



New Producers and the Challenges of Transparency: The Case of Ghana

Ghana's big test: Oil's challenge to
democratic development

Johns Hopkins – SAIS
African Studies Program
April 2, 2009

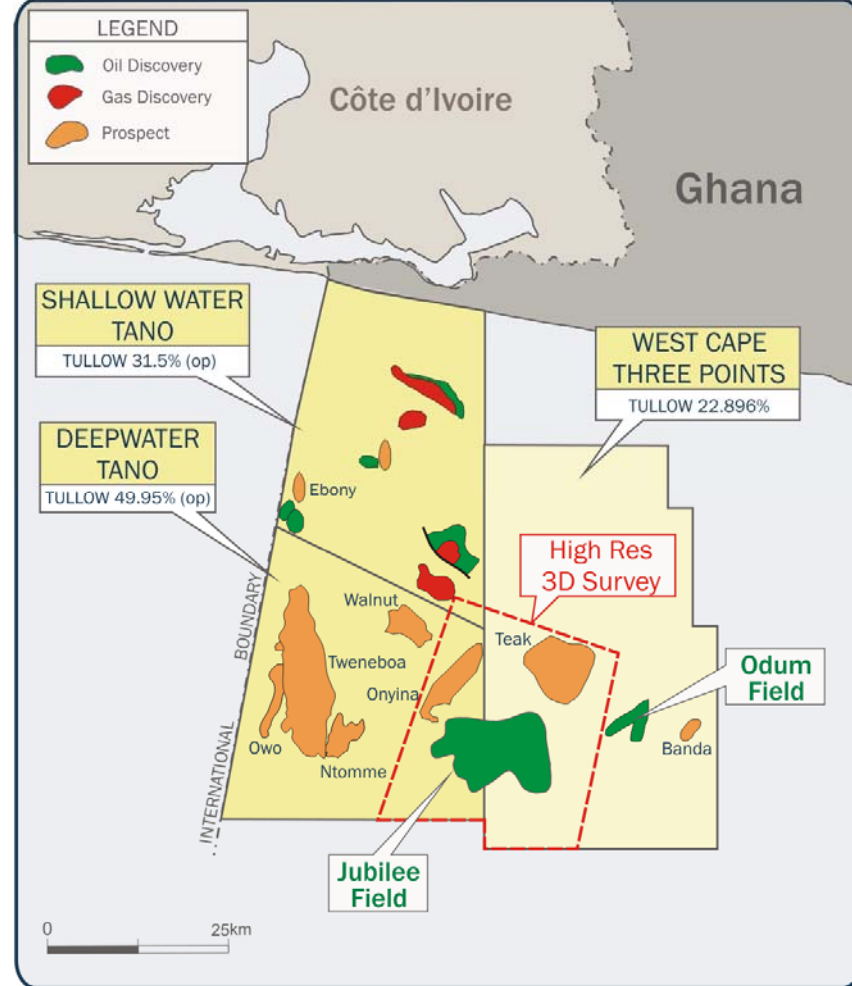


“Black Gold” – Promise and Peril

- Ghana and Uganda most important emerging producers
- Ghana widely perceived by donors as a “model country,” on track to exceed 2015 MDG target of halving poverty
- Oil could boost or undermine that progress depending on how the oil boom is managed
- Declining fiscal environment – temptations to forward sell, etc.
- With “Jubilee” find, 120,000 bpd predicted by 2011
- IMF predicts government revenues from oil and gas could reach US\$20 billion over the production period of 2012–30 for the Jubilee field alone

Jubilee Discovery

- 63 kilometers (39 miles) from the coast and 132 kilometers (83 miles) southwest of Takoradi
- Discovery estimated at between 600 million and 1.8 billion barrels
- Additional 800 billion cubic feet of gas in the field
- Recent positive results of Hyedua 2 well (possible 1 billion barrels)



Detail of Jubilee field off the coast of western Ghana.

Map: Tullow Oil

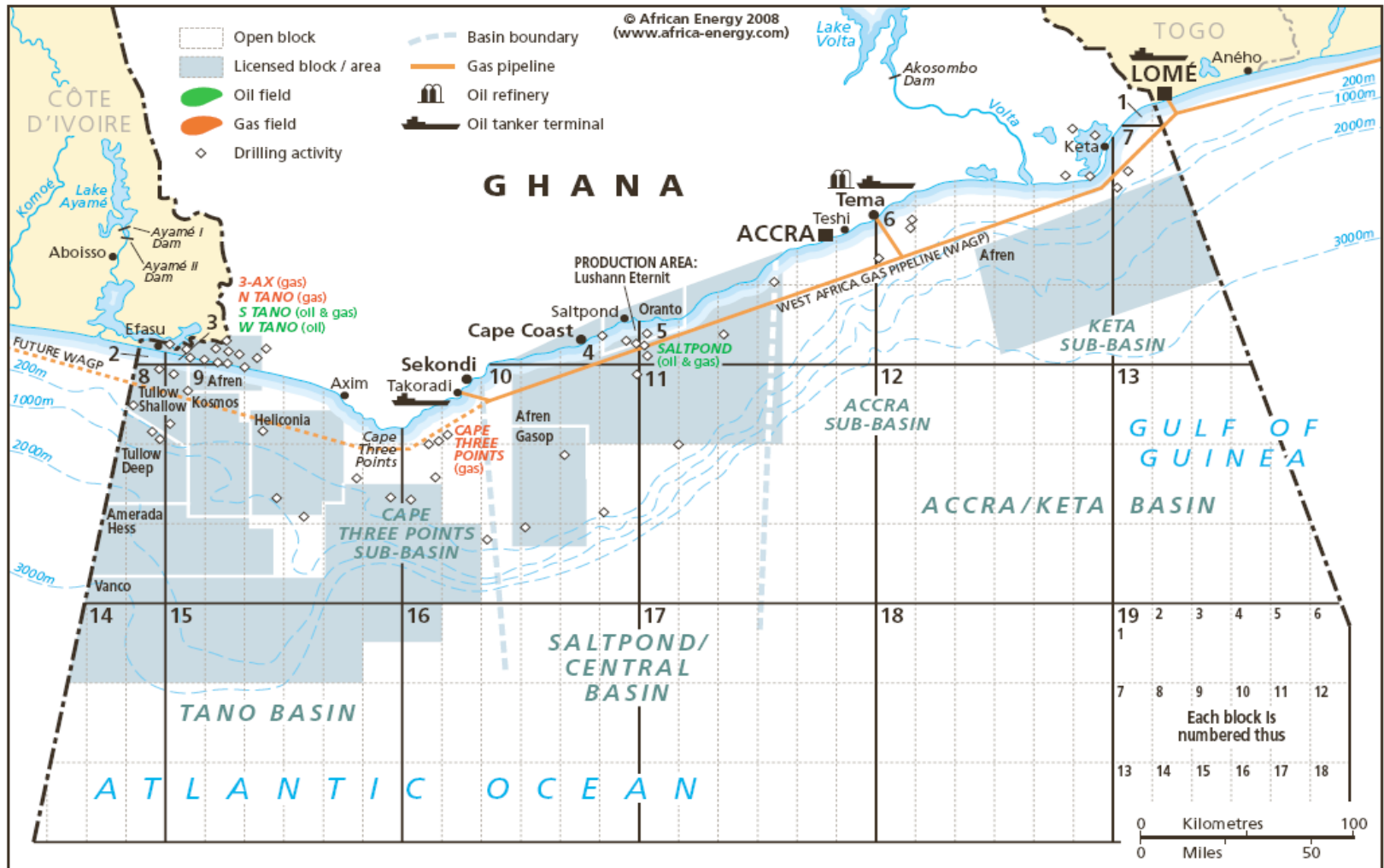
West Cape Three Points:

Kosmos 30.875 % (operator);
Anadarko 30.875%; Tullow
22.896%; GNPC 10% (carried);
E.O. Group 3.5%; Sabre Oil and
Gas Ltd. 1.854%

Deep Water Tano: Tullow

49.95% (operator);
Kosmos 18%; Anadarko
18%; GNPC 10%
(carried); Sabre 4.05%

Ghana: Hydrocarbons exploration



Map courtesy African Energy

Ghana's Preparation for Oil

- National Forum on Oil & Gas Development (Feb. 2008)
- Six technical committees established in 2008
 - Legal framework
 - Fiscal regime and fund types
 - Natural gas utilization and infrastructure development
 - Environmental management and community issues
 - Local content
 - Security issues
- Work unfinished and no draft master plan for the sector
- Limited opportunities for public input
- Draft national oil and gas policy paper (June 2008) contains important, common-sense policy principles, but little detail
- Draft petroleum regulatory authority bill (October 2008)

Petroleum Regulatory Authority Bill

- **New draft with Cabinet**
- Create an “independent” regulatory authority—the Ghana Petroleum Regulatory Authority (GPRA)
- Define GNPC as a strictly commercial entity, although the GNPC would still hold equity on behalf of the state
- Establish regulations for the upstream and midstream sectors
- Partially define the fiscal regime
- Establish disclosure and confidentiality rules for the sector



Photo: Kosmos Energy

Challenges to Managing the Money



- Weaknesses in government revenue collection identified through experiences in mining sector
 - WB 2008 – gov't lacks capacity to collect revenues and audit payments from gold mining companies
- Need for improved budget transparency (49% score in 2008 Open Budget Index)
- Absorptive capacity issues and low quality public spending, e.g. in health, education
- Need to strengthen procurement and competitive bidding, as well as auditing and oversight mechanisms
- Ghana may need oil fund, and no fund yet established – discussion of stabilization and “heritage” fund

EI Transparency

- Ghana produced EITI mining report in 2007 for mining payments from 2004, became EITI candidate country September 2007
- Civil society frustrated with EITI process
- Government reluctance to include petroleum sector in EITI process (though 2009 work plan includes oil)
- Ghana yet to approve freedom of information bill
- IFC requires payment disclosure by Kosmos/Tullow
- Feb 2009 Pres. Mills pledge to disclose all petroleum contracts



Summary Recommendations for Ghana

- Moratorium on new licenses
- Develop policy principles, master plan, and regulations in sequence and as a package
- Incorporate robust public, civil society, and parliamentary participation
- Transparency of key information – payments, licenses, contracts, audits, etc.



Conclusion – Key Messages

- Challenges posed by Ghana's oil boom are broad, deep and complex and should not be underestimated
- Oil could undermine gains made in Ghana on democratic governance and development
- Speed is important, but “haste makes waste” –
 - Ghana must control the pace of petroleum sector development so that it does not outstrip capacity of government and society to build institutions, regulations and safeguards
 - Pacing can lead to better negotiated deals over time
 - Stabilization clauses in new contracts can lock in weak regulatory regime
- Sequencing, transparency and public participation are key to developing petroleum policy, master plan, laws and regulations
- Ghana can learn from the experience in its gold mining sector as well as global good practice on managing oil booms

Conclusion – Key Messages

- Test for Obama administration – new forms of engagement with resource-rich states needed, especially frontier producers such as Ghana and Uganda
- Importance of global disclosure regulations – set the framework for new producers – not one off experiments (Chad)



Photo: Marloes Kraan