

Can Ghana Gas Company Be a Top-Class Institution? A look at Gas Pricing for Power Generation.

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We recall, the signing ceremony of a Petroleum Agreement (PA) between ExxonMobil and the government of Ghana in Accra on January 18, 2018, for upstream operations in Deep Water Cape Three Points(DWCTP).

The Minister of Energy, Mr. Boakye Agyarko, CEO of Ghana National Petroleum Corporation(GNPC), Dr K. K Sarpong and CEO of the Petroleum Commission(PC), Mr. Egbert Faibille represented and signed on behalf of the people of Ghana. Where was the representative from Ghana Gas? Just to think aloud, was Ghana Gas involved in prior negotiations? I don't think so. If that was the case, it suggests GNPC negotiates gas prices with little or no inputs from Ghana Gas.

Over the years, GNPC and its partners deliver natural gas to Ghana Gas who in turn acts as an aggregator, processor and seller of natural gas liquids to domestic and export markets. According to the National Gas Policy, Ghana Gas with advice from the Public Utilities Regulatory Commission(PURC) shall implement gas pricing. It further states that

“GNGC shall be the aggregator and shall be responsible for negotiating all long-term sale and purchase contracts with upstream producers and all end-users” GNGC (the aggregator) shall establish accounting separation between its aggregation and trading, processing and transportation pipeline ownership and maintenance business units, in alignment with existing regulations.

For the past eleven years, Ghana Gas has never negotiated any gas deal including that of Gazprom, the world's largest producer of gas which was negotiated by GNPC. Negotiated deals, whether good or bad are dumped on Ghana Gas. No wonder imported gas has been always cheaper than indigenous gas.

According to the Energy Commission's supply and demand outlook for 2017, Ghana Gas was able to provide 82% of gas needed to power thermal plants while the remaining came from Nigeria, Ghana is still in need of some 200mmscft of natural gas to meet demand which of course will be supplemented with gas from Nigeria through the West African Gas Pipeline(WAGP). For the past two years, average delivery price of the WAGP gas has been \$8.45/ mmbtu with indigenous gas being \$8.84/mmbtu. This high price is transferred to power companies which in turn reflects in high electricity tariffs. The power sector may be ready to pay high prices for gas, because it will transfer high cost to consumers considering how comparatively cheaper it is to imported diesel or light crude. This may not be an interesting situation for the ordinary Ghanaian and Industrial consumers who would prefer competitive prices.

The well-head gas prices determined in the 2016 and 2017 budgets were as follows;

- Jubilee field: Public Utilities Regulatory Commission (PURC)-determined price of US\$2.9/mmbtu
- TEN Field: Based on the petroleum agreement (Associated Gas: US\$0.50/mmbtu; Non-Associated Gas:US\$3.0/mmbtu); and
- SGN Field: Based on the gas sales agreement (US\$9.80/mmbtu)

It is therefore surprising for indigenous natural gas price to be fixed at \$8.84/mmbtu. A re-look at natural gas pricing and the institution responsible for negotiating gas prices in petroleum agreements is ideal to bridge the gap between the need for sustained availability of energy at a competitive price and Ghana's aspiration to become a vibrant energy hub.