

CPP



# Convention People's Party (CPP)

## Policy Positions on Oil and Gas

February 2016



# I. Introduction

**The Convention People's Party (CPP) is pleased to have conducted an exercise to develop its own policy position on the extractive sector - primarily the oil and gas industries.**

These two industries have several economic and political implications for the nation. They include:

- i. Exploitation of our natural resources that have diminishing returns
- ii. Impact on the environment and geographical landscape
- iii. Opportunity for large-scale employment and economic benefits
- iv. Generation of revenue to support the national expenditure budget
- v. Key determinant of our currency's exchange rate
- vi. Building capacity of Ghanaians both individually and in the Private Sector in these two key industries

It is because of these reasons that it is imperative for the CPP, as a party for the people, to streamline policy to address challenges within the sector that prevail on the country.

Ghana's petroleum industry is divided into the upstream and downstream sectors. Upstream activities include the production of crude oil and gas. The downstream concerns the procurement and supply of crude oil or gas to be refined by the nation's only petroleum refinery, Tema Oil Refinery (TOR) as well as the supply of gas to Ghana Gas at Atuabo for the production of lean gas which currently is used for electricity generation. Downstream activities also include the importation of refined petroleum products

by the Bulk Distribution Companies which are then marketed, sold and distributed to the Oil Marketing Companies (OMCs) and the pre-mixing of petroleum products for other industrial uses. OMCs operating in Ghana are mainly multinationals, however the last decade has seen an increase in the establishment of a number of small to medium-scale OMCs and their duty is to sell these refined products to the general public.

The price of refined petroleum products as sold by the OMCs, have a direct correlation in terms of spending power of citizens and consequently can have either a positive or negative effect on the economy, since the nation consumes a significant quantity of refined petroleum products and the import of crude oil also constitutes an important part of our gross domestic product (GDP), where the bulk is brought in by the bulk distribution containers and government through the Bulk Oil Storage Terminals (BOST), which has begun to import on behalf of Tema Oil Refinery.

Since 2003 the petroleum sector has experienced significant growth, particularly with the discovery of oil in commercial quantities in the Jubilee Fields in 2007. Currently, the Ghana National Petroleum Corporation (GNPC) has the mandate to explore for oil within the country's territory and presently fulfills this duty by partnering with the major oil and gas contractors. The companies who have been granted licenses by the government of Ghana for offshore exploration and production, although at this moment it's only their partnership with Tullow Ghana, Kosmos Energy, where there is production of hydrocarbons while other International Oil Companies (IOCs) like ENI, AGM, Heritage, Sankofa, the TEN Project and Hess Ghana Limited, to mention a few, are yet



to come into production in the next 4 to 5 years. Their sub-contractors include Schlumberger, Baker Hughes, Weatherford, Ocean Rig, Subsea7 and Technip. Ghana's first commercial oil lifting took place in January 2011 - between then and as at December 2014, the Ghana Group has lifted 23,335,792 barrels of crude oil and total natural gas exported from the Jubilee Field to the Atuabo Gas Processing Plant in late 2014 was 1,906.39 mmscf (382.77 mmscf in November and 1,523.62 mmscf in December) and we note here that the commissioning of the Gas infrastructure commenced on 10th November 2014, following the receipt of its first wet gas. To date the Government of Ghana has signed 13 Petroleum Agreements, these are agreements between the Government of Ghana, the GNPC and IOCs for the exploration and production of hydrocarbons offshore, signifying the increased interest in Ghana's oil industry.

Ghana's oil and gas prospects are significant where recent discoveries point to the country's oil and gas resources stretching across the entire country's shoreline from the Ivorian border through Cape Three points in the West to Keta in the East. The Volta Basin is also believed to hold oil and gas reserves and the government, through the GNPC, is seeking to fully maximize Ghana's prospects and potential in the oil industry. It has recently sought to extend the nation's continental shelf to increase the country's oil and gas potential.

The arrival of the Floating Production Storage Offloading (FPSO) in June 2010, (equipment that receives and stores crude oil and gas), has greatly aided in harnessing oil and gas. In March 2011 it was also announced that another oil discovery had been made in Enyenra.

The discovery of oil and gas has increased the expectations of Ghanaians. It is expected that these resources will be a blessing and not a curse and therefore Ghana needs to move from a commodity based economy to an industrial economy. The challenge is how the oil and gas sector becomes a catalyst for transformation of other sectors of the Ghanaian economy.

To achieve this broad vision, the policy for the oil and gas sector must be divided into a:

1. Short-term Framework
2. Medium-term Framework
3. Long-term Framework

The short-term policy framework seeks to avoid the exploitation associated with the sector. This can be achieved by the halting of oil exploration until such time when the legal, fiscal and accountability regulations had been set.

When such policies have been established, the medium-term framework can be rolled out and for the country to have a greater equity stake, as defined in Ghana's local content regulations in the oil and gas industry can be achieved in three major forms consisting of technology development, capital investment and human resource development for the sector. For the country to fully harness the potential of this sector, the nation must commit resources to the training of citizens and also there must be a broader policy intervention including the review of the educational system specially to take into consideration the training of technical human resource, predominately a Ghanaian workforce with the right expertise to operate and drive the industry including the artisanal requirement of welders, etc., if the ownership Ghana seeks is to materialize.

In the long term, the CPP is of the conviction that there is a need to renegotiate all contracts in the sector with specific attention on who holds the beneficial ownership of the IOC's who are granted license to explore for hydrocarbons in Ghanaian waters, since most times it can be very difficult to trace the actual owners of these IOC's and hence a lot of fronting for others takes place. It is important for the nation to know especially in these initial years of the country's petroleum sector, who holds ownership as a technical partner in the partnership with Ghanaians and GNPC as Ghana continues to build capacity within the terms of capital, technology and technical knowhow, in order to efficiently manage the oil and gas sector in the years to come.

## 1.1 Political position

The CPP is committed to the general economic development and prosperity of our people. Founded on 12th June 1949, the party has adopted several development policy directives guided by our socialist principle to improve the lives of the people. These resulted in several capital investments and infrastructure that sustained the country for over five decades. Some of these include the:

- Construction of the Akosombo hydro-electric power dam
- Establishment of the University of Science and Technology in Kumasi
- Development of the Tema port, township and industrial area
- Tema dry dock yard
- Valco Aluminum Factory
- Construction of the Tema motorway
- More than 400 state-owned enterprises (SOEs) including the Tema Oil Refinery and State Housing Corporation
- Ghana Ports Authority

The CPP, as a left-wing Nationalist Party, espouses the principles of Nkrumahism and self-determination for socio-economic transformation. Like any other political parties, the party exists to win political power in order to implement its political objectives of socio-economic transformation and social justice - Creating equal opportunities for ALL.

The CPP has a primary vision of creating a decolonized economy with specific principles on the national ownership of natural resources, where the right of decision and direct benefits are bequeathed and vested in the people. We intend to achieve this through:

- Making better, people-centered policies to foster greater economic and social transformation
- Serving as political vanguards and protecting the people on critical issues inimical to the larger society, examples include our recent campaigns against genetically modified organisms (GMO) foods, the Economic Partnership Agreement (EPA) with the European Union and IMF austerity measures
- The structural transformation of our economy
- A society where there is social justice
- A good social support system and economic equity for all persons

## 1.2 Key policy components

Our policy position identifies four key components of implementation in order to change the current fiscal regime and general economic outlook:

- i. Restructure and strategize state participation in the management and operations of the extractive sector through the SOEs
- ii. Review the current fiscal regime and policies to address the challenges relating to fiscal responsibility and prudent management of our economy
- iii. Develop a long-term national strategic framework for the management and governance of the natural resource sector and particularly the use of extractive for national development
- iv. Ensure greater transparency and accountability as a prerequisite for good governance in the extractive sector

## 2. Strategy and framework for the natural resource governance

**Key political statement:** Ownership of natural resources by the people for the people.

*Restructure and strategize on state participation in the management and operations of the extractive sector through the SOEs.*

Ghana as a country with its experience from the mining industry, has a great advantage in reviewing the current situation with respect to the management of its oil and gas sector to derive maximum benefit for her people.

Unfortunately, that cannot be said for minerals, after 100 years of mining gold and diamonds there is not much to show for it especially with the communities where these minerals have been mined.

The CPP's direct intervention to address this shall include:

- A review of the current fiscal regime that regulates the sector, with particular reference on terms of ownership and contracts with private investment and participation
- Streamlining the participation of state companies in the sector to ensure value addition across the supply chain
- Increasing capital investment to expand and increase state equity in the sector

### 2.1 State-owned companies

The CPP as a standard policy believes in the participation of the state, the private sector, state-private partnerships, foreign entities and cooperatives in enterprise development. We however believe that colonization precluded private sector development, thereby limiting the manufacturing sector in Ghana and resulting in an import-dependent economy.

Most fundamental to the CPP is how the substantial proceeds from the extractives sector can transform other sectors by creating value addition and employment generation for a majority of Ghanaians.

The CPP identifies the fundamental roles of SOEs as follows:

SOEs should focus on the core mandate for which they were established

- To create employment and provide job availability for the citizenry
- To ensure a vehicle for production and commercial viability

## Policy Positions on Oil and Gas

Participation in the extractive sector by SOEs is as critical as ensuring that we maximize our benefits from the sector.

The CPP shall revise the operations of the GNPC and other state companies involved in the sector to facilitate integration e.g. Ghana Gas, Tema Oil Refinery (TOR), Bulk Oil Storage and Transport (BOST) to ensure full-scale operation from upstream to downstream production. This is intended to ensure:

- Harmonization of institutional responsibility in the sector
- Increased asset portfolio and the investment capacity of GNPC
- Value addition from research and development, exploration, production and diversification

# 3. Fiscal management

**Key political statement:** Saving every cedi and giving every cedi to the people.

*Review the current fiscal regime and policies to address the challenges relating to fiscal responsibility and prudent management of our economy to reduce over dependency on oil revenues.*

## 3.1 Current economic outlook

With the discovery of oil and gas and subsequent exploration and production, Ghana has several sources of revenue and finances from various sectors of the economy. These include:

- Tax mobilization from citizenry
- Traditional export commodity trading such as gold, timber and cocoa
- Corporate and business taxes from the manufacturing and commercial sectors
- Direct and indirect investments from foreign entities including development partners
- Financial facilities acquired for capital investments (loans) with approval from parliament
- Dividends, internal generated funds (IGFs), royalties and statutory levies and payments from SOEs and the private sector

These are funds available to the government to administer expenditure and capital investments in the management of the economy.

However, due to a lack of prudent economic policies and management, Ghana is

currently running a deficit with its economic fundamentals. This situation has created an apparently necessary over-reliance on revenue from the extractive sector. The country currently expends 100% of gold revenue and 70% from the oil and gas sectors.

Since both the resources and benefits from the extractive sector have limitation and diminishing returns, it is important to ensure equity and diligence in the management of revenue from the sector.

In order to achieve the objective of reducing dependency on extractive sector revenue, as per the policy position of the CPP, it is important to examine the current economic outlook of the country and take pragmatic measures to ensure fiscal discipline and prudent economic management. This can be possible if we critically analyze:

- Debt portfolio management
- Public sector expenditure
- Revenue mobilization

Ghana currently has a debt-to-GDP ratio of 67.7 percent and 11.1 percent of total national revenue available for capital investment and socio-economic development (Dr. Joe Amoako-Tuffour, Director of Research – ACET). It is also important to note that public sector expenditure, particularly on public

sector wages constitutes almost 70 percent of consumption of the consolidated fund or public purse with 70 percent of all oil revenues being put in the consolidated fund to support the budget.

However, it is important to deal with the deficit and waste in the economy as a critical measure in ensuring prudent and sustainable management. The overriding results would be to reduce the burden imposed on the budget and subsequent over-dependency on extractive revenue.

### 3.2 Fiscal review - Rules and compliance

The current challenges facing our economy require a rigorous fiscal review and new policy prescription that will address difficulties of our economic fundamentals and management of the Annual Budget Funding Amount (AFBA).

The CPP shall take the following immediate measures:

- To introduce a fiscal responsibility bill to ensure fiscal discipline and sustainability
- To enforce of existing rules to ensure efficiency
- To introduce a cap on borrowing
- To renegotiate for flexible terms for amortization of public loans
- To ensure a constitutional amendment that requires a two-third majority in Parliament for approval on loan acquisition
- To separate the attorney general's department from the Ministry of Justice to ensure prosecution of financial misappropriation and malfeasance in our financial management system

### 3.3 Revenue mobilization

- Develop the human resource capacity of the Ghana Revenue Authority to ensure efficiency in revenue mobilization

### 3.4 Public sector reforms and management

The CPP believes that Ghana has needed, and still needs, an efficient public sector that is focused on delivering more and better services to the public, and in a cost effective manner:

- That sub-vented agencies of the government need to be critically examined to eliminate duplication, overlaps or even irrelevance of mandates and need to be pruned down in order to reduce the financial burden on state budgets
- That the public sector needs to be motivated through performance-related incentives
- That there is a need to raise the bar of accountability as a tool for reducing corruption in the delivery of service by the public sector
- That government ministries, departments and MDAs need a complete overhaul in terms of aligning functions, objectives and structures to facilitate decentralization and financial discipline.



# 4. Extractive sector revenue management and utilization

**Key political statement:** Making meaningful benefits from our natural resources.

*Develop a long-term national strategic framework for the management and governance of the natural resource sector, and particularly on the utilization of extractive revenues for national development.*

The CPP shall have a policy to ensure that revenue from the extractive sector is invested in a manner consistent with the development plan and policy objectives of the people of Ghana. It thus proposes the following measures to:

- Reduce over-dependency on extractive sector revenues
- Review allocation of extractive royalty payments to stakeholder communities and local authorities, and provide guidelines for optimal utilization
- Ensure generational equity with 50 percent savings on all revenue from the extractive sector
- Commit the remaining 50 percent towards the implementation of the long-term National Development Plan.
- Diversify the use of revenues to ensure it addresses structural deficit, substitute import of general economic goods with modernized agriculture and manufacturing and social development programs.

There is a great need to leverage the revenue from the sector and invest it into industry to diversify our economy. The benefits and developments associated with oil and gas discovery may elude Ghana unless the use of revenues is managed with prudence to address the social, economic and infrastructural needs of the country.

Identifiable limitations of the oil and gas sector:

- Oil is a commodity, subject to price volatility on the international commodities market.
- Revenue accrued from the oil and gas sector is only a small portion of the country's GDP (1.2 percent of GDP), but will increase with more production in the next 5 years
- Fiscal indiscipline will deplete the benefits of the oil revenue

As an immediate strategic intervention:

- We must ensure a retention of at least 10 percent of the petroleum produced in Ghana for consumption in the local market to cushion the local economy
- We should refine a percentage of our crude locally to add value and maximum benefits from the sector across the supply chain. This should include the building of synergy with the other sectors of the economy.

In line with our vision, the CPP shall adopt the following measures in the management of extractive sector revenues:

- To use revenue from the sector to expand and diversify the economy through mechanized agriculture and industrialization to ensure sustainability and real growth

- To ensure value addition in the supply chain management and increase capacity for local industry
- To allocate some of the revenue from the sector to invest in a social development program to provide social support services such as housing for the people

## 4.1 Increase capital investment for NDP

As stated earlier, the CPP believes in the structural transformation of the economy and on growth and expansion. The Party supports a long-term National Development Plan (NDP) that will invest in agriculture, manufacturing as well as infrastructure. Such investment shall increase production and expand the economy to be self-reliant and these investments may include:

- Modernizing and mechanizing agriculture to increase yield
- Increased manufacturing through industrialization as solution for production, employment creation and import substitution
- Ensuring local capacity and participation in infrastructure development and construction

## 4.2 Short and medium-term interventions

In view of the current situation, the CPP as short-term measure shall propose for review of the Petroleum Revenue Management Act (PRMA) on investment options for the fund to include:

- Increasing the proportion of savings to 50 percent for the Heritage and Stabilization Funds (from the current 30 percent).
- Reviewing the appropriation and portfolio to ensure high return on investment with consideration on reduced risk

- Balancing investment of savings between local and foreign options to ensure stability of the local currency as foreign exchange earnings

## 4.3 Industry sector investment

In order to maximize benefits and participation from the sector, a CPP government shall invest in the following areas:

- **Increase equity through capital investment.**  
The GNPC as the principal state actor in the sector shall make progressive capital investment to increase state equity to over 25 percent in the petroleum by 2025.
- **Human resource development.**  
We shall review our educational policy and curriculum to give capacity to the Kwame Nkrumah University of Science and Technology and the University of Mines in Tarkwa to develop research and training in petrochemical engineering. The investment is to increase our human resource capacity in terms of technical expertise and management in the oil and gas sector.
- **Research and development for technology.**  
Provide funds to invest in research and development to provide technology transfer and technical capacity for industry and the private sector to increase state participation in the sector. This is to increase local content participation and supply chain management in the sub-sector.

# 5. Transparency and accountability in extractive sector management

**Key political statement:** Good governance is with the people.

*Ensure greater transparency and accountability as a prerequisite for good governance.*

The CPP shall be committed to transparent and accountable management of extractive sector revenue.

## 5.1 Institutional responsibility

- Develop the institutional capacity of the Ghana Revenue Authority to ensure efficient audit and declaration of revenue from the extractive sector
- Enact laws on disclosure rules and beneficial ownership of private entities operating in the extractive sector
- Provide legislation to ensure availability of contract details and data across the decision chain to the public
- Ensure passage of the Extractive Industry Transparency Initiative (EITI) bill as well as strengthening the institutional capacity of the Public Interest Accountability Committee (PIAC) to facilitate greater transparency and accountability in the management of extractive sector revenue.

## 5.2 Public participation

It is a fundamental principle to engage the people as the main custodians of the resources from the extractive sector. Therefore, the CPP

will ensure that:

- We embark on mass sensitization of our program on the management of resources from the extractive sector and particularly on revenue utilization. This shall include community engagement at the local level through our party's education program.
- We shall engage in public seminars and symposia to interact with the public and ensure greater participation and understanding of our policy direction and program.

This was similar to the CPP's early development agenda in the 60s and late 70s when we were in government.

The CPP shall also ensure greater public participation in the management of the extractive sector and particularly on how revenue from the sector are used. The party shall:

- Ensure passage of the Right to Information Bill
- Increase public education and awareness of the EITI and PIAC reports and publication
- Develop the capacity of stakeholder communities on their role and demand for accountability with regards to Environment Impact Assessments (EIAs) and Fisheries Impact Assessments (FIAs) in the case of the oil and gas industry.

## 6. Conclusion

Osagyefo Dr. Kwame Nkrumah, Ghana's first president with the CPP government, said in one of his favorite remarks that "the black man is capable of managing his own affairs." Indeed, the CPP is optimistic that Ghana can and must make every effort to efficiently manage its natural resources, including the extractive sector, to maximize the benefits and enhance the commonwealth of our people with consistent and sustainable social economic transformation.

A full-scale implementation of this document will certainly bring in the needed stabilization, productivity and efficient management of our resources for economic prosperity, for both the current and future generations of this country.

The next fifty years of Ghana should be geared towards total economic and social transformation, with a vibrant industrial sector as our backbone increasing our current per capital income from \$1,700 USD to over \$30,000 USD, while providing effective social protection and a justice system that ensures balance and equity as the spirit of the nation.





**CPP**



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