



# Ghana's Oil Sales: Using Commodity Trading Data for Accountability

Alexander Malden  
and Denis Gyeyir

DECEMBER 2020

# Contents

KEY MESSAGES.....	3
INTRODUCTION.....	4
I. WHY OIL SALES ACCOUNTABILITY IS IMPORTANT IN GHANA.....	6
II. OVERVIEW OF GHANA OIL SALES GOVERNANCE.....	9
III. GHANA OIL SALES DATA.....	12
IV. ANALYZING TERM AND SPOT SALES.....	16
V. ANALYZING REVENUES GENERATED FROM IN-KIND ROYALTIES AND CARRIED AND PARTICIPATING INTEREST .....	20
VI. MONITORING THE DISTRIBUTION OF OIL SALES REVENUES .....	22
CONCLUSION .....	26

## Key messages

- Ghana National Petroleum Corporation's (GNPC) oil sales are a significant source of revenue, equaling nine percent of government revenue in 2019.
- Ghana is highly transparent in reporting on its commodity trading activities. GNPC, the Ministry of Finance (MoF), the Bank of Ghana (BoG), the Public Interest and Accountability Committee (PIAC) and Ghana Extractive Industries Transparency Initiative (GHEITI) all disclose information on the state's oil sales activities.
- As of the end of the second quarter of 2020, GNPC had sold 73 cargos of oil, made up of 71.1 million barrels with a total value of USD 5.2 billion.
- Oil sales revenues are directly determined by the prevailing oil price. The funds received for similarly sized cargos sold by GNPC ranged from USD 126 million in 2012 to just USD 12 million in 2020, following the oil price crash.
- The majority of Ghana's oil revenue comes from its two long-term sales contracts with Russian trader Litasco and Chinese state-owned Unipecc Asia, with the latter tied to the government's USD 3 billion loan from China Development Bank. In 2019 revenue from these two sales contracts equaled 6 percent of government revenue. These two deals alone generated 59 percent of the government's total oil revenue for 2019.
- The ability of civil society organizations (CSOs), government officials, journalists and other oversight actors to analyze GNPC's oil sales activities is more important than ever. Low oil prices and the need to respond to challenges posed by the coronavirus pandemic heightens governance and corruption risks and exacerbates the state's debt sustainability issues.
- NRGi has collected relevant publicly available information on every cargo sold by GNPC to date. This report demonstrates how such data can be used by CSOs, government officials, journalists and other oversight actors to hold the government, GNPC and trading companies accountable for how the state's oil is sold and the resulting revenues are managed.

## Introduction

The coronavirus pandemic has severely impacted the Ghanaian economy, with the IMF projecting that growth will slow to just 1.5 percent in 2020 compared to December 2019's projection of 5.8 percent. The country, like many oil-rich states, is facing the challenge of responding to the pandemic with reduced government revenues resulting from the oil price crash. The coronavirus has also exacerbated the country's debt sustainability issues, which were already on the rise prior to the pandemic.

Ghana is still a new oil producer, with first production from its Jubilee field occurring in November 2010 and the first cargo sold in early 2011. However, the sector represents a significant source of revenue. Oil revenues totaled USD 938 million in 2019. Around USD 802 million of this amount, or 86 percent, came from cargos of oil sold by the Ghana National Petroleum Company (GNPC).<sup>1</sup> This oil represents the state's share of production that it derives from in-kind royalty payments and GNPC's carried and participating interest (CAPI) in the three oil-producing projects in the country. GNPC oil sales equaled a full nine percent of government revenue in 2019.

Responding to the pandemic with reduced government revenues makes it more important than ever that citizens are able to analyze GNPC's oil sales activities. In this context, in this report we demonstrate how publicly available data on the state's oil sales activities can be used by civil society organizations (CSOs), government, media and other oversight actors to hold the government, GNPC and trading companies accountable for how they sell and manage Ghana's oil and its revenues.<sup>2</sup>

Commodity trading activities are often opaque and do not receive the same level of scrutiny as a state's upstream operations. This opacity can create opportunities for governance and corruption risks that result in the loss and mismanagement of potential revenues. However, Ghana is one of the most transparent countries in reporting on its commodity trading activities. GNPC, the Ministry of Finance (MoF), the Bank of Ghana (BoG), the Public Interest and Accountability Committee (PIAC) and Ghana Extractive Industries Transparency Initiative (GHEITI) all disclose information on the state's oil sales activities. As one example, the MoF has disclosed information on the volume, unit price, date of sale and value for every cargo sold by GNPC to date. (See figure 1.) For all cargos sold from 2015 to 2019, GHEITI (2015 to 2018) and GNPC (2015 to 2019) have also included the name of the buying company in their disclosures, reporting in line with the Extractive Industries Transparency Initiative (EITI) 2019 Standard Requirement 4.2, improving the ability of oversight actors to demand accountability.<sup>3</sup>

Ghana oil sales data have been used to hold GNPC and companies accountable for their commodity trading activities. Despite these examples, there is limited public awareness of this data and how it can be used for accountability purposes.

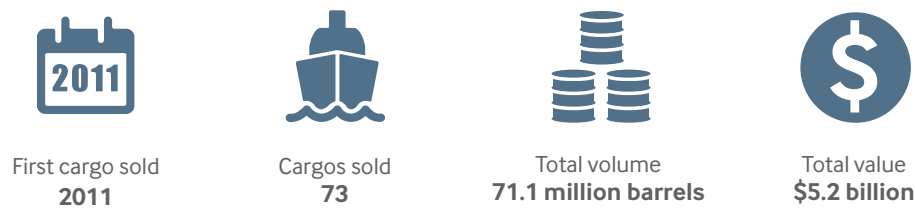
*Ghana's oil revenues totaled USD 938 million in 2019. Around USD 802 million of that, or 86 percent, came from cargos of oil sold by the Ghana National Petroleum Company (GNPC).*

1 NRGI, *National Oil Company Database*, [nationaloilcompanydata.org](http://nationaloilcompanydata.org); Ghana Petroleum Commission. *Ghana's petroleum revenues dip amidst production challenges* (2020) [petrocom.gov.gh/ghanas-petroleum-revenues-dip-amidst-production-challenges/#:~:text=Ghana's%20petroleum%20revenues%20for%202019,the%20second%20half%20of%202019.](http://petrocom.gov.gh/ghanas-petroleum-revenues-dip-amidst-production-challenges/#:~:text=Ghana's%20petroleum%20revenues%20for%202019,the%20second%20half%20of%202019.)

2 While the data collected for the analysis contained within this report focuses on Ghana's oil sales activities, the country's producing fields also produce gas in commercial quantities. Gas sales were not included in this report as they are currently all sold to domestic refineries and thus do not face the same governance, corruption and revenue management risks as GNPC's oil sales activities.

3 GNPC. *Crude Oil Sales Reports 2015 – 2019* (2020), [gnpcghana.com/eiti\\_report.html](http://gnpcghana.com/eiti_report.html); and GHEITI. *Ghana EITI Oil & Gas Commodity Trading Pilot* (GHEITI, 2018), [eiti.org/sites/default/files/documents/ghana\\_eiti\\_commodity\\_trading\\_pilot\\_report\\_-\\_august\\_2018.pdf](http://eiti.org/sites/default/files/documents/ghana_eiti_commodity_trading_pilot_report_-_august_2018.pdf)

Figure 1. Summary of GNPC's oil sales activities 2011 to Q2 2020



The first section of this report explores why oil sales accountability is particularly important as the country looks to recover from the pandemic. Section two provides an overview of the oil sales process in Ghana and the governance and corruption risks that can arise. The third section provides an overview of publicly available data on GNPC's oil sales activities. The final sections of the report outline ways in which oversight actors can use and have used this data as an accountability tool in Ghana. These sections explore how oversight actors can:

- Analyze revenues generated from the government's long-term sales agreements with two traders, Unipac Asia and Litasco, compared to oil sold through spot contracts
- Identify how much is generated from the in-kind royalties received from each of Ghana's producing oil fields, compared to that received through the GNPC's CAPI in each of these projects
- Monitor how the resulting oil sales revenue is managed, including what is allocated to the Ghana Stabilization Fund (GSF) and how much is received by GNPC to fund its commercial activities

This report concludes with recommendations on how the government and buying companies can further support accountability efforts on the sale of the state's share of production and the management of the resulting revenue.

# I. The importance of oil sales accountability in Ghana

Ghana has an active civic space and a vibrant media who has worked to continuously police critical aspects of the petroleum resource value chain. For instance, a Civil Society Licensing Round Monitoring Group composed of extractive sector CSOs and key media players have worked individually and collectively to monitor contracting processes and Ghana's first open bid and licensing round for the award of oil blocks.<sup>4</sup> On the management of petroleum revenues, the Africa Centre for Energy Policy (ACEP) and the Public Interest and Accountability Committee (PIAC), among other key actors, continue to monitor the collection, allocation and utilization of petroleum revenues. Despite these efforts, a significant gap remains in the monitoring the conversion process of physical crude oil into revenues.

## CORRUPTION RISKS IN A LOW-PRICE CONTEXT

The commodity trading sector is particularly susceptible to corruption for four reasons:

- the sector involves large financial transactions, with the average cargo being around 950,000 barrels and able to cost well over USD 100 million
- state-owned enterprises (SOEs) often have a great deal of discretion in conducting a state's commodity trading activities, creating opportunities for individuals to abuse their public position for private gain
- the sector remains highly opaque and less scrutinized than a state's extractive activities
- trading transactions are not subject to the same regulations or international standards as upstream activities.<sup>5,6</sup>

*Proceeds from Ghana's oil sales have helped to finance priority sectors since 2011.*

Governance and corruption risks arise in three distinct stages of the commodity trading process:

- in the selection of buyers
- in the negotiation of price, value and volume sold
- the management and use of the resulting oil sales revenues.<sup>7</sup>

We outline the government's governance of these processes in section II below. Proceeds from Ghana's oil sales have contributed to financing priority sectors since 2011. A price shock on the scale experienced in early 2020 will inevitably impede the government's ability to continue to finance these priority areas. The onset of the pandemic saw oil prices decline to a low of USD 18.38 per barrel in April 2020,

4 African Eye Report, *Report Scores Aspects of Ghana's First Oil Licensing Round As Weak*, 7 May 2020, [africaneyereport.com/report-scores-aspects-of-ghanas-first-oil-licensing-round-as-weak/](http://africaneyereport.com/report-scores-aspects-of-ghanas-first-oil-licensing-round-as-weak/).

5 Nathalie Perrot and Olivier Longchamp. *Trading in corruption: Evidence and mitigation measures for corruption in the trading of oil and minerals* Chr. Michelsen Institute (U4 Issue 2017:6), [www.u4.no/publications/trading-in-corruption-evidence-and-mitigation-measures-for-corruption-in-the-trading-of-oil-and-minerals/](http://www.u4.no/publications/trading-in-corruption-evidence-and-mitigation-measures-for-corruption-in-the-trading-of-oil-and-minerals/)

6 For more information on commodity trading corruption risk, see Alexandra Gillies, *Crude Intentions: How Oil Corruption Contaminates the World* (Oxford University Press, 2020).

7 Aaron Sayne and Alexandra Gillies. *Initial Evidence of Corruption Risks in Government Oil and Gas Sales* (NRGI, 2016), [resourcegovernance.org/sites/default/files/documents/nrgi\\_trading-corruption-risk.pdf](http://resourcegovernance.org/sites/default/files/documents/nrgi_trading-corruption-risk.pdf)

a steep drop from the Brent crude price of USD 67.31 per barrel at the end of 2019.<sup>8</sup> Subsequently, the government revised the 2020 benchmark price of USD 62.60 2020 to USD 39.10 per barrel within its annual budget, with the resultant revenue estimated to drop by 57.9 percent from USD 1.57 billion to USD 660.45 million.<sup>9</sup> This report highlights commodity trading data sources that can feed into improved scrutiny of oil sales activities by government and non-government actors with a view to better understanding and reducing the critical revenue gap in the foreseeable period of low prices.

A period of low crude prices presents new risks of corruption in the governance of the oil sales process. While certain corrupt risks that arose during the 2008 to 2014 oil boom may lessen, with oil prices low and national oil companies (NOCs) facing constricted resourcing, NOCs may deprioritize governance and due diligence processes.<sup>10</sup> Governments and NOCs may resort to corrupt practices to ensure foreign companies continue to invest in the country's oil sector. During periods of lower oil revenues, it is even more important for governments and NOCs to maximize revenues from their commodity trading activities. Shedding light on sales data (buying entity, volumes, value, pricing, sale type, payment and distribution of receipts) can facilitate greater accountability and ensure that the NOC, trading companies and government maintain high governance standards, even in a revenue constrained environment.

## DEBT RISKS IN GHANA

In the wake of revenue shortfalls occasioned by the pandemic and crude oil price drop, governments have resorted to borrowing from both internal and external sources to meet increased coronavirus-related and other social spending. In Ghana, the government has borrowed GHS 5.8 billion from the IMF Rapid Credit Facility; GHS 580 million from the World Bank Support for COVID-19 preparedness and response support; GHS 406 million from the African Development Bank; GHS 10 billion from the BoG as COVID-19 Relief Bond; and GHS 2 billion from the World Bank as budget support through the World Bank's Development Policy Operations.<sup>11</sup> Given the market's short- and long-term uncertainty as a result of the coronavirus and energy transition, Ghana's fiscal authorities, civil society and media can use oil sales data for analysis to inform decisions and respond to changes in price and their impact on the country's fiscal position.

In many instances, oil dependent countries would look to cut back spending in a low price environment, but due to the nature of this pandemic, the Government of Ghana have maintained spending levels while borrowing to fill the gap. In September 2020, ratings agency S&P Global lowered its long-term foreign and local-currency sovereign credit ratings on Ghana to B- from B following escalating fiscal challenges.<sup>12</sup> Even though the pandemic has been largely contained in the country to date, the

*In September 2020, ratings agency S&P Global lowered its long-term foreign and local-currency sovereign credit ratings for Ghana to B- from B following escalating fiscal challenges.*

8 David Manley, Anna Fleming and David Mihalyi. *A Race to the Bottom and Back to the Top: Taxing Oil and Gas During and After the Pandemic* (NRGI, 2020) [resourcegovernance.org/sites/default/files/documents/a\\_race\\_to\\_the\\_bottom\\_and\\_back\\_to\\_the\\_top\\_taxing\\_oil\\_and\\_gas\\_during\\_and\\_after\\_the\\_pandemic.pdf](https://resourcegovernance.org/sites/default/files/documents/a_race_to_the_bottom_and_back_to_the_top_taxing_oil_and_gas_during_and_after_the_pandemic.pdf).

9 Nafi Chinery. *Ghana: Initial Assessment of the Impact of the Coronavirus Pandemic on the Extractive Sector and Resource Governance* (NRGI, 2020) [resourcegovernance.org/sites/default/files/documents/ghana-assessment-of-the-impact-of-coronavirus-pandemic-on-the-extractive-sector-and-resource-governance.pdf](https://resourcegovernance.org/sites/default/files/documents/ghana-assessment-of-the-impact-of-coronavirus-pandemic-on-the-extractive-sector-and-resource-governance.pdf).

10 Alexandra Gillies. *When Oil Prices Drop, Corruption Risks Can Rise* (NRGI, 2020) [resourcegovernance.org/blog/when-oil-prices-drop-corruption-risks-can-rise](https://resourcegovernance.org/blog/when-oil-prices-drop-corruption-risks-can-rise).

11 Ghana Ministry of Finance. *Mid-Year Review of the Budget Statement and Economic Policy of the Government of Ghana and Supplementary Estimate for the 2020 Financial year* (2020) [mofep.gov.gh/sites/default/files/budget-statements/2020-Mid-Year-Budget-Statement\\_v3.pdf](https://mofep.gov.gh/sites/default/files/budget-statements/2020-Mid-Year-Budget-Statement_v3.pdf).

12 Komal Nadeem. S&P cuts Ghana on mounting fiscal challenges amid COVID-19. S&P Global (2020), [spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-cuts-ghana-on-mounting-fiscal-challenges-amid-covid-19-60311142](https://spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-cuts-ghana-on-mounting-fiscal-challenges-amid-covid-19-60311142).

ratings agency predicted a worsening debt situation to over 70 percent of GDP in 2020 and interest payments consuming half of fiscal revenue.<sup>13</sup> With these pressing spending priorities and limited additional borrowing opportunities, ensuring that there is no leakage or mismanagement of oil sales revenues should be a top priority. GNPC currently has a long-term sales agreement with Unipecc Asia signed as part of a USD 3 billion loan the government of Ghana agreed with the China Development Bank in 2011.

This form of oil-backed lending can be particularly attractive for a country when credit risk ratings make securing financing from other sources more difficult or costly. However, resource-backed borrowing carries heavy risks, especially with oil's current low price and uncertain future. Publicly available oil sales data can also help inform future debates and understanding of these types of loans and how much they cost the country, including as context to broader relief and renegotiation discussions.<sup>14</sup> Furthermore, information on the oil already committed to long-term sales agreements compared to that available to be sold on the spot market can help inform debates on the risks and opportunities for of any further oil-backed loans considered by the government.

*GNPC currently has a long-term sales agreement with Unipecc Asia signed as part of a USD 3 billion loan the government of Ghana agreed with the China Development Bank in 2011.*

13 *Ibid.*

14 For information on the opportunities and risks associated with Resource Backed Loans, see David Mihalyi, Aisha Adam and Jyhjong Hwang. *Resource Backed Loans: Pitfalls and Potential* (NRGI, 2020), [resourcegovernance.org/sites/default/files/documents/resource-backed-loans-executive-summary.pdf](https://resourcegovernance.org/sites/default/files/documents/resource-backed-loans-executive-summary.pdf)



## II. Overview of Ghana oil sales governance

The 1983 Ghana National Petroleum Corporation law mandates that GNPC is responsible for all oil marketing activities on behalf of the state. In Ghana, 67,290,451 barrels (17.53 percent) of the total volume of 386,460,893 barrels produced between 2011 and 2019 have been sold by GNPC on behalf of the state. The basis for the receipt of this oil is established in the petroleum agreements (PAs) signed between the government and operating companies. These PAs establish the level of royalties the companies must pay the government and GNPC's carried and participating interest in the project.

Royalties are the percentage of gross production the government receives as an in-kind payment from the field. The state's royalty lifting is received in barrels even though the state may opt to receive royalties in cash. GNPC, on behalf of the state, has a 10 to 15 percent initial carried interest in each project. Carried interest means that GNPC doesn't have to pay for this interest in the project, resulting in all risk during exploration and development being borne by the operating company. GNPC can also opt to acquire additional interest in each project for which it is responsible for costs and assuming risk. Combined, GNPC's carried and participating interest in a project will determine the share of production it receives from a project. As a result, GNPC can acquire greater interest in a project, ensuring the government receives a greater share if the project is profitable, but risking losses if oil prices drop or the project runs into financial trouble. The government may also elect to receive an additional profit tax payment in-kind, termed Additional Oil Entitlement (AOE). This AOE is triggered when a contractor's after-tax inflation adjusted rate of return passes a threshold specified in the PA with respect to each field. Assessment of the State's right to receive AOE's was initiated by the government in 2017, with this process yet to be concluded.<sup>15</sup>

We present the relevant terms from each of Ghana's producing fields applicable to crude liftings here:

Table 1. Summary of royalty rates and GNPC's carried and participating interest for each of Ghana's producing fields<sup>16</sup>

	Jubilee	TEN	SGN
Royalty rate on gross production (paid in oil)	5%	5%	7.5%
<b>GNPC's carried and participating interest</b>			
CAP: Initial GNPC participation	10%	10%	15%
CAP: Additional GNPC participation	3.64%	5%	5%

GNPC sells its oil through both spot contracts and term contracts. Spot contract sales are one-off sales made on the open market, and usually delivered upon with 10 to 60 days of contract signing. Term contracts are long-term sales agreements, whereby the government and a buyer agree on the purchase of a specific quality and quantity of

15 GHEITI. Ghana EITI Oil & Gas Commodity Trading Pilot (GHEITI, 2018), [eiti.org/sites/default/files/documents/ghana\\_eiti\\_commodity\\_trading\\_pilot\\_report\\_-\\_august\\_2018.pdf](https://eiti.org/sites/default/files/documents/ghana_eiti_commodity_trading_pilot_report_-_august_2018.pdf)

16 Ghana Extractive Industries Transparency Initiative, *2017 and 2018 Oil and Gas Sector Report* (2019) [eiti.org/document/ghana-2017-2018-oil-gas-sector-report](https://eiti.org/document/ghana-2017-2018-oil-gas-sector-report).

crude, lifting schedule, formula for determining the price and payment terms.

The crude oil sales and purchase agreements (COSPA), or offtake agreements, are the contracts between a buyer and the government that set out the terms of the sale. Key provisions in the COSPA include the type of sale (spot versus term), quantity and quality of the crude oil to be sold, nomination of vessels for crude oil transport, pricing mechanisms and timelines for the payment of proceeds of sales.

Currently, 18 PAs have been signed and are publicly available on the website of the Petroleum Commission in compliance with EITI requirements and international best practice. To date, the government has not made its two long-term sales contracts or short-term spot contracts publicly available.

*To date, the government has not published its two long-term sales contracts or short-term spot contracts.*

## OIL SALES PROCESS IN GHANA

### Buyer selection

Politicization of decision-making and abuse of discretionary power in the buyer selection process can result in significant public rent diversion. To mitigate these risks, oversight actors encourage SOEs involved in crude sales to create well-resourced teams to administer the buyer selection process using predetermined and objective selection criteria and robust due diligence.<sup>17</sup>

The Petroleum Exploration and Production Law does not contain specific rules governing the buyer selection process for the government's share of production. GNPC has established a buyer selection process based on a set of technical and commercial criteria. The technical criteria are made up of parameters including ability to lift; flexibility and experience in marketing; record of accomplishment in health, safety and environment; potential to build GNPC's capacity; and local content (strength of local partner and in country investment). The commercial criteria evaluate the buyers' strategy to achieve the best price differential, pricing option and marketing fees.<sup>18</sup>

The MoF's oil sales disclosures do not contain information on the buyers of crude, impeding oversight actors' ability to assess whether these buyers have the technical expertise to undertake a purchase on this scale. The lack of information on the buyers of the state's crude also prevents scrutiny of whether these buyers are free of potential conflicts of interest, including whether they have a politically exposed persons (PEPs) as a beneficial owners.

### Negotiation of terms

The pricing process can also present risk of corruption and revenue losses. In some countries, NOCs have awarded contracts to certain buyers that contain inappropriately generous pricing terms. As for mispricing, it usually occurs through under-reporting volumes or under-invoicing the value of the crude oil sold. Mispricing can result in significant revenue loss and by extension, undue margins for the buying company.<sup>19</sup> The Petroleum Exploration and Production law does not provide specific rules for how GNPC should determine its selling price or negotiate

17 OECD. *Policy Dialogue on Natural Resource-Based Development Thematic Dialogue on Commodity Trading Transparency Discussion Paper* (2019), [www.oecd.org/dev/Session-1-OECD-discussion-paper-rationale.pdf](http://www.oecd.org/dev/Session-1-OECD-discussion-paper-rationale.pdf).

18 GHEITI. *Ghana EITI Oil & Gas Commodity Trading Pilot* (GHEITI, 2018), [eiti.org/sites/default/files/documents/ghana\\_eiti\\_commodity\\_trading\\_pilot\\_report\\_-\\_august\\_2018.pdf](http://eiti.org/sites/default/files/documents/ghana_eiti_commodity_trading_pilot_report_-_august_2018.pdf)

19 OECD. *Policy Dialogue on Natural Resource-Based Development Thematic Dialogue on Commodity Trading Transparency Discussion Paper* (2019), [www.oecd.org/dev/Session-1-OECD-discussion-paper-rationale.pdf](http://www.oecd.org/dev/Session-1-OECD-discussion-paper-rationale.pdf)

terms. To serve that purpose, GNPC has established a series of pricing options based on the daily average dated Brent price and a differential.<sup>20,21</sup>

Under this system, the buyer, under both spot and term contracts, are allowed to select one of four pricing options based on Platt's market wire pricing:<sup>22</sup>

- The average of five consecutive Platts Crude Oil Marketwire: two days prior to the bill of lading (BL), the BL date itself, and two days after the BL date.
- The average of five consecutive Platts Crude Oil Marketwire dated Brent quotations published immediately before to the BL date.
- The average of five consecutive Platts Crude Oil Marketwire dated Brent quotations published immediately after the BL date.
- The monthly average of Platts Crude Oil Marketwire Dated Brent price quotations for the BL month of lifting.

The buyer pays USD 0.08 per barrel for exercising any price option. Such an approach to pricing is well-established and common across countries, though it has not prevented the manipulation of pricing and sales values in all cases.

### Revenue management

The Petroleum Revenue Management Act (PRMA), 2011 (Act 815) was enacted “to provide the framework for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana.”<sup>23</sup>

The act establishes a Petroleum Holding Fund (PHF), into which all proceeds from the sale of the state's share of production (equity interests and royalties) are deposited directly by the buyer. The BoG hosts the PHF and is responsible for the operational management of the GPFs. The Bank receives invoices from GNPC covering the value of the oil whenever there is a lifting. The MoF is responsible for managing the revenues contained within the PHF and distributing oil sales proceeds to the Annual Budget Funding Amount, the Ghana Petroleum Funds (GPFs) and GNPC.

The management and distribution of oil sales revenues in the Petroleum Holding fund are detailed in section VII of this report.

*The Petroleum Revenue Management Act was enacted “to provide the framework for the collection, allocation and management of petroleum revenue in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana.”*

20 GHEITI, *Ghana EITI Oil & Gas Commodity Trading Pilot*.

21 The differential is based on an average of the realized price for all the Jubilee field crude oil liftings in the month of lifting (i.e., B/L month).

22 GHEITI, *Ghana EITI Oil & Gas Commodity Trading Pilot*.

23 Ghana Ministry of Finance. *Petroleum Revenue Management Act, 2011 (2011)*  
[www.mofep.gov.gh/publications/acts-and-policies/petroleum-revenue-management-act-815](http://www.mofep.gov.gh/publications/acts-and-policies/petroleum-revenue-management-act-815)

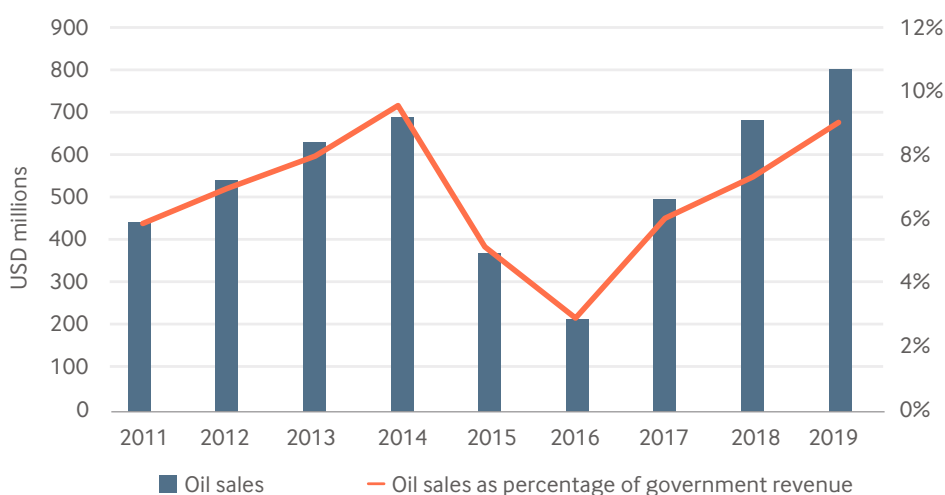
### III. Ghana oil sales data

Ghana is still a new producer, with first production from its Jubilee field occurring in November 2010, and the first cargo sold in early 2011. Despite the infancy of the country's oil sector, it already represents a significant source of government revenue, with GNPC oil sales equaling nine percent of government revenue in 2019.

To date, Ghana has only three producing oil fields, resulting in a smaller and less complex oil sector than neighboring oil-rich countries with a longer history of production. In 2017, Nigeria's national oil company, the Nigerian National Petroleum Corporation (NNPC), sold 453 cargoes of crude oil to 61 buyers totaling USD 13.2 billion or 241 million barrels of oil.<sup>24</sup> In comparison, in the same year, GNPC sold just 10 cargoes to four buyers totaling USD 523 million or 9.8 million barrels of oil, the equivalent to 4 percent of the value of NNPC's oil sales. The relative simplicity of Ghana's oil sector enables citizens to more readily hold the government and trading companies accountable for the state's oil sales activities.

*Despite the infancy of the country's oil sector, it already represents a significant source of government revenue, with GNPC oil sales equaling nine percent of government revenue in 2019.*

Figure 2. GNPC's oil sales revenue as a percentage of government revenue (2011- 2019)<sup>25</sup>



As of the end of quarter two of 2020, GNPC had sold 73 cargoes of oil. (See figure 1.) These 73 cargoes, included over 71.1 million barrels of oil, averaging 974,000 barrels of oil per cargo. These oil sales activities have generated USD 5.2 billion. The amount GNPC is able to generate per cargo varies significantly dependent on the price it is able to achieve. When the oil price is low, GNPC achieves a lower price per barrel, and thus a lower value for each cargo.

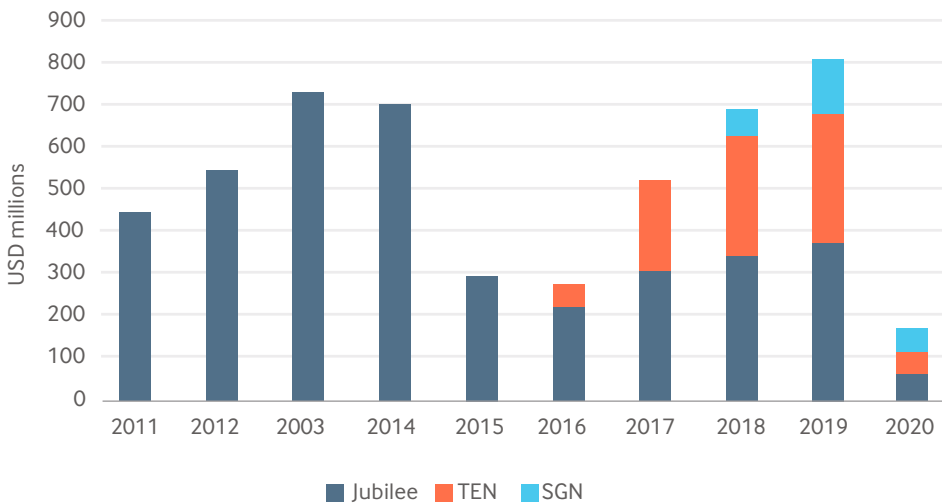
The most valuable cargo sold by GNPC was the sixth lifting from the Jubilee field, sold in April 2012. This cargo consisted of 997,636 barrels of oil sold for a unit price of USD 125.90, equaling USD 125.6 million. Conversely, GNPC's lowest value cargo was the 54th lifting from Jubilee, sold in April 2020, following the oil price crash that occurred at the start of the coronavirus pandemic. This cargo sold 992,896 barrels of oil for a unit price of USD 12.24, equaling USD 12.2 million.

24 Nigeria Extractive Industries Transparency Initiative. *Commodity Trading Pilot Report* (2019) [neiti.gov.ng/index.php/media-center/news/480-neiti-releases-report-on-sale-of-nigeria-s-crude](http://neiti.gov.ng/index.php/media-center/news/480-neiti-releases-report-on-sale-of-nigeria-s-crude)

25 NRGi, National Oil Company Database, [nationaloilcompanydata.org](http://nationaloilcompanydata.org); IMF, World Economic Outlook, October 2020 [imf.org/en/Publications/WEO/weo-database/2020/October](http://imf.org/en/Publications/WEO/weo-database/2020/October); and World Bank official exchange rate, [data.worldbank.org/indicator](http://data.worldbank.org/indicator).

The 73 cargos sold by GNPC to date have been generated from three producing fields. The vast majority of this has been generated from Jubilee. The first cargo sold from Tweneboa, Enyerra, and Ntomme (TEN) was sold in 2016, with Ghana's newest producing field, Sankofa Gye Nyame (SGN), producing its first cargo in 2018. (See figure 3.) The diversification and expansion of sources of oil in Ghana is expected to continue, with production from SGN likely to ramp up and a new producing field likely to come online in the coming years.

Figure 3. Total value of Ghana oil sales by producing field<sup>26</sup>



### SOURCES OF GHANA OIL SALES DATA

Ghana has been a global leader in progressing commodity trading transparency. The PRMA requires that the MoF and the BoG disclose information on the volume and value of oil sold by GNPC as well as date of sale, field of lifting, unit price, fees, gross receipt and transfer to GNPC on a quarterly basis. Through the MoF's petroleum receipts and distribution reports, it is possible to access important and timely information on every cargo ever sold by GNPC. These disclosures do not include information on the buyers of the crude.

*Ghana has been a global leader in progressing commodity trading transparency.*

One impediment to the use of this oil sales data for accountability in Ghana is the accessibility of the format in which this data is disclosed. The petroleum receipts and distribution reports are released in a non-machine-readable PDF, making the information contained within difficult to use for analysis and compare with previous disclosures.

GHEITI has also been an important source of information on GNPC's oil sales activities. In 2018, GHEITI released the *Ghana Commodity Trading Pilot Report*, which aimed to investigate and improve transparency in the Ghanaian commodity trading sector. This report conducted a detailed analysis of disclosures made by the government and companies on the oil sales activities in the country. GHEITI continued this disclosure practice in its 2017/2018 *GHEITI Oil and Gas Sector Report*, released in December 2019. This report disclosed information on the volume and value of oil sold by GNPC in 2017 and 2018. GHEITI also provided information on the buyers of the product, date of sale, field the oil was lifted from, type of contract, pricing option used and unit price achieved. A limitation of GHEITI disclosures is the time lag from purchase to disclosure. GHEITI reports go through a lengthy process

26 Ministry of Finance. Reconciliation Report on the Petroleum Holding Fund Reports, [mofep.gov.gh/publications/petroleum-reports?page=0](http://mofep.gov.gh/publications/petroleum-reports?page=0)

to reconcile the companies' and government's entities disclosures. As a result, at the time of this report's publication, the most recent GHEITI oil sales disclosures are for 2018, while the MoF petroleum receipts and distribution reports are from as recent as the second quarter of 2020.

In November 2020, GNPC also published information on its oil sales from 2015 to 2019 in line with the EITI 2019 Standard, Requirement 4.2 and *Guidance Note 26: Reporting on First Trades in Oil*.<sup>27, 28, 29</sup> As GNPC's reporting was in line with the EITI's reporting template, these disclosures also included buyers of the product, date of sale, field the oil was lifted from, type of contract, pricing option used and unit price achieved.

Drawing from these sources, NRGi has collected relevant information on GNPC's oil sales activities into a dataset that accompanies this report.

Table 2. Sources of oil sales data in Ghana

Data source	Description	Years available	Level of detail
<b>Ghana EITI 2017 and 2018 oil and gas sector report</b>	GNPC's sales of Ghana's oil in 2017 - 2018	2017 - 2018	Date of sale, field, buyer, volume, value, unit price  Information on Ghana's long-term sales agreements with Unipeac Asia and Litasco
<b>GHEITI commodity trading pilot report</b>	GNPC's sales of Ghana's oil in 2015 - 2017	2015 - 2017	Date of sale, grade, field, buyer, volume, value, unit price, pricing information, type of contract  Information on Ghana's long-term sales agreements with Unipeac Asia and Litasco
<b>Ghana Ministry of Finance Petroleum receipts and distribution report</b>	Quarterly data on the sale of Ghana's oil revenues	Q1 2011 – Q2 2020	Date of sale, field, volume, unit price, fees, gross receipt, transfer to GNPC
<b>Bank of Ghana merchandise trade flows</b>	Monthly crude oil exports	2011-2019	Year, month, value of export
<b>Bank of Ghana Quarterly balance of payments</b>	Quarterly balance of payments (crude oil)	2011-2019	Year, quarter, value
<b>GNPC's first trades of its crude oil</b>	Disclosures on its first trades of its crude oil in line with the EITI 2019 Standard, Requirement 4.2 and Guidance Note 26 - reporting on first trades in oil	2015-2019	Date of sale, grade, field, buyer, volume, value, unit price, pricing information, type of contract
<b>Trafigura and Glencore payments to governments reports</b>	Aggregated payments to governments disclosures by buying companies	2013; 2017	Product purchased, volume, value, date of lifting, grade of oil

## BUYER COMPANY REPORTING

Analysis of GNPC's disclosures show that from 2015 to 2019, GNPC sold 44 cargos to seven different buyers. (See Figure 4.) It sold 25 of these cargos, or 57 percent, to Unipeac Asia as part of its long-term sales agreement with GNPC for five cargos per year from the Jubilee oil field. The majority of the rest were sold to Litasco (10), again as part of a long-term sales agreement to purchase four cargos per year from the TEN

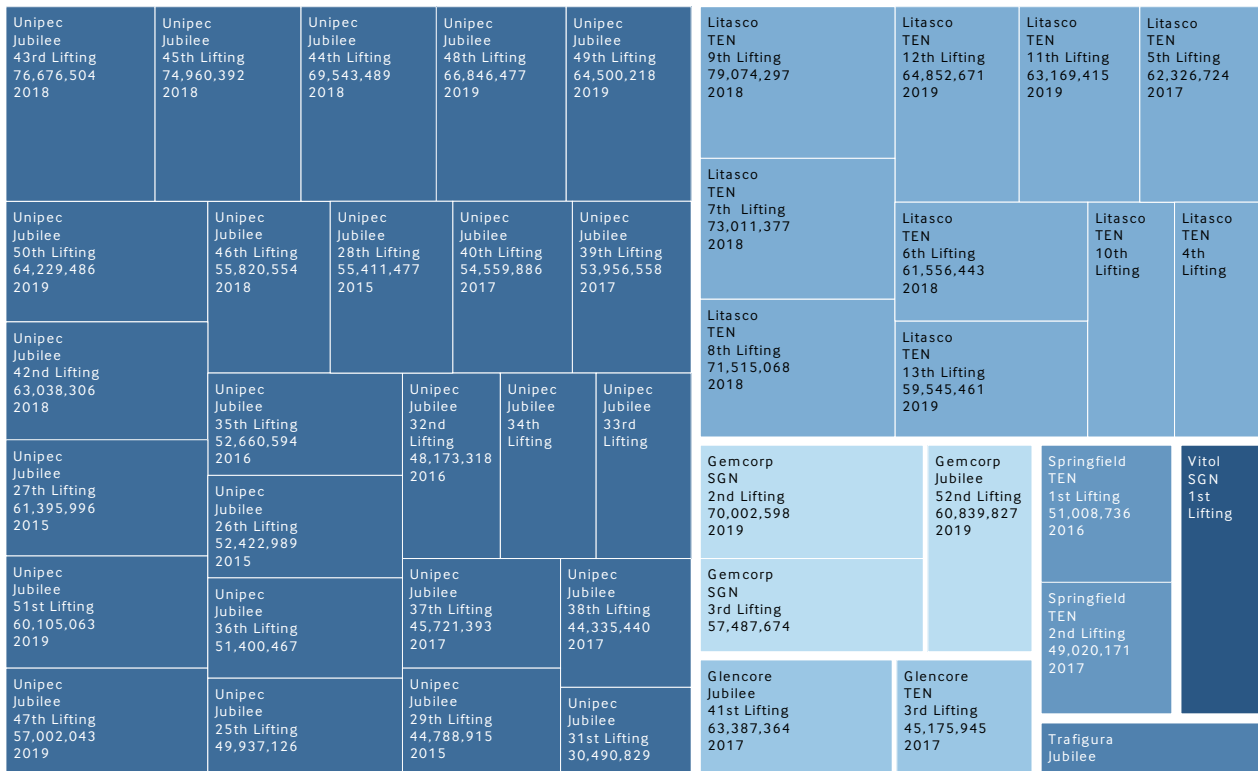
27 GNPC. *Crude Oil Sales Reports 2015 – 2019* (2020), [gnpcghana.com/eiti\\_report.html](http://gnpcghana.com/eiti_report.html)

28 EITI. *The EITI Standard 2019* (2019), [eiti.org/files/documents/eiti\\_standard\\_2019\\_en\\_a4\\_web.pdf](http://eiti.org/files/documents/eiti_standard_2019_en_a4_web.pdf)

29 EITI. *Guidance Note 26: Reporting on First Trades in Oil* (2017), [eiti.org/document/guidance-note-26-reporting-on-first-trades-in-oil](http://eiti.org/document/guidance-note-26-reporting-on-first-trades-in-oil)

field. In the five years for which data is available on the buyers of GNPC oil, GNPC sold just nine cargos to buyers through spot sales. GNPC sold these nine cargos to Gemcorp (three cargos), Glencore (two), Springfield (two), Trafigura (one) and Vitol (one).

Figure 4. Buyers of GNPC oil by cargo, 2015 to 2019 (USD)



Two buying companies, Trafigura and Glencore, have publicly disclosed their payments made to government entities in Ghana for the purchase of oil.<sup>30,31</sup> These disclosures show an important commitment to transparency that can build trust with citizens. They also enable oversight actors to compare company disclosure with government data. While Trafigura and Glencore’s commodity trading disclosures are an important step, neither have provided data disaggregated to the cargo-by-cargo basis necessary to maximize the utility of this data for accountability purposes.<sup>32</sup> In September 2020, the Extractive Industries Transparency Initiative (EITI) launched new voluntary guidelines for commodity traders that buy oil, gas and minerals from governments.<sup>33</sup> The guidelines state that companies should disclose their payments using the disaggregated template accompanying these voluntary guidelines.<sup>34</sup>

30 Trafigura. *2015 Responsibility Report* (2015) [www.trafigura.com/media/1211/2015\\_trafigura\\_responsibility\\_report\\_en.pdf](http://www.trafigura.com/media/1211/2015_trafigura_responsibility_report_en.pdf)

31 Glencore. *Payments to Governments 2018* (2019) [www.glencore.com/dam/jcr/c9cea7dd-9fe6-4f9b-bd6a-e82f72672075/Glencore\\_Payments\\_to\\_governments\\_report\\_2018--.pdf](http://www.glencore.com/dam/jcr/c9cea7dd-9fe6-4f9b-bd6a-e82f72672075/Glencore_Payments_to_governments_report_2018--.pdf). Glencore payments to governments for the purchase of crude oil began in 2018, so only Jubilee 41st lifting was included in the disclosures. This purchase occurred in 2017, but as product was not received until 2018, Glencore chose to include this cargo purchase in its 2018 disclosures.

32 Both Trafigura and Glencore appear to have disclosed information for the purchase of just one cargo, providing de facto cargo-by-cargo disaggregation.

33 Extractive Industries Transparency Initiative. *Reporting guidelines for companies buying oil, gas and minerals from governments* (2020), [eiti.org/document/reporting-guidelines-for-companies-buying-oil-gas-minerals-from-governments](http://eiti.org/document/reporting-guidelines-for-companies-buying-oil-gas-minerals-from-governments)

34 Joseph Williams. *Commodity Trading Transparency: Voluntary Guidelines Show the Way, Authorities Must Now Legislate* (NRGI, 2020), [resourcegovernance.org/blog/commodity-trading-transparency-EITI-voluntary-guidelines-authorities-must-legislate](http://resourcegovernance.org/blog/commodity-trading-transparency-EITI-voluntary-guidelines-authorities-must-legislate).

## IV. Analyzing term and spot sales

GNPC has two long-term contracts with Unipac Asia and Litasco to purchase liftings from the Jubilee and TEN fields, respectively. (See Table 3.) GNPC signed the term agreement with Unipac Asia in December 2011 as part of the umbrella loan agreement of a USD 3 billion loan the government of Ghana agreed with the China Development Bank.<sup>35</sup> Under this long-term sales agreement, which came into effect in February 2012, Unipac Asia, a trading subsidiary of Chinese state-owned Sinopec Group, has agreed to the purchase five cargos per calendar year from the Jubilee field for 15.5 years. GNPC's term contract with Litasco, the marketing and trading arm of Russian international oil company Lukoil, provides for the trader to purchase four cargos a year from the TEN field for six years. This agreement began in 2017, meaning it is due to run until 2023.

Table 3. Summary of GNPC's long-term oil sales agreements

	Unipac Asia	Litasco
Field	Jubilee	TEN
Year start	2012	2017
Length	15.5 years	6 years
Cargos per year	5	4
Tied to loan repayment	Part of the umbrella agreement of a USD 3 billion loan from China Development Bank	Part of larger agreement with Litasco including bank guarantees of USD 279 million

GNPC sells any additional cargos generated from the Jubilee and TEN fields above the five and four cargos, respectively, already allocated to long-term sales agreements through spot sales. Similarly, all cargo sold from the SGN field are currently sold through spot sales as GNPC has not signed a long-term sales agreement for cargos produced from this field. As a result, with information on all cargos lifted in a calendar year, it is possible to determine whether any given cargo was sold through a spot or term contract.

Oil sales data sheds light on some of the government's largest financial deals, particularly its loan from the China Development Bank (CDB) and its multifaceted interactions with the Russian oil trader, Litasco. Oversight actors in Ghana have raised questions about how GNPC chooses to sell its oil and whether this represents an optimal deal for the country's citizens. In 2019, the PIAC urged the government to not use its oil wealth as collateral for further oil-backed loans. At a stakeholder forum co-organized by PIAC and GNPC, stakeholders called for greater transparency on the processes of entering into such loan agreements, disclosure of terms and formation of multi-stakeholder crude oil pricing committee.<sup>36</sup>

Similarly, in 2018, the MoF wrote to GNPC questioning the pricing basis of the TEN field crude oil involving Russian trader, Litasco. In its response, GNPC disclosed that the offtake agreement with Litasco for TEN field's crude oil reflects multiple arrangements. These arrangements include bank guarantees by GNPC on behalf

*Oil sales data sheds light on some of the government's largest financial deals, particularly its loan from the China Development Bank and its multifaceted interactions with the Russian oil trader Litasco.*

35 Ghana Ministry of Finance. *US\$3 Billion Term Loan Facility Agreement Between China Development Bank (CDB) And Government Of Ghana (Gog) – Summary* (2012), [www.mofep.gov.gh/sites/default/files/reports/economic/CDB\\_Loan\\_Summary\\_050112.pdf](http://www.mofep.gov.gh/sites/default/files/reports/economic/CDB_Loan_Summary_050112.pdf)

36 Ghana Web. *PIAC urges Government to desist from using oil to acquire loans* (2019), [oglinks.news/gnpc/news/piac-urges-government-desist-using-oil-acquire-loans](http://oglinks.news/gnpc/news/piac-urges-government-desist-using-oil-acquire-loans)



of other state entities, as well as loan advances and other transactions by Litasco on behalf of GNPC and the government of Ghana. For example, Litasco provided a USD 279 million guarantee, comprising USD 100 million for Bulk Oil Storage and Transportation Company Limited (BOST)<sup>37</sup> and USD 175 million for Karpowership, a subsidiary of Karadeniz Energy Group, to ensure stable power supply and to clear the debt of BOST.

In the heat of Ghana's power crisis in 2014, Karpowership signed a 450 MW contract with Electricity Company of Ghana to deploy a floating power plant for a period of 10 years.<sup>38</sup> The government called on GNPC to provide a sovereign guarantee for the project. BOST was on the brink of defaulting on its debt, and the government, through GNPC, took advantage of the Litasco transaction to rescue the company. Litasco also supplied heavy fuel oil worth US\$80 million to the Karpowership and another USD 179 million bank guarantee to the Electricity Company of Ghana (ECG), the country's power distributor, among several other transactions.<sup>39</sup>

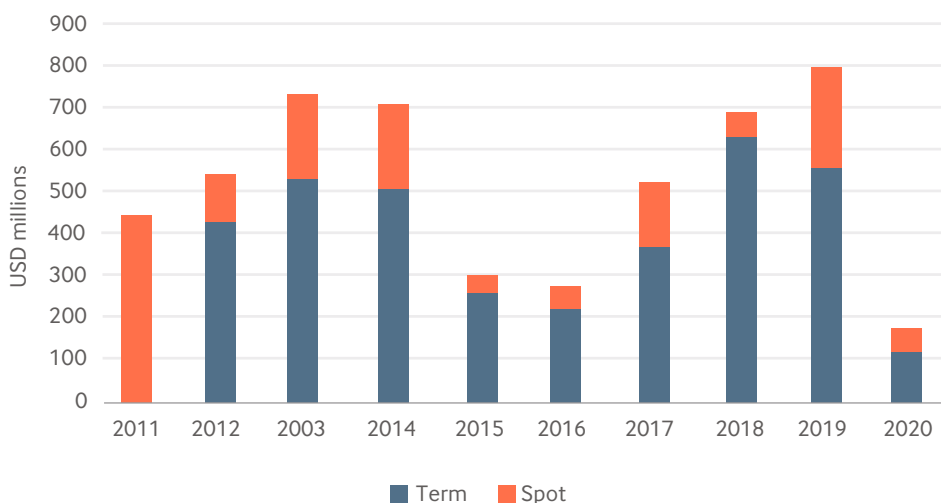
PIAC and CSOs in Ghana have argued that such arrangements disrupt the real market value that would otherwise be obtained from the spot market or other types of contract sales devoid of these financial arrangements. GNPC responded to these claims by stating that the benefits from these transactions far outweigh any losses in the crude sales process.<sup>40</sup>

## FINDINGS

Using information provided through the MoF's Petroleum Receipts and Distribution Reports, figure 5 shows the percentage of oil sales revenue generated from spot and term contracts. This figure shows that the vast majority of oil is allocated to the Unipeac Asia and Litasco term contracts. However, as production from SGN increases and new producing fields come online, the percentage of cargos sold through spot contracts is likely to increase.

*The vast majority of Ghana's oil is allocated to the Unipeac Asia and Litasco term contracts.*

Figure 5. Ghana oil sales revenue by type of contract, 2011 to April 2020



37 BOST is a state-owned company with a mandate to maintain strategic oil reserves and a network of storage tanks, pipelines and other bulk transportation infrastructure. [www.bost.com.gh/about-us/corporate-profile](http://www.bost.com.gh/about-us/corporate-profile)

38 Karpowership. About Us (2020), [www.karpowership.com/en/ghana](http://www.karpowership.com/en/ghana)

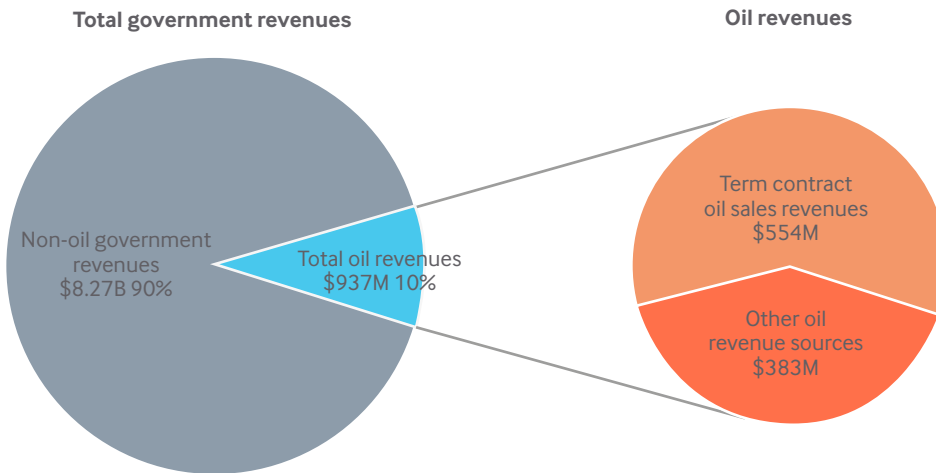
39 Elvis Darko. *We Did Nothing Wrong – GNPC outlines benefits of Litasco Deal* (The Finder, 2018), [www.thefinderonline.com/news/item/14264-we-did-nothing-wrong](http://www.thefinderonline.com/news/item/14264-we-did-nothing-wrong)

40 *Ibid.*

Oil sales revenue generated from GNPC's two long-term sales agreements represented 59 percent of Ghana's total oil revenue in 2019. The USD 554 million generated from these two term contracts in 2019 also equaled 6 percent of total government revenue.<sup>41</sup>

*The USD 554 million generated from Ghana's two term contracts in 2019 equaled 6 percent of total government revenue.*

Figure 6. Term contract oil sales as a percentage of Ghana general government revenue, 2019



### Analyzing the price achieved

MoF's oil sales disclosures include information on the per barrel selling price for each cargo sold. As a result, oversight actors are able to compare the unit selling price to the Brent crude price of the same time period. PIAC and GHEITI have previously called for companies, such as Tullow, which is operating producing fields in the country, to disclose their own sales information to check if GNPC is achieving a similar price and to help understand income tax obligations that are based on Tullow's realized sales price.<sup>42</sup>

As Ghana's oil price is determined based on a dated Brent price and a differential, it is not possible to use this type of analysis to determine if any particular sale represents optimal market value for the state at the time of sale. However, this analysis does enable oversight actors to examine the price achieved under both spot and term contracts. Figure 7 shows the unit price for each cargo sold from 2018 to mid-2020, for both spot and term contracts, measured against the Brent price.

41 Ministry of Finance. Reconciliation Report on the Petroleum Holding Fund Reports, [mofep.gov.gh/publications/petroleum-reports?page=0](http://mofep.gov.gh/publications/petroleum-reports?page=0)

42 Energy Mix Report. *GNPC urged to Adopt Crude Oil Trade Hedging Strategy*. (2018), [www.energymixreport.com/ghanas-gnpc-urged-to-adopt-crude-oil-trade-hedging-strategy/](http://www.energymixreport.com/ghanas-gnpc-urged-to-adopt-crude-oil-trade-hedging-strategy/)

Figure 7. Unit price in dollars of cargos sold by type of contract, 2018 to April 2020



Being able to analyze the unit price achieved by GNPC on each of the cargos it sells enables oversight actors to analyze the sales and to have a more informed debate on the merits of the government entering into further long-term sales agreements, especially in instances whether these agreements are tied to loan facilities.

## V. Analyzing revenues generated from in-kind royalties and carried and participating interest

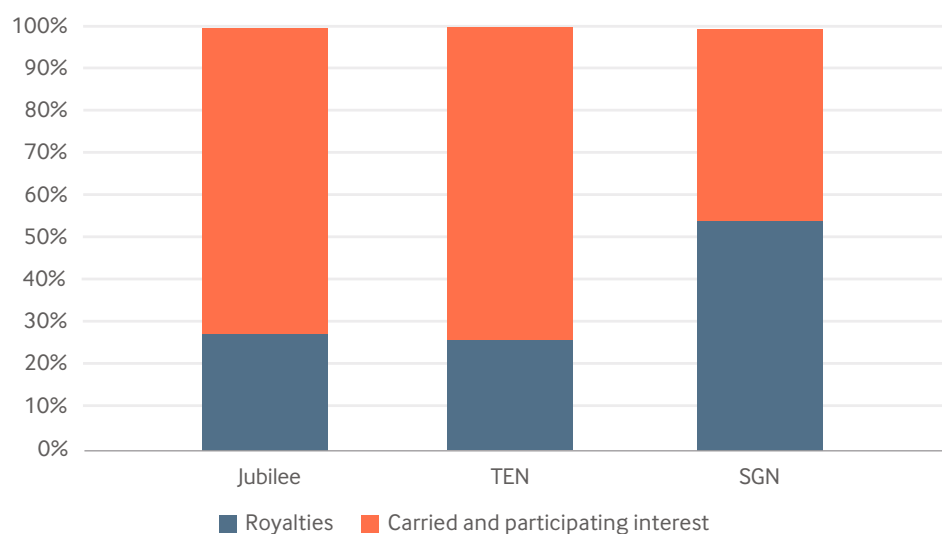
The royalty rates on gross production and CAPI rates vary for each producing field. (See table 1.) The appropriate royalty and CAPI rates to achieve an optimal deal for the government has been a source of debate in Ghana. In February 2020, John Jinapor, former Deputy Minister of Power, accused the government of failing to achieve maximum value for its citizens from its oil resources by not increasing GNPC's share in most petroleum agreements. Mr. Jinapor also questioned the decision to reduce GNPC's additional participating interest in the as of yet non-producing South Deepwater Tano Block petroleum agreement from 15 percent to 3 percent.<sup>43</sup> The government responded, noting that it had decided to reduce the GNPC's share as it risked being over-exposed if the project failed to reach profitability quickly.<sup>44</sup>

MoF data can be used to assess the oil sales revenue the government receives from selling oil generated from both royalty and CAPI, helping to inform debates on whether the current levels are appropriate for the government to achieve a good deal while keeping GNPC's risk exposure at an acceptable level.

### FINDINGS

Figure 8 shows the share of oil sales revenue generated from royalty and CAPI oil for each of Ghana's producing fields in 2019. The findings suggest that for both the Jubilee and TEN fields, the government generates around three quarters of its oil sales revenue from oil received as a result of GNPC's CAPI in the projects, and one quarter from the royalties generated from these projects. These projects have a royalty rate of 5 percent and CAPI rates of 13.64 percent and 15 percent respectively.

Figure 8. Share of Ghana oil sales revenue by field and oil source in 2019<sup>45</sup>



43 Graphic Online. *John Jinapor's presentation on Ghana's energy sector debts* (2020), [www.graphic.com.gh/news/politics/john-jinapor-s-presentation-on-ghana-s-energy-sector-debts.html](http://www.graphic.com.gh/news/politics/john-jinapor-s-presentation-on-ghana-s-energy-sector-debts.html)

44 *Ibid.*

45 Ministry of Finance. *Reconciliation Report on the Petroleum Holding Fund Reports*, [mofep.gov.gh/publications/petroleum-reports?page=0](http://mofep.gov.gh/publications/petroleum-reports?page=0)

For SGN, which has a royalty rate of 7.5 percent and a CAPI rate of 20 percent, royalty oil generated a slightly larger share of the government's oil sales revenue in 2019. One likely explanation for this is that this project only begun producing commercially in 2018, and thus the operating company is likely recouping large amounts of cost oil, reducing the amount available in profit oil available to be split between the project partners.

The oil price crash that occurred in 2020 will likely reduce the amount of oil the government receives as a result of its CAPI in each. At the same time, the revenue that GNPC can generate from selling both royalty and CAPI oil will decrease as a result of the lower oil price.

*The 2020 oil price crash will likely reduce the amount of oil the government receives.*

## VI. Monitoring the distribution of oil sales revenues

Ghana, like many oil producing countries, faces the challenge of responding to the coronavirus pandemic with reduced government revenues resulting from the oil price crash. At the same time, the global energy transition may mean that the oil price never fully recovers and that oil reserves could become stranded, leaving oil-producing developing countries to face an increasingly uncertain future.

The PRMA determines oil revenue management, allocating revenue to the Annual Budget Funding Amount, Ghana petroleum funds (GPFs) and to GNPC to fund its activities.<sup>46</sup> Ghana has two funds that receive revenues through the GPF, the Ghana Stabilization fund (GSF) and Ghana Heritage fund (GHF). The GSF is intended for use to respond to oil revenue shortfalls that might impact the national budget. The GHF is intended as a mechanism to save for a post-oil future. The PRMA dictates that no more than 70 percent of the government's total oil revenues are allocated to the Annual Budget Funding Amount and no less than 30 percent is allocated to the GPFs. While the PRMA sets parameters for the distribution of oil revenues, the MoF and parliament have the ability to adjust the allocation to specific funds and the amount transferred to GNPC.

In the context of the pandemic, the choices the government makes with regards to the management and use of oil sales revenues are more important than ever. Since the pandemic began, government, media and civil society stakeholders have debated how best to manage the country's reduced oil sales revenues. In March 2020, in response to the economic impacts of the coronavirus, the MoF proposed to parliament that it realign the allocations of oil revenue within the budget. This proposal included lowering the cap on the GSF from USD 300 million to USD 100 million and using the difference to fund the Coronavirus Alleviation Program (CAP); reducing the revenue allocation to GNPC from 30 percent to 15 percent of petroleum revenues; and amending the PRMA to allow for the use of the GHF to also fund the CAP.

CSOs, including NRGi and the African Center for Energy Policy, have cautioned against using the GHF to plug revenue shortfalls with revenue intended to support the budget when Ghana is no longer generating oil revenues.<sup>47,48</sup> While emergency spending is necessitated by the unprecedented challenges of the pandemic, drawing down the GHF will undermine its future impact and leave Ghana vulnerable to oil revenue volatilities caused by the pandemic and energy transition in the longer term.

MoF data can be used to monitor the impact of reduced oil sales revenues on recipient funds and GNPC revenues. It can also be used to assess the impact of proposed changes on the amount distributed to each recipient.

*The global energy transition may mean that the oil price never fully recovers and that oil reserves could become stranded, leaving oil-producing developing countries to face an increasingly uncertain future.*

46 The PRMA allocates revenue from oil sales and revenue generated from corporate income tax, surface rentals and income generated from the PHF's investments. Oil sales contribute the vast majority of this revenue, accounting for 79 percent of all oil revenue distributed under the PRMA in 2019.

47 Nafi Chinery. *Ghana: Initial Assessment of the Impact of the Coronavirus Pandemic on the Extractive Sector and Resource Governance* (NRGI, 2020), [resourcegovernance.org/analysis-tools/publications/ghana-assessment-coronavirus-extractive](https://resourcegovernance.org/analysis-tools/publications/ghana-assessment-coronavirus-extractive)

48 Africa Centre for Energy Policy. *Analysis Of The Finance Minister's Statement On The Economic Impact Of The Covid-19 Pandemic On The Economy Of Ghana* (2020), [s3.amazonaws.com/new-acep-static1/publications/ACEP+Comments+on+the+Statement+of+the+Minister+of+Finance+on+the++Impact+of+COVID.pdf](https://s3.amazonaws.com/new-acep-static1/publications/ACEP+Comments+on+the+Statement+of+the+Minister+of+Finance+on+the++Impact+of+COVID.pdf)

## FINDINGS

MoF's 2019 Reconciliation Report on the Petroleum Holding Fund provides information on the total oil sales disbursements in 2019 by way of lifting.<sup>49</sup> Figure 9 shows that of the USD 925 million disbursed in 2019, under the PRMA, USD 395 million (43 percent) to funding the annual budget, USD 188 million (20 percent) to the GSF and USD 80 million (9 percent) to the GHF.

The remaining 28 percent (USD 260 million), was transferred to GNPC to fund its commercial activities. Under the MoF's proposal from March 2020, GNPC's allocation would drop to 15 percent. Had GNPC received only 15 percent of total oil revenue in 2019, that would equal USD 139 million, a USD 121 million drop on what it actually received. A significant drop in revenue of this nature will likely result in GNPC struggling to fund its current activities. A recent OECD study noted that NOCs facing this form of revenue drop may turn to private borrowing to make up the shortfall.<sup>50</sup> In Ghana, this could present an alarming potential consequence because the government is already facing large debt burdens.

Figure 9. Distribution of 2019 Ghana oil sales revenues by lifting (USD)

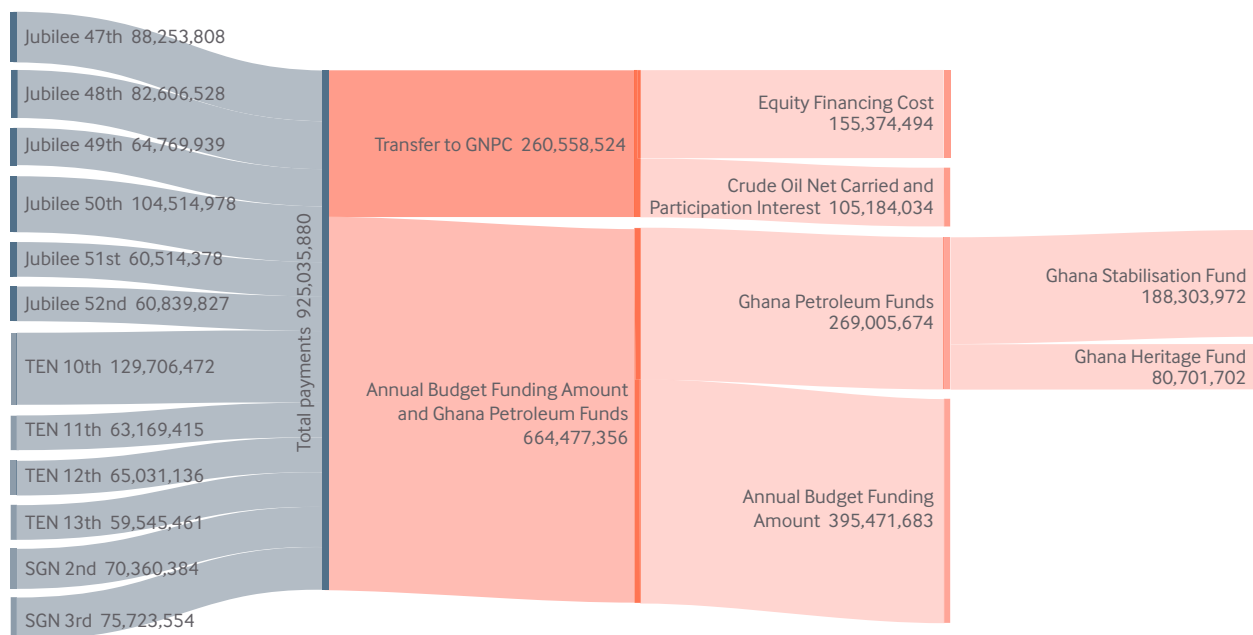


Figure 9 makes clear that the revenue allocated to the GHF under the PRMA makes up a small share of the total oil sales revenue in 2019. As ACEP argued in its response to the MoF proposal to adjust disbursement of petroleum revenues in March 2020, drawing down the GHF will likely not significantly change Ghana's response to the pandemic in the short term, but will hinder the country's ability to plan for a post-oil future in the long term.

49 Ministry of Finance. *2019 Reconciliation Report on the Petroleum Holding Fund* (2020), [mofep.gov.gh/sites/default/files/reports/petroleum/2019-Petroleum-Annual-Report\\_2020-04-23\\_v2.pdf](https://mofep.gov.gh/sites/default/files/reports/petroleum/2019-Petroleum-Annual-Report_2020-04-23_v2.pdf)

50 OECD. *The Impact Of Coronavirus (COVID-19) And The Global Oil Price Shock On The Fiscal Position Of Oil-Exporting Developing Countries* (2020), [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/](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/)

## VII. Policy recommendations

While Ghana is a leading country for commodity trading transparency, improvements are still needed to ensure that citizens can hold the government and companies accountable for the sale of the country's share of production and the management of the resulting revenue.

### RECOMMENDATIONS FOR THE GOVERNMENT

- Ghana's Ministry of Finance should include information on buyers in its quarterly reporting on GNPC's oil sales activities.** The lack of timely information on the identification of the buyer of each cargo limits the use of this data for accountability purposes. Information on the buyers would enable oversight actors to assess whether these buyers are credible and free of potential conflicts of interest, including ownership by politically exposed persons, helping to mitigate potential corruption risks that arise at this stage of the commodity trading process.
- Ghana's Ministry of Finance should improve accessibility to oil sales information.** Ghana is a global leader in commodity trading transparency, with granular disclosures made by MoF, GHEITI, BoG and GNPC. Ghana's oil sales data in its current format is difficult to access, with much of it contained in non-machine-readable PDF documents. GHEITI and GNPC have made steps to improve accessibility of the oil sales information, publishing its oil sales data in Excel format. To ensure its accessibility and usability for accountability by citizens, the MoF should develop a data repository to contain and display this important information.
- The Ghanaian government should disclose long-term sales contracts agreements.** The questions that CSOs have raised on the pricing of cargos purchased by Litasco demonstrate that the precise terms within long-term sales contracts agreements, such as those signed with Unipac Asia and Litasco, are pertinent to determining whether they represent a good deal for the country. While the government should be commended for the information it has released on the terms of its agreement with Unipac Asia, it should consider disclosing the long-term sales contracts with both Unipac Asia and Litasco, and commit to disclosing any future similar agreements. Requirement 4.2 of the 2019 EITI Standard recommends that oil sales information be disclosed by contract.<sup>51</sup>

### RECOMMENDATIONS FOR BUYING COMPANIES

- Disclose information on oil sales purchases in Ghana.** All companies purchasing cargos from GNPC should disclose their payments on a cargo-by-cargo basis. While Trafigura and Glencore's commodity trading disclosures are an important step, neither have provided data disaggregated to the cargo-by-cargo basis necessary to maximize the utility of this data for accountability purposes.<sup>52</sup> In September 2020, EITI launched a new voluntary guidelines for commodity

<sup>51</sup> EITI. *The EITI Standard 2019*.

<sup>52</sup> Both Trafigura and Glencore appear to have disclosed information for the purchase of just one cargo, providing de facto cargo-by-cargo disaggregation.



traders that buy oil, gas and minerals from governments.<sup>53</sup> Companies should disclose their payments using the disaggregated template accompanying these voluntary guidelines.<sup>54</sup>

## RECOMMENDATIONS FOR COMMODITY TRADING HUBS

- **Authorities in trading hubs such as the U.K., Switzerland, the U.S. and Singapore should require commodity trading companies to disclose the payments they make to governments for the purchase of commodities.**

Laws requiring that companies disclose their payments to governments related to extractive payments already exist in the European Union, Norway, Canada, the United Kingdom and Switzerland. Similar laws should be implemented in trading hubs to require that companies disclose the payments they make to governments related to commodity trading activities. Buying company disclosure would help build trust with citizens and increase accountability over the government and GNPC's commodity trading activities and management of the resulting revenues.

Some governments are beginning to make progress in this direction. In 2020, Switzerland passed a law that authorizes the Federal Council, the country's executive, to apply new transparency provisions to Swiss commodity traders as part of an international process by which authorities in other major trading hubs would make a similar move.<sup>55</sup> And last year, the United Kingdom committed to "establish and implement a common global reporting standard" in this area, noting that "the largest payment stream missing from mandatory disclosure is payments to governments for the sale of publicly owned oil, gas and minerals (commodity trading), an area where corruption risk is acute."<sup>56</sup> Finally, the U.S. Securities and Exchange Commission has acknowledged the significance of these payments and has an opportunity to include them in final rules for its own transparency law expected later this year.<sup>57</sup>

53 Extractive Industries Transparency Initiative. *Reporting guidelines for companies buying oil, gas and minerals from governments*.

54 Joseph Williams. *Commodity Trading Transparency: Voluntary Guidelines Show the Way, Authorities Must Now Legislate*.

55 Joseph Williams. *Switzerland Adopts Extractive Sector Transparency Law, Opens Door To Improved Commodities Trading Transparency* (NRGI, 2020), [resourcegovernance.org/news/switzerland-adopts-extractive-sector-transparency-law-opens-door-improved-commodities-trading](https://resourcegovernance.org/news/switzerland-adopts-extractive-sector-transparency-law-opens-door-improved-commodities-trading)

56 United Kingdom Department for Digital, Culture and Sport. *Policy paper UK National Action Plan for Open Government 2019-2021* (2019), [www.gov.uk/government/publications/uk-national-action-plan-for-open-government-2019-2021](https://www.gov.uk/government/publications/uk-national-action-plan-for-open-government-2019-2021)

57 Joseph Williams. *Comment on Proposed Rule Requiring Disclosure of Payments by Resource Extraction Issuers File No. S7-24-19; Release No. 34-87783* (NRGI, 2020), [www.sec.gov/comments/s7-24-19/s72419-6961595-212793.pdf](https://www.sec.gov/comments/s7-24-19/s72419-6961595-212793.pdf)

## Conclusion

GNPC's commodity trading activities are a significant source of government revenues. This report explored oil sales data available in Ghana and some of the ways this information has and can be used by CSOs, government, media and oversight actors to hold governments and companies accountable for how oil sales activities are governed and how the resulting revenues are managed.

As the country responds to and looks to recover from the coronavirus pandemic, ensuring that the government maximizes oil sales revenues and uses the resulting revenue in an efficient and responsible manner will be more important than ever.

With the release of new data by the MoF, GNPC, GHEITI and buying companies in 2021, more research will be needed to fully assess the impact of the coronavirus and oil price crash on this important source of government revenue and to ensure that governance processes are not weakened as a result of cost cutting measures.”



#### AUTHORS

Alexander Malden is a governance officer with the Natural Resource Governance Institute (NRGI). Denis Gyeyir is an Africa program officer with NRGi.

#### ACKNOWLEDGMENTS

The authors thank all those who reviewed this report, including Nafi Chinery, Joseph Williams, Alexandra Gillies, Anna Fleming, David Mihalyi, Margarita Batlle, Catalina Muller, William Davis, Thomas Scurfield and Lee Bailey. The authors would also like to thank the participants of the research presentation workshops that provided valuable feedback and informed the final report.

The Natural Resource Governance Institute, an independent, non-profit organization, helps people to realize the benefits of their countries' oil, gas and mineral wealth through applied research, and innovative approaches to capacity development, technical advice and advocacy.

Learn more at [www.resourcegovernance.org](http://www.resourcegovernance.org)

