

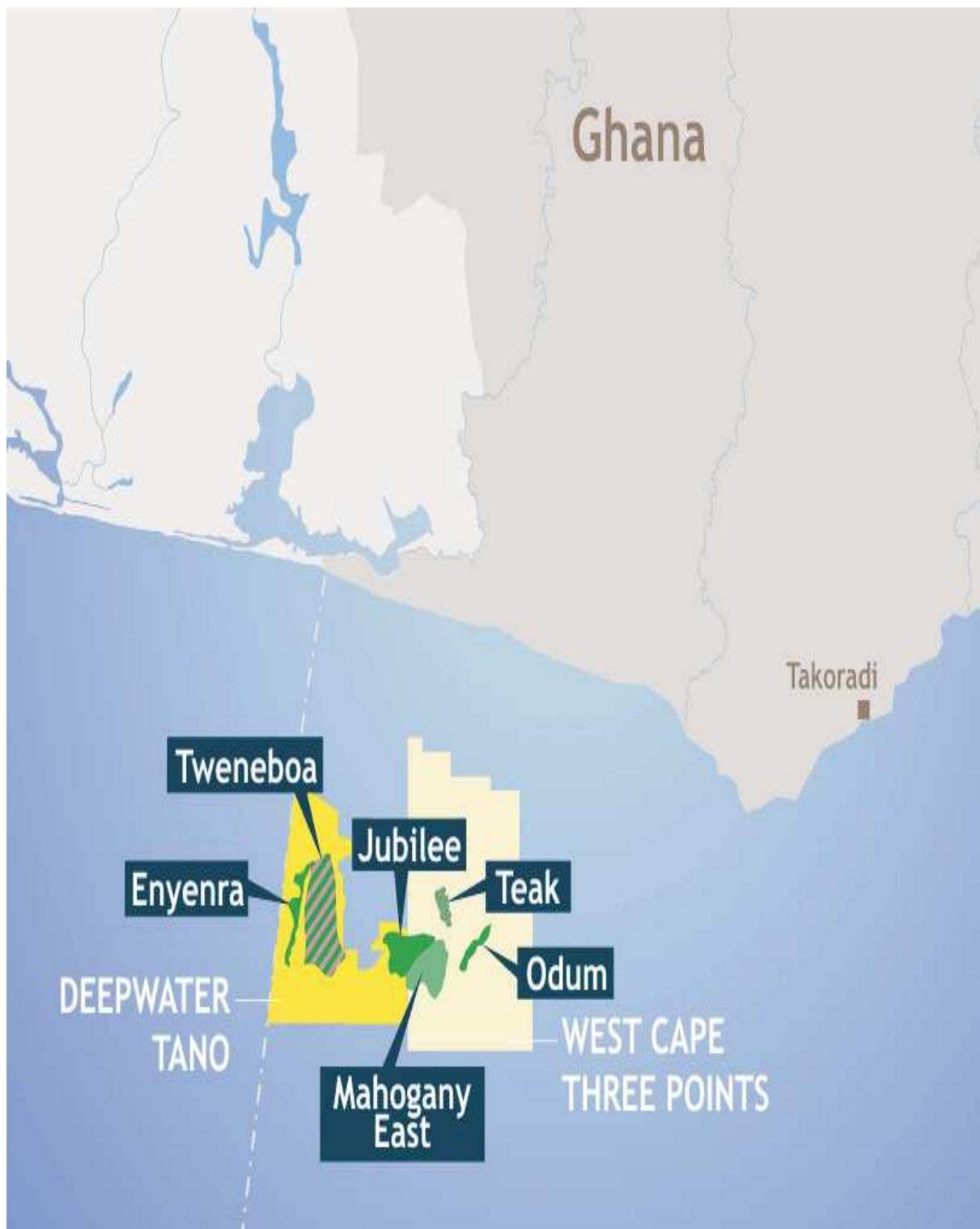
**MINISTRY OF FINANCE AND ECONOMIC PLANNING  
(GHANA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE-GHEITI)**



**FINAL REPORT  
ON THE  
AGGREGATION/RECONCILIATION OF OIL AND GAS SECTOR PAYMENTS AND  
RECEIPTS: 2010-2011**

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### **List of Abbreviations/Acronyms**

<i>EITI</i>	<i>Extractive Industries Transparency Initiative</i>
<i>GHEITI</i>	<i>Ghana Extractive Industries Transparency Initiative</i>
<i>GRA</i>	<i>Ghana Revenue Authority</i>
<i>MoFEP</i>	<i>Ministry of Finance and Economic Planning</i>
<i>GNPC</i>	<i>Ghana National Petroleum Corporation</i>
<i>PITL</i>	<i>Petroleum Income Tax Law</i>
<i>PRMA</i>	<i>Petroleum Revenue Management Act</i>
<i>ABFA</i>	<i>Annual Budget Funding Amount</i>
<i>Bbl/d</i>	<i>Barrels per day</i>
<i>Bbls</i>	<i>Barrels of oil Brent Crude</i>
<i>Bopd</i>	<i>Barrels of oil per day</i>
<i>CAPI</i>	<i>Carried and Participating Interest</i>
<i>CDS</i>	<i>Credit Default Swaps</i>
<i>ECB</i>	<i>European Central Bank</i>
<i>FOMC</i>	<i>Federal Pen Market Committee</i>
<i>GHAPET</i>	<i>Ghana Petroleum Holding Fund Account at Federal Reserve Bank of New York</i>
<i>GHF</i>	<i>Ghana Heritage Fund</i>
<i>GSF</i>	<i>Ghana Stabilisation Fund</i>
<i>GNPC</i>	<i>Ghana National Petroleum Corporation</i>
<i>Mb/d</i>	<i>Million barrels per day</i>
<i>MTAB</i>	<i>Mahogany, Teak, Akasa and Banda oil wells</i>
<i>OPEC</i>	<i>Organization of the Petroleum Exporting Countries</i>
<i>PBOC</i>	<i>People's Bank of China</i>
<i>PHF</i>	<i>Petroleum Holding Fund</i>

<i>SOPCL</i>	<i>Saltpond Offshore Producing Company Limited</i>
<i>TEN</i>	<i>Tweneboa, Enyenra, Ntomme Oil Wells.</i>
<i>WTI</i>	<i>West Texas Intermediate (Benchmark for Light sweet crude Oil from the Americas)</i>

## **EXECUTIVE SUMMARY**

The Extractive Industries Transparency Initiative (EITI) which was launched at the World Summit on development in Johannesburg, September 2002 sets a global standard for transparency in the oil and gas sector.

The EITI aims at enhancing transparency around the generation and spending of revenues from extractive sector to improve development outcomes, reduce the potential for corruption or large scale embezzlement of funds by host governments and to provide citizens with a basis for demanding a fair share of its resources.

The Government of Ghana formally committed itself to implementing EITI in 2003. Ghana became compliant country in November 2010.

The Ghana Extractive Industries Transparency Initiative (GHEITI) has issued reconciliation reports in the mining sector, covering 2004 to 2009.

In September 2010, the initiative was extended to cover the Oil and Gas sector.

GHEITI has engaged Messrs Boas & Associates to produce the first reconciliation report for the Oil and Gas sector.

This report presents the results of the reconciliation of payments by the oil and gas companies including the National Oil Company, GNPC and receipts by the Government of Ghana. They include both cash and in-kind flow payments in 2010 and 2011.

### **Approach and Methodology:**

The assignment was categorized into three phases. These included: inception, Reconciliation and the validation and feedback phase.

**INCEPTION PHASE:** At this stage the Reconciler interacted with participants. The main objectives for these meetings were:

- To interact with the various stakeholders to gain a better understanding of their operations and to
- Conduct a situational analysis to help put the assignment in the best perspective.

## **RECONCILIATION PHASE**

Activities undertaken in this phase included;

### ***Data Collection:***

Data already requested from the Departments and Agencies, producing Oil and Gas Companies were collated and analysed.

### ***Analysis***

Activities undertaken at this stage included

- Analysing all documentations on Oil and Gas produced and comparing with details in the plan of development.
- Analysing documentation on Oil and Gas lifted by the National Oil Company and the IOC's.
- Reviewing costs of exploration, development and production,
- Analysing the appropriateness of payments made by the IOC's
- Verifying the basis for the determination of the Petroleum Benchmark Revenue
- Checking the Annual Budget Funding Amount and confirming whether it is in accordance with the provisions of the Petroleum Revenue Management Act, Act 815.
- Checking and reporting on disbursements from the Petroleum Holding Fund to the Annual Budget Funding Amount, the Heritage and Stabilization Funds, other exceptional payments provided and confirm if they are in conformity with the provisions of Act 815.

### ***Data Aggregation/Reconciliation***

- i) Comparing consolidated Oil and Gas company templates with Government template.
- ii) Detailing all discrepancies including those that have been resolved and any unresolved discrepancies.

## **Validation/Framework for enhancing transparency**

Some of the activities in this phase included:

- Making recommendations in the final report that are aimed at enhancing transparency in the payments and receipts of extractive benefits.

- At the validation seminar the comments and questions will be fed back into the process to improve reporting and by extension, the initiative.

### Participants:

The participating oil and gas companies in the reconciliation exercise consisted of partners in the Jubilee producing field and the Saltpond offshore Producing company.

Relevant Government Ministries, Departments and Agencies in the petroleum sector also participated. (See Table A below)

*Table A: Participants in the 2010/2011 reconciliation process.*

OIL & GAS COMPANIES	GOVERNMENT AGENCIES
Tullow (Ghana) Limited	Ghana Revenue Authority(Domestic Tax and Customs Divisions)
Kosmos Energy Ghana HC	Ghana National Petroleum Corporation(GNPC)
Ghana National Petroleum Corporation(GNPC)	Ministry of Finance and Economic Planning/Bank of Ghana
Saltpond Oil Fields Ltd	Petroleum Commission
Anadarko (Ghana) Limited	Ministry of Energy
Sabre Oil and Gas Holdings Ltd	
E.O. Group Ltd	

### BENEFIT/REVENUE STREAMS:

The benefit/revenue streams considered for the assignments included:

- Royalty
- Profit Tax (Corporate tax)
- Surface Rental
- Dividends
- Initial (Carried) Interest

- Additional Participating Interest.

RESULTS OF RECONCILIATION:

*Table B 2010/2011 Company Payments/Government Receipts/Discrepancies*

Revenue Stream		Company(US\$)	Government(US\$)	Discrepancy(US\$)		Resolved	Unresolved
<b>S/Rentals</b>	2010	113,525.45	107,496.50	6,028.95		-	6,028.95
	2011	93,313.95	92,848.32	465.63			465.63
<b>Royalty</b>	2010	314,755.73	314,755.73	-			
	2011	123,074,172.40	123,074,126.30	46.10			46.10
<b>C/Interest</b>	2010	-	-				
	2011	233,587,963.67	233,588,058.03		-94.36		-94.36
<b>API</b>	2010	-	-				-
	2011	87,595,570.02	87,595,521.76	48.26			48.26
<b>Corp. Tax</b>	2010	-	-			-	-
	2011	-	-			-	-
<b>Dividend</b>	2010	-	-			-	-
	2011	-	-			-	-
<b>Total</b>	2010	<b>428,281.18</b>	<b>422,252.23</b>	<b>6,028.95</b>			<b>6,028.95</b>
	2011	<b>444,351,020.04</b>	<b>444,350,554.41</b>	<b>559.99</b>	<b>-94.36</b>		<b>465.63</b>

- *Royalty*: The Saltpond Offshore Producing Company Ltd paid royalty of US\$ 314,755.73 in 2010.

In 2011 royalty payment amounted to US\$123,074,172.40 and was made up of in-kind payment of 1,087,943.13 barrels which was sold by the GNPC for US\$122,941,190.00; and payment by SOPCL amounting to US\$132,982.40.

- *Carried interest* in 2011 was paid in kind with 2,067,087.91 barrels which sold for US\$233,587,963.67
- *Additional Paid Interest* in 2011 was made in kind with 775,157.96 barrels which sold for US\$ 87,595,570.02

## Discrepancy

There were discrepancies in payment and receipt of surface rentals in 2010 and 2011. In 2010 a discrepancy of US\$6,028 was recorded, whilst an amount of US\$465.63 was established in 2011.

## Significant Findings:

- **Capital Gains Tax**

### *Finding*

Tullow Oil Plc. acquired the only indigenous partner in the Jubilee oil field, EO Group Limited in 2011. The reconciler did not come across any capital gain tax in the transaction. GRA has issued a ruling that the transaction is liable to tax.

The Petroleum Revenue Management Act, Act 815 section 6(e) indicate capital gains tax derived from the sale of ownership of exploration, development and production rights as a possible receipt for the petroleum holding fund.

### *Recommendation:*

It is recommended that GRA pursues the issue of capital gains tax on the E.O Group's acquired 1.75% equity and other such acquisitions to its logical conclusion. It may also be prudent for the necessary legislation on capital gains to be streamlined as the E.O Group acquisitions may only be the beginning of such transactions.

- **Thin Capitalization:**

**Finding:** Interest expense is generally deductible in determining the chargeable income for corporate tax purposes. There is however no provision in the PITL that relates to excessive interest charges. There is the risk that tax payers may use unlimited interest payments to strip profits, resulting in lower corporate tax payments. However, Section 41 of the PITL, 1987 provides that without express exemption of a contractor from taxation, the general law or provisions thereof relating to taxation may apply. According to the GRA, this section ensures that provisions on limitations in interest deductions in ACT 2000, the Internal Revenue Act is applicable in the petroleum sector.

### *Recommendation:*

There is the need to harmonize the provisions in the PITL and the Internal Revenue Act, Act 2000.

## **1.0 INTRODUCTION**

### ***1.1 Background of EITI***

The Extractive Industries Transparency Initiative (EITI) which was launched at the World Summit on Development in Johannesburg, September 2002 sets a global standard for transparency in the oil and gas industries.

EITI aims to enhance transparency around the generation and spending of revenues from the extractive sector so as to improve development outcomes, reduce the potential for corruption or large-scale embezzlement of funds by host governments and to provide citizens with a basis for demanding a fair use of its resources.

### ***1.2 GHEITI***

The Government of Ghana formally committed itself to implementing EITI in 2003, when it signed on to the initiative in London.

As part of its commitment, Ghana commenced publication of extractive industries' payments and government receipts with reports on the mining sector. The initiative was extended to the oil and gas sector in September 2010.

In November 2010, the EITI International Board announced that Ghana has attained EITI Compliant country status

### ***1.3 Content and objective of the first Oil and Gas Aggregated report***

The Ghana Extractive Industries' Transparency Initiative (GHEITI) has engaged Messrs Boas & Associates to aggregate and reconcile the payments from the Oil & Gas Sector and Receipts by the government of Ghana for 2010 and 2011.

This report presents the results of the reconciliation of the Oil and Gas sector activities which comprises of cash or in kind inflows for 2010 and 2011.

The objectives of the report include the following:

- Collect, analyze and aggregate payments made by Oil and Gas companies to Government of Ghana.
- Reconcile Oil and Gas companies' submissions of payments to those received by Government.

- Analyze the disbursements to the Ghana National Petroleum Company (GNPC), Annual Budget Funding Amount and the Ghana Petroleum Funds.
- Utilize lessons learnt from the Reconciliation process to enhance Transparency in Payments, Receipts, Disbursements and Utilization of these benefits.

A multi- stake holder steering committee made up of representatives from the government, extractive industry companies and civil society reviews the reconciled information before EITI publication.

#### ***1.4 The Oil and Gas Industry in Ghana***

Jubilee field was discovered in June 2007. The field was one of the fastest deep water developments chalking approximately forty (40) months from discovery to production.

The Jubilee field is located approximately 60 km offshore from the nearest coastline and straddles two blocks namely Deep water Tano and West Cape Three Points with a recoverable estimated reserve ranging from 318 million (Low Case), 615 Mid case and upside of 1.5 billion barrels.

Though the targeted production was in the range of 120,000 barrels per day, in 2011, production averaged 67,000 bopd due to temporary shutdown of some producing well for remedial works. The first floating production storage and offloading unit, FPSO named Kwame Nkrumah MV 21 was commissioned in May 2010 with design capacity of 20 years without dry docking.

Jubilee field achieved first oil production on 28<sup>th</sup> November 2010. The partners of Jubilee field includes Tullow Ghana Limited (Operator), Anadarko Petroleum Corporation (Anadarko), Kosmos Energy Ghana (Kosmos), Ghana National Petroleum Corporation (GNPC), Sabre Oil and Gas Limited.

The Jubilee fields commenced production on an average of 24,375 barrels per day in the month of November 2010. Production levels increased to an average of 36,932 barrels per day in December 2010.

On the 25<sup>th</sup> July 2011, Tullow completed the acquisition of the interests of EO Group Limited for about US\$311 million, increasing Tullow's interest by 1.75% to 36.42%. Other partners in the Jubilee Unit Area are Kosmos Energy (23.50%), Anadarko Petroleum (23.50%), the Ghana National Petroleum Company (13.75%) and Sabre Oil & Gas (2.81%) according to source document from Tullow Ghana Ltd.

In October 2011 the partnership completed the first redetermination of the Jubilee Unit Area (JUA) and the net result is that Tullow's working interest in the JUA reduced slightly from 36.5% to 35.47954% which became effective from 1 December 2011.

These shareholdings were to change effective 1<sup>st</sup> December, 2011, when a re-determination of original hydrocarbons in place was implemented.

Currently Tullow Ghana Limited holds 35.47954%, Kosmos Energy (24.07710%), Anadarko Petroleum (24.07710%), the Ghana National Petroleum Company (13.64084%) and Sabre Oil & Gas (2.72544%).

The first major oil producing field Saltpond Offshore operated by Saltpond Offshore Producing Company has recoverable reserve of 2-3 million barrels of oil as well as substantial natural gas reserves.

As of December 2011, a number of offshore exploration licences have been issued including Cape Three Points Deep water (Vanco Ghana and Lukoil), South Cape Three Point (ENI) Deep Water Tano/Cape Three Points (Hess) Offshore Cape Three Points (Eni) East Cape Three Points (Sahara Energy), West Cape Three Points (Kosmos Energy) Deep Water Tano (Tullow Oil) Shallow Water Tano (Interoil and Tullow). The Jubilee field which straddles the West Cape Three Point and Tano Deep Water blocks is currently producing oil.

On Gas development, a credit facility has been sourced by the government with \$850 million earmarked for the development of the West Corridor Gas Infrastructure Development Project which is intended to commercialize the gas produced at the jubilee field and other sites for export and to power the Ghana Thermal power plants. Currently gas found at the Jubilee field is largely re-injected with minimal flaring. But the process of re-injection is unsustainable hence the development of the gas project.

### ***1.5 Ghana's Regulatory Framework for the Petroleum Sector***

The following laws regulate the oil and gas operations (Upstream) in Ghana.

- Exploration and Production Law of 1984.
- Ghana National Petroleum Corporation Law, 1983 (PNDCL 64)
- Petroleum Income Tax Law, 1987 (PNDC LAW 188)
- The Petroleum Agreements.
- The Petroleum Commission Acts, 2011.
- The Internal Revenue Act, 2000 (Act 592).
- The Petroleum Revenue Management Act, 2011.

#### ***1.5.1 Petroleum (Exploration and Production) Law, 1984***

The petroleum law regulates the exploration, development and production of petroleum in Ghana. It provides the authority for the Government of Ghana (represented by the Ministry of

Energy) and GNPC to negotiate petroleum contracts. It also contains some fiscal provisions including that for royalty payment.

The Model Petroleum Agreement emanates from the Petroleum (Exploration and Production) Law and is intended to guide the negotiation process (including terms and conditions) in a Petroleum Agreement between GNPC, Government of Ghana and the Oil Company.

#### *1.5.2 Ghana National Petroleum Corporation Law, 1983*

(PNDCL 64) gives GNPC the right to the development of the oil sector, oil exploration and production.<sup>1</sup>

#### *1.5.3 Petroleum Income Tax Law, 1987 (PITL)*

(PNDCL 188) provides details of income and withholding taxes levied at the upstream stage (exploration, evaluation and appraisal, development and production) of oil and gas operations.

#### *1.5.4 The Internal Revenue Act, 2000*

The Internal Revenue Act, 2000 is an act which provides the general law relating to income tax, capital gains tax and gift tax.

#### *1.5.5 The Petroleum Commission Act, 2011*

The petroleum commission is a body corporate with perpetual succession with the objective to regulate, monitor and manage the activities and utilisation of petroleum resources and to coordinate policies in relation to them.

#### *1.5.6 The Petroleum Revenue Management Act, 2011*

This Act provides the framework for the collection, allocation and management of petroleum revenue derived from upstream and mid-stream petroleum operations.

### ***1.6 The acquisition of oil block***

- The Acquisition of oil block commences with an application to the Ministry of Energy.(See Appendix 6)
- The requisition is referred to the GNPC.
- Applicant schedules and inspects data on available blocks/contract area at GNPC's data room.
- Applicant identifies available block of interest and picks up application forms at MoEn/GNPC.
- Application is submitted to MoEn together with an application fee of US\$10,000 in

Bankers Draft.

- GNPC reviews and evaluates application and sends outcome of evaluation to the Minister.
  - Decision is taken on the application and Applicant is advised accordingly.
  - The Minister sets up a team comprising of representatives from the Ministry of Energy, Attorney General's Department, Ministry of Finance and Economic Planning and the Ghana Revenue Authority.
  - The team then negotiates a Petroleum Agreement with the applicant.
  - Report on outcomes of the negotiation is sent to the Cabinet.
  - It is then sent to parliament for approval.
  - The Petroleum Agreement becomes effective on the date of ratification.
- ❖ Signature bonuses are currently not part of the fiscal regime of the petroleum industry in Ghana.

## 2.0 SCOPE OF WORK

The assignment involves the collection, analysis and reconciliation of payments made by oil and gas companies to the government of Ghana. It shall also include ascertaining if the disbursements from the Petroleum Holding Funds were in accordance with the provisions of the Petroleum Revenue Management Act 2011, Act 815. ***(See Appendix 3 & 4-Terms of Reference/Methodology)***

### ***2.1 Basis of Reporting/Currency.***

The basis of reporting is cash or actual. Thus only payments/revenues actually paid and received in 2010 and 2011 were aggregated and reconciled. The reporting currency is the US dollar as most of the transactions are denominated in that currency.

***2.2 Auditing:*** All participating companies' financial statements had been audited by Independent Auditors for 2010 and 2011.

### ***2.3 GHEITI stakeholders on the participation and materiality level used***

It was determined by the EITI steering Committee that all companies and joint venture partners engaged in the production of oil/gas are expected to participate in the reconciliation exercise.

### ***2.4 Participants***

All international and national oil companies with stakes in the Jubilee Field, Saltpond Oil/ Gas Field Ltd and MDA's relevant to the EITI reporting process.

*Table 2.1: Participants in the 2010/2011 reconciliation process.*

<b>OIL &amp; GAS COMPANIES</b>	<b>GOVERNMENT AGENCIES</b>
Tullow (Ghana) Limited	Ghana Revenue Authority (Domestic Tax and Customs Division)
Kosmos Energy Ghana HC	Ghana National Petroleum Corporation(GNPC)
Ghana National Petroleum Corporation(GNPC)	Ministry of Finance and Economic Planning/Bank of Ghana
Saltpond Oil Fields Ltd	Petroleum Commission
Anadarko (Ghana) Limited	Ministry of Energy
Sabre Oil and Gas Holdings Ltd	
E.O. Group Ltd	

### ***2.5 Ghana Revenue Authority (Domestic Tax Revenue Division)***

The Domestic Tax Revenue Division of the Ghana Revenue Authority is responsible for the collection of taxes including: income tax, royalties, capital gain tax, corporate tax and gift tax. According to the Petroleum Revenue Management Act (PRMA), ACT 815, the GRA is mandated to assess, collect and account for all petroleum revenues. ACT 815 defines petroleum revenues to include:

- a) Royalty in cash or in equivalent barrels of oil or units of gas, payable by the holder of a licence to produce which includes the national oil company.
- b) Surface rentals.
- c) Additional Oil Entitlement
- d) Corporate income taxes from upstream and midstream petroleum companies including the national oil company.
- e) Dividends payable by the National Oil Company.
- f) Carried and Participating Interests.
- g) Investment income derived from accumulated petroleum funds.
- h) Any amount received by government directly or indirectly from petroleum resources including where applicable, capital gains tax derived from the sale of ownership of exploration, development and production rights.

## ***2.6 Ghana Revenue Authority (customs Division);***

The customs division of the GRA is responsible for monitoring oil production, supervise oil export and conduct preventive duties on the facility. At the Jubilee Field its duties include:

- Daily check of the status of revenue locks both electronically and physically to ensure that they are intact
- Participate in daily physical survey of tanks to determine daily oil production
- Perform Preventive duties to prevent the use of the facility for activities other than oil production.
- During export of oil.

Participate in physical survey of nominated tanks with other interested parties to determine the quantity of oil delivered from the FPSO tanks.

Disarm the electronic seal on the main export valve and open it to allow export; close and arm seal after export.

Confirm export quantities and endorse export documents particularly the following;

- Cargo Manifest
- Certificate of origin
- Metering custody transfer system-sealed Valve Verification

The GRA (customs Division) maintains one Customs officer on the FPSO to perform its duties, however during liftings/exports, one more Officer is added.

## ***2.7 Bank of Ghana***

The Bank of Ghana is responsible for the day-to-day operational management of the Petroleum Holding fund, the Ghana Petroleum Funds and subsequently the Ghana Petroleum Wealth Fund under the terms of the Operations Management Agreement. (Section 26, PRMA, 2011).

## ***2.8 The National Oil Company (Ghana National Petroleum Corporation) GNPC***

Established by PNDC Law 64, GNPC is the state agency responsible for the production, export and marketing of oil and gas on behalf of the state.

### ***2.8.1 Funding***

Its funding is a budgeted allocation approved by Parliament of Ghana. According to the Petroleum Revenue Management Act, *ACT 815 section 7(3)*, the GNPC is entitled to a maximum

of fifty five percent of the net cash flow from the carried and participating interest after deducting the equity financing cost (including advances and interest of the carried and participating interests of the Republic).

Consistent with the PRMA, Parliament in 2011, approved the cedi equivalent of US\$ 207.96 million from Petroleum revenues to GNPC to enable the NOC meet Ghana's share of the Jubilee Field development and production cost that had accrued since 2008, and also to support GNPC's operations.

GNPC accounted to Parliament on the use of these funds as follows -

US\$132,484,815 was paid to the Jubilee partners towards settlement of the advances made on behalf of GNPC-GoG by the partners for GNPC-GoG financial commitments arising from the carried and participating interest in Jubilee field development and production. Total debt accrued from monies advanced by partners, together with interest since 2008 totalling US\$165.8 million.

US\$30,315,185 was for the acquisition, processing and interpretation of 2,612 km<sup>2</sup> of 3D Seismic Data for the Southwest Deep Tano block.

US\$28,119,624 for the fabrication and installation of 14 km of deep water pipeline as part of the Natural Gas Infrastructure Project;

US\$7,661,475 was allocated for the payment of GNPC Staff costs. US\$9,383,204 also made towards General Operational and Administrative Expenditure.

### *2.8.2 Equity Financing*

GNPC elected to exercise its option of acquiring Additional Interest of 5%. The Corporation also elected to exercise its option to acquire an Additional Interest of 2.5 percent. Under both purchases, the corporation is to be responsible for the development and production costs associated with the acquisitions made. Furthermore, GNPC is entitled to 10 percent Carried Interest under each PA, and is responsible for the associated production cost only.

In the event that GNPC is unable to meet cash calls associated with its additional interest and costs associated with production, then the contractor shall be entitled to recover the said costs together with interest from GNPC's share of oil production revenues. In accordance with the provisions of the PA, the Corporation requested the Jubilee partners to finance its Additional and Carried Interests obligations.

Consequently, the partners had advanced on GNPC's behalf a total amount of US\$165.8million, made up of US\$130.1million for development related costs; US\$20.5million for production related costs and interest accrued of US\$15.2million.(See Table 2.2)

An amount of \$ 207.96 million secured in 2011 (approximately 47% of the total state proceeds from Jubilee Oil) was used to cover GNPC's financial obligations in the Jubilee Field. The amount of \$132.5 million paid to the partners in respect of equity finance represents 63.7% of the total amount advanced to GNPC. As a result, GNPC's outstanding debt to the Jubilee Partners as at 31.12.2011 is US\$33.3 million as per table 2.2 below.

The Corporation further applied another 28.1% of the Parliament approved funds towards the acquisition, processing and interpretation of South West Deep Water Tano Basin (SWDTB) 3D seismic data and fabrication & installation of Deep Water Gas pipelines.

Table 2.2 *GOG/GNPC EQUITY COSTS APPORTIONMENT*

JUBILEE COST(\$)		BALANCE END OF 2010	ADDITIONS 2011	TOTAL COST	INTEREST	TOTAL COST & INTEREST	GNPC PAYMENTS	CLOSING BALANCE
PRODUCTION COST	PROD	4,637,518	15,849,999	20,487,517	587,526	21,075,043	21,075,043	
DEVELOPMENT COST	DEV	99,091,466	44,783,454	143,874,920	14,579,931	158,454,851	111,409,772	
<b>TOTAL</b>		<b>103,728,984</b>	<b>60,633,453</b>	<b>164,362,437</b>	<b>15,167,457</b>	<b>179,529,894</b>	<b>132,484,815</b>	<b>47,045,079</b>
FPSO COST								(13,736,351)
JUBILEE PARTNERS								33,308,728
Note:								
FPSO purchase cost relating to 2012 will be captured in 2012.								
GNPC owes Jubilee Partners USD 33,308,728.00 as at the end of 2011.								

Source: GNPC

## 2.9 OTHER COMPANIES,

Exploration companies operating in the Oil and Gas sector that did not participate in the reconciliation exercise included: Inter Oil Ltd; Oranto Ltd; Shallow Water Basin; Hess Ghana Ltd; Vanco Ghana Ltd and Tap Oil Ltd (See Appendix 5). Their exclusion from the EITI reconciliation process was because only oil producing companies and their joint venture partners participated in the exercise.

### 3.0 BENEFIT STREAMS:

The benefit streams considered in the 2010 and 2011 reconciliation exercise include the following;

- Royalty
- Profit Tax (Corporate tax)
- Surface Rental
- Dividends
- Initial (Carried) Interest
- Additional Participating Interest

#### **3.1 Royalty**

It is a production levy which is based on the gross value of oil and gas won irrespective of profitability.

#### **3.2 Corporate Tax (Petroleum Income Tax)**

Corporate tax payment is based on Petroleum Income Tax Law 1987. This is the tax payable on income derived from oil and gas production. The Capital allowance regime is 20% on a straight line basis. Expenses ranging from exploration, capital expenditure, development and operational costs prior to the year of commencement of production is accumulated, and amortized over a 5 year period.

Recoverable preproduction expenses relates to exploration, plant and equipment, field development comprising of building facilities for oil and gas exploitation such as drilling wells, laying of supporting infrastructure, interest expenses and general and administrative expenses. Petroleum income tax is computed at 35% of the taxable income derived as follows:

Gross Income less Allowable expenses, Capital allowances and Losses carried forward

Allowable expenses include Petroleum royalties, contributions to a decommissioning fund, Rentals, interest expense and charges on sums borrowed for petroleum operations.

#### **3.2.1 Thin capitalisation**

Interest expense as indicated above is deductible in determining the chargeable income. There is however no express provision in the PITL that relates to excessive interest charges. However, Section 41 of the PITL, 1987 provides that without express exemption of a contractor from taxation, the general law or provisions thereof relating to taxation may apply.

### *3.2.2 Losses carried forward.*

Tax losses can be carried forward indefinitely under the PITL.

### **3.3 Surface Rental**

According to the Model Petroleum Agreement (MPA), contractors with exploration rights are required to pay surface rental for blocks assigned to them for petroleum operations at a rate charged per square kilometre. However these rates may vary for different agreements with contractors.

Phase of Operation	Surface Rental per Annum
Initial Exploration Period	US \$ 30 per sq. km
1 <sup>st</sup> Extension Period	US \$ 50 per sq. km
2 <sup>nd</sup> Extension Period	US \$ 75 per sq. km
Development and Production	US \$ 100 per sq. km

### **3.4 Dividend**

Dividends paid by National Oil Company for Government's equity interest.

### **3.5 Initial (Carried) Interest**

The Carried Interest means an interest held by the Republic in respect of which the contractor pays for the exploration and development costs without any entitlement to reimbursement from the Republic. However the republic contributes towards production cost. For the Jubilee field the carried interest is 10%. (See Table 3.2)

### **3.6 Additional Participating Interest**

This is the interest acquired by the GNPC on behalf of the state after the discovery of oil and gas in commercial quantities. Under this arrangement, the GNPC/ Government of Ghana pay its share of development and production costs. The state or government of Ghana however does not contribute towards exploration expenditure. (See Table 3.1)

*Table 3.1 Categorization of GNPC/GOG interest*

<b>Interest</b>	<b>Exploration</b>	<b>Development</b>	<b>Production Costs</b>
<b>Initial</b>	Carried	Carried	Paid
<b>Additional</b>	Carried	Paid	Paid

**Source: GNPC**

### ***3.7 Capital Gains Tax (Tax on income from assignment of Interest)***

Tullow Oil Plc. completed the acquisition of the only indigenous partner in the oil field, EO Group Limited in 2011.

The Reconciler did not come across any capital gain tax or tax on the assignment of interest, in the transactions. GRA has served notice that consistent with other tax laws and section 41 of PITL, there is liability for the payment of tax on the income from the assignment of interest

The petroleum Revenue Management Act, Act 815 Section 6 (e) indicates capital gain tax derived from sale of ownership of exploration, development and production rights as a possible receipt for the Petroleum Holding Fund.

### ***3.8 Other payments:***

Other payments made by Oil and Gas Companies but not considered in the reconciliation process included the following: Withholding tax, PAYE (Pay as You Earn), Social Security, GNPC training fees, GNPC data Licence and Ghana Navy Rentals.

### ***3.9 Revenue flows and operational activities.***

Revenues from the Jubilee Field and the Saltpond Oil Fields have been considered for this assignment. The fiscal regimes for the fields are indicated in Table 3.2.

Table 3.2 Fiscal regime of Jubilee Field/Saltpond Offshore Producing

<b>Fiscal item</b>	<b>Jubilee Fields</b>	<b>Saltpond Offshore Producing Company</b>
<b>Royalty</b>	5% on the gross oil production. (Liftings); 3% on gross gas production.	3%
<b>Carried Interest</b>	10% on the oil revenue net of royalty and operating expenses.	15%
<b>Income Tax</b>	35%	30%
<b>Surface Rent</b>	US\$30 per square km at exploration US\$100 per square km for development and production area.	US\$50 per square km for development and production area.

Source: MOFEP/Saltpond offshore Producing Company.

At the Jubilee Fields, GNPC is responsible for lifting and marketing of oil on behalf of the state. In addition to the carried and additional paid interest, GNPC also lifts the royalty oil and markets same on behalf of the state. Proceeds from the carried and additional interests as well as royalty oil are paid into the Petroleum Holding Fund at the Bank of Ghana.

International oil companies operating in the Jubilee fields pay royalties in kind. This royalty oil is lifted and marketed by the GNPC.

Surface rental payments are also made into the petroleum holding fund after the companies have been invoiced by GNPC. However in 2011, surface rental payments were not made into the petroleum holding Fund. It was made to the Non tax Revenue Division of the Ministry of Finance and Economic Planning because the Petroleum Holding Fund had then not been established.

## 4.0 EXPLORATION AND DEVELOPMENT

The Model Petroleum Agreement provides an exploration period consisting of an Initial Exploration Period of three (3) years (Initial Exploration Period) further subdivided into Sub periods:

1. One and one-half (1 1/2) years (First Sub period) and
2. i. One and one-half (1 1/2) years (Second Sub period) plus  
ii Two (2) separate Extension Periods totaling four (4) years:
  1. Two (2) years for the first such period (First Extension Period) and
  2. Two (2) year for the second of such periods (Second Extension Period).

However the above stipulations may vary for individual Petroleum Agreements made with Oil companies.

### ***4.1 Joint ventures and acquisitions***

Joint Ventures for exploration are permissible under the Petroleum Agreement. Apart from the consortium formed by the Jubilee Partners other companies have formed such special purpose vehicles for exploration rights.

#### ***4.1.1: Jubilee Fields***

The Jubilee Field straddles two fields, Deep Water Tano and West Cape Three Points as indicated in Fig 4.1 below

Tullow Ghana Ltd announced in 2011 that an agreement to acquire the interests of E.O. Group Limited, consisting of its entire interests offshore Ghana, for a combined share and cash consideration of \$311 million.

This acquisition thus increased Tullow Ghana Ltd's interest in the West Cape Three Points licence offshore Ghana by 3.5% to 26.4% and increased the Group's interest in the world-class Jubilee Oil field, which Tullow Operates, by 1.75% to 36.5%.

The effective date of the transaction is 1 December 2011.

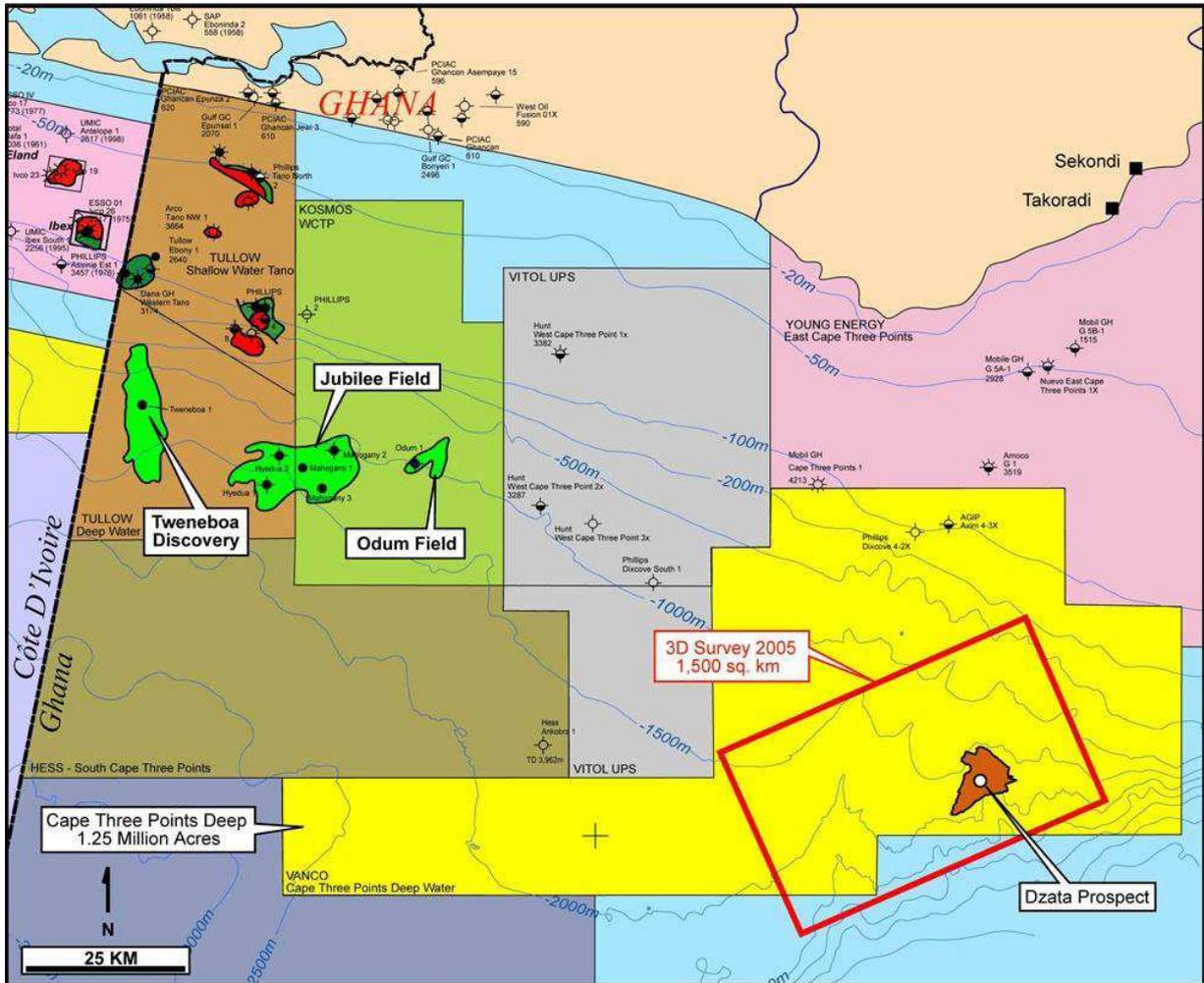


Fig 4.1: Source: Ministry of Energy

Interest holding percentages are also shown below.

**Table 4.1: Jubilee Unit –Novation Agreement**

<b>Company</b>	<b>Deepwater Tano (DT) %</b>	<b>West Cape Three Point (WCTP) %</b>	<b>Unit Interest %</b>
<b>Tullow Ghana</b>	<b>47.175</b>	<b>25.66278</b>	<b>36.41889</b>
<b>Kosmos Energy</b>	<b>17.000</b>	<b>30.01736</b>	<b>23.50868</b>
<b>Anadarko</b>	<b>17.000</b>	<b>30.01736</b>	<b>23.50868</b>
<b>Sabre Oil</b>	<b>3.825</b>	<b>1.80250</b>	<b>2.81375</b>
<b>GNPC</b>	<b>15.000</b>	<b>12.50000</b>	<b>13.75000</b>

Source: GNPC

#### 4.1.2: Saltpond Offshore Producing Field

Saltpond Offshore Producing Company (SOPCL) operates what was the Saltpond field originally a joint venture between Lushann Eternit Energy (55% and GNPC 45%) but in 2011, GNPC withdrew from the venture.

The Saltpond field has an estimated 2-3 million barrels of oil as well as substantial reserves of natural gas.

Table 4.2, shows some offshore licences held by companies. The operating companies, areas of operation and date of petroleum agreement are shown below:

Table 4.2: Companies/offshore licences.

CONTRACTOR	AREA OF OPERATION	AREA OF SPECIALISATION	RATIFICATION DATE	EXPIRY OF CONTRACT	TECHNICAL EXPERTISE	ACTIVITIES & GEOGRAPHY
<b>Afren Plc / Devon Energy Ghana Ltd</b>	Keta Basin	Oil & Gas Exploration & Production	August 2002, 1st Amendment July 2006, 2nd Amendment August 2008, Divested Devons Interests to Afren	August 2009	Seismic Acquisition / Processing/ Interpretation	Exploration In The Gulf Of Guinea / Angola & Congo Brazzaville
<b>Vanco Gh Ltd / LukOil Overseas Gh Ltd</b>	Deepwater Cape three points	Exploring & Developing Deep water	Aug-02	March 2009	Seismic Acquisition / Processing/ Interpretation	Gulf of Guinea / Morocco/ Ukraine
<b>Kosmos Energy Gh He / Anadarko / Tullow Gh Ltd</b>	West Cape Three Points	Oil & Gas Exploration & Production	May-04	May 2011	Seismic Acquisition / Processing/ Interpretation /Drilling	Exploration in Gulf of Guinea & Morocco
<b>Saltpond Offshore Producing Company Ltd</b>	Saltpond Field	Production & Disposal	Jul-04	July 2034	Production & Marketing	Oil Production in Saltpond Ghana
<b>Vitol Upstream Gh Ltd</b>	CapeThree Points	Oil Transportation/ Refining /Distribution	Mar-06	October 2012	Crude Oil Refinery	Gulf Of Guinea/South East Asia/Middle East/North Sea
<b>Tullow Gh Ltd / Sabre Oil &amp; Gas Ltd</b>	Shallow Water Tano & Tano Fields	Oil & Gas Exploration	Jul-06	February 2013	Seismic Acquisition / Processing/ Interpretation /Drilling	Africa/Europe/South Asia/South America
<b>Tullow Gh Ltd / Anadarko / Kosmos Energy Gh He</b>	Deepwater Tano Area	Oil & Gas Exploration	Jul-06	February 2013	Seismic Acquisition / Processing/ Interpretation /Drilling	Africa/Europe/South Asia/South America
<b>Hess Gh Exploration Ltd</b>	Deepwater Tano/Cape Three Points	Oil & Gas Exploration & Production	Jul-06	July 2013	Seismic Acquisition / Processing/ Interpretation /Drilling	Africa/Asia/Europe/United States
<b>Gasop Oil Ltd</b>	Offshore saltpond Basin	Oil & Gas Exploration & Transportation	Jul-06	July 2013	Seismic Acquisition / Processing/ Interpretation /Drilling	Exploration In Saltpond Basin Ghana
<b>Vitol Upstream Gh Ltd</b>	South Cape Three Points	Oil Transportation/ Refining /Distribution	Jun-08	January 2015	Crude Oil Refinery	Gulf Of Guinea/South East Asia/Middle East/North Sea
<b>Oranto Petroleum International Ltd</b>	Offshore saltpond Basin	Exploration / Exploitation / Production	Jul-08	February 2015	Oil Marketing	Exploration In The Gulf Of Guinea
<b>Aker Asa</b>	South Deepwater Tano	Construction/Engineering / Contracting Services	Nov-08	November 2015	Hiring of Drilling & Production Equipment	Production Of Offshore Oil&Gas Facilities Around the world

Source: GNPC

#### 4.2 Development and Production

Production from the Phase 1 development of the Jubilee field commenced on 28<sup>th</sup> of November 2010 and first oil achieved around 40 months after discovery of the field.

Gross production of about 67,000 bopd was achieved from five wells in 2011 but first lifting of Jubilee crude oil was in January 2011 with 650,000 barrels belonging to Tullow Oil Ghana Ltd.

### **4.3 Plan of Development – Jubilee Field Summaries**

The following targets were envisaged as part of the Jubilee field Phase 1.

Production of Oil at a rate of 120,000 BOPD with total fluids of 160,000 BFPD and water injection also at 232,000 BWPD.

The FPSO was targeted to arrive at Jubilee in Quarter 2 of 2010 but was however missed due to logistical challenges. MODEC was selected as Phase I FPSO Contractor partly because of the choice of Chinese based yard and topsides solution proven for MODEC supply.

Cost estimate assumed that the FPSO would be initially leased then later possibly purchased depending on reservoir and the FPSO performance

Phase 1 capital estimated as US\$3.1 billion. Details of that include allocation of US\$1.5 billion for wells, Facilities and subsea US\$1.0 billion (FPSO not purchased up-front) Pre-operations and associated infra-structure, US\$0.3 billion and a contingency of US\$0.3 billion. Expenditure for the program was to be phased as below:

#### **4.3.1 Capital Expenditure**

Total capital expenditure on the Jubilee Phase 1 project which includes the exploration, appraisal and development cost for the West Cape Three Points and Deepwater Tano blocks as at December 2010 stood at US\$4.1 billion.

Assessment of the FPSO as capital costs for tax purposes would commence in 2012. Until then the FPSO was on lease to the Jubilee Partners.

Due to the additional participating interest acquired by GNPC, its share of equity in the development cost as at 31st December, 2011, was US\$164.4 million.

Ghana through GNPC paid US\$132.48 million as settlement from its share of Jubilee proceeds. The balance will be covered from its proceeds in 2012. (See Table 2.2 on equity finance).

It is noteworthy that the interest on development cost totalling (\$14.5 million) accruing for about 4 years is 10.1% compared to the interest on production cost totalling (US\$0.58m) accruing for approximately one year Representing 2.86%.GNPC IS yet to submit details on the interest cost charged on development and production, advanced by the Jubilee Partners.

Unit planned capital expenditure Phase 1 in volumes was 9 \$/ bbl but would increase by 2 \$/bbl if FPSO was purchased in Year 1-2 of Jubilee operation making total of 11 \$/bbl. FPSO was purchased in 2012 being year 2 since its commencement of operation.

## **5.0 OPERATING COSTS BUDGETS**

The jubilee field operator, Tullow (Ghana) Ltd is responsible for producing the oil. Operational activities are funded by cash calls made by the operator.

These cash calls are driven by budgets. Variances to budgets and cash calls are reconciled among the partners. Costs are shared according to interest holdings.

It is worthwhile to note that Operating cost estimates are driven mainly by reliability of assumptions of the subsea system and wells, and logistics cost management in Ghana.

The above estimates are competitive by industry standards making Jubilee budgets costs harmonizing with industry data.

## 6.0 PROJECTED PETROLEUM OUTPUT/ACTUAL OUTPUT

Table 6.1: Projected/Actual Monthly production of crude Oil in the Jubilee Fields in 2010

Month/Year	Projected barrels crude oil(BBLs)	Actual barrels(BBLs) produced	Variance	Variance(%)
<b>Nov</b>	220,000	73,125	-146,875	-66.0
<b>Dec</b>	2,220,000	1,107,963	-1,112,037	-50.0
<b>Total</b>	2,440,000	1,181,088	-1,258,912	-51.0

A total of 4,831,565 barrels was recorded below the projected production of 29,027,460 in 2011. This represents about 16.6 % of the 2011 target.

The quarterly summations of production and the oil liftings by Jubilee Partners are indicated below.

Table 6.2 Production and Oil /Liftings at the Jubilee Fields in 2011

PERIOD	PRODUCTION	LIFTINGS	STOCK
	1,370,827		
	1,034,395		
	1,974,289		
<b>QTR1</b>	<b>4,379,511</b>	<b>4,627,701</b>	<b>248,190</b>
	1,862,578		
	2,002,202		
	2,133,562		
<b>QTR2</b>	<b>5,998,342</b>	<b>5,970,237</b>	<b>-28,105</b>
	2,422,479		
	2,335,430		
	2,235,418		
<b>QTR3</b>	<b>6,993,327</b>	<b>6,966,692</b>	<b>-26,635</b>
	2,427,182		
	2,225,255		
	2,172,278		
<b>QTR4</b>	<b>6,824,715</b>	<b>6,886,552</b>	<b>61,837</b>
<b>ANNUAL TOTAL</b>	<b>24,195,895</b>	<b>24,451,182</b>	<b>255,287</b>

Source: Ministry of Energy/ GRA (Customs Division)

It is indicated in Table 6.2 above that, 255,287 barrels more than the production was lifted in 2011. This is due to the fact that in 2010 there was no lifting so the total production of 1,181,088 barrels were stored in the FPSO pending the first lifting in January 2011.

Thus as at the end of the 2011, 925,801 barrels was yet to be lifted and could be part of the next lifting in 2012. This represents about 3.5% of the entire production for the period

### **6.1 PETROLEUM MARKETING AND PRICING**

Pricing of crude oil is largely dependent on quality. The most important quality measures are API gravity and sulphur content. Light crude oils (i.e., those with higher API gravity) command higher prices because they yield a greater fraction of high value products (gasoline, diesel, etc.) when refined.

“Sweet” crude oils (with less than 0.5% sulphur) generally command higher prices because they can be processed easily without expensive treatment facilities.

Jubilee is slightly heavier than Brent (with API Gravity of 37.6) but considerably sweeter. Therefore prices for Jubilee oil should be similar to Brent, although some light sweet West African crudes such as Nigerian Bonny Light trade at a premium to Brent.

**Table 6.3 Comparison of Oil Benchmarks with Jubilee Oil**

<b>Oil</b>	<b>Sulphur Content</b>	<b>API Gravity (degrees)</b>
<b>WTI</b>	<b>0.24%</b>	<b>39.6</b>
<b>Brent</b>	<b>0.37%</b>	<b>38.06</b>
<b>Dubai</b>	<b>2%</b>	<b>31</b>
<b>Jubilee</b>	<b>0.25%</b>	<b>37.6</b>

### **6.2 Jubilee Oil Price Movement**

In 2011, crude oil markets sustained high price levels as the spot price of Brent Crude averaged \$111.26 per barrel, which marked the first time the global benchmark averaged more than \$100 per barrel for a year.

According to the Energy Information Administration, there were two major factors that affected prices in the year. The first was the Arab Spring particularly the impact of the Libyan protests which increased prices by \$15 per barrel as a result of oil supply loss of 1.5 million barrels per day from Libya.

The other factor was demand growth in China and the Middle East especially. In the first six months of 2011, demand for petroleum products in countries outside OECD reportedly grew by about 4%. In spite of the dip in OECD demand in the year, overall global demand grew 1.1 million barrels per day (i.e. 1.2%).

Thus, with a loss of 1.5 million barrels daily, the total annual loss for the year stood at 547.5 million barrels. Also, demand growth by 1.1 million barrels daily translated into 401.5 million barrels for the year.

Jubilee oil price for Ghana's sales was competitive in 2011 averaging 113.075.

Thus GNPC/GOG allocation was sold at a premium of \$2.48 against Tullow Ghana Oil price<sup>ii</sup> and \$1.82 against Brent. Ghana's realized price was more than its reference price by \$0.68. Therefore Ghana did not only make marginal gains on its reference price but also on dated Brent and on its Jubilee Partner, Tullow Ghana as indicated below.

The Reconciler could not obtain details of oil prices obtained by Anadarko (Ghana) Ltd and Kosmos Energy for 2011.

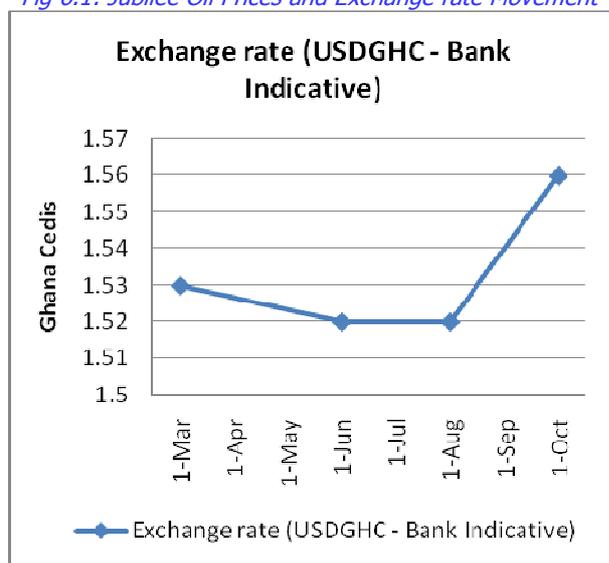
**Table 6.4: PRICE DIFFERENTIAL BETWEEN GHANA, TULLOW AND BENCHMARK**

<b>Date of Lifting</b>	<b>Jubilee Market price</b>	<b>Jubilee Reference Price</b>	<b>Premium on Ref Price</b>	<b>Tullow Sales Price</b>	<b>Premium on Tullow Sales Price</b>	<b>Brent Price</b>	<b>Premium on Brent</b>
9-Mar	112.804	112.604	0.2				
25-Jun	116.276	115.476	0.8				
3-Aug	110.67	110.37	0.3				
15-Oct	112.55	111.15	1.4				
Avr Pri	113.075	112.4	0.675	<b>110.6</b>	2.475	<b>111.26</b>	1.815
Tullow (Pre-hedge)		114.2					
Tullow (Post hedge)		110.6					
Brent Crude		111.26					

Source: MoFEP/Tullow/IEA

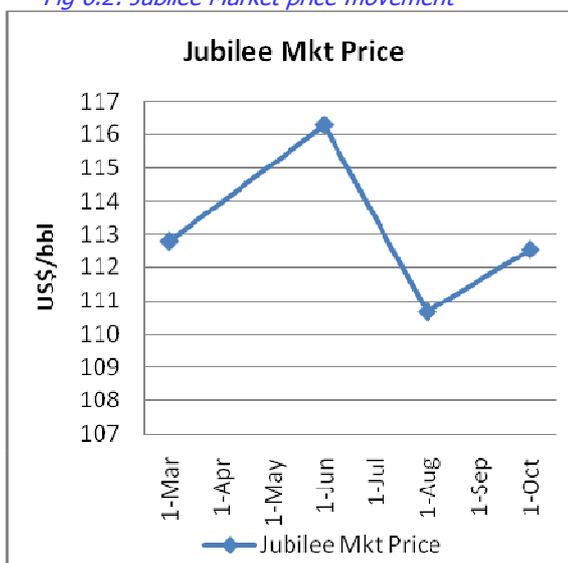
In 2011, the average exchange rate was GhC1.53 to the US Dollar. However, in between the year, the Ghana cedi depreciated in the first quarter, became stable thereafter and depreciated again in the last quarter of the year (See Graph below).

Fig 6.1: Jubilee Oil Prices and Exchange rate Movement



Source: MoFEP/Bank of Ghana

Fig 6.2: Jubilee Market price movement



Source: MoFEP/GNPC

Thus, Ghana made marginal exchange gains on revenues from its sale of crude oil. In the Table below, the gain from exchange rate adjustment is about GHC952, 119.66.

Table 6.5: Exchange rate adjustments

Date of Lifting	Amount (US\$)	Exchange rate(US\$ GHC)	Amount (GHC at Q1 rate)	Amount (GHC at adjusted rate)	Exchange gain
9-Mar	112,189,575.52	1.53	171,650,050.55	171,650,050.55	-
25-Jun	115,579,115.44	1.52	176,836,046.62	175,680,255.47	(1,155,791.15)
3-Aug	109,569,254.30	1.52	167,640,959.08	166,545,266.54	(1,095,692.54)
15-Oct	106786778.4	1.56	163,383,771.00	166,587,374.35	3,203,603.35
<b>Total</b>	<b>444,124,723.69</b>	<b>1.5325</b>	<b>679,510,827.25</b>	<b>680,462,946.90</b>	<b>952,119.66</b>

Source: MoFEP/Bank of Ghana compilations by Boas

GNPC raked home around US\$0.20 as premium on each of the 995,259 barrels of crude oil that Vitol SA and Cirrus Energy lifted on its behalf on March 9, 2011.

Article 11.7 of the Model Petroleum Agreement, spells out pricing of crude oil from Ghana's oilfields based on Market Price and Article 11.8 requires that contractors which lifted crude oil shall notify GNPC of the market Price determined by it for its respective lifting during each Quarter not later than thirty (30) days after the end of that Quarter. These prices were not made available to the reconciler.

### 6.3 Determination of Royalties, Carried and Additional Participating Interest

Computations of state benefits based on liftings and market pricing are as follows:

Table 6.6: Petroleum receipts for the state - 2011

No	Item	Unit	Qtr 1 2011	Qtr 2 2011	Qtr3 2011	Qtr 4 2011	Total 2011
1	Total Volume of Lift	Barrels	4,627,701	5,970,237	6,966,692	6,886,552	24,451,452
2	o/w GOG/GNPC	Barrels	995,259	994,691	990,770	949,469	3,930,189
3	O/w Partners	Barrels	3,632,442	4,975,546	5,976,192	5,937,083	20,521,263
4	Date of GNPC Lift	d/m/yy	9-Mar-11	26-jun-11	3-Aug-11	15-Oct-11	
5	Reference price per barrel	US\$	112.60	115.48	110.37	111.15	
6	Market Price per barrel	US\$	112.80	116.28	110.67	111.15	
7	Marketing Cost per Barrel	US\$	0.08	0.08	0.08	0.08	
8	Marketing Cost	US\$	79,620.72	79,575.28	79,261.60	75,957.52	314,415.12
9	Gross Receipt from GOG/GNPC Lifting	US\$	112,189,575.5	115,579,115.44	109569254.30	106786778.43	444,124,723
10	o/w Royalties	US\$	31,055,938	31,994,219	30,330,589	29,560,397.90	122,941,143
11	o/w Carried & Participating Interest	US\$	81,133,637.52	83,584,896.44	79,238,665.30	77,226,380.53	321,183579.78

Source: MoFEP.

## 6.4 Analysis of Jubilee Oil Receipts

Table 6.7: Jubilee Oil Receipts - Analysis

ITEM	Unit	Total 2011	GOG	KOSMOS	ANADARKO	TULLOW	SABRE	EO GROUP
Total volume of lift	Barrels	24,451,452	3,930,189	5,970,592	5,296,323	8,394,893	635,679	222,479
GOG/GNPC Royalty	Barrels	1,087,943						
Net Sales (A-B)	Barrels	23,363,509						
Carried Interest*	Barrels	2,067,087						
Participating Interest (bbl)			775,157.96	5,970,592.00	5,296,323.00	8,394,893.00	635,679.00	222,479.00
<b>% Receipt</b>			<b>3.17019194</b>	<b>24.41814907</b>	<b>21.6605664</b>	<b>34.33290178</b>	<b>2.59975972</b>	<b>0.90988053</b>
<b>Equity Holding</b>			<b>3.75</b>	<b>23.49</b>	<b>23.49</b>	<b>34.7</b>	<b>2.81</b>	<b>1.75</b>

Source: GNPC

The oil receipts by Kosmos Energy, Tullow Ghana Ltd, Anadarko WCTP Ltd, Sabre Oil, E.O Group and GNPC/GOG were fairly consistent with their equity holdings in Jubilee field.

## 7.0 RECONCILIATION OF OIL AND GAS BENEFITS IN 2010 AND 2011

### 7.1 The Reconciliation process and participants.

- Reconciliation of liftings (exports) by Oil companies and GNPC to lifting records from the Ghana Revenue Authority (Customs Division).(See Table 7.1)
- Reconciliation of payments made by oil companies including GNPC and receipts by the Bank of Ghana/Ministry of Finance. The payments by GNPC covered Carried Interest, Additional paid interest and royalty. The Oil companies (IOC) reported on surface rental and corporate tax (See Tables 7.3 & 7.4)
- Government Ministries, Departments and Agencies that participated in the reconciliation process included. The Ministry of Energy; The Ministry of Finance and Economic Planning and Ghana Revenue Authority.
- Bank of Ghana, Sabre Oil/Gas Ltd and Anadarko (Ghana) Ltd did not participate in the process.
- The lifting/export details at the Jubilee Field for 2011 are shown in Table 7.2 (See also Appendix 7).

### 7.2 Benefit streams

**1. Royalty:** Saltpond Oil Producing Company Ltd (SOPCL) reported royalty payment of US\$314,755.73 in 2010. Reported royalty payment to the Government of Ghana in 2011 amounted to US\$123,074,256.04 comprising of US\$122,941,273.64 and US\$132,982.40 made by GNPC and SOPCL respectively.

**2. Carried Interest:** There was no payment of carried interest in 2010. Carried interest paid in 2011 was US\$ 233,587,963.67

**3. Additional Paid Interest:** An amount of US\$87,595,486.37 was received by government as additional paid interest in the Jubilee Field.

**4. Surface Rentals:** In 2010, surface rentals payments were reported by Kosmas Energy Ltd, Tullow Ghana Ltd and SOPCL. In 2010, Tullow (Ghana) Ltd, Kosmos Energy Ltd and SOPCL reported payments of US\$63,866.95, US\$48,751.00 and US\$907.00 respectively.

In 2011 Tullow Ghana Ltd and Kosmas Energy reported surface rental payments of US\$ 63,886.95 and US\$29,427.00 respectively. SOPCL did not report of any surface rental payment in 2011. (See Table 7.3)

**5. Dividends:** There were no payments of dividends in 2010 and 2011.

**6. Corporate Tax:** No participating company paid corporate taxes in 2010 and 2011 because of the tax status which had unutilized capital allowances and tax losses carried forward. The tax returns for 2011 were examined by the Reconciler. There was however no details of liftings and prices obtained for the various liftings by the IOC's.

Depending on the acquisitions in 2012 and the proportionate share of the cost of the FPSO (capital allowance deduction for FPSO will begin in 2012) oil companies may pay corporate tax in 2012. The Reconciler could not obtain the detailed breakdown of pre-production costs and other fixed assets to ascertain the appropriateness of the capital allowance claims.

Table 7.1 Reconciliation of oil (bbl) liftings by GNPC in 2011

Date of Company Lifting	Company (bbl)	Ghana Revenue Authority (bbl)	Discrepancy
<b>GNPC/GOG</b>			
1.9/03/2011	995,259.00	995,259.00	-
2.25/05/2011	994,691.00	994,691.00	-
3.03/08/2011	990,770.00	990,770.00	-
4.15/10/2011	949,469.00	949,469.00	-
<b>TOTAL</b>	<b>3,930,189.00</b>	<b>3,930,189.00</b>	-

Source: GNPC/GRA

Table 7.2: Jubilee Field Liftings by IOCs' in 2011

<b>TULLOW GHANA LTD</b>	
<b>1.05/01/2011</b>	<b>617,909.00</b>
<b>2.20/03/2011</b>	<b>949,428.00</b>
<b>3.09/04/2011</b>	<b>949,426.00</b>
<b>4.06/06/2011</b>	<b>945,576.00</b>
<b>5.19/07/2011</b>	<b>949,450.00</b>

Final Report-Aggregation and Reconciliation of Oil and Gas Sector payments and receipts for 2010 & 2011

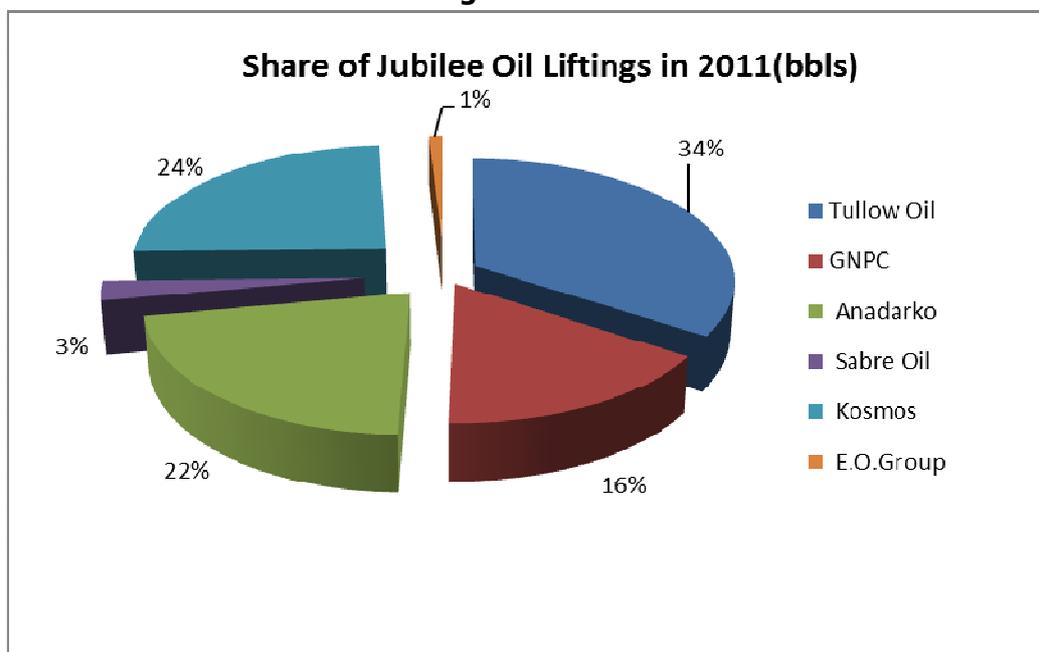
<b>6.29/08/2011</b>	<b>997,069.00</b>
<b>7.20/09/2011</b>	<b>995,125.00</b>
<b>8.09/11/2011</b>	<b>996,465.00</b>
<b>9.06/12/2011</b>	<b>994,445.00</b>
<b>TOTAL</b>	<b>8,394,893.00</b>
<b>KOSMOS ENERGY</b>	
<b>1.20/01/2011</b>	989,360.00
<b>2.22/04/2011</b>	995,713.00
<b>3.04/07/2011</b>	997,374.00
<b>4.08/09/2011</b>	996,194.00
<b>5.29/10/2011</b>	996,015.00
<b>6.20/12/2011</b>	995,936.00
<b>TOTAL</b>	<b>5,970,592.00</b>
<b>ANADARKO LTD</b>	
<b>1.09/02/2011</b>	995,412.00
<b>2.07/05/2011</b>	769,277.00
<b>3.21/06/2011</b>	907,216.00
<b>4.16/08/2011</b>	877,801.00
<b>5.03/10/2011</b>	859,824.00
<b>6.23/11/2011</b>	886,793.00
<b>TOTAL</b>	<b>5,296,323.00</b>

*Final Report-Aggregation and Reconciliation of Oil and Gas Sector payments and receipts for 2010 & 2011*

<b>SABRE OIL AND GAS</b>	
<b>1.07/05/2011</b>	227,196.00
<b>2.21/06/2011</b>	85,579.00
<b>3.16/08/2011</b>	115,299.00
<b>4.03/10/2011</b>	100,230.00
<b>5.23/11/2011</b>	107,375.00
<b>TOTAL</b>	<b>635,679.00</b>
<b>E.O. GROUP</b>	
<b>1.05./01/2011</b>	31,155.00
<b>2.20/03/3011</b>	47,882.00
<b>3.09/04/2011</b>	47,878.00
<b>4.06/06/2011</b>	47,684.00
<b>5.19/07/2011</b>	47,880.00
<b>TOTAL</b>	<b>222,479.00</b>

*Source: GRA Customs Division*

**FIG 7: Share of Jubilee Oil liftings in 2011**



**Source:**GRA Customs Division/Boas compilations

*Table 7.3 Reconciliation of GNPC oil sales (proceeds) and receipts by Government*

Date of GNPC/GOG Liftings	GNPC Lifting Proceeds (\$)	Government <sup>iii</sup> Receipts(\$)	Discrepancy
9 <sup>th</sup> Mar 11	112,189,575.52	112,189,575.52	0
26 <sup>th</sup> Jun 11	115,579,115.44	115,579,115.44	0
3 <sup>rd</sup> Aug 11	109,569,254.30	109,569,254.30	0
15 <sup>th</sup> Oct 11	106,786,778.43	106,786,778.43	0
<b>TOTAL</b>	<b>444,124,723.69</b>	<b>444,124,723.69</b>	<b>0</b>

*Source: GNPC/MoFEP*

Table 7.4 Reconciliation (by revenue stream) of GNPC Payments and Government Receipts in 2011

Revenue Stream	GNPC Payments		Government Receipts		Discrepancy	
	BBL(A)	U\$(B)	BBL(C)	US\$ (D)	BBL(A-C)	US\$(B-D)
Royalty	1,087,943.13	122,941,190.00	1,087,943.13	122,941,143.90	-	46.10
Carried Interest	2,067,087.91	233,587,963.67	2,067,087.91	233,588,058.03	-	-94.36
Additional Participating Interest	775,158.70	87,595,570.02	775,158.70	87,595,521.76	-	48.26
<b>Total</b>	<b>3,930,189.74</b>	<b>444,124,723.69</b>	<b>3,930,189.74</b>	<b>444,124,723.69</b>	-	0

Source: GNPC/MoFEP.

Table 7.5 Reconciliation of SOPCL Payments and Government Receipts in 2010/2011

Revenue Stream	SOPCL Payments(US\$)	Government Receipts(US\$)	Discrepancy(US\$)
Royalty - 2010	314,755.73	314,755.73	-
- 2011	132,982.40	132,982.40	-
Surface Rental -2010	907.50	605.00	302.50
-2011	-		
<b>Total -2010</b>	<b>315,663.23</b>	<b>315,360.73</b>	<b>302.50</b>
<b>-2011</b>	<b>132,982.40</b>	<b>132,982.40</b>	<b>-</b>

Source: SOPCL/MOFEP/GNPC.

**Table 7.6 Surface Rental Payments – 2010/2011**

Company		Surface Rentals (US\$) Company Reported payments – A	Surface Rentals (US\$) Government Reported Receipts-B	Discrepancy(A-B)
Tullow Ghana -	2010	63,866.95	58,140.50	5,726.45
	2011	63,886.95	63,421.32	465.63
Kosmos Energy -	2010	48,751.00	48,751.00	0
	2011	29,427.00	29,427.00	0
Saltpond Oil Fields-	2010	907.50	605.00	302.50
Total	- 2010	113,525.45	107,496.50	6,028.95
	- 2011	93,313.95	92,848.32	465.63

Source: GNPC/Company Reporting Templates

**Table 7.7 2010/ 2011 Company Payments/Government Receipts/Discrepancies**

Revenue Stream		Company(US\$)	Government(US\$)	Discrepancy(US\$)		Resolved	Unresolved
<b>S/Rentals</b>	2010	113,525.45	107,496.50	6,028.95		-	6,028.95
	2011	93,313.95	92,848.32	465.63			465.63
<b>Royalty</b>	2010	314,755.73	314,755.73	-			
	2011	123,074,172.40	123,074,126.30	46.10			46.10
<b>C/Interest</b>	2010	-	-				
	2011	233,587,963.67	233,588,058.03		-94.36		-94.36
<b>API</b>	2010	-	-				-
	2011	87,595,570.02	87,595,521.76	48.26			48.26
<b>Corp. Tax</b>	2010	-	-			-	-
	2011	-	-			-	-
<b>Dividend</b>	2010	-	-			-	-
	2011	-	-			-	-
<b>Total</b>	2010	<b>428,281.18</b>	<b>422,252.23</b>	<b>6,028.95</b>			<b>6,028.95</b>
	2011	<b>444,351,020.04</b>	<b>444,350,554.41</b>	<b>559.99</b>	<b>-94.36</b>		<b>465.63</b>

### **7.3 DISCREPANCY:**

The reconciliation recorded net discrepancies of US\$6,028.95 and US\$465.63 in 2010 and 2011 respectively. In 2011, the absolute discrepancy was US\$654.35. The discrepancy in 2010 resulted from differences between surface rental payments made by Tullow Ghana Ltd and Saltpond Offshore Producing Company Ltd and reported receipts by the GNPC. (See Table 7.3)

In 2011 the difference between the reported payment by Tullow Ghana Ltd and the reported receipt by the GNPC produced the discrepancy of US\$465.63. There were also discrepancies between GNPC payments and Government receipts. (See Table 7.2 & 7.5)

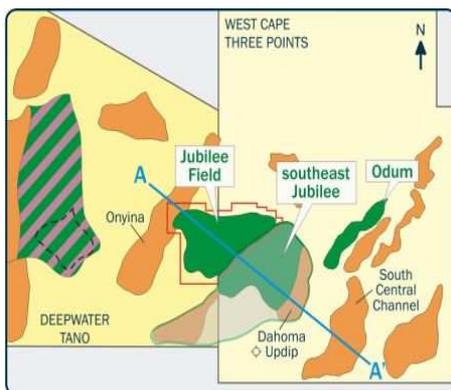
## 8.0 UNITIZATION OF JUBILEE FIELD

Since Jubilee field straddles between Deep water Tano and West Cape Three Point fields owned by a consortium of interest holding companies, unitization was the preferred option for reason of production economy.

Under the Unitization Agreement signed by the Jubilee Partners in July 2009, Tullow holds 34.70 %, Kosmos Ltd 23.49%, Anadarko 23.49%, GNPC 13.75%, Sabre Oil 2.81% and E.O Group 1.75%.

E.O Group acquisition in 2011 increased Tullow's stake to 36.45%.

*Fig 8.1 Re-determination of Interests*



*Source: Ministry of Energy*

Unitization agreement for Jubilee field contain provisions requiring that changed ownership and reserve holdings be re-determined and adjusted at dates subsequent to the date of unitization.

Between the dates of the Jubilee unitization and the subsequent re-adjustment on the 1<sup>st</sup> December 2011, production revenues as well as operating expenses and development costs were allocated on the basis of ownership interest computed at the date of unitization.

As determined by an independent expert analysis, a greater portion of the Jubilee field resources reside in the West Cape Three Points Block than was established under the original tract participations.

Table 8.1: Equity Holdings (%) of partners in Deepwater Tano and West Cape Three Point after re-determination

Company	Deep Water Tano(DT)	West Cape Three Point (WCTP)	Jubilee After Redetermination
GOG/GNPC	6.84501	6.79583	13.64084
Tullow Ghana	21.52755	13.95197	35.47952
Kosmos Energy	7.75768	16.31942	24.07710
Anadarko	7.75768	16.31942	24.07710
Sabre Oil	1.74548	0.97996	2.72544
Total	100	100	100

Source: Tullow Ghana Ltd

The original tract participations in the Jubilee Unit were 50 percent for both the West Cape Three Points and Deep water Tano Blocks. After expert analysis, the Unit interests have been changed to 54.37 percent for the West Cape Three Points Block and 45.63 percent for the Deep water Tano Block.

Accordingly, Kosmos Jubilee Unit interest increased to 24.08 percent from 23.51 percent.

As a result of the re-determination Tullow's working interest in the Jubilee Unit Area (JUA) reduced slightly from 36.42% to 35.48% which became effective from 1 December 2011.

Documents covering the re-determination and subsequent production and costs apportionment have not been sighted as GNPC are yet to forward them for verification at time of completing the report.

Comparison of the movement of interest holdings from inception of operations to end of 2011 has been tabulated below.

Table 8.2: Equity Holdings (%) of Jubilee Partners

Company	July 2009 JUA*	May 2011 Acquisition	Dec 2011 Redetermination
GOG/GNPC	13.75	13.75000	13.64084
Tullow Ghana	34.70	36.41889	35.47952
Kosmos Energy	23.50	23.50868	24.07710
Anadarko	23.50	23.50868	24.07710
Sabre Oil	2.81	2.81375	2.72544
E.O Group	1.74	-	-
Total	100	100	100

Source: Tullow/Boas Associates

\*Approximated figures

## 9.0: PETROLEUM HOLDING FUND - 2011

The Petroleum Holding Fund receives payments from all the revenue streams in accordance with Section 6 of Act 815. However in 2011, the state reported the receipts of only royalty and Carried and Participating Interest (CAPI) payments.

GNPC was allocated \$ 207.96 million (GH¢315,390,698) by Parliament in 2011, being 47% of total Government oil receipts.

After Parliament had ceded the amount to GNPC, the balance on the Petroleum Holding Fund was GHS 350,796,387 for expenditure on capital, recurrent and investments as stipulated under the PRMA Act 815.

### 9.1 Exchange Rate

Using an exchange rate of \$1: 1.5 Cedis, the total revenue from royalty and carried and participating interest totaling \$ 444,124,723.68 converts to 666,187,085.52 Cedis.

**Table 9.1 Determination of Petroleum Revenue (Cedis)**

Royalties & CAPI	666,187,085.52		Balance GOG Disbursements (CEDIS)
Corporate Taxes	0		
Surface Rentals	0		
GNPC Dividend	0		
GPF Investments Returns	0		
<b>TOTAL Benefits</b>	<b>666,187,085.52</b>		
<b>GNPC Equity Finance &amp; Costs</b>	<b>Less</b>	<b>(315,390,698)</b>	<b>350,796,387.51 (CEDIS)</b>

Source: Bank of Ghana/Boas

### 9.2 Determination of Benchmark Revenue from Petroleum Operations

The annual Benchmark Revenue from petroleum operations shall be calculated on the basis of actual and expected average unit price for crude oil and natural gas derived from a seven-year moving average. The seven years being the 4 years immediately prior to the current financial

year, the current financial year itself, and 2 years immediately following the current financial year.

The expected quantity shall be calculated on the basis of the expected average government take in gross oil over a three year horizon, such three years being the immediately preceding, the current financial year, and the one year ahead projection.(PRMA First schedule) (Section 17)

Since the state has no benefit of the past in determining benchmark prices as well as oil quantities, this important provision was not employed. It is hoped that in the years ahead, much advantage would be drawn from it.

Benchmark Revenue = Expected current receipts from oil + Expected current receipts from gas + Expected dividends from national oil company

**Table 9.2: 2011 Benchmark Revenue - Target/Actual Comparisons**

REVENUE	TARGET(GHS)	ACTUAL(GHS)	VARIANCE(GHS)
<b>Total GOG Revenue</b>	<b>1,250,000,000</b>	<b>666,187,085.6</b>	<b>583,812,914.4</b>
<b>GNPC Transfers</b>	<b>327,337,152</b>	<b>315,390,698</b>	<b>11,946,454.0</b>
<b>Benchmark Revenue(Petroleum Holding Fund)</b>	<b>923,446,572</b>	<b>350,796,387.51</b>	

Source: MoFEP

### **9.3 Annual Budget Funding Amount**

According to the Section 18 of the PRMA Act 815, the annual allocation to the budget from petroleum revenues for current spending is determined as:

Annual Budget Funding Amount = Up to *Seventy percent (70%)* of Benchmark Revenue

**Table 9.3: Allocations to the ABFA**

<b>Benchmark Revenue</b>	<b>Annual Budget Funding Amount(ABFA)</b>	<b>%</b>	<b>ABFA Capex</b>	<b>%</b>	<b>ABFA Recurrent Expenditure</b>	<b>%</b>
<b>350,796,387.51</b>	<b>250,432,600.3</b>	<b>71.4</b>	<b>175,302,820</b>	<b>70</b>	<b>75,129,780</b>	<b>30</b>

The projected Annual Budget Funding Amount (ABFA) was GHS 646,412,601 whereas the actual realized as at the end of December 2011 stood at GHS 250,432,600.30, representing 71.4% of the net revenue of GHS350, 796,387.51.

It is noteworthy that GH 250,432,600 representing 71.4% is slightly higher than the stipulated 70% in Act 815.

Out of the ABFA allocation of GHS 250,432,600.30, GHS 175,302,820 (70%) was allocated for capital expenditure and the remaining 30%, amounting to GHS75, 129,780 allocated for recurrent spending. This is in line with the provisions of PRMA, Act 815.

Table 9.3.1

ABFA Capital Expenditure Program		
Description	Amount	%
1. Expenditure and Loans Amortization - Oil and Gas Infrastructure	20,000,000	11.5
2. Roads Infrastructure	134,102,367	76.5
3. Agricultural Modernization Capacity Building	13,147,652	7.4
4. Capacity Building (inc Oil and Gas)	750,000	0.4
5. Miscellaneous	7,302,800	4.2
<b>TOTAL ABFA CAPITAL</b>	<b>75,302,820</b>	<b>100</b>

Source: Budget Statement 2012

It is noteworthy that all the four priority areas for capital expenditure by the state as outlined in the PRMA Act 815 were covered

Table 9.4 Allocation to the Ghana Stabilization and Heritage Funds

Allocation to Ghana Petroleum Funds	Ghana Stabilization Fund	%	Heritage Fund	%
Budget	70,254,651.04	70	30,109,136.16	30
<b>Actual</b>	<b>82,008,345</b>	<b>81.7</b>	<b>21,799,687</b>	<b>18.3</b>

Source: MoFEP 2011 Fiscal data

Distribution to the Stabilization and Heritage Funds, which together constitute the Petroleum Funds, was inconsistent with the requirement of Act 815, Section 23(b)“ A minimum of thirty percent of the excess revenue determined in subsection (1) (a) shall be transferred into the Ghana Heritage Fund and the balance shall be transferred into the Ghana Stabilization Fund each quarter”.

That is, the allocation to the Ghana Heritage Fund shall not be less than 30% of the excess revenues over the Annual Budget Funding Amount.

The allocation of 18.3% of the excess revenues to the Ghana Heritage Fund and 81.7% to the Ghana Stabilization Fund are not consistent with Act 815.

#### ***9.4 Investment of Ghana Petroleum Funds***

Ghana Petroleum Funds were invested in Euro clear Bonds which have triple A Commercial Papers. (See Table 9.5)

Prior to investing the funds in Euro clear funds, the funds were used to purchase US Government Treasuries through the Federal Reserve Bank of New York. But were later moved from the US Federal Reserve to Euro clear funds because the Federal Reserve’s rates of interest were low.

***Table 9.5 Petroleum Fund Euro clear Bond investments***

<b>Investment</b>	<b>Amount Invested(\$)</b>	<b>Yield(\$)</b>
<b>Ghana Stabilization Fund – 3Months</b>	<b>54,800,000</b>	<b>32,471.18</b>
<b>Ghana Heritage Fund -6 Months</b>	<b>14,400,000</b>	<b>39,206.59</b>
<b>TOTAL</b>	<b>69,200,000</b>	<b>71,677.77</b>

***Source: Bank of Ghana***

## **10.0 CHALLENGES**

### ***10.1 The EITI reporting process:***

The EITI reporting process has been challenging as companies and government institutions were reluctant to provide data. The Bank of Ghana declined to provide details of the petroleum Holding Fund Account. In general International Oil Companies (IOC's) were not willing to provide information beyond payments made to the government. Some actually stated their unwillingness or inability to provide information beyond that which is statutorily required.

The terms of reference for the assignment however required the Reconciler to analyze and comment on some details including operating cost, capital allowance computation, prices and liftings by GNPC and the IOC'S.

### ***10.2 Recommendation:***

The Steering committee should discuss with the participants, both state owned Agencies and IOCs. The discussions should include the Terms of Reference , as well as the time required for the completion of reports.

## **11.0 SIGNIFICANT FINDINGS AND OBSERVATIONS:**

### **11.1 Capital Gains Tax**

#### *11.1.1 Finding*

Tullow Oil Plc. acquired the in EO Group Limited in 2011. The reconciler did not come across any capital gain tax in the transaction. GRA has issued a ruling that the transaction is subject to tax but issues have been raised on it.

The Petroleum Revenue Management Act, Act 815 section 6(e) indicate capital gains tax derived from the sale of ownership of exploration, development and production rights as a possible receipt for the petroleum holding fund.

#### *11.1.2 Recommendation:*

It is recommended that GRA pursues the issue of capital gains tax on the E.O Group's acquired 1.75% equity and other such acquisitions to its logical conclusion. It may also be prudent for the necessary legislation on capital gains to be streamlined as the E.O Group acquisitions may only be the beginning of such transactions.

### **11.2 Thin Capitalization:**

*11.2.1 Finding:* Interest expense is generally deductible in determining the chargeable income for corporate tax purposes. There is however no provision in the PITL that relates to excessive interest charges. There is the risk that taxpayers may use unlimited interest payments to strip profits, resulting in lower corporate tax payments. However, Section 41 of the PITL, 1987 provides that without express exemption of a contractor from taxation, the general law or provisions thereof relating to taxation may apply. This provision according to the GRA ensures that provisions on limitations in interest deductions in ACT 2000, the Internal Revenue Act is applicable in the petroleum sector.

#### *11.2.2 Recommendation:*

There is the need to harmonise the provisions in the PITL and the Internal Revenue Act, Act 2000.

### **11.3 Losses carried forward.**

#### *11.3.1 Finding:*

Tax losses, under the PITL are carried forward indefinitely. Under the IRA, ACT 2000, the Losses are carried forward for only five years for mining operations. The practice under the Income Tax law however is that capital allowances do not create losses and are carried forward indefinitely.

### **11.3.2 Recommendation:**

It is recommended that tax losses are carried forward for five years in the petroleum industry as pertains in the mining industry. The practice of carrying forward capital allowances indefinitely in the mining sector may also be extended to the petroleum industry.

## **11.4 Ring fencing:**

### **11.4.1 Finding**

Ring fencing refers to the limitation on consolidation of income and deductions for tax purposes by the same taxpayer, for different projects or different activities.

Ring fencing legislation has been passed, under the Internal Revenue (Amendment) Act, 2012, ACT 839, to disallow the deduction of expenses exclusively incurred in a mining area against revenue derived from another mining area belonging to the same taxpayer or in which the taxpayer has an interest in the determination of chargeable income.

Currently the petroleum industry does apply ring fencing to contracts. However a contractor may set off expenses that are exclusive to a production area against income from another production area. This may delay corporate tax revenues.

### **11.4.2 Recommendation:**

Legislation similar to the amendment on ring fencing in the mining sector, should be introduced in the petroleum industry to production areas. As many fields commence production ring fencing legislation is needed to ensure early corporate tax receipts. This however should be viewed against the need to obtain more geological data from greenfields.

## **11.5 Staff Members and Capacity Building:**

The oil and Gas sector is an emerging industry in Ghana. There are only few members of staff engaged in the petroleum sector at the GRA, MOFEP and Bank of Ghana.

### **11.5.1 Recommendation:**

There is the need to increase the numbers and speedily build up the capacity of officers of all the agencies involved—GRA, MOFEP, BOG to enable them carry out their functions efficiently and effectively

## **11.6 Information on payment.**

### **11.6.1 Finding**

Saltpond Offshore Producing Company Ltd (SOPCL) made payments of royalty in 2010 and 2011 into the Non Tax Revenue /GOG account. The Non Tax Revenue Division of the Ministry

of Finance and Economic Planning, operator of the accounts was not alerted of the payment. SOPCL did not obtain receipts for the payment made.

#### [11.6.2 Recommendation](#)

Since, PRMA became operational, petroleum payments are to be made into the Petroleum Holding Fund. To avoid situations as indicated above, the Bank of Ghana should regularly update the GRA on all payments made by licence holders. This will ensure that receipts are properly provided to these companies. Reconciliations of amounts paid into the petroleum holding fund would be made easier.

## 12.0 CONCLUSION

- This report provides details of the first Oil and Gas EITI reconciliation exercise.

Discrepancies of US\$6,028.95 and US\$465.63 were recorded in 2010 and 2011 respectively. The discrepancy in 2010, resulted from differences between surface rental payments made by Tullow Ghana Ltd and Saltpond Offshore Producing Company Ltd and reported receipts by the GNPC. In 2011 the difference between the reported payment by Tullow Ghana Ltd and GNPC reported receipt produced the discrepancy of US\$465.63.(see Table 7.3 & 7.5).

- Saltpond Offshore Producing Company made paid US\$314,755.73 as royalty and US\$907.50 as surface rental. In 2011 SOPCL paid an amount US\$132,982.40 as royalty to the state.
- GNPC paid an amount of US\$ 444,124,723.69 to the Government of Ghana in 2011. This amount represented payment for carried interest of US\$233,587,963.67; Additional paid interest of US\$87,595,570.02 and Royalty of US\$122,941,190.00.
- As at the end of 2011, GNPC owed its Jubilee partners an amount of US\$33,308,728. This amount does not include GNPC'S share of the purchase cost of the FPSO.
- Corporate tax receipts will be enhanced if, thin capitalization, losses carry forward and ring fencing rules are amended. Also costs should be scrutinised to reduce profit stripping.
- Legislation on Capital gains tax should be put in place as early as practicable.
- Disbursements to the Ghana Petroleum funds should be made in compliance with the provisions of the Petroleum Revenue Management Act, 2011; ACT 815
- The Steering Committee should engage all stakeholders in the petroleum sector to ensure that the EITI reporting process stays on course. This may include deliberations on the scope of the assignment and reporting templates.

## APPENDICES

**Appendix 1: Company Template**

<b>Ghana Extractive Industries' Transparency Initiative</b>				
<b>Input Template for COMPANY Reporting Entity for Oil and Gas Industry.</b>				
Company/Type reporting :(				
Development/Production Area:				
Reporting Period:				
<b>Benefit Streams</b>		<b>Cash</b>		<b>Benefit- in- Kind</b>
		<b>Volume</b>	<b>Value(US\$)</b>	<b>Volume</b>
	<b>INTERNATIONAL COMPANY:</b>			
1.	<b>Production Stream Paid to Government</b>			
1.1	<b>Production Stream paid to National State Owned Company.</b>			
	<b>NATIONAL STATE OWNED COMPANY</b>			
2.	<b>State Participating Interest</b>			
2.1	<b>Carried Interest</b>			
	<b>-Gross Received on behalf of Government</b>			
	<b>-Net paid to Government.</b>			
2.2	<b>Paid Interest(Additional interest)</b>			
	<b>-Gross Received on behalf of Government</b>			
	<b>-Net paid to Government.</b>			
3.	<b>Additional Oil entitlement.</b>			
	<b>PAYMENTS BY IC/NSC:</b>			
4	<b>Royalty</b>			
5	<b>Profit Tax(Corporate Tax)</b>			
6.	<b>Surface Rental</b>			
7	<b>Dividends</b>			
8	<b>Other Payments to Government:</b>			
8(1)				
8(2)				
8(3)				
9	<b>Voluntary Disclosure</b>			

**Declaration:** We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines, with the exception of:

NAME: ..... POSITION: .....

SIGNATURE:..... COMPANY STAMP:.....

**Appendix 2: Government Template**

<b>Ghana Extractive Industries' Transparency Initiative</b>					
<b>Input Template for GOVERNMENT Reporting Entity for Oil and Gas Industry.</b>					
<b>Government Agency:</b>					
<b>Company/Type reporting on:</b> <i>(indicate whether national state owned/international company.)</i>					
<b>Development/Production Area</b>					
<b>Reporting Period:</b>					
<b>Benefit Streams</b>		<b>Cash</b>		<b>Benefit- in- Kind</b>	
		<b>Volume</b>	<b>Value(US\$)</b>	<b>Volume</b>	<b>Value(US\$)</b>
1.	<b>Production Stream</b>				
2.	<b>State Participating Interest</b>				
2.1	<b>Carried Interest</b>				
2.2	<b>Paid Interest(Additional interest)</b>				
3.	<b>Additional Oil entitlement.</b>				
4	<b>Royalty</b>				
5.	<b>Profit Taxes(corporate Tax)</b>				
6.	<b>Surface Rental</b>				
7	<b>Dividends</b>				
8	<b>Other Payments to Government:</b>				
8(1)					
8(2)					
8(3)					
9	<b>Voluntary Disclosure</b>				

Declaration:

We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME:

SIGNATURE:

POSITION:

STAMP:

### **Appendix 3: TERMS OF REFERENCE**

Under the terms of reference for the assignment the obligation of the aggregator/reconciler shall include the following:

1. Analyse all documentations on all oil and gas produced and compare with projected production in Feasibility. Reports/Plan of Development and budget of the oil and gas companies and report on any discrepancies.
2. Review documentation on all oil and gas lifted by the National Oil Company (NOC) and the International Oil Companies (IOC's) and compare with the hydrocarbon allocation formula, so as to confirm whether the sharing of the oil and gas produced and the lifting schedules are in accordance with the agreed hydrocarbon allocation formula.
3. Analyse declarations of oil and gas lifted by the NOC and the IOC's in their financial statements and compare with the aggregate of periodic declarations made to the regulatory institutions and the Ghana Revenue Authority and report on any discrepancies.
4. Analyse all documentations on oil and gas lifted and their prices and compare with reference prices so as to confirm the correctness of the prices and the revenue from oil and gas lifted.
5. Review all documentations on petroleum cost (exploration, appraisal, development and production) and other costs of the oil and gas companies, so as to confirm that only actual and qualify costs are deducted from income to arrive at profits.
6. Check the capital allowances and tax computations to confirm their correctness. Also, report on recovered capital costs to date, as well as new capital acquisitions.
7. Ascertain the correctness of all payments (cash and in kind) made by the NOC and the IOC's to the state. Payments shall include royalties, initial (carried) interest, additional participating interest, petroleum income tax, additional oil entitlement, surface rentals, dividend, the investment income derived from accumulated petroleum funds, income tax/capital gains tax derived from the sale of ownership of exploration, development and production rights.
8. Reconcile all transfers made by the NOC into the Petroleum Holding Fund with receipts acknowledged by Bank of Ghana.
9. Verify the basis for the determination of the Petroleum Benchmark Revenue, Annual Budget Funding Amount, and confirm whether they are in accordance with the provision of the Petroleum Revenue Management Act, Act 815.
10. Check and report on disbursement from the Petroleum Holding Funds to the Annual Budget funding Amount, the Heritage and Stabilization Funds, other exceptional payments provided and confirm if they are in conformity with the accordance with the provision of Act 815.

11. Report on the utilization of the Annual Budget Funding Amount, the Stabilization Fund and Heritage Fund and confirm whether they are in accordance with the provision of Act 815.

#### **Appendix 4: APPROACH AND METHODOLOGY**

The assignment was categorised into three phases.

These are i) Inception phase, ii) Reconciliation phase iii) Validation/Framework for enhancing transparency

- **Inception Phase**

This is the preliminary information gathering stage. The Reconciler interacted with the Oil and Gas Companies and the Government Agencies. An inception report was produced at the end of this phase.

- **Aggregation/Reconciliation Phase**

This is the phase in which the data collected is analysed and reconciled between the payments reported by oil and gas companies and receipts by government Agencies. In this phase the various tasks and activities required by the terms of reference were performed.

- **Validation/Framework for enhancing transparency**

This is a continuous interactive phase which is aimed at utilizing the findings and experiences acquired from the inception and aggregation phases.

A combination of desk and field work was employed in the execution of this assignment.

The desktop analysis involved the use of electronic data base management, computer spread sheets and other software packages.

In order to enable the effective execution of the tasks on schedule, a number of activities were executed concurrently.

Documents reviewed and studied included the following:

- a. Annual reports and audited financial statements of Oil and Gas companies for 2010 and 2011.
- b. Budgets of oil companies
- c. The Model Petroleum Agreement
- d. Exploration and Production Law of 1984
- e. The Petroleum Commission Acts, 2011
- f. The Internal Revenue Act, 2000 (Act 592)

g. The Petroleum Revenue Management Act, 2011

The document review was an activity, which was undertaken throughout the entire length of the assignment.

### **Field Visits and Interviews**

Periodic meetings with government institutions and field visits to the Oil companies were undertaken in the assignment.

### **Aggregation/Reconciliation Phase**

#### ***Data Collection:***

Data already requested from the Departments and Agencies, producing Oil and Gas Companies were collated and analysed.

#### ***Analysis***

Activities undertaken at this stage included

- Analysing all documentations on oil and gas produced and compare with projected production in Feasibility. Report/Plan of Development and budget of the oil and gas companies and report on any discrepancies.
- Reviewing documentation on all oil and gas lifted by the National Oil Company (NOC) and the International Oil Companies (IOC's) and comparing with the hydrocarbon allocation formula, so as to confirm whether the sharing of the oil and gas produced and the lifting schedules are in accordance with the agreed hydrocarbon allocation formula.
- Analysing declarations of oil and gas lifted by NOC and the IOC's in their financial statements and compare with the aggregate of periodic declarations made to the regulatory institutions and the Ghana Authority and report on any discrepancies.
- Analysing all documentations on oil and gas lifted and their prices and comparing with the reference prices so as to confirm the correctness of the prices and the revenue from oil and gas lifted.
- Reviewing all documentations on petroleum cost (exploration, appraisal, development and production) and other costs of the oil and gas companies, so as to confirm that only actual and qualifying costs deducted from income to arrive at profits.
- Checking the capital allowances and tax computations to confirm their correctness. Also, report on recovered capital costs to date, as well as new capital acquisitions.

- Ascertaining the correctness of all payments (cash and in kind) made by the NOC and the IOC's to the state. Payments shall include royalties, initial (carried) interest, additional participating interest, petroleum income tax, additional oil entitlement, surface rentals, dividend, the investment income derived from accumulated petroleum funds, income tax/capital gain tax derived from the sale of ownership of exploration, development and production rights.
- Reconciling all transfers made by the NOC and IOC's into the Petroleum Holding Fund with receipts acknowledged by Bank of Ghana.
- Verifying the basis for the determination of the Petroleum Benchmark Revenue, Annual Budget Funding Amount and confirm whether they are in accordance with the provisions of the Petroleum Revenue Management Act, Act 815.
- Checking and reporting on disbursements from the Petroleum Holding Fund to the Annual Budget Funding Amount, the Heritage and Stabilization Funds, other exceptional payments provided and confirm if they are in conformity with the provisions of Act 815.

#### ***Data Aggregation/Reconciliation***

The Reconciler completed templates for Government and Oil companies. The aggregation involved:

Developing a composite template for Oil and Gas Companies, by adding similar benefits from individual Oil companies and Government templates e.g. surface rentals. This was done on a disaggregated basis.

- iii) Providing disaggregated formats of payments and revenues by company, government agency and revenue stream.
- iv) Comparing consolidated Oil and Gas company template with Government template.
- v) Detailing all discrepancies including those that have been resolved and any unresolved discrepancies.
- vi) Making adequate disclosures to enable users of the information undertake their own investigation of any discrepancy.

### **Validation/Framework for enhancing transparency**

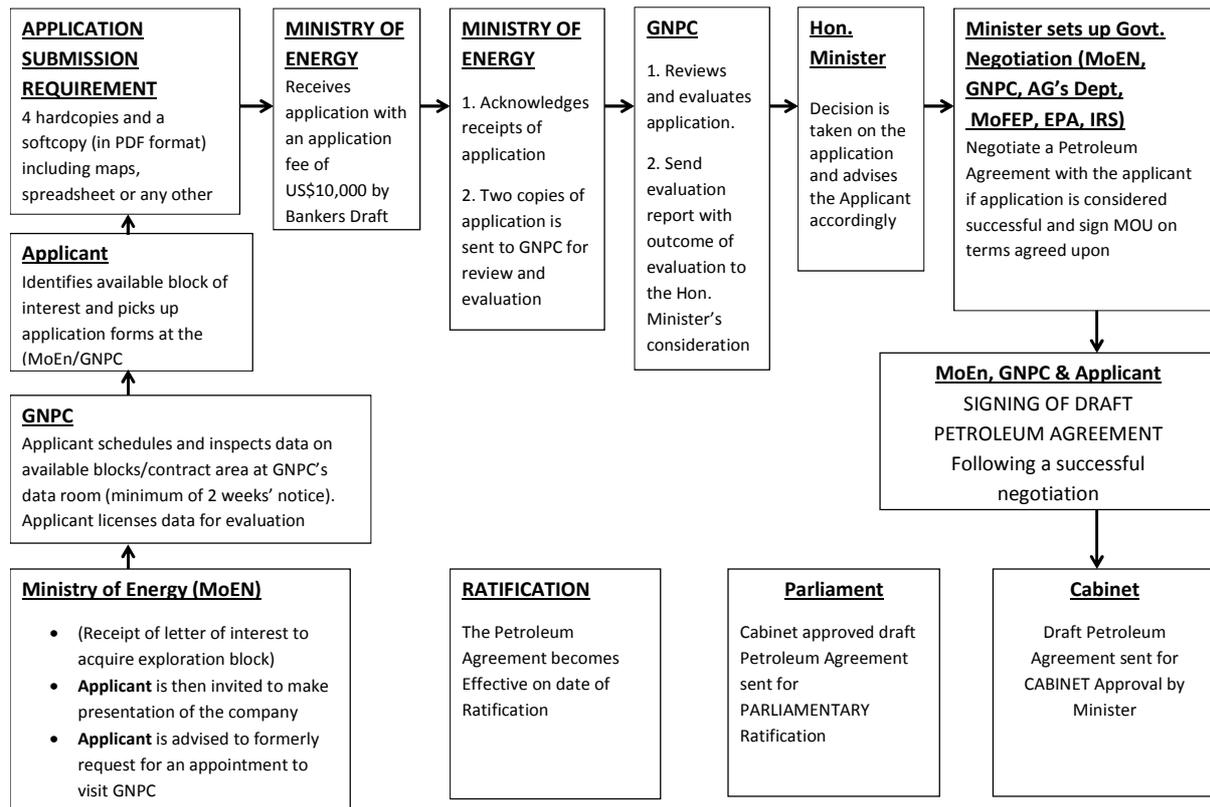
Some of the activities in this phase included:

- Making recommendations in the final report that are aimed at enhancing transparency in the payments and receipts of extractive benefits.
- At the validation seminar the comments and questions will be fed back into the process to improve reporting and by extension, the initiative.
- Possible changes to the templates for effective reporting.
- Dissemination of report to the general populace

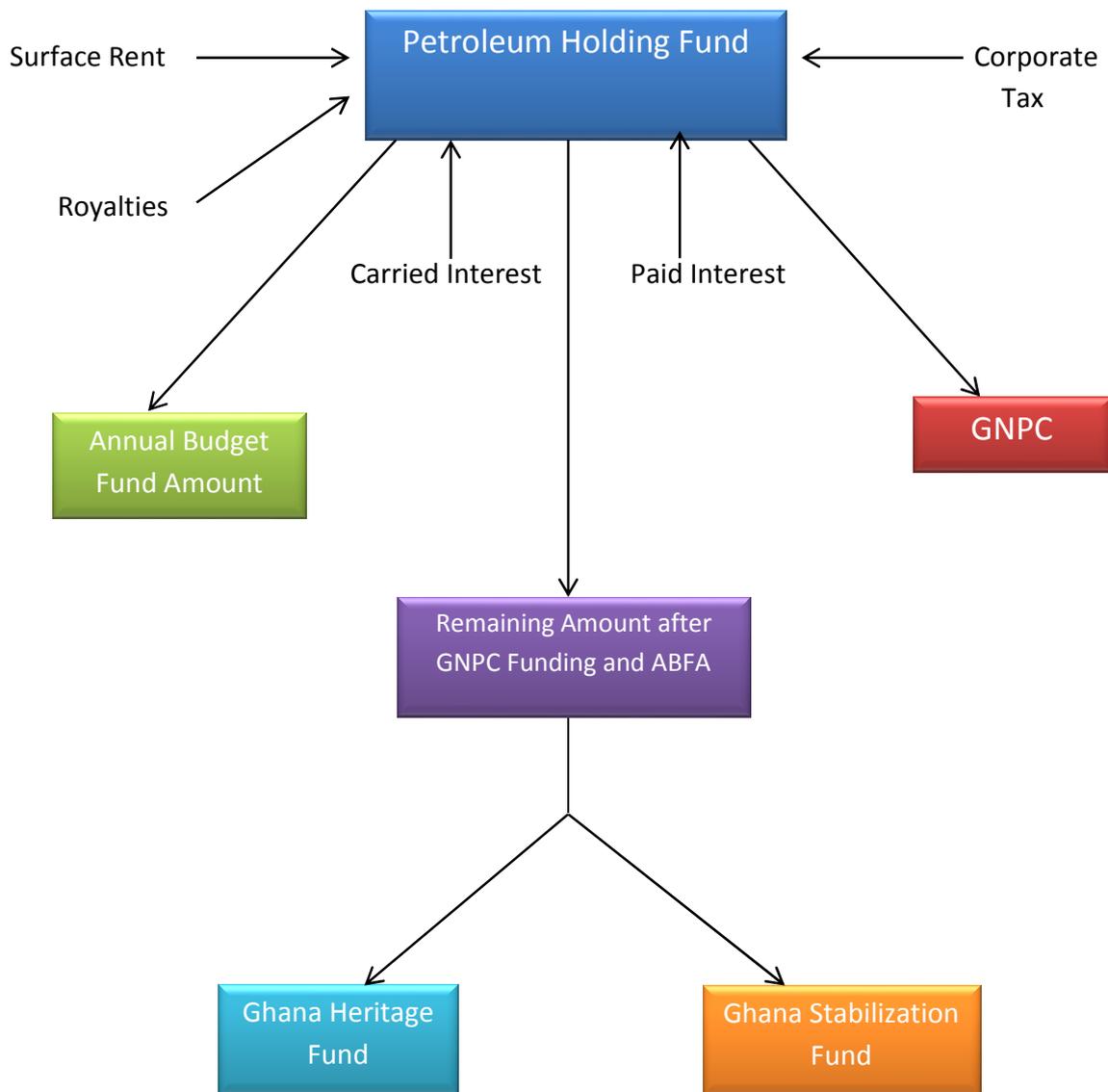
**Appendix 5: Other companies in the oil and Gas sector**

Block	Operator	Acreage – km2	Acquisition Year	Phase of Exploration in 2011
Deep water Tano	Tullow Oil	768	2006	Producing
West Cape Three Point	Kosmos Energy	692	2004	Part Producing
Deep water Tano/Cape Three Point	Hess	3,000	2008	Initial Period
Cape Three Point Deep water	Lukoil	5,146	2002	2 <sup>nd</sup> Extension
Offshore Cape Three Point	ENI	694	2006	1 <sup>st</sup> Extension
Offshore Saltpond	Oranto	1,500	2008	Initial Period
Saltpond Field	Saltpond Offshore Producing Co.	5	2000	Producing
Offshore Accra	Tap Oil	2,000	2010	Initial Period
Offshore Keta	ENI	5,500	2010	Initial Period
East Cape Three Point	Sahara Energy	8,500	2008	Initial Period

Appendix 6: Acquisition of Oil Block



## APPENDIX 7: PETROLEUM SECTOR REVENUE FLOW



Appendix 8: GRA (Customs Division); Liftings/Exports by Oil companies.

**CRUDE OIL EXPORTS FROM THE JUBILEE OILFILED - 2011**

EXP No.	EXPORT DATE	COY LIFT	BENEFICIARY	VESSEL	US BARREL @ 60 °F (15°C)	MT (air)
JC001	05.01.2011	T001	TULLOW	SPIKE	617,909	83,152.000
JC001	05.01.2011	E001	E. O. GROUP	SPIKE	31,155	4,192.540
JC002	20.01.2011	K001	KOSMOS	GENMAR ARGUS	989,360	132,890.840
JC003	09.02.2011	A001	ANADARKO	NS BURGAS	995,412	133,544.660
JC004	09.03.2011	G001	GNPC	POETIC	995,259	133,932.000
JC005	20.03.2011	T002	TULLOW	MINERVA VERA	949,428	127,603.120
JC005	20.03.2011	E002	E. O. GROUP	MINERVA VERA	47,882	6,435.320
JC006	09.04.2011	T003	TULLOW	NS BRAVO	949,426	127,147.170
JC006	09.04.2011	E003	E. O. GROUP	NS BRAVO	47,878	6,411.850
JC007	22.04.2011	K002	KOSMOS	SERENEA	995,713	133,584.910
JC008	07.05.2011	A002	ANADARKO	ENERGY SKIER	769,277	103,521.650
JC008	07.05.2011	S001	SABRE OIL AND GAS	ENERGY SKIER	227,196	30,573.750
JC009	25.05.2011	G002	GNPC	FELICITY	994,691	133,209.020
JC010	06.06.2011	T004	TULLOW	ENERGY SPRINTER	945,576	126,035.770
JC010	06.06.2011	E004	E. O. GROUP	ENERGY SPRINTER	47,684	6,355.860
JC011	21.06.2011	A003	ANADARKO	STORVIKEN	907,216	121,204.120
JC011	21.06.2011	S002	SABRE OIL AND GAS	STORVIKEN	85,579	11,433.350
JC012	04.07.2011	K003	KOSMOS	YANNIS P	997,374	133,328.960
JC013	19.07.2011	T005	TULLOW	GENMAR MANIATE	949,450	126,628.170
JC013	19.07.2011	E005	E. O. GROUP	GENMAR MANIATE	47,880	6,385.730
JC014	03.08.2011	G003	GNPC	BW EDELWEISS	990,770	132,208.350
JC015	16.08.2011	A004	ANADARKO	ERVIKEN	877,801	117,072.360
JC015	16.08.2011	S003	SABRE OIL AND GAS	ERVIKEN	115,299	15,377.420
JC016	29.08.2011	T006	TULLOW	SERENEA	997,069	132,819.560
JC017	08.09.2011	K004	KOSMOS	AFRICAN SPIRIT	996,194	132,703.000
JC018	20.09.2011	T007	TULLOW	MIKELA P	995,125	132,719.820
JC019	03.10.2011	A005	ANADARKO	YANNIS P	859,824	114,468.420
JC019	03.10.2011	S004	SABRE OIL AND GAS	YANNIS P	100,230	13,343.570
JC020	15.10.2011	G004	GNPC	ERVIKEN	949,469	126,402.810
JC021	29.10.2011	K005	KOSMOS	SKS SPEY	996,015	132,679.170
JC022	09.11.2011	T008	TULLOW	KNOCK SHEEN	996,465	132,659.390
JC023	23.11.2011	A006	ANADARKO	SCF Khibiny	886,793	118,129.680
JC023	23.11.2011	S005	SABRE OIL AND GAS	SCF Khibiny	107,375	14,303.440
JC024	06.12.2011	T009	TULLOW	MARE SICULUM	994,445	132,310.910
JC025	20.12.2011	K006	KOSMOS	ENERGY SPRINTER	995,936	132,668.630
	<b>TOTAL</b>				<b>24,450,155</b>	<b>3,267,437.320</b>

APPENDIX 9(A) COMPANY TEMPLATE - TULLOW GHANA LTD

Ghana Extractive Industries' Transparency Initiative				
Input Template for COMPANY Reporting Entity for Oil and Gas Industry.				
Company/Type reporting : TULLOW GHANA LTD				
Development/Production Area: DEEP WATER TANO (includes portion of Jubilee where applicable)				
Reporting Period: FULL YEAR 2010				
Benefit Streams	Cash		Benefit-in- Kind	
	Volume (bbls)	Value(US\$)	Volume	Value(US \$)
<b>INTERNATIONAL COMPANY:</b>				
1.	Production Stream Paid to Government		N/A	
1.1	Production Stream paid to National State Owned Company.		N/A	
<b>NATIONAL STATE OWNED COMPANY</b>				
2.	State Participating Interest		56,102 bbls	
2.1	Carried Interest		0	
	-Gross Received on behalf of Government		0	
	-Net paid to Government.		0	
2.2	Paid Interest(Additional interest)		28,051 bbls	
	-Gross Received on behalf of Government		0	
	-Net paid to Government.		0	
3.	Additional Oil entitlement.		0	
<b>PAYMENTS BY IC/NSC:</b>				
4	Royalty		29,527 bbls	
5	Profit Tax(Corporate Tax)		Nil	
6.	Surface Rental		63,866.95	
7	Dividends		Nil	
8	<b>Other Payments to Government:</b>			
8(1)	WITHHOLDING TAX		32,952,985	
8(2)	PAYE TAXES (NATIONALS & EXPATS)		8,568,722	
8(3)	VAT		1,167,222	
9	<b>Voluntary Disclosure</b>			
	GNPC TRAINING ALLOWANCE		250,000	
	EPA PERMIT PAYMENTS		120,400	
	GHANA MARITIME AUTHORITY-NAVAL SUPPORT		576,000	
	PORT/SHOREBASE COSTS		742,825	
	CUSTOMS CLEARANCE		7,791,301	

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: DAI JONES SIGNATURE: Dai Jones  
 POSITION: PRESIDENT & GEN MANAGER COMPANY STAMP: \_\_\_\_\_

APPENDIX 9A COMPANY TEMPLATE - TULLOW GHANA LTD

Ghana Extractive Industries' Transparency Initiative				
Input Template for COMPANY Reporting Entity for Oil and Gas Industry.				
Company/Type reporting : TULLOW GHANA LTD				
Development/Production Area: DEEP WATER TANO (includes portion of Jubilee where applicable)				
Reporting Period: FULL YEAR 2011				
Benefit Streams	Cash		Benefit- in- Kind	
	Volume	Value(US\$)	Volume	Value(US\$)
<b>INTERNATIONAL COMPANY:</b>				
1.	Production Stream Paid to Government		N/A	
1.1	Production Stream paid to National State Owned Company.		N/A	
<b>NATIONAL STATE OWNED COMPANY</b>				
2.	State Participating Interest		1,140,294 bbls	
2.1	Carried Interest		0	
	-Gross Received on behalf of Government		0	
	-Net paid to Government.		0	
2.2	Paid Interest(Additional interest)		570,147 bbls	
	-Gross Received on behalf of Government		0	
	-Net paid to Government.		0	
3.	Additional Oil entitlement.		0	
<b>PAYMENTS BY IC/NSC:</b>				
4	Royalty		609,155 bbls	
5	Profit Tax(Corporate Tax)		Nil	
6.	Surface Rental		63,886.95	
7	Dividends		Nil	
8	<b>Other Payments to Government:</b>			
8(1)	WITHHOLDING TAX		28,194,226	
8(2)	PAYE (NATIONALS & EXPATS)		10,815,915	
8(3)	VAT		2,102,082	
<b>9 Voluntary Disclosure</b>				
	GNPC TRAINING ALLOWANCE		250,000	
	EPA PERMIT PAYMENTS		761,500	
	GHANA MARITIME AUTHORITY - NAVAL SUPPORT		576,000	
	PORT/SHOREBASE COSTS		742,825	
	CUSTOMS CLEARANCE		8,518,417	

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: DAI JONES SIGNATURE: Dai Jones  
 POSITION: PRESIDENT & GEN MANAGER COMPANY STAMP:

APPENDIX 9B: COMPANIES TEMPLATE –KOSMOS ENERGY

Global Extension - Transfer - Payments/Receipts

Input Template for COMPANY reporting entry for Oil and Gas Industry

Company type reporting: Kosmos Energy Ghana as operator of West Cape Three Points block - III

Development/Production Asset: West Cape Three Points Block (includes WCTP portion of Jubilee Unit, where applicable)

Benefit Streams	Reporting Period: 2010				Reporting Period: 2011			
	Volume(Bbls)	Value(US\$)	Volume(Bbls)	Value(US\$)	Volume(Bbls)	Value(US\$)	Volume(Bbls)	Value(US\$)
<b>INTERNATIONAL COMPANY:</b>								
1 Production Stream Paid to Government	-	\$ -	-	\$ -	-	\$ -	-	\$ -
1.1 Production Stream Paid to National State Owned Company	-	\$ -	-	\$ -	-	\$ -	-	\$ -
<b>NATIONAL STATE OWNED COMPANY:</b>								
2 State Participating Interest	-	\$ -	-	\$ -	-	\$ -	-	\$ -
2.1 Grant Interest	-	\$ -	56,102	\$ -	-	\$ -	1,158,318	\$ -
-Gross Received on behalf of Government	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Net paid to Government	-	\$ -	-	\$ -	-	\$ -	-	\$ -
2.2 Grant Interest (Additional Interest)	-	\$ -	-	\$ -	-	\$ -	-	\$ -
-Gross Received on behalf of Government	-	\$ -	14,025	\$ -	-	\$ -	288,579	\$ -
Net paid to Government	-	\$ -	-	\$ -	-	\$ -	-	\$ -
3 Additional Oil Entitlement	-	\$ -	-	\$ -	-	\$ -	-	\$ -
<b>PAYMENTS BY C/NSC:</b>								
4 Royalty in	-	\$ -	28,527	\$ -	-	\$ -	609,640	\$ -
5 Profit Tax (Corporate Tax)	-	\$ -	-	\$ -	-	\$ -	-	\$ -
6 Surface Rental	-	\$ -	48,751	\$ -	-	\$ -	28,427	\$ -
7 Dividends	-	\$ -	-	\$ -	-	\$ -	-	\$ -
<b>Other Payments to Government:</b>								
8.1 Ghana Levy Rentals for WCTP operations	-	\$ -	381,425	\$ -	-	\$ -	487,508	\$ -
8.2 Ghana Armed Forces Rentals for WCTP operations	-	\$ -	228,274	\$ -	-	\$ -	-	\$ -
8.3 Ghana Maritime Authority for WCTP operations	-	\$ -	12,052	\$ -	-	\$ -	-	\$ -
8.4 Environmental Protection Agency for WCTP operations	-	\$ -	52,672	\$ -	-	\$ -	128,974	\$ -
8.5 Ghana Immigration Services for WCTP operations	-	\$ -	300	\$ -	-	\$ -	-	\$ -
8.6 Ministry of Energy/Trip Shallow License Application - Non WCTP	-	\$ -	-	\$ -	-	\$ -	10,000	\$ -
9 Voluntary Donations	-	\$ -	-	\$ -	-	\$ -	-	\$ -
9.1 Withholding Tax on behalf of service provider	-	\$ -	7,410,356	\$ -	-	\$ -	11,931,523	\$ -
9.2 PAYE Tax (Individual & Employer)	-	\$ -	1,655,455	\$ -	-	\$ -	2,282,151	\$ -
9.3 Social Security	-	\$ -	203,295	\$ -	-	\$ -	283,017	\$ -
9.4 GIPC Data License	-	\$ -	7,482,502	\$ -	-	\$ -	14,232,589	\$ -
9.5 GIPC Training education	-	\$ -	175,500	\$ -	-	\$ -	141,507	\$ -
9.6 GIPC Passport & Securities	-	\$ -	388,292	\$ -	-	\$ -	691,723	\$ -

11 Information requested in all parties to the West Cape Three Points JDA (including GIPC as party to WCTP JDA) and payments made by Kosmos Energy Ghana as operator (a) on behalf of West Cape Three Points block, PAYE and Social Security information only that of Kosmos Energy Ghana. Earnings are represented in US\$. Payments are represented in US\$. Payments made in other currencies were translated into USD based upon foreign exchange rates for the period.

12 Under the Petroleum Agreement, GIPC (National State Owned Company) has a 10% equity participating interest and exercised its right to participate in an additional 2.5% (joint interest) in the West Cape Three Points block. GIPC entitlement (participate and additional interest) is presented as below as the administrative of WCTP (operating interest) in Jubilee production effective 1 December 2011. No monetary value applied as GIPC makes its own due diligence. Additionally, International transfers entitlements without regard to volume of GIPC Jubilee cargo (litres).

13 The State has elected to receive royalty in kind which is represented in barrels of crude and effects the redemption rate of WCTP participating interest in Jubilee production effective 1 December 2011. No monetary value applied as GIPC makes the crude through of the State. Royalty borne through direct billing of GIPC/State Jubilee cargo (litres).

14 Withholding Tax payments (inclusive of withholding related to payments made to GIPC.

15 PAYE tax payments (payments made by Kosmos Energy Ghana on behalf of employees and contractors with funds withheld from individual's wages.

16 Social Security payments made by Kosmos Energy Ghana for company operated portion and employees portion withheld from wages.

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: CERARD D. LAWE

POSITION: DIRECTOR - FINANCE & ADMIN.

SIGNATURE: [Signature]

COMPANY STAMP: **KOSMOS ENERGY GHANA H C**  
PMB 65, KIA, ACCRA - GHANA

[Signature]  
Country Manager

2010 2011 EIT reporting - template v3 (3/13/12) 12/4/2012

APPENDIX 9C: GNPC TEMPLATE

Ghana Extractive Industries' Transparency Initiative				
Input Template for COMPANY Reporting Entity for Oil and Gas Industry.				
Company/Type reporting : GHANA NATIONAL PETROLEUM CORPORATION				
Development/Production Area: JUBILEE FIELD				
Reporting Period: FULL YEAR 2011(THERE WAS NO LIFTING IN 2010)				
Benefit Streams	Cash		Benefit- in- Kind	
	Volume	Value(US\$)	Volume	Value(US\$)
INTERNATIONAL COMPANY:				
1.	Production Stream Paid to Government			
1.1	Production Stream paid to National State Owned Company.			
NATIONAL STATE OWNED COMPANY				
2.	State Participating Interest			
2.1	<i>Carried Interest</i>		2,067,087.91bbls	233,587,963.67
	-Gross Received on behalf of Government			
	-Net paid to Government.			
2.2	<i>Paid Interest(Additional interest)</i>		775,158.70 bbls	87,595,570.02
	-Gross Received on behalf of Government			
	-Net paid to Government.			
3.	Additional Oil entitlement.			
PAYMENTS BY IC/NSC:				
4	Royalty		1,087,942.39bbls	122,941,190.00
5	Profit Tax(Corporate Tax)		Nil	
6.	Surface Rental		92,849.12	
7	Dividends		Nil	
8	Other Payments to Government:			
8(1)				
8(2)				
8(3)				
9	Voluntary Disclosure			

The above information is based on volumes of crude oil lifted from the jubilee field and not entitlement.

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: DENNIS BAIDOO

SIGNATURE: 

POSITION: EXPORT & IMPORT MANAGER

COMPANY STAMP: MANAGER, MARKETING, (IMPORTS & EXPORTS)  
 GHANA NATIONAL PETROLEUM CORP.  
 PRIVATE MAIL BAG, TEMA

APPENDIX 9D: SOPCL TEMPLATE - 2010

Ghana Extractive Industries' Transparency Initiative				
Input Template for COMPANY Reporting Entity for Oil and Gas Industry.				
Company/Type reporting : Saltpond Offshore Producing Co Ltd				
Development/Production Area: Saltpond Field				
Reporting Period: 2010				
Benefit Streams	Cash		Benefit- in- Kind	
	Volume	Value(U S\$)	Volume	Value(US\$)
	INTERNATIONAL COMPANY:			
1.	Production Stream Paid to Government			
1.1	Production Stream paid to National State Owned Company.			
	NATIONAL STATE OWNED COMPANY			
2.	State Participating Interest			
2.1	Carried Interest			
	-Gross Received on behalf of Government			
	-Net paid to Government.			
2.2	Paid Interest(Additional interest)			
	-Gross Received on behalf of Government			
	-Net paid to Government.			
3.	Additional Oil entitlement.			
	PAYMENTS BY IC/NSC:			
4	Royalty	164,015 bbls	314,756	
5	Profit Tax(Corporate Tax)			
6.	Surface Rental		908	
7	Dividends			
8	Other Payments to Government:			
8(1)	Training Allowance		50,000	
8(2)				
8(3)				
9	Voluntary Disclosure			

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: Ebenezer T. Adjanor

POSITION: Accountant

SIGNATURE: 

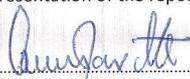
COMPANY STAMP: **SALTPOND OFFSHORE PRODUCING CO. LTD.**  
**PRIVATE MAIL BAG 182 KIA AIRPORT ACCRA**

APPENDIX 9E: SOPCL TEMPLATE - 2011

Ghana Extractive Industries' Transparency Initiative				
Input Template for COMPANY Reporting Entity for Oil and Gas Industry.				
Company/Type reporting : Saltpond Offshore Producing Co Ltd				
Development/Production Area: Saltpond Field				
Reporting Period: 2011				
Benefit Streams	Cash		Benefit- in- Kind	
	Volume	Value(US\$)	Volume	Value(US\$)
	INTERNATIONAL COMPANY:			
1.	Production Stream Paid to Government			
1.1	Production Stream paid to National State Owned Company.			
	NATIONAL STATE OWNED COMPANY			
2.	State Participating Interest			
2.1	<i>Carried Interest</i>			
	-Gross Received on behalf of Government			
	-Net paid to Government.			
2.2	<i>Paid Interest(Additional interest)</i>			
	-Gross Received on behalf of Government			
	-Net paid to Government.			
3.	Additional Oil entitlement.			
	PAYMENTS BY IC/NSC:			
4	Royalty	45,031 bbls	\$132,982	
5	Profit Tax(Corporate Tax)			
6.	Surface Rental			
7	Dividends			
8	<b>Other Payments to Government:</b>			
8(1)				
8(2)				
8(3)				
9	Voluntary Disclosure			

Declaration: We acknowledge our responsibility for the fair presentation of the reporting template in accordance with the reporting guidelines.

NAME: Ebenezer T Adjanor

SIGNATURE: 

POSITION: Accountant

COMPANY STAMP: **SALTPOD OFFSHORE PRODUCING CO. LTD.**

**PRIVATE MAIL BAG 182 KIA  
AIRPORT ACCRA**

APPENDIX 10: GNPC CRUDE OIL LIFTINGS - 2011

GHANA NATIONAL PETROLEUM CORPORATION  
 JUBILEE PRODUCTION PROFILE  
 CRUDE OIL LIFTINGS BY GNPC  
 FOR THE YEAR 2011

MONTH	QTY LIFTED	CARRIED INT.	PAID INT.	ROYALTY	SELLING PRICE (BBL)	CARRIED INT.	PAID INT.	ROYALTY	TOTAL
	IN BBL	IN BBL	IN BBL	IN BBL	US\$	US\$	US\$	US\$	US\$
9/3/2011	995,259.00	523,457.74	196,297.04	275,504.22	112.724	59,006,250.03	22,127,387.49	31,055,938.00	112,189,575.52
25/5/2011	994,691.00	523,159.00	196,185.01	275,346.99	116.196	60,788,982.86	22,795,913.58	31,994,219.00	115,579,115.44
08/02/2011	990,770.00	521,096.74	195,411.25	274,262.00	110.590	57,628,088.75	21,610,530.55	30,330,635.00	109,569,254.30
15/10/2011	949,469.00	499,374.43	187,265.40	262,829.18	112.470	56,164,642.03	21,061,738.40	29,560,398.00	106,786,778.43
<b>TOTAL</b>	<b>3,930,189.00</b>	<b>2,067,087.91</b>	<b>775,158.70</b>	<b>1,087,942.39</b>		<b>233,587,963.67</b>	<b>87,595,570.02</b>	<b>122,941,190.00</b>	<b>444,124,723.69</b>

Note: Marketing cost is US\$ 0.08 per barrel.

APPENDIX 11: NON TAX REVENUE RECEIPTS FROM SOPCL

In case of reply the  
number and date of this  
letter should be quoted  
Our Ref: B.383/02/13/NTR/SOPCL  
Your Ref. No.....  
Tel. No:.....



REPUBLIC OF GHANA

MINISTRY OF FINANCE AND  
ECONOMIC PLANNING  
P. O. BOX M.40,  
ACCRA.

19<sup>th</sup>  
FEBRUARY, 2013

**CONFIRMATION OF PAYMENT OF FUNDS INTO NTR DOLLAR  
ACCOUNT BY SALTOND OIL PRODUCING COMPANY LIMITED**

Reference discussions on the above subject.

2. This is to confirm lodgement of an amount of **US\$428,654.05** into the **NTR Dollar Account number 10-281315-0013** at the Bank of Ghana from Saltpond Oil Producing Company Limited (SOPCL).
3. Details of the payments are as follows:

Date	Transaction (Amount US\$)
24 <sup>th</sup> March, 2010	183,300.00 (Internal transfer from UTBank)
20 <sup>th</sup> October, 2010	131,455.73 (Internal Transfer -Saltpond Offshore)
27 <sup>th</sup> April, 2011	19,084.08 (Internal transfer from UTBank)
18 <sup>th</sup> August, 2011	25,967.03 (Saltpond Offshore Co chq no 416112)
29 <sup>th</sup> November, 2011	87,931.29 (Saltpond Offshore Prod. Ltd chq no 460387)

4. We count on your usual cooperation.

THE MANAGING PARTNER  
MESSRS BOAS AND ASSOCIATES  
ACCRA

ATTN: K Boa-Amponsem

  
SIMEON PATRICK KYEI  
DIRECTOR OF BUDGET  
FOR: MINISTER

cc: Hon. Minister, MoFEP  
Chief Director, MoFEP  
Director, ERFD, MOFEP  
Director, RSD, MOFEP  
Coordinator, GHEITI  
Head, NTRU, MOFEP

APPENDIX 12: GOVERNMENT RECEIPTS PROCEEDS OF OIL SALE MADE BY GNPC

*In case of reply the number and date of the letter should be quoted.*  
Our Ref: RSD/ADMIN/02/13  
Your Ref:  
Tel No.: 0302-673489



REPUBLIC OF GHANA

MINISTRY OF FINANCE &  
ECONOMIC PLANNING  
P. O. BOX MB 40  
ACCRA

21 FEBRUARY, 2013

**RE: REQUEST FOR INFORMATION**

1. Please refer to your letter with reference number REF: BA/MOFEP/01/13 dated 18<sup>th</sup> February, 2013 on the above subject matter.
2. The Ministry of Finance and Economic Planning (MOFEP) is unable to confirm your data on proceeds from oil sales in 2011 per the attachment to the above-mentioned letter due to some discrepancy in figures provided.
3. The correct figures for the 2011 oil proceeds are provided in the table below under the column "MOFEP Revised Figures (US\$)".

Revenue Sources	Consultant's Figures (US\$)	MOFEP Revised Figures (US\$)
Royalties	122,941,273.64	122,941,143.90
Carried and Participating Interest	321,183,450.04	321,183,579.79
o/w Carried Interest	233,587,963.67	233,588,058.03
o/w Paid Interest	87,595,486.37	87,595,521.76

4. Please update your records accordingly.

  
MAJOR (Rtd) M. S. TARA  
CHIEF DIRECTOR  
For: - MINISTER

THE MANAGING PARTNER  
MESSRS BOAS & ASSOCIATES  
ACCRA

Cc: Hon. Minister, MOFEP  
Director (Ag), RSD, MOFEP

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<sup>i</sup> The Petroleum Commission is now responsible for the regulation and management of petroleum resources.

<sup>ii</sup> Tullow Oil Plc. : Trading Statement and operational update sourced from [www.tulloil.com](http://www.tulloil.com)

<sup>iii</sup> Information provided by the Ministry of Finance and Economic Planning. Bank of Ghana, the operator of the Petroleum Holding Fund did not participate in the reconciliation process.

