

Drilling Down Oil and Gas Project:

Mapping Extractive Sector Legislative Oversight Regimes in Ghana

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Chapter 1: Introduction

This report maps the extractive oil sector and the legislative regime that governs it in Ghana. The discovery of oil in commercial quantities in 2007 makes Ghana an oil-producing country. Oil and gas have contributed to the economic growth of the country both in real and nominal terms, with the current production output of oil at 126,000 barrels per day (BPD).

Ghana's oil exploration platform consists of primarily four (4) petroleum basins:¹

- Tano-Cape Three Point/Western Basin: Currently, the most active Jubilee field straddles the Tano and Cape Three Points basins. The TEN field is located in Tano, and the Sankofa field is located in Cape Three Points.
- The Saltpond/Central Basin: Host to the Saltpond field. This field is no longer in production.
- The Accra-Keta/Eastern Basin: Under exploration.
- The Voltain Basin: Under exploration.

Ghana's crude exports reached \$4.57 billion in 2018 compared to \$3.12 billion in 2017.² With crude oil export, Ghana has diversified its portfolio from cocoa and gold to include a third commodity, crude oil.³ Oil exports are second to gold, with total revenue of US\$5.19 billion at the end of 2019.

Oil contribution to GDP has grown from 7.9% in 2010 to 14% in 2011. Comparatively, non-oil GDP growth rates were 7.9% to 8.4% during the same period.⁴ The petroleum sub-sector experienced a sharp growth from 2.1% in 2010 to nearly 30% in 2013. Overall, petroleum contributed to the exports of goods and services, increasing from 29.3% in 2010 to 36.9% in 2011.⁵

The success of the sector heavily depends on the existence of a good governance framework and a culture of accountability and transparency upon which the activities in the sector must be governed and developed. A working definition of good governance used in this report is the existence of a *set of clearly defined processes, systems, and institutions that are put in place in a country so that its citizens can benefit from the most efficient utilization of oil and gas resources*. Good governance is participatory, consensus-oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law in policy options and overall decision making.

¹ Petroleum Commission, Ghana (2021). See: https://www.petrocom.gov.gh/sedimentary-basins/#collapse-tabid_6_2

² Oxford Business Group (2020). See: <https://oxfordbusinessgroup.com/overview/period-growth-oil-and-gas-infrastructure-continues-develop-companies-explore-onshore-and-offshore>

³ <https://www.commdev.org/pdf/publications/Estimating-OG-Effects-Ghana-2-page-Rev.-3-05-27-2018.pdf>

⁴ Fosu, A.K. (2017). *Oil and Ghana's Economy*. 10.1093/acprof:oso/9780198753438.003.0009.

⁵ International Monetary Fund (2015). 'Regional Economic Outlook: Sub-Sahara Africa'. International Monetary Fund (IMF), April

This report was commissioned by the Open Society Initiative for West Africa (OSIWA) in two countries. The second report is on Côte d'Ivoire. A third report is an overview executive summary that provides a comparative analysis of both countries.

Participants were interviewed during the research leading to these reports. Many participants had different perceptions of the impact of oil and gas revenue on their communities and well-being. While some participants did not perceive any impact at all, others were not aware of the direct impact of oil and gas on them or their communities. Yet others who are actively engaged wanted to be more involved in oil and gas revenue decisions that affect them and their communities.

This report has five chapters. Chapter one is this introduction. Chapter two provides a topological overview of Ghana, the location of its oil and gas operations, demographics, a summary of its economic indicators, and an overview of its oil and gas production capacity.

In Chapter three, the report deep dives into the extractive sector, providing the history of the sector, contributions of the sector to its GDP, impact of COVID-19 on the sector, and the benefits of oil and gas revenue on the people of the country in terms of job production, environmental impacts, infrastructure development, and social services such as education and health. Further, this chapter explores the concepts of good governance, transparency, and accountability and what these terms mean to shareholders in the sector. Feedback from participants who were interviewed indicated that Ghana had made inroads towards transparency, but more needs to be done in the area of accountability. Chapter three also describes the stakeholders, including media and civil society organizations who are active in the sector and the framework under which they operate.

Ghana has a history of institutionalized management of the extractive sector, drawing lessons from the mining sector and applying those lessons to the oil and gas sector. Ghana has a very vibrant media and civil society interested in the governance of oil and gas, further ensuring the transparency and accountability of the sector. Because of the complexity, riskiness, and the technical nature of the sector, carefully drafted regulatory and legal frameworks are required to guarantee benefits for the host country and to mitigate risks for investors.

Chapter four is dedicated solely to the laws, regulations, and policies that guide investments and the sector's operations. Ghana has developed several laws, policies, regulations, and framework to guide practices in the sector.

Laws governing the sector are underpinned by the Ghanaian constitution of 1992, which recognizes the people of Ghana as the primary owners of all-natural resources within the jurisdiction of the country.⁶ The President of Ghana is a trustee and an administrator of these resources on behalf of and for the benefit of the people. This constitution is supported by

⁶ Article 256(6) of the Constitution of Ghana. Source: <http://www.judicial.gov.gh/index.php/land-and-natural-resources>

various laws such as the Petroleum Commission Act of 2011, the Petroleum Revenue Management Act of 2011 amended in 2015, the Petroleum (Exploration and Production) Act of 2016, the Income Tax Act of 2015 (Act 896), the Ghana National Petroleum Corporation Law of 1983, and the Ghana Model Petroleum Agreement.

Chapter five presents the recommendations to various stakeholders. Outcomes of this report indicate that while a significant effort has gone into creating the governance structures to govern the sector, more effort is required to engage citizens as stakeholders in making decisions about oil revenue projects that affect them.

Chapter 2: Background

2.1 Country Profile

2.1.1 Topology

Ghana is located in the west coast of Africa with a total area of 238,540 km². The country has a north-south extent of about 670 km and a maximum east-west extent of about 560 km.⁷ It is found along the Gulf of Guinea, a few degrees north of the equator. It shares borders with three West African countries namely, Burkina Faso (602 km) to the north, Côte d'Ivoire (750 km) to the west, and Togo (1,098 km) to the east, and to the south are the Gulf of Guinea and the Atlantic Ocean (See: Figure 1: Map of Ghana). The country is divided into sixteen (16) administrative regions, with Accra as the capital.

The topography is predominantly undulating and of low relief with slopes of less than 1 percent. Despite the gentle slopes, about 70 percent of the country is subject to moderate to severe sheet and gully erosion. The highest elevation in Ghana, Mount Afadjato in the Akwapim-Togo Ranges, rises 880 metres above sea level. There are five distinct geographical regions:

- The low plains, stretching across the southern part of the country.
- The Ashanti Uplands, stretching from the Côte d'Ivoire border in the west to the elevated edge of the Volta Basin in the east.
- The Akwapim-Togo Ranges in the eastern part of the country consists of a generally rugged complex of folded strata, with many prominent heights

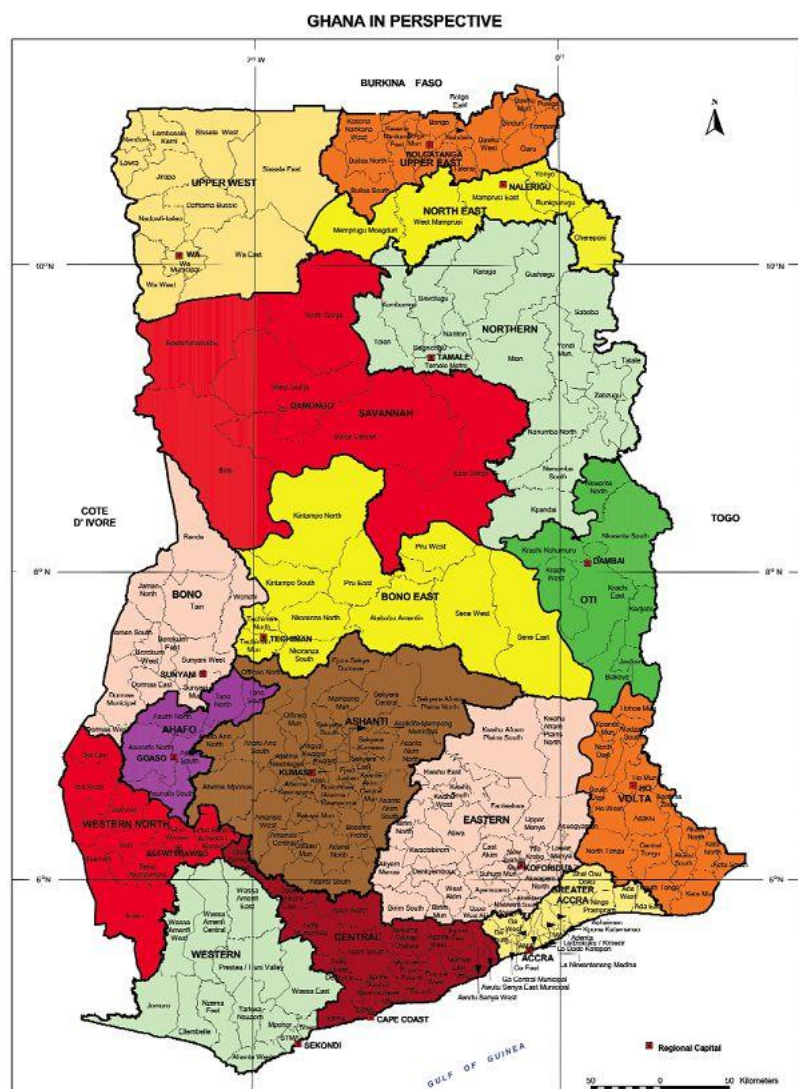


Figure 1: Map of Ghana

⁷ http://www.fao.org/nr/water/aquastat/countries_regions/gha/GHA-CP_eng.pdf

composed of volcanic rock. The ranges begin west of Accra and continue in a north-easterly direction, finally crossing the border into Togo.

- The Volta Basin occupies Ghana's central part and covers about 45 percent of the nation's total area. The basin is characterized by poor soil, generally of Voltaian sandstone.
- The high plains in the northern and north-western parts of Ghana, outside the Volta Basin, consist of a dissected plateau. Soils in the high plains are more arable than those in the Volta Basin.⁸

2.1.2 Climate/weather

Ghana has a warm, humid climate. The mean annual rainfall of the country is estimated at 1187 mm. Mean annual temperatures range from 26.1°C near the coast to 28.9°C in the extreme north. Annual potential open water evaporation has been estimated as ranging between 1350 mm in the south to about 2000 mm in the north. The actual amount of evaporation depends on a number of factors, including water availability, vegetation cover, and prevailing weather conditions, among others.⁹

2.1.3 Population demographics and population growth projections

The population of Ghana is estimated at 31 million.^{10 11} Out of this, males constitute 49%, while females constitute 51%. The country consists of about 1000 ethnic groups dating back to the 1960s. The major ethnic groups include Akan, Ewe, Mole-Dagbane, Guan, and Ga-Adangbe.¹² Akans constitute the largest group with 47.5 percent, followed by the Mole-Dagbani with 16.6%, Ewes at 13.9%, and Ga-Dangme at 7.4%.¹³ While Mande constitutes the smallest with 1.1%.

The country is described as a youthful population with approximately 57% of the population under the age of 25.¹⁴ Its total fertility rate fell significantly during the 1980s and 1990s but has stalled around four children per woman for the last few years. Fertility remains higher in the Northern region than in the Greater Accra region. On average, desired fertility has remained stable for several years, presumably because urban dwellers want fewer children than rural residents. Increased life expectancy, due to better health care, nutrition, and hygiene, and reduced fertility have boosted Ghana's share of elderly persons; Ghana's proportion of persons aged 60+ is among the highest in Sub-Saharan Africa. Poverty has declined in Ghana, but it remains pervasive in the northern regions, which is susceptible to droughts and floods and has less access to transportation infrastructure, markets, fertile farming land, and industrial

⁸ http://www.fao.org/nr/water/aquastat/countries_regions/gha/GHA-CP_eng.pdf

⁹ http://www.fao.org/nr/water/aquastat/countries_regions/gha/GHA-CP_eng.pdf

¹⁰ https://statsghana.gov.gh/nationalaccount_macros.php?Stats=MTA1NTY1NjgxLjUwNg==/webstats/s679n2sn87

¹¹ <https://www.worldometers.info/world-population/ghana-population/>

¹² <https://www.ghanaweb.com/GhanaHomePage/tribes/>

¹³ Ghana Statistical Service, 2010

¹⁴ Ghana Statistical Service, 2010

centres. The northern part of Ghana also has lower school enrolment, higher illiteracy, and fewer opportunities for women.¹⁵

2.1.4 Economic Indicators

The economy of Ghana has and continues to expand since independence from colonial rule. The country is naturally endowed with diverse rich resource base such as hydrocarbons and minerals, including gold, cocoa, timber, bauxite, diamond, manganese etc. These resources contribute immensely to the economy of the country on a year-on-year basis. The availability of these resources has given Ghana one of the highest GDP per capita in West Africa.¹⁶

The country was described as the fastest-growing economy in the world and rebased its GDP¹⁷ in 2010.¹⁸ The domestic economy of the country in 2012 revolved around services, which accounted for 50% of GDP and employed 28% of the workforce.¹⁹ More than half of the working age population, 67.9%, are in employment²⁰, who contribute directly and indirectly to the GDP of the country.²¹

Ghana is regarded as the second biggest producer of gold after South Africa, and second largest producer of cocoa (after Côte d'Ivoire).²² The discovery of oil in commercial quantities in 2007 has contributed much to the economic growth of the country both in real and nominal terms.

In the first quarter of 2019 the country's gross domestic product (GDP) was estimated at 6.7% compared to the same period in the preceding year at 5.4%. Non-oil growth was also strong at 6.0%. The relatively high quarterly growth was driven by a strong recovery in the services sector which grew by 7.2% compared with 1.2% in 2018.²³ Nonetheless, the country's GDP is projected to rise to 16.8% by the end of the 2020 fiscal year.²⁴

2.1.5 Political History

Historically, Ghana has experienced some political instability including rule by the military junta since independence. Prior to independence, Ghana had been under the rulership of the British

¹⁵ https://www.cia.gov/library/publications/the-world-factbook/geos/print_gh.html

¹⁶ <https://web.archive.org/web/20130624100025/http://www.worldfolio.co.uk/region/africa/ghana/president-john-atta-mills-n145>

¹⁷ Rebasement involves revising the methods and base data used to calculate a country's GDP. The last rebase in Ghana was conducted in November 2010 in which the government made a number of changes to the way it calculated GDP. This exercise resulted in a 75% provisional increase in the country's GDP.

¹⁸ <https://www.ghanaweb.com/GhanaHomePage/business/Ghana-The-World-s-Fastest-Growing-Economy-in-2011-221641>

¹⁹ <http://www.cnn.com/2009/WORLD/africa/07/10/ghana.obama/index.html>

²⁰ Ghana Statistical Service (2016) *2015 Labour Force Report A*

²¹ Ghana Statistical Service (2016) *2015 Labour Force Report A*

²² <https://www.africanbusinessexchange.com/cocoa-in-ivory-coast-and-ghana-2017/>

²³ <https://www.worldbank.org/en/country/ghana/overview>

²⁴ http://www.mofep.gov.gh/sites/default/files/budget-statements/2020-Budget-Statement-and-Economic-Policy_v3.pdf

empire till March 6, 1957 when it was declared a sovereign state with its own government headed by Kwame Nkrumah, the first prime minister and president of Ghana. After Kwame Nkrumah was overthrown in 1966, the country experienced political turmoil until 1992 when democratic rule was restored and it ushered in the fourth Republic. The promulgation of the 1992 Constitution coupled with free and fair election returned Ghana to a democratic country. The fourth republic has experienced critical political stability since then till now and has achieved the “two turnover test”²⁵ which has won the country the title of the “Beacon of Democracy”²⁶ in Africa.

2.1.6 Membership of regional and international organizations

Ghana is a member of many organizations and a signatory to many international conventions. The country is a member of the African, Caribbean and Pacific Group of States, Africa Union, Economic Community of West African States, Non-Align Movement, Organization Internationale de la Francophonie, United Nations and World Trade Organization.²⁷

As part of the measures to ensure transparency in the utilization of oil revenues, the country subscribed to the membership of the Extractive Industry Transparency Initiative (EITI) in October 2010. The membership of Ghana to EITI is a major step towards resource management policy of the extractive sector including oil and gas.²⁸

Ghana has signed up to the Open Government partnership²⁹ with a viewpoint of pushing open government concept premised on a government which is more accessible, more responsive, and more accountable to citizens. Ghana is one of the few countries in Africa that is implementing a central beneficial ownership register for extractives and other high-risk sectors, adding to its transparency credentials³⁰

2.2 Overview of Oil and Gas Production Capacity

Ghana’s upstream, midstream and downstream operations in the West African oil and gas sector is promising. Since the discovery of oil in 2007 and subsequent production in commercial quantities in 2010, the country has taken great steps to consolidate its successes in the oil and gas regimes (see Figure 2: Oil and Gas field under development in Ghana). Current output of oil is at 126,000 barrels per day (bpd) with the potential to increase in the future.³¹

²⁵ Huntington, S. P. (1993). *The Third Wave: Democratisation in the Late Twentieth Century*. Oklahoma: University of Oklahoma Press.

²⁶ <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Ghana-a-beacon-of-stability-and-democracy-AU-695305>

²⁷ <https://thecommonwealth.org/our-member-countries/ghana>

²⁸ Kastning (nd). See: <https://library.fes.de/pdf-files/bueros/ghana/10490.pdf>

²⁹ <https://www.opengovpartnership.org/members/ghana/commitments/GH0019/>

³⁰ <https://www.myjoyonline.com/business/mining/registrar-general-deploys-central-beneficial-ownership-register-for-extractives-and-other-high-risk-sectors/>

³¹ <https://www.petrocom.gov.gh/ghana-upstream-industry/>

Oil and Gas Fields Under Development in Ghana

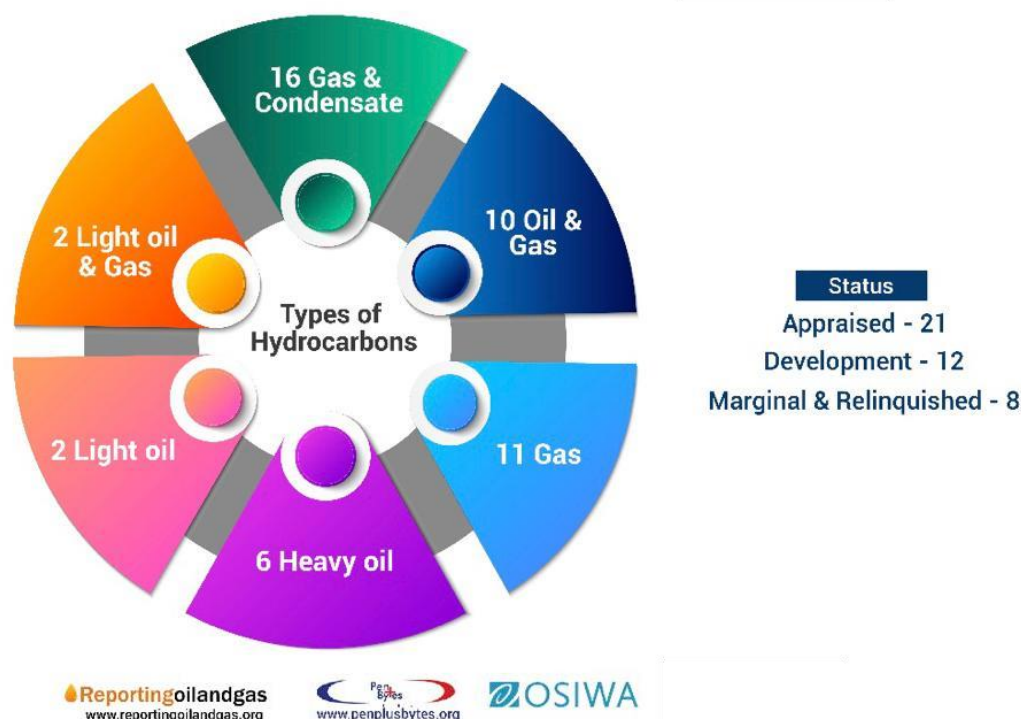


Figure 2: Oil and Gas field under development in Ghana. Source: Penplusbytes (2020)

The Jubilee Field, located in the Gulf of Guinea, 60 km off the Ghanaian coast, near the Côte d'Ivoire border spreads out into the Deepwater Tano and West Cape Three Points blocks. The wells are at a water depth of between 1,100 and 1,300 meters and at a total depth of between 3,400 and 4,200 meters. The field covers 110 km², which is about the size of 155 football pitches.³² The field arguably holds between one to two million barrels of crude oil and 1.2 trillion cubic feet of gas. Tweneboah-1 is estimated to contain up to 1.4 billion barrels of oil equivalent.³³ Oil production from the Jubilee fields is likely to hit a production capacity of between 400,000 to 500,000 barrels per day in the long term even though modest long-term projections are estimated to peak at 236,290 barrels per day for oil and an average of 323.7 million cubic per day for gas.³⁴

³² Kastning, T. (nd) *Basic Overview of Ghana's Emerging Oil Industry*. Friedrich Ebert Stiftung. Cite from <https://library.fes.de/pdf-files/bueros/ghana/10490.pdf>

³³ Tullow Oil (2011): Enyenra (Owo)/Tweneboa. Available online at <http://www.tullowoil.com/index.asp?pageid=58>, checked on 4/04/2011.

³⁴ Ministry of Finance (2016) *Ghana's Turnaround Story*. Republic of Ghana. Cited from <https://www.mofep.gov.gh/sites/default/files/reports/economic/Ghana%20Investor%20Presentation-%20on%20the%20State%20of%20the%20Economy%27.pdf>

Chapter 3: The Extractive Sector

3.1 Overview of the Extractive Sector

Ghana is considered a mining country with substantial reserves. It is the largest producer of gold in Africa. The country has the ninth-largest reserves of diamonds and is the ninth-largest producer of diamonds in the world.³⁵ With the coming onstream of oil production in 2011, its extractive sector revenues have increased tremendously.

As of 2013, oil proceeds surpassed mining receipts.³⁶ Following key lessons and gaps in the mining sector, the country in collaboration with Ghana Extractive Industry Transparency Initiative (GHEITI) and other civil society organizations have advocated for changes in the fiscal regime governing the sector, including the introduction of capital gains tax, higher ground rent and fixed royalty rates. Substantial work is being done to improve accountability of subnational transfers of 10% of mining royalties, which is to be transferred to local governments.³⁷

The petroleum sector, until Ghana began production of oil in commercial quantities, was governed by the PNDC Law 84 and the GNPC Law 64. After the discovery of oil, several legal reforms were put forth, paving the way for the promulgation of new laws and the replacement of old ones. Currently, the sector is governed by several legal frameworks and fiscal regimes, regulations, and guidelines.³⁸ Details of these will be discussed in Chapter Four.

3.2 History of the Oil and Gas Sector in Ghana

The exploration of hydrocarbons in Ghana predates the late seventh century.³⁹ The first recorded hydrocarbon exploration was undertaken by West Africa Oil and Fuel Company in 1896. Thereafter, between 1905 to 1925 other companies like the Gulf Oil Company, Societe Francaise de Petrole, and African and Eastern Trade Corporation engaged in upstream exploration. By 1957, 21 oil companies had drilled for exploration. Key among them was the first offshore discovery by Signal-Amoco Consortium in the Saltpond Basin, named the Saltpond Field, which started production in 1978. The production at the Saltpond Field peaked at 4,500 barrels of oil per day during its production stages. It was shut down in 1985. By the mid-1980s, the total well count in Ghana (onshore and offshore) was 54.⁴⁰

Further exploratory activities continued until July 2007, when Tullow and Kosmos Energy

³⁵ Ghana Extractive Industries Transparency Initiative. See: <https://eiti.org/ghana>

³⁶ Ministry of Finance (2019). Final Report for 2017 & 2018 Oil and Gas Sector. Accra: GHEITI

³⁷ https://eiti.org/es/implementing_country/4

³⁸ In a nutshell: Oil and Gas Law in Ghana. Ab & David (2019) See:

<https://www.lexology.com/library/detail.aspx?g=ce582eec-0d8e-4157-a88c-d5c3bb134dd0>; Petroleum Commission of Ghana, 2021, See <https://www.petrocom.gov.gh/laws-regulations/>

³⁹ <https://thelawreviews.co.uk/edition/the-oil-and-gas-law-review-edition-7/1210105/ghana>

⁴⁰ Adadzi, Ferdinand D., and Godson-Amonoo, Nana Serwah. 2019. *Oil and Gas Law Review*. 7th Ed. The Laws Review: Ghana

discovered oil in commercial quantities in the Western Region area called the Jubilee Fields⁴¹. Since then, Ghana has continued to attract investment giants to explore and produce oil from its deep offshore. Further exploration led to the discovery of oil in the Tweneboah Enyenra and Ntomme (TEN) Fields with an estimated 240 MMbbl of oil and 396 Bcf (cubic feet) of gas in 2016.

Operations were subsequently delayed due to maritime border dispute with Côte D'Ivoire (see the Côte d'Ivoire report). Other project activities also led to the discovery of Sankofa Gye Nyame Fields, which was estimated at 500 MMbbl and 1.45 trillion cf of gas in 2017.⁴² In 2017, the Ghana Government approved the development plan to start operation in the Mahogany and Teak fields of the Greater Jubilee Fields, which is estimated at 60 MMbb of oil and 100 Bcf of gas⁴³. In early 2018, the government of Ghana signed a deal with Exxon Mobil to explore oil in Ghana's Deepwater Cape Three Points.⁴⁴

In October 2018, the government launched the country's first ever oil and gas exploration licensing and bidding rounds. Six blocks were announced; three for open competitive bidding, two for direct negotiations, whilst one was reserved for the national oil company, GNPC.⁴⁵

There are primarily four (4) petroleum basins in Ghana:

- The Western Basin which is currently the most active is host to the Tano and Cape Three Point blocks (Figure 3: Petroleum Basins in Ghana). The Jubilee field can be found straddling both the Tano and Cape Three Points. The TEN fields are located in Tano, and the Sankofa field is located in Cape Three Points.
- The Central Basin is home to Ghana's longstanding Saltpond field.
- The Accra-Keta/Eastern Basin: Includes both the Accra and Keta blocks, where exploration has been carried out without much commercial result to date.
- The Voltain Basin: Covers 40 per cent of Ghana's land mass and it is Ghana's most promising site for onshore petroleum extraction (See: Table 1: Ghana's 4 Petroleum Basin and Figure 2: Oil and Gas field under development in Ghana. Source: Penplusbytes (2020).

⁴¹ <http://large.stanford.edu/courses/2018/ph240/owusu-adjapong2/>

⁴² <http://large.stanford.edu/courses/2018/ph240/owusu-adjapong2/>

⁴³ Owusu-Adjapon, E. (2018) *Oil and Gas in Ghana: Blessing or Curse?* Stanford University

⁴⁴ Skaten, M. (2018). Ghana's Oil Industry: Steady Growth in Challenging Environment. The Oxford Institute for Energy Studies. cited from <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2018/04/Ghanas-Oil-Industry-Steady-growth-in-a-challenging-environment-WPM-77.pdf>

⁴⁵ <https://theenergyyear.com/news/ghanas-president-launches-oil-and-gas-bid-round/>

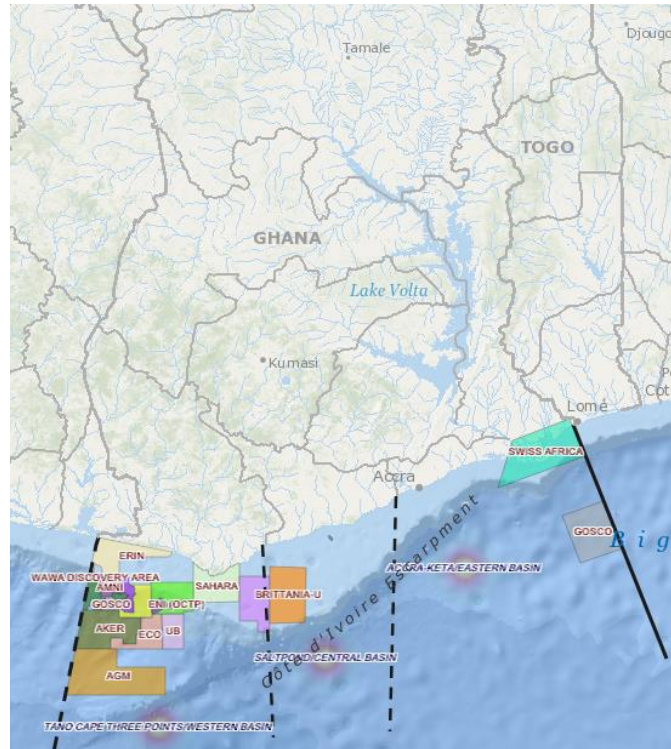


Figure 3: Petroleum Basins in Ghana. Source: Petroleum Commission (2020)⁴⁶

Basin	Coverage	Field
Western	Tano & Cape Three Points -offshore	Jubilee & Sankofa; and TEN
Central	Between Tano-Cape Three Points and Accra Keta Basin – approx. 12,294 sq km	Saltpond in Ghana; Boabab, Belier, Espoir, Foxtrot, Lion and Panther in Cote D'Ivoire
Eastern	Accra & Keta Blocks -offshore of approx 33,900 sq km of which 1,900 sq km is onshore	-
Voltaian	forms 40% of Ghana's continental landmass -onshore	-

Table 1: Ghana's 4 Petroleum Basin. (Source: Adopted from Skaten, 2018 and Petroleum Commission, Ghana, 2020)

Field	Operator(s)	Shares
Jubilee	Kosmos/Tullow first discovered; Now operated by Tullow Oil Ghana	Tullow - 35.5%; Kosmos 24.1%; Anadarko - 24.1%; GNPC - 13.6%; PetroSA - 2.7%
TEN	Tullow Oil	Tullow - 47.2%; Anadarko - 17%; Kosmos - 17%; GNPC - 15%; PetroSA - 3.8%
	Exxon Mobil	Exxon Mobil and Aker

⁴⁶ <https://www.arcgis.com/apps/View/index.html?appid=e470691ca4024b56aa733c473e0baba3>

Cape Three Points	Springfield E&P	Springfield -majority holder; GNPC and EXPLORCO at West Cape Three Points Block 2
	Aker	Aker -at Deepwater Tano Cape Three Points Block

Table 2: Three fields of Ghana's oil and gas production vis-à-vis operators shares in blocks. Source: Adopted from Oxford Business Group ⁴⁷

Ghana has made steady inroads into the petroleum industry in spite of the oil price fluctuations that it experienced in 2014/2015 and the maritime dispute with Cote D'Ivoire, which affected production in the Tano Fields.

3.2.1 Impact of Oil and Gas in Ghana

Exploration of hydrocarbons has both positive and negative impacts on the economy, environment, host communities and marine animals. The contributions of the oil sector to the economy are enormous, and they include direct job creation, local goods and services, revenue generation through direct and indirect taxes, and foreign exchange through downstream processing.⁴⁸ Oil is one of Ghana's most valuable exports and an important contributor to the country's GDP.⁴⁹

In 2018 Ghana's crude exports reached \$4.57 billion, compared to \$3.12 billion in 2017.⁵⁰ Crude oil exports helped to diversify Ghana's export portfolio from two commodities, cocoa and gold, to three commodities including crude oil.⁵¹ Oil exports became second to gold. Total Revenue as of December 31, 2019 was US\$5.19 billion (See: Figure 4: Oil and Gas Revenue in 2019 (Sources: Ghana Minister of Finance: <https://www.mofep.gov.gh/publications/petroleum-reports>

Bank of Ghana: <https://www.bog.gov.gh/wp-content/uploads/2020/07/Semi-Annual-Report-H1-2020-.pdf>

PIAC: <https://www.piacghana.org>)).

Oil spurred the acceleration of GDP growth from 7.9% in 2010 to 14% in 2011, compared with non-oil GDP growth rates of 7.9% to 8.4% respectively.⁵² The petroleum sub-sector grew sharply from 2.1% in 2010 to nearly 30% in 2013. Contributions to the mining and quarrying sub-sector recorded a share of 90.2% in 2014, from 17.5% in 2010; and exports rose from 21.7% in 2011 to 30% in 2014. Overall, petroleum contributed to the exports of goods and services from 29.3% in 2010 to 36.9% in 2011.⁵³

⁴⁷ Oxford Business Group (2020). See: <https://oxfordbusinessgroup.com/overview/period-growth-oil-and-gas-infrastructure-continues-develop-companies-explore-onshore-and-offshore>

⁴⁸ World Bank (2009)

⁴⁹ Oxford Business Group (2020). See: <https://oxfordbusinessgroup.com/overview/period-growth-oil-and-gas-infrastructure-continues-develop-companies-explore-onshore-and-offshore>

⁵⁰ Oxford Business Group (2020). See: <https://oxfordbusinessgroup.com/overview/period-growth-oil-and-gas-infrastructure-continues-develop-companies-explore-onshore-and-offshore>

⁵¹ <https://www.commdev.org/pdf/publications/Estimating-OG-Effects-Ghana-2-page-Rev.-3-05-27-2018.pdf>

⁵² Fosu, A.K. (2017). *Oil and Ghana's Economy*. 10.1093/acprof:oso/9780198753438.003.0009.

⁵³ International Monetary Fund (2015). 'Regional Economic Outlook: Sub-Sahara Africa'. International Monetary Fund (IMF), April

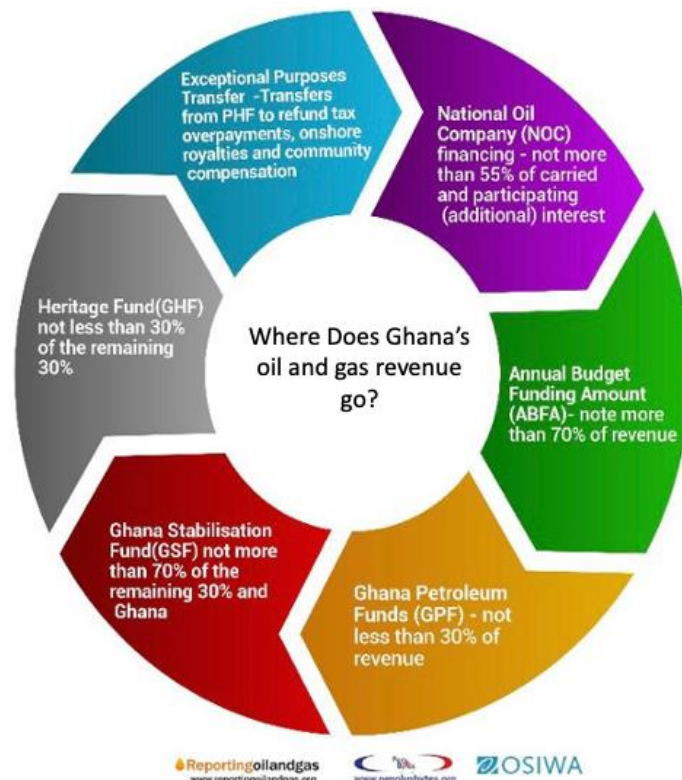


Figure 4: Oil and Gas Revenue in 2019 (Sources: Ghana Minister of Finance: <https://www.mofep.gov.gh/publications/petroleum-reports>
Bank of Ghana: <https://www.bog.gov.gh/wp-content/uploads/2020/07/Semi-Annual-Report-H1-2020-.pdf>
PIAC: <https://www.piacghana.org>)

Crude oil production is important but not a significant contributor to Ghana's GDP.⁵⁴ Ghana has to realign its economy with a focus on the non-oil sector because of the unpredictability of oil prices.⁵⁵ Oil revenue is derived from a wide variety of sources including royalties, interests, corporate income tax, rentals and dividends (See: Figure 5: Sources of Oil and Gas Revenue).

Many organizations have implemented corporate social responsibility initiatives as a way of extending good will to their host communities. Industry players such as Tullow, Kosmos, and others have undertaken several developmental projects including road constructions, school constructions, provision of water and sanitation, and scholarships. In addition, job opportunities have been created for local Ghanaian citizens and future estimates indicate that about 166,500 sustained full-time additional jobs will be created by 2030.⁵⁶ Developments in this sector have positively contributed to the Ghanaian economy.

⁵⁴ Acquah-Andoh, E., Gyeyir, D.M., Aanye, D.M., and Ifelebuegu, A. (2018) Oil and Gas Production and the Growth of Ghana's Economy: An Initial Assessment. *International Journal of Economics and Financial Research*. Vol. 4, Issue 10 pp: 303-3012

⁵⁵ <https://www.worldoil.com/news/2020/5/27/ghana-reconsiders-oil-s-role-in-its-economy-as-prices-fall>

⁵⁶ <https://www.commdev.org/pdf/publications/Estimating-OG-Effects-Ghana-2-page-Rev.-3-05-27-2018.pdf>

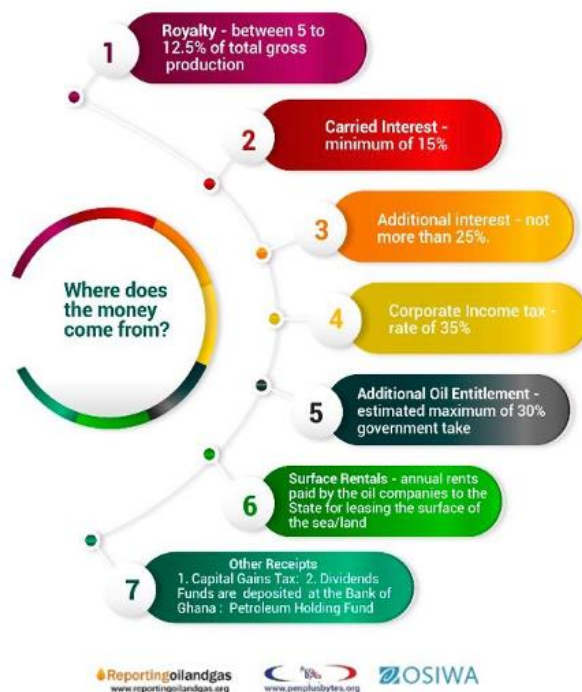


Figure 5: Sources of Oil and Gas Revenue. (Sources: Ghana Minister of Finance: <https://www.mofep.gov.gh/publications/petroleum-reports>
Bank of Ghana: <https://www.bog.gov.gh/wp-content/uploads/2020/07/Semi-Annual-Report-H1-2020-.pdf>
PIAC: <https://www.piacghana.org>)

Conversely, petroleum exploration activities have had negative impacts on both the environment and on aquatic life. Anecdotal evidence suggests that the recent beaching of marine life could be attributed to offshore explorations.^{57 58 59} In 2015, Tullow flared 75 million standard cubic feet of gas daily due to the breakdown of a compressor on the FPSO.⁶⁰ Oxides such as nitrogen, carbon and sulphur (NO₂, CO₂ and CO SO₂) were released into the atmosphere which contaminated and acidified the soil and depleted soil nutrients.⁶¹ Participants interviewed in this research had different perceptions of the impact of oil and gas to their communities and personal wellbeing. This is further discussed below.

⁵⁷ <https://newsghana.com.gh/deaths-marine-mammals-ghana-investigated/>

⁵⁸ <https://www.fairplanet.org/story/who-is-killing-the-whales-in-ghana/>

⁵⁹ <https://www.myjoyonline.com/opinion/save-our-whales-from-dying/>

⁶⁰ <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Tullow-Ghana-flares-75-million-cubic-feet-of-gas-daily-370299>

⁶¹ <http://www.reportingoilandgas.org/wp-content/uploads/Assessing-the-Environmental-Impact-of-Oil-and-Gas-Exploration-in-Ghana-.pdf>

3.4 Impact of COVID-19 on the Oil and Gas Sector

COVID-19 does have somewhat negative impacts on the sector and on the economic wellbeing of the country. For instance, after the winners of the first ever round of license allocations were announced in August 2019, negotiations had to be delayed due to the pandemic.⁶²

Aker Energy's decision to halt operations in Ghana's offshore due to the pandemic⁶³ is likely to affect the projected production capacity of the country's oil fields. The fall in the price of global crude per barrel to below \$20 also did not bode well for Ghana's 2020 budget estimates, which was benchmarked at \$62.60 per barrel.⁶⁴ In a statement addressed to Parliament on March 2020, the Finance Minister predicted a shortfall of GHC 5,679 million in petroleum receipts. This shortfall affected transfers to ABFA (GHC 3,526million), the Stabilization Fund (GHC 1,058million), and the Heritage Fund (GHC 453million). Further transfer shortfalls were predicted for GNPC which could affect their operations.^{65 66}

Whether it is the contribution to GDP, the creation of job opportunities, or the impact of gas flaring on the environment, activities in the oil and gas sector do have both positive and negative impacts on the economy and on people.

3.5 Public Perception of the Impact of Oil and Gas Revenue

Participants who were interviewed during this research had different perceptions of the impact of oil and gas revenue on their communities and on their personal wellbeing. While some participants did not perceive any impact at all, others were not aware of the direct impact of oil and gas to them or their communities. One participant mentioned,

So, if you ask the average person on the street, "what can you say oil has done [for you]? It becomes a big challenge for them to cite what oil revenue is doing or [has done] for them. So, it's a broader isolation of the people from what actually the impact looks like. There are places where you can agree that projects are happening, but the community don't even know that oil revenues are been used to finance it (Participant 6).

Another participant felt the same:

⁶² NRGi (2020) Ghana: Initial Assessment of the Impact of the Coronavirus Pandemic on the Extractive Sector and Resource Governance. Ghana. Cited from <https://resourcegovernance.org/analysis-tools/publications/ghana-assessment-coronavirus-extractive>

⁶³ <https://www.energyvoice.com/oilandgas/africa/232108/aker-energy-postpones-pecan-cuts-team/>

⁶⁴ https://www.mofep.gov.gh/sites/default/files/budget-statements/2020-Budget-Statement-and-Economic-Policy_v3.pdf

⁶⁵ https://www.mofep.gov.gh/sites/default/files/news/MoF-Statement-to-Parliament_20200330.pdf

⁶⁶ <https://s3.amazonaws.com/new-acep-static1/publications/ACEP+Comments+on+the+Statement+of+the+Minister+of+Finance+on+the++Impact+of+COVID.pdf.pdf>

So, to a greater extent I can say there is some impact, but the impact is not so huge for us to say that our oil money has been very very impactful. You can't say there is no impact at all, but the impact has not been so great (Participant 3).

Yet, others felt that the impact of oil and gas revenue on the community has been marginal, and scale up has been impossible because of COVID-19:

In terms of socio-economic impact in the oil and gas enclave, I want to say that before COVID, I would say that in fact there were a number of projects these IOCs⁶⁷ were actually taking [implementing]. For instance, if you look at Tullow, they committed about \$10 million to support the Free SHS programme [sic]⁶⁸[...] So, because of COVID I am sure it has really impacted on their ability to be able to scale it up (Participant 2).⁶⁹

3.5.1 Education

On the overall, a number of participants felt there has been some benefits to various sectors of society. On education, a few participants have observed the construction of schools, availability of scholarship, and the overall development of the educational sector within their community:

I can count, that there are countless number of schools which have been built in and around those communities, CHPS compounds, scholarships have been given to many people over there. We have...GNPC scholarship (Participant 1).

...Tullow again has this programme they call ...STEM that they use to support the tertiary level students. STEM is like support to science, technology, engineering and mathematics students (Participant 2).

So, in terms of impact, we have seen a lot of impact like the current free Senior High School (Participant 3).

And so yes you can have some of those investments doing better and even the free senior high school you will realize we have some pupils who otherwise would not have been in school who are now in school (Participant 3).

⁶⁷ International Oil Companies

⁶⁸ This statement is wrong as the Free SHS programme is a national program administered by the government. Tullow made a \$10million commitment in 2018 to the building of School infrastructure for Senior High Schools. Investing in Quality Education in Ghana. Tullow(2018). See: <https://www.tulloil.com/media/case-studies/investing-quality-education-ghana/>:

⁶⁹ Tullow (2019). Investing in quality education in Ghana. See: <https://www.tulloil.com/media/case-studies/investing-quality-education-ghana/>

3.5.2 Health

It appears that proceeds from oil revenue have also been diversified to the field of health, where direct benefits have accumulated to communities. One participant suggested that,

...and also on the health side I know Kosmos, Tullow, have built a number of Community-based Health Planning and Services (CHPS) compound to support the Ghana Health systems (Participant 2).

3.5.3 Infrastructure and Economic Development

Oil and gas revenue has led to several infrastructure development projects. Some participants felt that it has contributed to the development of the Ghana International Airport:

So, we say that this is the only significant investment that oil has made for the people of Ghana. Of course, there is a minor investment that also stands out that is the Kotoka International Airport Terminal 3 which received some \$30 million in investment through Ghana Infrastructure Investment Fund. The reason,... even though the amount invested is small, but the investment in itself stands out as benefit of oil... is the fact that this money has not been consumed unlike the other revenues streams that we had (Participant 4).

...we have had some good investments so far. With oil money you will realized that the Kotoka International Airport,... some oil money was invested into the Terminal 3 for example, and we have had a report from the body that is responsible for that investment to the effect that the returns has been significantly good, and so there is even a group of person or some part of Ghanaians who are advocating for us to push more money into the Ghana Infrastructure Investment Fund because that is the fund that has pushed oil money into this particular infrastructure and it is returning significant returns to Ghana (Participant 3).

Oil revenue has also been reinvested in the development of existing oil and gas infrastructure.

... let me admit that the only significant benefit that most Ghanaians can point to in terms of what oil has done in this country is the Atuabo Gas processing facility, which has made LPG gas available to consumers on a very regular and reliable basis. Hitherto Ghana used to experience intermittent LPG supply crisis but since the establishment of the Atuabo Gas processing facility... Of course, we finance largely with oil revenue even though the financing came from the Chinese Development Bank the repayment was actually hinged on oil revenues flow (Participant 4).

Another participant mentioned that,

... in terms of physical activities, however we have two major projects that have impacted on the people directly. They have the Ghana Gas...the gas processing plant

which takes the gas from the Jubilee Field process. It sends the sale gas for power generation (sic) and also, we get the liquified petroleum gas (LPG) and ...and others who are onshore facility at Sanzule...to Atuabo (Participant 1).

Oil revenue has benefit road reconstruction projects and has contributed to the development of small industries and allied businesses.

Apart from direct jobs that have been created for many people in the Atuabo area. We have seen significant infrastructural development as a result of the citing of the Ghana Gas plant in Atuabo area. We have seen first class road that have been constructed from Takoradi to Atuabo and many communities in the Western region. Other allied industries have also sprung up like the Quantum LPG plant and storage facility in and around the Atuabo area, all employing many people. So many small... small industries that have also come up serving the oil and gas industry. So apart from the direct impact we also have a significant indirect impact in those communities. The same can be said of Sanzule area, where...has its processing plant (Participant 1).

Through the gas sector, jobs have been created and the local communities have benefited from such job creation.

Many local people have been employed. The Commission mandated ...employment in those communities. So, if you go to those communities, to Sanzule and Atuabo, most of the jobs, especially the low level to middle level jobs have gone to the people around the community. Apart from the economic impact a lot of social interventions have been done by the oil and gas companies and GNPC. Beyond that they do a lot of livelihood illustration programme that have been given to people around those communities. There are programmes for people who went into poultry, cottage industry, farming and others. So, the impact on the host community has been quite, I will say positive (Participant 1).

So, I think these are some of the things I know. On the part of GNPC, they also in fact have actually supported a number of fisherfolks in the fishing communities along the coast in the Western region (Participant 2).

3.5.4 Environmental Impacts

With the potential for environmental mishaps such as oil spillages, oil companies and processing plants have a job to ensure that the environment where communities are situated, benefit from oil revenue in an environmentally safe manner. In addition, community members should be involved in discussing projects and in determining what may constitute project priorities that could benefit their communities.

We need to make the local communities, at least, happy. For example,... a project somewhere in the Western region where there was a beach where they harvest their gas

processing plant, they had to clean that beach and do certain things and helped the community, which was good. Now I think Tullow has also initiated some programmes here and there, but those things [environmental benefits] are not normally targeted (Participant 5).

They [the projects] are not very effective because I don't think they planned them very well. I think they need to engage the communities more and know what their needs are so that they can target those systems. But maybe an NGO or some people with some measure of influence will come out with a plan and say well this is what these people need and then they solicit for support from these companies (Participant 5).

In sum, Ghana has utilized oil revenue in ways that may benefit host communities where fields and oil infrastructure are situated. Perceptions about the implementation of oil revenue is varied across the board. While some believe it has had an impact on the communities, others feel there are no direct impact to their bottom line. Overall, public awareness of oil projects, their proceeds and the implementation of proceeds through projects may be required. It is important also that government maintain a central location such as a website where the public might be able to review projects resulting from the proceeds of the extractive sector. Communities where oil projects are situated should also be involved in discussing project priorities. Their input in determining what is most needed for their communities could arguably change public perception of projects implemented from oil revenue.

3.6 Good Governance of the Oil and Gas Sector in Ghana

Ghana has made inroads towards establishing participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive actions in its oil and gas sector. It has also followed the rule of law in policy options and overall decision making. The success of the sector heavily depends on the existence of a good governance framework and a culture of accountability and transparency upon which the activities in the sector must be built.

Good governance enables the participation of all stakeholders, ensures accountability and transparency, and abides by the rule of law. The existence of these principles is essential for attracting investments and for the long-term sustainability of the sector. Ultimately, if the sector enjoys good governance it will significantly contribute to poverty reduction and wealth generation that ultimately benefits the citizens of the country (See Box 1: Good Governance and the Oil and Gas Sector).

Good Governance and the Oil and Gas Sector

Oil and gas revenues can contribute to wealth generation and poverty alleviation for any country if revenues are utilized efficiently. This use of oil and gas revenues is a function of good governance.

A working definition of good governance in this report is the existence of a set of clearly defined processes, systems and institutions that are put in place in a country so that its citizens can benefit from the most efficient utilisation of oil and gas resources. Good governance is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and follows the rule of law in policy options and overall decision making.

Most countries subscribe to the Extractives Industry Transparency Index (EITI) as a key global standard for assessing good governance in the extractive sector. The index gauges good governance and transparency of extractive resources and revenues in the sector. It publishes timely and accurate information on the revenue derived from the sector, its accounting and how the revenue benefits citizens of the country in which the resource exists.⁷⁰

Adherence to the principles of governance is foundational to achieving maximum value from the sector. Good governance is the “remedy for avoiding the resource curse”.⁷¹ A strong governance of the sector leads to reduced poverty and corruption, mitigation of environmental harms, and the accrual of more revenue for the country. Conversely, the mismanagement of the sector has far-reaching consequences on the economy, leading to increasing poverty, the rise of militants, and environmental destruction.

A number of elaborations of what “good governance” looks like exist in the literature.

An oil and gas sector that is aligned with the principles of good governance should:⁷²

- Elaborate a strategic vision for the sector
- Attract the most qualified investor for the long term
- Maximize economic returns to the state through licensing
- Earn and retain public trust and manage public expectations
- Increase local content and benefits to the broader economy
- Build capable national organizations to participate in and oversee the development of the resources
- Increase accountability
- Safeguard the environment

⁷⁰ https://eiti.org/files/documents/factsheet_en_lac.pdf

⁷¹ Nakhle, C. (2017, p.11). Towards Good Governance of the Oil and Gas Sector in the MENA. Economic and Social Commission for Western Asia (ESCWA). Cited from https://www.unescwa.org/sites/www.unescwa.org/files/page_attachments/towards_good_governance_of_the_oil_and_gas_sector_in_the_mena_0.pdf

⁷² Marcel, V. (2016). Guidelines for Good Governance in Emerging Oil and Gas Producers (3rd Edition).

Five universal principles that could improve the governance of the oil and gas sector should include:⁷³

- Clarity of goals, roles and responsibilities
- Sustainable development for future generations
- Enablement to carry out the role assigned
- Accountability of decision-making
- Performance, transparency and accuracy of information.

Four key governance functions that could apply to the sector are:⁷⁴

- Policy making
- Operational decision-making
- Monitoring
- Regulation of the sector

Few organizations have also developed governance indicators to assess the oil and gas sector. The World Bank's Worldwide Governance Indicators (WGI) focuses on six dimensions:⁷⁵

- Voice and accountability
- Political stability and absence of violence
- Government effectiveness
- Regulatory quality
- Rule of law
- Control of corruption.

The Natural Resource Governance Institute (NRGI) developed the Resource Governance Index, which outlines measures to be employed by authorities to effectively govern the Ghana's oil sector:^{76 77}

- Value realization that deals with governance of allocating extraction rights, exploration, production, environmental protection, revenue collection and state-owned enterprises

⁷³ Lahn, G., Marcel, V., Mitchell, J., Myers, K., and Stevens, P. (2007). Report on Good Governance of the National Petroleum Sector. Royal Institute of International Affairs

⁷⁴ Lahn, G., Marcel, V., Mitchell, J., Myers, K., and Stevens, P. (2007). Report on Good Governance of the National Petroleum Sector. Royal Institute of International Affairs

⁷⁵ Kaufmann, D., Kraay, A. and Mastruzzi, M. (2010) Worldwide Governance Indicators: Methodology and Analytical Issues. Cited from <http://info.worldbank.org/governance/wgi/pdf/wgi.pdf>

⁷⁶ Natural Resource Governance Institute (2017). 2017 Resource Governance Index

⁷⁷

https://api.resourcegovernanceindex.org/system/documents/documents/000/000/046/original/2017_Resource_Governance_Index.pdf?1498599435

- Revenue management which looks at national budgeting, subnational resource revenue sharing and sovereign wealth funds
- The country's enabling environment

These governance strategies are very critical to shaping and achieving optimal outcomes from the oil and gas sector of any economy.

Box 1: Good Governance and the Oil and Gas Sector

Ghana has a history of institutionalized management of the extractive sector. Drawing lessons from the mining sector, the authorities in Ghana and the civil society were able to benefit from existing knowledge in the mining sector to develop good governance structures in the oil and gas sector. For instance, they enacted laws and regulations to govern the sector, and they established regulatory bodies, agencies as well as accountability institutions to support the sector (See Box 2: Laws, Agencies and Accountability Institutions Governing the Oil and Gas Sector). Chapter 4 will describe the laws governing this sector in more details.

Laws Governing the Oil and Gas Sector

- PNDC Law 64 & 84
- Ghana National Petroleum Corporation Act, 1983
- Petroleum (Exploration and Production) Law 1984
- Ghana Model Petroleum Agreement; Ghana National Petroleum Corporation Law 1983
- Joint Venture Guidelines; Local Content and Local Participation Regulations L.I 2204
- Oil and Gas Insurance Placement for the Upstream Sector
- Petroleum Commission Act 2011 (Act 821)
- Petroleum Commission Fees and Charges Regulations L.I 2221
- Petroleum (Exploration & Production) Act 2016 (Act 919)
- Petroleum Exploration and Production (Measurement Regulations)
- Guidelines, Petroleum Measurement Regulations
- Petroleum Income Tax PNDC 188
- Petroleum Revenue Management Act 815 – 2011
- Petroleum Exploration and Production-Data Management Regulation, 2017 (L.I2257)
- Petroleum Exploration and Production – Health, Safety and Environment Regulations 2017 (L.I 2258)
- Petroleum Exploration and Production – HSE Regulations 2017 (L.I 2258)
- Health, Safety, Security and Environment (HSSE) – Manual for Energy Sector Organizations
- Petroleum Exploration

State Agencies and Regulatory Bodies

- Ministry of Energy
- Petroleum Commission
- Ministry of Finance and Economic Planning

- Ghana National Petroleum Authority
- National Petroleum Authority
- Ministry of Environment
- Science Technology and Innovation
- Environmental Protection Agency
- Bank of Ghana

Accountability Institutions

- Parliament
- Auditor General
- Ghana Extractive Industries Transparency Initiative, GHEITI

Civil Society Organizations

- The Civil Society Platform on Oil and Gas (CSPOG)
- NRGi
- ACEP
- Penplusbytes
- Friends of the Nation
- ISODEC

Independent statutory body

- Public Interest Accountability Committee

Box 2: Laws, Agencies and Accountability Institutions Governing the Oil and Gas Sector

The Public Interest and Accountability Committee (PIAC) was established by the Petroleum Revenue Management Act (815) to monitor the management and disbursement of petroleum revenues. This institution provides an important mechanism for ensuring accountable utilization of petroleum proceeds (See Box 3: Public Interest Accountability Committee).

Public Interest Accountability Committee

The Public Interest Accountability Committee is an independent statutory body established under the Petroleum Revenue Management Act (PRMA) 2011 (Act 815) to promote transparency and accountability in the management of petroleum revenues in Ghana. The mandate of the Committee includes:

- To monitor and evaluate compliance with the Act by government and relevant institutions in the management and use of petroleum revenues and investments.
- To provide space and platform for the public to debate on whether spending prospects and management and use of revenues conform to development priorities as provided under section 21 (3).

- To provide independent assessment on the management and use of petroleum revenues to assist parliament and the executive in the oversight and the performance of related functions.

The Committee consist of eleven (11) members as clearly stated in Section 53 of the PRMA (Act 815) which includes:

- A representative of independent policy research think tank
- A representative of civil society organizations and community-based organizations nominated by civil society
- A representative each nominated by the
- Trade Union Congress
- National House of Chiefs
- Association of Queen Mothers
- Association of Ghana Industries and Chamber of Commerce
- Ghana Journalists Association
- Ghana Bar Association
- Institute of Chartered Accountants
- Ghana Extractive Industries Transparency Initiative
- Christian groups namely the National Catholic Secretariat, the Christian Council and the Ghana Pentecostal Council on a rational basis
- the Federation of Muslim Councils and Ahmadiyya Mission on a rational basis; and
- Ghana Academy of Arts and Sciences

The inception of PIAC has been very crucial to ensuring transparency of utilization of the petroleum revenue. They issue out bi-annual and annual report on utilization of the revenues by state institutions and agencies with mandate to spend oil revenues. The challenge however is their inability to sanction authorities and individuals who misuse the revenues.

Box 3: Public Interest Accountability Committee

3.7 Accountability and Transparency

Accountability and transparency are essential foundations for good governance in the oil and gas sector.⁷⁸ In order to rake in optimum benefit and accrue the right proceeds from the sector, accountability of stakeholders and transparency in laws, regulations and fiscal regimes ought to be adhered to.

The existence of an audit trail that documents physical volumes of production, revenues generated, cost incurred and royalties as well as taxes paid and received into government's

⁷⁸ Civil Society Platform on Oil and Gas, CSPOG (2011)

coffers will boost public confidence and attract investments into the oil and gas sector.⁷⁹ Transparency in the sector ensures “ready access to reliable, comprehensive, timely, understandable, and internationally comparable information”.⁸⁰ It involves disclosure and publication of information regarding the sector in a manner that is robust and that encompasses engagement from different actors.

In simple terms, transparency is the openness in the petroleum sector value chain. It is a way of checking against corruption and supporting accountability. It reduces lapses and inefficiencies in the sector, and it offers citizens the opportunity to scrutinize government’s management of natural resource.

One way of ensuring the transparency of the sector is to utilize the Right to Information (RTI) law and to enforce accountability mechanisms regarding the publication of reports on revenue and their use, and the disclosure of identity, bidding and procurement documents.⁸¹ Transparency should exist in the areas of revenue received, expenditures made, and contracts signed and awarded in the sector.⁸² The sector could benefit from increased transparency and accountability.

In addition to the aforementioned, steps have been taken to establish various laws such as the Petroleum Revenue Management Act (PRMA)⁸³ which ensures transparency of the sector. For instance: ⁸⁴

- Clause 8 of the PRMA requires the publication of petroleum receipts in at least two national dailies and online.
- Clause 16 implores the Minister of Finance to reconcile quarterly petroleum receipts and expenditure and submit reports to Parliament as well as publish the reports in the national dailies.
- Clause 46 and 48 provide for four different audits of the petroleum account - internal, external, annual and special audits.
- Clause 50 requires the Minister of Finance to submit an annual report on the Petroleum Account and the Ghana Petroleum Funds as part of the annual budget presentation and economic policies to Parliament

⁷⁹ <https://www.agora-parl.org/sites/default/files/pc-mps-short-guide-on-oil-gas.pdf>

⁸⁰ <https://carnegie-mec.org/2016/12/16/transparency-in-oil-and-gas-sector-much-talk-but-limited-action-pub-66495>
CSPOG (2011). Ghana’s Oil Boom. *A Readiness Report Card*. Accra - Ghana

⁸¹ World Bank (2009). *Ghana Economy-Wide Impact of Oil Discovery in Ghana*. Report No. 47321-GH cited from <http://documents1.worldbank.org/curated/en/752921468030343049/pdf/473210ESW0P11211C0disclosed03111101.pdf>

⁸² Gyampo, Ransford. (2016). Transparency and Accountability in the Management of Oil Revenues in Ghana. *Africa Spectrum*. 51. 79-91. 10.1177/000203971605100205.

⁸³ Petroleum Revenue Management Actg. See: <https://www.mofep.gov.gh/publications/acts-and-policies/petroleum-revenue-management-act-815>

⁸⁴ CSPOG (2011). Ghana’s Oil Boom. *A Readiness Report Card*. Accra - Ghana

- Clause 51 provides for disclosure of information or data, unless disclosure of such information could significantly prejudice the performance of the Ghana Petroleum Fund
- Clause 52 criminalizes the failure to comply with the obligations on publication of information.

These steps are important for ensuring the transparency of the sector which is evident by Ghana's membership of the EITI since 2007. Oil and gas were included with the discovery and production of oil and gas in 2010.

Another important development is the creation of the Petroleum Register of Ghana's Upstream Petroleum Sector⁸⁵ mandated by Section 56 of the Petroleum (Exploration and Production) Act, 2016, Act 919, that:

*“(i) The Commission shall establish and maintain a register of petroleum agreements, licences, permits and authorisations as prescribed.
(ii) The register shall be open to the public”.*

By making this information publicly available, an important transparency condition is satisfied.

Stakeholders interviewed during this study recognize that these laws are the requisite groundwork for transparency. They acknowledge however that accountability of the sector continues to be challenging especially in areas regarding the management of petroleum revenue:

I think we have done well to put up the laws. We have to move on beyond that to really implement the law as efficiently as possible. We [are] just not doing that... What we understood [that] these laws in the oil sector will do was to sort of set up a different frame to model how governance should work in Ghana. But we are still struggling with how to implement the laws more efficiently ... Transparency and accountability is really the hurdle as of now, but we have to scale to be able to ensure that oil actually benefits us (Participant 6).

Another participant added that accountability is a step beyond transparency, and that efforts should be made to move from one to the other.

In terms of transparency, we have achieved a lot but transitioning from transparency to accountability, that is where we see some kind of lacuna and that may be [what] we have to address even though the law provides for enforcement. But I think we need...they need to be a bit tightened. So that is what I will say. Accountability, even though we have the laws, but in terms of enforcing them I think people or stakeholders have the view that we do not abide by all the provisions as we should (Participant 2).

⁸⁵ <https://www.ghanapetroleumregister.com>

These participants also agree with the transition from transparency to accountability.

... in spite of the disclosures we still continue to record huge infractions, to record abuses in the use of petroleum revenues. So, the point I often make is that we have succeeded in ensuring transparency in the management and use of petroleum revenues, but we have so far failed to meet that critical transition from transparency to accountability, which means the institutions of state responsible for investigating and prosecuting corruption as of abuse of state resources and all that haven't been up and doing (Participant 4).

Like I indicated, transparency has not been so much of a problem. I mean there are challenges any way but reasonably it has been ok ... So, transparency has been reasonably okay, but accountability has been a very serious concern (Participant 3).

I think the laws are transparent. Transparent, because we took a cue from... we obtained from jurisdictions and decided that okay, "that is how we are going to do it. But in terms of accountability, I think that is where I have issues because [of] the management (Participant 5).

The laws are there, they are transparent. The laws were passed by parliament. Everybody has access to the law; they are gazetted ...and everybody knows what is in the law. In terms of transparency there is nothing. I think our laws meet the standard of every petroleum law you can find in any other country. Our laws, in terms of given how we supposed to govern the sector, is very good, well developed; it took a long time before we developed those laws. They are very standard; can be the best I mean international best practices. The issue is about the implementation: how we implement the laws (Participant 1).

Another significant element of the good governance framework is the role that various actors such as the media, civil society, and the citizens of Ghana play in ensuring transparency and accountability in the sector.

3.8 Civil Society Actors in the Oil and Gas Sector

Civil Society Organisations (CSOs) play a critical "watchdog" role in the governance of every sector of the Ghanaian economy. Ghana is endowed with natural resources like gold, timber, bauxite, manganese, diamond and rubber which they have exploited for several decades. Civil society organizations, in their capacity as watchdogs, have advocated and contributed to the development of legislations, to building the capacity of the media to play an oversight role, and to providing alternative policy directions during the implementation of laws and regulations. These functions have also been extended to the extractive sector, particularly in allowing these different stakeholders to participate in decision making. Civil society consists of the citizens of Ghana, the media and non-profit organizations.

3.8.1. The People of Ghana (Citizens)

According to the 1992 Constitution, the natural resources found within the jurisdiction of the country belongs to the people of Ghana.⁸⁶ The President of Ghana, as a trustee holds and administers the sale, contracts, agreements, licenses and generally manages natural resources on behalf of, and for the benefit of the people. The interest of the people is central in the administration of the nation's resources. They have the right to scrutinize contracts and petroleum agreements or licenses and to voice their opinion on any undertaking that does not benefit them. The government is obliged to heed to the advice of the people.

Notwithstanding the benefits that the sector accrues to the nation in terms of monetary and employment of local workers, the negative effects particularly on livelihoods cannot be downplayed. Activities in the sector have direct or indirect impacts on the livelihood of the people. For instance, fishermen and those in the fishing industry are prevented from fishing 500 km radius closer to oil rigs, preventing them from their sources of livelihood that they had hitherto access prior to the discovery of oil.⁸⁷ Most local indigenous companies and service providers are unable to participate effectively in the sector due to the inability to raise capital to fund service contracts, the inability to procure sector input from the local market and the lack of high-end technical expertise and managerial skills to work in the sector. All of these are in addition to the aforementioned challenges of a lack of involvement of community members in determining project priorities that affect their communities or during project implementation.

Clearly, there are challenges related to the participation of the citizens in the sector. Some of these include limited capacity to engage with experts in the sector, lack of financial support to enable community members to engage, inadequate standard of certification under which contractors should engage, and the inability of contractors to meet high industrial standards.⁸⁸

3.8.2 Civil Society Organizations, Academia, and the Media

CSOs and Think Thanks are a part of the oil and gas stakeholder ecosystem that have actively advocated for the establishment and adherence to good governance practices in the sector. They have impacted the sector through independent reports, research, and advocacy. CSOs such as the Civil Society Platform on Oil and Gas (CSPOG), a network of civil society actors working in the sector, Africa Centre for Energy Policy, Friends of the Nation, Ghana Oil and Gas for Inclusive Growth (GOGIG), Penplusbytes, Western Region Coastal Foundation, Natural Resource Governance Institute (NRGI), and ISODEC have championed for transparency and accountability in the sector by advocating for fiscal and legal reforms.

Academia also plays a significant role in the sector by providing training and by building the capacity of prospective students and industry players for the sector. Academic institutions such

⁸⁶ Article 256(6) of the Constitution of Ghana. Source: <http://www.judicial.gov.gh/index.php/land-and-natural-resources>

⁸⁷ <https://thefishsite.com/articles/ghana-oil-exploration-affecting-fishing-in-western-province-1>

⁸⁸ <https://includeplatform.net/wp-content/uploads/2019/07/GTF-Local-Content-MOG-in-Ghana-SR-formatted.compressed.pdf>

as Ghana Maritime University (GMU); University of Cape Coast (UCC), Kwame Nkrumah University of Science and Technology (KNUST); Takoradi Technical University, University of Professional Studies (UPS) and among others, influence sector policies through research that help to shape the sector. There are a number of other specialized training institutes including Ghana Oil Drilling Academy & Consultancy (GODAC), Rigworld Training Center (RTC), Takoradi Technical Institute (TTI) and Jubilee Technical Training Centre.

The media, considered the fourth estate, provides an oversight role to the sector. They amplify the voices of citizens, highlight research findings conducted by academia and civil society organizations on revenue utilization and petroleum agreements, and they provide monitoring report of projects funded with oil revenues through media outlets like newspapers, radio, television, social media and other online platforms.

Despite their significance to the sector, the media is unable to conduct independent research or investigative journalism on the activities of the sector because of a lack of capacity to do so. They mostly depend on research findings from CSOs and academia for their content. One research participant *“expects [to see] more of the media move into conducting their own work, research, tracking revenues and all of that (Participant 6).”*

It is clear that there is a gap in the knowledge of the sector by media institutions and adequate capacity building steps are required to empower them to conduct independent research and to bring issues in the sector to the fore in a manner that is comprehensible by the public who are the constitutional owners of this natural resource. The media is a key stakeholder in ensuring transparency and accountability of the sector.

3.8.3 Government, State and International Institutions

Government works through its state parastatals such as ministries, departments and agencies to play a part in the management of the oil and gas sector.

The Ministry of Energy and Petroleum is responsible for energy policy formulation, implementation, monitoring and evaluation, for signing petroleum agreements on behalf of government and people of Ghana, and for supervising and coordinating the activities of Ghana’s Energy Sector Agencies such as Ghana Gas Company, Ghana Cylinder Manufacturing Company, Energy Commission, Electricity Company of Ghana, and Volta River Authority.⁸⁹

The Ministry of Finance is responsible for projecting petroleum benchmark revenue on an annual basis, for writing and publishing Annual reports on the Petroleum Fund and the

⁸⁹ <http://www.energymin.gov.gh/>

Reconciliation Report on the Petroleum Holding Fund, for producing quarterly petroleum receipts and maintaining the accounting resulting from the use of petroleum revenue.⁹⁰

The parliament ensures the sector maintains accountability by scrutinizing petroleum expenditures, enacting new bills and scrutinizing existing bills and laws, approving petroleum agreements, and building effective collaboration with civil society organizations. The Parliamentary Select Committee on Mines and Energy has an oversight responsibility over the Ministry of Energy and Petroleum and the national oil company, GNPC.⁹¹

The Petroleum Commission was established by an Act of Parliament, 2011 (Act 821) to regulate and manage the utilization of petroleum resources and to coordinate the policies in the upstream petroleum sector.⁹² It also promotes exploration activities, appraises existing petroleum discoveries and approves licenses for prospective contractors and subcontractors.

Ghana National Petroleum Corporation is the national oil company established under the PNDC Law 64 of 1983 with the mandate of undertaking exploration, development and disposal of petroleum. The Corporation is a partner to every oil and gas agreements in Ghana. GNPC is the national gas aggregator.⁹³ It holds participating interest and enjoys a share of every block drilling in the country.

Bank of Ghana⁹⁴ is also an important state actor in Ghana's oil and gas sector serving as the custodian of oil and gas revenue. The Petroleum Revenue Management Act, 2011 (Act 815) (PRMA) and Act 893 as amended mandate them to establish The Petroleum Holding Fund (PHF) and the Ghana Petroleum Funds (GPFs). Furthermore, under PRMA Section 28(a) and (b), the Bank of Ghana is required to report the performance and activities of the PHF and GPFs to the public.

The State Interest Governance Authority, formerly the State Enterprises Commission is a state agency responsible for monitoring the performance of the petroleum sector in Ghana.⁹⁵

Public Accountability Committee (PIAC) is an accountability and statutory institution established under Section 51 of the Petroleum Revenue Management Act, 2011 (Act 812). They monitor and evaluate the compliance of the government and other relevant institutions to the PRMA Act. They also provide a platform for public debate on revenue expenditures and they independently assess the management and use of petroleum revenues (Section 52 of PRMA, 2011).

⁹⁰ <https://www.mofep.gov.gh/divisions/rsd/objectives>

⁹¹ <http://www.reportingoilandgas.org/understanding-the-role-of-the-parliamentary-committee-on-mines-and-energy/>

⁹² <https://www.petrocom.gov.gh/>

⁹³ Ongoing talks indicate the merger of Ghana Gas and GNPC. See: <https://www.ghanagas.com.gh>

⁹⁴ <https://www.bog.gov.gh/wp-content/uploads/2020/07/Semi-Annual-Report-H1-2020-.pdf>

⁹⁵ <https://oxfordbusinessgroup.com/overview/period-growth-oil-and-gas-infrastructure-continues-develop-companies-explore-onshore-and-offshore>

The Auditor General (AG) derives its function from Section 45 of the PRMA Act, 2011 (815) to annually audit the Petroleum Funds. The AG submits audited reports to the Parliament Accounts Committee (PAC) for onward scrutiny and action.

The Environmental Protection Agency (EPA) is an agency of the Ministry of Environment, Science Technology and Innovation (MESTI) that is responsible for protecting air, soil, water and citizens from air pollution by oil and gas activities. As part of EPA's role in the petroleum sector, they supervise the preparation of the Environmental Impact Assessment (EIA) of oil and gas companies and monitor its implementation. They also issue environmental permit for the operation of oil and gas activities and monitor decommissioning plans on the environment prepared by oil and gas companies.⁹⁶

Frontline communities such as District Assemblies, Traditional Authorities and citizens of communities in which petroleum activities are carried out also have a stake in monitoring and supervising oil and gas activities and in ensuring transparency and accountability of the sector. Though, Ghana's oil production is conducted offshore, most onshore communities are hosts to oil companies and their operations.

Local and foreign partners can be viewed as a key stakeholder and the engines of the oil and gas industry whose investments contribute to the exploration, development and production of the sector. Key foreign partners include Tullow, Kosmos Energy, Eni, Aker Energy, Exxon Mobil, Anadarko, Hess Corporation, Norsk Hydro Oil, AGM Petroleum, PetroSA and Springfield E&P, the only indigenous company operating in the sector. Additionally, there are contractors and subcontractors providing goods and services to these partners. The Ghana Oil and Gas Service Providers Association and Ghana Upstream Petroleum Chamber serves as the umbrella association governing the participation of local and foreign partners in the industry.

International Financial Institutions such as the IFC, the World Bank, and the African Development Banks also play a significant role in the sector. Oil and gas resource is a locational attraction.⁹⁷ Irrespective of the size of the market, it attracts foreign direct investment especially those of the financial sector. These institutions are therefore attracted to Ghana's nascent oil sector and provide both technical and financial assistance to the industry in terms of capacity building, technical assistance and funding for projects. They also undertake independent assessment of the sector and they proffer recommendations for better management and for generating optimal benefit from the sector. For instance, the World Bank provided financial support of \$19.8 million⁹⁸ and \$38 million⁹⁹ towards capacity building project in Ghana in 2014 and 2020 respectively etc.

⁹⁶ <http://www.cepil.org.gh/files/T.Manual-for-Oil-&-Gas-Communities.pdf>

⁹⁷ <https://www.diva-portal.org/smash/get/diva2:331510/FULLTEXT01.pdf>

⁹⁸

<http://documents1.worldbank.org/curated/en/748251484160010299/pdf/PAD9820PJPR0P1010Box385226B00OUO090.pdf>

⁹⁹ <https://www.worldbank.org/en/news/press-release/2010/12/20/building-capacity-to-manage-ghanas-oil-world-bank-assists-with-us38-million>

3.8.4 Participatory and Consensus Building

Participation, as a principle of good governance ensures that all actors are fully involved in the activities of the sector. Participation also offers an opportunity for citizens to scrutinize and to criticize the performance of the sector especially in areas related to the prudent utilization of revenues. Parliament, civil society, the media and ordinary citizen are all important in creating a platform for participation and for ensuring accountability and transparency of the sector.

Parliament, as representatives of the people, provides an oversight role of the sector. They scrutinize policies, laws, regulations and acts emanating from the ministry and various sector agencies. Additionally, the parliament of Ghana is responsible for scrutinizing and ratifying petroleum agreement. This is to ensure that the country gets the best from the exploitation of the natural resource.

The media and the civil society also play a critical participation role in the sector. They act as watchdog over the sector through their independent write-ups and research. They are able to build the capacity of ordinary citizens by simplifying and diving deep into stories and investigations into the sector.

Individual citizens play a crucial role in the governance of the sector. They participate in the sector mostly through broad stakeholder consultations which affords them the unique opportunity to add their voice to policy. Their views are incorporated into policy for ratification by parliament and presidential accent. One participant thought this consultative approach is quite comprehensive,

I must say it (PRMA) was done in a very transparent manner because I recall the stakeholder consultation across the country, the length and breadth of this country, in putting this law together, this act together. And then in fact, a number of visits were also made to other countries where they were having some framework, for Ghana to learn, like Norway. So, this...the consultation was quite comprehensive and so Ghanaians, actually both civil society, industry players and government institutions participated effectively in the crafting of this act. So, it was quite transparent (Participant 2).

Again, vociferous individuals with appreciable knowledge and expertise in the industry are able to assess, critique and chastise government lapses and mismanagement and to proffer recommendations for effective management of the sector. On the economic, business and investment front, the passage of the Local Content Policy and subsequently the Local Content and Local Participation laws L.I 22014 in 2011 and 2013 have both paved a way for Ghanaian citizens to be integrated into all aspects of the extractive value chain. It offers citizens the opportunity to participate in terms of jobs, service provision, technology transfer, among others.

These laws support the participation of citizens to receive education, training and skill development, to receive expert analysis on the developments taking place in the sectors, and to

receive technology know-how in the sector. Citizens are also invited to engage in development activities (Kurth, 2014).^{100 101}

There are laws that guides participation in the sector. The local companies law ensures that a minimum 10% of every contract goes to Ghanaian participation. There are other categories of items that the Petroleum Commission will insist that the local person should supply to the industries. So, the law guides participation. [Also] I think the Local Content addresses job issues...participation of local people in the business. Petroleum Commission has a schedule and a local content plan with all the producers to, over time improve on local participation... I think the Local Content Law is fairly robust to deal with the succession plan and participation of local people (Participant 6).

Existing local content and local participation laws protect the interest of Ghanaian stakeholders in the industry. In order to qualify as an indigenous company in the petroleum sector, the law stipulates that a company that must operate in the oil and gas sector must have at least “51% of its equity owned by a Ghanaian with 80% executive and senior management positions and 100% non-management and other positions occupied by Ghanaians.”¹⁰² Regulation 3 of the Local Content policy enjoins prospective oil companies such as licensees, subcontractors, and entities such as Ghana National Petroleum Corporation (GNPC) to incorporate local content as part of their petroleum activities including all exploration, development and decommissioning activities. In addition, entities interested in the sector are required to provide the following:¹⁰³

- Submit a local content plan for approval by the regulator
- Establish a local office
- Ensure the participation of Ghanaian citizens and indigenous Ghanaian companies: Offer first preference to Ghanaian companies in granting petroleum agreement and allow 10% equity participation for joint venture company
- Preferential Bidding processes for petroleum industry contracts: Ensure preferences are granted to indigenous Ghanaian companies in the bidding process for acquisition of goods and services
- Employment and training of Ghanaian citizens: Only Ghanaians to be employed in junior and middle positions (Regulation 19)
- Insurance and reinsurance services: All insurance risks relating to petroleum activities in Ghana be done through an indigenous brokerage firm or reinsurance broker
- Legal services: Retain only the services of Ghanaian legal practitioner or a firm of Ghanaian legal practitioners with an office located in Ghana
- Financial services content: Retain only services of Ghanaian financial institutions except cases where approval is sought from the regulator, Petroleum Commission

¹⁰¹ <https://www.mondaq.com/oil-gas-electricity/317602/local-content-and-local-participation-in-ghanas-petroleum-industry-an-overview-of-the-petroleum-local-content-and-local-participation-regulations-2013-li2204>

¹⁰² What is local content and participation? Source: <https://www.petrocom.gov.gh/local-content/>

¹⁰³ Local Content and Local Participation, Petroleum Regulation, 2013 (LI 2204)

- Local content Committee: Establishment of a body to oversee the full implementation of the regulations.

Local Content and Local Participation LI 2204 creates opportunities for Ghanaian participation in the oil and gas sector. In order to ensure compliance with the regulation, the law requires the establishment of a Local Content Committee, a body that will oversee the full implementation of the regulations.

Notwithstanding these robust provisions in the policy, there exist myriad of issues that militate against full realization local content policy. Some of these include the presence of a high number of locals in administration but low numbers in the top hierarchy, significant income disparity between locals and expatriates, corruption and undercutting by local recruitment agencies,¹⁰⁴ fronting by locals for foreign firms, mismatch between industries' demand and the constraints of local market, skills gap, inadequate access to capital by local contractors, local challenge leading to exorbitant high interest rate charged by local commercial bank, and the selection of prospective local companies to partner international oil companies before granting them licenses. These, among many others are inimical to the intent of the policy.

3.9 Conclusion

The first oil produced from the Jubilee Fields in 2010 gave Ghana prominence in the oil and gas industry. The sector is growing with production numbers nearing 200,000 barrels per day. Experts in the industry predict an increase in production to 400,000 to 500,000 barrels per day. All things being equal, more discoveries may come onstream. It is incumbent on the country to continue to imbibe and adhere to good governance practices that will attract more investors, build the capacity of accountability institutions to effectively exercise their oversight role in the sector especially the media and parliament, and to mitigate the negative impacts of the sector on the economy.

Ghana has a robust Local Content policy that ensures the full economic participation of Ghanaian citizens in the upstream oil and gas industry. Strict adherence to the policy is a major issue confronting the sector, however, enforcements of it could benefit the country.

¹⁰⁴ <https://www.sciencedirect.com/science/article/abs/pii/S0016718518302471>

Chapter 4: Laws, Regulation, Investment Climate and Stakeholders of the Oil and Gas Sector

Involvement in the petroleum sector is a technical, complex, and a high-risk venture. It requires carefully drafted regulatory frameworks that benefits the host country as owners of the resource and guarantees sustainable economic development for its people, while at the same time guaranteeing incentives to investors who are asked to risk capital investments.¹⁰⁵ In order to regulate the sector and to attract investments, legal, policy and regulatory frameworks have to be established that guarantee returns for both host country and investors.

4.1 Laws

Prior to the discovery of oil in commercial quantities in 2007, the oil/gas sector was governed by the PNDC Law 84 and GNPC Law 64. After the discovery, there have been several legal reforms such as the amendment of existing laws and the promulgation of new laws that are required for efficient regulation of the upstream petroleum sector. The 1992 Constitution of Ghana serves as the supreme law of the land. Article 257(6) of the Constitution stipulates that,

*Every mineral in its natural state in, under or upon any land in Ghana, rivers, water course throughout Ghana, the exclusive economic zone, any area covered by the territorial sea or continental shelf in the Republic of Ghana is the property of the Republic of Ghana and is vested in the President on behalf of, and in trust for the people of Ghana.*¹⁰⁶

In order to ensure adequate checks on the powers of the President to properly manage the resources, the constitution requires parliamentary approval for all transactions involving the grant of a right for the development of any natural resource in Ghana. The constitution further mandates the establishment of specific bodies to regulate and manage the sector. Whereas the constitution forms the basis of all laws, more specific laws were enacted to govern the sector:

- The Petroleum Commission Act, 2011 (Act 821) set up the Petroleum Commission to regulate and coordinate upstream petroleum activities in Ghana in accordance with the 1992 Constitution.
- The Petroleum Revenue Management Act, 2011 (Act 815) as amended by the Petroleum Revenue Management Act, 2015 (Act 893) lays out the framework for collection, allocation and utilization management of the petroleum revenues.
- The Petroleum (Exploration and Production) Act, 2016 (Act 919) was passed to replace the PNDC Law 84 to regulate petroleum activities in the upstream petroleum sector.

¹⁰⁵ <https://www.extractiveshub.org/servefile/getFile/id/4223>

¹⁰⁶ The Constitutions of the Republic of Ghana. Source: <http://www.judicial.gov.gh/index.php/land-and-natural-resources>.

- Income Tax Act, 2015 (Act 896) as amended sets out the regime for taxation of income of operators i.e., contractors and subcontractors in the sector.
- Ghana National Petroleum Corporation Law 1983 sets out the mandate of the national oil company, GNPC, to undertake sustainable exploration, development, production and disposal of petroleum resources in Ghana
- Ghana Model Petroleum Agreement derived from the Petroleum (Exploration and Production) Law and intends to guide the negotiation process in petroleum between GNPC, Government of Ghana and prospective oil companies (GHEITI, 2019)¹⁰⁷

The Ministry of Energy together with the regulator, Petroleum Commission have enacted a number of regulations and guidelines for the sector (See: Box 4: Regulations and Guidelines in the Oil and Gas Sector).¹⁰⁸

Regulations and Guidelines in the oil and Gas Sector

Regulations

- Local Content and Local Participation Regulations, 2013 (LI 2204)
- Petroleum Commission (Fees and Charges) Regulations, 2015 (LI 2221)
- Petroleum (Exploration and Production) (Measurement) Regulations, 2016 (LI 2246)
- Petroleum Exploration and Production-Data Management Regulation, 2017 (LI 2257)
- The Petroleum (Exploration and Production) (Health, Safety and Environment) Regulations, 2017 (LI 2258)
- Petroleum (Exploration and Production) (General) Regulations, 2018 (LI 2359)
- the Gas Master Plan
- the Gas Pricing Policy Guidelines to the Petroleum (Exploration and Production) (Measurement) Regulations
- the Oil and Gas Insurance Placement for the Upstream Sector.

Guidelines

- Energy Sector Strategy and Development Plan
- Gas Pricing Policy Guidelines to the Petroleum (Exploration and Production) (Measurement) Regulations
- Guidelines for the formation of joint venture companies in the upstream petroleum industry of Ghana (March 2016)
- Guidelines on Submission of Proposed Contracts to the Petroleum Commission (23 February 2018)
- Oil and Gas Insurance Placement for the Upstream Sector (GHEITI, 2019)¹⁰⁹

¹⁰⁷ Ghana Extractive Industries Transparency Initiative (2019). Final Report for 2017 & 2018 Oil and Gas Sector. Accra

¹⁰⁸ <https://thelawreviews.co.uk/edition/the-oil-and-gas-law-review-edition-7/1210105/ghana#footnote-146>

¹⁰⁹ GHEITI (2019). Final Report for 2017 & 2018 Oil and Gas Sector. Ministry of Finance: Ghana

Other regulations include:

- Petroleum Exploration and Production - Data Management Regulation, 2017 (LI 2257)
- Earmarked Funds Capping and Realignment Act, 2017 (Act 947)

The Energy Commission also developed the following regulations regarding Natural Gas with approval from Parliament:

- Natural Gas Pipeline Safety (Construction, Operation and Maintenance) Regulation (L.I. 2189)
- Natural Gas Distribution and Sale (Technical and Operational) Rules, 2007(LI 1911)
- Natural Gas Distribution and Sale (Standard of Performance) Regulations, 2007(LI 1912)
- Natural Gas Transmission Utility (Technical and Operational) Rules, 2007(LI 1913)
- Natural Gas Transmission Utility (Standards of Performance) Regulations, 2008(LI 1936) (GHEITI, 2019)¹¹⁰

Box 4: Regulations and Guidelines in the Oil and Gas Sector

4.2 Investment Climate and FDIs

Ghana's upstream petroleum sector guided by a fairly robust regulations and guidelines regime and a politically stable climate have attracted giant oil companies with various interests in the oil and gas industry. The establishment of the national oil company, GNPC and subsequent legislations have laid down the foundation and framework for activities in the industry. The country has so far attracted international oil giants involved in upstream petroleum such as Kosmos Energy, Hess Corporation, Tullow, Norsk Hydro Oil, Heliconia Energy Resources, Anadarko, ENI, Aker Energy, AGM Petroleum and Exxon Mobil.¹¹¹

The stable political environment has created confidence. A number of agreements between GNPC, the government and international oil companies have been executed to fund, acquire, process and interpret data on seismic activities and to invest in deep-water offshore exploration activities.

The global oil industry has not been spared by COVID-19. The livelihood of individuals and economies of many countries including Ghana have been affected in one shape or form and the oil and gas sector is not immune to these challenges. The impact of the COVID-19 on the sector has led to market turmoil resulting in oil price crash to a low of \$12/barrel for Brent prices in

¹¹⁰ GHEITI (2019). Final Report for 2017 & 2018 Oil and Gas Sector. Ministry of Finance: Ghana

¹¹¹ <https://thelawreviews.co.uk/edition/the-oil-and-gas-law-review-edition-7/1210105/ghana#footnote-146>

April,^{112 113} cancellation of licensing rounds, ¹¹⁴ reduction in production levels due to low demand, low global GDP, low budgets, and delays in a number of projects.¹¹⁵

Although some countries may weather this crisis on the back of solid fiscal fundamentals including the existence of sovereign funds and the management of their national debts; the same cannot be said of “fragile oil-exporting”¹¹⁶ countries who are already languishing in high levels of debts and unstable economic fundamentals.

Though the world is not out of the metaphorical woods of the pandemic, pragmatic measures are required to forestall the economic shocks that could result from the present pandemic and from potential future unforeseeable pandemics. The situation could be bizarre for development countries, especially those that stand the greatest risk from the pandemic. They may resort to excessive borrowing leading to high debts and price volatilities that affect national budgets and that could further destabilize their economies.

In spite of the pandemic experts have projected positive outcome in the long term for Ghana’s oil industry¹¹⁷. It is incumbent on the country to implement a coherent response which might attract concessional lenders and private financiers, diversifying its reliance on excessive borrowing, creating fiscal space in national budgets to deal with global shocks, reducing the risks of unstable debt, reducing corruption and illicit financial flows,¹¹⁸ and catalyzing a transition to a cleaner and more sustainable future.

4.5 Political and Economic Analysis of the Sector

4.5.1 Political and economic context

Ghana has experienced fairly stable political transitions since the inception of the fourth Republic. The country has consolidated its democratic credentials and is seen as the beacon of democracy in Africa. The discovery of oil in Ghana was greeted with jubilation and high expectations since it was perceived to change the fortunes of the country and by extension turn around the lives of many citizens with respect to jobs, infrastructure development, poverty

¹¹² <https://www.thebalance.com/oil-price-forecast-3306219>

¹¹³ <https://www.macrotrends.net/1369/crude-oil-price-history-chart>

¹¹⁴ <https://www.theafricareport.com/20442/senegals-maiden-offshore-oil-production-pushed-to-2023/>

¹¹⁵ <https://energyeconomicgrowth.org/sites/eeg.opml.co.uk/files/2020-07/COVID%20oil%20and%20gas%20impacts%20.pdf>

¹¹⁶ <https://www.oecd.org/coronavirus/policy-responses/the-impact-of-coronavirus-covid-19-and-the-global-oil-price-shock-on-the-fiscal-position-of-oil-exporting-developing-countries-8bafbd95/>

¹¹⁷ https://www.fitchsolutions.com/corporates/solid-performance-ghanas-upstream-sector-despite-headwinds-28-10-2020?fsWebArticleValidation=true&mkt_tok=eyJpIjoiWVRrd1pqQXZbUV5WXpCayIsInQiOiJXRFlcL2JxTmxlVmJR V2RsUGFlUkxsVndWbFlIS0FwMjFZaU1ldFk5QWFEOUNZd01zNlVSZ2VrR3JcL1NkN0lVSHJESzZ4a05IRElnK0JvMjF2NmVmdUVFeWordTc2TXIIVEYxK3NxV3dcL0hodDhcLzdBcklDNCtpeStUU0xlQkRcLzhVIn0%3D

¹¹⁸ <https://www.oecd.org/coronavirus/policy-responses/the-impact-of-coronavirus-covid-19-and-the-global-oil-price-shock-on-the-fiscal-position-of-oil-exporting-developing-countries-8bafbd95/>

reduction and wealth creation. However, the expectation of the sector to end the “fiscal woes” is yet to be realized.¹¹⁹

Politics is ubiquitous¹²⁰ therefore it is practically impossible to take it out of Ghana’s natural resources sector. The two main political parties, New Patriotic Party (NPP) and the National Democratic Congress (NDC) have made political capital out of oil and gas.¹²¹ Since the discovery of oil in 2007, and subsequent production in 2011 the two political parties have used oil and gas as part of their political campaign messages to woo the electorate.

Because the NPP was in power from 2000 to 2008, they claimed that they were instrumental in the discovery of oil. The opposition NDC also claimed that it was during their era, particularly from the late 1970s to 1992 when the Provisional National Defence Council (PNDC) ruled, and later in 2000, that they massively undertook exploration activities for crude. They further accredit the establishment of GNPC in 1984 to the party. Others believe that Kwame Nkrumah, the first prime minister and president of Ghana, pioneered the discovery of oil in the country.¹²²

Regardless of the pronouncements, these different entities have contributed to the overall development of the oil and gas economy of the country; after all, it is a natural resource that should benefit the country and its citizens. Since 2011 the political parties have incorporated the management and utilization of oil revenues into their manifestos. Economic watchdogs have however warned against the over-reliance on revenues from this sector only because of the “resource curse”, a serious outcome that arises from the over-reliance on one resource over others.¹²³

4.5.2 Governance dynamics

The governance of the oil and gas sector have been fairly managed by successive governments. The Petroleum Revenue Management Act (815) clearly states how oil revenues should be managed and distributed (See: Figure 6: Disbursement of Oil Revenue, Source: ACEP). All revenues such as royalties, carried and participating interest, surface rentals, dividends and income taxes are deposited into the Petroleum Holding Fund (PHF) for onward distribution as follows:

- Equity financing and not more than fifty five percent of Net Carried and Participating Interest goes to the national oil company, GNPC for their operations.
- Seventy percent of the remaining goes to support the national budget and the Annual Budget Funding Amount (ABFA)

¹¹⁹ Fosu, A.K. (2017) Oil and Ghana’s Economy. Cited from https://www.researchgate.net/publication/315601758_Oil_and_Ghana%27s_Economy

¹²⁰ Leftwich (1984)

¹²¹ Graham, E., Gyampo, R.E.V. and Ackah, I. (2016). Politics of Oil and Gas in Ghana. *Insights on Africa*. Vol 8(2) Page 131 - 141

¹²² https://media.africaportal.org/documents/saia_sop__217__annan__edu-afful_20150505.pdf

¹²³ Graham et al (2016)

- Thirty percent of the remaining is allocated to the Ghana Petroleum Funds (GPF) which is then shared between the Ghana Stabilization Fund at twenty one percent for budget adjustments resulting from emergencies or fluctuations in oil prices, and the other nine percent is deposited into the Ghana Heritage Fund (GHF) meant for future generation.

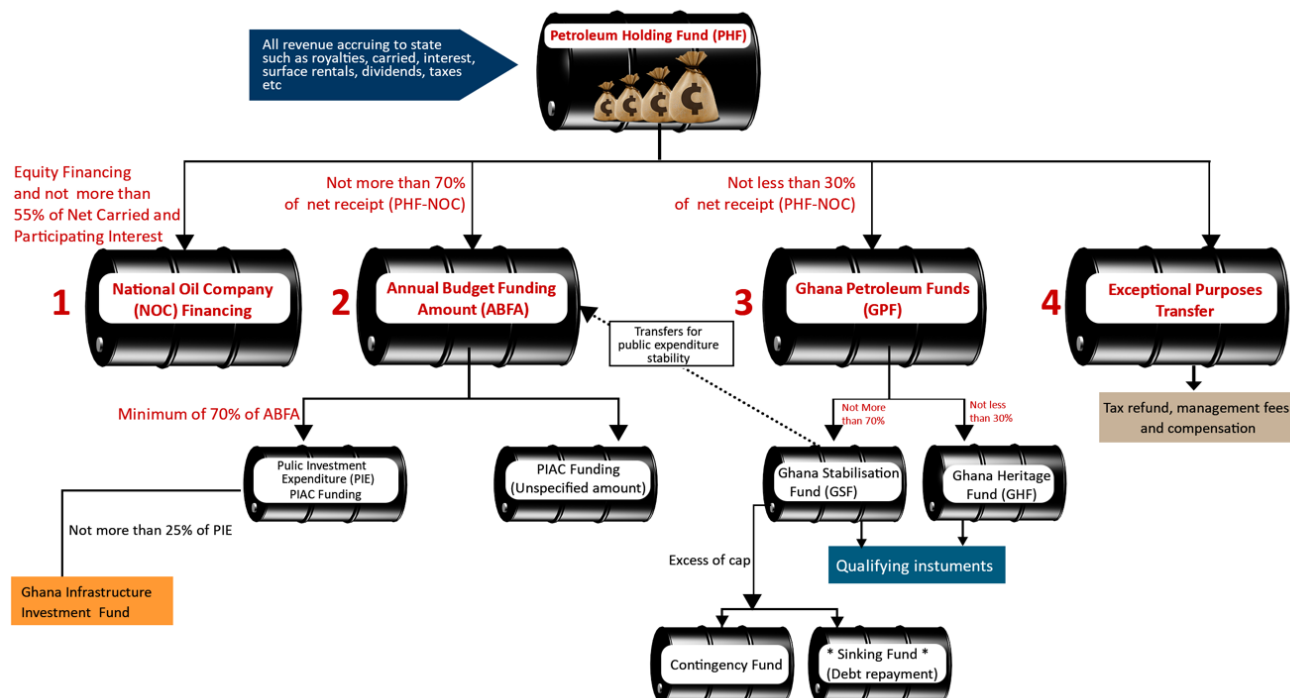


Figure 6: Disbursement of Oil Revenue, Source: ACEP¹²⁴

Section 21(3) of the ABFA and the PRMA (815) outlines areas where these allocations should be spent in the absence of a long-term National Development Plan, including:

- (a) Agriculture and industry
- (b) Physical infrastructure and service delivery in education, science and technology
- (c) Potable water delivery and sanitation
- (d) Infrastructure development in telecommunication, road, rail and port
- (e) Physical infrastructure and service delivery in health
- (f) Housing delivery
- (g) Environmental protection, sustainable utilisation and protection of natural resources
- (h) Rural development
- (i) Developing alternative energy sources
- (j) Strengthening of government institutions concerned with governance and the maintenance of law and order
- (k) Public safety and security

¹²⁴ <https://acep.africa/file/2019/11/DisbursementofOilRevenue.png>

(l) Provision of social welfare and the protection of the physically handicapped and disadvantaged citizens

The law requires the Finance Minister to select four of the priority areas on which revenues will be spent and to vary the priority areas every three years (Section 21(5)(6)). An assessment of the expenditure of the oil revenue indicates that the NDC government in 2012 to 2014 and later from 2015 to 2017, selected and maintained 4 priority areas during both terms namely: ¹²⁵

- a) Expenditure and amortization of oil and gas loans
- b) Road and other infrastructure
- c) Agricultural modernization
- d) Capacity building

Upon assumption of government by the NPP in 2017, the priority areas changed to:

- a) agriculture
- b) physical infrastructure and service delivery in education
- c) physical infrastructure and service delivery in health
- d) road, railway, and other critical infrastructure development

The variation of these priority areas is dependent upon the prevailing economic circumstances of the country, which is mostly determined by the ruling party, an approach that is unfavourably perceived by critiques of government.

4.5.3 Political Dimensions (Change of Policies)

The change of power from one political party to another and the absence of a long-term national development plan, or both have had their impacts on the overall growth and development that could have resulted from the sector. Politics in the sector is nuanced because different political actors have made several decisions resulting in the current outlook of the sector. In the run up to the 2016 elections, through the work of IDEA International, the representatives of the four political parties in parliament, i.e., NPP, NDC, CPP and PNC were tasked to develop their policy position on managing the oil and gas sector in Ghana.¹²⁶ Since then political parties have made it a point to institutionalize how they intend to manage the sector in their party manifestos.

Since governance is a continuum, the two main political parties upon assumption into office have put in place legal frameworks in the form of amendment to existing laws and the promulgation of new laws to ensure the governance of the sector, albeit in their interest and to win the favour of the electorate. It is evident that the utilization of oil revenue is closely linked

¹²⁵ <https://imaniafrica.org/2015/09/11/how-ghanas-oil-revenue-was-spent-on-pro-poor-sectors-and-road-infrastructure/>

¹²⁶ <https://www.ghanabusinessnews.com/2016/02/17/political-parties-declare-policy-positions-on-ghanas-oil-and-gas/>

to party politics and what the ruling party considers to be priority. In practice, the spending of the oil revenue is driven by interplay of ideas and party interest.¹²⁷

Recent report by the Public Interest and Accountability Committee have indicated that the then ruling party, NDC amended Section 5 of the Petroleum Revenue Management bill which prevents the government from collateralizing the Petroleum Holding Fund. The amendment of the bill gave them the green light to use oil revenue to secure loans and for “feeding the government’s appetite to borrow”.¹²⁸ The need to address infrastructural deficits and inadequacy of social services seems to be the justification for this action. The Public Interest and Accountability Committee spoke against this move.¹²⁹

4.5.4 Risks as a Function of Political and Economic Activities.

The interplay of politics and economics has far-reaching consequences on the economy with political parties contributing in large parts to the economic outlay and the present outlook of the oil and gas sector. In their quest for, and acting in the interest of the state, political parties have undertaken key reforms in the sector. For instance, the old fiscal regime established under the PNDC, which sought to obtain government share of net-oil of between 55 percent and 65 percent, was replaced by a new regime, NPP. NPP reduced the government’s share to between 45 percent and 55 per cent.¹³⁰

Another example was when President John Evans Atta Mills contested the granting of an oil block license to EO Group by President Kuffour (NPP) during his 2000 to 2008 administration. This action led to the EO Group selling its shares of 3.5% in Jubilee Field to Tullow Oil.¹³¹ The petroleum contract between AGM, GNPC and ExploreCo had to be restructured by the NPP when they became the ruling party in 2017. The Minister of Energy exercised his discretion to reduce the equity share of Med Songhai, a Ghanaian company involved in the contract, from 5% to 2.5%, contrary to the provisions in the Local Content and Local Participation regulations.¹³²

Movements, as a result of ideological reasonings pursued by the political parties, have created uncertainty in the sector which have either positively or negatively affected oil and gas revenue.¹³³ In an attempt to woo investors into the country, the NPP pegged revenue stream royalties to between 4 and 5 percent from 2002 to 2006. The NDC on the other hand upon assumption into office in 2008 changed petroleum agreements and increased the rate to ten

¹²⁷ Mohan, G., Asante, K.P., & Abdulai, A-G. (2018) Party Politics and the Political Economy of Ghana’s Oil. *New Political Economy*, 23:3, 274-289, DOI: 10.1080/13563467.2017.1349087

¹²⁸ <https://www.piacghana.org/portal/12/13/444/piac-kicks-against-collateralisation-of-oil-revenue>

¹²⁹ <https://www.piacghana.org/portal/12/13/444/piac-kicks-against-collateralisation-of-oil-revenue>

¹³⁰ Mohan et al (2018)

¹³¹ Mohan et al, (2018)

¹³² Mohan et al (2018), ACEP (2013)

¹³³ Hickey et al (2015)

percent (10%). These changes demonstrate how ideological differences of the two political parties have shaped Ghana's nascent oil sector.¹³⁴

Restructuring and reforms of GNPC, the government's oil company, undertaken by NPP were arguably for ideological reasons that seemed to advance a private-led economy over government-led economy.¹³⁵ The NPP "aggressively" restructured the Corporation by removing the CEO, Tsatsu Tsikata and other staff perceived to be party sympathisers. This restructuring was however reversed upon assumption of NDC into power in 2008. GNPC was resourced and staff capacities were built with the aim of restoring it to become an independent operator and to compete with the international oil companies. This restructuring led to the cessation of gas management to the Ghana Gas Company.

The decision by NPP's government to use oil revenue to fund their flagship policy "Free Senior High School (SHS)" is important. However, PIAC and other industry players have argued against the sustainability of this policy move and have requested the government to diversify its sources for funding the policy.¹³⁶ The government thinks otherwise.¹³⁷

In fact, since 2017 when the current government took over it has never been able to fulfil that legal requirement to spend up to 70% of oil revenue on infrastructure and the 30% on recurrent. He is rather doing more of consumption. Thus, recurrent expenditure [is] largely on the account of the Free SHS. Now the risk is that as volatile as oil [is] and again, for a revenue that is said to be depleted with the passage of time, it makes the free SHS spending unsustainable. Today as we speak oil prices have dipped so much that there is a huge shortfall in projected oil revenue, and this undoubtedly will impact government's ability to continue to fund the free SHS (Participant 4).

The Ministry of Finance spends oil revenues based on government priority areas. Government may decide that "per my policy maybe this year, education, like the free SHS – [a] major government initiative which requires spending, and therefore, I will spend a lot of oil revenue on education to finance the free SHS". As the president said, they are applying a lot of oil receipt to support the free SHS policy and you ask many people including myself, to me it is a very laudable idea. Education especially open access to education to everybody especially the people from the poor family is very laudable. Some of us if we didn't have that opportunity we might not be where we are (Participant 1).

¹³⁴ Mohan et al, (2018)

¹³⁵ Mohan et al (2018)

¹³⁶ <https://www.piacghana.org/portal/12/13/317/no-more-oil-money-for-free-shs>

¹³⁷ <http://presidency.gov.gh/index.php/briefing-room/news-style-2/1387-no-regrets-for-using-oil-revenues-to-fund-free-shs-president-akufo-addo>

4.5.5 Management and Mismanagement of allocations and lack of transparency in allocating oil blocks

The fairly robust legal framework present in the oil and gas sector could enable good governance practices. The passage of the PRMA was to ensure proper and efficient collection, allocation and utilization management of petroleum revenues. However, the discretionary powers of the Finance Minister to select the priority areas and the ability to independently cap the Stabilization Fund is a big concern to industry players.

Per the dictates of the Petroleum Revenue Management Act, the Stabilization Fund was created to provide budgetary support in times of shortfalls in the expected revenues. The Act was later amended in 2015 to allow excess revenues in the fund to be moved into a sinking fund for repayment of loans. This therefore allowed the Finance Minister to cap the fund periodically based on prevailing economic situation. Initially, the cap was set at \$250 million, which was later set at \$150 million in the 2015 supplementary budget. In 2016 the cap was set at \$100 million in the mid-year budget review.¹³⁸ Industry watchers have expressed a lot of concerns over this practice including PIAC.¹³⁹ Since continual capping could stifle the Stabilization Fund of resources in the near future.

The unfettered discretionary powers of the Minister of Energy in the awarding of contracts are a major setback to ensuring proper management of the sector. Section 10(3) of the Petroleum (Exploration and Production) Law clearly states that all petroleum contracts shall be entered into through an open, competitive and transparent manner. However, Section 10(5) allows the Minister to enter into direct negotiations if deemed fit, granting the Minister sufficient room to vary and enter into contracts through direct negotiations with prospective oil companies. This opening can potentially be corruptly exploited. Many stakeholders such as GHEITI, ACEP and ISODEC have argued for a check against such discretionary powers.^{140 141 142}

Additionally, disclosure of expended and unspent revenues is critically important for transparency in the oil and gas sector. The Minister of Finance through the sector ministry is required to provide reconciliation reports of spent and unspent revenues on the Petroleum Holding Fund. However, the minister failed to account for GHC1.5 billion of unutilized Annual Budget Funding Amount (ABFA) between 2017 and 2019 in contravention of the Petroleum Revenue Management Act.¹⁴³

¹³⁸ <https://www.piacghana.org/portal/12/13/49/stabilisation-fund-reaches-all-time-low%E2%80%A6collapse>

¹³⁹ <https://www.piacghana.org/portal/12/13/436/address-discretionary-loophole-in-capping-stabilisation-fund--piac>

¹⁴⁰ <https://www.piacghana.org/portal/12/13/194/vesting-petroleum-management-in-minister-unconstitutional-%E2%80%93-atuguba>

¹⁴¹ <https://newsgghana.com.gh/limit-discretionary-usage-in-awarding-oil-contracts-manteaw-to-government/>

¹⁴² <https://cbodghana.com/develop-regulations-on-discretionary-powers-in-oil-industry-analyst/>

¹⁴³ <https://www.piacghana.org/portal/12/13/439/persistent-breaches-of-petroleum-revenue-laws-baffle-piac>

4.6 Conclusion

A fairly robust legal framework to govern the oil and gas sector is present in the form of existing laws, policies and regulations, the presence of a viable investment climate for foreign direct investment, and the inclusion of various stakeholders and the role that they play. However, there are challenges related to the enforcement of these laws, policies and regulations. The sector is not devoid of politics, which has a huge impact on it. Thus, it is necessary that existing and successive governments adhere to a long-term development and growth plan that is independent of party interests.

An open-door policy that engenders effective dialogue with civil society actors could be helpful for the sector since the feedback from this important stakeholder is key to ensuring the accountability and transparency of the sector. Such transparent open-door policy will send a clear message that the sector is corruption-free, good for business, and attractive to foreign investments. The media currently plays a commendable role in the sector, but more work needs to be done to improve their capacity and the capacity of other stakeholders to create more independent investigative pieces about the sector. Notwithstanding their commendable role, the media should continue to ensure issues in the sector are brought to the limelight and presented in a manner comprehensible by and interesting for the general public.

For the sector to be successful, the ministry, the Petroleum Commission and other government agencies should remain focused on their mandate and they should work more collaboratively to maintain a level playing field needed for the sector to succeed. They should ensure that the sector is a major contributor to Ghana's long-term development and that it is an important and significant part of Ghana's vision of industrialization.

Chapter 5: Conclusion and Recommendations

Ghana's nascent oil sector has undergone several legal reforms since the discovery of oil in commercial quantities over 10 years ago. These reforms are to ensure good governance of the sector, ensure citizens' participation, and create enabling environment to attract the right investors into the industry. The oversight roles of CSOs, media together with state accountability institutions have helped shaped the accountability and transparency of the sector. The extraction of oil and gas-rich resources impacts the economy both positively and negatively.

Ghana's oil fields' potential is said to hold enough hydrocarbons with projected production of 400,000 to 500,000 barrels of oil per day at peak. The announcement of new blocks to be explored is a manifestation of the country's readiness to explore more crude oil, thereby making the sector attractive to foreign investments and making the country a net export of oil. It is clear that the potential for onshore exploration of oil and gas in the Eastern and Voltaian Basins lowers the entry barrier for local participation, and as a consequence, could lead to increases in production and wealth to its citizens. While increased local participation is great, the environmental impact is not so appealing. Some legal and regulatory work is required to prepare the grounds for this kind of interest.

Ghana's fairly robust legal frameworks have helped shape the oil and gas industry into what it is today. The passage of laws, legislations, regulations, and guidelines have improved the governance of the sector. The democratic credentials of the country reflected by its political stability, existence of unbiased judiciary, and its enabling environment, as well as its ascendancy to international treaties, is a clear signal to potential investors of Ghana's readiness to do business. Likewise, the establishment of state institutions and other stakeholders including the civil society organization and media institutions continue to strengthen the governance of the industry.

The politicization of the sector together with the absence of a long-term national development plan have impacted the industry since the discovery of oil in commercial quantities till date. The passage of the local content policy has integrated the Ghanaian citizens into the industry through employment, technology transfer, contracting, licensing and other benefits accruable to them.

Despite these laudable steps, the following recommendations could benefit the sector.

5.1 Recommendations to the Government of Ghana

The oil and gas sector is critical to the development of the economy of Ghana. Ghana and its stakeholders should adhere to good governance practices in the sector; they should uphold the rule of law, ensure accountability and transparency of state institutions, and maximize the

positive impact of the sector over the negative. The following are important recommendations to the Government of Ghana. The Government should:

1. **Develop a long-term National Development Plan** that will guarantee progressive and sustainable development resulting from the use of oil and gas revenue, that will minimize political interference, and that will ensure government bureaucracies continue to increase their capacity while efficiently managing the sector. National interest should be placed at the centre of government decisions around the disbursement of oil and gas revenue. As an intrinsic part of a national development plan, individual political interests would give way to a more structured and deliberate approach to development that is independent of political interests. This long-term plan should transcend the terms of various political regimes.
2. **Revisit its key legal and regulatory frameworks and prepare them for potential investments by local companies.** In the light of potential growth in anticipated onshore exploration and production in the Eastern and Voltain Basins by local companies, Ghana should kickstart the legal and regulatory framework review process with a number of national dialogues to ensure greater citizens participation in the future outlook of onshore production. They should also **establish measures that will incentivize potential investors** in existing fields and in exploration and possible future production in the Eastern and Voltain Basins.
3. **Conduct specific financial reforms** that will:
 - a. Focus government expenditure on a few economic transformation projects that are easier to track and manage rather than a plethora of smaller projects that are difficult to track and to access their long-term impact on the economy.
 - b. Create a provision in the Annual Budget Funding Account that guarantees direct benefits to the communities.
 - c. Amend sections of the PRMA to ensure proper accounting of oil revenues.
4. **Enforce local content policy** to ensure that “real” citizens can participate and can benefit from the sector.
5. **Review the Petroleum (Exploration and Production) Act, 2016 (Act 919) to limit the Minister of Energy's discretionary powers,** particularly in regard to awarding contracts. The law recommends an open, transparent, competitive bidding of contracts with prospective companies. However, the power of the minister to enter into direct negotiation as Section 10(5) stipulates, opens the door for undermining the transparency that this act portends. The Parliament of Ghana, as the institution responsible for law making and people’s representative should play a greater role in scrutinizing contracts. This practice will increase citizens voices and participation in the licensing process.

6. **Rescind the discretionary powers of the Finance Minister to cap the Ghana Stabilization Fund (GSF)** and establish a clear-cut criterion for capping revenues into the Sinking or Contingency Fund. The current absence of a clear criteria for capping the GSF leaves room for the Minister to change the cap at will. Additionally, there should be a review of the collateralization clause of using the Contingency Fund as a guarantee for soliciting for loans.

5.2 Recommendation in Relation to Stakeholders including media and civil society organizations

Stakeholders described in this document as civil society organizations, the media, intergovernmental organizations, state institutions, academia, and Ghanaian citizens play an important role in Ghana's oil and gas industry. Their role in ensuring good governance practices is highly commendable. The following are important recommendations to stakeholders.

To international oil companies, often referred to as partners in the petroleum sector:

- **Corporate Social Responsibility projects should be framed in collaboration with target communities.** Undertaking corporate social responsibility is important for maintaining social license with community folks. IOCs must endeavour to contact community members and understand their needs before undertaking such projects. This will ensure community ownership of corporate social responsibility projects so that projects do not appear as “imposed” on them. Such projects often do not yield their intended purpose.
- **The Western Region Coastal Foundation model as an important tripartite model that involves oil and gas companies, government agencies and coastal communities, should be reviewed and improved** since it offers a systematic approach for managing social corporate responsibility. There are opportunities to “improve the relationships between oil and gas companies, government agencies, and coastal communities by providing a multi-stakeholder dialogue platform, as well as promoting economic development by building up local value chains related to the oil and gas industry” ¹⁴⁴

To the Media and Policy Think Tank Institutions:

- **Collaborate with government, academia, civil society organizations and oil, and gas companies to develop capacity-building programs for themselves and other think tank policy organizations.** This critical stakeholder partner can bring effective oversight into the sector if it is adequately equipped and knowledgeably astute to do so. Armed with the knowledge of the sector, media and policy think tank institutions could conduct independent research and investigations that shed light on opaque activities of the sector. Better reporting of the sector could increase the interest of citizens in the activities of the sector.

¹⁴⁴ Western Region Coastal Foundation. See: <https://beamexchange.org/practice/programme-index/238/>

- **Civil society organizations and the media should be allowed to play their oversight role without fear of any political administration.** The high turnover of CSO actors and media practitioners, mostly targeted by government and private oil and gas companies can be addressed by increasing capacity development initiatives focused on new entrants. The government should closely work with civil society and the media by organizing policy forums so that they can provide sustained and effective oversight of the sector.

To the Public Interest and Accountability Committee:

- **Exercise its power to sanction any institution that flouts or misuse oil revenues.** PIAC should exercise its ability to sanction any institutions, including state actors, through the use of sanctions. PIAC should collaborate with the Parliament of Ghana, the Attorney General's department to strengthen parliamentary oversight. PIAC should establish strong relationships with the media and civil society so that they call out violators of current legal and regulatory frameworks.
- **Establish a culture of accountability in the oil and gas sector.** Recognizing existing formidable work in the area of transparency in the sector, new frameworks such as the recent passage of the Freedom of Information Law and Beneficial Ownership Laws could contribute to increase transparency in the sector. But transparency is not enough. The sector continues to struggle with accountability. PIAC should ensure that state actors accept responsibility and answer for their actions in relation to the management of oil and gas resources.
- **Ensure institutions of state operating in the sector a free to work without political interference.** The politicization of state institutions, which sometimes results in the cancellation and modification of petroleum contracts should be avoided since it has the tendency to discourage potential investors.

To the Petroleum Commission:

- **Review the Petroleum Revenue Management Act (815):**
 - **To refocus the allocation of ABFA funds to prioritize legacy projects and capital investment projects rather than recurrent expenditure projects.** Legacy projects have the potential to attract investments and to consequently generate revenue for the country.
 - **To make provisions in the ABFA for direct community benefits.** Communities who are directly affected and others not so directly affected should benefit from a formula that benefits them directly. Given the reality that some oil production facilities are offshore and thus not directly situated in some communities, the

elaboration of a formula to such communities will ensure that revenue from oil resources is fairly spread across the country.

- **Ensure strict adherence to the local content policy.** The Commission should work closely, share information and synchronize data with the Registrar General Department of Ghana in order to enhance the transparency of transactions in the oil and gas sector especially among local companies. Enhanced transparency in the local content policy should prevent fronting by locals for international oil companies and contractors.
- **Create a systematic capacity development program for individual Ghanaians, local service providers and local investors** to participate and invest directly in the oil and gas sector. This program should be accelerated to rapidly increase knowledge in this area in order to adequately prepare Ghanaians for the present and future potential in the industry.

To the National Development Planning Commission:

- **Ensure consistency and proper utilization of the ABFA and focus on the development a long-term development plan for the nation.** Various stakeholders are required to develop this long-term plan along with the Government, the National Development Planning Commission (NDPC) and other government agencies. Infrastructure development and education projects should be framed within this long-term plan. Long term development plans that have strong involvement of various government departments, civil society, and institutions could curb the government penchant for varying project activities every three years or for varying project priority areas.