

REPUBLIC OF GHANA



PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC)

ESTABLISHED UNDER THE PETROLEUM REVENUE MANAGEMENT ACT,
2011
(ACT 815)

**REPORT ON MANAGEMENT OF PETROLEUM REVENUES FOR
YEAR 2016**

ANNUAL REPORT

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LIST OF ACRONYMS AND ABBREVIATIONS

ABFA	Annual Budget Funding Amount
BCF	Billion Cubic Feet
BECE	Basic Education Certificate Examination
BOG	Bank of Ghana
BOPD	Barrels of Oil Per Day
BR	Benchmark Revenue
CAPEX	Capital Expenditure
CAPI	Carried and Participating Interest
CDB	China Development Bank
CIT	Corporate Income Tax
COLA	Crude Oil Lifting Agreement
CTRC	Central Tender Review Committee
DfID	Department for International Development
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
EPU	Economic Planning Unit
EPCI	Engineering, Procurement, Construction, and Installation
FEED	Front End Engineering and Design
GAAS	Ghana Academy of Arts and Sciences
GACL	Ghana Airport Company Limited
GBA	Ghana Bar Association
GEM	Gas Export Manifold
GJA	Ghana Journalists Association
GHEITI	Ghana Extractive Industries Transparency Initiative
GHF	Ghana Heritage Fund
GIIF	Ghana Infrastructure Investment Fund
GNGC	Ghana National Gas Company

GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GOGIG	Ghana Oil and Gas for Inclusive Growth
GPFs	Ghana Petroleum Funds
GPP	Gas Processing Plant
GRA	Ghana Revenue Authority
GSA	Gas Sales Agreement
GSF	Ghana Stabilisation Fund
ICAG	Institute of Chartered Accountants (Ghana)
IDEA	Institute of Democratic and Economic Affairs
IFEG	Institute of Financial and Economic Journalists
IRBM	Inland Revenue Board of Malaysia
ITLOS	International Tribunal for Law of the Sea
KITE	Kumasi Institute of Technology and Environment
LOPI	Lost of Production Insurance
LPG	Liquefied Petroleum Gas
MCA	Millennium Compact Account
MDAs	Ministries, Departments and Agencies
MMBO	Million Barrels of Oil
MMBOE	Million of Barrel of Oil Equivalent
MMBTU	Million British Thermal Units
MMSCF	Million Standard Cubic Feet
MOE	Ministry of Education
MOF	Ministry of Finance
MPRS	Malaysia Petroleum Resources Commission
MT	Metric Tonnes
MTA	Mahogany, Teak and Akasa
NES	National Electrification Scheme
NOC	National Oil Company
OCTP	Offshore Cape Three Points

OPEX	Operating Expenditure
ORF	Onshore Receiving Facilities
PA	Petroleum Agreement
PFM	Public Financial Management
PGISSA	Power Generation Infrastructure Support Sub-Account
PHF	Petroleum Holding Fund
PIAC	Public Interest and Accountability Committee
POD	Plan of Development
PRMA	Petroleum Revenue Management Act
PSP	PIAC Strategic Plan
RCA	Root Cause Analysis
SGN	Sankofa-Gye Nyame
SOPCL	Saltpond Offshore Producing Co. Ltd
SPS	Subsea Production System
TCF	Trillion Cubic Feet
TEN	Tweneboa-Enyenra-Ntomme
VRA	Volta River Authority
WCGIP	Western Corridor Gas Infrastructure Project

FOREWORD

Since its establishment in September 2011, the Public Interest and Accountability Committee, (PIAC), has been mandated with the oversight responsibility of monitoring and evaluating the management of Ghana's petroleum revenue by the Government and relevant state institutions.

The Committee's reports aim at keeping Ghanaians and other interested stakeholders constantly informed on how the country's petroleum revenues are being managed, as well as providing platforms for the citizens' feedback to be collated and shared with policymakers. The Committee since its inception has published a total of 11 reports – 6 Annual and 5 Semi-Annual Reports - covering the period 2011 to 2016. The keen interest with which the Ghanaian citizenry receive our reports is the Committee's motivation to independently analyse the management of the country's revenue from petroleum production.

The 2016 Annual Report covers the period January to December 2016 and encompasses a broad range of issues associated with the management of petroleum revenue such as information on production; liftings; total revenues accrued; allocation and utilisation of these revenues by government and the management of the funds set aside in the Ghana Petroleum Funds (Ghana Stabilisation Fund and the Ghana Heritage Fund). The report also contains an examination of other issues and findings pertinent to the performance of various institutions charged with responsibilities in the Petroleum Revenue Management Act, 2011 (Act 815) as amended by the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893).

The preparation of this report was supported with information and data from the Ministry of Finance, Bank of Ghana, Ghana National Petroleum Corporation, Ghana Revenue Authority, Petroleum Commission, Ghana Infrastructure Investment Fund, Ghana National Gas Company, Kosmos Energy and Tullow Ghana Limited in the governance of Ghana's petroleum revenues.

The year 2016 saw the end of tenure of the second Chairman of the Committee, Prof. Paul Kingsley Buah-Bassuah (GAAS), and was replaced by Prof. Albert Fiadjoe (GAAS). Mr Prince Asafu-Adjaye of the Trade Union Congress (TUC) was also replaced by Mr Kwabena Nyarko-Otoo (TUC). The Committee would like to take this opportunity to express its profound gratitude and appreciation to these two former Members for defying all odds and working tirelessly to set the Committee on a strong footing for the future. PIAC wishes these

noble citizens well in their future endeavours and hopes to fall on their wealth of experience and knowledge as and when required.

It is the expectation of the Committee that the public will find time to read the report and provide feedback during our public engagements following the launch of this report or send us their comments via email to the following address secretariat@piacghana.org or +233 (0) 302 242 006.

PIAC wishes to acknowledge the immense contribution of the Africa Regional Office of the Natural Resource Governance Institute (NRGI), for their continuous support to PIAC.

The Committee is also very grateful to the UK's Department for International Development (DfID) for the multi-year funding support.

Furthermore, PIAC wishes to acknowledge the support of the GIZ's Good Financial Governance Programme for funding some of our public engagements.

Finally, the Committee is very thankful to the Government of Ghana for the budgetary support given to PIAC for its operations and activities.

**The Chairman,
PIAC**

EXECUTIVE SUMMARY

The Public Interest and Accountability Committee (PIAC) is established under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815) to, among other things, provide oversight and monitoring regarding the management of petroleum revenues. As part of its mandate, PIAC is required to prepare and publish two reports – semi and annual reports – each year detailing how much petroleum revenue has been collected during the period under review and how the amount so collected has been utilised. The report is also expected to capture the performance of the Ghana Petroleum Funds (GPFs) and the feedback received from the citizenry during the PIAC’s public consultations.

This report is the sixth annual report prepared by PIAC. The report has been prepared using a combination of desk research methods and interviews. The key findings made and recommendations proffered for action by relevant stakeholder institutions are as follows:

KEY FINDINGS

CRUDE OIL PRODUCTION

1. There was a 13.7% year-on-year decline in crude oil production in Ghana during the period under review with annual production dropping from 37.41 mmbbls (102,498 bbls) in 2015 to 32.30 mmbbls (73,955 bopd);
2. The decline in production occurred in spite of the fact that Ghana’s 2nd major production field – the TEN Fields – came on stream in August, 2016 and actually contributed 16% (5.32 mmbbls) to annual production. The production shortfall would have been approximately 28% but for the addition of the TEN Fields;
3. Along with the decline in crude oil production, the production of indigenous natural gas also declined by a similar magnitude of 27% (from 52.455.91 MMScf in 2015 to 38,420 MMScf in 2016) compared only with Jubilee gas production and by 14% when compared to the combined production from Jubilee and TEN Fields of 44,780 MMScf;
4. The decline in petroleum production in 2016 was caused by a 34-day shutdown of the Jubilee Field for maintenance from March 31 to May 3, 2016;

5. Approximately seventy-two percent (72%) of the gas produced on the TEN Field was flared compared to approximately 23% and 6% that was reinjected and used as fuel for the FPSO respectively;

CRUDE OIL LIFTINGS AND MARKETING

6. The Ghana Group lifted 4.86 mmbbls from the Jubilee Field in 2016, representing 18.06% which is consistent with the Ghana's shareholding in the Field;
7. The sole lifting undertaken by the Ghana Group from the TEN Field in 2016 also represented 18.60% of total lifting made by the TEN partners;
8. Ghana's crude oil from the Jubilee Field was sold at an average achieved price of US\$46.13 per barrel which compares favourably with the average dated Brent price of US\$44.01 as well as the average achieved price of all the other Jubilee Partners (Tullow – US\$41.7/bbl; Anadarko – US\$43.93/bbl; and Kosmos – US\$45.94/bbl);
9. The other Jubilee Partners however were able to sell a portion of their liftings at a higher price as a result of their respective hedging policies with Kosmos and Tullow realising unit prices of US\$73.76/barrel and US\$61.7/barrel respectively;

PETROLEUM RECEIPTS

10. Actual petroleum receipt in 2016 of US\$247.18 million was 29% lower than the budgeted amount (US\$348.42 million) and translates to 38% year-on-year decline in annual petroleum revenues when compared to the 2015 receipts of US\$396.17 million;
11. Except for CIT which exceeded target, none of the other sources of petroleum revenues achieved set targets, as can be seen from Table 17;
12. Only five (5) out of the 18 licence holders paid surface rental during the period under review;
13. Ninety-two percent (US\$27.31 million) of total CIT received in 2016 was in respect of tax liabilities that Tullow ought to have paid over the period 2011-2014;

14. Only US\$9.35 million (16.45%) out of total receivables of US\$56.79 million from the sale of raw gas was paid by the off-taker – GNGC – in 2016;
15. Payment of the outstanding receivables for 2016 would have reduced the revenue shortfall of US\$101.24 million by 46% while the shortfall would not have arisen had the total outstanding indebtedness of GNGC of US\$135.49 million been honoured during the period under review;

ALLOCATION AND UTILISATION OF PETROLEUM RECEIPTS

16. A total of US\$229.03 million (representing approximately 93% of total petroleum receipts) was allocated during the reporting period;
17. An amount of US\$98.38 million (GH¢388.85 million) (representing 70% of the net amount of US\$140.54 million transferred to the GoG for further distribution and 42.95% of actual disbursement) was transferred to the ABFA account in 2016;
18. The remaining 30% (US\$42.16 million) of the amount received by GoG to be distributed to the ABFA and GPFs in 2016 was transferred to the GPFs with the GSF receiving US\$29.51 million (70%) and GHF receiving US\$12.65 million;

UTILISATION OF ALLOCATION TO GNPC

19. The GNPC received US\$88.50 million (representing 38.64% of total petroleum receipt) in 2016 compared to the US\$126.86 million it received in 2015, translating to a year-on-year drop of 30%;
20. The allocation to GNPC during the review period is the lowest it has received since distribution of petroleum revenues began in 2011;
21. For the first time since 2011, the disbursement to GNPC was insufficient to cover the NOC's equity financing requirement and expenditure on other exploration and development projects embarked upon in the course of the reporting period. This means that GNPC had to rely on its cash reserves, which had been earmarked for milestone projects, to fund equally important expenditures such as staff cost, general

operational and administrative expense and the cost of the maritime boundary dispute with Cote D'Ivoire;

22. An amount of US\$12.64 million (classified as 'capital projects') was spent refurbishing GNPC's landed properties in Accra, Tema and Sekondi-Takoradi;
23. There was a 38% year-on-year increase in the remuneration for Technical and Petro-business support staff employed to execute GNPC's work programmes. The cost rose from US\$10.23 million in 2015 to US\$16.4 million in 2016;
24. There was a 56% increase in the amount of money spent contesting the Maritime Boundary Dispute with Cote D'Ivoire at the ITLOS with expenditure rising from US\$1.81 million in 2015 to US\$2.83 million in 2016;
25. An amount of US\$7.58 million was again spent on the Western Corridor Road Project;

PERFORMANCE OF THE GHANA PETROLEUM FUNDS

26. GPFs made a net investment income of US\$5.77 million during the period under review, compared to US\$4.5 million in 2015. Of this amount, the GHF brought in US\$4.93 million (85.44%) up from the US\$3.97 million earned in 2015 while the GSF brought in US\$0.84 million (14.56%) up from US\$0.53 million in 2015; and,
27. The balance on the GHF at the end of 2016 stood at US\$276.96 million compared to US\$259.38 million in 2015 while that on the GSF stood at US\$207.75 million as against US\$177.40 million in 2015, bringing total combined balance in the GPFs as at the end of the reporting period to US\$484.71 million.

RECOMMENDATIONS

Based on the key findings and some observations/conclusions made/drawn, PIAC has put forth the following recommendations for the consideration of the relevant authorities:

1. Given that the GNGC may well have been caught up in the vicious cycle of the indebtedness of the energy sector utilities (which stood at US\$2.4 billion at the end of 2016), urgent and drastic measures would have to be devised by all key stakeholders to ensure immediate payment of the outstanding receivable owed the Ghana Petroleum Fund in respect of gas sales.

One potential source of funds that could have been used to defray VRA's indebtedness to GNGC is the Power Generation and Infrastructure Support Sub-Account (PGISSA)¹ established under the Energy Sector Levy Act, 2015 (Act 899). However, the proceeds going into the PGISSA have been earmarked for the repayment of the debt owed by VRA to 11 domestic banks as part of the strategy introduced by the government to deal with legacy debt problem facing the State-owned energy sector utilities. Since termination of supply to VRA is not an option as yet, due to lack of alternative market for lean gas, PIAC is calling for an immediate meeting between the Government, GNPC and GNGC to agree on a clear roadmap for the clearing of VRA indebtedness to GNGC;

2. The Ghana Revenue Authority (GRA) must ensure that all outstanding annual surface rentals are paid with interest;
3. GRA must ensure that auditing of tax returns filed by the Jubilee Partners are carried out expeditiously so that any additional assessment payable is paid on time;
4. The Bank of Ghana and/or the Ministry of Finance should seek expert advice on hedging and consider undertaking hedging activities as part of strategies to mitigate Ghana's exposure to commodity price risk/volatility associated with future oil production;
5. GNPC needs to be impressed upon to procure a Loss of Production Insurance (LOPI) or Business Interruption Insurance if it does not have one already;

¹ The PGISSA is to be used to support payment of power utility debt, ensure power supply, power generation and infrastructure support resources and support power infrastructure risk mitigation.

6. PIAC still maintains that GNPC should desist from spending part of its dwindling allocations on non-core businesses such as financing of the Western Corridor Roads. The GNPC explained to PIAC that it was requested to provide financial support for the said roads because of their position as the Gas Aggregator. The Committee however holds a different view and wishes to reiterate its suggestion in its 2016 Semi-annual Report that such road projects should either be funded with part of the ABFA or a separate loan contracted for that purpose thereby freeing funds for critical investments in the areas of GNPC's core mandate. Similarly, PIAC is of the view that GNPC should not be bearing the cost of the ITLOS litigation on behalf of the State and that such expenditure should be charged either on the Consolidated Fund or Contingency Fund;
7. GNPC should disclose what steps it is taken to retrieve the US\$50 million loan it advanced to the Ministry of Finance in respect of the Western Corridor Roads;
8. The Government should impress upon the Jubilee Partners to expedite work on the gas export infrastructure on the TEN Field; and,
9. The ABFA allocation to road infrastructure should continue to be spent on fewer road projects so as to ensure timely completion of beneficiary projects.

SECTION 1

1.0 BACKGROUND

1.1 INTRODUCTION

The Public Interest and Accountability Committee (PIAC), is a citizen-based public oversight committee created under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 815) to, among other things, ensure that the collections and management of petroleum revenues in Ghana is 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 10 reports which include 5 Annual Reports (2011-2015) and five (5) Semi-Annual Reports (2012-2016). This report – the 2016 Annual Report – is the sixth in the series of PIAC’s annual reports and 11th overall.

1.2 SCOPE

The report covers the period January – December 2016 which among others, analyses crude oil production and liftings; verifies the accuracy of petroleum revenues declared by state institutions; assesses allocations of petroleum revenues to support annual budget and transfers into the Ghana Petroleum Funds as stipulated by the Act; discusses how petroleum receipts were allocated and utilised, and analyses the performance of the petroleum funds during the period under review.

1.3 METHODOLOGY

In putting together the report, the Committee combined two research methods – desk study and key informant interviews. The main sources of the information gathered were the key stakeholder institutions such as the Ministry of Finance (MOF), the Ghana National Petroleum Corporation (GNPC), the Bank of Ghana (BOG), the Ghana National Gas Company (GNGC), the Ghana Revenue Authority (GRA), Petroleum Commission and Kosmos Energy. The data collected were reviewed and analysed, and where inconsistencies and/or discrepancies were discovered, follow-up interviews conducted with designated

officials at the relevant institution(s).The final draft of the report was sent to the stakeholder institutions for validation before publication.

1.4 OUTLINE OF THE REPORT

The rest of the report is organised into the following nine (9) sections:

- Section 2 reviews the implementation status of recommendations made in previous reports of the Committee;
- Section 3 provides an update on happenings in the upstream petroleum sector during the year under review;
- Section 4 presents information on crude oil and gas production and marketing in 2016;
- Section 5 presents and analyses petroleum receipts from different sources;
- Section 6 discusses how the 2016 petroleum revenues were allocated and utilised;
- Section 7 focuses on the operations and performance of Ghana National Gas Company;
- Section 8 analyses the reliability or otherwise of forecasted revenues for 2017;
- Section 9 summarises key findings and proffers recommendations; and,
- Section 10 focuses on 2016 PIAC activity report.

SECTION 2

2.0 UPDATE FROM PREVIOUS REPORTS

As has become a regular feature of PIAC's Annual report, this section reviews the implementation status of various recommendations made by the Committee in previous reports. Table 1 re-presents selected findings and recommendations from previous reports and indicates whether or not the recommendations have been acted upon or not.

TABLE 1: STATUS OF IMPLEMENTATION OF PREVIOUS RECOMMENDATIONS

Finding	Recommendation	Responsibility	Status	Comment
1. Enactment of Regulations (Refer to 2012 PIAC Annual Report)				
After six years of the coming into force of Act 815, the regulations that will help with the implementation of the law are long overdue.	The PIAC calls for expedited action to be taken to complete the drafting of the regulations for the approval of Parliament.	Ministry of Finance	The regulations are now been developed and sent to the Attorney Generals Department for drafting.	The regulations are long overdue, so it is PIAC's wish that the change of administration would not delay the passing of the regulation any further.
2. Deciding the Economic Viability of Saltpond Field (See Recommendation of 3 of 2014 Annual Report)				
Dwindling crude oil production volumes from the Saltpond Field coupled with rapidly falling global crude prices rendering the continuous operation of the Saltpond Field not viable	Urgent need for a critical appraisal of the viability of the continuous operation of the Saltpond field against the backdrop of low crude oil price. With crude oil price projected to hover around US\$52 in 2015, the business case for operating the Saltpond field in 2015 has been further weakened considering the fact that the oilfield produced a barrel of crude oil at a costs US\$31.22 in 2014.	GNPC/MoF	According to the MOF, the Saltpond Field is being decommissioned thereby bringing to an end oil production from the Ghana's first commercial field.	SOPCL shut down its producing wells in December 2015. The Ministry of Energy has given its approval to decommission the field. GNPC has started the contracting process to decommission the filed.
3. Non-Payment of Surface Rental by Oranto/Stone Energy (Finding 13 of 2014 Annual Report)				
Oranto/Stone Energy yet to honour an outstanding surface rental invoice of US\$67,438.36 since February 2013	GRA to compel Oranto/Stone Energy to pay outstanding invoice with applicable penalties for the period during which they have been in default.	GRA	Oranto/Stone Invoice still outstanding as at December 2016. In addition to that only 5 licence holders paid surface rental in 2016.	Non-payment of surface rental is becoming a recurring feature now. The GRA and PC should ensure that all Surface Rentals in arrears are paid with interest.

4. Utilization of ABFA (See Key Conclusion Section in 2014 Annual Report)				
ABFA allocation spread too thinly thereby making it less impactful	Urgent need for the ABFA to be better-targeted and well-focused so as to help maximise its effectiveness and impact in the socio-economic development of Ghana hence a call for a national dialogue/debate on how best the nation could derive the most benefits from its hydrocarbon resources.	MoF	The 2016 ABFA allocations to the ABFA priority areas were spent on fewer projects in fewer sectors of the economy.	PIAC wishes to commend the MoF for heeding to its perennial recommendations. It is the hope of the Committee that the new Minister of Finance will continue to focus the ABFA expenditure on few and impactful projects.
5. Refunding of Swept ABFA and Sinking Funds (Refer to Recommendation 1 of 2015 Semi-Annual Report)				
Swept unutilised ABFA amount of US\$222.93 million yet to be refunded.	Unutilised ABFA amount as well as 70% of Sinking Fund should be refunded forthwith since this is a violation of Act 815,	MoF, BOG	Amount yet to be refunded	It does not appear that the swept amount would be refunded following the change of government.
6. Refund of US\$50 million Special Advance (Finding 28 of 2014 Annual Report)				
Fifty Million dollar (US\$50 million) advance by GNPC to the MoF remains unpaid	Government must endeavour to pay the US\$50 million special advance given to it by GNPC in 2014 to help improve the capitalisation of the State Oil Company as well as forestall a situation where it becomes a regular practice by the GOG to be making such demands	MoF	Payment still outstanding even though GNPC has been pursuing the MoF to pay.	
7. Non-Payment of Receipts from the Sale of Wet and Lean Gas to GNGC and VRA respectively (See 2015 Semi-Annual and Annual Reports)				
VRA indebted to GNGC to the tune of US\$103.03 in respect of lean gas supplied by GNGC while GNGC's indebtedness to GNPC in respect of gas exports stood at US\$32.60 million	All outstanding receivables in respect of lean gas sold should be paid as a matter of urgency so as to guard against the GNGC falling into the never-ending cycle of indebtedness prevalent in the power sector. GNGC must also ensure prompt payment to GNPC in respect of gas exports.	GNPC, GNGC and VRA	Very little (if any at all) has been done about VRA indebtedness to GNGC. The debt has increased to US\$456 million as at the end of December 2016. Consequently, GNGC's indebtedness to GNPC has also been spiralling from US\$78 million in December 2015 to US\$135.49 million in December 2016.	VRA's indebtedness to GNGC is becoming increasingly unsustainable and needs to be tackled urgently.
8. National Dialogue on the Selection of New Priority Areas for ABFA (See Recommendation 8 of 2015 Annual Report)				

Minister of Finance to set new Priority Areas for ABFA in 2016	National dialogue/dialogue on the utilisation of ABFA from 2011-2016. The dialogue should be informed by an evaluation of the impact of ABFA expenditure over the past 6-years.	MoF, NDPC	No such dialogue took place. New Priority Areas selected by new administration but was mainly informed by the manifesto of the ruling government	Selected priority appears to be consistent and in line with what the citizenry has been clamouring for over the years.
9. Channelling significant proportion of ABFA into the Agriculture Sector (See Recommendation 11 of 2015 Report)				
Only 11% of total ABFA allocation from 2011-2015 had been disbursed to the agriculture sector	Sizeable proportion of future petroleum revenues should be disbursed to the agriculture sector over the past five years) should be channelled into the sector to help transform the sector and boost productivity.	MoF	Only GH¢27.67 million (approximately 9% of 2016 ABFA) went to the agriculture priority area compared to (GH¢199.45 (64%) that went to the Roads and Highways sector and GH¢83.04 million (26.69%) that went into capacity building	The allocation to the agriculture sector in 2017 has been increased to GH¢156.08 million (representing approximately 20% of expected ABFA). It is the hope of PIAC that actual disbursements would be made to the sector in 2017.
10. Government should consider hedging of part of our crude oil to contain price volatility (Recommendation 13 or 2015 Annual Report)				
Other Jubilee Partners earned more revenue than GOG as a result of successful hedging programmes	The government should consider resuming its hedging programme on crude oil export.	MoF	No hedging was undertaken.	

SECTION 3

3.0 DEVELOPMENTS IN THE OIL AND GAS SECTOR IN 2016

3.1 KEY DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR

3.1.1 INTRODUCTION

The year 2016 was quite eventful and represents a key milestone in Ghana's quest towards becoming a major oil producing country. Not only did the country add to its production assets following the achievement of first oil production from the Tweneboa-Enyenra-Ntomme (TEN) Field in August 2016, but also the Jubilee Field, which is the first production asset, faced arguably its biggest challenge yet since 2011 as a result of the damage of the turret bearing of the FPSO Kwame Nkrumah. The Sankofa-Gye-Nyame (SGN) Project, Ghana's third major upstream asset, also made significant progress during the year under review with the Field reaching two-thirds completion at the end of 2016. Ghana's total proven oil reserve base as at the end of 2016 was estimated at 1,253 million barrels of oil equivalent (MMBOE), comprising 898 million barrels of oil and 2,024 billion cubic feet of proven gas reserves compared to proven oil reserve base of 1,300 MMBOE (comprising 899 million barrels of oil and 2.052 trillion cubic feet (TCF) of natural gas (354MMboe) at the end of 2015 (GNPC, 2017). GNPC's core objective of growing reserves has been affected by a slowdown in exploratory activities in petroleum blocks that have been affected by the ITLOS initial ruling provision of "No Drilling."

Ghana's upstream industry also continued to attract investors during the period under review following the signing and ratification of three new Petroleum Agreements by Parliament. The update on the status of the operations of existing production fields and key projects as at December 2016 are presented in the rest of the chapter:

3.1.2 JUBILEE FIELD – TURRET REMEDIATION PROJECT

The Jubilee Field is estimated to hold a recoverable reserve of 618 million barrels (mmbbls) and 505 billion standard cubic feet (Bcf) of natural gas. A total of over 161 million barrels (mmbbls) have been produced from the Jubilee Field between November 2010 and December 2015. Oil production from the Field suffered a major setback in February 2016 when the turret bearing of FPSO Kwame Nkrumah began to malfunction. The FPSO Kwame Nkrumah was

designed with an external turret to allow for weather vaning.² However, with the damage of some of the turret bearings during the first quarter of 2016, the FPSO could not weather vane as per the designed (Petroleum Commission (PC)/GNPC, 2017).



FIGURE 1: PICTURE OF FPSO KWAME NKURUMAH (L) AND UNDERSIDE OF AN EXTERNAL TURRET(R)

The issue with the defective bearing necessitated the introduction of new operating and offtake procedures, which entailed the utilisation of three (3) tug boats (or tugs) to hold the FPSO in place, a dynamically positioned shuttle tanker and a storage tanker. After the conduct of a Root Cause Analysis (RCA), the Jubilee Partners have established that the preferred long-term solution to the turret issue is to convert the FPSO to a permanently spread-moored vessel, with offtake through a new deep-water offloading buoy. The first phase of the remediation work, involving the locking of the turret to prevent the rotation of the FPSO and the installation of a stern anchoring system, began in September 2016 and is expected to be completed in February 2017, after which the tugs maintaining the FPSO on heading control (which is reported to cost US\$5 million per month) will no longer be required. The next phase of the project will involve modifications to the turret systems for long-term spread-moored operations. In addition, the assessment of the optimum long-term heading continues, in order to determine if a rotation of the FPSO is required or not (Tullow, 2017).

Detailed planning for these works continues with the Joint Venture (JV) Partners and the Ghanaian Government, with final decisions and approvals being sought in the first half of

² Weather vaning is when a ship/boat/wings of a windmill/aircraft is allowed to spin in the direction of wind freely. It is basically allowed so that no damage/breakage to the equipment/machinery happens due to the force of the moving wind

2017. Work is expected to be carried out in the third quarter of 2017 (July-September), with an anticipated facility shutdown of up to 12 weeks, although work continues to optimise and reduce the shutdown period. The final phase of the project will involve the installation of a deep water offloading buoy which is planned to be installed in the first half of 2018 (Tullow, 2017, PC, 2017).

The problem with the turret bearing of FPSO Kwame Nkrumah and the consequential remediation works it engendered significantly curtailed average daily oil production to 73,720 bbls/day in 2016 down from an average daily production of 100,000 bbls/day since 2013. Meanwhile, the remediation work is also expected to affect oil production between 2017 and 2018 until the work is completed.

3.1.3 TWENEBOA-ENYENRA-NTOMME (TEN) FIELD

The Tweneboa-Enyenra-Ntomme (TEN) project has estimated recoverable reserves of 240 MMboe and 396 bcf of gas (GNPC, 2017). As projected, the TEN Field achieved its highly anticipated first oil on August 17, 2016 and went on to pump annualised average daily production of 14,527 bopd between August and December 2016 compared to an initial planned production of 23,092 bopd. The short fall in production has been attributed mainly to the later than anticipated first oil date and some early reservoir performance challenges, notably in the Enyenra reservoir and also inability to drill and complete more wells due to ITLOS initial ruling provision of “No Drilling”(GNPC, MoF, Tullow, 2017). Total crude oil and gas produced from the TEN Field was 5.32 million barrels and 6,531 MMScf respectively. A total of five (5) liftings were carried out on the TEN Field, one (1) of which was undertaken by GNPC on behalf of the Ghana Group. The first associated and non-associated gas exports are scheduled for 12 and 24 months, respectively, from first oil (MoF, 2017). Details of petroleum production from the TEN Field are discussed in Section 4 of the report.

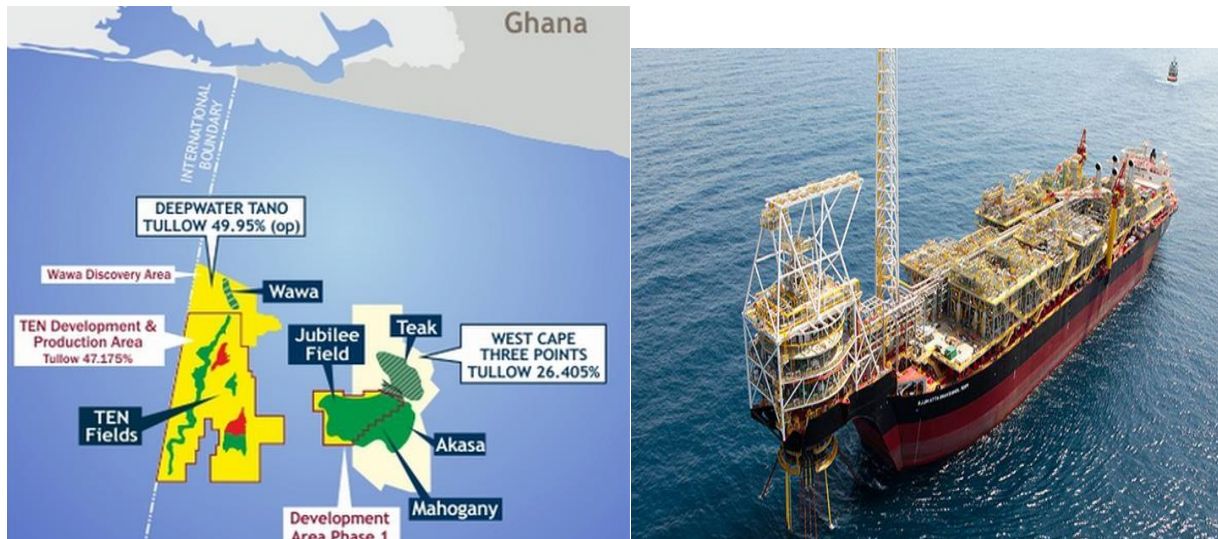


FIGURE 2: MAP OF TEN FIELD (L) AND AERIAL SHOT OF FPSO J.E.A. MILLS (R)

In addition to delivered first oil, the following project milestones were achieved in the TEN Project in 2016:

- The gas export pipeline and manifold were installed on the seafloor expected to be tie-in to Jubilee and GNGC pipeline in February 2017.
- Construction Tie-in-Agreement of the Gas Export Manifold (GEM) between the Operator (Tullow) and GNGC signed;
- Negotiations on the commercial terms of the Gas Sales Agreement (GSA) commenced during the last quarter of 2016;
- Construction of Gas Export Line commenced and expected to be completed in January, 2017 with interconnection to the Jubilee Field scheduled for February/March, 2017.
- Commenced Gas re-injection on 13th December, 2016

3.1.4 SANKOFA-GYE-NYAME (SGN) FIELD

The Sankofa-Gye Nyame (SGN) Field (known as the Offshore Cape Three Points (OCTP) Project) consists of a number of discoveries³ with combined estimated oil and gas reserves of 398.8MMboe which is made up of 204 million barrels of oil (mmbbls) and 1,071 billion cubic feet (bcf) of gas (GNPC, 2016). First oil from the SGN Field is expected in the third quarter of 2017 and peak at 45,000 barrels of oil a day by 2018, whereas gas production is expected to start six months later in the first quarter of 2018, with a daily production capacity of 170 million cubic feet. (GNPC, 2016 and 2017). The Field is operated by ENI Ghana Exploration and

³ The project covers the Sankofa Main, Sankofa East, Gye Nyame, Sankofa East Cenomanian and Sankofa East Campanian fields.

Production Limited with shareholding of 44.44% during the operations phase. Vitol Ghana Upstream and Ghana National Petroleum Corporation are the other partners and hold 35.56% and 20% respectively during production operations phase.

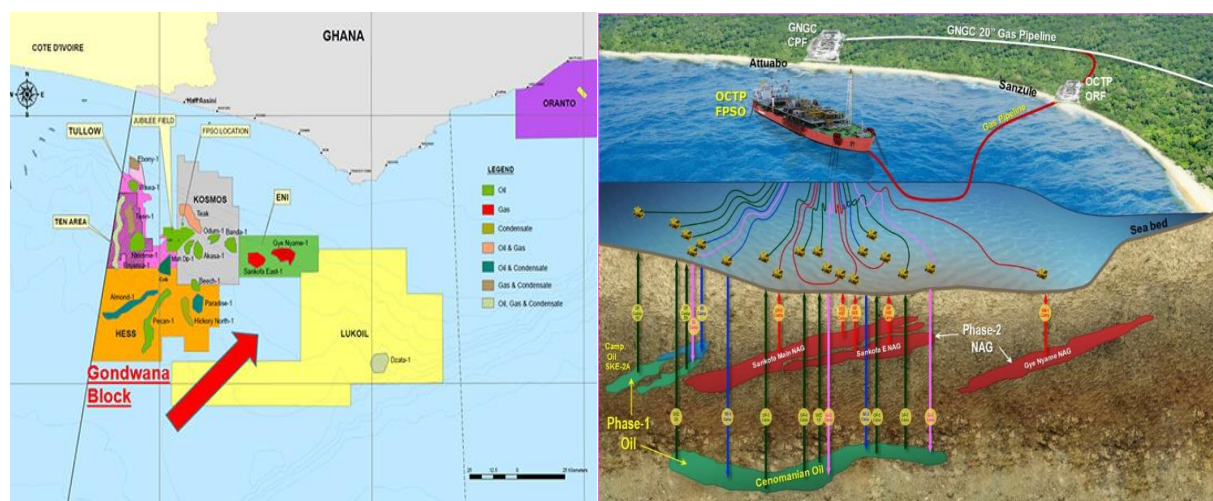


FIGURE 3: MAP SHOWING LOCATION OF OCTP PROJECT AND ARTISTIC IMPRESSION OF SGN

Activities carried out on the SGN projects during the period under review are as follows:

- Letters of Credit for security package agreement of US\$500 million between the SGN Partners and the World Bank signed;
- All 17 topside modules installed and integrated into the FPSO in Singapore;
- Engineering, Procurement, Construction and Installation (EPCI) contract for Onshore Receiving Facility (ORF) awarded in November 2016;
- Key operational results put drilling at 52.6% completion as against a target of 41.4% with 14 development wells drilled;
- FPSO sailed from China in January 2016 enroute to the Singapore integration shipyard with contract achieving a progress level of 96.5% compared to an end of period target of 97.1%. The FPSO was expected in Ghana by February 2017;
- Subsea Production System (SPS) achieved 88.82% completion rate as against a target of 90.6%; and,
- Overall progress of worked estimated at 65.6% against a target of 66.5%. (GNPC, 2016).

3.1.5 VOLTAIAN BASIN PROJECT

The Voltaian Basin Project is the first onshore oil exploration project in Ghana being managed by GNPC. GNPC is pursuing a 6-year reconnaissance phase (2015-2020) with the view of leading onshore exploration in the Basin so as to achieve the following outcomes:

- Determine the thermal maturity of potential source rocks by optimising the right mix of foreign and local expertise.
- Enhance the knowledge base of the relatively unexplored basin which would inform the effective development of exploration programmes in the near future;
- De-risk the basin to justify further investments; and,
- Build the capacity of GNPC for operatorship.

In this regard, the GNPC undertook the following activities during the period under review:

- Completed technical and financial evaluations of 2D Seismic Acquisition, awaiting approval from Central Tender Review Committee (CTRC);
- Environmental Impact Statement (EIS) (permit plan, waste management plan and monitoring budget) submitted to the Environmental Protection Agency (EPA) and permit fees paid;
- Security Plan submitted to Petroleum Security Coordinating Committee and the Regional Security Committee;
- Received Expression of Interest from 29 Seismic Processing Companies; 8 companies were shortlisted.
- Continued engagement with management and ETC on the evaluation criteria for engagement of Seismic Data Acquisition Contractor.

3.1.6 IMPACT OF AND UPDATES ON THE MARITIME BOUNDARY DISPUTE WITH LA COTE D'IVOIRE

As reported in the 2015 PIAC Semi and Annual Reports, Ghana's burgeoning petroleum industry suffered a major setback following an interim ruling of the International Tribunal for the Law of the Sea (ITLOS) regarding the border dispute between Ghana and La Cote d'Ivoire. As explained at the time, the preliminary ruling of the ITLOS placed a moratorium on exploration and drilling of new wells in the disputed area. We reported that the decision affects the drilling of new wells in the TEN Project and other blocks that fall within the disputed area but it does not affect work required to complete on-going wells.

Concerns were however raised at the time that the TEN Field may end up producing below the projected levels if the 10 initial development wells drilled before the ITLOS provisional ruling were not able to produce as much as expected until 2017 when the Tribunal is expected to give its final ruling. These apprehensions appear to have become a reality because as reported in Section 3.1.3 of this report, although some of the wells (especially in the Enyenra reservoir) on the TEN Field under-performed thereby resulting in lower than expected

volumes, the TEN Partners could not intervene because of the ITLOS moratorium and had to manage existing wells in a prudent and sustainable manner (Tullow, 2017).

During the period under review, proceedings at ITLOS continued with both Ghana and La Cote d'Ivoire submitting their reports (memorial and counter memorials) to the Court. The draft submissions for the oral hearings were prepared by a team of Ghana's internal and external lawyers. The oral court hearing is scheduled to commence from February 6 -17, 2017 while a final ruling is anticipated in the fourth quarter of 2017.

3.1.7 DECOMMISSIONING OF THE SALTPOND FIELD

PIAC's repeated call for the cessation of operations on the Saltpond Field due to non-performance/profitability, was finally answered during the period under review when the Minister of Petroleum per a letter dated August 18, 2016 formally terminated the Petroleum Agreement on the Saltpond Field. The GNPC is in the process of decommissioning the Field in phases. Phase 1 started in October 2016 and entailed the selection of a Consultant to lead the process. Technical and Financial proposals from shortlisted consultants have been submitted and evaluations completed. The selection of the consultant was still pending as at the end of the period under review (Ministry of Finance, 2017).

3.1.8. PETROLEUM AGREEMENTS

The following Petroleum Agreements (PAs) were executed and ratified by Parliament in 2016:

- Springfield West Cape Three Points (Block 2)
- ENI Ghana Exploration and Production Limited (BLOCK 4)
- SWAOCO Onshore/offshore Keta Delta Block

Two of the PAs signed with Springfield and ENI Ghana Exploration and Production Company Limited (Block 4) were in respect of exploration in the Western Basin while the one signed with Swiss Africa was in respect of a block in the Accra-Keta basin.

3.2 STATUS OF WESTERN CORRIDOR GAS INFRASTRUCTURE PROJECT (WCGIP)

As reported in the 2015 PIAC Annual Report, the Western Corridor Gas Infrastructure Project (WCGIP) was completed in November 2014 and commissioned over a five-month period from November, 2014 to May 2015. The project has since April 2015 entered its commercial phase

and has been processing and selling lean gas to the Volta River Authority (VRA), Liquefied Petroleum Gas (LPG) to Sage Petroleum and condensates to other companies.

During the period under review, a total of US\$32.26 million was disbursed to the WCGIP with the CDB contributing US\$27.42 million (representing 85%) and the GoG paying US\$4.84 million (representing 15%). Another US\$24.07 million was disbursed to the ICT Infrastructure component of the CDB Master Facility over the same period, bringing the total annual disbursement to the WCGIP and ICT projects in 2016 to US\$56.34 million. Table 2 gives the breakdown of total disbursements made to the WCGIP and the ICT projects from inception to end of 2016.

TABLE 2: TOTAL DISBURSEMENT TO WCGIP AND ICT PROJECTS AS AT END OF DECEMBER 2016

Date	Utilization Amount	CDB Portion	GoG Portion	Subsidiary
		US\$		
2015-Year End	923,558,344.11	785,024,591.6485	138,533,752.46	WCGIP & ICT
18-Aug-16	24,074,197.41	20,463,067.80	3,611,129.61	ICT
16-Nov-16	32,260,977.84	27,421,831.16	4,839,146.68 ⁴	WCGIP
Total	979,893,519.37	832,909,490.63	146,984,028.74	

Source: Ministry of Finance, 2017

Table 2 shows that a total of US\$979.89 million has been disbursed to the two projects as at the end of December 2016 with CDB contributing US\$832.91 million (85%) and the GoG providing the remaining 15% (US\$146.98 million).

During the period under review, PIAC received a petition from the Civil Society Platform on Oil and Gas (CSPOG) calling on the Committee to, among others, investigate the total cost of the WCGIP. According to the CSPOG, it has cause to believe that the project cost was inflated by at least US\$140 million. The CSPOG, in its petition, alleges that China's Sinopec International Petroleum Services Corporation (SIPSC) – a subsidiary of the main contractor, the Sinopec Group – has overpriced the Liquefied Petroleum Gas (LPG) processing component of the WCGIP by US\$40 million compared to another plant which is deemed superior by virtue of having five additional features including specifications that are favourable for the production of lean gas required by the Volta River Authority (VRA). In addition to suspected over-pricing of

⁴ The GoG released its matching fund in December 2015 but the CDB component was only released in November 2016.

the LPG processing unit, the CSPOG opines that the 45-kilometer shallow water pipelines installed by SIPSC was estimated to cost about \$1.6 million more per kilometre than the deep water pipeline installed by the Ghana National Petroleum Corporation (GNPC) despite the shallow water pipelines not meeting the technical requirement of having internal coating.

The CSPOG petition further raises concerns about a possible transfer pricing manipulation by referring to an arrangement involving SIPSC and its special purpose subsidiary offshore firm called SAF Petroleum Investments (FZE), registered in Dubai. Under the arrangement, SAF was expected to make the initial procurement and resell the items to SIPSC, thereby increasing the transaction cost of the project. According to the CSPOG, unconfirmed report reaching it indicates that the Ghana Revenue Authority has already recovered over US\$10 million in Transfer Pricing-related taxes and penalties while auditing the transaction.

Although the PIAC cannot substantiate the claims being made by CSPOG in its petition, it is of the view that the offences being alleged are serious enough to warrant further investigations and thus would be probing further to ascertain the veracity or otherwise of the alleged financial malpractices. An update of PIAC findings would be presented in the 2017 Semi-Annual Report.

SECTION 4

4.0 PETROLEUM PRODUCTION, PRICING AND LIFTING

4.1 CRUDE OIL PRODUCTION

A total of 32,297,780 barrels of crude oil (bbls) were produced in Ghana in 2016 compared to the 2015 production of 37,411,661 barrels, representing 13.7%⁵ year-on-year reduction in production as shown in Figure 4. Approximately 84% (26,981,640 bbls) was produced from the Jubilee Field while 16% (5,316,140 bbls) came from the TEN Field.

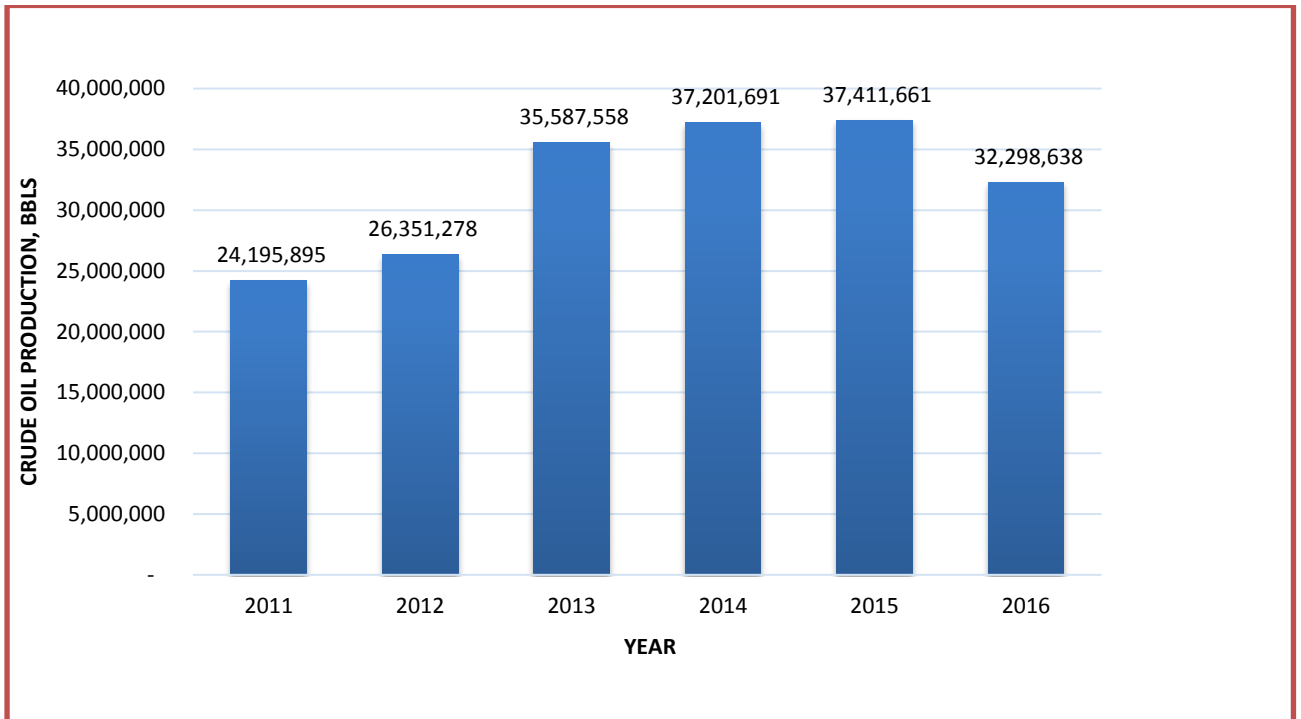


FIGURE 4: CRUDE OIL PRODUCTION IN GHANA, 2010-2016

The 2016 production figure brings the total volume of crude oil produced in Ghana since 2010 to 194,226,951 bbls as shown in Figure 4.

⁵ Note that the year-on-year decline is 27.88% when comparison is done only for Jubilee

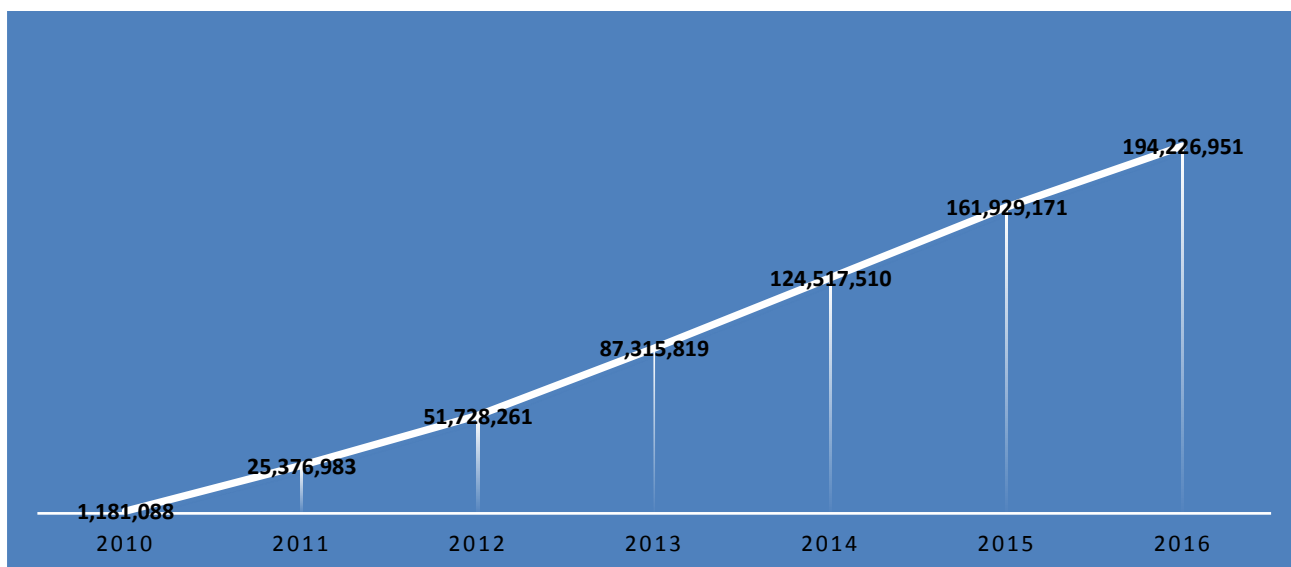


FIGURE 5: CUMULATIVE CRUDE OIL PRODUCTION IN GHANA, 2010-2016

Table 3 gives the monthly breakdown of crude oil production from both the Jubilee and TEN Fields.

TABLE 3: CRUDE OIL PRODUCTION FROM JUBILEE AND TEN FIELDS: JANUARY-DECEMBER, 2016

MONTH	JUBILEE FIELD PRODUCTION (BBLs)	PRODUCTION DAYS	TEN FIELD PRODUCTION (BBLs)	PRODUCTION DAYS	TOTAL CRUDE OIL PRODUCTION (JUBILEE & TEN)
January	3,112,793.00	31	-	-	3,112,793.00
February	2,876,466.00	29	-	-	2,876,466.00
March	1,321,719.00	31	-	-	1,321,719.00
April	-	-	-	-	-
May	1,525,973.00	31	-	-	1,525,973.00
June	2,603,178.00	30	-	-	2,603,178.00
July	2,378,761.00	31	-	-	2,378,761.00
August	3,093,778.00	31	135,778	31	3,230,414.00
September	2,919,429.00	30	950,036	30	3,869,465.00
October	3,029,181.00	31	1,124,324	31	4,153,505.00
November	1,709,832.00	30	1,453,648	30	3,163,480.00
December	2,410,530.00	31	1,652,354	31	4,062,884.00
TOTAL	26,981,640.00	366	5,316,140	153	32,297,780.00
AVERAGE	73,995		34,746		

Source: PC, 2017

The Table shows that average daily production of crude oil from the Jubilee Field was 73,995 barrels of oil per day (bopd) (compared to 2015 average daily production of 102,498 bopd) while an average of 34,746 barrels of oil were produced from the TEN Field from first oil in August till the end of the period under review. The annualised daily average for TEN Field was 14,525bopd. Table 3 further reveals that the highest production of crude oil on the Jubilee Field during the period under review was recorded in January (3.11 mmbbls or averagely 100,413 bopd) with lowest occurring in March (1.32 mmbbls or averagely 42,436 bopd). There was no production on the Jubilee Field in April due to the shutdown to repair the damaged turret bearing of the FPSO Kwame Nkrumah. In the case of the TEN Field, average daily production of 4,480 bbls was recorded in August ramping up to 53,302 bopd at the end of 2016. According to the GNPC, no crude oil was produced from the Saltpond Field during the period under review owing to Government’s decision to decommission the Field.

4.2 GAS PRODUCTION

A combined total of 44,781.37 million standard cubic feet (MMScf) of associated gas was produced from the Jubilee and TEN Fields in 2016 as shown in Table 4.

TABLE 4: PRODUCTION OF ASSOCIATED GAS IN GHANA, 2016

MONTH	JUBILEE FIELD		TEN FIELD	
	OIL PRODUCED (BBL)	ASSOCIATED GAS PRODUCED (MMSCF)	OIL PRODUCED (BBL)	ASSOCIATED GAS PRODUCED (MMSCF)
January	3,112,793.00	4,448.62	-	
February	2,876,466.00	4,320.05	-	
March	1,321,719.00	2,260.57	-	
April	-	-	-	
May	1,525,973.00	2,319.23	-	
June	2,603,178.00	3,555.55	-	
July	2,378,761.00	3,440.33	-	
August	3,093,778.00	4,278.78	135,778.00	171.35
September	2,919,429.00	4,002.77	950,036.00	1,184.96
October	3,029,181.00	4,029.15	1,124,324.00	1,357.01
November	1,709,832.00	2,413.96	1,453,648.00	1,788.74
December	2,410,530.00	3,351.62	1,652,354.00	2,029.80
TOTAL	26,981,640.00	38,420.63	5,316,140	6,531.86

Source: PC, 2017

Table 5 shows how the associated gas produced during the period under review was utilised.

TABLE 5: UTILISATION OF ASSOCIATED GAS IN GHANA, 2016

Use of Product	JUBILEE ASSOCIATED GAS		TEN ASSOCIATED GAS	
	Volume (MMscf)	% Utilisation	Volume (MMscf)	% Utilisation
Export to Ghana Gas Company	21,579.60	56.17	-	-
Re-injection	12,554.39	32.67	367.30	5.63
Fuel for FPSO	2,707.38	7.05	1,484.84	22.73
Flared	1,578.88	4.11	4,679.73	71.64
TOTAL	38,420.63	100	6,531.86	100

Source: PIAC's Construct based on PC Data, 2017

As shown in Table 5, the majority (56.17%) of the associated gas produced on the Jubilee Field was evacuated to the Atuabo Gas Processing Plant (AGPP), another 32.67% was reinjected to maintain reservoir pressure, 7% used to meet the fuel needs of the FPSO Kwame Nkrumah and a little under 5% flared. The situation was however much different on the TEN Field, where approximately 72% of the associated gas produced was flared, approximately 23% used to fuel the FPSO and approximately 6% reinjected to maintain reservoir pressure. With first gas scheduled for the third quarter of 2017, the remainder of the gas produced from the TEN Field (after the volume required for powering the FPSO was met) was supposed to be reinjected. However, it was not until December 2016 that reinjection of gas commenced (as reported in Section 3.1.3) thereby occasioning the flaring of approximately three-quarters of the associated gas produced during the period under review.

4.3. JUBILEE FIELD COST OF PRODUCTION

The total cost of production for the Jubilee Field in 2016 was US\$467,109,000 (which translates to an average cost of production of US\$17.31 per barrel) compared to total production cost of US\$410,469,308 (or average cost of US\$10.97 per barrel) incurred in 2015. The 2016 production cost of US\$467.11 million represents a year-on-year increase of approximately 14% over that of 2015 and corresponding increase in unit cost of production by a magnitude of approximately 58% over the same period as shown in Table 6.

TABLE 6: JUBILEE FIELD TOTAL AND AVERAGE PRODUCTION COSTS: 2013-2016

Cost Description	Year				% Change
	2013	2014	2015	2016	
Total Cost of Production (US\$) (A)	354,064,952.99	430,991,334	410,469,308	433,210,751.59	13.80%
Total Production (BBLs) (B)	35,587,558	37,201,691	37,411,661	26,981,640	27.90%
Average Production Cost (US\$/BBLs) (A+B)	9.95	11.59	10.97	16.06	57.79%

PIAC's Construct based on Data from GNPC, 2014-2017

Findings:

1. There was a 13.7% year-on-year decline in crude oil production in Ghana during the period under review with annual production dropping from 37.41 mmbbls (averagely 102,498 bopd) in 2015 to 32.30 mmbbls (73,955 bopd for Jubilee and 34,752 bopd for TEN) in 2016;
2. The decline in production occurred in spite of the fact that Ghana's 2nd major production field – the TEN Field – came on stream in August, 2016 and actually contributed 16% (5.32 mmbbls) to annual production. The production shortfall would have been approximately 28% but for the addition of the TEN Field;
3. Along with the decline in crude oil production, the production of indigenous natural gas also declined by a similar magnitude of 27% (from 52,455.91 MMScf in 2015 to 38,420 MMScf in 2016) compared with only Jubilee gas production and by 14% when compared to the combined production from Jubilee and TEN Fields of 44,780 MMScf;
4. The decline in petroleum production in 2016 was caused by a 34-day shutdown of the Jubilee Field for maintenance from March 31 to May 3, 2016; and,
5. Approximately seventy-two percent (72%) of the gas produced on the TEN Field was flared compared to approximately 23% and 6% that was reinjected and used as fuel for the FPSO respectively;

4.4 CRUDE OIL LIFTINGS

4.4.1 JUBILEE FIELD

A total of 27 liftings totalling 26,134,013 bbls were carried out by the Jubilee Partners in 2016 compared to the 39 liftings (totalling **37,167,224 bbls**) that took place in 2015. Table 7 shows the numbers and total volumes of crude oil cargoes lifted by each Jubilee Partner during the period under review. Full details of the liftings are as shown in Appendix 1 of the Annexure.

TABLE 7: CRUDE OIL LIFTINGS BY JUBILEE PARTNERS IN 2016

Name of Company	Number of Liftings	Total Liftings (barrels of oil)	Percentage of Total Liftings
Tullow Ghana Limited	9	8,805,677	33.69
Anadarko &Petro SA	7	6,708,340	25.67
Kosmos	6	5,759,534	22.04
Ghana Group	5	4,860,462	18.60
TOTAL	27	26,134,013	100

Source: PIAC's Construct based on GNPC and PC Data, 2017

In accordance with the Jubilee Field Crude Oil Lifting Agreement (COLA), GNPC lifted five (5) parcels of crude oil on behalf of the State (Ghana Group) totalling 4,860,462 barrels of oil (representing 18.60% of total liftings) as shown in Table 8. This brings to 33,926,344 bbls the total number of barrels of crude oil lifted by the Ghana Group from Jubilee Field for the period 2011 to 2016. The 2016 total liftings from the Jubilee Field of 26,134,013 implies that there are 847,627 barrels of crude oil out of the 2016 output that were not lifted, which when added to the 2015 closing stock of 844,252 barrels carried over will translate into a 2016 closing stock of 1,691,879 barrels to be carried over to 2017 as analysed in Table 8.

TABLE 8: ANALYSIS OF THE PRODUCTION AND LIFTING OF CRUDE OIL FROM 2010-2016

Year	Annual Production (mmbbls)	Cumulative production (mmbbls)	Total Availability (mmbbls)	Total Liftings (mmbbls)	Stock carried forward (mmbbls)
2010	1,181,088	1,181,088	1,181,088	0	1,181,088
2011	24,195,895	25,376,983	25,376,983	24,450,155	926,828
2012	26,351,278	51,728,261	27,278,106	26,430,934	847,172
2013	35,587,558	87,315,819	36,434,730	36,048,290	386,440
2014	37,201,691	124,517,510	37,588,131	36,988,315	599,816
2015	37,411,661	161,929,171	38,011,477	37,167,224	844,252
2016	32,298,638 ⁶	194,227,809	33,142,890	30,765,005	2,377,885

Source: PIAC's Construct, 2017

4.4.2 TEN FIELD

Out of the 5,316,140 barrels of crude oil produced from the TEN Field in 2016, a total of 4,631,494 barrels of oil were lifted in five different liftings by the TEN Partners leaving an end of year closing stock of 684,646 barrels of oil as shown in Table 9.

TABLE 9: CRUDE OIL LIFTING FROM TEN FIELD IN 2016

Name of Company	Number of Liftings	Total Liftings (barrels of oil)	Percentage of Total Liftings
Tullow Ghana Limited	2	1,644,192	33.69
Anadarko &Petro SA	1	994,886	25.67
Kosmos	1	995,957	22.04
Ghana Group	1	996,459	18.60
TOTAL	5	4,631,494	100
CLOSING STOCK		684,646	

Source: PC, 2017

Findings:

1. The Ghana Group lifted 4.86 mmbbls from the Jubilee Field in 2016, representing 18.06% which is consistent with the Ghana's shareholding in the Field; and,
2. The sole lifting undertaken by the Ghana Group from the TEN Field in 2016 also represented 18.60% of total lifting made by the TEN partners.

⁶ Include TEN Production.

4.5 CRUDE OIL PRICING

The average Jubilee crude oil price⁷ achieved by GNPC for the Ghana Group in 2016 was US\$46.07 per barrel against a projected benchmark price of US\$53.05 per barrel during the first half of 2016 and the revised benchmark price of US\$45.35 for the second half of 2016. The achieved price compares favourably with the average Dated Brent price of US\$44.01 per barrel during the periods that the Ghana Group lifted their cargoes as shown in Figure 6.

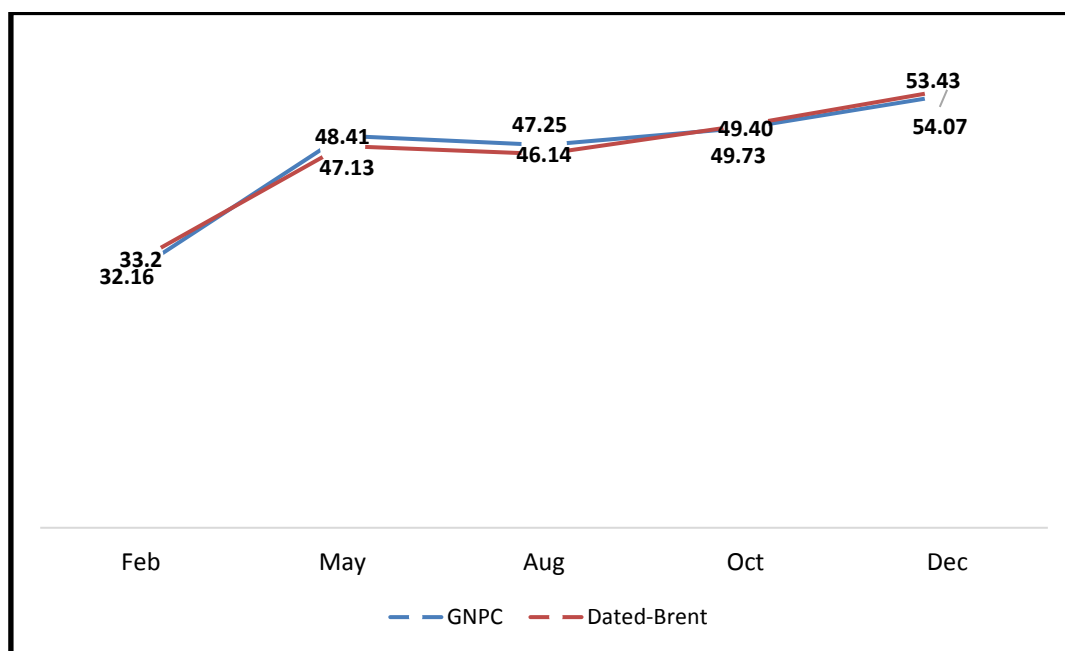


FIGURE 6: COMPARISON OF ACHIEVED PRICE FOR JUBILEE AND DATED BRENT, 2016

The sole lifting carried out by the Ghana Group from the TEN Field in early December 2016 was sold at an achieved price of US\$51.09/bbl, which is slightly lower than both the average dated BRENT price for December and the price at which the Ghana Group sold its 35th lifting from the Jubilee Field in late December.

Figure 6 shows how the crude oil prices obtained by the Ghana Group compare with the prices at which the Jubilee Partners sold their liftings on the international market. As evident from Figure 7, the average price achieved by the Ghana Group compared quite favourably with that of all the Jubilee Partners. However, partners such as Tullow and Kosmos obtained higher revenue through their respective hedging programmes and therefore ended getting more money per every barrel of oil sold during the period under review.

⁷ Achieved price means the price at which the Ghana Group liftings were sold.

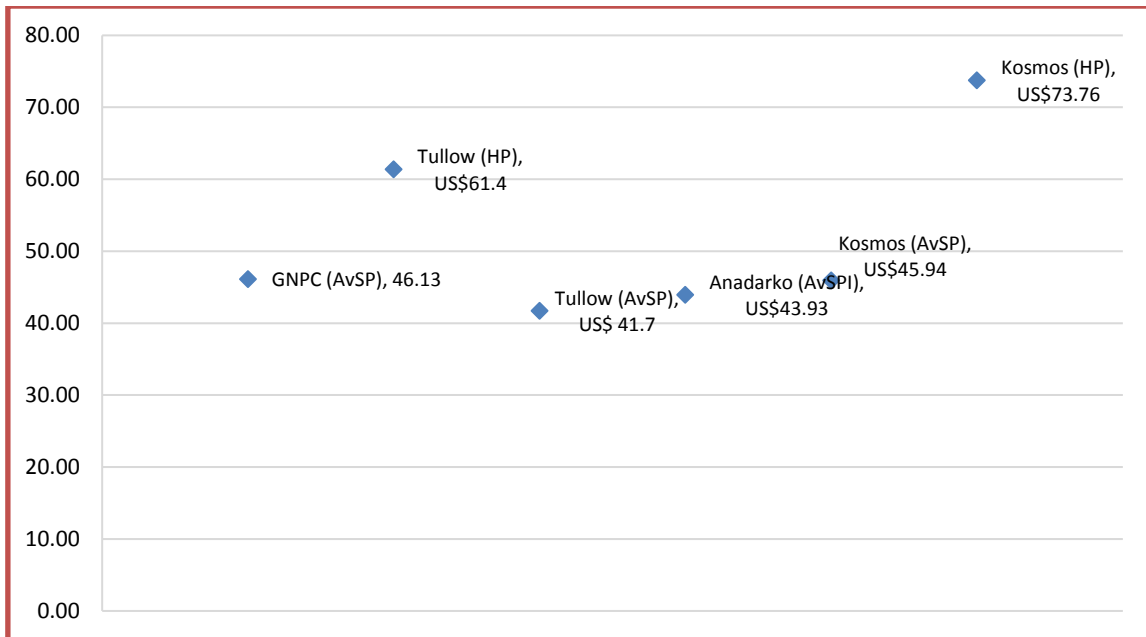


FIGURE 7: COMPARISON OF 2016 CRUDE PRICES REALISED BY JUBILEE PARTNERS

Legend: Average Sale Price (AveSP); Hedge Price (HP); Average Sale Price International (AvSPI)

Findings:

1. Ghana's crude oil from the Jubilee Field was sold at an average achieved price of US\$46.13 per barrel which compares favourably with the average dated Brent price of US\$44.01 as well as the average achieved price of all the Jubilee Partners (Tullow – US\$41.7; Anadarko – 43.93; and Kosmos – 45.94);
2. The Jubilee Partners however were able to sell a portion of their liftings at a higher price as a result of their respective hedging policies, with Kosmos and Tullow realising a unit price of US\$73.76/barrel and US\$61.7/barrel respectively.

SECTION 5

5.0 PETROLEUM RECEIPTS AND UTILISATION IN 2016

5.1 OVERVIEW OF PETROLEUM RECEIPTS

Total proceeds from the sale of crude oil lifted from the Jubilee Field in 2016 (Liftings 31-34) amounted to US\$207.78 million (GH¢811.68 million) as shown in Table 10. The total proceeds comprise an amount of US\$172.05 million (GH¢ 675.99 million) realised from the sale of four (out of five) cargoes of crude oil lifted between February and October 2016 and US\$35.69 million being the proceeds that accrued from the sale of Ghana's 30th lifting, which was carried out in December 2015 but the proceeds received in January 2016. The proceeds however do not include the amount realised from the 35th lifting carried out on December 28, 2016 and that of the sale of the solitary lifting from the TEN Field. These amounts were received in January 2017 and are accounted for as part of the 2017 revenue.

The proceeds realised from the sale of Ghana's share of the Jubilee Field crude oil in 2016 represent a year-on-year decline of approximately 45% in revenue compared to the 2015 amount of US\$374.29 million.

TABLE 10: DETAILS OF THE RECEIPTS FROM THE SALE OF JUBILEE CRUDE OIL IN 2016

PERIOD	DATE OF LIFTING	RECEIPT DATE	VOLUME OF LIFTING	SELLING PRICE	VALUE OF LIFTING	
	dd/mm/yy	dd/mm/yy	Barrels	US\$	US\$	GH¢
1 st Quarter	08-Dec-15	7-Jan-16	948,118	37.692	35,736,463.66	135,687,778.87
	02-Feb-16	3-Mar-16	947,980	32.164	30,490,828.72	117,676,304.36
2 nd Quarter	14-May-16	13-Jun-16	995,152	48.408	48,173,318.02	187,818,132.30
3 rd Quarter	10-Aug-16	9-Sep-16	983,847	47.250	46,486,770.75	183,855,178.32
4 th Quarter	23-Oct-16	22-Nov-16	949,320	49.404	46,900,205.28	186,644,056.93
TOTAL			4,824,417		207,787,586.43	811,681,450.78

Source: PIAC's construct based on MoF Data, 2017

In addition to the revenues from the direct sale of the Jubilee crude oil, GoG also received US\$29.55 million in Corporate Income Tax (CIT), US\$9.30 million from gas sales, US\$465,030 as Surface Rentals (SR), and US\$73,149 as interest earned on undistributed funds held in the PHF bringing total petroleum revenue received in 2016 to US\$247.18 million (GH¢ 972.55 million) as shown in Table 11.

TABLE 11: SOURCES OF 2016 PETROLEUM RECEIPTS

Item	Unit	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	TOTAL	% Contribution
Jubilee Royalties	US\$	18,438,681	13,412,181	12,942,620.95	13,057,727	57,851,210.69	23.40
Carried and Participating Interest	US\$	47,788,611	34,761,137	33,544,149.80	33,842,478	149,936,375.74	60.66
Surface Rental	US\$	356,844	78,250	-	29,936	465,029.74	0.19
Corporate Income Tax	US\$	2,027,780	204,770	-	27,314,273	29,546,823.00	11.95
Gas Royalties	US\$	-	379,554.50	-	-	379,554.50	0.15
Gas CAPI			8,923,251.85			8,923,251.85	3.61
PHF Income		19,208.20	8,529.19	24,079.01	21,332.34	73,148.74	0.03
Price Differential	US\$	-	-	-	-	-	-
Total Petroleum Receipts	US\$	77,933,931	48,464,867	46,510,850	46,909,195	247,175,394.26	100
	GH¢	135,687,779	162,926,879	188,926,971	186,679,836	972,547,412.39	

Source: BOG, 2017

The 2016 total petroleum receipts that accrued to the Government of Ghana translate to approximately 38% year-on-year decline in petroleum revenues compared to the 2015 amount of US\$396.17 million. The Ministry of Finance has attributed the shortfall in petroleum revenues to volatile crude prices and lower than expected crude oil production from both the Jubilee and TEN Fields.

Figure 8 shows the percentage contribution of the various sources of revenues to total petroleum receipts in 2016.

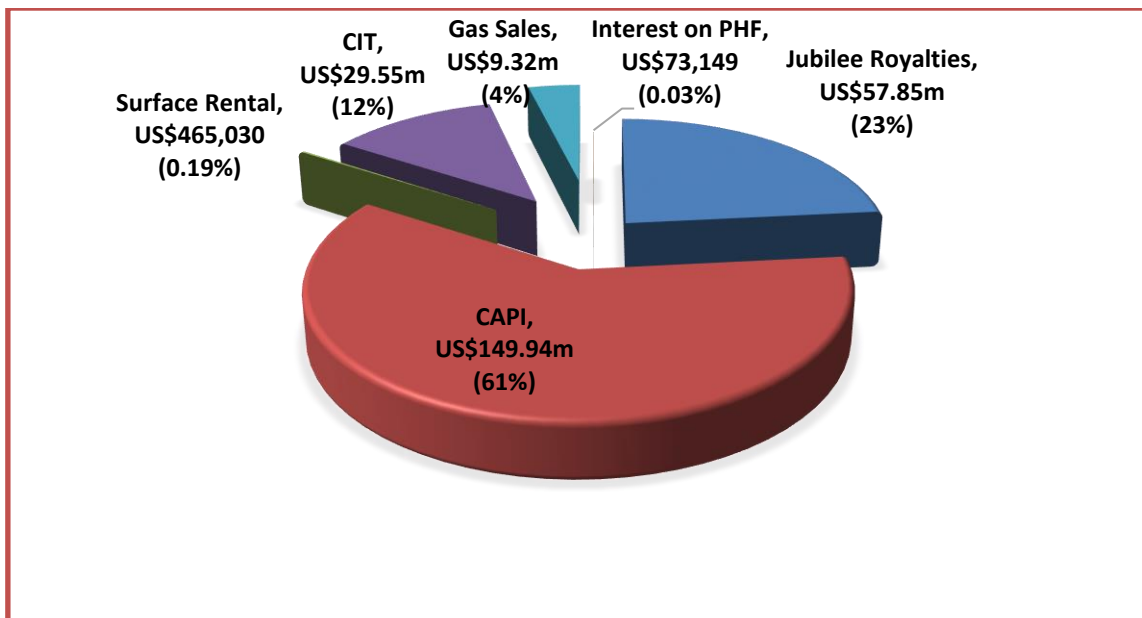


FIGURE 8: CONTRIBUTION OF SOURCES OF PETROLEUM REVENUE TO TOTAL RECEIPT IN 2016

5.2 TOTAL PETROLEUM REVENUE FROM 2011 TO 2016

The 2016 petroleum proceeds bring to **US\$3.45** billion the total revenue that has been received by the GoG from the petroleum sector since commercial production of oil commenced in November 2010 as presented in Table 12.

TABLE 12: BREAKDOWN OF TOTAL PETROLEUM RECEIPTS FROM 2011-2016

YEAR	TOTAL LIFTINGS (bbls)	AVERAGE ACHIEVED PRICE (US\$/bbl) ⁸	PROCEEDS FROM LIFTINGS (US\$)	REVENUES FROM OTHER SOURCES (US\$)	TOTAL ANNUAL RECEIPT (US\$)
2011	3,930,189	113.08	444,124,723	-	444,124,724
2012	4,931,034	110.18	541,071,323	552,418	541,623,741
2013	6,793,449	106.95	628,580,078	218,187,106	846,767,184
2014	7,681,120	103.50	691,991,133	286,026,559	978,017,693
2015	5,730,090	52.36	374,292,488	21,880,422	396,172,909
2016	4,860,462	46.13	207,787,586	39,387,808	247,175,394
TOTAL	33,926,344		2,887,847,331	566,034,313	3,453,881,645

Source: PIAC's construct based on Ministry of Finance Data

⁸ Figures represent the average achieved prices of all liftings carried out during the year.

5.3 ANALYSIS OF 2016 PETROLEUM REVENUES

5.3.1 CARRIED AND PARTICIPATING INTEREST (CAPI)

As indicated in Table 11, Carried and Participating Interest (CAPI) contributed US\$149.94 million to total petroleum revenue during the period under review compared to US\$270.08 million in 2015 representing approximately 44% year-on-year decline in revenues from this source. In spite of the significant fall in revenue from CAPI, it was still the highest contributor to petroleum revenues in 2016 accounting for up to 61% of total revenues (as shown in Figure 7).

5.3.2 ROYALTIES

Table 11 also shows that total royalties received in respect of oil and gas production on Jubilee Field in 2016 was US\$58.23 million compared to US\$104.21 million received over the same period in 2015, representing a year-on-year decline of approximately 44%.

5.3.3 CORPORATE INCOME TAX

Corporate Income Tax (CIT) paid by the Jubilee Partners during the period under review amounted to US\$29.55 million (or 12% of total petroleum revenue) as against US\$20.41 million paid in 2015. This represents a year-on-year increase in CIT of approximately 31%. Table 13 gives the breakdown of the CIT payments by the Jubilee Partners.

TABLE 13: PAYMENT OF CORPORATE INCOME TAX BY JUBILEE PARTNERS IN 2016

Value Date	Company	Amount Paid (US\$)	Narration (Year & Period)
27-Jan-2016	Kosmos	2,027,780.00	2015-Q4
29-April-2016	Kosmos	204,770.00	2016-Q2
December 2016	Tullow	27,314,273.00	2011 - 2014 TAX AUDIT and ADD. ASS'MT

Source: GRA and BOG, 2017

As indicated in Table 13, 92% (US\$27.31 million) of CIT received by government from the Jubilee Partners in 2016 was paid by Tullow, with Kosmos paying the remaining 8% (US\$2.23 million). However, it has to be stressed that the payment made by Tullow was in respect of additional assessment arising from field audit of the company's operations from 2011 to 2014.

5.3.4 SURFACE RENTALS

Total Surface Rentals paid in 2016 amounted to US\$465,030 as shown in Table 11. This means that revenue from Surface Rentals remained virtually unchanged when compared to the US\$465,920 paid by the licenced upstream companies in 2015. Table 14 gives a breakdown of companies that paid their surface rentals during the period under review.

TABLE 14: PAYMENT OF SURFACE RENTALS BY UPSTREAM PETROLEUM COMPANIES IN 2016

Value Date	Company	Amount Paid (US\$)
25-Jan-2016	Kosmos Energy	17,797.20
24-Feb-2016	Tullow-Ghana (2015)	119,736.77
25-Feb-2016	Hess GH. Exp.	219,310.27
13-May-16	Medea Development Int.	78,250.00
25-Nov-16	Tullow	15,961.50
13-Dec-16	Amni International Petroleum Development Co. Limited	13,974.00
TOTAL		465,029.74

Source: GRA and BOG, 2017

The actual surface rental paid by the oil exploration and production companies in Ghana during the period under review represents 33% of total estimated surface rental of US\$1,406,872.25 payable for 2016 as shown in Table 15.

TABLE 15: ESTIMATED SURFACE RENTAL PAYABLE IN 2016

Srn	Block	Companies	Contract Area	2016 Acreages (km ²)	2016 Phase of Activity	2016 Estimated Amount-US\$
1	DWT	Tullow Ghana Ltd	Deepwater Tano Contract Area	618.10	Development/Production	59,157.75
2	DWTCTP	Hess Ghana Exploration Ltd	Deepwater Tano/Cape Three Points	2,010.00	Second Extension Period	150,750.00
3	OCTP	ENI Ghana Exploration & Production Ltd	Offshore Cape Three Points (OCTP) Contract Area	693.49	Development	69,300.00
4	WCTP	Kosmos Energy Ghana Ltd	West Cape Three Point	465.09	Development/Production	46,509.00
5	SOPCL	SOPCL	Saltpond Field	12.21	Production	610.50
6	ECTP	Cola Natural Resource & Medea	East Cape Three Points	1,565.00	Initial Exploration Period	156,500.00

		Development				
7	SDWT	AGM/GNPC Explorco (SDWT)	South Deep Water Tano	3,482.00	Initial Exploration Period	174,100.00
8	Shallow Water Tano'	Camac Energy Gh. Ltd	Shallow Water Tano	1,508.00	Initial Exploration Period	75,400.00
9	CENTRAL TANO	Amni Ghana	Central Tano	278.00	Initial Exploration Period	13,895.00
10	South-West Tano	Heritage/Blue Star	South West Tano Block	175.00	Initial Exploration Period	8,750.00
11	East Keta	Heritage/Blue Star	East Keta	2,239.00	Initial Exploration Period	111,950.00
12	SWCTP	Sahara Energy Fields Ghana	Shallow Water Cape Three Points Block	1,500.00	Initial Exploration Period	112,500.00
13	CTPW	A-Z Petroleum Products Ltd	South-West Cape Three Points Block	944.00	Initial Exploration Period	47,200.00
14	West Saltpond	Britannia -U	South West Saltpond	2,050.00	Initial Exploration Period	102,500.00
15	CTPS	UB Resources Ltd	Cape Three Points South	755.00	Initial Exploration Period	37,750.00
16	CTP-BLOCK 4	Eni Ghana Exploration & Production Ltd	Cape Three points Block 4	1,127.00	Initial Exploration Period	56,350.00
17	Onshore/Offshore Keta	Swiss African Oil Company Limited	Onshore/Offshore Keta Delta Block	3,000.00	Initial Exploration Period	150,000.00
18	WCTP- BLOCK 2	Springfield Exploration and Production Ltd	West Cape Three Points Block 2	673.00	Initial Exploration Period	33,650.00
			Total	23,094.89		1,406,872.25

Petroleum Commission, 2016

The fact that only 5 companies paid surface rental in 2016 means that there are potentially 10-12 other companies who did not pay surface rental during the period under review.

5.3.5 GAS REVENUE

As indicated in Table 5, a total of 21,579.60 MMscf (22,874,723.61 MMBtu) of raw gas was exported to the Atuabo Gas Processing Plant in 2016. At an agreed gas price of US\$2.9/MMBtu, total sale of raw gas to GNGC in 2016 amounted to US\$66.34 million as shown in Table 16.

TABLE 16: GAS EXPORTS FROM JUBILEE FIELD IN 2016 AND EXPECTED REVENUE

Month	Volume (MMBTU)	Price (US\$/MMBTU)	Payment (US\$)	Amount Payable (US\$)
Opening Balance				78,504,580.50
January	2,555,914.40	2.90	-	7,412,151.76
February	2,711,363.40	2.90	-	7,862,953.86
March	1,699,328.40	2.90	-	4,928,052.36
April	-	-	-	-
May	1,305,008.40	2.90	-	3,784,524.36
June	1,638,777.60	2.90	-	4,752,434.74
July	2,192,504.00	2.90	-	6,358,261.60
August	2,419,481.80	2.90	-	7,016,497.22
September	1,774,206.80	2.90	-	5,145,199.72
October	2,545,474.46	2.90	-	7,381,875.93
November	1,651,925.55	2.90	9,347,806.35	4,790,584.10
December	2,380,738.80	2.90	-	6,904,142.52
Total for 2016	22,874,723.61	2.90		66,336,698.47
TOTAL			9,347,806.35	144,841,278.97

Source: GNGC, 2017

Total amount receivable from the export of gas to the Atuabo Gas Processing Plant as at the end of December 2016 was US\$144.84 million; if an outstanding invoice of US\$78.50 million carried over from 2015 is added to the 2016 receivables. However, total payment received during the period under review was US\$9.35 million representing 14.09% of 2016 receivables of US\$66.34 million and approximately 7% of GNGC total indebtedness to the GNPC. Total GNGC indebtedness to the GNPC as at the end of 2016 stood at US\$135.49 million.

5.4 ANALYSIS OF 2016 PETROLEUM RECEIPTS AND BUDGET PROJECTIONS

In the 2016 Budget Statement, the petroleum sector was projected to bring in US\$502.10 million based on projected benchmark crude oil output of 38.73 million (averagely 106,115 bopd) and benchmark gas output of 26,319,270 MMBtu and benchmark crude price of US\$53.05 per barrel. The Benchmark Revenue for the second half of 2016 was however revised downwards from US\$502.10 million to US\$348.42 million in the 2016 Mid-Year Budget Review when the benchmark price was further revised downwards to US\$45.35 per barrel.

Table 17 compares how projected revenue from the petroleum sector fared against the outturn in 2016. The table shows that although an amount US\$348.42 million was expected to be

received from the upstream petroleum sector, actual receipt fell short of the projected amount by US\$101.24 million. The Ministry of Finance has attributed the under-performance of petroleum receipts in 2016 to lower than expected crude oil price on the world market and prolonged disruption of production on the Jubilee Field. Although both reasons are cogent and plausible, it needs to be stressed that the 2016 revenue shortfall would have been 46% lower than what was reported had all the invoices for gas exported to the GNGC during the period under review been paid. As a matter of fact no shortfall would have arisen had all the outstanding indebtedness of GNGC to GNPC been paid in 2016.

TABLE 17: 2016 PROJECTED PETROLEUM REVENUES VERSUS OUTTURN

Item	Budget	Actual	Variance
	A	B	C = B - A
	US\$	US\$	
Royalties	78,533,594.14	57,851,210.69	(20,682,383.45)
<i>o/w Jubilee Royalties</i>	78,533,594.14	57,851,210.69	(20,682,383.45)
<i>o/w SOPCL Royalties</i>	-	-	-
Carried and Participating Interest	208,475,417.95	149,936,375.74	(58,539,042.21)
Surface Rentals	1,051,277.25	465,029.74	(586,247.51)
Corporate Income Tax	-	29,546,823.00	29,546,823.00
PHF income	-	73,148.74	73,148.74
Gas Royalties	2,462,541.12	379,554.50	(2,082,986.62)
Gas Carried and Participating Interest	57,893,858.88	8,923,251.85	(48,970,607.03)
Total	348,416,689.34	247,175,394.26	(101,241,295.08)

Source: Ministry of Finance, 2017

Findings:

1. Actual petroleum receipt in 2016 of US\$247.18 million was 29% lower than the budgeted amount (US\$348.42 million) and translates to 44% year-on-year decline in annual petroleum revenues compared to the 2015 receipts of US\$396.17 million;
2. With the exception of CIT which exceeded its targets, none of the other sources of petroleum revenues achieved its set targets. As a matter of fact, CIT exceeded its target only because US\$29.55 million come in when nothing was projected to come during the period under review;
3. Only five (5) out of the 18 licence holders paid surface rental during the period under review;

4. Ninety-two percent (US\$27.31 million) of total CIT received in 2016 was in respect of tax liabilities that Tullow ought to have paid over the period 2011-2014;
5. Only US\$9.35 million (14.09%) out of total receivables of US\$56.79 million from the sale of raw gas was paid by the off-taker – GNGC – in 2016; and,
6. Payment of the outstanding receivables for 2016 would have reduced the revenue shortfall of US\$101.24 million by 46% while the shortfall would not have arisen had the total outstanding indebtedness of GNGC of US\$135.49 million been honoured during the period under review.

SECTION 6

6.0 ALLOCATION AND UTILISATION OF 2016 PETROLEUM REVENUE

6.1 INTRODUCTION

The formula and modalities for allocating Ghana's petroleum revenue are enshrined in the PRMA, Act 815 as amended by Act 893. In 2011, the Parliament of Ghana approved an allocation of 40% of the Carried and Participating Interest (CAPI), net of Equity Financing Costs (EFC), for GNPC. The GNPC's share (of the CAPI, net of EFC) was reduced to 30% for the period 2014-2016 in November 2013 following a proposal made by the Minister of Finance to Parliament as part of the 2014 Budget Statement in line with Section 7(3b) of the PRMA.

Thus, Government net revenue from petroleum is made up of the remaining 70% of Carried and Participating Interest, Corporate Income Tax, Royalties and Surface Rental. The PRMA stipulates that no more than 70% of Government's share of petroleum revenue for each financial year should be earmarked as the Annual Budget Funding Amount (ABFA), when the ABFA quarterly allocation is fully met. The remaining 30% (which is technically the excess amount) is then transferred to the Ghana Petroleum Funds (GPFs) in accordance with Sections 18 and 23 of the PRMA. The PRMA further stipulates that no less than 30% of the amount transferred into the GPFs should be lodged into the Ghana Heritage Fund (GHF), with the rest going into the Ghana Stabilisation Fund (GSF). This means that the GPFs received funds only after the net petroleum receipts have exceeded the quarterly ABFA under Act 815.

However, the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893), stipulates that the net petroleum receipts to the State in every financial year should be split between the ABFA and GPFs, regardless of the amount, with no less than 30% going to the GPFs and the remainder designated as ABFA. This effectively guarantees a constant transfer into the GPFs for all petroleum receipts, net of the allocation to the National Oil Company (NOC). The allocation of the actual 2016 petroleum revenue was based on the PRMA, as amended (Act 893).

6.2 DISTRIBUTION OF PETROLEUM REVENUE IN 2016

Out of the US\$247.18 million received by the Government of Ghana in 2016 from the petroleum sector, US\$229.03 million (representing 92.66%) was distributed to GNPC, the ABFA and the GPFs as shown in Table 18. The balance of US\$18.15 million remained as undistributed balance in the Petroleum Holding Fund (PHF) Account.

TABLE 18: ALLOCATION OF 2016 PETROLEUM REVENUE

Item	Amount (US\$)	%
Transfer to GNPC	88,497,092.01	38.64
<i>o/w Equity Financing Cost</i>	58,114,054.06	
<i>o/w Crude Oil Net Carried and Participating Interest</i>	27,546,696.50	
<i>O/w Gas Net Carried and Participating Interest</i>	2,836,341.45	
GOG Net Receipts for Distribution to ABFA and GPFs	140,536,308.24	
o/w ABFA	98,375,415.77	42.95
<i>o/w Ghana Infrastructure Investment Fund</i>	17,215,697.76	
o/w Ghana Petroleum Funds (GPFs)	42,160,892.47	
<i>o/w Ghana Stabilisation Fund</i>	29,512,624.73	12.89
<i>o/w Ghana Heritage Fund</i>	12,648,267.74	5.52
TOTAL PAYMENTS (US\$)	229,033,400.26	100
TOTAL PAYMENT (GH¢)	903,981,801.14	

Source: PIAC's Construct based on Ministry of Finance 2016 Reconciliation Report, 2017

As evident from Table 18, the GNPC received US\$88.48 million (GH¢336.28 million) out of the total 2016 petroleum receipts, of which US\$58.11 million (GH¢227.4 million) was in respect of its equity financing costs while US\$27.55 million (GH¢107.8 million) was its share of net CAPI (30%) of the net proceeds of Jubilee crude revenue and US\$2.84 million (GH¢11.1 million) its share of net CAPI for Jubilee gas.

Table 18 further reveals that the net amount received by GoG for distribution in 2016 was US\$140.54 million of which the ABFA received US\$98.38 million (GH¢388.85 million) while the GPFs received US\$42.16 million (GH¢166.65 million). Seventy percent (US\$29.51 million or GH¢116.67 million) of the transfers to the GPFs went to the GSF while the remaining 30% (US\$12.65 million or GH¢50 million) went to the GHF (Ministry of Finance, 2017). Total balance in the Petroleum Holding Fund Account (PHF) at the end of 2016 was US\$27.56

million which comprised undistributed petroleum receipts amounting to US\$27.36⁹ million and a mandatory minimum balance of US\$200,000.00 (Bank of Ghana, 2017).

6.2.1 PETROLEUM REVENUE ALLOCATION FROM 2011-2016

As indicated in Section 5.2, the total petroleum revenue that has accrued to the State as at the end of 2016 was **US\$3.45** billion. Out of this amount, a total of US\$1.53 billion has been transferred to the ABFA representing 44%; US\$1.06 billion (30%) has been allocated to GNPC; while US\$634 million (18%) and US\$263 million (8%) have been transferred into the GSF and GHF respectively, as shown in Figure 9.

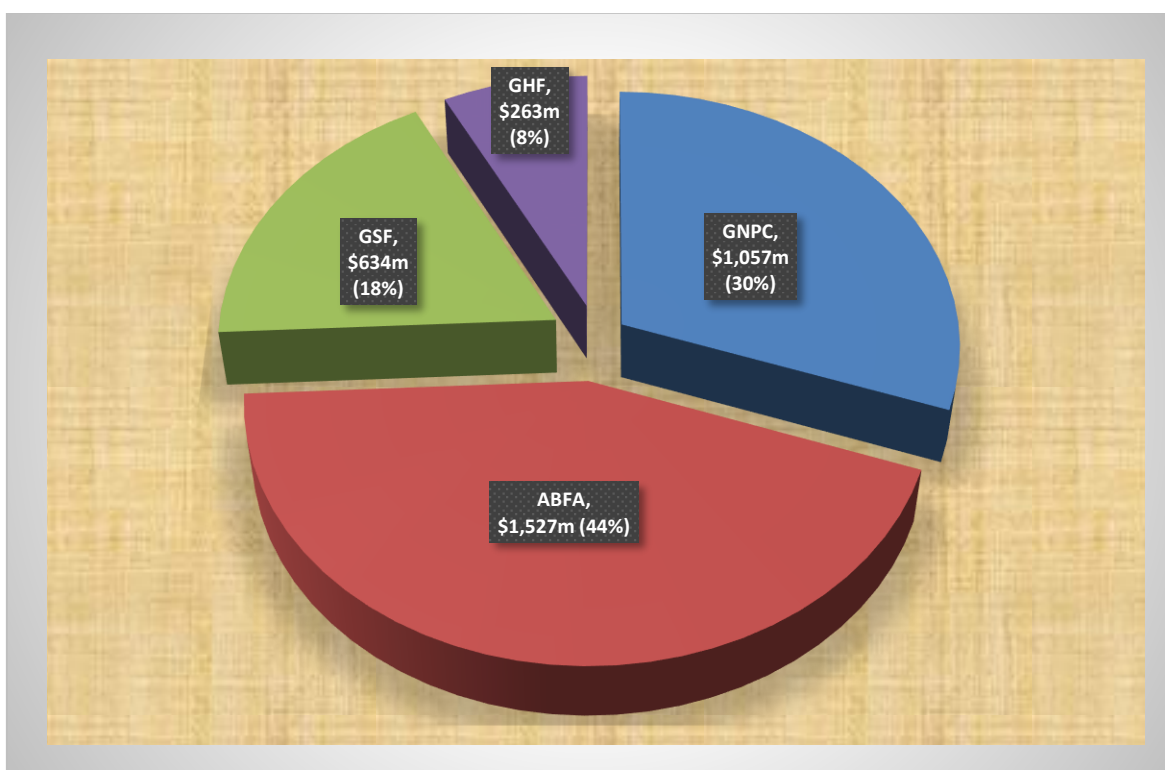


FIGURE 9: DISTRIBUTION OF PETROLEUM REVENUES FROM 2011-2016

Figure 10 on the other hand gives the annual breakdown to the allocation of the petroleum fund to the various beneficiary accounts for period 2011-2016.

⁹ This amount comprises of the 2016 undistributed balance of US\$18.15 million and 2015 undistributed balance of US\$9.21 million.

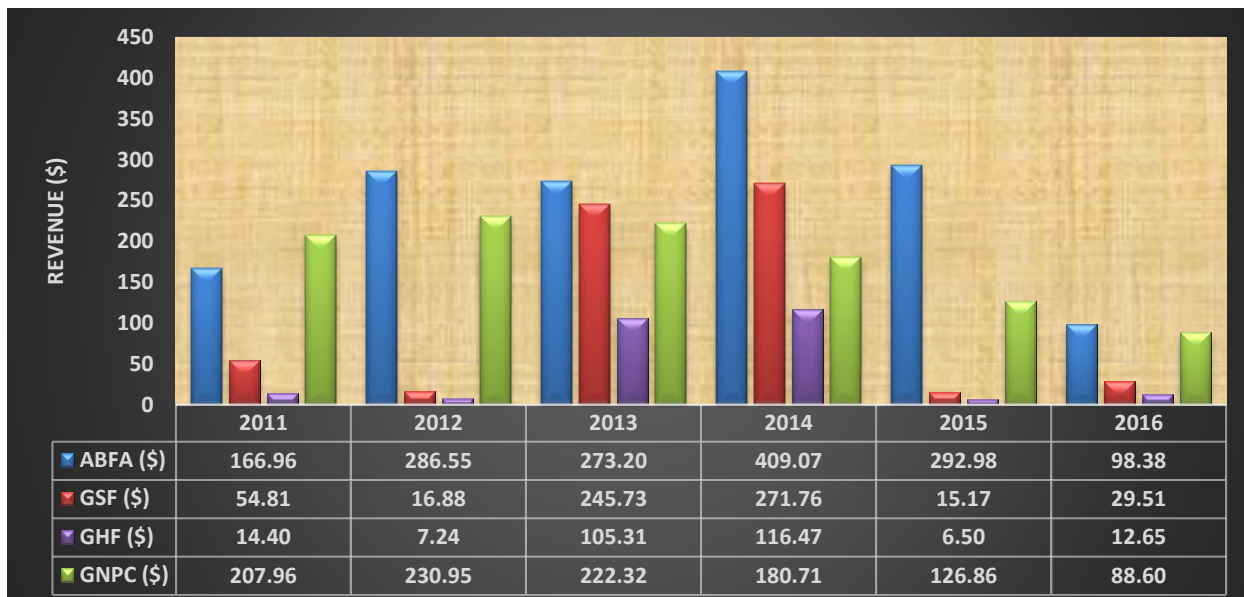


FIGURE 10: ANNUAL DISTRIBUTION OF PETROLEUM REVENUES FROM 2011-2016

Findings:

1. A total of US\$229.03 million (representing approximately 92% of total petroleum receipts) was allocated during the reporting period;
2. Total amount of US\$88.48 million (GH¢336.28 million), representing approximately 39% of total petroleum receipts, was given to GNPC;
3. An amount of US\$98.38 million (GH¢388.85 million), representing 70% of the net amount of US\$140.54 million transferred to the GoG for further distribution was disbursed to the ABFA account in 2016; and,
4. The remaining 30% (US\$42.16 million) of the amount received by GoG to be distributed to the ABFA and GPFs in 2016 was transferred to the GPFs with the GSF receiving US\$29.51 million (70%) and GHF receiving US\$12.65 million (30%).

6.3 DISTRIBUTION OF 2016 ABFA ALLOCATION

6.3.1 INTRODUCTION

Section 21(5) of the PRMA enjoins the Minister of Finance to prioritise not more than four areas to benefit from the use of the ABFA, in the absence of a long term national development plan, with the view of maximising the development impact of petroleum revenues. Section 21(6) further mandates the initial prioritisation to remain in force for a minimum of three (3) years before it may be subject to review. Accordingly, the Minister of Finance in the 2011 Budget Review proposed to Parliament that the ABFA should be used for the following four (4) priority areas for the period 2011- 2013.

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

The four priority areas received Parliamentary approval and were allocated ABFA funding for three years (2011-2013). The same priority areas were proposed by the Minister in November 2013 and approved by Parliament to benefit from ABFA support for the period 2014-2016. Just like the previous five years, the 2016 ABFA was allocated to the same priority areas.

6.3.2 DISBURSEMENT OF 2016 ABFA ALLOCATION

As indicated in Section 6.1.1, a total amount of GH¢388.85 million (US\$98.38 million) was transferred to the ABFA account during the period under review compared to GH¢1.09 billion (US\$292.98 million) allocated to the ABFA account in 2015. The disbursement of the ABFA allocations is as shown in Table 19.

TABLE 19: DISBURSEMENT OF ABFA TO PRIORITY AREAS IN 2016

PRIORITY AREA	DISBURSEMENT	
	Amount (GH¢)	%
Expenditure and Amortisation of Loans for Oil and Gas Infrastructure	-	
Road and Other Infrastructure	199,447,492.13	64.11
Agriculture Modernisation	27,671,280.88	8.89
Capacity Building (including Oil and Gas)	83,037,283.91	26.69
Total Spending in Priority Areas	310,156,056.92	
Transfers to the Public Interest and Accountability Committee	967,000.00	0.31
Total ABFA Spending	311,123,056.92	100

Source: PIAC's construct, 2017 (based on Ministry of Finance Data)

Table 19 shows that GH¢311.12 million (80%) out of the amount allocated to the ABFA (GH¢388.85 million) was disbursed to 3 priority areas leaving a balance of GH¢77.73 million in the ABFA account as at the end of December 2016. Since 2011, Road and Other Infrastructure has received the largest share of ABFA funds (GH¢199.45 million or 64.11%) followed by Capacity Building, which received GH¢83.04 million or 26.69% of the total allocation to the ABFA. Agriculture Modernisation received approximately 9% (GH¢27.67 million) of the ABFA in 2016 with PIAC receiving GH¢967,000 representing 0.31% of the total allocation to ABFA during the review period. As reported in PIAC's 2016 half year report, no disbursement was made to the Expenditure and Amortisation of Loans priority area because the GNGC had become fully operational and thus expected to take over the amortisation of the China Development Bank (CDB) loan.

6.4 DETAILED ANALYSIS OF 2016 ABFA-FUNDED EXPENDITURE

6.4.1 ROADS AND OTHER INFRASTRUCTURE

6.4.1.1 GHANA INFRASTRUCTURE INVESTMENT FUND (GIIF)

In accordance with Section 5(1b) of the Ghana Infrastructure Investment Fund Act (GIIF), 2014 (Act 877), which requires that a maximum of 25% of the capital expenditure component of the ABFA should be transferred to the GIIF, and Section 21 of the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893), an amount of GH¢68.05 million (US\$17.22 million), (being 25% of the capital expenditure component of the 2016 ABFA allocations – i.e. GH¢272.20 million) was transferred to the GIIF. This brings total ABFA disbursement to the GIIF since 2015 to GH¢257.08 million (US\$68.48 million) as shown in Table 21.

TABLE 20: DISBURSEMENTS FROM ABFA TO GIIF, 2015-2016

Quarter	ABFA Receipts (70% of CAPEX) (US\$)	Allocation to GIIF (US\$)	Actual Receipt (US\$)	Percent (%) ABFA Received	Variance
2015					
First	108,873,807	19,052,916	3,750,834.54	3.45	15,302,081
Second	79,851,357	13,973,988	11,290,162.57	14.14	2,683,825
Third	38,740,158	6,779,528	34,160,410.11	88.18	(27,380,882)
Fourth	11,830,049	2,070,259	2,070,258.55	17.50	
Additional Transfer	53,690,000	9,390,000	-	0.00	9,390,000
Sub-Total	292,985,371	51,266,691	51,271,666		(4,975)
2016					
First	35,736,464	3,773,899	3,773,899	10.56	-
Second	30,490,829	4,112,584	4,112,584	13.49	-
Third	48,173,318	2,979,182	2,979,182	6.18	-
Fourth (1st)	46,486,771	2,399,621	2,399,621	5.16	-
Fourth (2nd)	46,900,205	3,950,411	3,950,411	8.42	-
Sub-Total	207,787,587	17,215,697	17,215,697		-
TOTAL	500,772,958	68,482,388	68,487,363		

Source: GIIF, 2017

According to the GIIF Secretariat, its share of the ABFA disbursed in 2016 (together with the 2015 allocation) had not been spent as at the end of the period under review, even though the GIIF Board granted approval for GIIF to co-finance nine (9) infrastructure projects. One of such projects is the Ghana Airports Company Limited's (GACL) US\$ 400 million planned new terminal building at the Kotoka International Airport being funded by a consortium of financial institutions, for which the GIIF Board has earmarked an amount US\$30 million as part of its commitment to the project. (GIIF, 2017). The GIIF Secretariat further informed PIAC that it has invested significant portions of the ABFA funds it received in cedi-denominated market instruments during the period under review which yielded 8% returns on investment (GH¢ 23.54 million) as shown in Table 21.

TABLE 21: ABFA FUND GROWTH ANALYSIS

ABFA Accounts	Balances as at 31 December 2016	
	GHS	USD
BOG Dollar Account		5,338,521.96
ADB Dollar Escrow Account		7,300,000
ADB Call (1) Account	4,366,705	
ADB Call (2) Account	214,635,896	
UBA Escrow	8,520,000	
Total Balance-31 December 2016	227,522,601	12,638,522
Add Cedi Equivalence of Usd12,638,522	53,081,792	
Total Amount in Cedis	280,604,393	
Less Total ABFA Received (@Ghs3.75/USD average)	257,080,000	
Total Fund Growth	23,524,393	
Percentage Growth	8%	

Source: GIIF, 2017

6.4.1.2 ROADS AND HIGHWAYS

As indicated in Table 19, GH¢199.45 million (representing approximately 64%) of the total petroleum revenues disbursed from the ABFA in 2016 was used to fund projects and programmes under the Road and Other Infrastructure priority area compared to the 2015 figure of GH¢439.23 million which translates into approximately 55% year-on-year decrease in ABFA allocation to this particular priority area. Of the GH¢199.45 million spent on Road and Other Infrastructure in 2016, GH¢45.15 million (representing 22.64%) was disbursed to the Roads and Highways sector for the construction, rehabilitation, upgrading and resurfacing of a total of 8 road projects. With the exception of one road project which was new, all the remaining projects had received previous ABFA support. Table 22 shows the list of road projects that were supported with the ABFA in 2016.

TABLE 22: LIST OF ROAD PROJECTS SUPPORTED BY ABFA IN 2016

NAME OF ROAD PROJECT	AMOUNT IN 2016 (GH¢)	NO OF YEARS SUPPORTED	TOTAL SUPPORT RECEIVED (2011- 2016)
REHABILITATION OF OLD ADA AND LIGHT INDUSTRIAL AREA ROADS	8,473,781.07	3	20,224,807.44
PARTIAL RECONSTRUCTION OF TROM SOMANYA ODUMASE KPONG ROAD AS AN ADDENDUM TO UPGRADING OF GOLOKWATI WLI HOHOE ROAD	5,002,380.77	2	13,078,301.47
CONSTRUCTION OF TWIFO PRASO DUNKWA ROAD	3,388,341.50	3	6,030,295.97
UPGRADING OF HO ADIDOME ROAD	2,785,326.08	5	21,811,776.19
CONSTRUCTION OF ROADS AND OTHER INFRASTRUCTURAL AMENITIES FOR THE UNIVRSITY OF HEALTH AND ALLIED SCIENCES AT SOKODE LOKOE NEAR HO	2,264,932.85	2	3,447,109.85
BITUMEN SURFACING OF TADZEVU-DEVEGO-AGORVE JUNCTION FEEDER ROAD	10,710,586.31	1	10,710,586.31
EMERGENCY ASPHALTIC OVERLAY OF ARTERIAL AND COLLECTOR ROADS IN TEMA, NINGO PRAMPARAM, TESHIE NUNGUA AND LA AREAS	9,287,340.36	2	30,845,704.48
CONSTRUCTION OF EASTERN CORRIDOR ROADS	6,238,602.00	2	9,610,369.14
TOTAL	48,151,290.94		115,758,950.85

PIAC's Construct based on MoF's Data, 2013-2016

6.4.1.3 OTHER INFRASTRUCTURE PROJECTS

The remaining GH¢ 131.40 million of the 2016 allocations to the 'Roads and Other Infrastructure' priority area was spent on projects in energy (GH¢43.46 million), water (GH¢23.48 million), Communication (GH¢14.31 million) and transport sectors (GH¢2 million). The entire disbursement to the energy sector went into the procurement of equipment and materials for the National Electrification Scheme while the allocation to the water sector was used to fund 3 on-going coastal protection projects in the Western and Volta Regions. The disbursement to the communication sector was released as matching fund in respect of the China Development Bank (CDB) matching fund requirements for the provision of ICT infrastructure under the CDB Master Facility while the GH¢2.0 million was utilised for the redevelopment and construction of railway infrastructure in the Western Region. Figure 11 gives a breakdown of the ABFA disbursement to the Road and Other Infrastructure priority area in 2016.

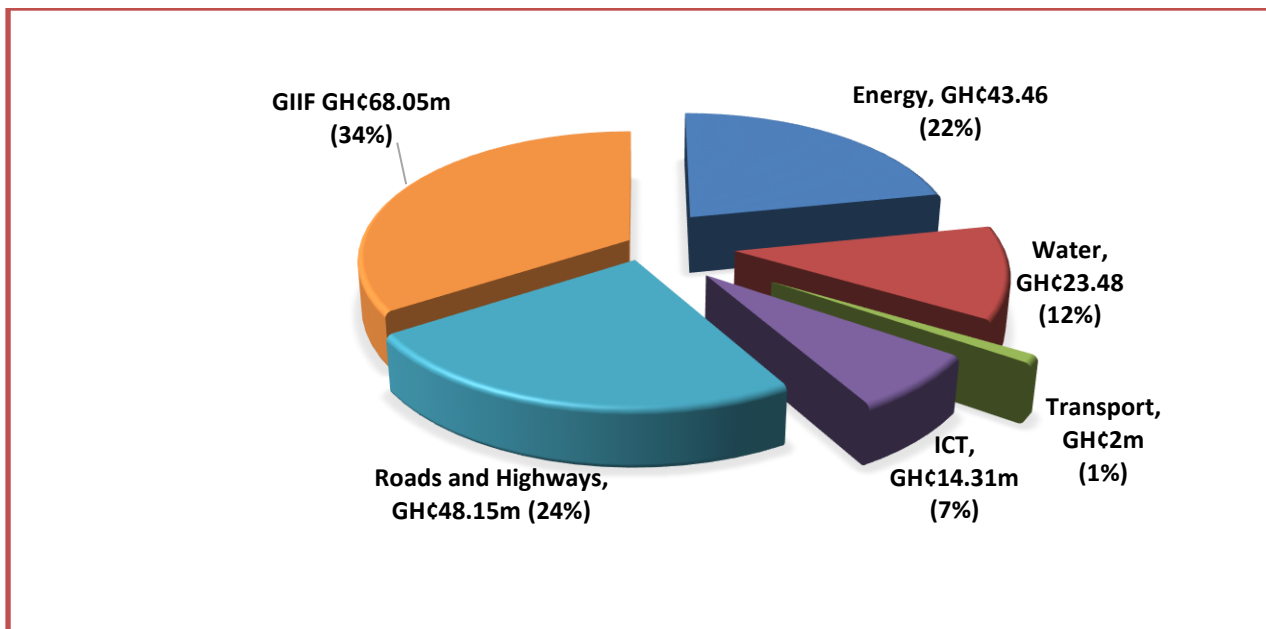


FIGURE 11: ABFA ALLOCATION TO OTHER INFRASTRUCTURE PROJECTS, 2016

As can be seen from Figure 10, an amount of GH¢14.31 million out of the 2016 ABFA was allocated to the Communication Sector as matching fund for the US\$150 million ICT-enhanced Surveillance and Monitoring Facilities for the Oil and Gas Enclave Project being implemented as part of the CDB Master Facility agreement. Since the payment made was an expenditure in respect of a loan facility contracted by GoG to build ICT infrastructure in the oil and gas sector, it should have been classified under the Expenditure and Amortisation of Loans priority area and not under Roads and Other Infrastructure. PIAC has pointed out this ‘misclassification’ out to the MoF, whose officials have admitted the error. The admission of the error therefore means that approximately 5% (GH¢14.31 million) of the 2016 ABFA was disbursed to the Expenditure and Amortisation of Loans priority area contrary to the non-disbursement reported by the MoF.

6.4.2 AGRICULTURE MODERNISATION

As indicated in Table 19, an amount of GH¢27.67 million (representing approximately 9% of total ABFA allocation in 2016) was disbursed to the Agriculture Modernisation priority area during the period under review compared to GH¢ 59.54 million allocated to the priority area in 2015, which translates to a year-on-year decline of approximately 54% in ABFA allocation to the priority area. Table 23 gives a breakdown of the projects/programmes supported by funds disbursed to the Agriculture Modernisation priority area in 2016.

TABLE 23: PROJECTS FUNDED BY ABFA IN THE AGRICULTURE MODERNISATION PRIORITY AREA IN 2016

PRIORITY AREA	GOODS & SERVICES (GH¢)	CAPEX (GH¢)	TOTAL (GH¢)
SUPPLY OF FERTILIZER UNDER GOVERNMENTS FERTILIZER SUBSIDY PROGRAM FOR 2015	6,524,754.00	-	6,524,754.00
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT UASI	-	2,185,430.79	2,185,430.79
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT ATIDZIVE AND AYITEYKOPE AND AKA-BASIN	-	5,120,207.88	5,120,207.88
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT ADITRASE AND KORNOKLE	-	13,840,888.21	13,840,888.21
TOTAL	6,524,754.00	21,146,526.88	27,671,280.88

Source: Ministry of Finance, 2017

As shown in Table 23, approximately 76% (GH¢21.15 million) of the ABFA allocation to the Agriculture Modernisation priority area in 2016 was used to construct irrigation infrastructure in the Volta, Eastern and Upper East regions with the remaining 24% (GH¢6.52 million) being used to finance the National Fertilizer Subsidy Programme.

6.4.3 CAPACITY BUILDING (INCLUDING OIL AND GAS)

As mentioned in Table 19, an amount of GH¢83.04 million was allocated to the Capacity Building priority area in 2016 as against the GH¢42.07 million allocated in the preceding year, which translates to nearly a doubling (97%) of the year-on-year allocation to the capacity building priority area. According to the Ministry of Finance, the entire amount was transferred to the Scholarship Secretariat for the payment of scholarship claims during the period under review (MoF, 2017).

6.4.4 THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE

As reported in Table 19, GH¢967,000 (0.31%) of the 2016 ABFA was released to the PIAC in accordance with the amended PRMA (Act 893) to be used to support part of PIAC's activities. The ABFA disbursement to PIAC in 2016 translates into approximately 50% of the Committee's total expenditure of GH¢ 1,946,823, with the rest being borne through financial and technical support provided by donors such as the UK's Department for International Development (DfID) and Ghana Oil and Gas for Inclusive Growth (GOGIG) programme. This means but for the support received from these donors, PIAC would not have been able to

effectively deliver on its mandate during the period under review. A summary of PIAC's Income and Expenditure Statement for 2016 can be found in Section 10.

6.4.5 CUMULATIVE EXPENDITURE FROM ABFA ON PRIORITY AREAS 2011-2016

As mentioned in Section 6.1.2, US\$1.53 billion (representing 44% of total petroleum receipt of US\$3.547 billion) has been allocated to the ABFA from 2011 till date. Figures 12 and 13 show the total allocation to the four priority areas, the GIIF and PIAC from 2011-2016.

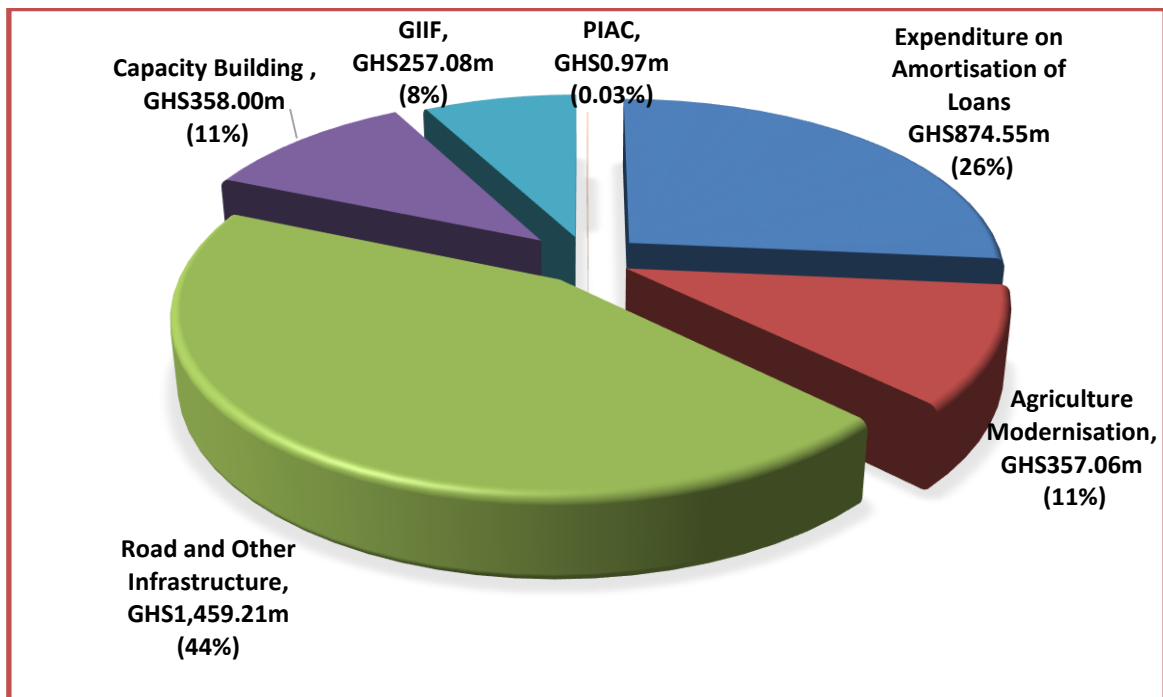


FIGURE 12: TOTAL DISTRIBUTION OF ABFA TO PRIORITY AREAS, 2011-2016

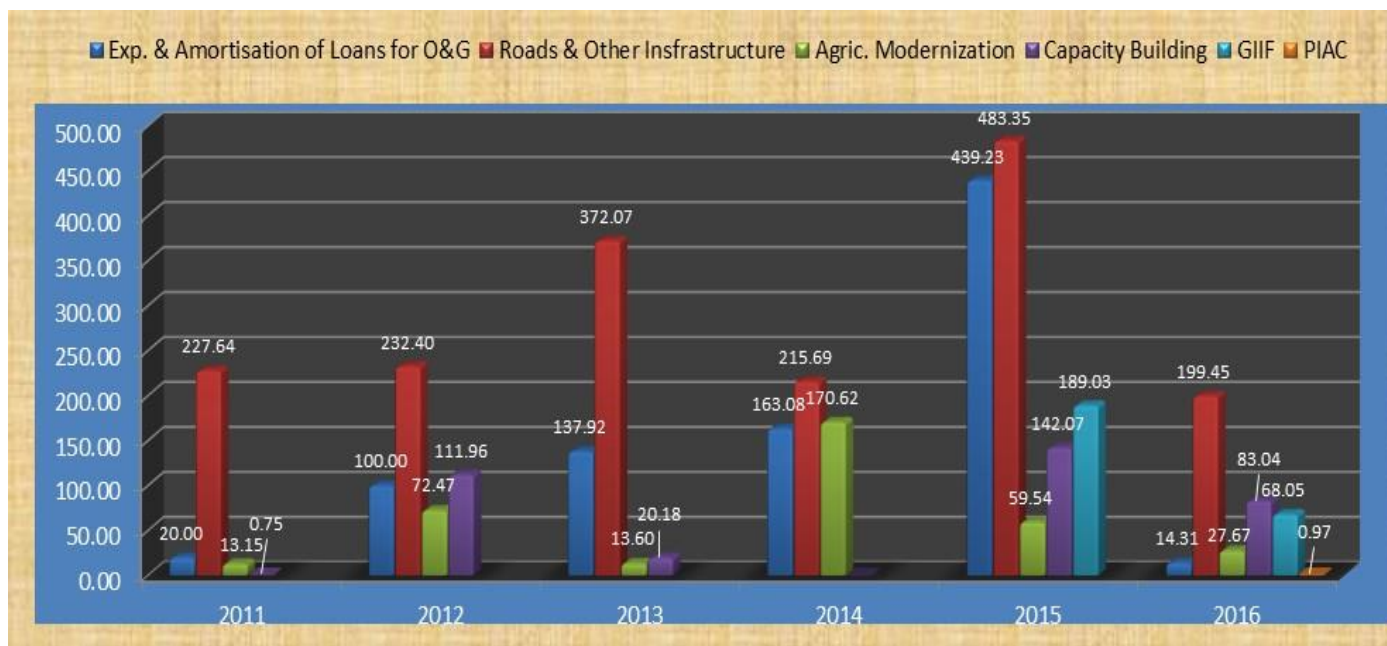


FIGURE 13: YEARLY ALLOCATION OF ABFA TO PRIORITY AREAS, 2011-2016

Figure 12 indicates that 44% of the ABFA disbursements from 2011 to date has gone into Road and Other Infrastructure; 26% utilised as Expenditure and Amortization of Loans for Oil and Gas Infrastructure; 11% each pushed into Agriculture Modernisation and Capacity Building respectively; and 8% transferred to the GIIF with PIAC receiving less than 1% (0.03%).

However, a careful scrutiny of the disbursement of the ABFA to the four priority and other areas reveals that the actual allocation to the Agriculture Modernisation priority sector over the six-year period is 33% (GH ₵ 118.39 million) less than what is reported to have been disbursed following the detection of a wrongful classification of some coastal protection projects (construction of sea defence walls at Ngyiresia, Adjoa in the Western Region, Sakumono in the Greater Accra Region and Atokor/Dzita/Anyanui in the Volta Region) in 2014 as projects in the Fisheries and Aquaculture Sector instead of the Works Sub-Sector of the Ministry of Water Resources, Works and Housing. Although the said projects have subsequently been classified as Water Infrastructure under the Roads and Other Infrastructure priority area in the 2015 and 2016 ABFA allocation, the error in 2014 has not been corrected by the MoF. This means that total ABFA allocation to the Agriculture Modernisation priority area between 2011 and 2016 amounted to GH ₵ 238.67 million representing 7% of the total allocation over the reporting period while the allocation to the Road and Other Infrastructure priority area was approximately GH ₵ 1.58 billion (48%) as shown in Figure 14.

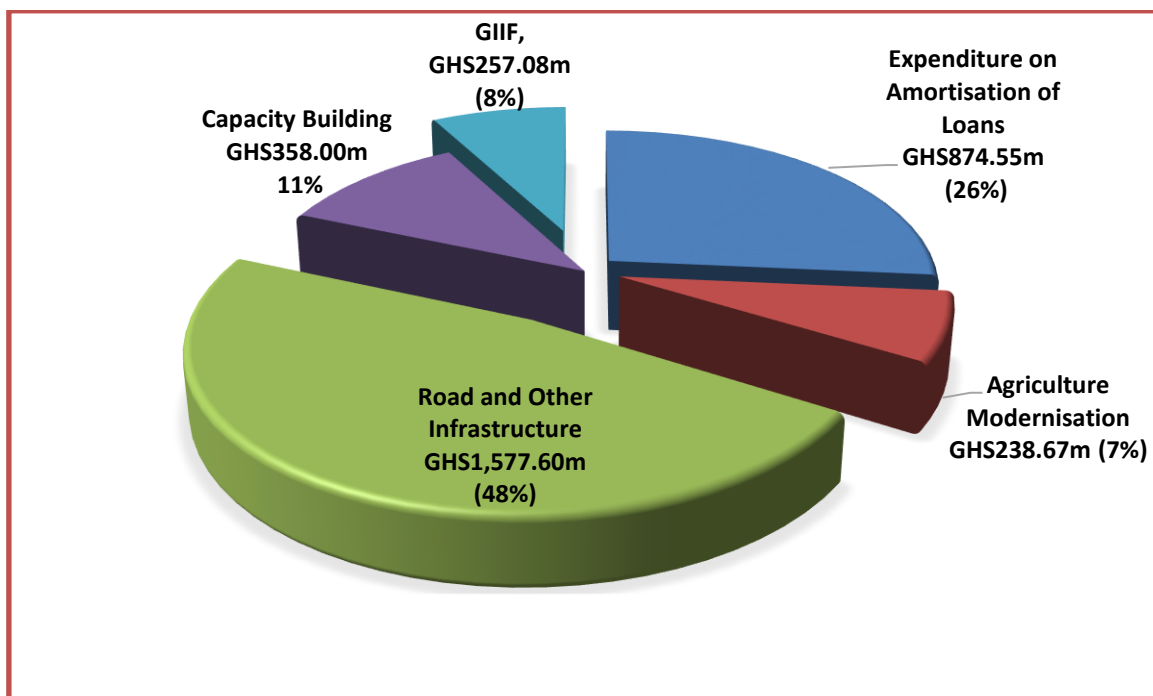


FIGURE 14: PIAC'S ANALYSIS OF TOTAL ALLOCATION OF ABFA TO PRIORITY AREAS

Figure 14 also captures the expenditure on the ICT project disbursed in 2016, which PIAC explained earlier in Section 6.3.1.3 as having been misclassified, under the Expenditure and Amortisation of Loans priority area.

6.5 UTILISATION OF GNPC ALLOCATION IN 2016

As indicated in Table 19, US\$88.50 million of the 2016 total petroleum receipts (representing 38.64%) was paid to GNPC as equity financing costs and its share of net proceeds compared US\$126.86 million received by the National Oil Company (NOC) in 2015. The disbursement to GNPC in 2016 could only cover 61% of the NOC's total expenditure of US\$144.52 million incurred during the period under review. According to the GNPC, the difference of US\$55.95 million was financed through the Corporation's cash balance of US\$124.06 million carried over from 2015, leaving cash-on-hand, pending projects milestone disbursements of US\$68.03 million, as shown in Table 24.

TABLE 24: UTILISATION OF GNPC'S SHARE OF PETROLEUM REVENUE, 2016

SRN	RECEIPTS FROM JUBILEE PROCEEDS	AMOUNT (US\$)	EXPENDITURE AS % OF RECEIPTS
1	Level A Receipts (Equity Financing)	58,114,054.06	65.7%
2	Level B Receipts (30% of Net Proceeds)	27,546,696.50	31.1%
3	Gas Receipt (30% of Net Proceeds)	2,836,000.00	3.2%
4	Total Amount Received:- (A)	88,496,750.56	100.0%
SRN	USES OF AMOUNTS ALLOCATED:-		
5	Jubilee Equity Financing Cost	67,206,739.71	75.9%
6	Exploration & Development Projects	25,584,257.55	28.9%
7	Staff Cost	16,403,758.50	18.5%
8	Admin. Capital Expenditure	2,219,618.29	2.5%
9	Capital Projects	12,641,615.64	14.3%
10	General Operational Expenditure	12,454,835.54	14.1%
11	Western Corridor Roads	7,576,981.08	8.6%
12	SOPCL	440,336.85	0.5%
13	Total Expenditure:- (B)	144,528,143.16	163.3%
14	Net Position:- (C = A - B)	(56,031,392.60)	-63.3%
15	Add: Cash B/F (01.01.2016) (D)	124,059,072.39	
16	Total Cash-Available :- (E = C + D)	68,027,679.79	

Source: GNPC, 2017

Table 24 shows that US\$ 67.21million, (representing 75.9% of the 2016 share to GNPC) was used to fund the Jubilee Equity Financing Cost (comprising development, production, lifting costs and in-house costs), down from US\$93.48million spent in 2015 while US\$25.58 million (28.9% of GNPC's share) was spent on other exploration and field development projects compared to US\$ 17.32 million spent in 2015. Details of these other projects undertaken by GNPC are as presented in Table 25. Table 24 further reveals that staff cost for GNPC amounted to US\$16.4 million (18.5% of total expenditure) in 2016 as against US\$10.23 million in 2015, which translates to approximately 38% year-on-year increase in staff cost of the NOC. There were however 25 and 70 percentage points year-on-year reduction in General Operational Expenditure¹⁰ and expenditure on the Western Corridor Roads respectively in 2016 while US\$12.45 million (14.3%) was spent refurbishing the Corporation's landed properties in Accra, Tema and Sekondi-Takoradi. Table 25 shows revenue and expenditure pattern of GNPC from 2012-2016.

¹⁰ Items in this category include insurance, utilities, corporate social responsibility, corporate travels, communication expenses, professional services, ICT-related cost, general repairs and maintenance, etc.

TABLE 25: BREAKDOWN OF OTHER PROJECTS BY GNPC IN 2016

Exploration & Development Projects	Amount (US\$)
- North & South Tano Petroleum Projects	2,036,154.40
- TEN	4,890,095.77
- Voltaian Basin Petroleum Projects	4,382,261.90
- South Deepwater Tano Petroleum Projects	1,582,759.70
- OCTP ENI Project	3,618,537.30
- Hess	2,445,728.78
- Ultra Deep Water (Keta Heritage)	603,152.35
-Tano – Heritage	603,152.35
-A - Z Petroleum	603,152.35
- Explorco	1,984,711.01
- Maritime Boundary Special Project	2,834,497.62
Total Non-Jubilee Project Expenditure	25,584,203.53

Source: GNPC, 2017

TABLE 26: UTILISATION OF GNPC'S SHARE OF JUBILEE CRUDE OIL REVENUE, 2012-2016

		2012		2013		2014		2015		2016	
SR N	<u>RECEIPTS FROM JUBILEE PROCEEDS</u>	Amount US\$	Exp. % of Receipts	Amount	Exp. as % of Receipts	Amount (US\$)	Exp. as % of Receipts	Amount (US\$)	Exp. as % of Receipts	Amount (US\$)	Exp. As % of Receipts
1	Level A Receipts (Equity Financing)	124,630,628		68,319,783	30.7%	44,162,009.67	24.4%	65,913,926.11	52.0%	58,114,054.06	65.7%
2	Level B Receipts (40% of net proceeds)	106,319,298		154,101,633.02	69.3%	136,550,493.86	75.6%	60,944,827.47	48.0%	27,546,696.50	31.1%
3	Gas Receipt (30% of Net Proceeds)	-	-	-	-	-	-	-	-	2,836,000	3.2%
4	Total Amount Received:- (A)	230,949,926	100%	222,421,416.02	100.0%	180,712,503.53	100%	126,858,753.58	100	88,496,750.56	100
SR N	<u>USES OF AMOUNTS ALLOCATED:-</u>										
5	Jubilee Equity Financing Cost	125,824,747	54.5%	76,268,194.80	34.3%	47,414,812.16	26.2%	93,483,262.46	73.7%	67,206,739.71	75.9%
6	Petroleum Projects other than Jubilee	10,784,028	4.7%	12,950,128.47	5.9%	14,227,280.61	7.9%	17,316,899.06	13.7%	25,584,257.55	28.9%
7	Gas projects related Costs	5,587,779	2.4%	-	-	-	-	-	-	-	-
8	Staff Costs	9,013,162	3.9%	9,695,076.70	4.4%	8,811,296.61	4.9%	10,232,864.86	8.1%	16,403,758.50	18.5%
9	General Operational Expenditure	16,269,839	7.0%	7,773,863.88	3.5%	9,717,654.95	5.4%	16,665,219.19	13.1%	12,454,835.54	14.1%
10	Capital Projects	-	-	-	-	-	-	-	-	12,641,615.64	14.3%
10	Admin. Capital expenditure			2,046,024.62	0.9%	3,218,498.32	1.8%	4,768,270.40	3.8%	2,219,618.29	2.5%
11	BNP Paribas	-	-	31,337,309.53	14.1%	-	-	-	-	-	-
12	Amount appropriated by Bank of Ghana as Transfer charges	1,796,156	0.8%	2,323,269.07	1.0%	1,807,134.99	1.0%	634,333.19	0.5%	-	
13	Amount Advanced to Ministry of Finance	-	-			50,000,000	27.7%	-	-		
14	Western Corridor Roads Payment	-	-	-	-	-	-	25,297,424.63	20.5	7,576,981.08	8.6%
15	Trafigura Product Trading Payment	-	-	-	-	-	-	18,754,004.40	14.8%	-	-
16	SOPCL Salary Payment	-	-	-	-	-	-	427,411.61	0.3%	440,336.85	0.5%
17	Total	169,275,71	73.3%	142,393,867.070	64.10%	135,196,677.6	74.90%	187,579,689.8	148.50%	144,528,143.1	163.3%
18	Total Cash-yet-to-be-Spent (Committed to Projects/Deficit):- (C=A-B)	61,674,215	26.7%	80,027,548.95	35.90%	45,515,825.89	25.10%	(60,720,936.22)	48.50%	(56,031,392.60)	-63.3%
19	Add: Cash B/Fwd. (01.01.2013/2015) (D)			61,674,215.00		141,701,764.14		187,217,589.71		124,059,072.39	

20	Total Cash- Available			141,701,764.14		187,217,589.7		124,059,072.3		68,027,679.80	
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GNPC, 2017

Findings:

1. GNPC received US\$88.50 million (representing 38.64% of total petroleum receipt) in 2016 compared to the US\$126.86 million it received in 2015, translating to a year-on-year drop of 30%;
2. The share to GNPC during the review period is the lowest it has received since distribution of petroleum revenues began in 2011;
3. For the first time since 2011, GNPC's share was insufficient to cover the NOC's equity financing requirement and expenditure on other exploration and development projects embarked upon in course of the reporting period. It covered only 95% of their financial requirement. This means that GNPC had to rely on its cash reserves, which had been earmarked for milestone projects, to fund equally important expenditures such as staff cost, general operational and administrative expense and the cost of the maritime boundary dispute with La Cote d'Ivoire;
4. An amount of US\$12.64 million (classified as 'capital projects') was spent refurbishing GNPC's landed properties in Accra, Tema and Sekondi-Takoradi;
5. There was a 38% year-on-year increase in the staff cost of GNPC from US\$10.23 million in 2015 to US\$16.4 million in 2016;
6. There was a 36% increase in the amount of money spent contesting the Maritime Boundary Dispute with La Cote d'Ivoire at the ITLOS with expenditure rising from US\$1.81 million in 2015 to US\$2.82 million in 2016; and,
7. An amount of US\$7.58 million was again spent on the Western Corridor Road Project.

6.6 PERFORMANCE OF THE GHANA PETROLEUM FUNDS

As indicated in Table 18, a total amount of US\$42.16 million was released to the GPFs in 2016 compared to the 2015 transfer of US\$21.67 million representing approximately 95% year-on-year increase in the allocation of funds to the GPFs. Of the total amount that was transferred to the GPFs during the year under review, the GSF received US\$29.51 million (70%) compared to the US\$15.17 million (70%) transferred in 2015 while the GHF received US\$12.65 million (30%) as against US\$6.50 million allocated in the previous year. The 2016 disbursements to the GPFs brings total disbursements to the GPFs since to 2011 till date to US\$897 million with the GSF receiving US\$634 million (18%) and GHF receiving US\$263 million (8%) as presented in Figure 9.

According to the Ministry of Finance and the Bank of Ghana, the GHF earned a cumulative return on investment of 1.79% in 2016 compared to 0.25% in 2015 while the GSF yielded a total return on investments of 0.58% during the same period as against 0.33% in 2015. Table 27 shows the quarterly and annual returns on GPFs from 2014 to 2016.

TABLE 27: PERFORMANCE OF GHANA PETROLEUM FUNDS, 2014-2016

GHANA PETROLEUM FUNDS				
Quarter End	Current Returns		Total Return year to date	
	Stabilisation (%)	Heritage (%)	Stabilisation (%)	Heritage (%)
2014				
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
2015				
March	0.32	1.8	0.32	1.8
June	0.02	-2.3	0.33	-0.64
September	0.04	1.74	0.38	1.18
December	-0.01	-0.97	0.33	0.25
2016				
March	0.18	2.96	0.18	2.96
June	0.15	1.91	0.33	4.93
September	0.13	0.27	0.46	5.21
December	0.12	-3.25	0.58	1.79

Source: Bank of Ghana, 2017

The returns earned on the GPFs in 2016 translate to total investment income of US\$5.77 million with GHF contributing US\$4.93 million (85.44%) compared to US\$3.97 million in 2015 and GSF bringing in US\$0.84 million (14.56%), up from US\$0.53 million in 2015. This brings to US\$18.91 million total returns on the GPFs since 2011, with GHF and GSF accounting for US\$14.39 million (76%) and US\$4.52 million (24%) respectively as shown in Figure 15.

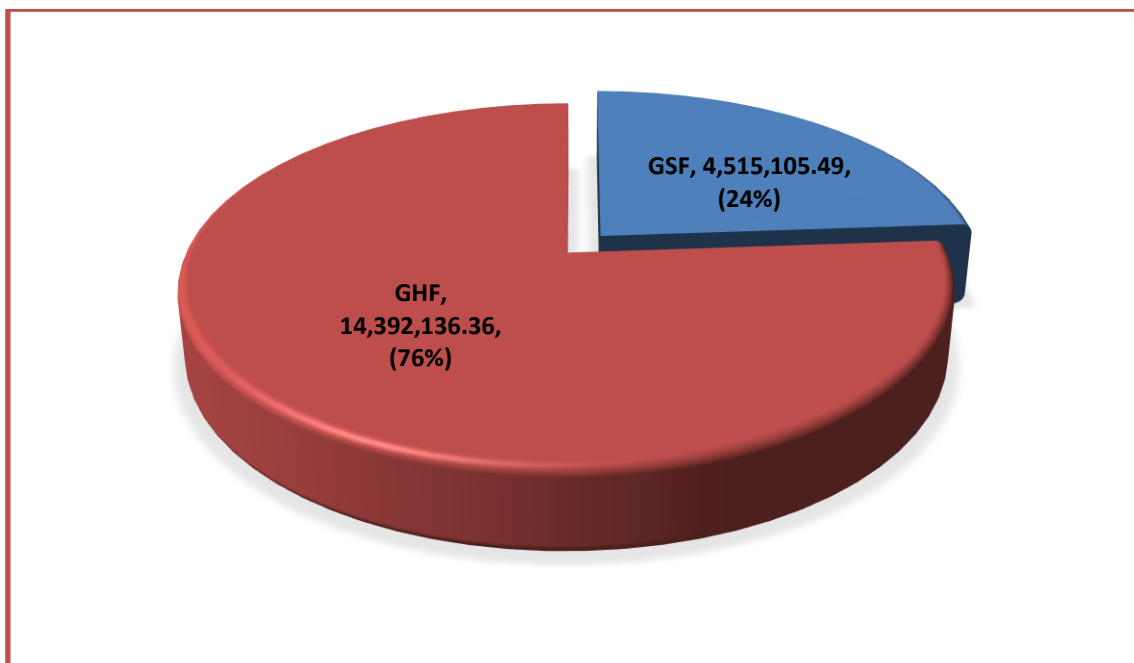


FIGURE 15: TOTAL RETURNS ON GPF, 2011-2016

No withdrawals were made from the GSF during the period under review leaving a closing book balance of US\$207.75 million while the balance on GHF stood at US\$276.96 million over the period ending December 31, 2016. Table A-2 in the Annexure presents the performance of the GPFs from 2011-2016.

Findings:

1. GPFs made a net investment income of US\$5.77 million during the period under review, compared to US\$4.5 million in 2015. Of this amount, the GHF brought in US\$4.93 million (85.44%), up from the US\$3.97 million earned in 2015 while the GSF brought in US\$0.84 million (14.56%), up from US\$0.53 million in 2015;
2. The balance on the GHF at the end of 2016 stood at US\$276.96 million compared to US\$259.38 million in 2015 while that on the GSF stood at US\$207.75 million as against US\$177.40 million in 2015 bringing total combined balance in the GPFs as at the end of the reporting period to US\$484.71 million.

SECTION 7

7.0 OPERATIONS OF GHANA NATIONAL GAS COMPANY

As reported in Table 8, a total of 21,579.60 MMScf (representing 56% of total gas produced from the Jubilee Field in 2016) was exported to the Atuabo Gas Processing Plant (AGPP) for processing into lean gas and other derivatives. Table 28 gives the breakdown of the total volume of lean gas, LPG and condensates produced at the AGPP during the period under review.

TABLE 28: GAS EXPORTS TO GNGC AND DERIVATIVES PRODUCED IN 2016

Month	Raw Gas received from Upstream (MMScf)	Lean Gas Produced (MMScf)	LPG Produced (Cubic Meters (M ³))	Condensate Produced (Cubic Meters (M ³))
January	2,411	2,240	17,579	3,017
February	2,558	2,359	18,022	3,046
March	1,603	1,500	9,969	1,461
April	0	0	0	0
May	1,231	1,223	8,023	889
June	1,546	1,400	9,366	1,435
July	2,068	1,908	14,439	1,435
August	2,283	2,095	16,060	2,549
September	1,674	1,526	11,953	1,838
October	2,401	2,201	17,611	2,624
November	1,558	1,425	10,586	1,857
December	2,246	2,058	15,532	2,582
TOTAL	21,579	19,935	149,140	22,733

Source: GNGC, 2017

As shown in Table 28, a total of 19,935 MMScf of lean gas, 149,140 cubic meters (m³) of LPG and 22,733 m³ of condensates were produced at the AGPP in 2016. The products were sold to different customers under different commercial arrangements, as shown in Table 29. The table reveals that the GNGC sold lean gas to VRA and Wangkang, LPG to Sage Petroleum and Condensates to six different off-takers – Rhema, ECO, Chase, XF, Globex and Med, at total invoice amount of US\$236.74 million.

TABLE 29: SALE OF PROCESSED PETROLEUM PRODUCTS BY GNGC IN 2016

CUSTOMER	PRODUCT	QUANTITY (MT/MMbtu)	AVERAGE PRICE (US\$/MT/MMBTU) ¹¹	TOTAL INVOICES (US\$)
Rhema	Condensates	1139.29	288	328,115.52
ECO	Condensates	2,939.67	299	840,383.10
Chase	Condensates	520.76	288	149,980.13
XF	Condensates	660.07	288	190,100.16
Globex	Condensates	10,543.90	281	2,965,139.81
Med	Condensates	28.16	255	7,173.20
Sage	LPG	87,253.90	305	23,406,749.18
VRA	Lean Gas	23,472,906.87	8.8424	207,556,831.68
Wangkang	Lean Gas	191,899.09	8.8424	1,291,718.84
TOTAL		23,767,891.71		236,736,191.62

Source: PIAC's Construct based on GNGC, 2017

Table 30 gives a breakdown of total payments received by GNGC and outstanding receivables as at the end of December 2016.

TABLE 30: PAYMENTS RECEIVED IN 2016 AND OUTSTANDING RECEIVABLES AS AT END 2016

CUSTOMER	PRODUCT	QUANTITY (MT/MMbtu)	TOTAL INVOICES (US\$)	AMOUNT PAID (US\$)	RECEIVABLES (US\$)
Balance brought forward					253,424,942.08
Genser	Condensates	-	-	100,000.00	(100,000.00)
ECO	Condensates	2,939.67	840,383.10	1,276,200.89	(435,817.79)
Chase	Condensates	520.76	149,980.03	401,912.56	(251,932.53)
XF	Condensates	660.07	190,100.16	279,876.03	31,975.49
XF Interest Total			121,751.36		
Rhema	Condensates	1,139.29	328,115.52	328,598.37	(482.85)
Globex	Condensates	10,543.11	2,965,139.81	2,325,337.63	639,802.18
Med	Condensates	28.16	7,173.20	95,675.47	(88,502.27)
Sage	LPG	87,253.90	23,406,749.18	28,154,049.36	(4,747,300.18)
VRA	Lean Gas	23,472,906.87	207,556,831.68	9,302,806.35	206,958,331.72
VRA Interest Total			8,704,306.39		
WangKang	Lean Gas	191,899.09	1,291,718.84		1,291,718.84
TOTAL		23,767,890.92	245,562,249.37	42,264,456.66	456,722,734.79

Source: GNGC, 2017

Table 30 shows that in addition to the invoices issued for the products sold by GNGC during the period under review, two entities – VRA and XF – were also charged interest on

¹¹ The LPG price was based on the bi-weekly averages of the Argus Butane CIF ARA Large Cargoes price, as determined by the NPA. The price of Condensate linked to international light crude oil prices, while the price of lean gas was determined by the Public Utilities Regulatory Commission (GNGC, 2017)

receivables up to the tune of US\$8.83 million with VRA being charged the highest interest of US\$8.70 million (representing 96% of the total interest charged). The interests charged took total receivables due GNGC in 2016 to US\$245.56 million. Total payments received in 2016 amounted to US\$42.26 million (representing 17.17% of receivables) and leaving an outstanding receivables of US\$203.40 million for 2016, which when added to the of US\$253.42 million balance brought forward from 2015 results in cumulative outstanding balance of US\$456.72 million, approximately 95% of which (US\$434.70 million) is owed by VRA. Details of the monthly sales made by GNGC to each of its off-takers is contained in Appendix A-3 to A-5 of the annexure.

Key Findings:

1. Although it has been barely two years since the AGPP started commercial operations, it is fast becoming a very vital energy asset in Ghana with the Facility providing 36% and 53% respectively, of lean gas and LPG consumed in Ghana in 2016;
2. However, the financial sustainability of GNGC could be seriously compromised unless the growing indebtedness of GNGC's off-takers/trading partners (especially VRA) is addressed immediately;
3. GNGC's outstanding receivables as at the end of 2016 stood at US\$456.22 million, with VRA alone responsible for 95% (US\$434.70 million) of its receivables;
4. VRA's indebtedness to GNGC grew by approximately 91% during the period under review, rising from US\$227.78 million in 2015 to US\$434.70 million in 2016;
5. Not only is the failure of VRA to pay for lean gas supplied threatening the financial viability of GNGC, it is also preventing GNGC from paying for the raw gas supplies exported by GNPC, thereby denying the PHF of much needed revenues for spending and saving; and,
6. Approximately 192,000 MMBtu of lean gas (representing 0.81% of lean gas produced in 2016) was sold to Wangkang Ghana Ceramic Company (a subsidiary of Wangkang Holding Group) for power generation in the newly built ceramic factory located in the Free Zone Enclave of Sekondi.

SECTION 8

8.0 PROJECTED PETROLEUM REVENUES FOR 2017

In the 2017 Budget Statement presented to Parliament in March 2017, the Minister of Finance projected that an amount of US\$515.64 million is expected to be earned from the petroleum sector in 2017, compared to the 2016 budget estimate of US\$502.10 million and actual receipt of US\$247.18 million. The estimated Benchmark Revenue for 2017 was based on the key assumptions shown in Box 1:

- Benchmark Crude oil output of 43,875,920 barrels (averagely 120,208 bopd) based on the sum of the field-by-field averages of three producing fields – Jubilee, TEN and SGN1;
- Benchmark gas output of 30,672.17 MMScf (or 32,512,497 MMBtu), based on production data from the Jubilee and TEN Fields;
- Benchmark crude oil price of US\$56.142 per barrel; and
- Benchmark gas price of US\$2.90/MMBtu for the Jubilee Field and US\$0.50/MMBtu for TEN associated gas in 2017.

Table 31 shows the projected benchmark revenue for 2017 using two different benchmark prices.

TABLE 31: PROJECTED PETROLEUM RECEIPTS FOR 2016 USING TWO BENCHMARK PRICES

ITEM	Revised Price: US\$56.14/bbl	Original Price US\$73.23/bbl	Variance
	US\$	US\$	
TOTAL PETROLEUM RECEIPTS	515,674,244.44	741,772,947.82	(226,098,703.38)
Royalties	134,869,237.97	191,754,398.03	(56,885,160.06)
<i>o/w Crude Oil</i>	130,554,722.96	188,057,172.60	(57,502,449.64)
<i>o/w Gas</i>	4,314,515.01	3,697,225.43	617,289.58
Carried and Participating Interest	379,308,448.39	526,049,225.88	(146,740,777.49)
<i>o/w Crude Oil</i>	308,589,307.22	452,641,093.35	(144,051,786.13)
<i>o/w Gas</i>	70,719,141.17	73,408,132.53	(2,688,991.36)
Corporate Taxes	-	22,472,765.83	(22,472,765.83)
Surface Rentals	1,496,558.08	1,496,558.08	-

Source: Ministry of Finance, 2017

Table reveals that the Benchmark Revenue for 2017 would have been approximately 44% higher (US\$741.77 million) had the PRMA formula provided in First Schedule of Act 815 for estimating the benchmark price and output been rigidly adhered.

Table 32, on the other hand, shows how the GoG proposed to allocate the petroleum revenues expected to accrue in 2017.

TABLE 32: DISTRIBUTION OF PROJECTED 2017 PETROLEUM RECEIPTS

ITEM	US\$	%
ALLOCATION OF PETROLEUM RECEIPTS	515,674,244.44	100
Transfer to National Oil Company (NOC)	273,590,424.25	53.05
<i>o/w Equity Financing</i>	228,282,699.62	
<i>o/w 30% share of Net Carried & Participating Interest</i>	45,307,724.63	
Benchmark Revenue (BR)	242,083,820.19	
<i>o/w Annual Budget Funding Amount</i>	169,458,674.13	32.86
<i>o/w Transfer to the Ghana Petroleum Funds</i>	72,625,146.06	
<i>o/w Ghana Stabilisation Fund</i>	50,837,602.24	9.86
<i>o/w Ghana Heritage Fund</i>	21,787,543.82	4.23

Source: Ministry of Finance, 2017

Table 32 indicates that the government has proposed to allocate US\$273.59 million (53% of expected revenue for 2017) to the NOC with the remaining US\$242.08 million expected to be distributed to the ABFA (US\$169.46 million or 70%) and the GPFs (US\$72.66 million or 30%).

With 2016 marking the end of the 2nd 3-year funding cycle for the ABFA, the Ministry of Finance was required to select new priority areas to benefit from ABFA support for the period 2017-2019. The Minister has duly obliged and has proposed the following 4 priority areas for Parliamentary approval:

- Agriculture;
- Physical Infrastructure and Service Delivery in Education;
- Physical Infrastructure and Service Delivery in Health; and,
- Road, Rail and Other Critical Infrastructure Development.

Table 33 gives the breakdown of the proposed allocations to each of the newly-selected priority areas, while the list of some of the projects to be implemented and in which sectors is contained in Annex A-6 of the Annexure.

TABLE 33: PROPOSED ALLOCATION OF ABFA TO PRIORITY AREAS IN 2017

Priority Area	Goods & Services	CAPEX	Total	%
Agriculture	13,677,117	142,400,000	156,077,117	19.60
Physical Infrastructure and Service Delivery in Education	211,717,458	0	211,717,458	26.59
Physical Infrastructure and Service Delivery in Health	0	50,000,000	50,000,000	6.28
Road, Rail, & Other Critical Infrastructure Development	11,600,000	365,020,676	376,620,676	47.30
PIAC	1,900,000	0	1,900,000	0.23
TOTAL	238,894,575	557,420,676	796,315,251	100

PIAC's Construct based on Ministry of Finance Data, 2017

Table 33 reveals that, subject to the realisation of the Benchmark Revenue for 2017, approximately 47% (GH¢376.62 million) of the expected ABFA would be used to finance road and railway projects; approximately 27% (GH¢211.72 million) would be allocated to the education sector (basically to be used to finance the free SHS programme); agriculture is expected to receive approximately 20% (GH¢156.08 million); the health sector is expected to receive approximately 6% (GH¢50 million) while PIAC is in line to receive GH¢1.9 million (0.23%).

8.1 PIAC'S VIEWS ON THE PROJECTED REVENUES AND THE NEWLY SELECTED PRIORITY AREAS

PIAC finds the estimation of Benchmark Revenue forecast for 2017 to be reasonable, achievable and a better reflection of international best practice for price forecast. The forecast was guided by the market scan petroleum price projections by internationally recognised entities such as ICE/Bloomberg, IMF, World Bank and Reuters, which is what the PRMA demands of the Minister of Finance. It is therefore expected that actual revenues from petroleum would be close to the forecasted amount as possible.

Regarding the newly prioritised areas to benefit from the ABFA support for the next three years (2017-2019), PIAC's view is that they are essentially the same as the previous areas.

With the exception of the “Expenditure on Amortisation of Loans for Oil and Gas Infrastructure” priority area which was dropped entirely, all the other priority areas were maintained. Capacity building, for example, could still find its way back into ABFA expenditures under ‘...service delivery in health and education’. The only difference however, would be that it may be restricted to only those two sectors as opposed to 8 sectors where capacities were reported to have been built in the two previous prioritisation cycles.

The newly prioritised areas appear to be more specific than the previous ones with two of them lifted verbatim from Section 21(3) of the PRMA, while the other two have been paraphrased from the same section. This notwithstanding, PIAC’s assessment of the implementation of the ABFA mechanisms over the past six years has shown that even though four priority areas are selected, in actual practice expenditures sometimes cover all the 13 preselected priority areas within the PRMA. On the face of the projects/programmes earmarked to benefit from ABFA support in 2017 (see Annex A-4), it does not look like ABFA would be spread thinly, at least in 2017. However, one area where the government might be tempted to maintain the status quo could be the roads and highway sector, if what happened in the past six years¹² is anything to go by.

As indicated in Table A-4, an amount GH¢187.25 million of expected ABFA has been earmarked for road infrastructure in 2017, but with no specifics as to which roads are to be funded. However, the budget contains a tall list of projects many of which have benefited from ABFA support in the past hence the concern that the government could be tempted to continue funding some or all of those projects.

In the last two editions of PIAC’s Annual Report, the Committee strongly urged the Minister of Finance to conduct an impact evaluation of ABFA funded projects from 2011-2016 and use the findings as the basis for selecting the priority areas for 2017-2019. PIAC has not been informed if any such review/evaluation was conducted leading to the selected priority areas. A careful look at the 2016 Manifesto of the current administration points to the fact that the selection of the priority areas were informed largely by some of the key policies proffered in the party’s manifesto. That notwithstanding, PIAC is pleased that the selected priority areas are consistent with the areas identified by the majority of Ghanaians it engaged in 60 districts across the country between August and September, 2016 as captured in Table 34.

¹² A total of 182 Roads and Road related projects received ABFA support in the Roads and Highways sector from 2011-2016

TABLE 34: CITIZENS' PREFERENCE FOR ABFA PRIORITY AREAS BY REGIONS

Region	Ranked Priorities					
	1 st	2 nd	3 rd	4 th	5 th	6 th
Eastern	Agriculture and Industry	Healthcare	Rural Development	Social Welfare	Portable Water	Housing Delivery
Volta	Agriculture and Industry	Healthcare	Rural Development	Social Welfare	Portable Water	Housing Delivery
Central	Agriculture and Industry	Education	Health	Roads	Energy	Finishing of Uncompleted Projects
Greater Accra	Agriculture and Industry	Education	Health	Security	Rural Development	
Western	Agriculture and Industry	Health	Education	Roads	Water	N/A
Brong Ahafo	Agriculture and Industry	Rural Development	Health	Water	Science and Technology	Environment
Northern	Agriculture and Industry	Roads	Education	Health	Water	N/A
Upper West	Agriculture and Industry	Education	Roads	Health	-	N/A
Ashanti	Agriculture and Industry	Roads	Rural Development	Health	Social Welfare	Education

Source: PIAC District Stakeholder Engagement Forum, 2016

As evident from Table 34, agriculture and industry was selected by participants at the forums as the topmost priority in all the regions, while education and health care were ranked second, third or fourth in the majority of the regions. The highest ranking received by road infrastructure was 2nd and even that was in only two regions with only two other regions selecting it as their 3rd and 4th priority respectively. Thus, the four priority areas selected by the Minister of Finance, are consistent with the citizen's preferences as expressed at the PIAC Town Hall Meetings. It is the Committee's proposes that a lot more petroleum revenues be allocated to the agriculture sector given the importance attached to the sector by Ghanaians. The previous situation where modernisation of agriculture was prioritised but received only 7% of ABFA support between 2011 and 2016 must be avoided.

SECTION 9

9.0 SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS

9.1 SUMMARY OF KEY FINDINGS

CRUDE OIL PRODUCTION

1. There was a 13.7% year-on-year decline in crude oil production in Ghana during the period under review with annual production dropping from 37.41 mmbbls (102,498 bbls) in 2015 to 32.30 mmbbls (73,995 bopd);
2. The decline in production occurred in spite of the fact that Ghana's 2nd major production field – the TEN Fields – came on stream in August, 2016 and actually contributed 16% (5.32 mmbbls) to annual production. The production shortfall would have been approximately 28% but for the addition of the TEN Fields;
3. Along with the decline in crude oil production, the production of indigenous natural gas also declined by a similar magnitude of 27% (from 52,455.91 MMScf in 2015 to 38,420 MMScf in 2016) compared only with Jubilee gas production and by 14% when compared to the combined production from Jubilee and TEN Fields of 44,780 MMScf;
4. The decline in petroleum production in 2016 was caused by a 34-day shutdown of the Jubilee Field for maintenance from March 31 to May 3, 2016;
5. Seventy-one percent (71%) of the gas produced on the TEN Fields had to be discarded or flared as a results of the absence of subsea gas export line between the TEN and Jubilee development;

CRUDE OIL LIFTINGS AND MARKETING

6. The Ghana Group lifted 4.86 mmbbls from the Jubilee Field in 2016, representing 18.06% which is consistent with the Ghana's shareholding in the Field;

7. The sole lifting undertaken by the Ghana Group from the TEN Field in 2016 also represented 18.60% of total lifting made by the TEN partners;
8. Ghana's crude oil from the Jubilee Field were sold at an average achieved price of US\$46.13 per barrel which compares favourably with the average dated Brent price of US\$44.01 as well as the average achieved price of all the Jubilee Partners (Tullow – US\$41.7; Anadarko – US\$43.93; and Kosmos – US\$45.94);
9. The Jubilee Partners however were able to sell their liftings at a higher price as a results of their respective hedging policies with Kosmos and Tullow realising unit prices of US\$73.76/barrel and US\$61.7/barrel respectively;

PETROLEUM RECEIPTS

10. Actual petroleum receipt in 2016 of US\$247.18 was 29% lower than the budgeted amount (US\$348.42 million) and translates to 44% year-on-year reduction in annual petroleum revenues when compared to the 2015 receipts of US\$396.17 million;
11. With the exception of CIT which exceeded its targets, none of the others sources of petroleum revenues achieved its set targets;
12. Only five (5) out of the 18 licence holders paid surface rental during the period under review;
13. Ninety-two percent (US\$27.31 million) of total CIT received in 2016 was in respect tax liabilities that Tullow ought to have paid over the period 2011-2014;
14. Only US\$9.35 (16.45%) out of total receivables of US\$56.79 million from the sale of raw gas was paid by the off-taker – GNGC – in 2016;
15. Payment of the outstanding receivables for 2016 would have reduced the revenue shortfall of US\$101.24 million by 46% while the shortfall would not have arisen had the total outstanding indebtedness of GNGC of US\$135.49 million been honoured during the period under review;

ALLOCATION AND UTILISATION OF PETROLEUM RECEIPTS

16. A total of US\$229.03 million (representing approximately 92% of total petroleum receipts) was allocated during the reporting period;
17. An amount of US\$98.38 million (GH¢388.85 million) (representing 70% of the net amount of US\$140.54 million transferred to the GoG for further distribution and 42.95% of actual disbursement) was transferred to the ABFA account in 2016;
18. The remaining 30% (US\$42.16 million) of the amount received by GoG to be distributed to the ABFA and GPFs in 2016 was transferred to the GPFs with the GSF receiving US\$29.51 million (70%) and GHF receiving US\$12.65 million;

UTILISATION OF ALLOCATION TO GNPC

19. The GNPC received US\$88.50 million (representing 38.64% of total petroleum receipt) in 2016 compared to the US\$126.86 million it received in 2015, translating to a year-on-year drop of 30%;
20. The allocation to GNPC during the review period is the lowest it has received since distribution of petroleum revenues begun in 2011;
21. For the first time since 2011, the disbursement to GNPC was insufficient to cover (only covered up to 95% of the amount needed to cover both) the NOC's equity financing requirement and expenditure on other exploration and development projects embarked upon in the course of the reporting period. This means that GNPC had to rely on its cash reserves, which had been earmarked for milestone projects, to fund equally important expenditures such as staff cost, general operational and administrative expense and the cost of the maritime boundary dispute with the Ivory Coast;
22. An amount of US\$12.64 million (classified as 'capital projects') was spent refurbishing GNPC's landed properties in Accra, Tema and Sekondi-Takoradi;
23. There was a 38% year-on-year increase in the staff cost of GNPC from US\$10.23 million in 2015 to US\$16.4 million in 2016;

24. There was a 36% increase in the amount of money spent contesting the Maritime Boundary Dispute with Ivory Coast at the ITLOS with expenditure rising from US\$1.81 million in 2015 to US\$2.82 million in 2016;
25. An amount of US\$7.58 million was again spent on the Western Corridor Road Project;

PERFORMANCE OF GHANA PETROLEUM FUNDS

26. GPFs made a net investment income of US\$5.77 million during the period under review, compared to US\$4.5 million in 2015. Of this amount, the GHF brought in US\$4.93 million (85.44%) up from the US\$3.97 million earned in 2015 while the GSF brought in US\$0.84 million (14.56%) up from US\$0.53 million in 2015; and,
27. The balance on the GHF at the end of 2016 stood at US\$276.96 million compared to US\$259.38 million in 2015 while that on the GSF stood at US\$207.75 million as against US\$177.40 million in 2015 bringing total combined balance in the GPFs as at the end of the reporting period to US\$484.71.

9.2 OBSERVATIONS AND CONCLUSIONS

DEALING WITH COMMODITY PRICE RISKS AND BUSINESS INTERRUPTIONS

Certainly, there is no gainsaying the fact that Ghana's petroleum receipts have been experiencing steady decline since 2014 when a record US\$978.02 million was accrued by the sector. As explained repeatedly in previous reports, the collapse in global crude price from an average of US\$100 per barrel in 2013 to current levels of around sub-US\$45 per barrel has been the proximate cause of the decline in petroleum revenue. In 2016 however, the effect of the price volatility was further compounded by decline in production volumes occasioned by disruptions in production as a result of damage to the FPSO turret bearing, as highlighted earlier on in this report.

Although the combined effect of price and production fall affected all the Jubilee Partners alike, PIAC has observed that the 3 other Jubilee Partners – Tullow, Kosmos and Anadarko – were able to mitigate their impacts on their revenues through successful hedging and insurance policies they undertook. As explained earlier on in the report, both Kosmos and

Tullow were able to realise higher prices for a portion of their crude oil liftings as a result of their hedging policy undertaken to mitigate their exposure to commodity price risk. In addition to the net revenues received through hedging, all the other Jubilee Partners received substantial income through the corporate Loss of Production Income (LOPI) insurance policies, with Kosmos receiving US\$ 74.8 million of LOPI proceeds, Tullow claiming US\$90.1 million and Anadarko US\$31 million in respect of the turret bearing damage on the FPSO Kwame Nkrumah during the period under review (Tullow, Kosmos, Anadarko, 2017).

In the case of Ghana, there was no record of proceeds accruing under any business interruption insurance claim in the Reconciliation Report on Petroleum Revenues submitted to Parliament by the Ministry of Finance, the Bank of Ghana's Semi Annual Report for the second half of 2016 or the GRA Report to PIAC during the reporting period, or was there any mention made in respect of receivables due. PIAC's conclusion therefore is that, the Ghana Group may not have procured any such LOPI in respect of the Jubilee Field. Follow-up with GNPC confirms that the Ghana Group has no such insurance policy because they had believed that Tullow's (the Operator of field) insurance cover all partners.

FAILURE TO COLLECT DUE REVENUES

PIAC is concerned that some components of petroleum revenue that fell due during the period under review (as well as some accumulated arrears) were either not collected or paid by responsible entities. The largest and most blatant of them is GNGC's failure or inability to pay for gas supplied by GNPC since late 2014, which has led to an accumulated outstanding debt of US\$135 million dollars. The Committee has been informed that GNGC has not been able to honour GNPC's invoices due to VRA's inability to pay their outstanding debt, which is now assessed to be over US\$454 million and although the Committee and the GNGC have flagged the dire consequences of the continuous indebtedness of VRA to GNGC in its 2015 Annual and 2016 Semi-Annual Reports, nothing appears to have been done to resolve the issue. Of equal concern to the Committee is the fact that Ministry of Finance has repeatedly failed to report on the arrears both in the 2015 Annual and the Reconciliation Reports on the Petroleum Funds to Parliament nor have they factored the arrears in their estimation of the benchmark revenues for the successive years, especially where such arrears is of the same magnitude as the expected royalties.

Another area of concern is the payment of surface rentals. The Committee is disappointed that only five companies paid the annual rentals for their acreages in 2016 compared to nine in the preceding year. Payment of surface rental was legislated in Section 18 of the PNDC Law 84 and maintained in Section 86 of the Petroleum (Exploration and Production) Act 919 of 2016. According to Section 86 (2), the Minister of Petroleum shall prescribe the amount to be paid, except that where the amount is not prescribed, the annual acreage fees shall be provided in accordance with the terms of a petroleum agreement in respect of the area to which the agreement relates (Act, 919). The basis for assessing surface rental as outlined in Section 12.2(e) of the Model Petroleum Agreement is as follows:

Phase of Operation	Rental Payable
Initial Period	US\$30/per sq.km
1st Extension Period	US\$50 per sq. km
2nd Extension Period	US\$75 per sq.km
Development and Production Area	US\$100 per sq.km

The assessment of the 2016 Surface Rental in Table 15 was thus based on the schedule above. Per Section 2.11 of the Model Petroleum Agreement, annual surface rental is supposed to be paid **at the beginning of each contract year** in accordance with the provision of Article 12.2(e), so it is therefore difficult to understand why only five companies had paid surface rental as at the end of 2016. PIAC has requested GRA to provide it with dates on which invoices for the payment of surface rental was issued to the licensed owners and to explain why the invoices have not been honoured so as to determine whether penalties are payable for non-payment.

Again, as pointed out in Section 5.3.3, 92% (US\$27.31 million) of the CIT paid in 2016 was in respect of audits and additional assessment of Tullow's operations between the period 2011 and 2014. While PIAC is happy that the GRA has audited Tullow's tax returns and ensured that the additional assessment has been paid, the Committee is concerned about how long it took the GRA to determine that additional tax revenue is due Ghana.

PIAC is also interested in knowing what led to such a significant discrepancy in Tullow's assessment vis-à-vis that of the GRA. It is important for this to be established so as to institute measures to avoid the reoccurrence of this in future.

EMERGENCE OF POTENTIAL COMPETITION FOR LEAN GAS

PIAC was a little bit surprised to notice that GNGC supplied lean gas to another company (Wangkang) other than VRA, considering the fact that total lean gas produced by GNGC is insufficient to meet the combined demand of the VRA plants as well as the AMERI plant in the Western enclave, which unlike the VRA plants runs solely on natural gas. Although the volume of gas supplied to Wangkang was less than 1% of the total lean gas produced in 2016, the emergence of more credible off-takers (such as IPPs) coupled with VRA's inability to pay for gas supplied could create serious competition for VRA for the supply of lean gas from GNGC. The competition could become even fiercer if and when the proposed interconnection of the Western Corridor pipeline and the West Africa Gas Pipeline for a reverse flow of the Jubilee gas becomes a reality in the coming months. Although PIAC in its 2016 Semi-Annual overtly encouraged the GNGC to develop and explore these other markets as a means of ensuring the financial sustainability of its business, the Committee is not oblivious of the acute and strategic importance of lean gas from the AGPP to VRA's ability to deliver affordable and reliable supply of electricity in Ghana and would therefore rather VRA remains the foundation (if not sole) off-taker of the lean gas from GNGC. Urgent steps ought to be taken to avoid another VRA-WAGP-N-Gas drama playing out in the foreseeable future.

UTILISATION OF 2016 ABFA

The 2016 ABFA was disbursed to the fewest ever number of projects/programmes since the introduction of the mechanism in 2011. So few were the projects that the detail list could fit into the main body of this report rather than the annexure as has been the practice since 2013 when the MoF started publishing the list as part of the Reconciliation Report. From an average of 51 road projects per year over the five (5) years preceding 2016, the number of road projects supported by the ABFA dropped to eight (8) in 2016, of which only one (1) was a new project compared to an average of 36 new projects that were being introduced each year from 2011-2015. Similarly, the allocations to other infrastructure was spent on a handful of projects/programmes with all the disbursements to the energy sector going into the procurement of materials for the National Electrification Scheme while only three sea defence wall projects (two on-going projects and one new) were funded under water infrastructure. Allocation to the Agriculture Modernisation priority area was spent on fertiliser subsidy programme and three irrigation projects while the entire disbursement to the Capacity Building priority area was for outstanding scholarship claims.

The disbursement of the 2016 ABFA is even more remarkable, considering the fact that it was an election year. Compared to the 2012 financial year (which was an election year), the ABFA was used to fund projects and programmes in 12 different sectors. PIAC is satisfied that its perennial call to the Minister of Finance to concentrate the utilisation of ABFA on smaller number of projects selected from few sectors of the economy has been heeded. It is the Committee's hope that this practice would continue so as to ensure efficient allocation of our petroleum revenues.

DELAY IN THE EVACUATION OF RAW GAS FROM THE TEN FIELD

PIAC is, to say the least, unhappy that significant volumes of raw gas produced from the TEN Field is being flared, while there is such a high demand for lean gas and other derivatives on shore. As presented in this report, 71% of the gas produced in 2016 was flared. With first associated gas export not due until August 2017 (at the earliest) and non-associated gas not expected until 2018, a lot more natural gas would be flared during the first half of 2017. The Committee cannot fathom why construction of the US\$100 million approximately 30 kilometre 12-inch bi-directional¹³ gas import/export subsea pipeline could not have been timed to coincide with first oil in August 2016, especially when a decision was taken by the Jubilee Partners to fast-track the Field into operation in August 2016 with gas production, instead of the scheduled August 2017 for first gas.

In fact, it was not until July, 2016 (barely one month before first oil) that the Chief Executive Officer of Tullow Ghana announced that the operators of the Field were in discussions with the Government of Ghana to fast-track export of gas for power generation ahead of schedule. It is unclear how quickly gas exports could be fast-tracked to bring the much-needed resource onshore. What is clear however is that the period between August 2016 and whenever gas export from the Jubilee Field would be achieved, would represent a missed opportunity to have earned additional revenue, reduce the cost of electricity generation, and minimise the adverse environmental effects associated with the flaring of gas.

¹³ The pipeline will import gas from the Jubilee for commissioning of gas compression and handling system at the TEN FPSO prior to first oil

9.3 RECOMMENDATIONS

In the light of the foregoing, PIAC wishes to submit the following recommendations for the consideration of the relevant authorities:

1. Given that the GNGC may well have been caught up in the vicious cycle of the indebtedness of the energy sector utilities (which stood at US\$2.4 billion at the end of 2016), urgent and drastic measures would have to be devised by all key stakeholders to ensure immediate payment of the outstanding receivable owed the Ghana Petroleum Fund in respect of gas sales.

One potential source of funds that could have been used to defray VRA's indebtedness to GNGC is the Power Generation and Infrastructure Support Sub-Account (PGISSA)¹⁴ established under the Energy Sector Levy Act, 2015 (Act 899). However, the proceeds going into the PGISSA have been earmarked for the repayment of the debt owed by VRA to 11 domestic banks as part of the strategy introduced by the government to deal with legacy debt problem facing the State-owned energy sector utilities. Since termination of supply to VRA is not an option as yet, due to lack of alternative market for lean gas, PIAC is calling for an immediate meeting between the Government, GNPC and GNGC to agree on a clear roadmap for the clearing of VRA indebtedness.

2. The Ghana Revenue Authority (GRA) must ensure that all outstanding annual surface rentals are paid with interest;
3. GRA must ensure that auditing of tax returns filed by the Jubilee Partners are carried out expeditiously so that any additional assessment payable is paid on time;
4. The Bank of Ghana and/or the Ministry of Finance should seek expert advice on hedging and consider undertaking hedging activities as part of strategies to mitigate Ghana's exposure to commodity price risk/volatility associated with future oil production;
5. GNPC needs to be impressed upon to procure a Loss of Production Insurance (LOPI) or Business Interruption Insurance if it does not have one already;

¹⁴ The PGISSA is to be used to support payment of power utility debt, ensure power supply, power generation and infrastructure support resources and support power infrastructure risk mitigation.

6. PIAC still maintains that GNPC should desist from spending part of its dwindling allocations on non-core businesses such as financing of the Western Corridor Roads. The GNPC explained to PIAC that it was requested to provide financial support for the said roads because of their position as the Gas Aggregator. The Committee however holds a different view and wishes to reiterate its suggestion in its 2016 Semi-annual Report that such road projects should either be funded with part of the ABFA or a separate loan contracted for that purpose thereby freeing funds for critical investments in the areas of GNPC's core mandate. Similarly, PIAC's is of the view that GNPC should not be bearing the cost of the ITLOS litigation on behalf of the State and that such expenditure should be charged either on the Consolidated Fund or Contingency Fund;
7. GNPC should disclose what steps it is taken to retrieve the US\$50 million loan it advanced to the Ministry of Finance in respect of the Western Corridor Roads.
8. The Government should impress upon the Jubilee Partners to expedite work on the gas export infrastructure;
9. The ABFA allocation to road infrastructure should continue to be spent on fewer road projects so as to ensure timely completion of beneficiary projects.

SECTION 10

10.0 PIAC ACTIVITY REPORT IN 2016

10.1 PIAC'S STRATEGIC PLAN

PIAC's first Five-Year Strategic Plan (PSP) was launched in December 2015. The Plan defines PIAC's Vision, Mission, Guiding Principles and Strategic Objectives developed through a careful analysis of its mandate as specified in the Petroleum Revenue Management Act 2011 (Act 815). The Strategic Plan is meant to build on the lessons of the early years of PIAC's existence and to develop a roadmap that will define interventions to secure maximum benefit from oil revenues for all Ghanaians. Close to US\$9.4 million would be required to implement the plan over a five-year period. The implementation will be based on five strategic objects which are to;

- Strengthen the internal structures and operations of PIAC
- Create conditions for effective resource mobilisation
- Improve visibility of PIAC
- Create platforms for effective citizens engagements
- Build strategic partnerships and linkages across PIAC'S major stakeholders



FIGURE 16: A SELECTION OF PIAC MEMBERS AT THE HIGH TABLE DURING THE LAUNCH

10.2 MALAYSIA STUDY TOUR

A select team of PIAC Members undertook a study tour to Malaysia funded by GIZ. The objective of the study tour was to expose PIAC to revenue management practices in Malaysia particularly those with direct bearing on the core mandate of the Accountability Committee. These included tracking the sources of petroleum revenues, beneficial ownership disclosures, contract and bidding processes, budget funding from oil wealth, savings and investment of petroleum revenues, issues of governance, as well as transparency and accountability.

The study tour covered six (6) key institutions responsible for policy formulation and management such as the Ministry of Finance, the Economic Planning Unit (EPU) and the Inland Revenue Board of Malaysia (IRBM).

The team also visited PETRONAS, Malaysia Petroleum Resources Corporation (MPRC) as well as the Institute of Democracy and Economic Affairs (IDEAS).



FIGURE 17: PIAC DELEGATION ON THE STUDY TOUR

10.3 PIAC PUBLIC FORA & PHYSICAL MONITORING OF ABFA FUNDED PROJECTS

As part of PIAC's mandate to improve its visibility, the Chair and selected Members of the Committee undertook public fora in the Upper East and Upper West Regions on its ninth and tenth regional public fora respectively. These concluded the regional public fora across the country.

The Committee also carried out physical monitoring of ABFA funded projects in selected districts in the Northern, Upper East and Upper West Regions in collaboration with representatives of the Institute of Financial and Economic Journalists (IFEJ). It was found that three out of six projects sites visited were non-existent.

Based on observations from the inspections the team recommended among others that;

1. The Ministry of Finance should make public, components of all other funds committed to petroleum funded projects. This would enable PIAC and citizens to demand better accountability for the projects executed with ABFA funds;
2. The responsible Ministries and Agencies under which ABFA funded projects are undertaken should comply with the regulation of mounting sign posts at project sites to inform citizens of details of contracts and funding sources for projects so as to enable concerned citizens demand accountability. Where petroleum revenues are the only source of funding, projects should be branded as petroleum projects;
3. Project selection should be more inclusive. Stakeholders and beneficiaries should be informed and involved in the project selection and implementation process in line with best practices. This would enable citizens track progress and report.



FIGURE 18: DEPUTY REGIONAL MINISTER, PIAC MEMBERS AND A CROSS SECTION OF PARTICIPANTS DURING A PRESENTATION IN BOLGANTANGA – UPPER EAST REGION

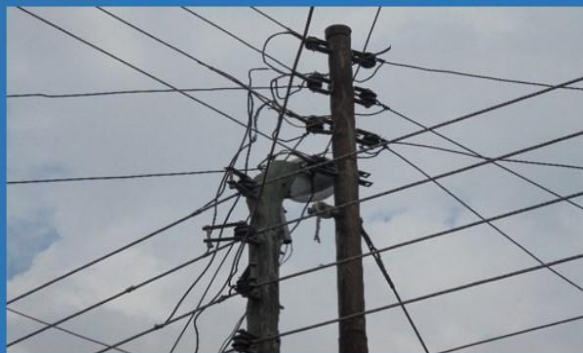


FIGURE 19: A SELECTION OF PIAC MEMBERS AND DIGNITARIES AT THE WA FORUM – UPPER WEST REGION

Two-storey dormitory facility at Zebilla SHTS



Upgrading of electrical works at the Bagabaga College of Education



State of rehabilitated Science laboratory at St Francis of Assisi SHS



State of Duori Dam in the Upper West Region

FIGURE 20: PICTURES FROM PROJECT VISITS

10.4 PIAC MEMBERSHIP

In accordance with provisions of the PRMA, two new members were nominated to the Committee, with another's tenure renewed. The Ghana Academy of Arts and Sciences (GAAS) nominated Prof. Albert Fiadjoe to replace the outgoing Chairman, Prof. Buah Bassuah, and Dr Kwabena Nyarko-Otoo was nominated by the Trades Union Congress (TUC) to replace Mr Prince Asafu-Adjaye. The tenure of Naa Koteitsoo Afrasomanso I of the Queen Mothers Association was renewed for another two years.



FIGURE 21: SWEARING-IN OF NEW PIAC MEMBERS BY DEPUTY MINISTER OF FINANCE

10.5 STAFF TRAINING

In a bid to build the capacity of staff, both the Finance and Administration Manager and Technical Manager participated in training programmes at the West Africa Civil Society Institute (WACSI) as part of the process of strengthening the Secretariat. The Technical Manager participated in a Resource Mobilisation and Proposal Writing course. The object of the training programme was to build the capacity of the Technical Manager to identify gaps in resources for sustainable programme intervention; to understand the diverse sources of funds and how to mobilise resources. The Finance and Administration Manager on the other hand participated in a one week training course on Financial and Grants Management. It is expected that both staff will use the skills and information gained to improve processes and programmes at the Secretariat in addition to raising funds for PIAC's activities. The training programme will assist the Finance Manager better administer donor grants and strengthen his skills at managing PIAC Finances as a whole. The Technical Officer together with the representative of the National House of Chiefs, Osabarima Kwaw Entsie II, also attended the 2016 Summer School.



FIGURE 22: GROUP PICTURE OF TWO PIAC MEMBERS WITH OTHER TRAINEES

10.6 CITIZENS ENGAGEMENT PROJECT

A three way partnership between PIAC, the Kumasi Institute of Technology, Energy and Environment (KITE) and the Ghana Oil and Gas for Inclusive Growth (GOGIG) was undertaken primarily to enhance the scale, reach and effectiveness of PIAC's mandate on public/citizens engagement and as part of this, a feedback loop between PIAC and its constituency groups was established.

The project PIAC created more platforms and spaces across all 10 regions for citizens to debate pertinent issues on oil and gas revenue management. The approach facilitated the understanding and uptake of key messages in the PIAC reports by citizens with a view to prompting increased demand for accountability.

A total of 2044 persons were reached through the face-to-face engagements of citizens across 61 districts, which was a shift from the regional level engagements. This resulted in an increase in citizens' civic and political knowledge, a sense of empowerment and urgency to demand greater accountability from authorities as far as petroleum revenue management in the country is concerned. The process also afforded Committee Members the opportunity to make presentations and answer teething questions and complaints from participants.



FIGURE 23: CROSS-SECTION OF PARTICIPANTS AT VARIOUS FORA

10.7 LAUNCHING OF 2015 ANNUAL REPORT

The 2015 Annual Report was launched by Major (rtd) Ablorh-Quarcoo, former Chairman of PIAC. The report highlighted among others the total number of barrels of crude oil produced from the Jubilee Field in 2015 which was 37,411,661 barrels and that of associated gas was also 52,546 MMscf; Actual petroleum receipts of US\$396.17 million (GH¢ 1,449.92 million); the total allocation and utilisation of Petroleum receipts which amounted to a total of US\$387.83 million; The performance of the Ghana Petroleum Funds (GPFs) which made a net investment income of US\$4.5 million during the period under review, compared to US\$5.85 million for 2014 and the utilisation and withdrawals from Ghana the Stabilisation Fund.

10.8 PIAC WEBSITE

The PIAC website was given an overhaul with the objective of improving its look as well as providing first-hand information to the general public and all stakeholders on the management, allocations and utilisation of Ghana's petroleum revenue. Major changes to the website include an information portal on functions of PIAC and a reporting module where every report of public interest is uploaded to the site for easy access. There is also a

feedback module for whistle blowers to send information on perceived corruption without blowing their cover and a newsletter module for the general public and stakeholders to enable them receive free monthly and quarterly subscription information on the activities of PIAC. A 'statistics' portal has also been added to provide detailed data on petroleum production, liftings, receipts and allocation, payment of Corporate Income Taxes (CIT) by companies, returns on the Ghana Petroleum Funds (GPFs), ABFA distribution, allocation, utilisation and projects.

10.9 CONSULTATION WITH THE GHANA NATIONAL PETROLEUM CORPORATION (GNPC)

A consultative interaction between PIAC and the GNPC was held in April 2016. The purpose of the meeting was to deepen collaboration with GNPC and to explore efficient ways of obtaining reports on their activities. The Acting Chief Executive of GNPC, Mr. Alex Mould and 12 members of the Senior Management team participated in the consultation.

10.10 CONSULTATION WITH IFEJ

A media Interaction between PIAC and members of IFEJ (International Federation of Economic Journalists) took place in Koforidua in the year under review. The Committee was represented by Dr Steve Manteaw and Mr Mohammed Affum. The PIAC Secretariat was represented by the Technical Manager, Mark Agyemang.

The interaction, organised by GIZ was to give the journalists an opportunity to interrogate the 2015 Annual Report of PIAC. Secondly, it was to provide the journalists an understanding of the report and to carry out a critical analysis of it to the citizenry through their various media outlets.

10.11 MEETINGS WITH PARLIAMENTARY SELECT COMMITTEES

During the period under review, a meeting was held with the Finance Committee of Parliament focusing on PIAC's 2014 Annual Report, specifically to explore ways of implementing PIAC recommendations and challenges facing PIAC as a whole. PIAC also held consultations with the Public Accounts Committee of Parliament, with representation

from selected Members of the Committee on, Mines & Energy and Finance. In attendance were six members of PIAC including the Chairman and Vice and three secretariat staff. Other Parliamentary Service staff as well as representatives from GIZ was also present. The consultation covered the 2014 PIAC reports.

10.12 FINANCIAL REPORT

The Public Interest and Accountability Committee (PIAC) presented a budget of GHC 1,162,435 for year 2016 to the Government of Ghana. An allocation of GHC 967,000 was made by the Government from the Annual Budget Funding Amount in compliance with Amended Petroleum Revenue Management Act, 2015 (Act 893) and the same was released for the programmes and activities of the Committee.

Additionally, the Ministry of Finance released an amount of GHC 379,051 in year 2016 in respect of the Committee's budget for year 2015.

The Committee notes with commendation to the Government of Ghana the 46.7% increase in its allocation to the Committee for year 2016 over that of 2015.

The Committee continues to receive complementary financial support from the donor community for its programmes and activities. Notable are British Department for International Development/Natural Resource Governance Institute (DFID/NRGI), the Ghana Oil and Gas for Inclusive Growth (GOGIG) and the German Development Cooperation (GIZ).

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ANNEXURE

ANNEX A-1: CRUDE OIL LIFTINGS BY JUBILEE PARTNERS (JAN-DEC 2016)

LIFTING DATE	JUBILEE PARTNER	QUANTITY LIFTED (BBLs)
05-Jan-2016	ANADARKO & SABRE OIL AND GAS LIMITED	946,343
13-Jan-2016	TULLOW GHANA LIMITED	948,243
23-Jan-2016	KOSMOS	947,132
11-Feb-2016	TULLOW GHANA LIMITED	948,169
19-Feb-2016	ANADARKO & SABRE OIL AND GAS LIMITED	903,043
29-Feb-2016	KOSMOS	948,572
03-Jun-2016	TULLOW GHANA LIMITED	995,490
13-Jun-2016	KOSMOS	947,957
23-Jun-2016	ANADARKO & SABRE OIL AND GAS LIMITED	995,367
07-Jul-2016	TULLOW GHANA LIMITED	991,354
20-Jul-2016	ANADARKO & SABRE OIL AND GAS LIMITED	930,229
01-Aug-2016	TULLOW GHANA LIMITED	939,630
20-Aug-2016	KOSMOS	946,750
29-Aug-2016	TULLOW GHANA LIMITED	1,048,332
16-Sept-2016	ANADARKO & SABRE OIL AND GAS LIMITED	993,814
27-Sept-2016	TULLOW GHANA LIMITED	964,279
03-Oct-2016	KOSMOS	973,002
13-Oct-2016	ANADARKO & SABRE OIL AND GAS LIMITED	954,472
05-Nov-2016	TULLOW GHANA LIMITED	995,786
24-Nov-2016	ANADARKO & SABRE OIL AND GAS LIMITED	985,072
07-Dec-2016	KOSMOS	996,121
16-Dec-2016	TULLOW GHANA LIMITED	974,394
TOTAL LIFTED		21,273,551

Source: GNPC, 2017

ANNEX A-2: ANNUAL PERFORMANCE OF THE GHANA PETROLEUM FUNDS, 2011-2016

GHANA STABILIZATION FUND (US\$)						
	2011	2012	2013	2014	2015	2016
Opening Book Value	-	54,810,032.00	71,898,588.00	319,034,153.00	286,644,044.00	177,396,127
Receipt during the year	54,805,353	16,883,548.00	245,733,702.00	271,762,755.15	15,171,061.96	29,512,625
<i>Income from Investments</i>	4,679	214,049.00	1,413,341.00	1,549,380.24	538,214.78	845,150
Bank Charges	-	(9,041.00)	(11,477.00)	(17,555.77)	(6,396.65)	(5,238)
Sub Total		71,898,588.00	319,034,153.00	592,328,733.42	302,346,924.09	207,748,663
Less Transfers:						
<i>Contingency Fund</i>	-	-	-	(17,433,144)	(23,755,073)	0
<i>Debt Service Account</i>				(288,251,545)	-	0
<i>ABFA</i>	-	-	-	-	(53,685,579)	0
<i>Sinking Fund</i>	-	-	-	-	(47,510,146)	0
Closing Book Value	54,810,032	71,898,588.00	319,034,153.00	286,644,044.22	177,396,126.57	207,748,663
GHANA HERITAGE FUND (US\$)						
	2011	2012	2013	2014	2015	2016
Opening Book Value	-	14,401,216.00	21,694,221.00	128,125,942.39	248,915,220.00	259,383,473
Receipts During the Year	14,400,002	7,235,806.00	105,314,444.00	116,469,752.21	6,501,883.70	12,648,268
Income from Investment	1,215	60,209.00	1,126,764.00	4,331,660.17	3,981,866.59	4,948,908
Bank Charges	-	(3,010.00)	(9,486.00)	(12,135.11)	(15,497.45)	(18,357)
Closing Book Value	14,401,216.33	21,694,221.00	128,125,943.00	248,915,219.66	259,383,472.84	276,962,292
COMBINED FUNDS (GSF & GHF)						
	2011	2012	2013	2014	2015	2016
Opening Book Value	-	69,211,248.00	93,592,809.00	447,160,095.39	535,559,264.00	436,779,600
Receipt during the Year	69,205,354	24,119,354.00	351,048,145.00	388,232,507.36	21,672,945.66	42,160,892
Income from	5,894	274,258.00	2,540,105.00	5,881,040.41	4,520,081.37	5,794,058

Investments						
Bank Charges	-	(12,051.00)	(20,963.00)	(29,691.88)	(21,894.10)	(23,595)
Sub-Total	69,211,248	93,592,809.00	447,160,096.00	841,243,952.28	561,730,396.93	484,710,955
Less Transfer to:						
Contingency Fund	-	-	-	(17,433,144)	(23,755,072.85)	-
Debt Servicing Account	0.00	0.00	0.00	(288,251,545)	0.00	0.00
ABFA	0.00	0.00	0.00		(53,685,578.98)	0.00
Sinking Fund	0.00	0.00	0.00	0.00	(47,510,145.69)	0.00
Closing Book Value	69,211,248	93,592,809.00	447,160,096.00	535,559,263.88	436,779,599.41	484,710,955

ANNEX A-3: SUMMARY OF LEAN GAS PRODUCT STATEMENT, JANUARY TO DECEMBER 2016

Month	Company	Volume (MMBtu)	Price/US\$ MMBtu	Value US\$	Volume/Month (MMBtu)	Gross Revenue	Less 40% Pre-finance (US\$)	Net Revenue (US\$)
January	VRA	2,628,186.17	8.8424	23,239,473.37	2,628,186.168	23,239,473.37	-	23,239,473.37
February	VRA	2,777,541.19	8.8424	24,560,130.22	2,777,541.19	24,560,130.22	-	24,560,130.22
March	VRA	1,771,814.64	8.8424	15,667,093.77	1,771,814.64	15,667,093.77	-	15,667,093.77
April	-	-	-	-	-	-	-	-
May	VRA	1,455,713.65	8.8424	12,872,002.26	1,455,713.65	12,872,002.26	-	12,872,002.26
June	VRA	1,630,016.99	8.8424	14,413,262.18	1,630,016.99	14,413,262.18	-	14,413,262.18
July	VRA	2,243,131.02	8.8424	19,834,661.69	2,243,131.02	19,834,661.69		19,834,661.69
August	VRA	2,501,806.78	8.8424	22,121,976.25	2,501,806.78	22,121,976.25		22,121,976.25
September	VRA	1,834,163.05	8.8424	16,218,403.32	1,834,163.05	16,218,403.32		16,218,403.32
October	VRA	2,644,826.83	8.8424	23,386,616.75	2,644,826.83	23,386,616.75		23,386,616.75
November	VRA	1,657,579.36	8.8424	14,656,979.76	1,702,390.80	15,053,220.45		14,958,616.33
	Wangkang	44,811.44	8.8424	396,240.69			(94,604.12)	
December	VRA	2,328,127.21	8.8424	20,586,232.01	2,475,214.86	21,886,839.84		21,576,314.28
	Wangkang	147,087.65	8.8424	1,300,607.83			(310,525.56)	

Source: GNGC, 2017

APPENDIX A-4: LPG PRODUCT STATEMENT, 2016

Month	Volume (MT)	Price (US\$/MT)	Value (US\$)	Volume/Month (MT)	Petroleum Gross Revenue (US\$)	Discount (US\$)	Net Revenue (US\$)
January	5,743.85	320.94	1,843,430.58	8,418.22	2,692,702.88	252,546.48	2,440,156.40
	2,674.37	317.56					
February	5,956.40	263.68	1,570,582.76	10,469.74	2,722,612.80	314,092.11	2,408,520.69
	4,513.34	255.25	1,152,030.04				
March	4,341.13	262.19	1,138,201.92	5,572.00	1,502,230.54	167,160.00	1,335,070.54
	1,230.87	295.75	364,028.62				
April							
May	535.71	300.91	161,199.29	3,391.59	979,125.04	101,747.76	877,377.28
	2,855.89	286.40	817,925.75	3,391.59			
June	3,119.06	296.59	925,080.82	4,626.12	1,383,907.06	138,783.66	1,245,123.40
	1,507.07	304.45	458,826.24				
July	3,131.82	314.10	983,704.66	6,779.30	2,118,399.22	203,378.88	1,915,019.08
	3,647.48	311.09	1,134,694.55				
August	4,621.79	292.23	1,350,625.69	9,273.21	2,602,229.79	278,196.36	2,324,033.99
	4,651.42	269.08	1,251,604.09				
September	1,782.85	348.73	621,732.20	6,372.13	2,109,943.92	191,163.75	1,918,779.52
	4,589.28	324.28	1,488,211.72				
October	3,978.66	360.86	1,435,739.25	8,602.58	2,276,753.71	177,198.48	2,099,557.48
	4,623.92	393.50	1,819,512.52				
November	3,679.67	399.68	1,470,690.51	5,906.61	2,276,753.71	177,198.48	2,099,557.48
	2,226.94	361.96	806,063.20				
December	3,676.73	363.25	1,335,572.17	7,869.50	2,970,542.83	236,085.06	2,734,458.50
	4,192.77	389.95	1,634,970.66				
Reconciled Differences	2.00	430.50	861.00	9,972.84	361,037.50	33,551.45	327,487.04
	364.56	331.75	120,942.78				
	(35.47)	407.72	(14,461.83)				
	(0.40)	339.77	(135.91)				
	4,513.34	2.5	11,283.35				
	4,341.13	0.63	2,734.91				
	787.68	304.45	239,809.18				

Source: GNGC, 2017

ANNEX A-5: CONDENSATES PRODUCT SUMMARY, 2016

Month	Company	Volume (MT)	Price (US/MT)	Value (US\$)	Volume/Month (MT)	Monthly Value (US\$)
January	ECO	1,134.30	288.00	326,678.40	2,025.47	583,336.51
	Chase	378.27	288.00	108,942.91		
	XF	512.90	288.00	147,715.20		
February	ECO	821.41	288.00	236,566.08	1,952.06	562,193.28
	Chase	142.49	288.00	41,037.12		
	XF	147.17	288.00	42,384.96		
	Rhema	483.74	288.00	139,317.12		
	Globex	357.23	288.00	102,888.00		
March	ECO	482.37	288.00	138,992.56	1,138.35	327,844.80
	Rhema	370.56	288.00	106,721.28		
	Globex	285.42	288.00	82,200.96		
April				0.00		
May	Globex	281.81	288.00	81,161.28	281.81	81,161.28
June	Globex	962.88	288.00	277,309.44	962.88	277,309.44
July	ECO	144.23	288.00	41,538.24	1,615.20	465,177.60
	Rhema	256.45	288.00	73,857.60		
	Globex	1,214.52	288.00	349,781.76		
August	Rhema	28.54	288.00	8,219.52	1,716.41	494,326.08
	Globex	1,687.87	288.00	486,106.56		
September	Globex	1,178.41	288.00	339,383.23	1,178.41	339,383.23
October	ECO	57.03	306.83	17,498.51	1,782.53	524,937.58
	Globex	873.94	286.65	507,439.07		
		851.56	301.71			
November	ECO	57.99	271.18	15,725.73	1,306.91	383,129.20
	Globex	755.03	309.22	367,403.47		
	Globex	493.89	271.18			
December	ECO	86.96	213.15	33,279.66	1,871.03	442,092.81
		57.94	254.73			
	ECO (Reconciled Differences)	14.68	400.00	5,872.00		
		3.99	400.00	1,596.00		
		78.84	288.00	22,705.92		
	Globex	871.50	213.15	371,466.04		
		729.03	254.73			
	Med	28.16	254.73	7,173.20		

ANNEX A-6: LIST OF PROJECTS TO BE FUNDED BY ABFA IN 2017

S/N	PRIORITY AREA	SECTOR	PROJECT	GOODS & SERVICES	CAPEX	SUB-TOTAL
1	Agriculture	Ministry of Food and Agriculture	Irrigation Infrastructure	4,814,220	85,000,000	89,814,220
			Greenhouse Project		35,000,000	35,000,000
			GCX Warehouse Receipt System (Rehabilitation of Warehouses and Silos with Labs by NAFCO)		8,400,000	8,400,000
			Counterpart Fund Requirement (Agriculture Sector Investment Programme)	5,000,000		5,000,000
		Ministry of Fisheries and Aquaculture Development	Fisheries and Aquaculture Inputs and Infrastructure	3,862,897	14,000,000	17,862,897
		Sub-total 1		13,677,117	142,400,000	156,077,117
2	Physical Infrastructure and Service Delivery in Education	Ministry of Education	Free SHS Policy	211,717,458		211,717,458
		Sub-total 2		211,717,458	0	211,717,458
3	Physical Infrastructure and Service Delivery in Health	Ministry of Health	Health Infrastructure		50,000,000	50,000,000
		Sub-total 3		0	50,000,000	50,000,000
4	Road, Rail and Other Critical Infrastructure Development	Ministry of Roads and Highways	Road Infrastructure		187,255,173	187,255,173
		Ministry of Railways Development	Rail Infrastructure	11,600,000	177,765,503	189,365,503
		Sub-total 4		11,600,000	365,020,676	376,620,676
5	Public Interest and Accountability Committee (PIAC)	Ministry of Finance	PIAC Operations	1,900,000		1,900,000
		Sub-total 4*		1,900,000	0	1,900,000
6		TOTAL (1+2+3+4+4*)	Sub-Total MDA's	238,894,575	557,420,676	796,315,251

Source: Ministry of Finance, 2017

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