



National Democratic Congress (NDC)

Policy Positions on Oil and Gas

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Cover photo: The Floating Storage and Offloading vessel (FPSO) Kwame Nkrumah

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1. Executive summary

The National Democratic Congress (NDC), whose political ideology is based on social democratic principles of fairness, equity, equality, probity and accountability, promotes people-centered development and grassroots participation in governance. The NDC energy policy is aligned to the social and economic principles of the party which aim for shared prosperity for social transformation.

The NDC's energy policy specifically aims to: enhance the efficiency and competitiveness of the economy by providing low-cost and high-quality energy inputs to industrial, mining and other sectors as well as for domestic use; improve social equity by addressing the energy requirements of the poor, and ensure protection of the environment by a sustainable utilization of resources.

The discovery and the production of oil in commercial quantities raised the expectations of Ghanaians. It was generally anticipated that production of oil in commercial quantities would lead to rapid economic transformation and enhanced livelihood for the citizenry.

The production from the Jubilee oil fields has already created job opportunities for an appreciable number of Ghanaians and made significant contributions to the national purse. However, there have been noticeable challenges including the maritime border dispute with Côte d'Ivoire, inadequate human resources in the oil and gas industry and resource management. It is refreshing to note that the NDC government is taking proactive measures to address these challenges.

The overarching objectives of the NDC policy position paper on oil and gas are as follows:

- To provide a detailed position of the party's philosophy and views with regard to the management of the sector;
- To develop strategies that will ensure the accrual of the greatest benefits to citizens of Ghana from the management of oil and gas resources;
- To promote accountability and transparency in resource governance;
- To promote fairness and efficiency in exploration and production of oil and gas resources in Ghana;
- To create an enabling environment that attracts the necessary investments into the industry;
- To create opportunities to progressively increase local participation in the mainstream operations of the sector;
- To promote equitable allocation of revenues and investments for future generations;
- To promote investments that will transform the structure of the economy;

- To promote the highest environmental, social and human rights standards that enhance sustainable development; and,
- To convince the electorate that the NDC is a better choice for the effective and efficient management of Ghana's resources, particularly of oil and gas resources.

The NDC government has made significant efforts in instituting legal arrangements in the oil and gas industry, including the promulgation of the Petroleum Revenue Management (PRMA) Act in 2011 (Act 815) and the Petroleum Commission Act of the same year (Act 821). The Petroleum (Local Content and Local Participation) Regulations 2013 (L.I. 2204) are also in force. The PRMA was promulgated to provide the framework for the collection and management of petroleum revenue in a responsible, accountable and sustainable manner for the benefit of Ghana (See Long Title, PRMA, 2011 (Act 815)). The development of the PRMA took into account best practices from around the world on the efficient management of oil and gas resources. Act 815 has generally been acknowledged by key stakeholders as a good piece of legislation.

To ensure that the institutions are competent, professional and accountable, the NDC suggests the following rules to regulate their activities:

- Appropriate rules and regulations should be in place;
- Enforcement of rules and regulations;
- Application of corporate governance practice;
- Full complement of human resources;
- Effective leadership; and,

- Internal control systems (accounting, reporting, auditing, quality control).

In addition to the above, the NDC will also ensure that the institutions operate with a unified objective and do not fall prey to political interference. To this end, the party will advocate for legal security of tenure and inter-agency collaboration; it will also ensure clarity of delineation of responsibilities with a view to avoiding duplication of functions.

The NDC supports the establishment of strategic state-owned enterprises. The party also supports and promotes the setting up of state-owned enterprises that would serve as catalysts in opening the industry to other interests. The party's position is to realign the roles and responsibilities of SOEs in order to minimize duplication and maximize complementarities and efficiency.

The NDC also appreciates and believes in the wisdom of saving part of the oil and gas revenue. The party prioritizes investments in the following areas:

- Agricultural modernization;
- Investment in oil and gas infrastructure;
- Roads and highways; and,
- Capacity building.

The party will abide by fiscal sustainability rules ensuring that its commitment to expanding infrastructural development and other social investments does not lead to significant expenditure overruns that undermine its capacity to meet future commitments.

The NDC, founded on the principles of probity, transparency and accountability, will ensure that the broad mass of the people have a stake in the governance architecture of Ghana, thus assuring inclusiveness, participation, peace and stability in the country.

2. Introduction and background

The NDC energy policy is aligned to the social and economic principles of the party, which aim for shared prosperity for social transformation. The NDC's energy policy specifically aims to: enhance the efficiency and competitiveness of the economy by providing low-cost and high quality energy inputs to industrial, mining and other sectors as well as for domestic use; improve social equity by addressing the energy requirements of the poor, and ensure protection of the environment by sustainable utilization of resources.

The discovery of oil and gas in commercial quantities in Ghana was greeted with euphoria across the nooks and crannies of the country. Citizens were gripped with justifiable expectations in the hope that the exploitation of this natural resource would lead to improvements in living conditions. More than five years into the commercial production of oil and gas in Ghana, the industry has contributed immensely to the economic development of the country. So far the Jubilee Partners have produced more than 100 million barrels of oil with a current daily production of about 100,000 barrels. The production from the Jubilee oil fields has already created job opportunities for an appreciable number of Ghanaians and made significant contributions to the national purse. Notwithstanding the successes that have been chalked by the industry, some challenges have emerged which need to be addressed. Foremost of these challenges is the maritime boundary dispute with Côte d'Ivoire over an area considered to be rich in oil. Another obstacle facing the oil and gas industry in

Ghana is the acute unavailability of skills relevant to the industry. These include drilling engineers, divers, sea-bed engineers, safety engineers, production engineers, operation and maintenance engineers. This is largely attributable to inadequate capacity building opportunities in the oil and gas areas.

The management of petroleum revenue, which remains a legitimate concern for the people, will continue to be guided by the social democratic principles of the NDC which are equity, probity and accountability, fairness, social justice, people-centered development and grassroots participation in governance. In the management of oil and gas resources, the role of the state will continue to be cardinal under the NDC administration. As Social Democrats, the NDC aims to achieve increased economic and social welfare for the people through the prudent and judicious use of petroleum revenue for the provision of universally accessible public services including education, healthcare, care for the elderly and other vulnerable groups in society.

3. Objectives

The objectives of this National Democratic Congress policy paper on oil and gas are:

- To provide a detailed position of the party's philosophy and views with regard to the management of the sector;
- To develop strategies that will ensure the accrual of the greatest benefits for citizens of Ghana from the management of oil and gas resources;
- To promote accountability and transparency in resource governance;
- To promote fairness and efficiency in exploration and production of oil and gas resources in Ghana;
- To create an enabling environment to attract the necessary investments into the industry;
- To create opportunities to progressively increase local participation in the mainstream operations of the sector;
- To promote equitable allocation of revenues and investments for future generations;
- To promote investments that will transform the structure of the Ghanaian economy; and,
- To promote the highest environmental, social and human rights standards that enhance sustainable development.

4. Legal and institutional arrangements

For the prudent and effective management of the oil and gas sector:

- The NDC will continue to support the Petroleum Revenue Management Act (PRMA), 2011 (Act 815) and the Petroleum Commission Act, 2011 (Act 821);
- The NDC is reviewing the Petroleum Local Content and Local Participation Regulations, 2013, L.I. 2204;
- The NDC as the party in government will continue to pursue the process of passing the appropriate bill that will improve revenue management and introduce appropriate institutional and legal arrangements to give effect to the provisions of the laws;
- The NDC will promote further enhancement and stricter enforcement of rules and regulations in the sector;
- The NDC will promote improved application of corporate governance principles and practices, and,
- Promote expanded and fast-tracked capacity building opportunities of industry-specific competencies.

To meet the high aspiration of Ghanaians on how to ensure the transparent and efficient management of revenues generated from the exploitation of oil and gas, a number of significant efforts have already been made by the NDC government including the promulgation of the Petroleum Revenue Management (PRMA) Act, 2011 (Act 815), and

the Petroleum Commission Act, 2011 (Act 821). The Petroleum (Local Content and Local Participation) Regulations, 2013 (L.I. 2204) are also in force. The PRMA was promulgated to provide the framework for the collection and management of petroleum revenue in a responsible, accountable and sustainable manner for the benefit of Ghana (See Long Title, PRMA, 2011 (Act 815)). The PRMA was developed taking into account best practices around the world for the efficient management of oil and gas resources. Act 815 has generally been acknowledged as a good piece of legislation. However, its implementation has been plagued with some challenges, such as the application of the benchmark revenue formula; the nature of investments or allocation of Annual Budget Funding Amount (ABFA) funds; and the non-completion of identified projects due to the thin spread of resources.

With regards to the upstream value chain, the NDC intends to take a closer look at the following: (a) Terms of the negotiated contract, especially any stabilization clauses and the applicable fiscal regime, (b) revenue management, (c) environmental sustainability and (d) local content. The party is of the firm conviction that the country will derive substantial improvement in revenue from a further enhanced contract. With the local content law, the party seeks to ensure local ownership of the industry and further intensify the training and human resource development of a cadre of Ghanaian professionals throughout the oil and gas industry value chain.

The process by which this goal will be achieved is by a progressive indigenization of

the management of the resources. Therefore, the NDC will insist on strengthening the monitoring & evaluation mechanism to ensure strict enforcement of the appropriate rules and regulations and apply sanctions in cases of breach.

With respect to the management of the oil and gas industry, the NDC shall continue to depend on existing and newly established institutions, namely: cabinet (reviews and approves all agreements), Ministry of Petroleum (formulates policy for the sub-sector and exercises oversight responsibility), parliament (exercises further oversight functions and ratifies agreements), Petroleum Commission (the regulatory authority and also advises the Minister on technical and policy matters), GNPC (undertakes exploration and manages the interest of the state), and CSOs (play advocacy and monitoring and evaluation roles by demanding accountability).

With respect to the management of revenues, the Ministry of Finance (MoF), Bank of Ghana, parliament, CSOs, Auditor General, and Ghana Revenue Authority (GRA) shall continue

to play their statutorily assigned roles. To promote further efficiency and effectiveness in the management of the resource, the NDC will promote:

- Further enhancement and stricter enforcement of rules and regulations in the sector;
- Improved application of corporate governance principles and practices;
- Expanded and fast-tracked capacity building opportunities for industry-specific competencies; and,
- Improved internal control systems (accounting, reporting, auditing, quality control) through the introduction of new financial management initiatives.

In addition to the above, the NDC, as the party in government, is already pursuing the process of passing the appropriate bill to improve revenue management and introduce appropriate institutional and legal arrangements.

5. Accountability of state-owned enterprises

The NDC supports and encourages transparency and accountability within the operations of the SOEs. The NDC supports the establishment of strategic state-owned enterprises. The party therefore actively promotes the setting up of state-owned enterprises that would serve as catalysts in opening the industry to other interests. The party position is to streamline the roles and responsibilities of SOEs to minimize duplication and maximize complementarities and efficiency.

To this end, the Ghana National Petroleum Company (GNPC), a state-owned enterprise, will continue to be solely responsible for upstream activities, whereas the Ghana Gas Company, another state-owned enterprise, set up by the NDC government, shall continue to be responsible for mid-stream activities of gas processing for supply and distribution to other sectors of the economy. To this end, henceforth:

- The allocation of oil blocks will allow for competitive bidding to further enhance transparency and allocation efficiency;
- Petroleum agreements following Parliamentary approval will be published on the websites of the Ministry of Petroleum and the SOEs concerned;
- SOEs in the sector shall be audited quarterly and the reports shall be published and made available to all stakeholders;
- Parliament, the Petroleum Commission and the Energy Commission shall be the mandated bodies to oversee the activities of the SOEs in the sector; and,
- All stakeholders shall be required to play by the rules and act within the framework of established regulations.

6. Revenue management

Guided by our social democratic philosophy, the NDC strongly believes that the most prudent approach to the management of oil and gas revenue is to spend some on the on-going development agenda of the government, save some for future generations and invest some in infrastructure needs to improve the social and economic wellbeing of the people.

To actualize this position, the NDC government has established three funds, namely:

- The Heritage Fund, to save part of the revenue for the benefit of future generations and ensure sustained growth and development into the long term;
- The Stabilization Fund; and,
- The Ghana Infrastructure Investment Fund.

The NDC's priorities for utilizing revenue from oil and gas include investments in the following:

- Modernization of agriculture as contained in the Ghana Shared Growth and Development Agenda II (GSGDA II) and the party's 2012 manifesto;
- Development of infrastructure with particular reference to roads and highways as outlined in the Ghana Infrastructure Investment Fund (GIIF) Act, Act 877 of 2014;

- Development of oil and gas infrastructure;
- Building of human capacity, (including technical training, scientific research and development, etc.) that will enable Ghanaians to be active participants in all aspects of the oil and gas industry and to be at the cutting edge of technological development in the industry; and,
- Rapid development of physical and social infrastructure in communities close to the oil and gas production activities, recognizing in particular the significance of these areas as new growth poles for the national economy.

7. Fiscal responsibility

Fiscal sustainability is the obligation of a government to sustain its current spending, and other policies in the long-term, without threatening solvency of the state or defaulting on some of its liabilities or promised expenditures.

The NDC is of the considered opinion that a fiscal sustainability rule is imperative for the long-term macroeconomic stability of the economy.

To this end, we urge all other political parties to commit to upholding the rule. A law will be passed to ensure adherence to fiscal responsibility. The rule will take account of future adjustments as necessitated by force majeure.

In pursuance of a fiscal responsibility rule, the NDC will spend part of the oil revenue on strategic investments and save the remaining portion of the revenue for the future. The party will ensure that all expenditure takes place through the normal parliamentary budgetary cycle. A fundamental objective of the law is to avoid earmarking expenditure outside parliamentary budget cycle. To this end, NDC will support the establishment of the Parliamentary Budget Office (PBO).

8. Transparency and accountability

To guarantee that Ghana derives maximum value from its oil and gas industry, the management of the resources under the NDC administration will be transparent and efficient. To this end, the Ghana Extractive Industries Transparency Initiative (GHEITI) shall continue to be applied in the management of oil and gas revenue.

To achieve our long-term vision, the resources have to be managed efficiently and effectively within the context of good governance. This will require transparent and equitable distribution of resources. Additionally, the NDC will continue to ensure a participatory decision-making process. In line with the party's principle of openness and inclusivity, the public will be involved in vigorous policy debates on oil and gas through: (1) Holding of Town Hall meetings, (2) Public fora, (3) Creating an institutional space with a view to encouraging civil society participation, (4) Motivating NDC MPs to undertake regular outreach programs to stimulate policy debates in their constituencies, (5) Developing a deliberate and purposeful media engagement strategy to reach a wider audience.

NDC is founded on the principles of probity, transparency and accountability. These principles permeate the party's position on all of governance issues including governance in the extractive industry.

To ensure transparency and accountability:

- The NDC will support an exploration and production bill which will stipulates the publication of all contracts;
- The NDC will promote the publication of abridged version of all contracts;
- The NDC will urge all companies operating in the country to disclose their beneficial owners;
- The NDC will continue to make disclosures using PRMA Act 815, and PIAC; and,
- The NDC government will pass the Right to Information Bill.

9. Concluding remarks

The National Democratic Congress (NDC) firmly believes that the bold, prudent and progressive policy positions on the management of oil and gas industry are a vast improvement on the current management practice and will lead to increased revenue through enhanced transparency and accountability in line with our party's founding principles.

We further believe that, being the party in government and thus having had the responsibility of managing the oil and gas industry since 2011, we have a deeper understanding of what needs to be done to further enhance good governance over the sector.

In that regard, the policy positions of the Party articulated in this paper will result in the maximization of revenue that will help us serve the people of Ghana by expanding the national economy from its marginal middle-income status to a fully-fledged middle-income status.

It is our hope that, through these carefully considered and masterfully crafted policy positions on the oil and gas sector, we shall retain the mandate of the people to further develop the industry to bring additional growth and prosperity to our people across the length and breadth of Ghana and to reduce the incidence of poverty in our nation.

It is our pledge to use the mandate that the people will surely give us, to advance the "Better Ghana" Agenda for Jobs, Stability and Development, in line with our slogan: NDC - Working for You!



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