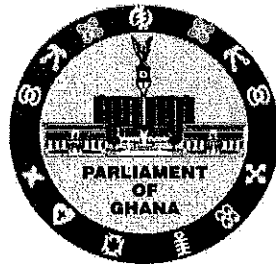


**IN THE SECOND MEETING OF THE
FOURTH SESSION OF THE SEVENTH
PARLIAMENT OF THE FOURTH
REPUBLIC**



**REPORT OF THE SELECT COMMITTEE
ON MINES AND ENERGY ON THE
PETROLEUM HUB DEVELOPMENT
CORPORATION BILL, 2020**

12TH AUGUST, 2020

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**REPORT OF THE SELECT COMMITTEE ON MINES AND ENERGY
ON THE PETROLEUM HUB DEVELOPMENT CORPORATION BILL, 2020**

1.0 INTRODUCTION

- 1.1 Pursuant to Article 106 (1) of the 1992 Constitution, the Petroleum Hub Development Corporation Bill, 2020 was laid in Parliament on 29th July, 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Minister responsible for Energy.
- 1.2 The Bill was subsequently referred by the Rt. Hon. Speaker to the Committee on Mines and Energy for consideration and report pursuant to Article 106 (4) of the 1992 Constitution and Order 188 of the Standing Orders of Parliament.

2.0 DELIBERATIONS

- 2.1 The Committee met on 6th and 10th August, 2020 and considered the Bill. In attendance to assist the Committee was the Hon. Deputy Minister for Energy, Mr. Joseph Cudjoe and his technical team composed of Officials from the Ministry of Energy and Attorney-General Department.
- 2.2 The Committee is grateful to the Hon. Deputy Minister and his Technical Team for their invaluable input.

3.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. The National Petroleum Authority Act 2005, (Act 691);
- iv. Environmental Protection Act, 1994 (Act 490);
- v. The Ghana National Petroleum Corporation Act, 1983 (PNDCL 64); and
- vi. The Petroleum Commission Act, 2011 (Act 821).
- vii. Ghana Ports and Harbours Authority Act, 1986. P.N.D.C.L. 160

4.0 BACKGROUND INFORMATION

- 4.1 In line with the Ministry of Energy's strategy of developing a petrochemical base in Ghana, as outlined in the 2019 Budget and Policy Statement of the Government of Ghana, the Ministry sought and was granted approval by Cabinet on its 48th Sitting on 14th February, 2019 to establish a Petroleum and Petrochemical Hub in the Western Region of Ghana.
- 4.2 The project is justified by an opportunity identified for the establishment of major infrastructure for refining and petrochemical processing, discharge, storage, distribution, transportation and trading of petroleum products using Ghana as a Hub for the West African sub-region and the world at large.
- 4.3 The project involves the development of infrastructure such as refineries, port terminal facilities, storage facilities as well as petrochemical and Liquefied Natural Gas (LNG) terminals with a network of pipelines sufficient enough to supply petroleum and petrochemical products to meet the domestic and West African sub-regional markets.
- 4.4 The establishment of a Development Corporation is therefore necessary to, among other things, coordinate and manage activities of the Hub.

5.0 OBJECT OF THE BILL

The purpose of the Bill is to establish the Petroleum Hub Development Corporation to promote and development a petroleum and petrochemicals Hub in the country.

6.0 HIGHLIGHTS OF THE BILL

Provisions contained in the Bill include:

i. Establishment and Object of the Corporation

The establishment and object of the Corporation is provided for under clauses 1 and 2 of the Bill. The object of the Bill is to develop and promote a Petroleum and Petrochemical Hub in Ghana.

ii. Functions of the Corporation

The functions of the Corporation as outlined in clause 3 include the planning and implementing strategies for developing the Hub such as coordinating and facilitating investment activities within the Hub, assisting companies operating within the Hub to acquire relevant licences and facilitating the provision of basic utilities and infrastructure. The Corporation will also undertake monitoring and evaluation activities to ensure participation of Ghanaian nationals and value retention for the country.

iii. Powers of the Corporation

In order that the Corporation is able to achieve its object of developing and promoting the Hub, the Corporation is empowered, under clause 4 of the Bill, to enter into joint venture operations with companies within the Hub with relevant government agencies to ensure the transfer of skills and knowledge to Ghanaians.

viii. Governing Body of the Corporation

Clause 5 of the Bill provides for a nine-member Board of Directors, with specialised knowledge and experience in matters relevant to the functions of the Corporation.

xiii. Reports to Parliament

Clauses 22 and 23 provide for standard provisions on accounts and audit, annual report and other reports.

xiv. Tax Waiver or Variation

Clause 24 provides for the Corporation to obtain a waiver or variation of tax, by the Minister for Finance, with the prior approval of Parliament.

xv. Intellectual Property

Clause 26 provides for the intellectual property right in any work made by an employee or person employed by the Republic and placed at the disposal of the Corporation, or an employee of the Corporation, or a person in the course of an investigation or research or by an intellectual enterprise funded or undertaken with resources of the Corporation, to vest in the Corporation unless otherwise agreed by the parties concerned.

xi. Collaboration with Relevant Public Institutions

Clause 26 allows for the Corporation to collaborate with any relevant public institutions in the development of the Hub.

xii. Regulations

Clause 27 empowers the Minister to make Regulations within twelve months of coming into force of the Act, to provide for the effective implementation of the Hub.

7.0 OBSERVATIONS

7.1 Socio-Economic Benefits of Proposed Hub

The Committee observed that the establishment of the Petroleum and Petrochemical Hub would contribute enormously to the economic growth of the country through value addition to the country's petroleum resources and job creation. The Officials of the Ministry indicated that the establishment of the Hub, for instance, will earn Ghana, about US\$1.56billion in export tax, and 130% increase in GDP through injection of US\$60billion into the country's economy by the year 2030.

In addition, it will also provide the country with LNG facilities for power production and drive the growth of various industries including petrochemicals. This is expected to create 780,000 direct and indirect jobs in the country.

Tax receipts from the downstream value chain operations will boost Government's revenue to undertake development interventions. The Hub also comes with basic social amenities such as schools, health facilities and leisure parks which is expected to improve the social well-being of the people.

7.2 Funding for the Projects within the Hub

The Committee was informed that the estimated total cost of the Hub is US\$60billion. Out of this amount, the Government of Ghana is expected to contribute US\$6billion representing 10% of the total investment cost. The Government intends to leverage on private capital to finance the remaining ninety percent funding requirements. The contribution of Government would be targeted at providing the initial basic infrastructure including land acquisition, payment of compensation, construction of road and railway networks, and extension to the area, social amenities, such as water and electricity.

7.3 Economic Viability of the Project

The Committee was informed that the economic viability of the project is justified by both increasing demand for the consumption of petroleum products and untapped market in Sub-Saharan African countries. For instance, the total consumption of petroleum products across the West African sub-region alone is currently estimated at 30 million metric tonnes per year and is projected to increase to 78 million metric tonnes by the year 2030. The consumption of Urea in Sub-Saharan Africa is also currently estimated at 2.6 million tonnes annually. The establishment of the petrochemical plants will therefore, enable the country maximise the value of its gas reserves of about 2,080 billion standard cubic feet and also take advantage of the emerging market in Africa for the production and distribution of ammonia, fertilizer, methanol, etc.

Currently, there are no petroleum Hub in Africa. Ghana is located at the centre of the sub-region and along the major international shipping route linking America through Africa to Asia with deep waters which can accommodate very large vessels. Additionally, a vessel from Ghana can easily reach any of the countries in the sub-region within forty-eight hours. This situation makes Ghana an ideal destination for siting a Petroleum and Petrochemical Hub. In terms of shipping distance to other African countries, Ghana again provides the shortest travel time. The stable political environment also creates enabling business climate for potential investors.

7.4 Components of the Project

The Hub is expected to consist of the infrastructure:

7.4.1 Key Infrastructure

The key infrastructure will include Jetties, Storage tanks, Refineries, LNG Facility, Hub transmission infrastructure, Power plant, Petrochemical plant, Lube blending plant, and Transmission and Storage Infrastructure for the land-locked countries.

Three (3) Refineries with a total capacity of 300,000bpsd, five (5) Petrochemical Plants with capacity of 7million metric tonnes, and interconnected Storage Tank with capacity of 10 million metric tonnes per annum are expected to be constructed.

7.4.2 Infrastructure for Offshore Activities

There will also be construction of infrastructure to support Nautical Services, Repair and Maintenance, Exploration and Rig Equipment Servicing, including facilities such as Off-Dock Yard and Dry-Dock Facilities for Vessel Repair, Engineering and De-Commissioning.

7.4.3 Ancillary Infrastructure

The ancillary facilities would include Water treatment facilities, Waste Management Centre, Commercial Services, Residential Area (with Social Amenities), Security and Emergency Response Centre, Solid Logistics, Transportation Network, Laboratory and a Light to Medium industrial area.

7.4.1 Social Amenities

There will also be provision of social amenities such as Health facilities as well as Educational and Training facilities among others within the enclave of the Hub.

7.5 Matters Relating to Land Acquisition

The Committee noted that, power is granted to the Corporation under clause 1 (3) of the Bill to compulsory acquire land in furtherance of its objects within the remit of the State Lands Act, 1962 (Act 125) in circumstances where the Corporation encounters certain hindrances in the acquisition of land. On the form of compensation envisaged, the Ministry explained that it intends to use a 'benefit-sharing' approach where the compensation due the beneficiaries is converted into equity. The proportionate returns would be received by the Corporation and paid to the beneficiaries at regular periods. The essence is to avoid potential litigations that may arise later when they have spent the lump sum paid to landlords as witnessed in similar arrangements.

The Committee considered the idea as laudable, but noted the seemingly constraint imposed by the compensation regime defined by article 20 of the 1992 Constitution which makes provision for prompt payment of fair and adequate compensations in compulsorily State acquired lands. The Committee however, urges the Ministry to fashion out compensation regime that will adequately cater for the present and future generations.


8.0 CONCLUSION AND RECOMMENDATION

- 5.1 The Committee has extensively deliberated on policy objective of the Bill and is satisfied that the establishment of the Corporation by enactment of Parliament, would provide the needed confidence to potential investors who are desirous of investing in the Hub.
- 9.3 The Committee accordingly recommends to the House to adopt its report and pass the Ghana Petroleum Hub Development Corporation Bill, 2020 into law, subject to the amendments proffered by the Committee, attached as **Appendix I**, and further amendments by the House.

Respectfully submitted.



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CHAIRMAN, MINES AND ENERGY COMMITTEE



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JOANA ABENA SAKYI ADJEI (MRS)
CLERK, MINES & ENERGY COMMITTEE

12TH AUGUST, 2020

APPENDIX I

PETROLEUM HUB DEVELOPMENT CORPORATION BILL, 2020

PROPOSED AMENDMENTS

1. **Clause 1 – Establishment of the Corporation**

- (a) In subclause (1), line 2, delete “with perpetual succession”.
- (b) In subclause (3), lines 1 and 2, delete “landed property, the” and insert “immovable property, the immovable”.

2. **Clause 3 – Functions of the Corporation**

- (a) In paragraph (a), line 2, delete “Petroleum and Petrochemicals”.
- (b) In paragraph (b), line 2, delete “Petroleum and Petrochemicals”.
- (c) In paragraph (c), line 1, delete “provide” and insert “facilitate the provision of”; in line 2, delete “Petroleum and Petrochemicals”.
- (d) In paragraph (d), lines 1 and 2, delete “Petroleum and Petrochemicals”; in line 4, delete “their” and insert “the”; in lines 4 and 5, delete “Petroleum and Petrochemicals”.
- (e) In paragraph (e), line 2, delete “Petroleum and Petrochemicals”.
- (f) In paragraph (f), line 2, delete “Petroleum and Petrochemicals”.
- (g) In paragraph (g), lines 1 and 2, delete “Petroleum and Petrochemicals”.
- (h) In paragraph (h), line 2, delete “Petroleum and Petrochemicals”.
- (i) In paragraph (i), line 3, delete “Petroleum and Petrochemicals”.
- (j) In paragraph (j), line 1, delete “establish” and insert “compile”; in lines 2 and 3, delete “Petroleum and Petrochemicals”.

3. Clause 4 – Powers of the Corporation

- (a) In paragraph (a) of subclause (1), line 1 delete “companies” and insert “a company”; in line 2, delete “Petroleum and Petrochemicals”.
- (b) In paragraph (b) of subclause (1), line 1, after “with” insert “a”; in line 1, delete “agencies” and insert “agency”; in line 4, delete “Petroleum and Petrochemicals”.
- (c) In paragraph (c) of subclause (1), line 1 delete “industrial parks” and insert “an industrial park”.
- (d) In subparagraph (ii) of paragraph (c) of subclause (1), lines 1 and 2, delete “Petroleum and Petrochemicals”.
- (e) In paragraph (d) of subclause (1), lines 1 and 2, delete “Petroleum and Petrochemicals”.
- (f) In subclause (2), line 3, delete “Petroleum and Petrochemicals”.

4. Clause 5 - Governing body of the Corporation

Delete paragraph (e) and insert the following”

- (i) “One person nominated by the Chamber of Bulk Oil Distribution Companies representing bulk oil supply, storage and petrochemical companies and other allied services”
- (ii) “One person with expertise in downstream petroleum industry nominated by the Minister responsible “

5. Clause 6 – Functions of the Board

In paragraph (b), lines 1 and 2, delete “Petroleum and Petrochemicals”.

6. Clause 7 – Duties and liabilities of a member of the Board

In paragraph (c) of subclause (1), line 1, delete “improper”.

7. Clause 8 – Tenure of office of members of the Board

Delete subclause (1) and insert the following”

“(1) A member of the Board shall hold office for a term of four years and is eligible for re-appointment for another term only.”

8. Clause 9 – Meetings of members of the Board

(a) In subclause (1), line 2, delete “despatch” and insert “conduct”.

(c) In subclause (3), line 3, delete “their” and insert “the”.

9. Clause 11 – Establishment of committees

Insert the following subclauses:

“(…) A committee of the Board consisting of non-members of the Board shall be advisory.

(…) A committee of the Board consisting of members or non-members or both shall be chaired by a member of the Board.”

10. Clause 27 – Regulations

(a) In line 1, delete “may” and insert “shall, within twelve months of the coming into force of this Act.

(b) In line 1, delete “to”.

(c) In paragraph (a), line 1, before “prescribe” insert “to”.

(d) In paragraph (b), line 1, delete “provide”; in lines 1 and 2, delete “Petroleum and Petrochemicals”.

(e) In paragraph (c), line 1, before “provide” insert “to”; in line 2, delete “Petroleum and Petrochemicals”.

(f) In paragraph (d), line 1, before “provide” insert “to”; in line 2, delete “Petroleum and Petrochemicals”.

(g) In paragraph (e), line 1, before “provide” insert “to”.

11. Clause 28 – Interpretation

(a) Insert the following definition after the definition of “downstream petrochemical product”:

““Hub” means the Petroleum and Petrochemicals Hub”;

(b) In the definition of “project”, lines 1 and 2, delete “Petroleum and Petrochemicals”.