

Government revenue declines due to fall in oil prices

The Public Interest and Accountability Committee (PIAC) is a citizens-led statutory body established under Section 51 of the Petroleum Revenue Management Act (PRMA) 2011 (Act 815) to provide monitoring in the usage and management of petroleum revenue in accordance with the PRMA. The PIAC therefore provides additional non-parliamentary and independent oversight over the collection and utilization of Ghana's petroleum revenues.

The PIAC in compliance with section 56 of the Act 815, published its 2015 annual report with focus on six (6) thematic areas which are: petroleum production and liftings, crude oil pricing, petroleum receipts, allocation and utilization of petroleum receipts, performance of the Ghana petroleum funds and utilization of withdrawals from the Ghana Stabilization Fund.

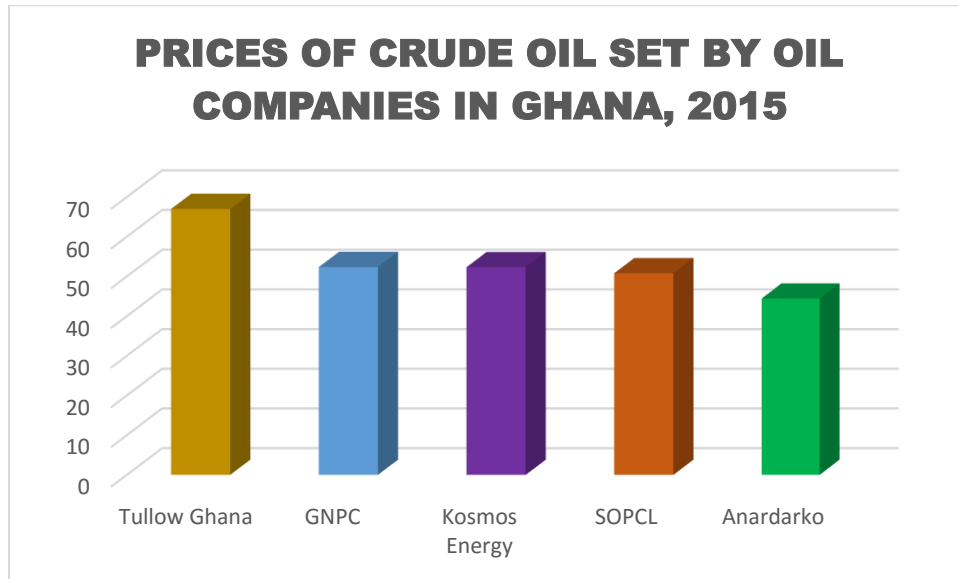
According to the report, the Jubilee oil field between 2011 and 2015 produced one hundred and sixty one million, nine hundred and twenty nine thousand, one hundred and one (161,929,171 barrels of crude oil).

Petroleum Production and Liftings:

In 2015, the Jubilee Field produced thirty-seven million, four hundred and eleven thousand, six hundred and sixty one (37, 411, 661 barrels of oil) with an associated gas of fifty two thousand, five hundred and forty-six (52,546 MMscf of gas). Averagely, the daily benchmark production set in 2015 was exceeded by 0.45 percent. Out of this figure, a total amount of five million, seven hundred and thirty thousand and ninety (figure here) barrels of crude oil were produced by the Ghana Group in 2015. This represented 15.42% of the total production and 3.22 percentage point lower than the Government of Ghana share of 18.64% which consists of 5% royalties and 13.64% carried and participating interest) with a 25.4% annual decline in the total liftings.

Crude Oil Pricing

The Jubilee Partners achieved the following prices: Tullow Ghana - US \$67, GNPC - US \$52.36, Kosmos Energy - US \$52.32, Salt pond Offshore Producing Company Ltd (SOPCL) - US \$50.80 and Anadarko- US \$44.42. The hedging policy initiated by Tullow Ghana made the company achieve such high price.



Source: Computation from PIAC 2015 report

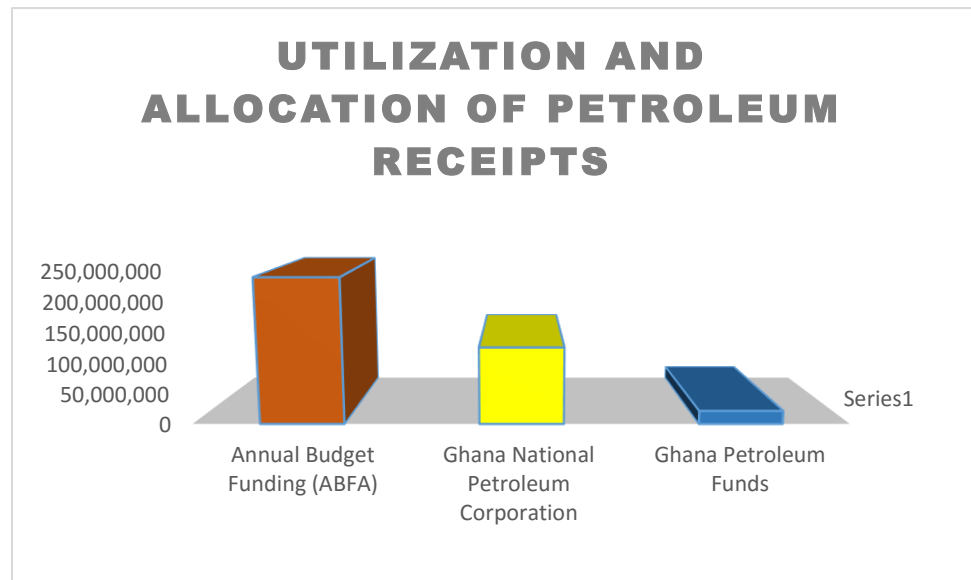
Petroleum Receipts

The Petroleum Receipt for period was three hundred and ninety-six point one-seven million dollars (US \$396.17 million) which was 46 percent lower than the estimated of \$ 578.40 million dollars and 60 percent lower than \$.633.87 million dollars revenue realized in 2014. The sharp decline in the revenues was due to the fall in the crude oil prices on the world market.

Allocation & Utilization of Petroleum Receipts

A total of three hundred and eighty seven million, eight hundred and twenty seven thousand, seventy dollars (US \$ 387,827, 070 dollars) was allocated during the 2015 reporting period. Out of this, a total of two hundred and thirty nine million dollars, two hundred and ninety five thousand, three hundred and seventy one dollars (US \$ 239, 295, 371) were allocated to the Annual Budget Funding Amount (ABFA) representing 61.70 percent. The second largest amount of one hundred and twenty-six million dollars, eight hundred and fifty eight thousand, seven hundred and fifty four dollars (US\$126,858,754) representing 32.71 percent of the total amount was transferred to Ghana National Petroleum Corporation (GNPC). The Ghana Petroleum Funds (GPFs) received an amount of twenty one million, six hundred and seventy two thousand, nine hundred and forty six dollars (US \$ 21,672, 946 dollars) represented by 5.59 percent.

Fig. 2: Utilization and allocation of petroleum receipts, PIAC 2015 report



Source: Authors computation with data from PIAC 2015 report

Performance of the Ghana Petroleum Funds

The Ghana Petroleum Funds made a net investment income of US\$ 4.5 million compared to US\$ 5.85 million for 2014. This depicts a fall of 30 percent in the net investment from 2014 total monetary value. Out of the total amount of US\$4.5, the Ghana Heritage Fund contributed US\$3.97 million representing 88.22% of the total amount while the Ghana Stability Fund (GSF) contributed US\$0.53 million representing 11.77 percent of the total Ghana Petroleum Funds (GPFs). The balance on the GPFs at the end of 2015 stood at US\$ 259.38 million for the Ghana Heritage Fund (GHF). The total income earned on the funds since 2012 with GHF and GSF accounting for 72 percent and 28 percent respectively.

Utilization of Withdrawals from the Ghana Stabilization Fund

There was placement of a cap of US\$300 million on the GSF in the 2015 Budget Statement but was subsequently revised to US\$150 million in July 2015. An amount of US\$95.02 million was a surplus value over the GSF of which US\$47.51 million was transferred into the Sinking Fund account and with 25% of the amount also lodged into Contingency Fund with the remaining 25% retained in the Ghana Stability Fund in accordance with paragraph 179 of the Budget statement.

Recommendations

The reports made the following recommendations:

The reports recommends that, a colossal amount of US\$222.93 million which swept from the Annual Budget Funding Account (ABFA) by the Bank of Ghana be refunded to prevent the violation of section 21 (4) of the Petroleum Revenue Management Act (PRMA).

Second, the Ghana Revenue Authority must initiate the process to recover all outstanding surface rentals owed by the upstream companies to the government (with it associated penalties) which stood at US\$722,000 as at the end of 2015.

Moreover, GOG must be prevailed upon by Parliament to refund to GNPC, the colossal amount of US\$75.30 million being the special advance paid to the Ministry of Finance in 2014.

Finally, the capacity building must be prioritized for the e enhancement of indigenous expertise and skill development as expected.

In conclusion, the PIAC reports highlights the revenue flows into the various funds set up for the purpose of accumulating revenue for the government to be used for economic growth and development in all sectors of the economy. However, the analysis of the report shows that revenue to the government keeps falling due to the lower levels of petroleum prices.