



REPUBLIC OF GHANA

2012 ANNUAL REPORT

ON

PETROLEUM FUNDS

**SUBMITTED BY HON. SETH TERKPER
(MINISTER FOR FINANCE)**

TO

PARLIAMENT

**AS PART OF THE PRESENTATION OF THE 2013 BUDGET STATEMENT
AND ECONOMIC POLICY AND IN CONSONANCE WITH SECTION 48 OF
THE PETROLEUM REVENUE MANAGEMENT ACT, 2011 (ACT 815)**

5TH MARCH 2013

TABLE OF CONTENT

A.	INTRODUCTION	5
B.	2011 PETROLUEM RECEIPTS AND UTILISATION	5
2.1	Analysis of 2011 Petroleum Receipts	6
2.2	Allocation of 2011 Petroleum Receipts	8
2.3	Utilisation of the 2011 ABFA	10
2.4	Utilisation of 2011 Transfers to GNPC.....	11
2.5	Performance of the Ghana Petroleum Funds in 2011	11
2.6	Audited Financial Statement of the Petroleum Holding Fund	13
C.	DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR IN 2011 AND 2012.....	14
2.7	Developments in the Structure of the Upstream Petroleum Sector.....	14
2.8	Developments in Petroleum Production and Prices	15
2.9	Developments in Exploration and Other Petroleum Activities	16
D.	PETROLEUM RECEIPTS AND UTILISATION IN 2012	17
2.10	Analysis of 2012 Petroleum Receipts.....	17
2.11	Allocation of 2012 Petroleum Receipts.....	19
2.12	Utilisation of 2012 ABFA	20
2.13	Utilization of 2012 GNPC Transfers	22
2.14	Performance of the Ghana Petroleum Funds in 2012.....	24
2.15	Institutional Arrangements for the Management of the Ghana Petroleum Funds	26
E.	CONCLUSION	27

LIST OF TABLES

Table 1: Details of 2011 GoG/GNPC Crude Oil Liftings.....	6
Table 2: Analysis of 2011 Petroleum Receipts.....	7
Table 3: Composition of 2011 Petroleum Receipts on Lifting Basis (US\$).....	7
Table 4: Composition of 2011 Petroleum Receipts on Lifting Basis (GH¢).....	8
Table 5: Allocation of 2011 Petroleum Receipts on Lifting Basis (US\$)	9
Table 6: Allocation of 2011 Petroleum Receipts (GH¢)	9
Table 7: Expenditure of 2011 ABFA on Four Priority Areas.....	10
Table 8: Analysis of Utilisation of 2011 Transfers to GNPC.....	11
Table 9: Transfers to the Ghana Petroleum Funds in 2011	12
Table 10: Returns on the Ghana Petroleum Funds: Jan 1-Dec 31	13
Table 11: Status of Petroleum Discoveries	16
Table 12: Details of 2012 GoG/GNPC Crude Oil Liftings.....	17
Table 13: Composition of 2012 Petroleum Receipts on Lifting Basis (US\$).....	18
Table 14: Composition of 2012 Petroleum Receipts on Lifting Basis (GH¢).....	18
Table 15: Analysis of 2012 Petroleum Receipts.....	18
Table 16: Distribution of 2012 Petroleum Receipts (US\$).....	19
Table 17: Distribution of 2012 Petroleum Receipts (GH¢)	20
Table 18: Analysis of ABFA for 2012.....	21
Table 19: Expenditure of 2012 ABFA on Four Priority Areas.....	21
Table 20: Analysis of Transfers of Petroleum Receipts to GNPC in 2012	22
Table 21: Utilisation of 2012 Transfers to GNPC	23
Table 22: GNPC 2012 Commitments for Projects Other than Jubilee	24
Table 23: Portfolio Performance of the Ghana Petroleum Funds in 2012.....	25

LIST OF ACRONYMS

ABFA	-	Annual Budget Funding Amount
BOG	-	Bank of Ghana
CIT	-	Corporate Income Tax
GNPC	-	Ghana National Petroleum Corporation
GRA	-	Ghana Revenue Authority
GoG	-	Government of Ghana
GPFs	-	Ghana Petroleum Funds
GHF	-	Ghana Heritage Fund
GSF	-	Ghana Stabilisation Fund
GPWF	-	Ghana Petroleum Wealth Fund
IRA	-	Internal Revenue Act
IOCs	-	International Oil Companies
IAC	-	Investment Advisory Committee
NGL	-	Natural Gas Liquids
NOC	-	National Oil Company
OMA	-	Operational Management Agreement
PC	-	Petroleum Commission
PRMA	-	Petroleum Revenue Management Act
PHF	-	Petroleum Holding Fund
ROI	-	Return on Investment
SOPCL	-	Saltpond Offshore Producing Company Limited
WCGIDP	-	Western Corridor Gas Infrastructure Development Project

PREFACE

This report, the first of its kind, is in fulfillment of Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815 or PRMA). It is prepared under the authority of His Excellency, President John Dramani Mahama.

The PRMA requires the Minister responsible for Finance to submit an annual report on the Petroleum Funds as part of the annual presentation of the Budget Statement and Economic Policy to Parliament. This Annual Report presents developments in the upstream petroleum sector and reports on the collection and utilisation of petroleum receipts in consonance with Section 48 of the PRMA. The report largely covers production in the current Jubilee Field and to a limited extent the Saltpond Field.

Government has implemented the PRMA for nearly two years now, and is committed to ensuring that the collection and utilisation of petroleum revenues are optimized for the benefit of Ghanaians. This report is aimed at providing more information to the public within the spirit of transparent and accountable governance and management of oil and gas resources.

There has been regular publication of petroleum receipts by the Ministry of Finance in the Gazette and in at least two state-owned daily newspapers as required by Section 8 of the PRMA. The Bank of Ghana has also been current with the publication of quarterly and semi-annual reports of the Petroleum Holding Fund (PHF) in accordance with Section 28 of the PRMA. The Government and the general public continue to benefit from the findings and recommendations of the semi-annual and annual reports of the Public Interest and Accountability Committee (PIAC) on petroleum revenue management. Soon the Audit Service will publish the financial statement on the Petroleum Funds. Government is committed to upholding the principles of transparency and accountability in the collection and use of petroleum revenues.

The 2013 Budget Statement and Economic Policy to which this report is accompanying is recommending a review of the PRMA and the early completion of the Petroleum Revenue Management Regulations to further deepen transparency and accountability in the management of petroleum revenues.

Government will continue to pursue programmes and activities in consonance with the PRMA to ensure that the citizens of Ghana get value for money for the use of the nation's petroleum receipts.

We are urging all stakeholders to take a critical look at this report and provide the necessary feedback to the Ministry of Finance to enable us improve on our services to the general public on oil and gas revenue management. We thank all those who have contributed to the preparation of this Annual Report.



HON. SETH E. TERKPER
MINISTER FOR FINANCE

2012 ANNUAL REPORT ON PETROLEUM FUNDS

(5th March 2013)

A. INTRODUCTION

1. Following long public discussions and Parliamentary debates that lasted for more than one year, Parliament passed the Petroleum Revenue Management Act, 2011 (Act 815 or PRMA) in the first quarter of 2011. It was given Presidential Assent by the late President, His Excellency, John Evans Atta Mills, on 11th April, 2011.
2. This report presents relevant information on the Petroleum Funds in 2012 in line with Section 48 of the Act. Under Section 48, the Minister responsible for Finance is required to submit an annual report on the Petroleum Funds as part of the annual presentation of the Budget Statement and Economic Policy to Parliament.
3. Even though the relevant year for reporting on the Petroleum Funds is 2012, this report will also provide information on the petroleum receipts and utilization in 2011 since information on 2011 petroleum receipts and utilization provided in the 2012 Budget Statement and Economic Policy covered only January to September 2011.
4. The rest of the report is structured as follows: Section B provides a brief on the performance of the 2011 petroleum receipts and utilization, while Section C presents developments in the upstream petroleum industry in 2012. Section D reports on the petroleum receipts and utilization in 2012 with Section E concluding the report.

B. 2011 PETROLUEM RECEIPTS AND UTILISATION

5. The total volume of crude oil produced in 2011 amounted to 24,195,895 barrels (average of 66,290 barrels per day) against a target of 30,929,005 barrels (average of 84,737 barrels per day). The lower than targeted production levels was mainly due to production difficulties in the Jubilee fields. The amount of crude oil lifted in 2011 is slightly higher than the total production because the amount lifted included production in November and December of 2010. The total volume of crude oil lifted in 2011 amounted to 24,451,452 barrels. Of this amount, the Ghana National Petroleum Corporation (GNPC), on behalf of the State, lifted 3,930,189 barrels through four liftings which realized a total revenue of US\$444.12 million (GH¢690.26 million) as shown in Table 1.

6. The Ghana Revenue Authority (GRA) is responsible for collecting all Petroleum Revenues as indicated under Section 3 of the PRMA.

Table 1: Details of 2011 GoG/GNPC Crude Oil Liftings

Srn	Item	Unit	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
			1st Lifting	2nd Lifting	3rd Lifting	4th Lifting	
1	Date of Lifting	dd/mm/yy	09-Mar-11	26-Jun-11	03-Aug-11	15-Oct-11	
2	Volume of Lift	barrels	995,259	994,691	990,770	949,469	3,930,189
3	Selling Price	US\$	112.80	116.28	110.67	112.55	
4	Marketing Cost	US\$	79,621	79,575	79,262	75,958	314,415
5	Value of Lift	US\$	112,189,576	115,579,115	109,569,254	106,786,778	444,124,724
		GH¢	168,374,115	175,379,750	169,405,024	177,105,872	690,264,761

Source: MOF

2.1 Analysis of 2011 Petroleum Receipts

7. The Petroleum Holding Fund (PHF) was established by the PRMA, as a designated Public Fund Account under the 1992 Constitution, to receive petroleum receipts due the State from the upstream petroleum sector. The PHF was opened at the Federal Reserve Bank of USA on 11th April 2011 and has since been receiving petroleum revenues due the State.
8. The PHF received a total amount of US\$444.12 million (equivalent of GH¢690.26 million) against a budget estimate of US\$833.86million (GH¢1,250.78 million) resulting in a shortfall of US\$389.73 million (GH¢560.52 million). The main reason for the shortfall was the non-realization of corporate income tax (CIT) from the Jubilee Partners as a result of off-setting profits or gains against the capital allowances and other incentives allowed under the Internal Revenue Act (IRA) and other laws and agreements. An amount of US\$402.51 million (GH¢603.76 million) was budgeted as corporate income tax for 2011. Of the three sources of petroleum receipts in 2011, only the Carried and Participating Interest exceeded the budget target as shown in **Table 2**.

Table 2: Analysis of 2011 Petroleum Receipts

Srn	Item	GH¢			US\$		
		Budget	Actual	Variance	Budget	Actual	Variance
1	Royalties	201,250,375	191,076,823	-10,173,552	134,166,917	122,941,144	-11,225,773
2	Carried and Participating Interest	445,769,014	499,187,938	53,418,924	297,179,343	321,183,580	24,004,237
3	Corporate Income	603,764,335	0	-603,764,335	402,509,557	0	-402,509,557
4	Surface Rentals	0	0	0	0	0	0
5	Total Petroleum Receipts	1,250,783,724	690,264,761	-560,518,963	833,855,817	444,124,724	-389,731,093

Source: MOF

9. The total petroleum receipts for 2011 represents 5.9 per cent of Domestic Revenue and 1.2 per cent of GDP.

10. The composition of the 2011 petroleum receipts, on lifting basis, is presented in Tables 3 and 4.

Table 3: Composition of 2011 Petroleum Receipts on Lifting Basis (US\$)

Srn	Item	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
		1st Lifting	2nd Lifting	3rd Lifting	4th Lifting	
1	Royalties	31,055,938	31,994,219	30,330,589	29,560,398	122,941,144
2	Carried and Participating Interest	81,133,638	83,584,896	79,238,665	77,226,381	321,183,580
3	Total Petroleum Receipts from Lift	112,189,576	115,579,115	109,569,254	106,786,778	444,124,724

Source: MOF

Table 4: Composition of 2011 Petroleum Receipts on Lifting Basis (GH¢)

Srn	Item	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
		1st Lifting	2nd Lifting	3rd Lifting	4th Lifting	
1	Royalties	46,608,752	48,548,028	46,894,124	49,025,920	191,076,823
2	Carried and Participating Interest	121,765,363	126,831,722	122,510,900	128,079,952	499,187,938
3	Total Petroleum Receipts from Lift	168,374,115	175,379,750	169,405,024	177,105,872	690,264,761

Source: MOF

11. All petroleum receipts for the 2011 fiscal year were published in at least two state-owned daily newspapers, MOF website, and in the Gazette as required by Section 8 of the PRMA.

2.2 Allocation of 2011 Petroleum Receipts

12. The 2011 total petroleum receipts was allocated to the various allowable sources, in accordance with the relevant sections of the PRMA, to the National Oil Company (NOC) or GNPC, the Annual Budget Funding Amount (ABFA) and the Ghana Petroleum Funds (GPFs). The GPFs comprise the Ghana Heritage Fund (GHF) and the Ghana Stabilization Fund (GSF). The relevant shares, including the payments to GNPC, are pre-approved by Parliament.
13. The GNPC is required to present a separate report to Parliament for the amounts that are allocated and disbursed to the Corporation per Section 7(3b) of the PRMA.
14. Of the total petroleum receipts of US\$444.12 million (GH¢690.26 million), an amount of US\$207.96 million (GH¢323.47 million) was transferred to GNPC. This comprised Equity Financing Cost of US\$132.48 million (GH¢206.33 million) and GNPC's 40 per cent share of net Carried and Participating Interest of US\$75.48 million (GH¢117.14 million), in line with Section 7 of Act 815, as shown in Table 5 and Table 6.

Table 5: Allocation of 2011 Petroleum Receipts on Lifting Basis (US\$)

Sm	Item	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
		1st Lifting	2nd Lifting	3rd Lifting	4th Lifting	
1	Transfer to GNPC	51,925,528	53,494,333	50,712,717	51,831,724	207,964,302
1.1	o/w Equity Financing Cost	32,453,455	33,433,958	31,695,448	34,901,954	132,484,814
1.2	o/w Net Carried & Participating Interest	19,472,073	20,060,375	19,017,269	16,929,771	75,479,488
2	GOG Net Receipts for Distribution to ABFA and GPFs¹	60,264,047	62,084,782	58,856,538	54,955,054	236,160,421
2.1	o/w Annual Budget Funding Amount	37,396,576	37,376,025	37,227,412	54,955,054	166,955,067
2.2	o/w Ghana Petroleum Funds	22,867,472	24,708,757	21,629,126	0	69,205,354
2.2.1	o/w Ghana Stabilization Fund	18,059,341	19,903,268	16,842,745	0	54,805,353
2.2.2	o/w Ghana Heritage Fund	4,808,131	4,805,489	4,786,381	0	14,400,002
3	Total Receipt	112,189,576	115,579,115	109,569,254	106,786,778	444,124,724

Source: MOF

Table 6: Allocation of 2011 Petroleum Receipts (GH¢)

Sm	Item	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
		1st Lifting	2nd Lifting	3rd Lifting	4th Lifting	
1	Transfer to GNPC	77,929,833	81,172,301	78,406,931	85,962,915	323,471,980
1.1	o/w Equity Financing Cost	48,706,145	50,732,688	49,004,332	57,884,890	206,328,055
1.2	o/w Net Carried & Participating Interest	29,223,687	30,439,613	29,402,599	28,078,025	117,143,925
2	GOG Net Receipts for Distribution to ABFA and GPFs¹	90,444,282	94,207,449	90,998,093	91,142,957	366,792,781
2.1	o/w Annual Budget Funding Amount	56,124,781	56,714,381	57,557,301	91,142,957	261,539,420
2.2	o/w Ghana Petroleum Funds	34,319,502	37,493,067	33,440,792	0	105,253,361
2.2.1	o/w Ghana Stabilization Fund	27,103,458	30,201,218	26,040,567	0	83,345,244
2.2.2	o/w Ghana Heritage Fund	7,216,043	7,291,849	7,400,224	0	21,908,117
3	Total Receipt	168,374,115	175,379,750	169,405,024	177,105,872	690,264,761

Source: MOF

15. The Benchmark Revenue, which represents the petroleum receipts distributed to the ABFA and the GPFs amounted to US\$236.16 (GH¢366.79 million). Of the Benchmark Revenue, an amount of US\$166.96 million (GH¢261.54 million) was transferred into the Consolidated Fund as ABFA and the remaining US\$69.21 million (GH¢105.25 million) was transferred to the GPFs. Of the amount transferred to the GPFs, the Ghana Stabilization Fund received US\$54.81 million (GH¢83.35 million) and the Ghana Heritage Fund received US\$14.40 million (GH¢21.91 million). The breakdown of the distribution of total petroleum receipts to the various allowable sources on lifting basis is shown in Table 5 and Table 6.

2.3 Utilisation of the 2011 ABFA

16. The ABFA is the annual allocation to the budget from the petroleum receipts. According to Section 21(1) of the PRMA, the ABFA is part of the national budget and is regarded as part of the Consolidated Fund. Hence, its use is subject to the same budgetary processes that are necessary to ensure efficient allocation, responsible use and effective monitoring of expenditure. In addition, Section 21(4) requires that a minimum of 70 per cent of the ABFA be used for public investments.

17. In accordance with Section 21(5) of the PRMA, four priority areas have been approved by Parliament for the ABFA expenditures as follows:

- Expenditure and Amortization of Loans for Oil and Gas Infrastructure;
- Road and Other Infrastructure;
- Agriculture Modernization; and
- Capacity Building (Including in Oil and Gas).

18. In 2011, the ABFA received a total allocation of US\$166.96 million (GH¢261.54 million) against a budget of US\$430.94 million (GH¢646.41 million). As noted earlier in Paragraph 8, the big deviation of the actual ABFA from its target was due mainly to the non-realization of the projected corporate tax receipts. The ABFA amount of GH¢261.54 million was spent on public investments in the four priority areas as outlined in Table 7.

Table 7: Expenditure of 2011 ABFA on Four Priority Areas

SRN	Priority Areas	Amount (GH¢)
1	Expenditure & Amortization of Loans for Oil & Gas Infrastructure	20,000,000
2	Road & Other Infrastructure	227,641,768
3	Agricultural Modernization	13,147,652
4	Capacity Building (including Oil and Gas)	750,000
5	Total	261,539,420

Source: MOF

2.4 Utilisation of 2011 Transfers to GNPC

19. Of the total amount of US\$207.96 million transferred to GNPC in 2011, 63.7% (US\$132.48 million) was spent as Equity Financing Costs to honour GNPC's commitments to the Jubilee Partners in respect of its share of development and production costs (see **Table 8**).

Table 8: Analysis of Utilisation of 2011 Transfers to GNPC

Srn	Receipts From Jubilee	Amount(US\$)	%
1	Equity Financing	132,484,815	63.7
2	40% of Net Carried and Participating Interest	75,479,488	36.3
3	Total Amount Received	207,964,303	100
Srn	Expenditure	Amount(US\$)	%
4	Jubilee Equity Financing Cost	132,484,815	63.7
5	Acquisition & Processing of 2,612sq km of 3D plus other related G&G studies	30,315,185	14.6
6	Gas Project - Fabrication & Installation of 14km gas pipeline and related cost	28,119,624	13.5
7	Staff Cost	7,661,475	3.7
8	General Operational & Administrative expenditure	9,383,204	4.5
9	Total Expenditure	207,964,303	100

Source: GNPC

20. An amount of US\$30.31 million, constituting 14.6 per cent of the transfers, was spent on the acquisition and processing of 2,612 sq km of 3D plus other related G&G studies whilst an amount of US\$28.12 million (13.5 per cent) was spent on the fabrication and installation of the 14km gas pipeline and other related costs. The rest of the transfers (US\$17 million or 8.2 per cent) was spent as staff cost and general operational & administrative expenditures as shown in Table 8.

2.5 Performance of the Ghana Petroleum Funds in 2011

21. In 2011, a total amount of US\$69.21 million was transferred to the Ghana Petroleum Funds as shown in Table 9.

Table 9: Transfers to the Ghana Petroleum Funds in 2011

Srn	Allocation Date	Ghana Stabilisation Fund	Ghana Heritage Fund	Total
1	25 th August 2011	37,962,608	9,613,620	47,576,228
2	16 th September 2011	16,842,745	4,786,381	21,629,126
3	Total	54,805,353	14,400,002	69,205,354

Source: BOG

22. Section 25 (a) and (c) of the PRMA provide that the Minister responsible for Finance shall develop an investment policy for the investment of the GPFs, and make decisions in relation to the investment strategy and management of the GPFs. In the absence of an investment policy, Bank of Ghana sought and was granted approval by MOF to implement an interim short term investment strategy.
23. The GSF amount of US\$54.8 million earned an investment income of US\$4,679.02 while the GHF amount of US\$14.4 million earned an investment income of US\$1,214.68 in 2011 as shown in Table 10.

Table 10: Returns on the Ghana Petroleum Funds: Jan 1-Dec 31

GHANA STABILISATION FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 Jan 2011)	
Receipt during the period	54,805,352.73
Account Management Fees	0.00
Income from Investments	4,679.02
Closing book Value (31 December 2011)	54,810,031.75
Net Income for the Year comprised the Following	
INCOME	US\$
Investment Income	4,679.02
Less:	
Account Management Fees	0.00
Net Return for the Period	4,679.02
GHANA HERITAGE FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 Jan 2011)	
Receipt during the period	14,400,001.62
Account Management Fees	
Income from Investments	1,214.68
Closing book Value(31 December 2011)	14,401,216.30
Net Income for the Year comprised the Following:	
INCOME	US\$
Investment Income	1,214.68
Less:	
Account Management Fees	0.00
Net Return for the Period	1,214.68

Source: BOG

2.6 Audited Financial Statement of the Petroleum Holding Fund

24. At the time of finalising this report, the Audit Service was still auditing the 2011 Financial Statement of the Petroleum Fund. The Audited 2011 Financial Statements of the PHF will, therefore, be presented to Parliament as soon as it becomes available.

C. DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR IN 2011 AND 2012

25. The petroleum upstream sector witnessed significant developments in 2012. The year 2012 saw higher number of discoveries in our sedimentary basins. The petroleum upstream sector was reviewed to streamline the roles of the various agencies within the sector. Major developments in 2011 and 2012 are highlighted below.

2.7 Developments in the Structure of the Upstream Petroleum Sector

26. After the passage of the Petroleum Commission Act, 2011 (Act 821), the Commission started operations in 2012 with the appointment of the Board of Directors and the Chief Executive Officer. Currently, the Commission is embarking on registration and licensing of oil and gas service providers, resolution of labour disputes and dealing with work permit related issues in the sector, as well as provision of advisory services, among others.

27. With the establishment of the Petroleum Commission, the Ghana National Petroleum Corporation (GNPC) realigned its activities towards its core mandate which is exploration, development, production and disposal of Ghana's hydrocarbon resources. The law establishing the Ghana National Petroleum Corporation (GNPC) is thus being reviewed to focus on its commercial role to ensure it attains its renewed vision as a leading global oil and gas company. The aim is to enable GNPC undertake roles in the whole value chain in the petroleum upstream sector as an operator, with its own resources, in the near future.

28. The Ghana National Gas Company (GNGC), which was incorporated under the Companies Code, 1963 (Act 179) as a limited liability company in 2011, is wholly owned by the Government of Ghana. The Company's registered objects, among others, is to develop infrastructure for gathering, processing and transporting natural gas resources (Lean Gas, LPG and Condensate) to markets within and outside Ghana. The Company also aggregates gas resources from the supply end, processes it and wholesales the gas to the market.

29. The GNGC is actively pursuing the Western Corridor Gas Infrastructure Development Project (WCGIDP), which primarily consists of an Offshore Pipeline, Onshore Pipelines, Gas Processing Plant, Natural Gas Liquids (NGL) Export System and an Office Complex. By the end of 2012, the project had made achievements that

include the welding of 104 km out of the 111 km onshore pipeline, 95 per cent progress on Earthworks at the Gas Processing Plant site, the commencement of fabrication of equipment packages for the Gas Processing Plant and some critical packages such as pressure regulating package and fuel gas package are near completion. In addition, about 8km out of the 45km offshore shallow water pipeline had been laid and inter-tie with the already installed 14 km 12 inch deep water pipeline had been successfully completed.

30. A draft Petroleum (Exploration and Production) Bill has been developed and is currently undergoing stakeholder consultations. The draft Bill is expected to be laid before Parliament by the end of the second quarter of 2013.

2.8 Developments in Petroleum Production and Prices

31. The producing fields at the end of 2012 were the Jubilee and Saltpond fields.
32. A total of 26,351,278 barrels of crude oil was produced from the Jubilee Field in 2012 up from 24,195,895 barrels in 2011. The average daily production rate in 2012 was 71,998 barrels per day against the projected 90,000 barrels per day for the year. Production from Jubilee field started experiencing pre-mature decline from November 2011. Production declined from the October 2011 average daily rate of 80,000 BOPD to about 63,000 BOPD by end July 2012. GNPC and the Jubilee Partners have successfully arrested the decline through the use of innovative interventions and technology. Daily production increased significantly to about 111,000 barrels of oil per day in December 2012. Further development work will be conducted to increase production from the field to a peak target of 120,000 barrels a day in 2013.
33. The total barrel of oil produced from the Saltpond field in 2012 was 77,374.01
34. The average crude oil price (Dated Brent) per barrel in 2012 was US\$108. The average achieved price earned in 2012 (price at which 2012 GOG liftings were sold in 2012) is US\$109.699 per barrel. These compare favorably with the projected crude oil price of US\$90 per barrel.

2.9 Developments in Exploration and Other Petroleum Activities

35. Since the Jubilee discovery in 2007, twenty one new discoveries have been made. These discoveries are at various stages of appraisal and development by GNPC and its partners. Table 11 details the stage of appraisal and development of these discoveries.

Table 11: Status of Petroleum Discoveries

BLOCK/OPERATOR	DISCOVERIES	HYDROCARBON TYPE	STATUS
DWT/WCTP TULLOW (JUBILEE FIELD)	Hyedua-1	Oil	Production
	Mahogany-1	Oil	Production
SHALLOW TANO/INTEROIL	Ebony	Condensate/Gas	Marginal
DWT/TULLOW OIL	Tweneboa-1	Gas Condensate	Plan of Development
	Tweneboa-2	Oil	
	Owo/Enyenra-1	Oil	
	Ntomme	Oil & Gas	
	Wawa	Oil & Gas	Exploration
WCTP/KOSMOS ENERGY	Odum-1	Heavy Oil	Marginal
	Teak-1	Oil & Gas	Appraisal
	Teak-2	Gas	Appraisal
	Banda-1	Oil	Marginal
	Mahogany Deep	Light Oil	Appraisal
	Akasa-1	Light Oil & Gas	Appraisal
OCTP/ENI	Sankofa-1	Gas	Appraisal Completed
	Gye Nyame-1	Gas	Appraisal Completed
	Sankofa East	Oil & Gas	Appraisal
DWTCTP/HESS	Paradise-1	Oil & Condensate	Exploration
	Hickory North	Oil & Condensate	Exploration
	Almond	Oil & Condensate	Exploration
	Beech	Oil	Exploration
	Pecan	Oil	Exploration
DWCTP/LUKOIL	Dzata-1	Oil & Gas	Appraisal

Source: GNPC

D. PETROLEUM RECEIPTS AND UTILISATION IN 2012

2.10 Analysis of 2012 Petroleum Receipts

36. The 2012 fiscal year experienced an improvement in production of crude oil amidst initial production difficulties in the first two quarters of the year. The total volume of crude oil produced in 2012 was 26,351,278 barrels, representing an increase of 8.9 per cent over the 2011 production levels. The GNPC lifted crude oil five times on behalf of the State and this amounted to 4,931,034 barrels and yielded US\$541.07 million (GH¢978.27 million) as shown in Table 12.

Table 12: Details of 2012 GoG/GNPC Crude Oil Liftings

Sr#	Item	Unit	1 st Qtr	2 nd Qtr		3 rd Qtr	4 th Qtr		Total
			5 th Lifting	6 th Lifting	7 th Lifting	8 th Lifting	9 th Lifting		
1	Date of Lifting	dd/mm/yy	04-Jan-12	03-Apr-12	27-Jun-12	12-Sep-12	12-Nov-12		
2	Volume of Lift	barrels	996,484	997,636	995,247	947,021	994,646		4,931,034
3	Selling Price	US\$	111.63	125.90	90.29	112.56	108.44		
4	Marketing Cost	US\$	79,719	-	-	-	-		79,718.72
5	Value of Lift	US\$	111,157,790	125,598,382	89,863,837	106,592,896	107,858,418		541,071,323
		GH¢	186,678,393	219,809,728	169,878,598	199,659,153	202,245,319		978,271,191

Source: MOF

37. Of the total petroleum receipts of US\$541.07 million (GH¢978.27 million) from the five liftings in 2012, Royalties, which constituted 28 per cent of the receipts, amounted to US\$150.64 million (GH¢272.37 million) and the remaining US\$390.43 million (GH¢705.91 million) or 72 per cent of the receipts represented the State's Carried and Participating Interest as shown in Table 12.

38. The other sources of petroleum receipts which amounted to US\$552,418 (GH¢1,044,290) is made up of Surface Rentals of US\$448,225 (GH¢847,324) and Royalties from Saltpond Offshore Producing Company Limited (SOPCL) of US\$104,193 (GH¢196,967) as presented in Tables 13 and 14. Thus, the Petroleum Holding Fund received a total of US\$541.62 million (GH¢979.32 million) in 2012.

39. The total petroleum receipts for 2012 represents 6.6 per cent of Domestic Revenue and 1.4 per cent of GDP.

Table 13: Composition of 2012 Petroleum Receipts on Lifting Basis (US\$)

Srn	Item	1 st Qtr	2 nd Qtr		3 rd Qtr	4 th Qtr	Total
		5 th Lifting	6 th Lifting	7 th Lifting	8 th Lifting	9 th Lifting	
1	Royalties	30,948,012	34,968,492	25,019,453	29,677,076	30,029,417	150,642,450
2	Carried and Participating Interest	80,209,778	90,629,890	64,844,384	76,915,819	77,829,001	390,428,872
3	Surface Rentals	0	0	448,225	0	0	448,225
4	Royalties from SOPCL	0	0	104,193	0	0	104,193
5	Total Petroleum Receipts from Lift	111,157,790	125,598,382	90,416,255	106,592,895	107,858,418	541,623,740

Source: MOF

Table 14: Composition of 2012 Petroleum Receipts on Lifting Basis (GH¢)

Srn	Item	1 st Qtr	2 nd Qtr		3 rd Qtr	4 th Qtr	Total
		5 th Lifting	6 th Lifting	7 th Lifting	8 th Lifting	9 th Lifting	
1	Royalties	51,974,092	61,198,358	47,296,774	55,588,132	56,308,159	272,365,515
2	Carried and Participating Interest	134,704,301	158,611,370	122,581,824	144,071,021	145,937,159	705,905,676
3	Surface Rentals	0	0	847,324	0	0	847,324
4	Royalties from SOPCL	0	0	196,967	0	0	196,967
5	Total Petroleum Receipts from Lift	186,678,393	219,809,728	170,922,889	199,659,153	202,245,319	979,315,481

Source: MOF

40. An analysis of the 2012 petroleum receipts against their projections in the 2012 Budget shows that the total petroleum receipts of US\$541.62 million (GH¢979.32 million) fell short of the target of US\$773.73 million (GH¢1,239.82 million) by US\$232.10 million (GH¢260.51 million) as shown in Table 15.

Table 15: Analysis of 2012 Petroleum Receipts

Srn	ITEM	GH¢			US\$		
		Budget	Actual	Variance	Budget	Actual	Variance
1	Royalties	236,874,780	272,562,482	35,687,702	147,825,000	150,746,644	2,921,644
1.1	i) Jubilee	236,874,780	272,365,515	35,490,735	147,825,000	150,642,450	2,817,450
1.2	ii) Saltpond	0	196,967	196,967	0	104,193	104,193
3	Carried & Participating Interest	618,835,363	705,905,676	87,070,313	386,192,813	390,428,872	4,236,060
4	Corporate Income Tax	384,110,970	0	-384,110,970	239,709,791	0	-239,709,791
5	Surface rentals	0	847,324	847,324	0	448,225	448,225
6	Others	0	0	0	0	0	0
	Total Govt Receipts	1,239,821,113	979,315,482	-260,505,631	773,727,604	541,623,741	-232,103,862

Source: MOF

41. All the categories of petroleum receipts exceeded their targets with the exception of the corporate income tax, which was not realized. It is instructive to note, however, that corporate tax assessment raised on the Jubilee Partners in 2012 yielded a receipt of US\$40.2 million which was paid in the first quarter of 2013 and will, thus, be captured in the 2013 report.

2.11 Allocation of 2012 Petroleum Receipts

42. Petroleum receipts obtained in 2012 were disbursed in accordance with Section 7 of the PRMA which stipulates, inter alia, that funds received into the PHF should be applied to meet the NOC's Equity Financing Costs in respect of the NOC's share of development and production cost after which the net proceeds are shared between the Government of Ghana (GoG) and the NOC. Currently, Parliament has approved a split of 40 per cent of the net proceeds for the NOC and the remaining 60 per cent for GOG in consonance with Section 7(3) of the PRMA. The current split of the net proceeds between NOC and Government is reviewed every three years with the first review due in 2014. In fulfillment of Section 3(b), which requires the NOC's programme of activities to be approved by Parliament each year, the GNPC submits its annual budget to the Minister of Energy, who in collaboration with the Minister of Finance submits it to Parliament for approval.
43. Of the 2012 petroleum receipts of US\$541.62 million (GH¢979.32 million), an amount of US\$230.95 million (GH¢416.89 million) was transferred to GNPC comprising Equity Financing Cost of US\$124.63 million (GH¢224.21 million), and GNPC's 40 per cent share of net Carried and Participating Interest of US\$106.32 million (GH¢192.68 million) in line with Section 7 of the PRMA (Tables 16 and 17). The transfer in respect of Equity Financing Cost represents 118 percent of the amount budgeted for equity finance. The higher than projected Equity Finance Cost follows remedial and acidisation works done in the Jubilee Field to arrest the decline in production during the year 2012.

Table 16: Distribution of 2012 Petroleum Receipts (US\$)

Srn	Item	1 st Qtr	2 nd Qtr		3 rd Qtr	4 th Qtr	Total
		5 th Lifting	6 th Lifting	7 th Lifting	8 th Lifting	9 th Lifting	
1	Transfer to GNPC	51,334,258	53,516,379	42,499,839	41,683,633	41,915,817	230,949,926
1.1	o/w Equity Financing Cost	32,083,911	28,774,038	27,603,476	18,195,508	17,973,695	124,630,628
1.2	o/w Net Carried & Participating Interest	19,250,347	24,742,341	14,896,363	23,488,125	23,942,122	106,319,298
2	GOG Net Receipts for Distribution to ABFA and GPFs¹	59,823,532	72,082,003	47,916,416	64,909,263	65,942,600	310,673,815
2.1	o/w ABFA	59,823,532	72,082,003	23,797,062	64,909,263	65,942,600	286,554,461
2.2	o/w GPFs	-	-	24,119,354	-	-	24,119,354
2.2.1	o/w Ghana Stabilization Fund	-	-	16,883,548	-	-	16,883,548
2.2.2	o/w Ghana Heritage Fund	-	-	7,235,806	-	-	7,235,806
3	Total Receipt	111,157,790	125,598,382	90,416,255	106,592,896	107,858,418	541,623,740

Source: MOF

Table 17: Distribution of 2012 Petroleum Receipts (GH¢)

Srn	Item	1 st Qtr	2 nd Qtr		3 rd Qtr	4 th Qtr	Total
		5 th Lifting	6 th Lifting	7 th Lifting	8 th Lifting	9 th Lifting	
1	Transfer to GNPC	86,210,753	93,659,014	80,341,696	78,077,612	78,596,349	416,885,424
1.1	o/w Equity Financing Cost	53,881,720	50,357,444	52,181,611	34,082,006	33,702,475	224,205,257
1.2	o/w Net Carried & Participating Interest	32,329,032	43,301,571	28,160,085	43,995,606	44,893,874	192,680,168
2	GOG Net Receipts for Distribution to ABFA and GPFs¹	100,467,640	126,150,714	90,581,192	121,581,541	123,648,970	562,430,057
2.1	o/w ABFA	100,467,640	126,150,714	44,985,966	121,581,541	123,648,970	516,834,831
2.2	o/w GPFs	0	0	45,595,226	0	0	45,595,226
2.2.1	o/w Ghana Stabilization Fund	0	0	31,916,658	0	0	31,916,658
2.2.2	o/w Ghana Heritage Fund	0	0	13,678,568	0	0	13,678,568
3	Total Receipt	186,678,393	219,809,728	170,922,889	199,659,153	202,245,319	979,315,481

Source: MOF

44. The remaining amount of US\$310.67 million (GH¢562.43 million), representing the Benchmark Revenue was distributed to the ABFA and the GPFs as US\$286.55 million (GH¢516.83 million) and US\$24.12 million (GH¢45.60 million), respectively, in line with sections 11, 18, 19, and 23 of the PRMA. Consistent with Section 23(b) of the PRMA, the amount allocated to the GPFs was distributed to the GSF and the GHF in the ratio of 70 per cent and 30 per cent, respectively, as US\$16.88 million (GH¢31.92 million) for GSF and US\$7.24 million (GH¢13.68 million) for the GHF. The breakdown of the distribution of total 2012 petroleum receipts on lifting basis is presented in Table 16 and Table 17.

45. Consistent with Sections 11(2), 23(1a) and 23(2) of the PRMA, transfers to the GPFs were only made in the second quarter of 2012 since the allocable petroleum receipts to the GPFs and ABFA in all other quarters fell short of the 2012 quarterly ABFA of US\$95.88 million.

46. All petroleum receipts for the 2012 fiscal year were published in at least two state-owned daily newspapers and in the Gazette as required by Section 8 of the PRMA.

2.12 Utilisation of 2012 ABFA

47. An analysis of the allocation to ABFA in 2012 shows that a total amount of US\$286.55 million (GH¢516.83 million) was allocated as ABFA in accordance with the PRMA against a projected ABFA of US\$383.52 million (GH¢614.55million) for the year, resulting in a shortfall of US\$96.96 million (GH¢97.71 million) as shown in Table 18. The main reason for the shortfall in the 2012 ABFA allocation was the shortfall in production targets, as well as the non-realization of corporate tax in 2012.

Table 18: Analysis of ABFA for 2012

SRN	Quarter	GH¢			US\$		
		Budget	Actual	Deviation	Budget	Actual	Deviation
1	Quarter 1	153,636,614	100,467,640	- 53,168,974	95,879,065	59,823,532	- 36,055,533
2	Quarter 2	153,636,614	171,136,680	17,500,066	95,879,065	95,879,065	0
3	Quarter 3	153,636,614	121,581,541	- 32,055,073	95,879,065	64,909,263	- 30,969,802
4	Quarter 4	153,636,614	123,648,970	- 29,987,644	95,879,065	65,942,600	- 29,936,465
5	Total	614,546,457	516,834,831	- 97,711,626	383,516,261	286,554,461	- 96,961,800

Source MOF

48. From Table 18, the ABFA for all the quarters fell short of their targets except the second quarter, as a result of the two liftings which occurred in the quarter. It is instructive to note that even though the Finance Minister could have invoked the withdrawal rule as obtains in Section 12 of the PRMA to cause relevant withdrawal from the GSF to make up for some of the shortfall in the ABFA on quarterly basis, that option was not exercised. Had that option been exercised, 75 per cent of the shortfall or 25 per cent of the balance in the GSF at the beginning of the year (whichever is smaller) would have been withdrawn from the GSF into the ABFA, for each quarter.

49. The 2012 ABFA was disbursed to the approved four priority areas in accordance with Section 21 of the PRMA as presented in Table 19.

Table 19: Expenditure of 2012 ABFA on Four Priority Areas

Srn	Priority Areas	Amount Spent (GH¢)		
		Goods and Services	Assets	Total
1	Expenditure & Amortization of Loans for Oil & Gas Infrastructure		100,000,000	100,000,000
3	Road & Other Infrastructure	43,398,774	189,004,495	232,403,269
2	Agriculture Modernization	30,191,200	42,280,624	72,471,824
4	Capacity Building (including in Oil and Gas)	49,869,738	62,090,000	111,959,738
5	Total	123,459,713	393,375,118	516,834,831

50. Of the total ABFA of GH¢516.83, an amount of GH¢100.0 million, representing 19.3 per cent, was spent on Oil and Gas Infrastructure and Amortization of Loans in respect of such infrastructure whilst GH¢232.4 million, representing 45.0 per cent was spent on Road and Other Infrastructure. The remaining GH¢184.43 million (35.7 per cent) was spent on Agricultural Modernisation (GH¢72.7 million or 14.1 per cent) and Capacity Building (GH¢111.96 million or 21.7 per cent) as shown in Table 19.

Consistent with Section 21(4) of the PRMA which requires that a minimum of 70 per cent of the ABFA be used for public investments, 76 per cent of the 2012 ABFA was spent on public investments and the remaining 24 per cent was spent on goods and services as shown in Table 19.

51. It should be noted that the 2013 fiscal year will be the third year of applying the ABFA to the approved four priority areas outlined above. As stipulated by Section 21(6) of the PRMA, the four priority areas shall apply for three years, implying that the priority areas will be due for review this year for the 2014 fiscal year.

2.13 Utilization of 2012 GNPC Transfers

52. For the 2012 fiscal year, a total amount of US\$230.9 million (GH¢416.89 million) was transferred to the GNPC from the Jubilee Crude oil receipts for 2012 against a budget of US\$225.85 million (GH¢361.90 million). Thus, there was a positive deviation of US\$5.1 million (GH¢54.99 million) as shown in Table 20.

Table 20: Analysis of Transfers of Petroleum Receipts to GNPC in 2012

SRN	ITEM	In GHC			In US\$		
		Budget	Actual	Variance	Budget	Actual	Variance
1	Total Transfer to GNPC	361,897,602	416,885,424	54,987,822	225,847,231	230,949,926	5,102,695
1.1	o/w Equity Financing Costs	190,605,762	224,205,257	33,599,495	118,950,176	124,630,628	5,680,452
1.2	o/w Carried/Participating Interest	171,291,840	192,680,168	21,388,327	106,897,055	106,319,298	- 577,757

Source: MOF

53. Of the total transfers to GNPC, transfers in respect of Equity Financing Costs amounted to US\$124.63 million (GH¢224.21 million), representing 54 per cent of the total transfers. The equity financing payments are made to honour the NOC's commitments to the Jubilee Partners in respect of its share of development and production costs. The remaining US\$106.32 million (GH¢192.68 million), representing 46 per cent of the transfers was allocated to GNPC as its 40 per cent of net Carried and Participating Interest in consonance with Section 7 of the PRMA.

54. Of the total transfers of US\$230.95 million to GNPC, an amount of US\$125.82 million was spent as Equity Financing Costs to meet GNPC's share of expenditures in relation to development and production costs with the Jubilee Partners and the remaining amount of US\$105.13 million was expended on the gas project, organizational development, staff costs, and administration expenditures, among others as shown in Table 21.

Table 21: Utilisation of 2012 Transfers to GNPC

Srn	Receipts from Jubilee Proceeds	Amount (US\$)	%
1	Equity Financing	124,630,628	53.96
2	40% of Net Carried and Participating Interest	106,319,298	46.04
3	Total Amount Received	230,949,926	100
Srn	Expenditure	Amount (US\$)	%
4	Jubilee Equity Financing Cost	125,824,747	54.48
5	Reservoir Characterization; Voltaian Basin project exps; ICT Upgrade & Organizational Development	10,784,028	4.67
6	Commitments for Projects other than Jubilee	61,674,215	26.70
7	Gas Project-Related Costs	5,587,779	2.42
8	Staff Cost	9,013,162	3.90
9	General Operational & Admin. Capital expenditure	16,269,839	7.04
10	Amount Appropriated by Bank of Ghana as	1,796,156	0.78
11	Total Expenditure and Commitments	230,949,926	100

Source: MOF

55. An amount of US\$5.6 million, representing 2.4 per cent of the transfers was used in financing the Gas-related project. This brings to US\$33million, the total amount expended on the gas project so far.
56. An amount of US\$10.8 million, representing 4.7 per cent went into Reservoir Characterization; Voltaian Basin project; South Deepwater Tano (SDWT) project; North and South Tano project, ICT Upgrade and Organizational Development.
57. A total amount of US\$9.0 million, representing 3.9 percent went into staff cost. With the expanding role of GNPC, GNPC invested in hiring industry-specific talents required to execute the strategic goals of the Corporation. Also, with the emergence of IOCs on the local front it was important to ensure that GNPC does not lose its staff to competitors.
58. An amount of US\$16.3 million, representing 7.0 percent went into capital, operating & general expenses required for GNPC's operations whilst, an amount of US\$1.79 million was appropriated by the Bank of Ghana as transfer fees.
59. An amount of US\$61.7 million, representing 26.7 per cent is cash committed towards projects that commenced in 2012 and for which funding was approved. Details of the committed funds are shown in Table 22 below for details of the committed funds.

Table 22: GNPC 2012 Commitments for Projects Other than Jubilee

Srn	Project	Amount (US\$)
1	North & South Tano Petroleum Projects	17,817,385
2	Tweneboa-Enyenra-Ntomme (TEN) project	16,736,362
3	Voltaian Basin Petroleum Projects	3,090,224
4	South Deepwater Tano Petroleum Projects	7,227,672
5	Reservoir Characterisation	687,506
6	ICT Upgrade & Expansion	2,591,094
7	Data Centre Upgrade	1,000,000
8	R&D Laboratory Upgrade	1,500,000
9	Organisational Development Project	2,102,500
10	Reserves towards Corporate Investment Projects	8,921,473
11	Total Commitment to Projects	61,674,215

Source: GNPC

2.14 Performance of the Ghana Petroleum Funds in 2012

60. Consistent with Sections 11(2), 23(1a) and 23(2) of the PRMA, transfers to the GPFs were only made in the second quarter of 2012 since the allocable petroleum receipts to the GPFs and ABFA in all other quarters fell short of the 2012 quarterly ABFA of US\$95.88 million. A total amount of US\$45.60 million was transferred to the GPFs out of which US\$31.92 million, representing 70 per cent, was transferred to the GSF and the remaining 30 per cent (US\$13.68 million) transferred to the GHF.
61. In 2012, the turbulence in the global financial markets and general economic downturn caused monetary authorities to take drastic expansionary measures to inject growth stimulus. Benchmark lending rates of the European Central Bank, Federal Open Markets Committee, and Bank of England were held at record low levels of near zero. This enhanced downside risks to returns in the fixed income markets where the GPFs are invested.
62. Amidst the volatility and the uncertainty in the markets for 2012, the GPFs delivered positive returns on investment (ROI). Over the year, ROI was 0.29 per cent for GSF and 0.26 per cent for GHF. Net total ROI of the GPFs was US\$262,207.12, with GSF contributing US\$205,008.40 and GHF, US\$57,198.72 as shown in Table 23.

63. Global economic recovery is expected to improve, albeit gradually, in 2013 and the portfolios of the GPFs have been strategically positioned to benefit from the upturn in the markets, with the resultant enhancement returns of the GPFs in 2013.

Table 23: Portfolio Performance of the Ghana Petroleum Funds in 2012

GHANA STABILISATION FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 Jan 2012)	54,810,031.75
Receipt during the period	16,883,547.53
Account Management Fees	(9,040.97)
Income from Investments	214,049.37
Closing book Value (31 December 2012)	71,898,587.68
Net Income for the Year comprised the Following	
INCOME	US\$
Investment Income	214,049.37
Less:	
Account Management Fees	(9,040.97)
Net Return for the Period	205,008.40
GHANA HERITAGE FUND ACCOUNT AT EUROCLEAR BANK	
	US\$
Opening book Value (1 January 2012)	14,401,216.30
Receipt during the period	7,235,806.08
Account Management Fees	(3,010.03)
Income from Investments	60,208.75
Closing book Value(31 December 2012)	21,694,221.10
Net Income for the Year comprised the Following:	
INCOME	US\$
Investment Income	60,208.75
Less:	
Account Management Fees	(3,010.03)
Net Return for the Period	57,198.72

2.15 Institutional Arrangements for the Management of the Ghana Petroleum Funds

64. Under Section 25 of the PRMA, the Minister for Finance is required to develop an investment policy for the investment of the Ghana Petroleum Funds, and make decisions in relation to the investment strategy and management of the GPFs after seeking the advice of the Investment Advisory Committee (IAC). In addition, the Minister is required to enter into an Operational Management Agreement (OMA) with the Bank of Ghana (BOG) for the operational management of the GPFs. The BOG, under Section 26 of the PRMA, is required to undertake the day-to-day operational management of the PHF, the GPF, and subsequently the Ghana Petroleum Wealth Fund (GPWF) under the terms of the OMA.
65. The OMA between Bank of Ghana and the Ministry of Finance was signed in the fourth quarter of 2012. Prior to signing of the OMA, the Ministry of Finance granted approval to the BOG, upon request, to implement an interim short term investment strategy to invest the proceeds of the GPFs. The BOG is managing the GPFs within the framework of the operational and management strategy provided by the Minister.
66. The IAC was established under Section 29 of the PRMA to advise the minister and to monitor the general performance of the management of the GPFs. The functions of the IAC are outlined in Section 30 of the PRMA as follows:
- a) formulate and propose to the Minister the investment policy and management of the GSF and the GHF and the Minister shall submit it for approval by Parliament;
 - b) advise the Minister on the broad investment guidelines and overall management strategies relating to the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund that the Minister shall provide to the Governor, taking cognisance of international best practice of investments of a similar nature; and
 - c) develop for the Minister as part of the investment guidelines, the benchmark portfolio, the desired returns from and associated risks of the GPWF taking into consideration the investment guidelines used by the Bank of Ghana for investments of a similar nature.
67. The IAC was inaugurated by the Minister of Finance in December 2011. The membership of the IAC is contained in Appendix Table 1.

E. CONCLUSION

68. In line with Section 48 of the PRMA, this maiden annual report on the Petroleum Funds presents petroleum receipts and their utilisation for the fiscal year 2012. Petroleum receipts and their utilisation is also reported for 2011 to provide full year information, as the 2012 Budget provided information on the petroleum receipts and utilisation for the first three quarters of 2011.
69. The main sources of petroleum receipts for the period are Royalties, Carried and Participating Interest, and Surface Rentals. In line with the PRMA, petroleum receipts were distributed to the NOC, ABFA, and the GPFs using approved proportions.
70. In 2011, total petroleum receipts collected amounted to US\$441.12 million (GH¢690.26 million), representing 5.9 per cent of Domestic Revenue and 1.2 per cent of GDP. These receipts were allocated to GNPC (US\$207.96 million or GH¢323.47 million), ABFA (US\$166.96 million or GH¢261.54 million), and GPFs (US\$69.21 million or GH¢105.25 million).
71. By the end of 2012, petroleum receipts for the year had improved slightly to US\$541.62 million (GH¢979.32 million), representing 6.6 per cent of Domestic Revenue and 1.4 per cent of GDP. Of the total petroleum receipts, GNPC was allocated US\$230.95 million (GH¢416.89 million), whilst ABFA was allocated US\$286.55 million (GH¢516.83 million), and the GPFs allocated US\$24.12 million (GH¢45.60 million).
72. The ABFA was spent on four priority areas pre-approved by Parliament in line with the PRMA, namely, Expenditure and Amortization of Loans for Oil and Gas Infrastructure; Road and Other Infrastructure; Agriculture Modernization; and Capacity Building (Including in Oil and Gas).
73. The GNPC's allocation was used partly to fulfill the Corporation's obligations of Equity Financing Costs in respect of its share of development and production costs in the Jubilee Field to the Jubilee Partners. The rest of the GNPC's allocation was used on exploration and development activities on projects other than Jubilee, as well as on administrative activities.

74. At the end of 2012, the closing book value of the GSF stood at US\$71.90 million and the income earned on it (net return) was US\$205,008.40. Similarly, the GHF recorded a closing book value of US\$21.69 million and a net return of US\$57,198.72.
75. Significant progress has been made on the implementation of the PRMA even though some challenges still remain, which hopefully will be addressed by the Petroleum Revenue Management Regulations when passed into law.

APPENDIX TABLE 1:

LIST OF PERSONS HOLDING POSITIONS REQUIRED FOR THE OPERATION AND PERFORMANCE OF THE GHANA STABILISATION AND GHANA HERITAGE FUND

The Minister of Finance and Economic Planning (2009-2012)

Hon. Dr. Kwabena Duffuor

The Minister of Finance (2013-Present)

Hon. Seth Terkper

Governor, Bank of Ghana (2009-2012)

Mr. Kwesi Bekoe Amissah-Arthur

Ag. Governor, Bank of Ghana (2012-Present)

Dr. H.A.K. Wampah

Members of the Investment Advisory Committee

- Jude Kofi Bucknor – Chairman
- Mrs. Marian Barnor – Member
- Mrs. Johanna Svanikier- Member
- Awulae Agyefi Kwame II – Member
- Ms. Abena Amoah – Member
- Alexander Yamoah Kyei- Member
- Adams Nyinaku – Member