

**IN THE FOURTH SESSION OF THE
SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC**



**REPORT OF THE SELECT COMMITTEE
ON MINES AND ENERGY ON THE
BUDGET PERFORMANCE OF THE
MINISTRY OF ENERGY FOR THE
PERIOD, JANUARY TO DECEMBER,
2018 AND 2019**

JULY, 2020

Acc no: 1150 C₂
Class No BE/MOE/19

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1.0 INTRODUCTION

Pursuant to Section 27(1) of the Public Financial Management Act, 2016, (Act 921), the Performance Reports of the Ministry of Energy for the Period, January to December, 2018 and 2019 were laid in Parliament on 8th April, 2019 and 4th April, 2020 by Hon. Kweku Agyeman Kwarteng, Deputy Minister for Finance and Hon. Mr. Osei Kyei-Mensah-Bonsu, Hon. Majority Leader and Minister for Parliamentary Affairs respectively on behalf of the Hon. Minister for Energy, Mr. Peter Amewu.

The Performance Reports were subsequently referred by the Rt. Hon. Speaker to the Committee on Mines and Energy for consideration and report.

2.0 DELIBERATIONS

The Committee met on 3rd June, 2020 and considered the Reports. Present at the meeting were the Hon. Minister for Energy, Mr. Peter Amewu and his two Deputy Hon. Ministers, namely Mr. Joseph Cudjoe and Mr. William Owuraku Aidoo as well as other technical Officers from the Ministry.

The Committee is grateful for their inputs and clarifications.

3.0 REFERENCE DOCUMENTS

In considering the Performance Reports, the Committee made reference to the under-listed documents:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2018 and 2019 Financial Year;
- iv. The Medium Term Expenditure Framework for the Ministry of Energy, 2017 – 2019;
- v. The Reports of the Select Committee on Mines and Energy on 2018 and 2019 Annual Budget Estimates of the Ministry of Energy; and
- vi. The 2018 and 2019 Annual Budget Estimates of the Ministry of Energy.

4.0 VISION AND MISSION OF THE MINISTRY

- 4.1 The vision of the Ministry of Energy is to achieve self-sufficient in the provision of sustainable energy and for export.
- 4.2 The Mission is to ensure reliable and competitively-priced energy for the Ghanaian economy and for export, in an environmentally-friendly manner.

5.0 STRATEGIC POLICY OBJECTIVES FOR 2017

During the years under review, the Ministry sought to achieve the following strategic policy objectives:

5.1 Power Sub-Sector

- Ensure availability of clean, affordable and accessible energy;
- Ensure efficient transmission and distribution system;
- Ensure efficient utilization of energy;
- Enhance capacity for policy formulation and coordination;
- Improve financial capacity and sustainability of utility companies.

5.2 Petroleum Sub-Sector

- Ensure availability of clean, affordable and accessible energy;
- Ensure efficient transmission and distribution system;
- Ensure efficient utilization of energy;
- Enhance capacity for policy formulation and coordination;
- Improve financial capacity and sustainability of utility companies.

6.0 KEY PERFORMANCES OF THE MINISTRY

The following were the key performances of the Ministry during the years under review:

6.1 Expansion in Generation Capacity

The Ministry targets for increasing the generation capacity for the years under review were 340MW in 2018 and 724MW in 2019. At the end of the year 2018, no generation capacity was added. However, 340 MW was added to the installed generation capacity to increase it to 4,917MW from 4,577MW in 2019. The increase came from the completion of the 340MW Cenpower.

In all, there was a shortfall of 384MW representing 53% of the target over the period (2018- 2019).

6.2 Improvement in Power Transmission

The following achievements were made during the years under reporting in the power transmission improvement:

- a. Bolgatanga - Ouagadougou 225kV interconnection Transmission Line recorded 100% completion as at 2018 from 70% baseline in 2017.
- b. Aboadze-Prestea 330kV Transmission Line - 98% completion in 2018 and 100% completion in 2019 from 80% baseline in 2017.
- c. Prestea-Kumasi 330kV Transmission Line- 94% and 100% completion for 2018 and 2019 respectfully from the baseline of 70% completion in 2017.

- d. Kumasi-Bolgatanga 330kV Transmission Line- Achieved 96.3% completion in 2018 and 100% completion for Kintampo -Tamale (Lot 2) and Tamale - Bolgatanga (Lot 3) in 2019. Lot 1 which is Kumasi Kintampo recorded 95% completion as at 2019.

6.3 Improvement in Power distribution

The following achievements were made under the power improvement efforts:

- a. **Expansion of electricity** - A target of 1,209 and 950 communities were earmarked to be connected to the national grid in 2018 and 2019 respectfully. As at the end of the reporting years, 278 and 445 communities had been connected respectfully. The underperformance was attributed to inadequate budgetary allocation to procure some key electrical materials for the project.
- b. **Electricity Access Rate** - The National Electricity Access Rate was increased from 84.15% in 2017 to 84.32% in 2018 and 84.98% in 2019 against a targets of 85% and 87 in 2018 and 2019 respectfully.
- c. **Street Lighting Programme**- The Regional Capital Street lighting Project involving the rehabilitation and replacements of High Pressure sodium (HPS) with LED streetlights in Accra and Kumasi recorded 85% in 2018 against a target of 100% completion. The 2019 recorded 100% achievement in Ashanti Region and 90% in Greater Accra Region.
- d. **ECG Private Sector Participation** - Under the ECG Private Sector participation Programme, the 1st and 2nd bidders conference was successfully held in 2018 with three (3) Agreements signed between ECG, PDS and Government. In 2019, ECG handed over the management of the power distribution to PDS which was later suspended and subsequently terminated in the same year and handed over back to ECG.

6.4 Renewable and Alternative Energy Development

The following achievements were made during the years under reporting with respect to Alternative Energy Development:

- a. **Renewable generation** -The Ministry achieved renewable power generation mix of 28.16 MW out of a target of 75MW in 2018 and 6.15MW out of a target of 8.65MW in 2019. The low performance was attributed to the availability of excess electricity generation.
- b. **Distribution of cookstoves** - With respect to effort at reducing overreliance on wood fuels, the Ministry distributed 19,500 and 18,500 cookstoves and accessories out of a targets of 40,000 and 60,000 for 2018 and 2019 respectively. The underperformance was attributed to unavailability of funds in the LPG Compensation fund; delay in production of cook stoves by manufacturing/ suppliers; and unexpected changes in schedule for distribution.
- c. **Development of mini-grids**- The target for development of mini-grids in 2018 was to commence construction of 3 mini grids in Ada and complete implementation documents of 55 mini-grids. At the end of the year, 2018 works on 5 Mini-grids (Krachi East and West) had been completed and feasibility Studies commenced for 55 Mini-grids. In 2019, the target was to complete and commission 3 mini grids in Ada. At the end of fiscal year, 2019 not much progress was made except sensitisation for 55 identified communities and 70% completion of the feasibility studies commenced in 2018. The under-performance was attributed to procurement challenges
- d. **Solar Rooftop Programme**- The target in 2018 was to complete the installation of 65KWp solar system. At the end of the 2018, the contract had been awarded. The target for 2019 was to complete the installation of 65kWp solar system and 1MWp solar project for Jubilee House. At the end of the year, 2019, the installation for 65kWp had been completed and commenced works for a 1.0MW solar at the Jubilee House. The delayed implementation was attributed to budgetary constraints.

- e. ***Small and Medium Hydro Development Programme*** – the target for 2018 was to commence the construction of 60kW Tsatsadu hydropower. At the end of 2018, phase I involving 30kW had commenced. 2019 was earmarked for completion of the construction of Tsatsadu Micro hydropower project. At the end of the year, 2019, first 45KW had been constructed on Tsatsadu River, Hohoe. The delayed implementation was attributed to the destruction of some of the potential hydro sites by illegal mining activities.
- f. ***20MWP Utility Scale Grid Connection for ECG*** – The target for 2018 was to complete and commission a 20MW utility solar project by Mienergy in Winneba. As at August, 2018 the project had been completed and commissioned.
- g. ***Ghana Nuclear Power Programme*** – 2018 was earmarked for signing of an intergovernmental Agreement with China National Corporation and completion of preliminary Site Assessment for candidate areas. At the end of the year under reporting, 2018 Intergovernmental Agreement had been signed between Ghana and China; and ROSATOM of Russia commenced human resource cooperation with Ghana Nuclear Power Programme Organisation technical body.

2019 was dedicated to the establishment and Operation of Owner/ Operator; identify nuclear power sites; and finalise and submit Nuclear Programme Comprehensive Report (PCR). At the end of the year, 2019, three (3) potential Nuclear Power Sites had been identified; Owner-Operator of first nuclear power plant established as Nuclear Power Ghana Ltd.; Phase 1 of PCR has been submitted to Government; and follow up INIR mission conducted by the International Atomic Energy Agency to finalise Ghana's Phase 1 Nuclear Power Programme. The main challenge was inadequate funding support for the Owner-Operator to execute Phase 2 activities.

6.5 Petroleum Upstream Development

During the years under review, the following milestones were achieved in the petroleum upstream development:

- a. Production from the Jubilee Field as at 31st October 2018 and 2019 stood at 24.46 Mmbbl and 31.92 Mmbbl out of targets of 27.7 Mmbbl 34.68 Mmbbl respectfully. A total of 19.53 Bscf and 20.69 Bscf of gas were produced from the Jubilee Filed in 2018 and 2019 out of targets of 25.2 Bscf and 34.68 Bscf respectfully.
- b. A total oil production of 23.56 Mmbbl and 22.32 Mmbbl were achieved at Teneboa-Enyenra-Ntomme (TEN) Field in 2018 and 2019 respectively. During the years under reporting 92018 -2019), 8.39 Bscf and 0.69 Bscf of gas were also produced.
- c. Total oil production at the Sankofa Gye Nyame Field stood at 10.1 Mmbbl and 17.2 were attained in 2018 and 2019 respectfully. Total gas produced under the same period (2018 – 2019) stood at 6.16 Bscf and 32.67 Bscf.

7.0 Financial Performance For The Year 2018 -2019

Table 1: Summary of financial performance for 2018

SOURCE	APPROVED BUDGET	RELEASES	ACTUAL EXP.	VARIANCE	PERCENTAGE UTILIZED
	GHC	GHC	GHC	GHC	(%)
COMPENSATION OF EMPLOYEES (GOG)	2,630,392.00	3,014,167.94	3,014,167.94	- 383,775.94	114.59
GOOD AND SERVICES (GOG)	1,941,790.00	1,556,714.00	1,556,714.00	385,076.00	80.17
CAPEX (GOG)	85,441,770.00	66,226,359.00	66,226,359.00	19,215,411.00	77.51
COMPENSATION OF EMPLOYEES (IGF) (ENERGY COMMISSION)	16,586,305.00	11,335,907.96	11,335,907.96	5,250,397.04	68.34
GOOD AND SERVICES (IGF) (ENERGY COMMISSION)	40,435,493.00	13,573,232.04	13,573,232.04	26,862,260.96	33.57
CAPEX (IGF) (ENERGY COMMISSION)	2,510,189.00	520,860.00	520,860.00	1,989,329.00	20.75
GOODS AND SERVICES (DONOR)	178,362,595.00	-	-	178,362,595.00	-
CAPEX (DONOR)/ OTHERS	586,488,879.00	1,575,685,841.77	1,575,685,841.77	- 989,196,962.77	268.66
TOTAL	914,397,413.00	1,671,913,082.71	1,671,913,082.71	- 757,515,669.71	

Table 2: Summary of financial performance for 2019

SOURCE	APPROVED BUDGET	RELEASES	ACTUAL EXP.	VARIANCE	PERCENT UTILIZED
	GHC	GHC	GHC	GHC	(%)
COMPENSATION* OF EMPLOYEES (GOG)	3,189,631.00	3,253,167.45	3,253,167.45	- 63,536.45	102.0*
GOOD AND SERVICES (GOG)	2,056,821.00	1,302,924.00	1,302,924.00	753,897.00	63.34
CAPEX (GOG)	81,169,682.00	81,169,682.00	81,169,682.00	-	100
DP FUNDS	338,591,156.00	51,689,886.73	51,689,886.73	286,901,269.27	15.4
RETAINED IGF (EC)	75,957,190.00	36,561,279.11	35,003,466.77	40,953,723.23	46.1
TOTAL	500,964,480.00	173,976,939.29	172,419,126.95	328,545,353.05	34.4

(*)The increment was due to promotion of staff and newly posted staff

8.0 OBSERVATIONS

8.1 Policy Initiatives

The Committee observed that strategic policies implemented by the Ministry during the period under review, yielded remarkable outcomes such as improvement in transmission and distribution of power and exploitation of petroleum resources. The initiatives included Energy Sector Recovery Policy, the Least Cost Fuel Procurement Policy, Energy Supply Procurement Policy and Street Lightening Policy. Additionally, the relocation of the Karpowership power plant to the Western Power Corridor in particular had enabled the country to run the power plant on natural gas from the Sankofa-Gye-Nyame Field, a cheaper fuel source, translating in significant reduction in generation cost and electricity tariff for industry and residential users.

8.2 Charges of Settlement of Energy Sector Bills on Ministry of Energy Budget

The Committee noted that the Ministry of Finance upon settling debts owed by some energy sector utilities, particularly the Electricity Company of Ghana (ECG), charges the payment against the budget of the Ministry of Energy.

In 2018, for instance, payments made on behalf of ECG to Sunon Asorgli, Ameri Power, AKSA Energy and LITASCO among others were charged against the budget of the Ministry, leading to an overrun of the its capital expenditure by 268.66%.

The Committee found the practice as inappropriate as it tends to crowd out the Ministry's expenditure for the year and also has the propensity to undermine the release of funds for the implementation of earmarked programmes by the Ministry. The Committee urges the Ministry of Finance to find an alternative way of capturing such financial interventions in the energy sector.

8.3 Increasing electricity access

The Committee was not pleased with the performance of the Ministry in achieving targets set for increasing electricity access. The Ministry achieved national electricity access rates of 84.32% and 84.98% against the targets of 85% and 87% in 2018 and 2019 respectfully. The Ministry attributed the under-performance to procurement challenges but expressed the optimism that recent contracts between the Government of Ghana and TBEA Hengyang Transformer Company Limited and Tropical Cable and Conductor Limited approved by the House will lead to increases in access rate to 90% by the end of the year.

8.4 Sustaining Investment in the Upstream Petroleum Sector

The Committee was pleased to note that the oil and gas licensing round bids launched by the Ministry to promote aggressive exploration of the country's petroleum basins resulted in the receipt of three (3) bids, out of which two (2) have been responsive. The Ministry informed the Committee that the Government has commenced negotiations with the successful bidders, ENI Ghana and First Petroleum Exploration to agree on the terms and conditions of the Petroleum Agreement in accordance with the country's laws. The Committee urges the Ministry to focus and sustain this strategy among others to encourage investments in the upstream sector in order to make more discoveries to increase the country's reserve as well as oil and gas production.

8.5 Performance of Rural LPG Programme

The Committee noted that the Ministry had under-performed in its objective of reducing reliance on wood fuels by rural communities through the adoption of improved cook stoves and LPG fuel. The Ministry attributed the under-performance to unavailability of funds in the LPG Compensation Fund for the Rural LPG Programme and delays in the production of the cook stoves by the manufacturers and suppliers. The Committee calls for more budgetary allocation for the programme and institution of measures to encourage local production of the LPG Cylinders and cook stoves.

8.6 Staff Strength of the Ministry

The total number of staff of the Ministry was 138 in 2018 as against approved ceiling of 125 as captured in 2018 budget and economic policy of the government of Ghana. This increased to 183 in 2019, against approved ceiling of 131. The breakdown of the staff as well as other seconded and contract staff are presented in Table 3 below:

Table 3: Breakdown of Staff Strength

Category	No. in 2018	No. in 2019	Change (%)
Permanent	138	183	32.6
Seconded Staff	32	44	37.2
Contract Staff	91	103	13.2
Total	261	330	26.4

With respect to the corresponding compensation, the Committee noted that an amount of GHS2,630,392 and GHS3,189,631 were approved by Parliament in 2018 and 2019 respectively. However, an amount of GHS3,104,167.00 and GHS3,253,167.45 were spent during the same years under review, representing over expenditure of GHS383,775 and GHS63536 for 2018 and 2019 financial years. The Committee considered the practice unacceptable and urges the Ministry not to repeat in the coming years.

8.6 Implementation of Recommendations of Parliament on Report of the Auditor-General

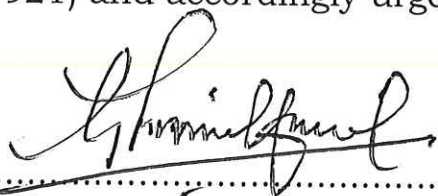
Pursuant to Section 27 (4) (c) of Public Financial Management, 2016 (Act 921), the budget performance report is supposed to contain a statement on the actions taken by the covered entity to implement the recommendations of Parliament in respect of the most recent report of the Auditor-General. In this regard, the Committee noted that the Ministry has complied with the recommendations of Parliament that Staff who benefitted from unearned salaries refund the monies and paid to Government Chest.

9.0 CONCLUSION

The Committee has thoroughly examined the Performance Report of the Ministry of Energy for the period, January to December, 2018 and 2019 and has observed that the Ministry generally performed well in meeting most of its policy outcome targets in respect of the petroleum sub-sector but missed most of the policy output targets for the power sub-sector.

The Committee recommends that funds allocated for the implementation of programmes by the Ministry are released on time.

The Committee commends the Ministry for fulfilling its obligations under Section 27 of the Public Financial Management Act, 2016, (Act 921) and accordingly urges the House to adopt its Report.



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HON. EMMANUEL AKWASI GYAMFI
(CHAIRMAN, COMMITTEE ON MINES AND ENERGY)



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JOANA A. S. ADJEI
(CLERK TO THE COMMITTEE)

JUNE, 2020