

OIL AND GAS REGULATORY FRAMEWORKS AND THE LOCAL ECONOMY

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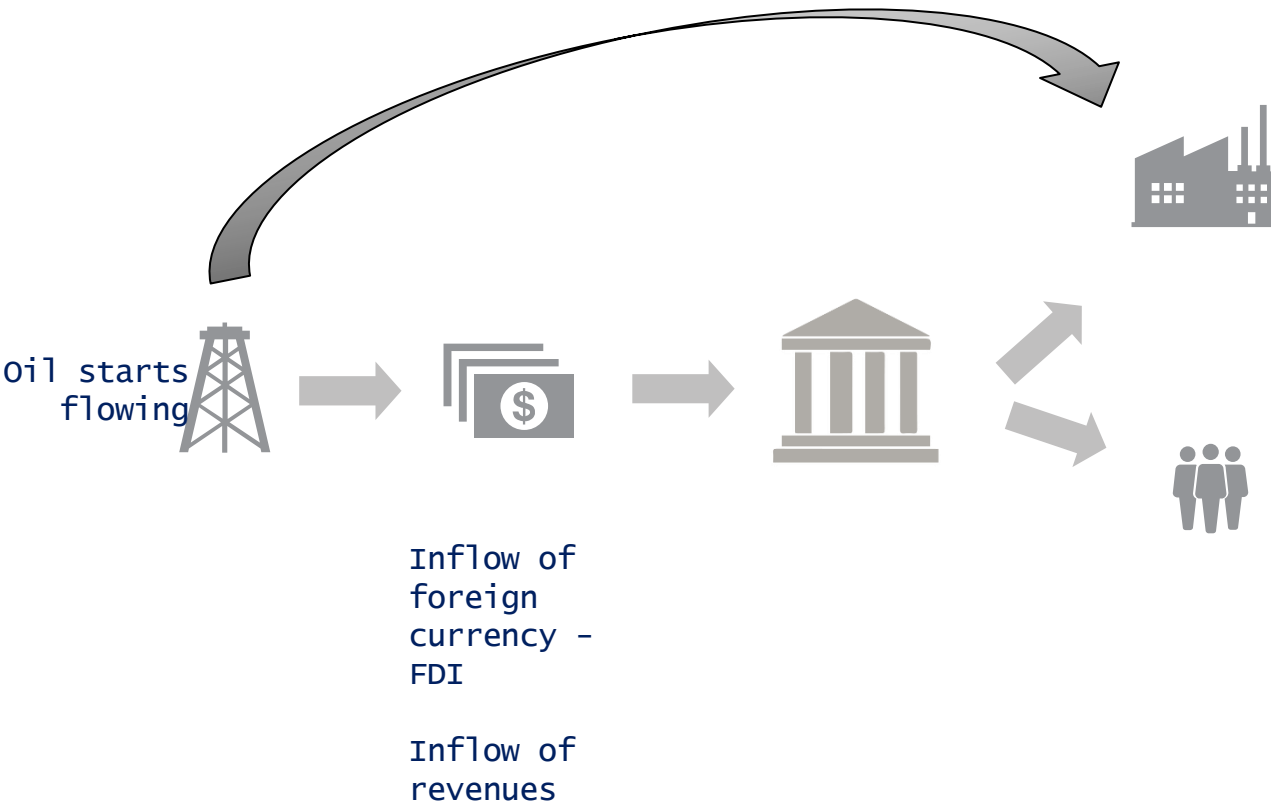
GHANA'S PETROLEUM RESOURCES



PRINCIPAL CHALLENGES IN MANAGING RESOURCE REVENUES

- α Dutch disease and 'absorptive capacity constraints'
- α Persistent problem of excessive expenditure relative to recurrent revenues
- α Volatility, unequal expertise
- α Exhaustibility
- α Transparency and Accountability

OPPORTUNITIES FROM OIL AND GAS SECTOR



- ✘ Petroleum (E&P) law
- ✘ Local Content Regulations
- ✘ PRMA

LOCAL CONTENT AND LOCAL PARTICIPATION REGULATIONS - 2013

- α Promote indigenous investments, participation, and skills development in the oil and gas sector – forward and backward linkages
- α Value addition with Ghanaian involvement
- α Transfer of technology and know-how
- α Research and Development
- α Maintain Ghanaian control in the longer term
- α Local companies becomes more competitive internationally

BEFORE WE GET THERE

- α Enabling environment
 - α Access to finance for local businesses
 - α Incentive package for local businesses
 - α skills development
 - α Robust Infrastructure
 - α Macro fiscal environment – inflation, exchange rates, interest rates, etc.
 - α Preferences to Ghanaian businesses

DOES THE REGULATIONS PROVIDE THAT?

- α Requires preferences to be given to local businesses and labour
- α Establishment of local offices in the local districts
- α Technology transfer, employment, training, and succession plans
- α Financial services plan
- α Legal services plan
- α Legal services plan
- α Numerical targets for local content plans

PETROLEUM EXPLORATION AND PRODUCTION LAW - 2016

- α Ensure safe, secure, sustainable, and efficient petroleum activities to achieve long term petroleum resource exploitation and utilization for the benefit and welfare of the people of Ghana
- α Ensure sector regulation is open and transparent to reduce corruption and illicit activities
- α Ensure conduct of petroleum activities are in accordance with the principles of good governance

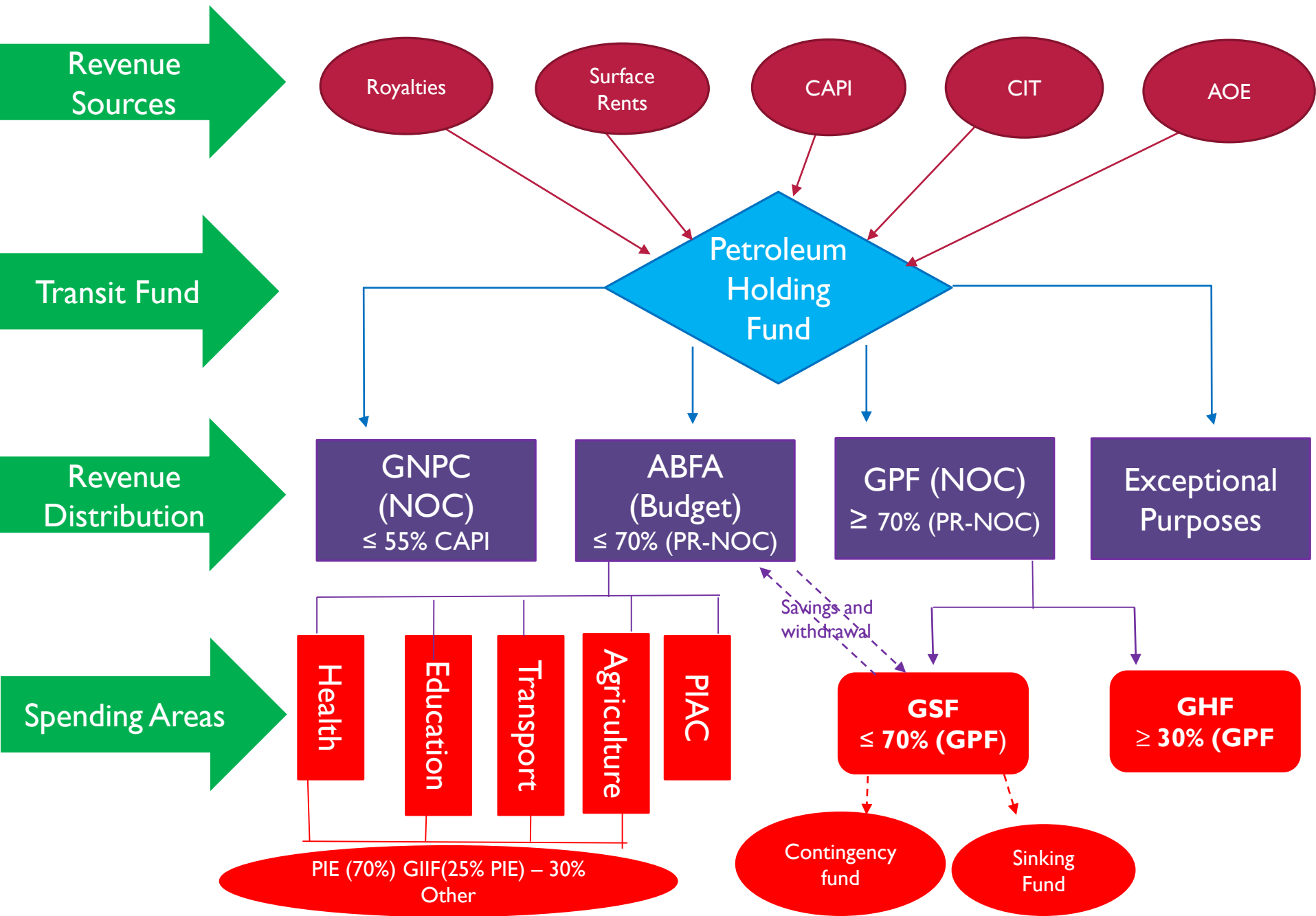
WHAT'S IN FOR THE LOCALS?

- ⌘ Reinforces local content requirements as stipulated in the LC regulations
- ⌘ Establishes a local content fund with clear aim and purpose –
 - ⌘ Education, training, research and development in petroleum activities for Ghanaian citizens, indigenous Ghanaian companies and institutions of learning
 - ⌘ Competitive loans for small and medium scale enterprises in the oil and gas sector
- ⌘ Clear governance structures for the fund
- ⌘ Management of environmental pollution and damages caused by petroleum activities

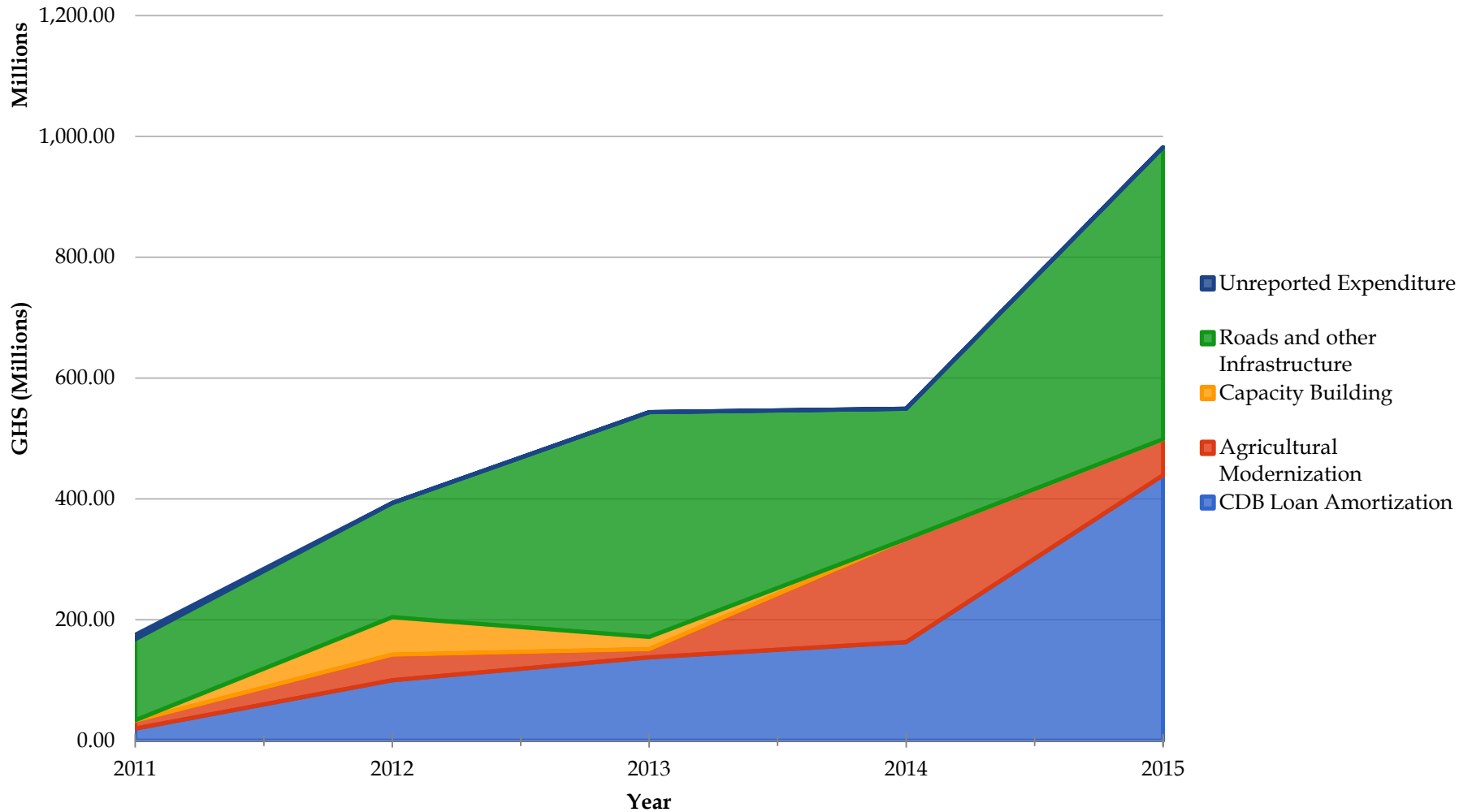
PETROLEUM REVENUE MANAGEMENT ACT – 2012

- α *“to provide the framework for the collection, allocation and management of petroleum revenues in a responsible, transparent, accountable and sustainable manner for the benefit of the citizens of Ghana in accordance with Article 36 of the Constitution”*

PRMA DISTRIBUTION ARRANGEMENTS

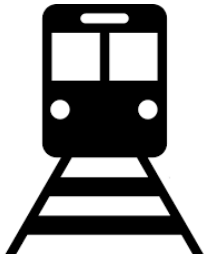


DE FACTO: Price and Revenue Volatility



Petroleum Revenue Spending – Local Economic Benefits (2011–2016)

GHS 3.3 b



GHS 60,257,841

ACHIEVING THE PURPOSE OF PRMA

- ✘ All petroleum revenues accruing to government are to be placed initially in the Petroleum Holding Fund (PHF)
- ✘ GSF to cushion the impact on or sustain public expenditure capacity during periods of unanticipated petroleum revenue shortfalls
- ✘ GHF to provide an endowment to support the development for future generations when the petroleum reserves have been depleted; and (ii) to receive excess petroleum revenue
- ✘ Clear rules for the withdrawal of funds from the GSF
- ✘ Arrangements for transparency and accountability, including the establishment of the Petroleum Interest Accountability Committee (PIAC)
- ✘ Establishment of Benchmark formula to reduce the risk of price and revenue volatility

ACHIEVING THE PURPOSE OF PRMA

- ✘ Provision for Parliament to determine the percentage of the Benchmark Revenue to be allocated to ABFA as part of the national budget
- ✘ Guidance on the permissible uses of the ABFA (Art 21.) including provision that in any given year a minimum of 75% of the ABFA should be applied for public investment
- ✘ GHF to provide an endowment to support the development for future generations when the petroleum reserves have been depleted; and (ii) to receive excess petroleum revenue
- ✘ Clear rules for the withdrawal of funds from the GSF
- ✘ A minimum of “excess revenues” (over and above the ABFA) to be paid into the Ghana Heritage Fund (GHF) and the balance into the GSF

Consequences of volatility (upside)



Consequences of volatility (downside)



Thank you