

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

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

**ON THE**

**ANNUAL BUDGET ESTIMATES OF  
THE MINISTRY OF PETROLEUM  
FOR THE 2016 FINANCIAL YEAR**

***DECEMBER, 2015***

# **REPORT OF THE COMMITTEE ON MINES AND ENERGY ON THE ANNUAL BUDGET ESTIMATES OF THE MINISTRY OF PETROLEUM FOR THE 2016 FINANCIAL YEAR**

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## **1.0 INTRODUCTION**

- 1.1 The Budget Statement and Economic Policy of the Government of Ghana for the 2016 Financial Year was presented to Parliament by the Minister for Finance, Hon. Seth Terkper under the authority of His Excellency the President on Friday, 13<sup>th</sup> November, 2016 in accordance with Article 179 of the 1992 Constitution.
- 1.2 Consequent to this, the Annual Budget Estimates of the Ministry of Petroleum for the 2016 Financial Year were committed to the Committee on Mines and Energy for consideration and report pursuant to Orders 148 and 188 of the Standing Orders of the House.

## **2.0 DELIBERATIONS**

- 2.1 The Committee met with the Minister for Petroleum, Hon. Emmanuel Armah-Kofi Buah and Officials of the Ministry to consider the Estimates. Officials of the Petroleum Commission and the Ministry of Finance were in attendance to assist in the deliberations.
- 2.2 The Committee is grateful to the Hon. Minister and the Officials for their attendance and for clarifying issues raised at the meeting.

## **3.0 REFERENCE DOCUMENTS**

The Committee referred to the under-listed documents during its deliberations:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Petroleum Commission Act, 2011 (Act 821);
- iv. The Petroleum Revenue Management Act, 2011 (Act 815); and
- v. The Budget Statement and Economic Policy of the Government of the Republic of Ghana for the 2016 Financial Year.

#### **4.0 MISSION OF THE MINISTRY**

The mission of the Ministry of Petroleum is to sustain and optimize the exploration, development and utilization of Oil and Gas endowments for the overall benefit of Ghanaians, through the initiation, formulation, coordination, monitoring and evaluation of innovative policies and programmes.

#### **5.0 STRATEGIC OBJECTIVES OF THE MINISTRY**

In line with the above mission, the Ministry has committed itself to achieve the following strategic objectives under the Ghana Shared Growth and Development Agenda II (GSGDA II):

- i. Create an enabling environment for sustained exploration, development and production of Ghana's oil and gas endowment;
- ii. Ensure accelerated and integrated development of the Oil and Gas industry;
- iii. Provide security for oil and gas installations and operation in the upstream, midstream and downstream petroleum sectors;
- iv. Promote value-added investments in the Oil and Gas value chain;
- v. Ensure adequate investment for physical and social infrastructure in communities in the oil and gas production areas;
- vi. Maximize local content in all aspects of the petroleum industry value chain;
- vii. Ensure adequate availability of petroleum products in the Ghanaian market;
- viii. Ensure the development of the needed human resource for the petroleum sector;
- ix. Ensure transparency in the management of petroleum resources; and
- x. Mainstream gender into the Oil and Gas Sector.

## **6.0 COMPOSITION OF THE MINISTRY**

6.1 The Ministry of petroleum comprises the Headquarters and the under-listed Agencies:

- i. The National Petroleum Authority (NPA);
- ii. The Petroleum Commission;
- iii. The Tema Oil Refinery (TOR);
- iv. The Ghana National Gas Company (GNGC);
- v. The Bulk Oil Storage and Transportation Company Limited (BOST);
- vi. The Ghana National Petroleum Corporation (GNPC);
- vii. The Ghana Cylinder Manufacturing Company (GCMC); and
- viii. The Ghana Oil Company Limited (GOIL).

6.2 The 2016 Annual Budget Estimates of the Ministry however relates to the Headquarters of the Ministry of Petroleum and the Petroleum Commission.

## **7.0 EXPENDITURE TRENDS FOR THE MINISTRY FOR THE YEAR 2015**

### **7.1 Compensation for Employees**

An amount of Ten Million, Three Hundred and Thirty Thousand and Ninety-Seven Ghana Cedis (GH¢10,330,097.00) was allocated to the erstwhile Ministry of Energy and Petroleum for compensation payment for the year 2015. The then beneficiaries included the Headquarters (GH¢1,462,189.00), the Energy Commission (GH¢2,502,901.00) and the Petroleum Commission (GH¢6,914,340.00).

As at the end of September, 2015, the amount of One Million, Six Hundred and Six Hundred and Eight Thousand, Nine Hundred and Eighty-Eight Ghana Cedis, Thirty-Six Pesewas (GH¢1,608,988.36) had been released to both the Ministry of Petroleum and the Ministry of Power for the compensation of employees.

However, the Compensation Vote approved for the Petroleum Commission could not be released to the Commission during the year.

## **7.2 Goods and Services**

An amount of Six Hundred and Sixty-Seven Thousand, Five Hundred and Sixty-Six Ghana Cedis, Fifty Pesewas (GH¢667,566.50) was allocated to the Ministry of Petroleum for the year 2015. As at the end of September, 2015, an amount of Five Hundred and Sixty-Seven Thousand, Five Hundred and Sixty-Six Ghana Cedis, Fifty Pesewas (GH¢567,566.50) of the Goods and Services Vote had been released to the Ministry.

## **7.3 Capital Expenditure**

While an amount of Two Hundred and Fifty Thousand Ghana Cedis (GH¢250,000.00) was allocated to the Ministry of Petroleum for capital expenditure for the year 2015, the Ministry did not receive any funds under this Vote.

## **7.4 Annual Budget Funding Amount (ABFA)**

Out of the Seven Million, Five Hundred Thousand Ghana Cedis (GH¢7,500,000.00) allocated to the Ministry of Petroleum under the ABFA for the Rural LPG Promotion Programme, the amount of Two Million, Nine Hundred and Fifty-One Thousand, Eight Hundred and Eighteen Ghana Cedis, Sixty-Eight Pesewas (GH¢2,951,818.68) was released to the Ministry for that purpose.

## **8.0 KEY ACHIEVEMENTS OF THE MINISTRY FOR 2015**

Some of the key achievements of the Ministry for the year 2015 are as follows:

### **8.1 Jubilee Oil Production**

Total oil production from the Jubilee field as at September, 2015 stood at 27,668,675 barrels whilst the average daily oil production achieved during the year was 101,463 barrels of oil per day (bopb).

### **8.2 Completion of the Atuabo Gas Infrastructure Project**

The Atuabo Gas Infrastructure Project was completed and commercial operations were commenced on 1<sup>st</sup> April, 2015. The plant is currently delivering about 100 mmscfd to thermal plants at Aboadze for power generation. Current LPG production from the plant is about 500 tons per day.

### **8.3 Gas Transmission Project**

The Ministry laid in Parliament a request for approval for the construction of a Reverse Flow pipeline to transmit gas from Atuabo through the West African Pipeline system to Tema.

### **8.4 Petroleum Development Activities**

- i. The Tweneboa-Enyenra-Ntomme (TEN) Project continued during the year. The project is expected to deliver about 60,000 bopd and 60 mmscf of gas daily. First Oil is expected in August 2016, while gas production is expected to commence in the third quarter of 2017. The construction of the FPSO for the Project was also completed and commissioned.
- ii. The Commercial Agreements for the Sankofa-Gye-Nyame Project including Gas Sales Agreement, Heads of Agreements, Multi party Deed Agreement and Sovereign Guarantee were approved by Parliament within the year. Production of first oil is expected in 2017 and gas in 2018.
- iii. The Greater Jubilee Full Field Development is on course to commence production in 2018.
- iv. The Petroleum (Exploration and Production) Bill was finalized and laid before Parliament for passage.
- v. In 2015, the Ministry of Petroleum continued the development of policy measures on Institutional, regulatory and commercial reforms in the natural gas sector, intended to improve the existing institutional and regulatory Frameworks for the natural gas sector and streamline sector performance and effectiveness, for accelerated investment.
- vi. A Gas Master Plan is being finalized for presentation to Cabinet.

### **8.5 Rural LPG Promotion**

A total of 20,000 cylinders and cook stoves were distributed to 8 districts under the ongoing Rural LPG Promotion Programme (RLPGPP). The beneficiary districts were Jomoro, Nzema East, Ellembelle, Savelugu, Gushiegu, Saboba, Ho West and Nkwanta North.

## **8.6 Local Content in the Petroleum Sector**

The Petroleum Commission carried out a number of activities in the implementation of the Local Content Regulations, 2012 (L.I 2204). These included baseline study and skills in gas analysis, database for Ghanaian professionals both local and foreign, framework for internship and Placement Programme; Annual local content plans and review of local content plans and performance reports.

To ensure efficient distribution and uniform pricing of petroleum products nationwide, the Zonalization Policy was reviewed.

## **8.7 Liberalization of Petroleum Product Pricing**

To address Government's indebtedness to the Bulk Distribution Companies (BDCs) in respect of accumulated under-recoveries and forex losses, Cabinet approved the Petroleum Price Liberalization Policy in June, 2015 and it became operational in July, 2015.

## **9.0 OUTLOOK OF THE MINISTRY FOR THE YEAR 2016**

The Ministry plans to undertake the following activities during the year 2016:

### **9.1 Jubilee Field Development**

Continue the Greater Jubilee Field Development to extend plateau production and bring discoveries surrounding the Jubilee field into production.

### **9.2 TEN Project**

Subsea installations to pave way for first oil in the 3<sup>rd</sup> Quarter of 2016 will be pursued.

### **9.3 Sankofa-Gye-Nyame (SGN) Project**

Install oil and gas infrastructure towards first oil in 2016 and gas in 2018.

#### **9.4 Expansion of Gas Pipeline Capacity**

A 10 MW mainline compressor was installed on the Atuabo-Aboadze pipeline to increase the pipeline capacity from 135 mmscf to 405 mmscf.

#### **9.5 Gas Pipeline Projects**

The project to interconnect the Ghana Gas Pipeline with the West African Pipeline System to enable a reverse flow of gas from Takoradi to Tema will be pursued. Further to this, the Ministry intends to complete feasibility studies for the construction of a dedicated on-shore gas transmission pipeline of about 250 kilometres from Takoradi to Tema to evaluate gas from upcoming fields.

#### **9.6 Petroleum Upstream Regulation**

The petroleum upstream regulations on Financial metering, data management and health, safety and environment will be finalised and forwarded to Parliament for their passage.

#### **9.7 Frameworks for the Natural Gas Sector**

The Ministry intends to commence the implementation of instructional, regulatory and commercial reforms to harmonise activities in the gas sector. Development of Gas policy, Gas Pricing Policy and a Gas Bill, to address infrastructure requirement, funding and institutional mandates for gas sector agencies, reflecting our developmental priorities.

#### **9.8 LPG Promotion Programme**

The ongoing Rural LPG Promotion Programme will be extended to more communities in deprived areas to enhance access to clean energy and to help reduce dependence on wood fuel.

#### **9.9 Local Content Policy for the Petroleum Downstream**

A Local Content Regulations for Petroleum Downstream would be finalised and submitted to Parliament for passage.



## **9.9 Oil and Gas Capacity Building Project**

The following have been planned to be implemented under the Oil and gas Capacity Building Project:

- i. Training of staff of the Petroleum Commission for improved petroleum management and regulation;
- ii. Implementation of a communication strategy for the Ministry of Petroleum;
- iii. Transcription of Petroleum Data for the Petroleum Commission;
- iv. Development of an Audit Manual for Ghana Revenue Authority;
- v. Certification of 2017 Benchmark Revenue Estimation;
- vi. Procurement of tools and equipment for Technical Institutions;
- vii. Training of Instructors and Lecturers of Regional Maritime University (RMU), the TTI and the Kumasi Technical Institution (KTI); and
- viii. Installation of equipment at the Chemistry Laboratory of the Kwame Nkrumah University of Science and Technology.

## **10.0 THE 2016 ANNUAL BUDGET ESTIMATES OF THE MINISTRY**

### **10.1 Overall Allocation to the Ministry of Petroleum**

The sum of Forty Million, Two Hundred and Ninety-Eight Thousand, Three Hundred and Thirty-One Ghana Cedis (GH¢40,298,331.00) has been allocated to the Ministry of Petroleum (Headquarters and the Petroleum Commission) for its activities for the 2016 Financial Year.

The breakdown of the allocations to the Headquarters of the Ministry and the Petroleum Commission are as follows:

## 10.2 2016 Annual Allocation for the Headquarters of the Ministry of Petroleum

Out of the total allocation to the Ministry of Petroleum, the Headquarters of the Ministry has been allocated an amount of Sixteen Million, Seven Hundred and Seventy-Four Thousand, Six Hundred and Forty-Two (GH¢16,774,642.00) for its activities for the for the year 2016. The details of the allocation to the headquarters are shown in Table 1 below:

**Table 1: Details of the Allocation to the Headquarters of the Ministry of Petroleum for the 2016 Financial Year**

<b>EXPENDITURE ITEM</b>	<b>2016 ESTIMATES (GH¢)</b>
COMPENSATION	1,092,620.00
GOODS & SERVICES	600,000.00
CAPITAL EXPENDITURE	NIL
ABFA	NIL
DONOR FUNDS	15,082,022.00
<b>TOTAL</b>	<b>16,774,642.00</b>

## 10.3 2016 Annual Allocation to the Petroleum Commission

The Petroleum Commission was allocated an amount of Twenty-Three Million, Five Hundred and Twenty-Three Thousand, Six Hundred and Eighty-Nine Ghana Cedis (GH¢23,523,689.00) for its service activities for the 2016 Financial Year. Besides this, the Petroleum Commission was neither allocated Compensation Vote nor Capital Expenditure Vote. The Table 2 below shows the breakdown of the allocation to the Petroleum Commission.

**Table 2: Details of the Estimates for the Petroleum Commission for the 2016 Financial Year**

<b>EXPENDITURE ITEM</b>	<b>2016 ESTIMATES (GH¢)</b>
COMPENSATION	NIL
GOODS & SERVICES	23,523,689
CAPITAL EXPENDITURE	NIL
<b>TOTAL</b>	<b>23,523,689</b>

## **11.0 OBSERVATIONS**

The Committee made the following observations during its deliberations:

### **11.1 Funding Challenges facing the Petroleum Commission**

The Committee noted with grave concern that the difficulties regarding the funding of the Petroleum Commission still persist after four years of its establishment. It may be recalled that the Committee's Report on the 2015 Annual Estimates of the Ministry of Petroleum raised the concerns which led to allocation of Six million, Three Hundred and Sixty-Six Thousand and Seven Ghana Cedis (GH¢6,366,007) for Compensation related expenses for the Petroleum Commission for the year 2015. It was however disturbing to note that the Petroleum Commission could not access the approved funds due to non-approval of Salary Scale for employees of the Commission. Under the circumstances, the Commission had to fall on its IGF and other sources to meet this expenditure.

It was again observed that no allocation was made to the Petroleum commission for pay related expenses for the year 2015. Officials of the Ministry of Finance cited the same non approval of salary scale of the Commission as reason for the non-provision.

As a short term measure to avert possible difficulties in the ensuing year, the Hon. Minister for Petroleum informed the Committee that the Ministry has commenced discussion with the Ministry of Finance to seek a waiver to enable the Commission use part of its approved IGF to pay salaries in 2016.

### **11.2 Inadequate Goods and Services Vote for the Headquarters of the Ministry**

The Committee noted with grave concern that the Goods and Services Vote approved for the Headquarters of the Ministry of Petroleum is woefully

inadequate. The meager amount of Six Hundred Thousand Ghana Cedis (GH¢600,000.00) has been allocated to the Ministry of Petroleum (Headquarters) for the Year 2016. This is further worsened by the fact that no allocation was made to the Ministry under the ABFA to support policy formulation, monitoring and evaluation. In view of the fact that the Ministry bears the responsibility to ensure that the targets for the petroleum revenue are met, the Committee considers the non-provision of funds under the ABFA as an anomaly which needs to be rectified.

### **11.3 Measures to improve Regulation of the Natural Gas Sector**

The Committee again noted that the Ministry has programmed to undertake key activities in the year 2016 to implement reforms to harmonize activities in the natural gas sector. A number of activities have been lined up towards the preparation of a Gas Bill including the development a national Gas Policy and Gas Pricing Policy. These measures would assist in the development of a robust legal and institutional framework for the gas sector for the realization of optimal benefits.

### **11.4 Consideration of the GNPC Budget**

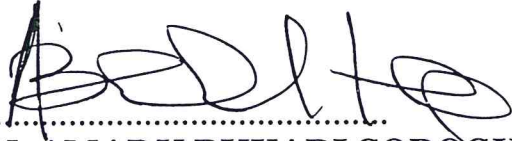
Regarding the consideration of the Budget of the GNPC for 2016, the Committee wishes to seek the permission of the House to consider same as part of the 2016 Work Programme of the GNPC. This is to ensure the enforcement of Section 7 (3)(b) of the Petroleum Revenue Management Act, 2011 (Act 815).

## **12.0 CONCLUSION AND RECOMMENDATION**

Having scrutinized the Annual Budget Estimates of the Ministry of Petroleum for the 2016 Financial Year, the Committee is satisfied that, subject to the afore-mentioned concerns, the Ministry of Petroleum would be well resourced to perform its planned activities for the year 2016.

In this regard, the Committee wishes to recommend to the House to adopt its Report and to approve the sum of **Forty Million, Two Hundred and Ninety-Eight Thousand, Three Hundred and Thirty-One Ghana Cedis (GH¢40,298,331.00)** for the activities of the Ministry of Petroleum for the 2016 Financial Year.

Respectfully submitted.



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**HON. AMADU BUKARI SOROGHO**  
**CHAIRMAN, -COMMITTEE ON**  
**MINES AND ENERGY**



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