

REPUBLIC OF GHANA



PUBLIC INTEREST AND ACCOUNTABILITY COMMITTEE (PIAC)
ESTABLISHED UNDER THE PETROLEUM REVENUE MANAGEMENT ACT, 2011
(ACT 815)

**REPORT ON MANAGEMENT OF PETROLEUM REVENUES FOR THE
PERIOD**

1ST JANUARY 2013 TO 30TH JUNE 2013

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ABBREVIATIONS

ABFA	Annual Budget Funding Amount
BOG	Bank of Ghana
BR	Benchmark Revenue
CDB	China Development Bank
GHF	Ghana Heritage Fund
GNGC	Ghana National Gas Company
GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GPF	Ghana Petroleum Fund
GRA	Ghana Revenue Authority
GSF	Ghana Stabilisation Fund
MOF	Ministry of Finance
POD	Plan of Development
SOPCL	Saltpond Offshore Producing Co. Ltd
TEN	Tweneboa-Enyenra-Ntomme

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EXECUTIVE SUMMARY

The Petroleum Revenue Management Act 2011, (Act 815) made provision for the establishment of the Public Interest and Accountability Committee (PIAC).

The Committee's objects, under the Act, are:

- a. Monitoring and evaluating compliance with the Act by the Government and other relevant institutions in the management and use of petroleum revenues;
- b. Providing a platform for public debate on spending prospects of petroleum revenues in line with development priorities; and
- c. Providing an independent assessment on the management and use of revenues.

The Committee is required by the same law to publish a semi-annual and an annual report by the 15th September and 15th March respectively, each year.

Since May 2012, the PIAC has been publishing semi-annual and annual in fulfilment of its mandate to inform the government and the general public on issues pertaining to the management of petroleum revenue in Ghana.

This report, the fourth in the series and the second Semi-Annual Report, covers the management of petroleum revenues for the first half of 2013 (January – June, 2013).

The PIAC has made some key findings in the 2013 Semi-Annual Report which are listed as follows:

Key Findings

I. The Ghana National Gas Project

The time table for the completion of the Ghana National Gas project has not been adhered to and completion date has kept on changing from end of June, 2013 to the end of last quarter 2013 to end of first quarter 2014.

II. Daily Production

The actual average daily production of 104,731.93 barrels during the period under review exceeded the projected average daily production of 83,341 barrels used in estimating the Benchmark Revenue for the year. This rate of production is however below the expected peak daily average production of 120,000 barrels. The shortfall is attributed to various technical challenges that the operators are encountering which include continuous reinjection of associated gas.

III. Accounting for Petroleum Stocks

As observed by the PIAC in its previous reports, there have been revenue spill-overs from stock accumulated from a previous period of production which becomes available for lifting, usually by the Ghana Group, in January of the following year. The trend continued in January 2013 with a lifting of 995,550 barrels of crude oil.

IV. Benchmark Revenue

There is a wide discrepancy between the projected Benchmark Revenue used in the 2013 Budget and the actual amount realised. This has had the effect of limiting the amount that could have been placed in the ABFA to support government spending.

V. Petroleum Revenue

Total actual petroleum revenue received as at the end of the first half of the year was US\$596,073,381, compared to the projected revenue of US\$581,721,690 for the whole year 2013. This raises further questions about the determination of the Benchmark Revenue. The situation has arisen because all the components used in the estimation of the Benchmark Revenues were lower than the actual turnout. Estimated daily production and expected average price per barrel were lower than the actual. This, combined with the low estimated corporate taxes in the year when taxes were rather to be expected, resulted in low Benchmark Revenue that was used in the national budget.

VI. Ghana Petroleum Funds

There are discrepancies in the figures reported by the Bank of Ghana and the Ministry of Finance (MoF) on the Ghana Petroleum Funds. According to the Bank of Ghana, the proceeds of the 13th lifting were received into the Petroleum Holding Fund on July 23, 2013 and are pending allocation. However the Ministry of Finance had indicated an allocation in its report as at June 30th.

Main Recommendations

In the light of the above findings, the PIAC has proffered the following recommendations for the consideration of the relevant institutions/stakeholders.

I. The Ghana National Gas Project

The government should act expeditiously to remove all the bottlenecks (especially those relating to funding) that are delaying the completion and commissioning of the Ghana Gas project.

II. Benchmark Revenue

The MoF and other institutions that provide input for the estimation of the Benchmark Revenue must make every effort to improve the outcome of the projections.

III. Accountability for Petroleum Stocks

The Ministry of Finance and the Ghana National Petroleum Corporation should include a section in their annual report to account for the total production and lifting of petroleum since inception.

IV. Daily Production

The Jubilee partners should make every effort to ensure that the peak average daily production of 120,000 barrels is achieved according to their original plans as soon as practicable.

V. Ghana Petroleum Funds

There is the need for reconciliation by the Ministry of Finance and the Bank of Ghana to ensure that the difference in the Ghana Petroleum Funds is accounted for in the ensuing period.

SECTION I

BACKGROUND

I.1 Introduction

The Public Interest and Accountability Committee (PIAC) is required under Section 56 (a) of Act 815, to publish a semi-annual and an annual Report to give an independent assessment of the management and use of Petroleum revenues.

In fulfilment of this requirement, the Committee has, since its inauguration in 2011, published three reports which are the 2011 Annual Report, 2012 Semi-Annual Report and the 2012 Annual Report.

This report, the 2013 Semi-Annual Report, presents an overview of the implementation status of the previous PIAC findings and recommendations; analysis of crude oil production and lifting for the period January to June 2013; verification of the accuracy of petroleum revenues; assessment of transfers to the Annual Budget and the Ghana Petroleum Funds as specified by the Act; review of the uses to which petroleum revenue was applied and assessment of the performance of the petroleum funds invested.

I.2 Scope and Methodology

The Committee obtained information for this report from stakeholder institutions such as the Ministry of Finance (MOF), the Ghana National Petroleum Corporation (GNPC), the Bank of Ghana (BOG) and the Ghana Revenue Authority (GRA). The information gathered was on crude oil production, liftings by the Ghana Group, revenues generated from the export of Ghana's share of crude oil; the investments made by the GNPC from its allocation of petroleum revenues; the utilization of the Annual Budget Funding Amount (ABFA) by the Ministry of Finance and the management of the Ghana Petroleum Funds. Desk study analysis was done on the information gathered.

Finally, references were made to previous reports published by the PIAC to ascertain status of implementation of some of the key recommendations in those reports.

The final draft of the report was sent to these organisations and institutions to validate the accuracy of the information in it.

SECTION 2

UPDATE FROM PREVIOUS REPORTS

In order to keep the public abreast of developments with regard to the status of implementation of the key findings and recommendations in the previous PIAC reports, the Committee has always included a section to give updates. Table I recaps selected findings and recommendations from previous reports and indicates whether or not the recommendations have been acted upon.

Table I: Status of Implementation of Previous Recommendations

Finding	Recommendation	Responsibility	Status	Comment
1. Revenue from stock spill-over(Refer to 2011 PIAC Annual Report)				
No action has yet been taken to incorporate revenues from stock spill-overs arising from production from one year to another, into the structure of accounting for all petroleum receipts in estimating the Benchmark Revenue	The Ministry of Finance must take into consideration the movement of stocks at the beginning and end of every production year to enhance the planning process and improve the quarterly projections of petroleum receipts.	Ministry of Finance	No action has been taken	The matter is yet to be addressed. The trend continued in January 2013 with a lifting of 995,550 barrels of crude oil.
2. Surface Rental Payments(Refer to 2012 PIAC Annual Report)				
Payments for surface rentals are now being properly accounted for as part of petroleum receipts and are incorporated into the Benchmark Revenue in accordance with the law	The Ministry of Energy and Petroleum and/or the Petroleum Commission must ensure that invoices on surface rentals are raised and paid by all IOCs operating in Ghana in a timely manner as stipulated by law	Ministry of Energy and Petroleum/ Petroleum Commission	The Committee is pleased that the recommendation has been acted on.	No further comment

3. Petroleum Income Tax(Refer to 2011 PIAC Annual Report)				
<p>The inclusion of corporate taxes in expected petroleum receipts in 2012 (just as in 2011) has had the effect of distorting the Benchmark Revenue determination and subsequently the distribution of actual revenues during the period under review.</p>	<p>The MOF must endeavour to improve the accuracy and reliability of its forecasting</p>	<p>Ministry of Finance</p>	<p>Relevant corporate taxes are now being assessed and paid. This is no longer a major issue as the companies are now in a tax paying position</p>	<p>No further comment</p>
4. Utilization of ABFA(Refer to 2012 PIAC Annual Report)				
<p>The Ministry of Finance does not seem to have implemented the plan of expenditure from petroleum revenue approved by Parliament in the 2012 budget.</p>	<p>1) MOF must consider utilizing a dedicated account to receive the ABFA from the PHF at the Bank of Ghana 2) The MOF must take immediate steps to publish a more detailed report on how the ABFA approved by Parliament was disbursed and give more details of expenditure on Loan Repayment and Capacity Building in the</p>	<p>Ministry of Finance</p>	<p>1) Action has been taken on this recommendation 2) No action has yet been taken on this recommendation 3) Status will be assessed in the 2013 annual report.</p>	<p>1) No further comment 2) The MoF must make every effort to take action on recommendation 2</p>

	report 3) The MOF must comply with the provisions of Section 21 (4) and (5) in spending of petroleum revenues designated as the ABFA.			
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5. Transfers into the Ghana Petroleum Funds(Refer to 2012 PIAC Annual Report)

In 2012 actual transfers to the GPFs fell short of target by 82%. This is due to the MOF's interpretation of section 23 (b) of Act 815 as requiring only the excess revenue collection over quarterly ABFA to be transferred to the GPFs.	Parliament should amend the section of the Act on the GPFs for better clarity.	Parliament	Action to amend sections of the Act is pending	This may be further clarified in the LI when published.
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6. Investment of the Ghana Petroleum Funds(Refer to 2012 PIAC Annual Report)

The investment of the GPFs has not as yet yielded high returns, which is of a great concern to the PIAC since a continuation of this trend is likely to slow the growth of the Funds, especially the GHF	The Government must release the Policy and Guidelines to assist the Fund Managers to better manage these funds as required by the PRMA, 2011	Investment Advisory Committee & Ministry of Finance	Action is yet to be taken	The PIAC urges the Minister of Finance and the IAC to expedite action on this recommendation
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Finding	Recommendation	Responsibility	Status	Comment
7. Enactment of Regulations(Refer to 2012 PIAC Annual Report)				
After three years of the coming into force of Act 815, the regulations that will help with the implementation of the law are long overdue.	The PIAC calls for expedited action to be taken to complete the drafting of the regulations for the approval of Parliament.	Ministry of Finance	The regulations are being worked on.	No further comment
8. Legislation on funding for the PIAC(Refer to 2011 PIAC Annual Report)				
There is no provision in Act 815 for the funding of the PIAC and the Petroleum Commission.	A section of the Act must be introduced to cater for the funding of the PIAC and the Petroleum Commission to enable them carry out their respective mandates.	Ministry of Finance	Action to amend sections of the Act is pending.	No further comment
9. SOPCL Reporting (Refer to 2012 PIAC Semi-Annual Report)				
SOPCL has not been reporting transactions in the right format as is being done by the Jubilee partners	The quantity of crude oil lifted from the Saltpond fields and their sales price should be provided in the public reports in the right format to facilitate monitoring of petroleum receipts	Saltpond Offshore Producing Co. Ltd	Action is yet to be taken	SOPCL should make every effort to implement this recommendation.

SECTION 3

DEVELOPMENTS IN THE OIL AND GAS INDUSTRY

The upstream petroleum industry achieved significant successes in boosting the country's credentials as an oil producer. The Jubilee field which currently holds estimated recoverable reserves of 615 mmbbls of oil and 769 bcf of gas is in its second phase of development - the Phase 1A. Work done so far in this phase has helped increase production to the current level of around 104,731 barrels per day as at the end of June 2013. It is worth noting however that the Jubilee oilfield is yet to hit its projected peak of 120,000 barrels per day.

The Tweneboa-Enyenra-Ntomme (TEN) Plan of Development (PoD) was approved on the 29th of May, 2013. The TEN project will be Ghana's next producing field and has estimated recoverable reserves of 245 mmbbls of oil and 367 bcf of gas. The first oil from the field is expected in the third quarter of 2016 and production levels are expected to peak at 76,000 barrels in 2018 and 2019.

Appraisal work on the upcoming Sankofa-Gye Nyame complex has been completed and the development plan concept is being discussed. The Sankofa-Gye Nyame complex is made up of a number of discoveries estimated to hold 116 mmbbls of oil and 1,110 bcf of gas and production is expected to commence in the second quarter of 2016.

During the period under review, two (2) new discoveries were made by the GNPC and its partners as shown in Table 2 below. The discoveries contain various amounts of oil, gas and condensate.

Table 2: Oil and Gas Discoveries

Block/Operator	Discovery	Discovery Period	Hydrocarbon type	Status
DWTCTP/HESS	Cob	January 2013	Oil	Exploration
DWTCTP/HESS	PN-1	February 2013	Oil	Exploration

Source: GNPC Geology Department.

This brings the total discoveries since Jubilee to twenty-three (23) as shown in the appendix.

3.1 Ghana National Gas Company Ltd.

The Ghana National Gas Company Limited (GNGC) continued with the implementation of the early phase of the Western Corridor Gas Infrastructure Development Project (WCGIDP). This phase of the project involves the installation of a 45km Shallow Water Pipeline, 111km Onshore Pipeline and a 150 million standard cubic feet per day (mmscf/d) J-T gas processing plant, including an LPG and condensate loading gantry near Atuabo in the Ellembelle District of the Western Region. When the project is completed, the GNGC will initially supply up to 120 million British thermal units (mmBtu) of lean gas per day to the Volta River Authority to fuel the thermal plants at Aboadze.

The project is being funded with part of the US\$ 3 billion China Development Bank (CDB) loan facility. The actual amount that had been released by the CDB as at the end of June 2013 was **US\$226,700,000** as against the total disbursement request of **US\$568,960,684.09** that had been made as at June 2013. Delays in the release of funds have been attributed to amendments to the initial CDB loan agreement.

The GOG allocated an amount of GHC69 million to the GNGC in 2011 as initial set-up capital to pay compensations to Project Affected Persons, acquire lands, carry out project enabling works, set-up offices and project camps, pay salaries and prepare for commercial operations, among others. Out of this amount, GHC 40million has been disbursed to the GNGC to cover the following expenditure items:

- crop compensation,
- rental of offices and residential accommodation for construction staff onsite
- environmental, social and impact assessments,
- salaries and wages,
- construction support logistics,
- procurement of project vehicles and
- general administrative expenses.

The remaining GHC29 million, which has now been requested by the company, when received, will be utilized in paying for any outstanding crop and land compensation, training of operations and maintenance staff as well as engage consultants for negotiation of commercial agreements. The project was scheduled to be completed at the end of 2013, however, due to a 9-month delay in the disbursement of funds to the project contractors and loss of some construction materials on the high seas, the project is scheduled to reach Mechanical Completion by 31st March 2014.

Finding: The time table for the completion of the Ghana National Gas project has not been adhered to and completion date has kept on changing from end of June, 2013 to the end of last quarter 2013 to end of first quarter 2014.

SECTION 4

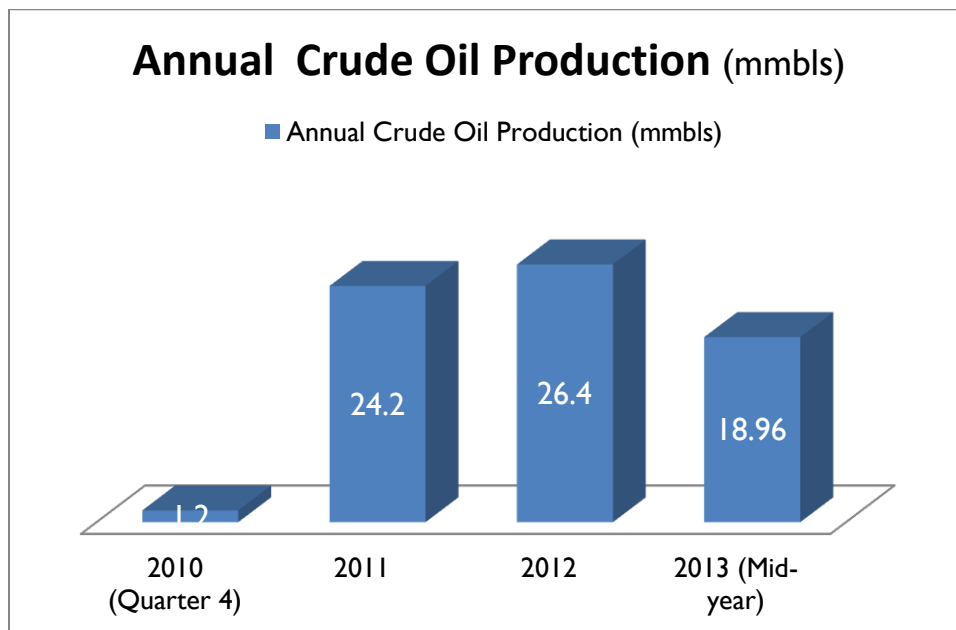
CRUDE OIL PRODUCTION AND LIFTING

The rate of crude oil production on the Jubilee field has increased since production commenced in the 4th Quarter of 2010. As shown in Table 3, oil production began with 1.2mmbls in (4th Quarter) 2010 with average daily production of 35,000 bopd. In 2011, total production was 24.2 mmbls with average daily production of 67,398 bopd. Continuous growth was seen in 2012 with cumulative output of 26.4mmbls averaging at 71,998bopd. Cumulative oil production from inception to June 2013 stood at 70,683,378 barrels.

Table 3: Annual Production since Inception

Year	Average Daily production (bbls)	Annual Crude Oil Production (mmbls)
2010 (Quarter 4)	35,000.00	1.20
2011	66,290.00	24.20
2012	71,998.00	26.40
2013 (Mid-year)	104,731.93	18.96

Figure 1: Annual Crude Oil Production in Bar Chart



In the first half of 2013, Jubilee field production was 18,955,117 barrels. This production figure represents a 65.33% increase over production for the same period in 2012 which was 11.46 million barrels. As shown in Table 4, average daily production stood at 104,731.93 bopd during the period as against a projected figure of 83,341 bopd used in the estimation of the Benchmark Revenue. The first Jubilee Phase IA production well has been brought on-stream and is producing more than 16,500 bopd. The field operator undertook acid stimulation work on two Jubilee Phase I wells to further enhance production. Furthermore, the number of producing wells was increased from three (3) in 2010 to twelve (12) in 2013. Table 4 below indicates monthly production volumes for the first half of 2013.

Table 4: Jubilee Crude Oil Production (January 1 – June 30, 2013)

Month	Production Days	Daily Average Production (BBLS)	Monthly Quantity Produced (BBLS)
January	31	106,721.48	3,308,366
February	28	103,795.36	2,906,270
March	31	100,348.55	3,110,805
April	30	106,458.43	3,193,753
May	31	103,890.77	3,220,614
June	30	107,176.97	3,215,309
Total	181		18,955,117
Average	30	104,731.93	3,159,186.17

Source: GNPC

Finding: The actual average daily production of 104,731.93 barrels during the period under review exceeded the projected average daily production of 83,341 barrels used in estimating the Benchmark Revenue. However, this volume is still below the expected peak daily production of 120,000 barrels. The shortfall is attributed to various technical challenges that the operators are encountering which include the continuous reinjection of associated gas.

4.2 Saltpond Offshore Petroleum Production

Total production by the Saltpond Offshore Producing Company Ltd. for the first half of year 2013 was 42,124 bbls. The Company is expected to provide more details on its production statistics in its end of year report.

4.3 Crude Oil Lifting from the Jubilee field

Since inception to the first half of 2013, the Ghana Group has lifted 13 parcels of crude oil amounting to 12,844,179 barrels with a net cargo value of US\$1.305 billion. The 13 liftings of the Ghana Group from inception represent 18.4% of all crude lifted from the Jubilee field.

During the first half of year 2013, there were 19 liftings by the Jubilee Field partners with a total volume of 18,753,680 bbls. Jubilee field liftings for mid-year 2013 showed an increase of 27.33% over the liftings of the second half of year 2012.

4.4 Ghana Group Lifting

There were four (4) liftings by the Ghana Group between January and June 2013 out of a total of nineteen (19) liftings by the Jubilee Partners. The four liftings by the Ghana Group amounted to 3,982,956 barrels representing 21.2% of total liftings. Details of the liftings of the Jubilee Partners and Ghana Group are shown in Table 5 below.

Table 5 - Crude Oil Lifting on Jubilee License from Jan – June 2013

Crude Oil Lifted	Q1	%	Q2	%	Total	%
Total Lift	9,941,523	100	8,812,157	100	18,753,680	100
Partners	7,949,832	79.97	6,820,952	77.40	14,770,724	78.76
GoG/GNPC	1,991,751	20.03	1,991,205	22.60	3,982,956	21.24

Source: GNPC

Finding: As observed by the PIAC in its previous reports, there have been revenue spill-overs from stock accumulated from a previous period of production which becomes available for lifting especially by the Ghana Group in January of the following year. The trend continued in January 2013 with a lifting of 995,550 barrels of crude oil.

4.5 Accounting for Petroleum Stocks

In the report of the PIAC for the previous periods, the point has always been made for the need for a report to explain why the volume of crude oil lifted sometimes exceeds production for the period. Even though the Ministry of Finance in its report to the Parliament of Ghana on petroleum funds dated 5th March 2013 acknowledged this fact on page 5, the Ministry has not been able to provide such a report. The PIAC has therefore taken it upon itself for the purpose of transparency to analyse crude oil production and lifting since inception in Table 6 below to demonstrate the point being made:

Table 6: Production and Lifting Since Inception

Year	Annual Production (mmbls)	Cumulative production (mmbls)	Total Availability (mmbls)	Total Liftings (mmbls)	Stock carried forward (mmbls)
2010	1.20	1.20	1.20	0	1.20
2011	24.20	25.40	25.40	24.45	0.95
2012	26.40	51.80	27.35	26.43	0.92
Mid 2013	18.96	70.76	19.88	18.75	1.13

The above analysis clearly shows that year on year, there is stock carried over which needs to be taken into account in the projection of Benchmark Revenue. This is to ensure that all petroleum that is produced can be monitored and properly accounted for.

SECTION 5

ANALYSIS OF ACTUAL PETROLEUM REVENUE: JAN – JUN 2013

5.1 Petroleum Receipts versus Revenue Projection

The total petroleum receipts as at the end of June 2013 amounted to US\$596,073,381 (GHCI, 140,677,448). The break-down is shown in Table 7 below

Table 7: Break-down of petroleum revenues

Item	Unit	1st Qtr		2 nd Qtr		Total
Date of lifting		04/01/13	01/03/13	21/04/13	23/06/13	
Jubilee Royalties	US\$	31,368,307	30,126,566	27,450,149	28,759,267	117,704,288
Carried & Participating Interest	US\$	81,299,082	78,080,787	71,144,161	74,537,078	305,061,108
Surface Rentals	US\$	121,914	80,821	466,409	128,634	797,777
Royalties from SOPCL	US\$	232,236	16,985	44,056	-	283,392
Corporate Income Tax	US\$	40,210,100	-	78,854,807	53,152,025	172,216,932¹
Total Petroleum Receipts	US\$	153,231,638	108,305,158	177,959,582	156,577,003	596,073,381
	GHC	288,484,068	205,788,971	341,264,642	305,139,768	1,140,677,448

Source: Ministry of Finance

The total petroleum receipts were made up of proceeds from the sale of Ghana's share of crude oil at the Jubilee field and other receipts. About 99.8 % of the revenue was received from the Jubilee operations whilst the remainder was realised through royalties from the Saltpond Oilfields and Surface Rental.

5.1.1 Royalties

Total Royalties for both Jubilee and Saltpond oilfields amounted to US\$117,987,680 representing 19.8 % of the total petroleum receipts for the period under review. Saltpond Offshore Producing Company Ltd paid a total of US\$60,486 in the first half of the year 2013 to Government as royalties. The royalties for the mid-year 2013 is 29.59% higher than the figure for the same period in 2012 (\$91,040,150.4).

¹This figure differs from the total corporate tax receipts reported by the GRA for the period. The PIAC expects to report on the reconciled position in the end of year report for year 2013.

5.1.2 Carried and Participating Interests

State participation during the first half of 2013 yielded US\$305,061,108 representing 51.18% of the total petroleum receipts. This figure represents 29.44% increase over the figure for the same period in year 2012 which was US\$235,684,052.14.

5.1.3 Petroleum Income Tax

For the first time since Jubilee production began, the Government received corporate income taxes from the oil companies amounting to US\$119,064,906 (see Table 8) which constitutes 28.90% of the total petroleum receipts for the first half of the year.

Table 8: Corporate Income Tax payments for first half of 2013

COMPANY	AMOUNT
Tullow plc	79,236,805.56
Kosmos Energy	15,921,230.00
Anadarko	23,906,871.00
Total	119,064,906.56

Source: Ghana Revenue Authority

5.1.4 Surface Rental

Total revenue from this revenue stream for the first half of year 2013 was US\$797,777 representing 0.13% of the total receipts for the period under review. However, there was no record that Oranto/Stone Energy had met their obligation of US\$67,438.36 as at the end of June 2013. The figure for the first half of year 2013 is about 80% more than the figure for the same period in 2012. The Table below shows the rental payments by companies with licenses.

Table 9: Surface Rental Payment by Companies

COMPANY	AMOUNT US\$
Eni Ghana Exploration & Production Ltd	324,219.17
Saltpond Offshore Producing Co. Ltd.	555.00
Ophir Ghana (Accra) Ltd	60,000.00
Hess Ghana Exploration Ltd	82,189.73
Tullow Ghana Ltd	116,358.75
Lukoil Overseas Ghana Ltd	76,141.78
Kosmos Energy Plc	16,953.90
Total	676,418.33

Source: Ghana Revenue Authority

5.2 Annual Forecast for 2013 versus Half Year Performance

The revenue forecast for 2013 was estimated at US\$581,721,690 based on an estimated average oil price of US\$94.36 per barrel and daily oil production of 83,341 barrels per day.

Table 10: Petroleum Revenue Forecasts and Actuals

REVENUE STREAM	Annual FORECAST AMOUNT US\$	Half year AMOUNT RECEIVED US\$	% TOTAL FORECAST	DIFFERENCE (Actual less received forecast amount)
Royalties	143,719,813	117,987,680	82.10	(25,732,133)
O/W Jubilee Royalties	143,516,001	117,704,288	82.01	(25,811,713)
O/W Saltpond	203,812	283,392	139	79,580
Carried & Participating Interest	371,958,838	305,061,108	82.01	(66,897,730)
Corporate Income Tax	55,861,240	172,216,932	308.29	116,355,692
Surface Rental	421,799	797,777	189.14	375,978
Gas Receipt	9,760,000	-	0	(9,760,000)
TOTAL	581,721,690	596,063,497	102.5	14,341,807

Source: Ministry of Finance

It is worth noting that Surface Rental, Corporate Income Tax and Saltpond revenue streams had already exceeded their targets for the entire year 2013 by 30th June. The actual receipts for the first half of 2013 indicate that the Government had exceeded its revenue targets for the entire year. In respect of Carried and Participating Interest and Royalties, 82% of projected revenue for the year had been received as at the end of June. With regard to corporate income tax, the amount received was 308% of the forecast in the same way Surface Rentals also registered 189% of forecast. The only exception was the projected gas receipts which had not been realized as at the end of the first half of year 2013. Thus, by the end of the first half of the year, total petroleum revenue received exceeded the forecast annual revenue by 2.5%.

Finding: Total actual petroleum revenue received as at the end of the first half of the year was US\$596,073,381, compared to the projected revenue of US\$581,721,690 for the whole year 2013. This raises further questions about the determination of the Benchmark Revenue. The situation has arisen because all the components used in the estimation of the Benchmark Revenues were lower than the actual turnout. Estimated daily production and expected average price per barrel were lower than the actual. This, combined with the low estimated corporate taxes in the year when taxes were rather to be expected, resulted in low

SECTION 6

ALLOCATION OF PETROLEUM REVENUES

6.1 Petroleum Revenue Distribution

Total revenues received into the PHF during the period under review was US\$596,073,381 and was allocated to the GNPC, the ABFA and the GPFs as prescribed by Act 815 and shown in Table 11 below.

Table 11: Distribution of Petroleum Revenue (US\$) Jan – June 2013

Item	1 st Qtr		2 nd Qtr		Total US\$
	10 th Lifting	11 th Lifting	12 th Lifting	13 th Lifting	
Transfer to GNPC	42,342,760	38,487,485	37,432,100	32,687,149	150,949,494
o/w Equity Financing cost	16,371,879	12,258,684	14,957,392	4,787,197	48,375,152
o/w Net Carried and Participating Interest	25,970,881	26,328,841	22,474,708	27,899,952	102,674,382
o/w Contribution to Min. Bal on PHF	-	(100,000)	-	-	(100,000)
o/w Payments of Net Shortage from 1 st and 2 nd Liftings	-	(40)	-	-	(40)
GOG Net Receipts for Distribution to ABFA and GPFs	110,888,878	69,617,577	140,527,482	123,889,854	444,923,791
o/w ABFA	68,299,392	-	68,299,392	-	136,598,784
o/w GPFs	42,589,487	69,617,577	72,228,090	123,889,854	308,325,008
o/w Ghana Stabilisation Fund	29,812,641	48,732,304	50,559,663	86,722,898	215,827,506
o/w Ghana Heritage Fund	12,776,846	20,885,273	21,668,427	37,166,956	92,497,506
o/w Contribution to Min. Bal. on PHF	-	(100,000)	-	-	(100,000)
o/w Payments of Net Shortage from 1 st and 2 nd Liftings	-	(56)	-	-	(56)
Total Payments	153,231,638	108,305,158	177,959,582	156,577,003	595,673,189

Source: Ministry of Finance

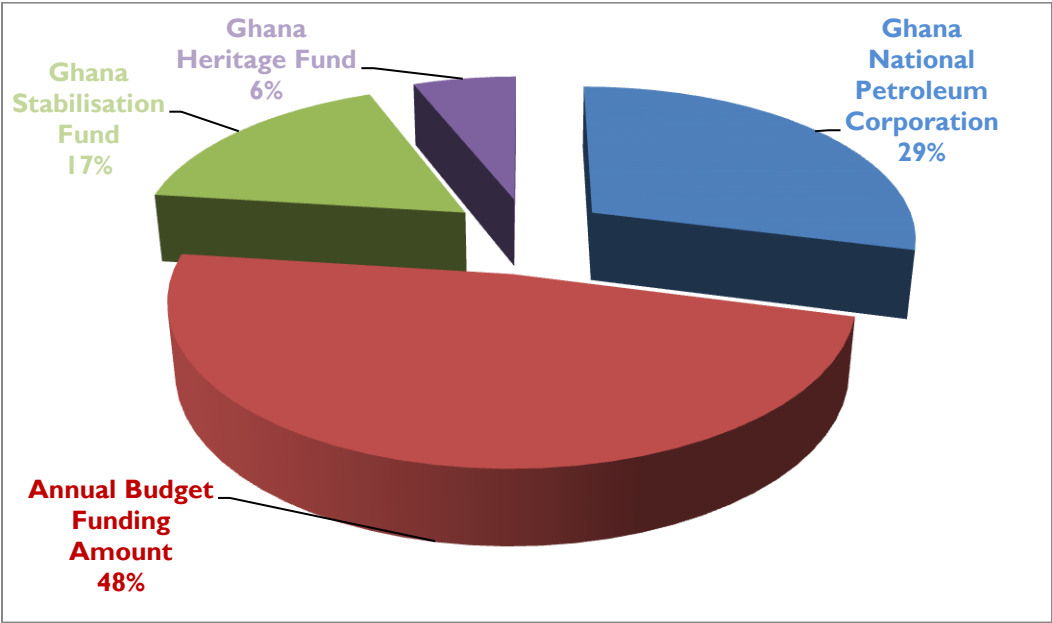
The Bank of Ghana transferred an amount of US\$100,000 to the Reserve Bank of New York on behalf of the GNPC for the payment of its share of the minimum balance on the Petroleum

Holding Fund (PHF) Account. The Government of Ghana also paid US\$100,000 for the same purpose. Moreover the Bank of Ghana also deducted an amount of US\$56.00 and US\$40.00 (see Table 11) from the claims of the Government of Ghana and the GNPC, respectively, in respect of overpayments to them in relation to the first and second liftings in 2011.

Total proceeds received from the inception of accounting for petroleum revenue operations to the end of first half of 2013 amounted to US\$1.425 billion. This is distributed as follows:

Ghana National Petroleum Corporation	29%
Annual Budget Funding Amount	48%
Ghana Stabilisation Fund	17%
Ghana Heritage Fund	6%

Fig: 2 Distribution of Total Receipts since inception



FINDING: The PIAC observed that the wide discrepancy between the projected Benchmark Revenue used in the 2013 Budget and the actual results has had the effect of limiting the amount that could have been placed in the ABFA to support government spending.

6.2 GNPC Utilisation of Allotted Revenue

Of the total revenue of US\$595.67 million for the period under review, US\$150.95 million was allocated to the GNPC as its share of the Equity Financing Cost (US\$48.38 million) and Net Carried and Participating Interest (US\$102.67 million). During the period under review, total Cash Calls amounted to US\$37,171,605 which was paid out of the revenues from the liftings made in the period. The details are as shown in Table 12 below.

Table 12: Jubilee Cash Calls

Ghana National Petroleum Corporation Jubilee Cash Calls for January to June 2013	
Applicable Invoice Period	Amount Paid US\$
January	9,367,211.00
February	2,738,917.00
March	5,267,461.00
April	7,563,375.00
May	8,911,831.00
June	3,322,810.00
Total Cash Calls	37,171,605.00

Source: Ghana National Petroleum Corporation

The available data for Revenue Utilisation, shown in Table 12 below, covers the period January to July 2013 (rather than the half year) and shows 51.5% utilisation. According to the GNPC, the remaining 48.5% is allocated towards projects earmarked for August to December 2013 supplemented by cash brought forward from 2012 and proceeds from outstanding liftings in 2013. The details of GNPC's expenditure on other petroleum projects are presented in Table 13 while Table 14 shows the list of projects to be undertaken using the unutilized amount.

Table 13: Utilisation of GNPC share of Jubilee oil Revenue Jan – June 2013

SRN	RECEIPTS FROM JUBILEE PROCEEDS	AMOUNT (US\$)	EXPENDITURE OF RECEIPTS (US \$)
1	Level A Receipts (Equity Financing)	43,587,955	36.8%
2	Level B Receipts (40% of Net Proceeds)	74,774,430	63.2%
3	Total Amount Received: (A)	118,362,385	100%
SRN	USES OF AMOUNTS ALLOCATED:		
4	Jubilee Financing Cost	43,587,955	36.8%

5	Petroleum Projects Other than Jubilee, TEN & Sankofa GyeNyame Project	4,797,174	4.1%
6	TEN Project	-	0.0%
7	Staff Cost	5,088,308	4.3%
8	Admin. Capital Expenditure	1,043,122	0.9%
9	General Operational Expenditure	3,281,436	2.8%
10	Amount Appropriated by Bank of Ghana as charges	1,282,671	1.1%
11	Total Expenditure: (B)	59,080,666	49.9%
12	Cash-yet-to-Spend: (C = A - B)	59,281,718	50.1%
13	Add: Cash B/Fwd (01.01.2013) D	61,674,215	
14	Total Cash - Available (E = C + D)	120,955,933	

Source: Ghana National Petroleum Corporation

Table 14: GNPC Petroleum Projects

PETROLEUM PROJECTS	\$ 4,797,17
South Deepwater Tano	1,147,174
Voltaian Basin Project	575,363
North & South Tano	553,700
Hess Block	1,446,036
Ultra Deep Water Keta	94,151
ICT Upgrade & Expansion	43,750
Research and Technology Centre	35,210
Organisational Development Project	39,168
Petroleum Project Consultancy	254,019
Maritime Boundary Special Project	608,694

Source: Ghana National Petroleum Corporation

Finding: The GNPC is making more efforts at enhancing transparency by providing information on use of petroleum revenue from the Jubilee oilfields.

6.3 Utilisation of the Annual Budget Funding Amount (ABFA)

Total allocation to the ABFA from January to June 2013 was US\$136,598,784. The quarterly ABFA target was achieved for both quarters. The actual ABFA allocation in US dollars was equivalent to the amount provided for in the 2013 Budget estimates. Since there were two liftings in each quarter, the first lifting for each quarter was sufficient to meet the requirements of the ABFA. The proceeds from the Government of Ghana's share in the quarter's second

lifting were therefore transferred into the GPFs. The ABFA for the period under review of US\$136,598,784 is 3.55% higher than that of the same period in year 2012 which was US\$131,905,535.44. The improvement in the figures of year 2013 is due to more liftings and the realisation of corporate income tax receipts. Table 15 shows how the ABFA was utilised during the period under review.

Table 15: Expenditure of January-September 2013 ABFA on Four Priority Areas

Priority Areas	Amount Spent GHC		
	Goods and Services	Assets	Total
Expenditure & Amortisation of Loans and Gas Infrastructure	-	-	-
Road & Other Infrastructure	-	74,601,525.39	74,601,525.39
Agriculture Modernisation	-	1,945,904.99	1,945,904.99
Capacity Building (including Oil and Gas)	21,144,600.00	14,092,235.95	35,236,835.95
Total	21,144,600.00	90,639,666.33	111,784,266.33

Source: Ministry Of Finance

It should be noted that the figures reported in Table 15 above show ABFA spending up to September 2013. The Committee is unable to disaggregate into specific areas for analysis up to June 2013. The PIAC will therefore provide a more detailed analysis of utilisation of the ABFA in the annual report for 2013 when all expenditures would have been known and reported on by the Ministry of Finance

SECTION 7

PERFORMANCE OF THE GHANA PETROLEUM FUNDS IN THE FIRST HALF OF 2013

According to the Ministry of Finance, an amount of US\$308,325,008 was transferred into the Ghana Petroleum Funds during the first six months of 2013 however the Bank of Ghana indicated having received US\$184,435,154.33 for the same period.

Of the total amount received by the Ministry of Finance, US\$215,827,506 was transferred into the Ghana Stabilisation Fund with the remaining US\$92,497,502 going into the Ghana Heritage Fund as shown in Table 16 and 17.

Finding: The PIAC has noted differences in the figures reported by the Bank of Ghana and the Ministry of Finance for the Ghana Petroleum Funds arising from differences in timing of receipt. According to the Bank of Ghana, the proceeds of the 13th lifting were received into the Petroleum Holding Fund on July 23. The entire amount was allocated into the GPFs by the Ministry of Finance because the ABFA had been satisfied under the 12th lifting in April 2013.

Table 16: Ghana Heritage Funds, Jan – June 2013

Opening book Value (1 January 2013)	US\$ 21,694,221.10
Receipt during the period	55,330,546.31
Bank charges	(1,858.15)
Income from Investments	170,697.29
Closing book Value (30 June 2013)	77,193,606.55
Net Income for the 1st Half of 2013 comprised the following:	
INCOME	US\$
Investment Income	170,697.29
Less: Bank charges	(1,858.15)
Net Return for the Period	168,839.14

Table 17: Ghana Stabilization Funds

Opening book Value (1 January 2013)	US\$ 71,898,587.68
Receipt during the period	129,104,608.02
Bank Charges	(4,646.29)
Income from Investments	620,184.45
Closing book Value (30 June 2013)	201,618,733.86
Net Income for the 1st Half of 2013 comprised the following	
INCOME	US\$
Investment Income	620,184.45
Less:	
Bank charges	(4,646.29)
Net Return for the Period	615,538.16

Source: Bank of Ghana

Finding: The amount reported by the Ministry of Finance to have been transferred into the Ghana Petroleum Funds during the first six months of 2013 was significantly higher than that reported to have been received for the same period in year 2012.

SECTION 8

FINDINGS AND RECOMMENDATIONS

The following are the key findings and their corresponding recommendations made by the PIAC in its Semi-Annual Report covering the period January to June 2013.

8.1 Key Findings

I. The Ghana National Gas Project

The time table for the completion of the Ghana National Gas project has not been adhered to and completion date has kept on changing from end of June, 2013 to the end of last quarter 2013 to end of first quarter 2014.

II. Daily Production

The actual average daily production of 104,731.93 barrels during the period under review exceeded the projected average daily production of 83,341 barrels used in estimating the Benchmark Revenue for the year. However this rate of production is below the expected peak daily production of 120,000 barrels. The difference is attributed to various technical challenges that the operators are encountering including the continuous reinjection of associated gas.

III. Accounting for Petroleum Stocks

As observed by the PIAC in its previous reports, there have been revenue spill-overs from stock accumulated from a previous period of production which becomes available for lifting especially by the Ghana Group in January of the following year. The trend continued in January 2013 with a lifting of 995,550 barrels of crude oil.

IV. Benchmark Revenue

The PIAC observed that the wide discrepancy between the projected Benchmark Revenue used in the 2013 Budget and the actual results has had the effect of limiting the amount that could have been placed in the ABFA to support government spending

V. Petroleum Revenue

Total actual petroleum revenue received as at the end of the first half of the year was US\$596,073,381 compared to the projected revenue US\$581,721,690 for the whole year 2013. This raises further questions about the determination of the Benchmark Revenue. This situation has arisen because all the components used in the estimation of the Benchmark. Revenues were lower than the actual turnout. Estimated daily production and expected average price per barrel were lower than the actual. This, combined with the low estimated corporate taxes in the year when taxes were rather to be expected, resulted in low Benchmark Revenue that was used in the national budget.

VI. Ghana Petroleum Funds

The PIAC has noted a discrepancy in the figures reported by the Bank of Ghana and the Ministry of Finance for the Ghana Petroleum Funds. According to the Bank of Ghana, the proceeds of the 13th lifting was received into the Petroleum Holding Fund on July 23 and is

pending allocation however the Ministry of Finance had indicated an allocation in their report as at June 30th.

8.2 Main Recommendations

I. The Ghana National Gas Project

The government should act expeditiously to remove all the bottlenecks (especially funding) that are delaying the completion and commissioning of the project.

II. Benchmark Revenue

The Committee recommends that the MoF and other institutions that provide input for the estimation of the Benchmark Revenue must make every effort to improve the outcome of the projections.

III. Accountability for Petroleum Stocks

The Ministry of Finance and the Ghana National Petroleum Corporation should include a section in their annual report to account for the total production and lifting of petroleum since inception.

IV. Daily Production

The Jubilee partners should make every effort to ensure that the peak production of 120,000 barrels per day is achieved according to their original plans as soon as practicable.

V. Ghana Petroleum Funds

There is the need for reconciliation by the Ministry of Finance and the Bank of Ghana to ensure that the difference in the Ghana Petroleum Funds is accounted for in the ensuing period.

SECTION 9

CONCLUSION

The Public Interest and Accountability Committee (PIAC) is very mindful of the need to make information about petroleum revenue available to the general public on a timely basis as required by law. Until quite recently, however, the ability of the Committee to fulfil this obligation was severely hampered by the non-availability of adequate resources to effectively pursue our task within the context of the mandate provided by the law. The Committee hopes that the recent increase in the flow of resources to the Committee by government will be sustained so that the Committee can meet public expectations of the PIAC to fulfil its obligations under the Petroleum Revenue Management Act, 2011 (Act 815). The Committee is ready and willing to provide the necessary reports in a timely and meaningful manner for the benefit of all, provided the resources are made available.

This report contains useful information that gives a bird's eye view of petroleum revenue management in the first half of year 2013. The full year report will follow soon after this to make the picture more complete. During the first half of the year 2013, production from the Jubilee oilfields improved considerably compared to the same period in 2012. Revenue inflow was therefore enhanced and the country benefitted from this occurrence.

The Committee has also observed a reasonable improvement in the performance of all the institutions involved in petroleum revenue management and it is hoped that this can be sustained in the coming years.

APPENDIX

SRN	BLOCK/OPERATOR	DISCOVERIES	DISCOVERY PERIOD	HYDROCARBON TYPE	STATUS
1	GNPC	Ebony	November 2008	Condensate/ Gas	Marginal
2	DWT/TULLOW OIL	Tweneboa-1	March 2009	Gas Condensate	PoD
3		Tweneboa-2	February 2010	Oil	PoD
4		Owo/Enyenra-1	July 2010	Oil	PoD
5		Ntomme	January 2011	Oil & Gas	PoD
6		Wawa	July 2012	Oil & Gas	Exploration
7	WCTP/KOSMOS ENERGY	Odum-1	March 2008	Heavy Oil	Marginal
8		Mahogany-Deep	January 2009	Light Oil	Appraisal
9		Teak-1	February 2011	Oil & Gas	Appraisal
10		Teak-2	March 2011	Gas	Appraisal
11		Banda-1	July 2011	Oil	Marginal
12		Akasa-1	August 2011	Light Oil & Gas	Appraisal
13	OCTP/ENI	Sankofa-1	July 2009	Gas	Appraisal Completed
14		Gye Nyame-1	July 2011	Gas	Appraisal Completed
15		Sankofe East	September 2012	Oil & Gas	Exploration
16	DWTCTP/HESS	Paradise-1	May 2011	Oil & Condensate	Exploration
17		Hickory North	June 2012	Oil & Condensate	Exploration
18		Beech	September 2012	Oil	Exploration
19		Almond	October 2012	Oil	Exploration
20		Pecan	December 2012	Oil	Exploration
21		Cob	January 2013	Oil	Exploration
22		PN-1	February 2013	Oil	Exploration
23	DWCTP/LUKOIL	Dzata-1	February 2009	Oil & Gas	Appraisal

Source: GNPC Geology Department