



REPUBLIC OF GHANA

2013 RECONCILIATION REPORT

ON THE PETROLEUM HOLDING FUND

SUBMITTED TO

PARLIAMENT

BY

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(MINISTER FOR FINANCE)

MARCH 2014

IN FULFILMENT OF THE REQUIREMENTS OF SECTION 15 OF THE PETROLEUM REVENUE
MANAGEMENT ACT, 2011 (ACT 815)

PREFACE

This report is prepared in fulfillment of Section 15 of the Petroleum Revenue Management Act, 2011 (Act 815, PRMA). Apart it being a legal requirement, the report is necessary, given that the 2013 Annual Report on the Petroleum Funds, which was presented together with the 2014 National Budget in line with Section 48 of the PRMA, was prepared with data from the first nine months of the year (i.e. January-September 2013). The report completes date and information for the full year and, reconciles the reports of the various PRMA stakeholders to foster transparency and accountability to the general public.

The 2013 Reconciliation Report on the Petroleum Holding Fund includes the inflows into the Petroleum Holding Fund (PHF) and outflows to the various allowable destination accounts and, to account for how the portion ceded to the 2013 Budget as the Annual Budget Funding Amount (ABFA) was utilized.

As required by Section 15(3) of the PRMA, the report will be published in the Gazette and at least two state-owned daily newspapers as part of efforts to apprise Ghanaians of the performance of petroleum inflows and how the revenues have been utilized.

The Ministry of Finance and other PRMA stakeholders have reached an advanced stage in efforts to recommend a review of the PRMA to correct some inconsistencies, as well as operational and administrative challenges of the Act. The Ministry received inputs from the public for the review after wide publicity in both the print and electronic media to solicit for inputs.

Government will continue to transparently collect, manage and utilize the petroleum revenues to ensure that the nation avoids the proverbial resource curse.



SETH E. TERKPER
MINISTER FOR FINANCE

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ACRONYMS

ABFA	Annual Budget Funding Amount
BOG	Bank of Ghana
Bopd	Barrels of Oil per Day
GHF	Ghana Heritage Fund
GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GPFs	Ghana Petroleum Funds
GSF	Ghana Stabilisation Fund
MOF	Ministry of Finance
NOC	National Oil Company
OCTP	Offshore Cape Three Points
PA	Production Agreement
PHF	Petroleum Holding Fund
PoD	Plan of Development
PRMA	Petroleum Revenue Management Act, 2011 (Act 815)
SGN	Sankofa-Gye Nyame
TEN	Tweneboa-Enyenra-Ntomme

EXECUTIVE SUMMARY

The 2013 Reconciliation Report on the Petroleum Holding Fund (PHF) has been written in compliance with Section 15 of the PRMA. It reconciles petroleum receipts, distribution and expenditure using full year data for 2013.

In 2013, GNPC undertook a total of seven crude oil cargo liftings, which involved 6,793,449 barrels of crude oil, on behalf of the State. The seventh and final lifting for 2013 was done on 20th December, 2013. However, the proceeds were realised on 20th January, 2014. Thus, the seventh lifting proceeds were credited to 2014.

Total petroleum receipts, including from the Saltpond Field and other sources, amounted to US\$846.77 million (GH¢1,645.59 million). This compares favourably with the 2013 Budget estimate of US\$581.72 million (GH¢1,122.72 million) and the 2012 actual receipts of US\$541.62 million (GH¢979.32 million).

The 2013 petroleum receipts included an amount of US\$354,149.74 (GH¢666,757.72) which was paid in 2012 in respect of Surface Rentals and Saltpond Field Royalties.

Of the total petroleum receipts of US\$846.77 million (GH¢1,645.59 million), GNPC received US\$222.42 million (GH¢437.60 million), out of which US\$100,040 (GH¢190,516) was deducted in respect of its contribution to the minimum balance on the PHF and a net shortage from the first and second Jubilee liftings.

The State also received a total of US\$624.35 million (GH¢1,230.51 million), out of which US\$100,056 (GH¢191,267) was deducted for the settlement of the State's share of the minimum balance on the PHF at the New York Reserve Bank and a net shortage from the first and second Jubilee liftings.

A total of US\$351.05 million dollars was transferred to the GPFs in 2013, with the GSF receiving US\$245.73 million, while the GHF received US\$105.31 million. The GPFs earned a net return on investment of approximately US\$2.52 million in 2013, up from US\$0.26 million in 2012. Of this amount, the GHF earned a net return of US\$1.12 million, up from US\$0.06 million in 2012 while the GSF earned US\$1.40 million, up from US\$0.21 million. Thus, by the end of 2013, the total amount standing in the GPFs was US\$447.16 million, out of which GSF had US\$319.04 million and GHF, US\$128.13 million.

Of the total net GOG receipts, the ABFA received US\$273.20 million (GH¢543.78 million). Thus, in 2013, the GPFs received more funds than the ABFA due to the provisions of Section 11(2) which requires that all petroleum revenues in excess of the quarterly ABFA be transferred into the GPFs.

Government will continue with the transparent management and reporting on petroleum revenues and expenditure in order for Ghanaians to reap the full benefits of the country's petroleum resources.

SECTION ONE: INTRODUCTION

1. The 2013 Annual Report on the Petroleum Funds was sent alongside the 2014 National Budget to Parliament on Tuesday, 19th November, 2013, by the Hon. Minister for Finance, in accordance with Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815, PRMA).
2. As the report was presented to Parliament in 2013, the data used in the 2013 Annual Report on the Petroleum Funds was up to end-September 2013, leaving three months of the year to be accounted for.
3. Section 15 of the PRMA requires the Minister for Finance to reconcile the actual total petroleum receipts and the Annual Budget Funding Amount (ABFA) of the immediately preceding year and submit a written report to Parliament not later than the end of the first quarter of the current year. Thus, this report is in fulfilment of the requirements of Section 15 of the PRMA.
4. The 2013 Reconciliation Report on the Petroleum Holding Fund (PHF) has been written in line with Section 15 of the PRMA and includes the following:
 - Actual inflows and outflows of the PHF in 2013; and
 - Allocations and use of the ABFA in 2012 and 2013.
5. Also included in the report are an overview of upstream developments in the petroleum industry, developments in production and prices, utilization of the National Oil Company's (NOC) allocation, and performance of the Ghana Petroleum Funds (GPFs) over the period.
6. The report comprises eight sections. The first section is the introduction, the second reports on developments in the upstream petroleum sector, while the third section reports on developments in production and prices in 2013. Section Four throws light on the inflows into and outflows from the PHF, while Section Five discusses the use of the ABFA in 2012 and 2013. Section Six discusses the NOC's use of its 2013 petroleum revenue allocations, Section Seven discusses the performance of the GPFs, while Section Eight concludes the report.

SECTION TWO: DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR IN 2013

7. The Tweneboa-Enyera-Ntomme (TEN) Plan of Development (PoD) was approved by the Minister for Energy and Petroleum on 29th May, 2013, thus, paving the way for the development of a second field. It is expected that first oil will be realized in the third quarter of 2016. Production levels are expected to peak at 76,000 bopd by 2018.
8. Two new Petroleum Agreements (PAs) were ratified by Parliament in December 2013 after approval from Cabinet in September 2013. These are the PA with AGM-Exploroco

over the South Deep Water Tano block and the PA with Cola Natural Resources over the East Cape Three Points block.

9. Technical appraisal work has been completed on the Offshore Cape Three Points (OCTP) block, the Sankofa-Gye Nyame (SGN) discovery, establishing combined oil and gas reserves of 116 million barrels of crude oil and 1.11 Trillion Cubic Feet of gas. The commercial assessment on the SGN gas discoveries has been conducted. The OCTP partners are expected to re-submit their PoD to the Minister for Energy and Petroleum by the end of May 2014 after their first PoD was rejected on technical grounds. It is expected that first oil from SGN will be in the fourth quarter of 2016 with the first gas expected twelve months afterwards.
10. The Ghana National Petroleum Corporation (GNPC) took advantage of the farm-in opportunity in which ENI, a major international oil company, acquired majority stakes in the OCTP exploration license to increase its interest by five percent to 20 percent. Similarly, GNPC increased its total interest to 20 percent from 15 percent under a new Petroleum Agreement negotiated with Vanco/Lukoil.
11. Negotiations for an additional four new PAs have been substantially completed. Most importantly, two new discoveries (Cob and PN-1) were made during the early part of 2013.

SECTION THREE: DEVELOPMENTS IN PRODUCTION AND PRICES

12. Total crude oil produced from the Jubilee Field in 2013 was 35,587,558 barrels or 99,685 bopd, compared with the 2013 Budget estimate of 30,419,465 barrels or 83,341 bopd and the 2012 actual production of 26,351,278 barrels or 71,997 bopd, as shown in Table 1.

Table 1: Jubilee Production, 2011-2013

Year	Budget		Actual		Variance of Total
	Bopd	Total	Bopd	Total	
2011	84,737	30,929,005	66,290	24,195,895	(6,733,110)
2012	90,000	32,850,000	71,997	26,351,278	(6,498,722)
2013	83,341	30,419,465	99,685	35,587,558	5,168,093

Source: MOF

13. The 2013 Jubilee production represents a 17 percent increase over that of 2012. Two main factors that accounted for the increased production in the Jubilee Field in 2013 are the:
 - increased number of producing wells from 9 to 12; and
 - successful execution of acid simulation operation which arrested the premature production decline of existing wells.

14. Of the total Jubilee crude oil production, GNPC undertook seven crude oil cargo liftings which involved 6,793,449 barrels of crude oil, on behalf of the State in 2013. This compares favourably with the 4,931,034 barrels lifted by GNPC in 2012. The proceeds from the seventeenth lifting (i.e. the seventh lifting for 2013), which was undertaken on 20th December, 2013, were received on 20th January, 2014, and is, thus, credited to 2014. Thus, this report captures the seventh lifting as an activity which took place in 2013 but credits 2014 with the proceeds.
15. Total production from the Saltpond Field, the only other producing field apart from Jubilee in 2013, was 105,039.60 barrels as against 77,374 barrels in 2012. This represents an increase in production of approximately 35.8 percent.
16. The average achieved Jubilee crude oil price for 2013 was US\$106.945 per barrel against a projected price of US\$94.36 per barrel. This compares favourably with the average Dated Brent price of US\$106.327 per barrel during the period that the GNPC liftings took place.

SECTION FOUR: 2013 ACTUAL INFLOWS TO AND OUTFLOWS FROM THE PETROLEUM HOLDING FUND

4.1 Inflows to the Petroleum Holding Fund in 2013

17. The proceeds from the sale of the six cargos of Jubilee crude oil in 2013, which involved 5,876,260 barrels, amounted to **US\$628.58 million (GH¢1,221.97 million)**, compared with US\$541.07 million (GH¢978.27 million) in 2012, as shown in Table 2. For the purposes of this report, and in keeping with public records on petroleum revenue management, the first lifting in 2013 is designated as the tenth overall Jubilee lifting by the Government of Ghana (GOG) since the inception of crude oil production from the Jubilee Field. The rest of the liftings in 2013 follow in that order.

Table 2: Details of 2013 Ghana Group Crude Oil Liftings

Item	Unit	1st Qtr		2nd Qtr		3rd Qtr	4th Qtr	Total
		4-Jan-13	1-Mar-13	21-Apr-13	23-Jun-13	11-Aug-13	1-Nov-13	
Date of Lifting	dd/mm/yy							
Lifting		10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	15th Lifting	
Volume of Lift	barrels	995,550	996,201	995,520	995,685	994,966	898,338	5,876,260
Selling Price	US\$	113.171	108.620	99.038	103.744	111.656	105.440	
Value of Lift	US\$	112,667,389	108,207,353	98,594,310	103,296,345	111,093,924	94,720,759	628,580,078
	GH¢	212,118,893	205,610,201	188,773,595	201,272,928	217,294,160	196,900,777	1,221,970,554

Source: MOF/GNPC

NOTE: The sixteenth lifting (which was the seventh lifting for 2013) involved 917,189 barrels of oil. The proceeds will be captured in the 2014 report, as earlier indicated.

18. Total petroleum receipts, which include proceeds from the sale of crude oil, together with all other petroleum receipts, was US\$846.77 million (GH¢1,645.59 million), as

shown in Tables 3 and 4. This compares favourably with the 2013 Budget estimate of US\$581.72 million (GH¢1,122.72 million) and the 2012 actual receipts of US\$541.62 million (GH¢979.32 million).

19. In 2013, Corporate Income Tax received was US\$216.99 million (GH¢421.34 million), Surface Rentals was US\$0.80 million (GH¢1.53 million), Carried and Participating Interest (CAPI) was US\$453.57 million (GH¢881.74 million) and Royalties (i.e. both Jubilee and Saltpond Royalties) amounted to US\$175.41 million (GH¢340.98 million), as shown in Tables 3 and 4.

Table 3: Sources of 2013 Petroleum Receipts (US\$)

Item	1st Qtr		2nd Qtr		3rd Qtr	4th Qtr	Total
	4-Jan-13	1-Mar-13	21-Apr-13	23-Jun-13	11-Aug-13	1-Nov-13	
	10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	15th Lifting	
Royalties from Jubilee	31,368,307	30,126,566	27,450,149	28,759,267	30,930,231	26,371,694	175,006,213
Carried and Participating Interest	81,299,082	78,080,787	71,144,161	74,537,078	80,163,693	68,349,065	453,573,866
Surface Rentals	121,914	80,821	466,964	128,634	-	-	798,332
Royalties from Saltpond	232,236	16,985	43,501	-	110,554	-	403,276
Corporate Income Tax	40,210,100	-	78,854,807	53,152,025	-	44,768,566	216,985,498
Total Petroleum Receipts	153,231,638	108,305,158	177,959,582	156,577,003	111,204,478	139,489,325	846,767,184

Source: MOF

Table 4: Sources of 2013 Petroleum Receipts (GH¢)

Item	1st Qtr		2nd Qtr		3rd Qtr	4th Qtr	Total
	4-Jan-13	1-Mar-13	21-Apr-13	23-Jun-13	11-Aug-13	1-Nov-13	
	10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	15th Lifting	
Royalties from Jubilee	59,057,112	57,243,487	52,556,055	56,037,431	60,496,438	54,820,158	340,210,682
Carried and Participating Interest	153,061,781	148,361,303	136,212,610	145,235,497	156,792,167	142,080,619	881,743,978
Surface Rentals	228,757	152,199	896,871	248,944	-	-	1,526,771
Royalties from Saltpond	436,881	31,978	83,289	-	216,166	-	768,314
Corporate Income Tax	75,699,533	-	151,517,018	103,617,713	-	90,501,754	421,336,018
Total Petroleum Receipts	288,484,065	205,788,968	341,265,843	305,139,584	217,504,772	287,402,531	1,645,585,763

Source: MOF

20. All the sources of petroleum revenue exceeded their targets in 2013, except for gas receipts, which were not realised, and Saltpond Royalties, which fell below target in spite of increased production on the Saltpond Field. Actual receipts from Saltpond related to 2013 amounted to US\$171,040 (GH¢331,433), with the difference of US\$232,236 (GH¢436,881) being Saltpond Royalties paid in 2012 but reflected in 2013. Similarly, the amount recorded for Surface Rentals included an amount of US\$121,914 (GH¢228,757) which was received in 2012 being reported in 2013 as a result of lags between actual receipts and reporting periods.

21. Total petroleum receipts in 2013 exceeded budget estimate by about US\$265.05 million (GH¢522.86 million), as shown in Table 5. This resulted mainly from increased crude oil

production and the receipt of Corporate Income Tax for the first time since production commenced.

Table 5: Analysis of 2013 Petroleum Receipts

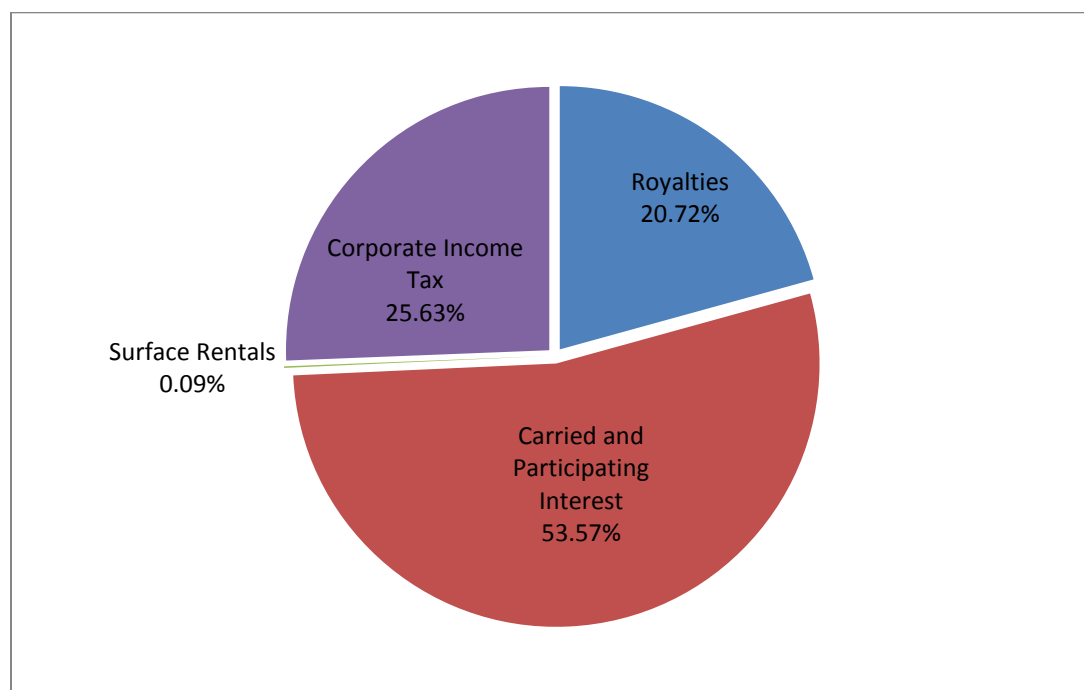
ITEM	GH¢			US\$		
	Budget	Actual	Variance	Budget	Actual	Variance
	Jan-Dec	Jan-Dec		Jan-Dec	Jan-Dec	
Royalties	277,379,240	340,978,996	63,599,756	143,719,814	175,409,489	31,689,675
o/w Jubilee Royalties	276,985,882	340,210,682	63,224,800	143,516,001	175,006,213	31,490,212
o/w Saltpond*	393,358	768,314	374,956	203,812	403,276	199,464
Carried and Participating Interest	717,880,557	881,743,978	163,863,421	371,958,838	453,573,866	81,615,028
Corporate Income Tax	107,812,193	421,336,018	313,523,825	55,861,240	216,985,498	161,124,258
Surface Rentals*	814,072	1,526,771	712,699	421,799	798,332	376,533
Gas Receipt	18,836,800	-	(18,836,800)	9,760,000	-	(9,760,000)
Total Petroleum Receipts	1,122,722,863	1,645,585,763	522,862,901	581,721,690	846,767,184	265,045,494

Source: MOF

*Figure includes 2012 receipts not captured in the 2012 Annual Report on the Petroleum Funds

22. Corporate Income Tax constituted 25.63 percent of the total petroleum receipts in 2013 while Royalties came to 20.72 percent. The share of Carried and Participating Interest was 53.57 percent, while Surface Rentals was 0.09 percent of total petroleum receipts in 2013, as shown in Figure 1.

Figure 1: Composition of 2013 Total Petroleum Receipts



Source: MOF

4.2 Outflows from the Petroleum Holding Fund in 2013

23. In 2011, Parliament approved a 40 percent share of the Carried and Participating Interest, net of Equity Financing Costs, for the National Oil Company (i.e. GNPC) and 60 percent for Government, in line with the PRMA. This distribution arrangement ended in 2013 and, in November 2013, as part of the 2014 Budget, Parliament approved a proposal to reduce the NOC's share of the net Carried and Participating Interest to 30 percent, with effect from 2014.
24. Out of Government's net petroleum receipts, 70 percent is designated as Annual Budget Funding Amount while 30 percent is transferred into the Ghana Petroleum Funds. By a similar arrangement, the Ghana Heritage Fund and the Ghana Stabilisation Fund attract 30 percent and 70 percent, respectively, of the total receipts into the GPFs. The transferred amounts to the various components in 2013, are shown in Tables 6 and 7.

Table 6: Distribution of 2013 Petroleum Receipts (US\$)

Item	1st Qtr		2nd Qtr		3rd Qtr	4th Qtr	Total
	10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	15th Lifting	
Transfer to GNPC	42,342,760	38,587,525	37,432,100	32,687,149	35,141,266	36,230,616	222,421,416
o/w Equity Financing Cost	16,371,879	12,258,684	14,957,392	4,787,197	5,126,315	14,818,316	68,319,783
o/w Net Carried and Participating Interest	25,970,881	26,328,841	22,474,708	27,899,952	30,014,951	21,412,300	154,101,633
o/w Contribution to Min. Bal. on PHF	-	(100,000)	-	-	-	-	(100,000)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(40)	-	-	-	-	(40)
GOG Net Receipts for Distribution to ABFA and GPFs	110,888,878	69,717,633	140,527,482	123,889,854	76,063,211	103,258,709	624,345,768
o/w ABFA	68,299,392	-	68,299,392	-	68,299,392	68,299,392	273,197,567
o/w GPFs	42,589,487	69,617,577	72,228,090	123,889,854	7,763,820	34,959,317	351,048,145
o/w Ghana Stabilization Fund	29,812,641	48,732,304	50,559,663	86,722,898	5,434,674	24,471,522	245,733,702
o/w Ghana Heritage Fund	12,776,846	20,885,273	21,668,427	37,166,956	2,329,146	10,487,795	105,314,444
o/w Contribution to Min. Bal. on PHF	-	(100,000)	-	-	-	-	(100,000)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(56)	-	-	-	-	(56)
Total Payments	153,231,638	108,305,158	177,959,582	156,577,003	111,204,478	139,489,325	846,767,184

Source: MOF

NOTE: The total amount transferred to GNPC was US\$222,421,416, less the deductions made under the 11th lifting (i.e. US\$100,040) for the payment of the minimum balance on the PHF account, as well as the net shortage from the first and second Jubilee liftings. The amount transferred to GOG is also less US\$100,056 for the same payments as GNPC.

Table 7: Distribution of 2013 Petroleum Receipts (GH¢)

Item	1st Qtr		2nd Qtr		3rd Qtr	4th Qtr	Total
	10th Lifting	11th Lifting	12th Lifting	13th Lifting	14th Lifting	15th Lifting	
Transfer to GNPC	79,718,714	73,486,083	72,784,846	63,962,214	69,704,459	77,939,300	437,595,616
o/w Equity Financing Cost	30,823,337	23,345,438	29,083,901	9,367,587	10,168,302	31,877,161	134,665,726
o/w Net Carried and Participating Interest	48,895,378	50,140,645	43,700,945	54,594,627	59,536,156	46,062,139	302,929,890
o/w Contribution to Min. Bal. on PHF	-	(190,440)	-	-	-	-	(190,440)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(76)	-	-	-	-	(76)
GOG Net Receipts for Distribution to ABFA and GPFs	208,770,491	133,080,961	273,227,583	242,427,666	150,875,183	222,130,135	1,230,512,019
o/w ABFA	128,587,265	-	132,794,507	-	135,475,258	146,925,651	543,782,682
o/w GPFs	80,183,226	132,889,694	140,433,076	242,427,666	15,399,925	75,204,484	686,538,071
o/w Ghana Stabilization Fund	56,128,258	93,156,673	98,303,153	169,699,366	10,779,947	52,643,139	480,710,536
o/w Ghana Heritage Fund	24,054,968	39,924,288	42,129,923	72,728,300	4,619,977	22,561,345	206,018,801
o/w Contribution to Min. Bal. on PHF	-	(191,160)	-	-	-	-	(191,160)
o/w Payment of Net Shortage from 1st and 2nd Liftings	-	(107)	-	-	-	-	(107)
Total Payments	288,489,206	206,567,044	346,012,429	306,389,880	220,579,642	300,069,435	1,668,107,636

Source: MOF

NOTE: The total amount transferred to GNPC was GH¢437,595,616, less the deductions made under the 11th lifting (i.e. GH¢190,516) for the payment of the minimum balance on the PHF account as well as the net shortage from the first and second Jubilee liftings. The amount transferred to GOG is also less GH¢191,267 for the same payments as GNPC.

25. Based on the PRMA distribution formula and the GNPC's total Equity Financing Costs for 2013, a total of US\$222.42 million (GH¢437.60 million) was due the GNPC for 2013. **However, the net amount transferred to GNPC was US\$222.32 million (GH¢437.41 million)**, with the difference used to settle the Corporation's contribution towards the minimum balance on the PHF at the New York Reserve Bank [US\$100,000 (GH¢190,440)] and a net shortage from the first and second Jubilee liftings [US\$40.00 (GH¢76.00)]. Of the US\$222.32 million (GH¢437.41 million) paid to GNPC, US\$68.32 million (GH¢134.67 million) was in respect of Equity Financing Costs and US\$154.10 million (GH¢302.93 million) was for its share of the net Carried and Participating Interest.

26. The net receipts available to the State for distribution to the ABFA and the GPFs amounted to US\$624.35 million (GH¢1,230.51 million). However, like the GNPC, a total of US\$100,056 (GH¢191,267) was deducted for the settlement of the State's share of the minimum balance on the PHF at the New York Reserve Bank [US\$100,000 (GH¢191,160)] and a net shortage from the first and second Jubilee liftings [US\$56.00 (GH¢107.00)]. Thus, the total amount received by the ABFA and the GPFs came to **US\$624.15 million (GH¢1,230.13 million)**.

27. Of the total net GOG receipts, the ABFA received US\$273.20 million (GH¢543.78 million), while the GPFs received US\$351.05 million (GH¢686.54 million). Thus, in 2013, the GPFs received more funds than the ABFA due to the provisions of Section 11(2) which requires that all petroleum revenue in excess of the quarterly ABFA be transferred into the GPFs. Of the amount transferred to the GPFs, the Ghana

Stabilisation Fund (GSF) received US\$245.73 million (GH¢480.71 million) while the Ghana Heritage Fund (GHF) received US\$105.31 million (GH¢206.02 million).

SECTION FIVE: USE OF THE ANNUAL BUDGET FUNDING AMOUNT

28. Section 15(2a) requires the Minister for Finance to include the ABFA for the immediately preceding two years to the year the reconciliation report is written. This report, therefore, includes the ABFA for both 2012 and 2013.

29. Section 21(1) of the PRMA requires the Minister for Finance to prioritise not more than four areas for the use of the ABFA, in the absence of a long term national development plan, with the view to maximising the impact of petroleum revenues. Accordingly, Parliament approved the use of the ABFA for the following four priority areas for 2011-2013 in 2011:

- Expenditure and Amortisation of Loans for Oil and Gas Infrastructure;
- Agriculture Modernisation;
- Roads and Other Infrastructure; and
- Capacity Building (including Oil and Gas).

5.1 Annual Budget Funding Amount Receipts for 2012 and Utilisation

30. In 2012, total ABFA amounted to GH¢516.83 million. The 2012 ABFA was GH¢97.71 million (US\$96.96 million) below the budget estimate due largely to the low crude oil production and the non-realisation of Corporate Income Tax, as shown in Table 8.

Table 8: 2012 ABFA Allocation and Variance Analysis

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

Source: MOF

*Variance due to exchange rate differences

31. Of the 2012 ABFA, GH¢100.00 million or 19.3 percent was spent on Expenditure and Amortisation of Loans for Oil and Gas Infrastructure, GH¢72.47 million or 14.0 percent was spent on Agriculture Modernisation, GH¢232.40 million or 45.0 percent was spent on Roads and Other Infrastructure, while GH¢111.96 million or 21.7 percent was spent on Capacity Building, as shown in Table 9.

Table 9: Expenditure of 2012 ABFA on the Four Priority Areas

S/N	Priority Area	Amount (GH¢)
1	Expenditure and Amortisation of Loans for Oil and Gas Infrastructure	100,000,000
2	Agriculture Modernisation	72,471,824
3	Roads and Other Infrastructure	232,403,269
4	Capacity Building (including Oil and Gas)	111,959,738
5	Total	516,834,831

Source: MOF

5.2 Annual Budget Funding Amount Receipts for 2013 and Utilisation

32. The 2013 Annual Report on the Petroleum Funds reported the ABFA in the first three quarters of 2013 as US\$204.90 million (GH¢392.94 million). By end-2013, however, the total ABFA received and disbursed amounted to US\$273.20 million (GH¢543.78 million), as shown in Table 10. By the end of the period, the cedi equivalent of the ABFA had exceeded the 2013 Budget allocation of GH¢527.27 million by GH¢16.51 million, due to exchange gains.

Table 10: 2013 ABFA Allocation and Variance Analysis

Period	GH¢			US\$		
	Budget	Actual	Variance*	Budget	Actual	Variance
Quarter 1	131,817,826	128,587,265	(3,230,561)	68,299,392	68,299,392	-
Quarter 2	131,817,826	132,794,507	976,681	68,299,392	68,299,392	-
Quarter 3	131,817,826	135,475,258	3,657,432	68,299,392	68,299,392	-
Quarter 4	131,817,826	146,925,651	15,107,825	68,299,392	68,299,392	-
Total	527,271,304	543,782,682	16,511,378	273,197,567	273,197,567	-

Source: MOF

*Variance due to exchange rate differences

33. The total ABFA of GH¢543.78 million (US\$273.20 million) was disbursed to the four priority areas, in line with Section 21(5) of the PRMA. Out of the total amount disbursed, Expenditure and Amortization of Loans for Oil and Gas Infrastructure received GH¢137.92 million or 25.4 percent, while Agriculture Modernization received GH¢13.60 million or 2.5 percent. An amount of GH¢372.07 million, representing 68.42 percent, was spent on Roads and Other Infrastructure, while GH¢20.18 million, representing 3.71 percent, was spent on Capacity Building, as shown in Table 11.

Table 11: Expenditure of 2013 ABFA on the Four Priority Areas

S/N	Priority Area	Amount (GH¢)
1	Expenditure and Amortisation of Loans for Oil and Gas Infrastructure	137,920,847
2	Agriculture Modernisation	13,604,329
3	Roads and Other Infrastructure	372,074,147
4	Capacity Building (including Oil and Gas)	20,183,359
5	Total	543,782,682

Source: MOF

SECTION SIX: UTILISATION OF GNPC'S 2013 ALLOCATIONS

34. Of the amount of US\$222.42 million received by GNPC, an amount of US\$142.39 million was disbursed, leaving a balance of US\$80.03 million, as shown in Table 12. When added to the balance of US\$61.67 million at the beginning of 2013, this results in an available balance of US\$141.70 million as at 31st December, 2013.

Table 12: Utilization of GNPC's Share of 2013 Jubilee Petroleum Revenue

S/N	RECEIPTS FROM JUBILEE PROCEEDS	AMOUNT (US\$)	EXPENDITURE AS % OF RECEIPT
1	Level A Receipts (Equity Financing)	68,319,783.18	30.70%
2	Level B Receipts (40% of net proceeds)	154,101,633.02	69.30%
3	Total Amount Received:- (A)	222,421,416.20	100.00%
	USES OF AMOUNTS ALLOCATED:-		
4	Jubilee Equity Financing Cost	76,268,194.80	34.30%
5	TEN Project Cost	3,027,153.21	1.40%
6	Petroleum Projects Other than Jubilee, TEN & Sankofa Gye Nyame Project	9,922,975.26	4.50%
7	Staff Cost	9,695,076.70	4.40%
8	Admin. Capital Expenditure	2,046,024.62	0.90%
9	General Operational Expenditure	7,773,863.88	3.50%
10	BNP Paribas	31,337,309.53	14.10%
11	Bank of Ghana Transfer Charges	2,323,269.07	1.00%
12	Total Expenditure:- (B)	142,393,867.06	64.00%
13	Cash-yet-to-spend:- (C=A-B)	80,027,549.14	36.00%
14	Add: Cash B/Fwd (01.01.2013) (D)	61,674,215.00	
15	Total Cash-Available:- (E=C+D)	141,701,764.14	

Source: GNPC

35. The details of GNPC's expenditure on other petroleum projects are presented in Table 13.

Table 13: GNPC's Expenditure of Petroleum Receipts on other Petroleum Projects

PETROLEUM PROJECT	AMOUNT (US\$)
South Deepwater Tano	1,894,356
Votain Basin Project	1,305,036
North & South Tano	1,267,581
Hess Block	3,024,781
Ultra Deep Water Keta	411,948
Reservoir Characterisation	294,728
ICT Upgrade & Expansion	154,006
Research and Technology Centre	39,994
Organizational Development Project	44,189
Petroleum Project Consultancy	332,220
Maritime Boundary Special Project	1,154,134
Total Amount	9,922,975

Source: GNPC

SECTION SEVEN: PERFORMANCE OF THE GHANA PETROLEUM FUNDS IN 2012 and 2013

36. As earlier indicated, a total of US\$351.05 million dollars was transferred to the GPFs in 2013, with the GSF receiving US\$245.73 million, while the GHF received US\$105.31 million. This compares favourably with the total transfer of US\$24.12 million in 2012, of which GSF received US\$16.88 million and GHF received US\$7.24 million. The GPFs earned a net return on investment of approximately US\$2.52 million in 2013, up from US\$0.26 million in 2012. Of this amount, the GHF earned a net return of US\$1.12 million, up from US\$0.06 million in 2012 while the GSF earned US\$1.40 million, up from US\$0.21 million.

37. By the end of 2013, the total amount standing in the GPFs was US\$447.16 million, out of which GSF had US\$319.04 million and GHF, US\$128.13 million, as shown in Table 14.

Table 14: Returns on the Ghana Petroleum Funds, 2011-2013

GHANA STABILIZATION FUND			
	2011	2012	2013
Opening book Value	-	54,810,031.75	71,898,587.68
Receipt during the year	54,805,352.83	16,883,547.53	245,733,701.71
Income from Investments	4,679.02	214,049.37	1,413,340.50
Bank Charges	-	(9,040.97)	(11,476.73)
Closing book Value	54,810,031.85	71,898,587.68	319,034,153.16
Ghana Stabilisation Fund Income	2011	2012	2013
			US\$
Investment Income	4,679.02	214,049.37	1,413,340.50
less			
Bank Charges	-	(9,040.97)	(11,476.73)
Net return for the Period	4,679.02	205,008.40	1,401,863.77
GHANA HERITAGE FUND			
	2011	2012	2013
			US\$
Opening book Value	-	14,401,216.30	21,694,221.10
Receipt during the year	14,400,001.65	7,235,806.08	105,314,443.59
Income from Investments	1,214.68	60,208.75	1,126,763.61
Bank Charges	-	(3,010.03)	(9,485.91)
Closing book Value	14,401,216.33	21,694,221.10	128,125,942.39
Ghana Heritage Fund Income	2011	2012	2013
			US\$
Investment Income	1,214.68	60,208.75	1,126,763.61
less			
Bank Charges	-	(3,010.03)	(9,485.91)
Net return for the Period	1,214.68	57,198.72	1,117,277.70
COMBINED FUNDS			
	2011	2012	2013
			US\$
Opening book Value	-	69,211,248.05	93,592,808.78
Receipt during the year	69,205,354.48	24,119,353.61	351,048,145.30
Income from Investments	5,893.70	274,258.12	2,540,104.11
Bank Charges	-	(12,051.00)	(20,962.64)
Closing book Value	69,211,248.18	93,592,808.78	447,160,095.55

Source: BOG

SECTION EIGHT: CONCLUSION

38. The 2013 Reconciliation Report on the Petroleum Holding Fund has been written in compliance with Section 15 of the PRMA. The Law has been complied with as Government seeks to receive, manage and spend petroleum revenues in a transparent manner. The Reconciliation Report follows the submission of the 2013 Annual Report on the Petroleum Funds to Parliament, in November 2013, in line with Section 48 of the PRMA.
39. The report indicates that petroleum revenue receipts in 2013 exceeded budget targets for the first time since petroleum revenue accounting began in 2011. It also shows that Government received Corporate Income Tax from the Jubilee Partners for the first time since 2011, while the Ghana Petroleum Funds received more inflows than the Annual Budget Funding Amount.
40. A lot of lessons have been learnt, and we will continue to learn a lot more in petroleum revenue management and reporting as we mature in this field. We will continue with the transparent manner in which the reporting is conducted in order for Ghanaians to reap the full benefits of the country's petroleum resources.