

**IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF  
THE FOURTH REPUBLIC OF GHANA**

**REPORT OF THE COMMITTEE ON MINES AND ENERGY**

**ON THE**



**PETROLEUM AGREEMENT AMONG THE GOVERNMENT OF  
THE REPUBLIC OF GHANA, THE GHANA NATIONAL  
PETROLEUM CORPORATION (GNPC) AND AMNI  
INTERNATIONAL PETROLEUM DEVELOPMENT COMPANY  
(GHANA) LIMITED**

**IN RESPECT OF THE**

**CENTRAL TANO BLOCK OFFSHORE OF THE  
REPUBLIC OF GHANA**

**MARCH, 2014**



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DEVELOPMENT COMPANY (GHANA) LIMITED  
IN RESPECT OF THE CENTRAL TANO BLOCK,  
OFFSHORE OF THE REPUBLIC OF GHANA**

**1.0 INTRODUCTION**

The Petroleum Agreement among the Government of Ghana, the Ghana National Petroleum Corporation (GNPC) and Amni International Petroleum Development Company (Ghana) Limited in respect of the Central Tano Block, Offshore of the Republic of Ghana was laid in Parliament on Thursday, 27<sup>th</sup> February, 2014 by the Hon. Minister for Energy and Petroleum, Mr. Emmanuel Armah-Kofi Buah in accordance with Article 268 of the 1992 Constitution.

Consequent to this, the Petroleum Agreement was referred to the Committee on Mines and Energy for consideration and report pursuant to Orders 156 and 188 of the Standing Orders of Parliament.

**2.0 DELIBERATIONS**

The Committee met with the Hon. Deputy Minister for Energy and Petroleum, Mr. Benjamin Kwaku Dagadu and other Officials of the Ministry to consider the Petroleum Agreement. In attendance at the instance of the Committee were Officials of the GNPC and the Petroleum Commission to assist in the deliberations.

The Committee is grateful to the Officials for their attendance and for providing clarifications to enrich its discussions on the Proposed Agreement.

**3.0 REFERENCE DOCUMENTS**

The Committee was guided by the following documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;

- iii. The Ghana National Petroleum Corporation Act, 1983 (PNDCL 64);
- iv. The Petroleum (Exploration and Production) Act, 1984 (PNDCL 84);
- v. The Petroleum Commission Act, 2011 (Act, 821);
- vi. The Petroleum Income Tax Law, 1987 (PNDCL 188);
- vii. The Environmental Protection Agency Act, 1994 (Act 490);
- viii. The Environmental Impact Assessment Regulations, 1999 (L.I. 1652); and
- ix. The Petroleum (Local Content and Local Participation) Regulations 2013 (L.I 2204).

#### **4.0 BACKGROUND INFORMATION**

The Deep Tano Petroleum Agreement was ratified in July, 2006 thereby making the Tullow Ghana Limited the Operator of the Deep Tano Block. In fulfillment of the terms of the Deep Tano Petroleum Agreement, the contractor relinquished 25% of the Contract Area at the end of the First Extension Period. The relinquished area was approximately 277.9km<sup>2</sup>.

Following this, the Hon. Minister for Energy and Petroleum declared the area open after which interested companies were allowed to visit the GNPC Data Room to review the geological and geophysical data relating to the above mentioned area.

Having satisfied itself of the potential of the Block, the Amni International Petroleum Development Company (Ghana) Limited submitted application for exploration and production rights to the Minister in July, 2012. The application was forwarded to the GNPC for evaluation leading to its approval by the Minister for Energy and Petroleum.

It therefore became imperative to seek Parliamentary ratification in accordance with Article 268 of the Constitution to bring the Agreement into effect. Hence, the laying in Parliament the Petroleum Agreement among the Government of Ghana, the Ghana National Petroleum Corporation and Amni International Petroleum Development Company (Ghana) Limited in respect of the relinquished area now renamed the Central Tano Block, Offshore of the Republic of Ghana for ratification.

## **5.0 THE APPLICANTS**

### **5.1 The Contractor**

The Amni International Petroleum Development Company (Ghana) Limited is seeking to be considered as Contractor for the Block. The Company was incorporated in Ghana on 30<sup>th</sup> April, 2012 and subsequently obtained a Certificate to commence petroleum exploration and production activities in Ghana on the 4<sup>th</sup> of May, 2012.

The shareholding of the Company comprises Amni International Petroleum Development Company Limited (Amni Nigeria) which holds 700,000 (70%) issued shares and the WCW International Company Limited, an indigenous Ghanaian Company which holds 300,000 (30%) issued shares.

The majority shareholder, the Amni Nigeria was incorporated in Lagos, Nigeria in 1993 as an independent (indigenous) Oil and Gas Exploration and Production Company. It has developed operating experience over the period and is currently operating two producing fields in Nigeria. These are the Ima and the Setu/Okoro Fields in the Niger Delta.

The Amni Nigeria holds 100% interest and has been operating the Ima Field located in OML 112 and 117 since 1996. Its current production level is approximately 1600 barrels of oil per day. Planned redevelopment of the Field is expected to increase production to 4,000 barrels of oil per day. The total recoverable reserves of the Fields stand at 4.5 million barrels of oil and 1 TCF of gas.

The Setu/Okoro Field is located in OML 112, in a water depth of about 14 metres. The Afren Plc has a 50% working interest in the Block. Oil production from the Field averaged 18,872 barrels per day in 2009, which exceeded pre-development expectations for that period. The Amni Nigeria and its partner have drilled a total of nine producing wells with output of the field averaging 15,801 barrels of oil per day in 2011. Since 2012, the partners have been working to sustain production from existing well stock between 14,000 and 16,000 barrels of oil per day. The Okoro Field had produced 19.8 million barrels of oil per day as at the end of 2011 and the certified reserves of the Field is 14.7 Million barrels of oil as at the end 2011.

The Amni Nigeria and its partner have commenced early development of another field called Okoro East, following oil discovery and appraisal of the

new Field in early 2012. Oil in place is estimated at 157 million barrels with an upside of 329 million barrels of oil.

On its financial capability, the company's 2009 Audited Financial Statements showed Operating Profit of Seventy-One Million United States Dollars (US\$71,000,000.00) and cash flows from its operating activities amounted to Two Hundred and Thirty-Three Million United States Dollars (US\$233,000,000.00). It also recorded net assets of over Two Hundred Million United States Dollars (US\$200,000,000.00) in the same year.

The available liquid asset of the Company (both in cash and cash equivalent) is to One Hundred and Twelve Million, One Hundred and Ninety-Four Thousand United States Dollars (US\$112,194,000.00).

The Amni International Petroleum Development Company (Ghana) Limited has the financial ability, technical competence and the professional skills necessary for the efficient conduct of petroleum operations if the Agreement is ratified by the House.

## **5.2 The Ghana National Petroleum Corporation (GNPC)**

The GNPC is a Public Corporation established by the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64). The Corporation by virtue of the PNDCL 84 has the right to undertake exploration, development and production of petroleum over all Blocks declared open for petroleum operations by the Minister for Energy and Petroleum. It is further authorized to enter into association with Contractors for the purpose of exploration, development and production of petroleum by means of Petroleum Agreements.

The GNPC has entered into an association with the Amni International Petroleum Development Company (Ghana) Limited for the Block.

## **6.0 THE INTEREST STRUCTURE**

6.1 The interest structure of the partners is as follows:

Amni International Petroleum Development Company (Ghana) Limited	90%	Participating Interest
GNPC	10%	Initial Carried Interest

The GNPC may elect to have additional paying interest of 20% in the event of discovery of oil in commercial quantities.

## **7.0 THE CONTRACT AREA**

The area applied for is the relinquished portion of the original Tullow Deepwater Tano Block. It is approximately 277.9 km<sup>2</sup> and lies in water depth between 400 and 1,300 metres. The Location Map is attached as Appendix I.

The proposed Contract Area is part of the Offshore Tano Basin. The deep water portion of the Basin plays host to numerous oil, gas and condensate discoveries including the Jubilee (Mahogany), Tweneboa, Enyenra, Ntomme, Wawa, Akasa, Paradise, Sankofa and Dzata discoveries. The area is covered by a dense grid of 2D Seismic Data and 3D Seismic Data acquired in 2000 and reprocessed in 2007. Only one well, Onyina-1 Exploratory Well is located within the applied area. It was drilled by Tullow Ghana Limited to explore a large campanian prospect in the Deepwater Tano License. It intersected 49 metres of good quality sandstone reservoir.

## **8.0 DURATION OF THE CONTRACT AND WORK PROGRAMME**

8.1 The Petroleum Agreement is for a total of 25 years in the event of commercial discovery under Article 23 of the Agreement. However, Article 3 of the Agreement provides for an exploration period of Seven (7) years after which the Agreement stands to expire if no commercial discovery is made.

### **8.2 Work Programme**

Article 4 of the Agreement commits the Contractor to a minimum exploration programme in three phases comprising the Initial Exploration Period of three years, one and half years for the First Extension Period and another one and half years for the Second Extension Period.

8.3 The detailed Work Programme and the minimum financial commitments are as follows:

#### **i) Initial Exploration Period**

This would last for a period of three (3) years. At this stage, the Contractor would be required to license existing 3D Seismic Data over Applied Contract Area (277.9 km<sup>2</sup>) and drill two (2)

Exploration Wells. The Contractor’s Minimum Expenditure Obligation for the work during this period is One Hundred and Fifty Million United States Dollars (US\$150,000,000.00).

ii) **First Extension Period**

This stage is to last for a period of one and half (1½) years. During this period the Contractor would carry out the following drill one exploration well and expend a minimum of Seventy-Five Million United States Dollars (US\$75,000,000.00).

iii) **Second Extension Period**

This would last for one and half (1½) years during which the Contractor will carry out the following work drill one (1) exploration well and to also commit a minimum expenditure of Seventy-Five Million United States Dollars (US\$75,000,000.00).

The exploration operations are required by the Proposed Agreement to commence as soon as practicable latest by 60 days after ratification of the Agreement by the House.

**9.0 FISCAL TERMS**

In the event of commercial discovery of oil in the Contract Area, the following fiscal benefits will accrue to the State under Article 10 of the Agreement.

**9.1 Royalties and other Entitlements**

On royalties and other entitlements, the State would benefit from oil and gas production at the rates (Article 10.1 of the Agreement) provided in the Table 1 below.

**Table 1: Royalties and other Entitlements under the Agreement**

<b>Entitlement</b>	<b>Percentage</b>
Royalty – Oil	12.5%
Royalty - Domestic Gas	5%
Royalty – Export Gas	10%
GNPC – Initial Carried Interest	10%
GNPC - Additional Interest	20%
Corporate Income Tax	35%



The Domestic Gas Royalty of 5% was strategically agreed to provide more incentive for the exploration of domestic gas.

## 9.2 Additional Oil Entitlements

In the event of commercial oil discovery, the State will receive Additional Oil Entitlements upon the attainment of agreed Rates of Return under Article 10.2 of the Agreement as shown in Table 2 as follows:

**Table 2: Additional Oil Entitlements under the Agreement**

Rate of Return	Additional Oil Entitlement
<12.5%	0%
12.5% < 17.5%	12.5%
17.5% < 22.5%	15%
22.5% < 27.5%	17.5%
27.5% < 32.5%	22.5%
>32.5%	30.0%

## 9.3 Surface Rentals

The Contractor would also pay surface rentals in respect of the remainder of the Contract Area at the beginning of each Contract Year (Article 12.1) of the Agreement. The details are as shown in Table 3 below:

**Table 3: Annual Surface Rentals under the Agreement**

Phase of Operation	Annual Surface Rentals
Initial Exploration Period	US\$50/km <sup>2</sup>
First Extension Period	US\$100/km <sup>2</sup>
Second Extension Period	US\$100/km <sup>2</sup>
Development and Production Period	US\$200/km <sup>2</sup>

## 10.0 LEGISLATIVE AND REGULATORY PROVISIONS

It was noted that new legislations or regulatory changes that will have an impact on the Petroleum Agreement after it has been approved is anticipated (12.1). For example the proposed Petroleum (Exploration and Production) Bill will modify certain aspects of the Petroleum (Exploration and Production) Law 1984 (PNDCL 84) under which this Petroleum Agreement has been negotiated. Such changes may not apply to this Petroleum Agreement but to subsequent ones after the law comes into operation.

Recent legislations that have been enacted and have an impact on the Petroleum Agreement include the Local Content and Local Participation Regulations, 2013 (L.I. 2204), which seeks to maximize the value-addition and job creation, and to develop local capacity as well as the Petroleum Commission Act, 2011 (Act 821) to regulate and manage the utilization of petroleum resources and to co-ordinate the policies in relation to them. The setting up of the Ghana Gas Company Limited, wholly State entity with the responsibility to build, own and operate infrastructure required to the gathering, processing, transporting and marketing of natural gas resources in the country also changes the existing landscape in the haling of gas under the petroleum agreements.

#### **11.0 TRAINING AND TECHNICAL SUPPORT**

To ensure the establishment of programmes to train Ghanaians for work in petroleum operations and also for transfer of management and technical skills required for efficient conduct of petroleum operations, the Contractor has committed to make two payments to the GNPC for the stated purpose.

The first is a lumpsum of One Million, Five Hundred Thousand United States Dollars (\$1,500,000.00) as training allowance to be paid within 30 days after the effective date of the Agreement. The second payment is in respect of the amount of One Million United States Dollars (\$1,000,000.00) per each Contract Year which will be paid within six months following the first declaration of commercial discovery.

#### **12.0 RELINQUISHMENT**

Under Article 5 of the Agreement, there will be no relinquishment of the Contract Area during the Exploration Period. However, if at the end of the Initial Exploration Period or the Second Extension Period, the Contractor decides not to enter into the next phase of exploration, the Contractor shall relinquish the entire Contract Area except for any discovery area.

Each area to be relinquished would be selected by the Contractor and shall be measured in terms of continuous and compact units of size and shape which will permit the carrying out of petroleum operations in the relinquished portions.

### **13.0 DECOMMISSIONING AND ENVIRONMENTAL MANAGEMENT FUND**

The Petroleum Agreement further makes provision for the establishment of a Decommissioning and Environmental Management Fund for the purpose of decommissioning and environmental management. A portion of the revenues from the production from the contract area will be paid into the Fund and will be used in financing decommissioning and any environmental accidents that may occur in the course of petroleum operations.

As further security and in the event that the monies accrued in the Decommissioning and Environmental Management Fund is not adequate to cover costs of decommissioning and any environmental incidents that may occur during operations, the Contractor will be required to take an insurance cover to cater for any shortfall in the Fund.

The Fund will be jointly managed by the Contractor and the GNPC.

### **14.0 PERFORMANCE BOND**

Upon the coming into effect of the Agreement, the Contractor will provide a number of security-guarantees to demonstrate its financial capability to perform its work obligations under the Agreement.

The Contractor will provide a Performance Bond/Guarantee from an entity with an Investment Grade Credit Rating from either Moody's Standard & Poor (S&P) or Fitch acceptable to the GNPC. The Bond will be required to be of the value of One Hundred and Fifty Million United States Dollars (US\$150,000,000.00) to cover the Minimum Expenditure Obligation for the Initial Exploration period agreed under the Agreement. This amount is to be secured in two parts. The first part of the amount of Seventy-Five Million United States Dollars (US\$75,000,000.00) to be provided within thirty (30) days of the effective date of the Petroleum Agreement. The remainder of Seventy-Five Million United States Dollars (US\$75,000,000.00) will be provided after the first well for the Initial Exploration Period has been drilled and will be subject to periodical downsizing upon compliance with Minimum Work obligation.

## **15.0 JOINT MANAGEMENT COMMITTEE**

Per Article 6 of the proposed Agreement, a Joint Management Committee (JMC) will be established by the GNPC and the Contractor not later than 30 days upon the effective date of the Agreement.

The purpose of the JMC will be to oversee and supervise petroleum operations to ensure full compliance with the Work Programmes and Development Plans. It is also to ensure that cost accounting, expenses and maintenance of records and reports relating to petroleum operations are carried out in accordance with the Agreement and procedures generally accepted in the international petroleum industry.

## **16.0 OBSERVATIONS AND RECOMMENDATIONS**

The Committee made the following observations during consideration of the proposed Agreement.

### **16.1 Enhanced Benefits to the State**

The Committee noted that the Agreement gives improved benefits to the State in the event of discovery of oil in commercial quantities. It was found that the different fiscal elements under the Agreement will provide the State an approximate of 71% - 77% of the net oil (i.e the total oil produced less exploration, development and production costs). This is a significant improvement compared to those obtained in previous Petroleum Agreements. Appendix II compares the fiscal terms of Petroleum Agreement and the AGM Agreement which is in the same Basin and in similar water depth proposed by the Contractor.

In addition to the enhanced fiscal regime, oil discovery would stimulate more exploration and production activities in the Basin which would lead to increased national oil and gas reserves and revenues to be derived by the State. A discovery would also lead to employment creation and the setting up of ancillary business by Ghanaians to serve the company's operations.

### **16.2 Local Participation**

The Committee was gratified to note that the WCW International Limited, an indigenous Ghanaian Company holds participating interest of 27% in the Block owing to its 30% share in the Amni International Petroleum Development Company (Ghana) Limited. This is higher than the minimum of 5% local participation requirement as set out in the Petroleum (Local

Content and Local Participation) Regulations 2013 (L.I. 2204) other than the participating interest of GNPC.

To fully satisfy itself that the WCW International Limited is truly owned by Ghanaians, the Committee sought and received the assurance of the Ministry of Energy and Petroleum and the GNPC in this regard. The assurance was further backed by the submission of Certificate of Incorporation of the Amni International Petroleum Development Company (Ghana) Limited and was received by the Committee.

The increased local participating interest will go a long way to ensure indigenous participation in this emerging industry for the benefit of Ghanaians and the Ghanaian society.

### **16.3 Modified Stabilization Clause**

The Committee noted with satisfaction that the quality of stabilization clauses found in previous Petroleum Agreements have been significantly modified and watered down in this Petroleum Agreement.

The Agreement provides that the Contractor will comply with all future changes in law and policy which may have effect on fiscal and economic terms of the Agreement. However, there is an avenue for the Parties to renegotiate the fiscal and economic terms where the Contractor considers that a significant change in the circumstances prevailing at the time the Agreement was entered into has occurred to affect the economic balance of the Agreement. In the event of such a request, the onus would lie on the Contractor to establish that a change has occurred and also that the change has materially affected the terms of the Agreement and a further prove of the extent of the effect before the provision for renegotiation could be invoked.

The State stands to benefit by introducing the necessary changes particularly in the event of a significant increase in oil prices where it becomes necessary for the terms of the Agreement to be revised. This would help to ensure that the country derives optimum benefits from its petroleum resources.

### **16.4 Favourable Dispute Settlement Regime**

It was further noted that the Agreement makes provision for favourable dispute resolution regime for the purpose of addressing possible differences that may arise between the State and the Contractor (Article 24

of the Agreement). The Committee was particularly satisfied with the waiver by the parties to seek attachment of assets prior to the determination of final arbitral awards in the event of a dispute (Article 24.6 of the Agreement). This provision was considered very useful in light of potential damages associated with petroleum operations. The Committee was of the opinion that the waiver of the right attachments removes the adverse effects that such actions could have on the State and the operations of the GNPC. Attachments could also be extremely coercive and may weaken the bargaining position of the State during dispute procedures.

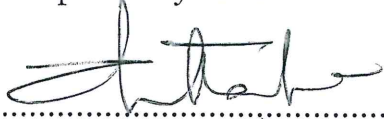
## **16.5 Assignment of Interest**

It was finally found that adequate provisions have been made to govern future assignment of interest in the Block by the Contractor. Per Article 25 of the Petroleum Agreement, interest in the Block can only be assigned by the Contractor except that by the prior written consent of the GNPC and the Minister for Energy and Petroleum. Additionally, the third party in the event of assignment under the Agreement will be bound by the provisions of the Agreement. Again, as a condition to any assignment, the Contractor will provide an unconditional undertaking to the effect that the assignee will assume all of its obligations under the Agreement. This will assist in preserving the interest of the State under the Agreement and to also address the challenges that characterize assignment of interests in the petroleum industry.

## **17.0 CONCLUSION**

- 17.1 The committee has duly scrutinized the Agreement and is satisfied that the Petroleum Agreement meets the requirements of the Constitution, the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64), the Petroleum (Exploration and Production) Act, 1984 (PNDCL 84), the Petroleum (Local Content and Local Participation) Regulations 2013 (L.I 2204) and other relevant laws.
- 17.2 The Committee therefore recommends to the House to adopt this Report and ratify the Petroleum Agreement among the Government of Ghana, the Ghana National Petroleum Corporation (GNPC) and Amni International Petroleum Development Company (Ghana) Limited in respect of the Central Tano Block, Offshore of the Republic of Ghana in accordance with Article 268 of the 1992 Constitution.

Respectfully submitted.



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**HON. KWABENA DONKOR (DR.)**  
**CHAIRMAN, COMMITTEE**  
**ON MINES & ENERGY**

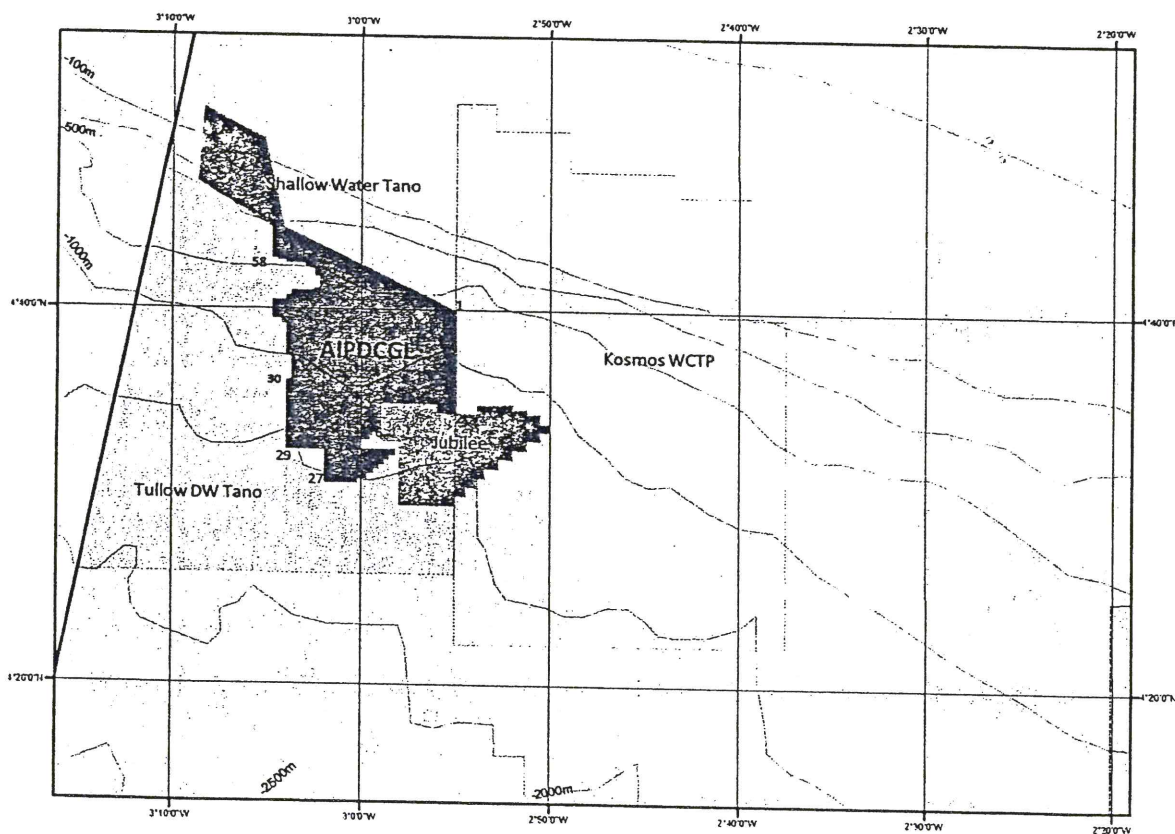


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**PEACE FIAWOYIFE (MS.)**  
**CLERK TO THE COMMITTEE**

**MARCH, 2014**

# APPENDIX I

AMNI Ghana Proposed Contract Area (ORANGE Polygon)





## APPENDIX II

<b>FISCAL PACKAGE &amp; ANALYSIS</b>	<b>AGM</b>	<b>AMNI</b>
<b>ROYALTY OIL</b>	10.0%	12.5%
<b>ROYALTY GAS (DOMESTIC)</b>	-	5.0%
<b>ROYALTY GAS (EXPORT)</b>	-	10.0%
<b>INITIAL GNPC PARTICIPATION</b>	10.0%	10.0%
<b>ADDITIONAL PARTICIPATION</b>	15.0%	20.0%
<b>INCOME TAX</b>	35.0%	35.0%
<b>ADDITIONAL OIL ENTITLEMENT</b>		
Rate of Return Thresholds		
<12.5%	0%	0%
12.5% - 17.5%	10.0%	12.5%
17.5% - 22.5%	12.5%	15.0%
22.5% - 27.5%	20.0%	17.5%
27.5% - 32.5%	30.0%	22.5%
>32.5%		30.0%
<b>TRAINING ALLOWANCE (\$)p.a.</b>	US\$1,000,000	US\$1,000,000
Exploration		
Development /Production		
		US\$1,500,000 after Declaration of commercial discovery
<b>TECHNOLOGY ALLOWANCE (\$)</b>		
<b>SURFACE RENTALS (\$/KM SQUARED)</b>		
Initial Exploration Period	30	50
First Extension Period	50	100
Second Extension Period	75	100
Development/Production Period	100	200
<b>Economic Impact on State Share*</b>		
<b>Base (80)</b>	<b>79.7%</b>	<b>70.8%</b>
<b>Mid (100)</b>	<b>82.4%</b>	<b>73.0%</b>
<b>High (120)</b>	<b>84.2%</b>	<b>76.8%</b>

