568,166,924.23	-	150,851,329.73

Source: Adapted from Ministry of Finance, 2015

The allocations to the ABFA were expected to have been spent on the 4 priority areas selected in 2011 and retained in 2014; which are

- Expenditure on Amortisation of Loans for Oil and Gas Infrastructure,
- Agriculture Modernisation,
- Roads and Other Infrastructure and
- Capacity Building (including in oil and gas).

In the 2014 Budget Statement, the government for the first time split the 2014 ABFA into two categories: the China Development Bank (CDB)-related and non-CDB-related expenditure and earmarked GH ¢ 613.92 million (US\$279.06) (representing 68.22% of projected ABFA allocations) to be spent on CDB-related expenditure with the remaining GH ¢ 286.04 (US\$131.68 million) (representing 31.78%) being earmarked for the non-CDB related expenditure as shown in Table A-1 in the Annexure.

Although PIAC at the time of writing the report did not have the precise details of how the ABFA disbursed to each of the priority areas during the period under review² was utilised, there are indications that the largest share of the earmarked funds was allocated to the Roads and Other Infrastructure priority area during the first half of 2014 as suggested by Table 15.

² Available information from the Ministry of Finance has aggregated allocations from January to September but there is no data on how much of the allocations were made between January and June 2014.

Table 15: Distribution of ABFA to Priority Areas (January to September 2014)

S/N	Priority Area	Amount (GH ¢)
1.	Expenditure on Amortisation of Loans for Oil and Gas Infrastructure	-
2.	Agriculture Modernisation	9,853,380.97
3.	Roads and Other Infrastructure	260,652,057,23
4.	Capacity Building (including Oil and Gas)	-
	TOTAL	270,505,460.97

Source: Ministry of Finance, 2015

Table 15 also indicates that there were no allocations to the two other priority areas – Expenditure on Amortisation of Loans for Oil and Gas infrastructure and Capacity Building – and that only GH ¢ 270.51 million (US\$124.53 million) representing 30.44% of the total ABFA allocation for the period January to September 2014 was utilised. Significantly, the proportion of ABFA allocation that was utilised during the nine-month period (January-September, 2014) represents 64.82% of the total amount allocated to the ABFA during the first half of 2014, which clearly shows that not all the amount allocated during the period under review was utilised.

A detailed breakdown of how the ABFA was utilised will be presented in the 2014 PIAC Annual Report.

Finding(s):

- Although the quarterly ABFA target for the first half of 2014 was achieved and exceeded (in cedi terms), not all the allocated funds were utilized during the period under review.
- Over 96% of the ABFA distributed during the first nine months of the year went to the Road and other infrastructure priority area with the remaining 4% going to the Agriculture Modernisation priority area. Although this covers a longer period than the period under review, it is highly unlikely that the pattern would have been any different during the first half of the year.

5.1.3 Performance of the Ghana Petroleum Funds

According to the Ministry of Finance (see Table 13), an amount of US\$245.49 million was transferred into the GPFs during the first half of 2014 of which US\$171.84 million (representing 70%) went into the GSF with the remaining US\$73.65 million going into the GHF. The Bank of Ghana, however, reported a lower amount of US\$ 173.17 million as the amount received into the GPF (BOG, 2015). The difference in the figures is explained by the fact that the BOG's figures did not include the proceeds of the 19th lifting, which had not been transferred to the GPFs at the time the Central Bank was preparing its half year report for 2014.

The PHFs yielded a year-to-date return on investment of 2.64% (US\$1.83 million) net of fees over the first half of 2014 with the GSF and GHF contributing 1.47% and 5.37% respectively as shown in Table 16.

Table 16: Performance of Ghana Petroleum Holding Funds

GHANA STABILISATION FUND ACCOUNT	
ITEM	AMOUNT (US\$)
Opening Book Value (1 January 2014)	319,034,153.16
Receipt during the period	121,216,961.42
Income from Investments	946,146.91
Bank Charges	(9,321.63)
Withdrawal	(176,491,336.87)
Closing Book Value (30 June, 2014)	264,696,602.99
GHANA HERITAGE FUND ACCOUNT	
ITEM	AMOUNT (US\$)
Opening Book Value (1 January 2014)	128,125,942.40
Receipt during the period	51,950,126.32
Income from Investment	888,702.38
Bank Charges	(4,856.53)
Closing Book Value (30 June 2014)	180,959,914.57

Source: Bank of Ghana, 2015

As indicated in Table 16, the balances in the GPFs as at end of June 2014 stood at US\$264.67 million for the GSF and US\$180.96 million for the GHF, bringing to US\$445.66 million the total amount saved since oil production began in late 2010. It is important to point out that an amount of US\$176.49 million, deemed as excess over the cap, was withdrawn from the GSF during the

period under review following the capping of the GSF at US\$250 million by the Minister of Finance in the 2014 Budget.

Findings:

- The GPFs accrued a year to date return on investment of 2.64% (US\$1.83 million) net of fees compared to 0.30% (US\$0.784 million) earned over the same period in 2013;
- Although the GPFs yielded a cumulative return on investment of 2.64% during the first half of 2014, the total returns on the funds in absolute terms of US\$1.834 million is only 5.67% more than the returns that the funds accrued during the second half of 2013 (US\$1.734 million) when the funds earned cumulative interest of 0.48%.
- For the first time there was a withdrawal of US\$176.49 million from the Ghana Stabilization Fund as a result of a cap introduced by the Honorable Minister of Finance in the 2014 budget. This was when the balance on the GSF was US\$441,187,939.86.

SECTION 6

SUMMARY OF KEY FINDINGS

The following is the summary of the key findings:

1. The Western Corridor Gas Infrastructure Development Project has finally been completed and 27 mscf of associated gas evacuated from the Jubilee field during the period under review to the gas processing plant to be used for the commissioning phase of the project;
2. Crop compensation totalling GH ¢ 8.6 million was paid to all affected farmers during the period under review. However payment of compensation for land compulsorily acquired for the project estimated to cost GH ¢ 17 million is yet to commence even though requisite surveys and valuation was successful completed by the Land Valuation Board.
3. Approximately 73% of the total expected revenue from the petroleum sector for 2014 had been received by the end of June 2014 despite the fact that total volume of liftings by the Ghana Group during the first half of 2014 declined by approximately 29% compared to total liftings over the same period in 2013. This was occasioned by the fact that achieved average daily production and average selling price during the half year (of 103,293 barrels of oil and 109.20 respectively) were 11% and 16% respectively more than the corresponding figures used in the determination of the Benchmark Revenue. This suggests that there is still the need for a lot more precision in the estimation of the benchmark revenue;
4. Production of oil from the Saltpond fields over the past three years is in a steady decline increasingly bringing into question the economic viability of the field.
5. A surface rental invoice receivable of US\$ 67,438.36 issued to Oranto/Stone Energy in February 2013 was still in arrears at the end of June 2014. No explanation has been given as to why the amount remains unpaid.

SECTION 7

CONCLUSIONS AND RECOMMENDATIONS

7.1 Conclusions

After having carefully scrutinized and analysed all the reports and relevant data obtained from the key state institutions such as the Ministry of Finance, Bank of Ghana and the Ghana Revenue Authority, PIAC is satisfied that the institutions have discharged their mandates in compliance with the provisions of the Petroleum Revenue Management Act (PRMA) as far as the collection and distribution of petroleum revenues is concerned. This notwithstanding, PIAC is still of the view that the determination of the Benchmark Revenue could still be improved to ensure that the variance between the projected benchmark revenue and the actual is not wide since any huge variation has significant implication on how much of petroleum revenues could be spent or transferred to the GPFs.

PIAC is however unable to comment on how compliant the actual allocation and utilisation of the petroleum revenue during the period under review has been with the letter and spirit of the PRMA because the Committee was not furnished with all the needed information to pass any such judgement or give its opinion. It is the hope of the Committee that all the necessary information would be obtained so as to enable it report on compliance or otherwise of the utilisation of petroleum revenue with the dictates of PRMA in the year 2014.

7.2 Recommendations

1. Key stakeholders in the upstream petroleum sector are encouraged to release reports and data (especially on the utilisation of the ABFA) in a timeous manner. The information released should also be disaggregated as much as possible to cover the reporting periods of PIAC.
2. Oranto/Stone Energy should be compelled by GRA and/or BOG as a matter of urgency to pay the outstanding surface rental invoice (preferably with interest) or in further default made to face any applicable sanction(s).
4. The Ministry of Finance must make every effort to release funds to GNPC and GNGC for the payment of the land compensation.

REFERENCES

BOG, 2014, *Petroleum Holding Fund and Ghana Petroleum Fund, Semi Annual Report, July 1 – December 31, 2013*

BOG, 2015, *Petroleum Holding Fund and Ghana Petroleum Fund, Semi Annual Report, January – June 30, 2014*

GNGC, 2015, *'Ghana National Gas Company Operations Report (January-June 2014)'*

GNPC, 2015, *'Mid-Year Report on Petroleum Operations: Production and Revenues'*

GRA, 2015, Summary of Payments into the PHF: January-June 2014

Ministry of Finance, 2013 *"2014 Budget Statement and Economic Policy"*

Ministry of Finance, 2014, *2014 Annual Report on Petroleum Funds*

Ministry of Finance, 2015, *2014 Reconciliation Report on Petroleum Holding Funds*

SOPCL, 2014, "Unaudited Financial Statements for the Year Ended 31st December, 2013"

SOPCL, 2015, "Petroleum Revenue Reporting: Half Year Ending 30th June, 2014

APPENDIX

Appendix A-1: Breakdown of 2014 Projected ABFA Spending

CDB-Related ABFA Spending			
Priority Area	CDB Project	ABFA Component (US\$)	ABFA Component (GH¢)
Oil and Gas Infrastructure Development	(i) Western Corridor Gas Infrastructure Project	114,883,351	252,743,372
	(ii) Development of ICT Enhancement Surveillance Platform for Western Corridor "Oil Enclave"	50,999,325	112,198,515
Road and Other Infrastructure	(i) Western Corridor Infrastructure Renewal Project: Takoradi Port Retrofit Phase I	13,677,031	30,089,468
	(ii) Accra Metropolitan Area ICT-enhanced Traffic Management Project	36,397,748	80,075,046
Agriculture Modernization	(i) Coastal Fishing Harbours and Landing Sites Redevelopment Project	36,018,258	79,240,168
Capacity Building (including Oil and Gas)	(i) SME Projects Incubation Facility	27,079,287	59,574,431
Sub-Total		279,055,000	613,921,000
Non-CDB ABFA Spending			
	Food and Agriculture Infrastructure	23,718,905	52,180,591
	Fisheries and Aquaculture Infrastructure	2,272,727	5,000,000
	Energy Infrastructure	30,277,273	66,010,000
	Road and Highways	26,972,727	59,338,195
	Education Infrastructure	48,438,784	103,510,325
Sub-Total		131,680,416	286,039,111
TOTAL		410,735,416	899,960,111

Source: Budget Statement, 2014