



Public Interest and Accountability Committee

Press Release

20th April, 2023

STATEMENT BY THE PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC) ON THE PUBLICATION OF THE 2022 ANNUAL REPORT

The Public Interest and Accountability Committee (PIAC) has published the Annual Report on the management and use of petroleum revenues for 2022 on its website www.piacghana.org. This is in fulfilment of Section 56 of the Petroleum Revenue Management Act (PRMA), 2011 (Act 815).

Since its establishment in September 2011, PIAC has continued to fulfill its mandate of monitoring and evaluating the management and use of Ghana's petroleum revenues by the government and stakeholder institutions.

In compliance with provisions of Act 815, the Committee prepares Semi-Annual and Annual Reports, which aim at keeping Ghanaians and other interested stakeholders regularly informed about the management and utilisation of the country's petroleum revenues. Since its inception, the Committee has published a total of 23 Reports – 11 Semi-Annual and 12 Annual.

The 2022 Annual Report covers the period January to December 2022 and encompasses a broad range of issues relating to petroleum revenue management such as information on production, liftings, total revenues accruing and allocation by Government, ABFA utilisation, and the management of the funds set aside in the Ghana Petroleum Funds (Ghana Stabilisation Fund and the Ghana Heritage Fund).

The Report also examines other issues pertinent to the performance of various institutions charged with responsibilities in the PRMA, including PIAC.

KEY FINDINGS/OBSERVATIONS

The following are some of the key findings/observations of the Report:

- Crude oil production has been declining for three consecutive years. A volume of 71,439,585 barrels was produced in 2019, but declined to 66,926,806 barrels in 2020, representing 6.32 percent. It further declined to 55,050,391 barrels in 2021 (17.75%) and then to 51,756,481 barrels in 2022 (5.98%). The average decline over the three-year period stood at 10 percent.
- Total petroleum revenue in 2022 is the highest for a single year since inception of petroleum production in Ghana with a figure of US\$1.43 billion.



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- Surface Rental Arrears continue to rise. It increased from US\$2.58 million in 2021 to US\$2.77 million in 2022, 65 percent (US\$1.80 million) of which is owed by four (4) contractors whose Petroleum Agreements were terminated in 2021. Efforts made by the Ghana Revenue Authority to retrieve the arrears are yet to yield the desired results.
- For two consecutive years (2021 – 1.74% and 2022 - 2.39%), the Ministry of Finance has not been able to meet the requirement to transfer five (5) percent of the ABFA to the District Assembly Common Fund, contrary to the decision of the Supreme Court of Ghana in the case of Kpodo and Another vs Attorney-General in 2019.
- The Industrialisation Priority Area received an amount of GH¢9.29 million representing 0.20 percent of the total ABFA (GH¢4.41 billion). The disbursement which represents 4.29 percent of the amount budgeted (GH¢216.3 million) for the priority area for 2022 does not reflect giving priority to Industrialisation in the use of ABFA.
- An amount of GH¢643.61 million (US\$73.68 million) was transferred to GIIF in 2022. According to the Fund, the entire disbursement was used to support the Agenda 111 Project of the Government. This is the second year after 2021 that GIIF has received funds for the Agenda 111 Project. In 2021 an amount of GH¢290.38 million (US\$49.39 million) was allocated to the Fund.
- The retention of the current cap of US\$100 million on the GSF for the year 2022 is not in accordance with the formula stipulated in L.I 2381. A proper application of the formula would have returned a cap of US\$638.87 million. The current cap does not help build the Fund to serve its purpose.
- In 2022, GNPC received an amount of US\$38,835,537.56 as gas commodity revenue from the Cash Waterfall Mechanism (CWM) which constitutes petroleum revenue. This amount was not paid into the PHF.
- GNPC is using JOHL to carry out operations not approved in GNPC's Workplan for 2022. Two notable examples are Explorco cash calls on Springfield, ENI Block 4 etc. – US\$5,546,419.12 and SOPCL Decommissioning – US\$11,000,000.00.
- Total lifting proceeds received by JOHL (a subsidiary of GNPC) for 2022 amounted to US\$272,652,208.95. Despite calls by PIAC that revenues of JOHL constitute petroleum revenue and should be paid into the PHF, GNPC disagrees and continues to use lifting proceeds of JOHL for other expenditures.
- Although GNGC generates some revenue from the sale of processed gas, it has been unable to settle its indebtedness to GNPC for raw gas supplied because of the zeroed policy introduced by government to subsidise its portion of the CAPI of the gas. Apart from the



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payment of gas revenue in 2015 by GNPC, there has been no further gas payments into the PHF.

- During the period under review, the Committee inspected 29 ABFA-funded projects in seven (7) regions. For twenty-six (26) out of the projects visited, the ABFA component constituted an average of 57.31 percent of the project contract sum. The contract sum of the remaining three (3) projects was not available to the Committee at the time of the inspection. The only project that was completed at the time of PIAC's visit was fully funded with the ABFA.

RECOMMENDATIONS

- There is the need for Ghana to speed up the sustainable development of its petroleum resources to reverse the decline in petroleum production through the attraction of new investors as well as early completion of ongoing projects.
- GRA needs to intensify its efforts in the collection of Surface Rental arrears, particularly the amount owed by the four (4) contractors whose Petroleum Agreements were terminated in 2021.
- Crude oil receipts by JOHL should be paid into the PHF since it forms part of Ghana's petroleum revenue.
- In the disbursement of funds to the DACF, the Minister for Finance should comply with the decision of the Supreme Court of Ghana in the case of Kpodo and Another vs Attorney-General in 2019.
- Having rightly selected Industrialisation as a Priority Area, the government should show more commitment by investing more in industrial development.
- The Minister for Finance should comply with the relevant provisions of L.I 2381 in determining the cap on the GSF, in order that the Fund would be able to cushion the economy in times of unanticipated petroleum revenue shortfalls.
- PIAC reiterates its call on GNPC to focus on its core mandate and for the government to desist from borrowing or requesting GNPC to make advances and guarantees on behalf of government and its agencies.
- PIAC reiterates that Government should direct disbursements to GIIF intended for Agenda 111, to the Ministry of Health under the health component of the Education and Health Priority Area to support the Agenda 111 Project.
Additionally, GIIF should focus the utilisation of its share of ABFA on its core mandate of investing funds in commercial infrastructural projects, in accordance with the GIIF Act, 2014 (Act 877) and policy guidelines of the Fund.



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It is the expectation of the Committee that the general public will read the Report, and provide feedback via; secretariat@piacghana.org, +233 (0) 302 547 765, 0554416544 (WhatsApp), or any of our social media handles.

The Committee also urges the media to obtain a copy of the 2022 PIAC Annual Report from its website for further analyses of the issues raised.

Signed

Chairman, PIAC

About PIAC

The Public Interest and Accountability Committee (PIAC) was established under Section 51 of the Petroleum Revenue Management Act (PRMA), to among others, monitor and evaluate compliance with the Act. The Committee was inaugurated and commenced work on 15th September, 2011.

Media Contacts

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