



REPUBLIC OF GHANA

2016 ANNUAL REPORT

ON THE

PETROLEUM FUNDS

SUBMITTED TO

PARLIAMENT

BY

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(MINISTER FOR FINANCE)

AS PART OF THE PRESENTATION OF THE 2017 BUDGET STATEMENT AND ECONOMIC POLICY AND, IN CONSONANCE WITH SECTION 48 OF THE PETROLEUM REVENUE MANAGEMENT ACT, 2011 (ACT 815), AS AMENDED (ACT 893).

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ACRONYMS

ABFA	Annual Budget Funding Amount
APP	Asset Purchase Program
Bcf	Billion Cubic Feet
BOG	Bank of Ghana
Bopd	Barrels of Oil per Day
CDB	China Development Bank
ECD	European Central Bank
FOMC	Federal Open Market Committee
FPSO	Floating Production Storage and Offloading
GHF	Ghana Heritage Fund
GIIF	Ghana Infrastructure Investment Fund
GMP	Gas Master Plan
GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GOSCO	GNPC Operating Services Company Limited
GPFs	Ghana Petroleum Funds
GPP	Gas Processing Plant
GSF	Ghana Stabilisation Fund
GUSIP	Ghana Upstream Internship Project
IHUC	Installation Hook Up and Commissioning
ITLOS	International Tribunal for the Law of the Sea
MMBtu	Million British Thermal Units
MMscf	Million Standard Cubic Feet
MoPet	Ministry of Petroleum
NOC	National Oil Company
OPEC	Organisation of the Petroleum Exporting Countries
PHF	Petroleum Holding Fund
PoD	Plan of Development
PRMA	Petroleum Revenue Management Act, 2011 (Act 815), as amended (Act 893)
SGN	Sankofa-Gye Nyame
TEN	Tweneboa-Enyenra-Ntomme
WAGP	West African Gas Pipeline

PREFACE

The 2016 Annual Report on the Petroleum Funds has been prepared in line with Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815), as amended (Act 893), to cover the collection, utilisation and management of petroleum revenue during the 2016 fiscal year. This report is submitted together with the 2017 Budget Statement and Economic Policy to Parliament, as required by Section 48 of the Act.

This report, the sixth in the series, highlights the events in the upstream petroleum sector, including, the activities of the Ministry of Petroleum, Petroleum Commission, Ghana National Petroleum Corporation (GNPC) and its subsidiaries. It also accounts for the petroleum revenue received during the period and the returns on the Ghana Petroleum Funds.

The year 2016 marked another milestone in Ghana's upstream petroleum sector. The year witnessed the arrival of the Tweneboa-Enyenra-Ntomme (TEN) Field's Floating, Production, Storage and Offloading (FPSO) and the subsequent production of crude oil from the Field. It was also the year in which the country's Exploration and Production Law was amended to bring it in line with recent industry practices, enhance transparency and accountability and align it with recently passed laws that affect the sector's fiscal regime.

The year 2016 was also one in which crude oil prices, output and revenue fell significantly short of their original projections, leading to expenditure realignments in the year.

The year also brings an end to the second 3-year cycle for the revenue distribution formula to the National Oil Company, Annual Budget Funding Amount (ABFA) and the Ghana Petroleum Funds, as spelt out in the PRMA. The 2017 Budget will make proposals to Parliament in respect of the revenue distribution formula and to revise the priority areas in which the ABFA should be spent.

Government will work towards finalizing the PRMA Regulations and submit them to Parliament for passage. Government will also work towards increased transparency, judicious and impactful spending of petroleum revenue and the creation of opportunities for Ghanaians in the industry. This is all in a bid to making the petroleum resource a blessing rather than a curse.

**KEN OFORI-ATTA
MINISTER FOR FINANCE**

SECTION ONE: INTRODUCTION

1. The Minister for Finance is required, by Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815), as amended (Act 893), hereafter, PRMA, to submit an annual report on the Petroleum Funds, as part of the presentation of the Annual Budget Statement and Economic Policy to Parliament.
2. In line with the above, the 2016 Annual Report on the Petroleum Funds includes the following:
 - receipts into and transfers from the Petroleum Holding Fund (PHF);
 - deposits into the Ghana Petroleum Funds (GPFs), namely, the Ghana Stabilisation Fund (GSF) and the Ghana Heritage Fund (GHF);
 - status of the audit report on the Petroleum Funds for 2014 and 2015; and
 - a balance sheet, including a note listing the qualifying instruments, of the GPFs.
3. The 2016 Annual Report on the Petroleum Funds covers January to December, as opposed to the 2013-2015 reports, which covered January to September. As stated earlier, the Annual Report on the Petroleum Funds is submitted together with the Annual Budget to Parliament.
4. Given that 2016 was an election year, the 2017 Budget was not laid in Parliament until March 2017, by which time full-year data for 2016 had become available. In light of this, the 2016 Annual Report on the Petroleum Funds fulfils the requirements of both Sections 15 and 48 of the PRMA. Section 15 of the PRMA requires the Minister for Finance to prepare a reconciliation report to cover the entire year.
5. Section One of this report is the introduction. This is followed by a review of the developments in the upstream petroleum sector in Section Two. Section Three presents petroleum receipts and their utilisation, with Section Four discussing the performance of the GPFs. Section Five provides an update on the audited financial statements of the Petroleum Funds, while Section Six discusses the challenges and the way forward. The Report ends with a conclusion in Section Seven.

SECTION TWO: DEVELOPMENTS IN THE UPSTREAM PETROLEUM SECTOR IN 2016

2.1 Developments in the Structure of the Upstream Petroleum Sector in 2016

6. The FPSO Kwame Nkrumah had its turret bearing damaged in February 2016. Since then the FPSO has been under heading control by three tug boats to enable production and lifting operations continue under what is now known as “Abnormal Operations”.
7. The Jubilee turret remediation work is progressing as planned and the FPSO is expected to be spread-moored in the interim on its current heading by the end of the first quarter.

This will allow the tug boats, which are currently required to hold the vessel on a fixed heading, to be removed. This will significantly reduce the risk associated with the lifting of crude oil. The capital costs associated with this and subsequent remediation works are expected to be covered by the Joint Venture Hull and Machinery insurance policy. This is the initial phase of the project.

8. The next phase of the project will involve modifications to the turret systems for permanent spread-mooring operations. In addition, the assessment of the optimum long-term heading continues, in order to determine if a rotation of the FPSO is required. Detailed planning for this continues with the Jubilee Joint Venture Partners. Final decisions and approval are expected in the first half of 2017 and work is projected to commence in the second half of the year. A facility shutdown of up to 12 weeks may be required during 2017. However, significant work is ongoing to look at ways to optimize and reduce the shutdown period.
9. Jubilee Field production is expected to average 66,202 bopd in 2017, assuming 12 weeks of shutdown associated with the initial phase of remediation works.
10. Some of the other key developments which affected the industry include:
 - the arrival of the FPSO Atta Mills on the shores of Ghana in February 2016 to herald crude oil production on the Tweneboa-Enyenra-Ntomme (TEN) Field;
 - the production of the TEN Field's first oil in August 2016;
 - the enactment of the Petroleum (Exploration and Production) Act, 2016 (Act 919), in August 2016;
 - the ongoing Ghana-Cote d'Ivoire boundary dispute at the International Tribunal for the Law of the Sea (ITLOS), Hamburg, Germany; and
 - implementation of OCTP milestones to facilitate the coming on stream of the Sankofa-Gye Nyame (SGN) project.
11. Ghana's oil and gas industry continues to attract key global industry players on the back of sustained investor interest, as well as significant de-risking of the western basin. Companies that are currently party to Agreements in Ghana include Tullow Plc, Kosmos Energy, ENI, Lukoil, Hess, Anadarko, Petro S.A., AGM, Heritage, Blue Star and Cola Resources. Over 50 others from around the world have shown interest and are at various stages of negotiations with Ghana National Petroleum Corporation (GNPC). Three Petroleum Agreements were executed in 2016. Two of the Petroleum Agreements were

in the Western Basin, Springfield and Eni block-4 and Swiss Africa, in the Accra-Keta basin.

Ministry of Petroleum

12. The main function of the Ministry of Petroleum (MoPet), formerly a part of the Ministry of Energy and Petroleum, is to formulate, implement, monitor and evaluate petroleum sector policies. In connection with this, the MoPet provides leadership in reviewing the subsidiary legislations, which are at various stages of completion. These include regulations on Fiscal Metering, Data Management, Reservoir Management and Health, Safety and Environment.
13. In 2016, Cabinet approved two significant policies, namely, the Gas Master Plan (GMP) and Strategy and the reverse flow to facilitate the interconnection of the Ghana Gas Transmission System with the West African Gas Pipeline (WAGP) System. The GMP and Strategy will provide infrastructure development priorities for the sustainable development of Ghana's natural gas resources and security of energy supply in the medium-to-long-term. The reverse flow will facilitate the interconnection of the Ghana Gas Transmission System with the WAGP System to enable the flow of excess indigenous gas from Takoradi to Tema.
14. The Ministry led the implementation of both the milestones and the key commercial agreements for the development of the SGN Field. The executed agreements include the Fiscal Support Agreement, Heads of Agreement, Gas Sales Agreement, Multi-Party Agreement and Security Package Agreement. In addition, the Ministry approved the Integrated Plan of Development for the SGN Field.

Petroleum Commission

15. The Petroleum Commission continued the implementation of its mandate of regulating, managing and coordinating activities in the upstream petroleum sector in 2016, in accordance with the Petroleum Commission Act, 2011 (Act 821).
16. The Commission has been monitoring the development and production activities in the Jubilee, TEN and SGN Fields. In 2016, the Commission worked closely with the Jubilee Field Operator and other stakeholders to address the challenges of the turret on FPSO Kwame Nkrumah. Apart from having representatives on the Turret Remediation Project Team, the Commission also constituted an internal team to support its representatives.
17. In order to implement the Local Content Regulations, various workshops were held with stakeholders, notably the financial services workshop. There was also a joint monitoring of upstream insurance activities with the National Insurance Commission. Furthermore, the Commission drafted guidelines for research, development and operationalization of the Local Content Fund.

18. The TEN Internship Programme started in November 2015 and ended in December 2016. It involved 10 graduate trainees, trained at Tullow in the TEN Installation Hook Up and Commissioning (IHUC) programme. The trainees are gainfully employed after the programme, except 3, who are currently on a waiting list for employment.
19. The Ghana Upstream Internship Project was initiated by the Commission in 2015, as a result of the success of the TEN IHUC programme. Examination and selection of 150 applicants for placement into various institutions was held in 2016, however, given the limited number of institutional slots available, the Commission may have to further shortlist selected applicants in 2017.

Ghana National Petroleum Corporation

20. The GNPC has been mandated to assume the role of gas offtaker from the upstream partners and, has been engaged in gas sales negotiations to derive the best price for gas on the domestic market.
21. GNPC has set up three operational subsidiaries, as part of its accelerated growth strategy to enable it assume a leadership role in Ghana's oil and gas industry. These are:
- i. Ghana Trading Company (TRADCO);
 - ii. GNPC-Technip Engineering Services (GTES); and
 - iii. GNPC Exploration Company (Explorco).
22. In addition to this, Explorco has acquired 33.3 percent of GNPC Operating Services Company Limited (GOSCO). GOSCO is Operator in two Petroleum Agreements: Offshore South West Tano and East Keta.

Ghana National Gas Company

23. The Ghana National Gas Company Limited (GNGC) completed the commissioning phase of the Western Corridor Gas Infrastructure Project in April 2015 when it entered commercial operations. Over January to December 2016, 21,579.60 million standard cubic feet (MMScf) of raw gas supplied by the Jubilee Partners was processed at the Atuabo Gas Processing Plant (GPP) and transported to the Volta River Authority for power generation.
24. The total monetary disbursement to the Western Corridor Gas Infrastructure Project and ICT infrastructure as at December 2016 was US\$979.89 million. Of this amount, the China Development Bank (CDB) has disbursed US\$832.91 million and GOG has disbursed US\$146.98 million, as shown in Table 1.

Table 1: CDB and GOG Disbursements to WCGP and ICT as at end-December 2016

Date	Utilization Amount	CDB Portion	GoG Portion	Subsidiary
	US\$			
2015-Year End	829,924,618.81	705,435,925.99	124,488,692.82	WCGP&ICT
18-Aug-16	24,074,197.41	20,463,067.80	3,611,129.61	ICT
16-Nov-16	32,260,977.84	27,421,831.16	4,839,146.68	WCGP
Total	979,893,519.37	832,909,490.63	146,984,028.74	

Source: Ministry of Finance/Ghana National Gas Company

Note: The GOG counterpart funding of November 2016 was paid in December 2015. CDB released its portion in November 2016.

Jubilee Field

25. Production from the Jubilee Field for 2016 was 26,981,640 barrels, compared to 37,411,661 barrels for the same period in 2015, representing a decline of 27.9 percent. The decline was due to technical challenges associated largely with the FPSO Kwame Nkrumah turret bearing failure.

26. The challenges are currently being addressed with an Interim Spread Mooring system, which is not only cost-effective but supports production. Plans for a permanent solution are at an advanced stage. The annualised daily average production for 2016 was 73,720 barrels per day (bopd), down from 102,497 bopd for the same period in 2015, as shown in Appendix Table 1. This brings the total production from inception to end of year 2016 to 188,910,811 barrels.

27. A total of 38,420 MMscf of associated gas was produced in 2016. After gas reinjection to maintain reservoir pressure, 21,579.60 MMscf was exported to the GPP at Atuabo and the remainder utilized on the FPSO for power generation. The monthly breakdown of gas supplied to the GPP is shown in Appendix Table 2.

28. The adjoining oil and gas discoveries of Teak and Mahogany will be developed together with the main Jubilee Field currently under production to form the Greater Jubilee Field. This is expected to extend plateau production. The development plan is scheduled to be submitted by the end of April 2017.

29. The achieved average Jubilee oil price for January to December 2016 was US\$46.07. This compares favourably with the revised Benchmark Revenue price of US\$45.35 per barrel.

Tweneboa-Enyenra-Ntomme Field

30. The TEN first oil was achieved on 15th August, 2016, producing and injecting from only ten (10) wells due to the ITLOS's moratorium on the drilling of new wells. The Field achieved annualised average daily production of 14,525 barrels per day at end-2016, compared to an initial planned production of 23,092 barrels per day. The short fall in production is mainly due to the later than anticipated first oil date and early reservoir

performance issues. Total production from the TEN Field for 2016 was 5,316,140 barrels, as also shown in Appendix Table 1.

31. The Ghana Group undertook one crude oil lifting from the TEN Field in December 2016. The commodity was sold for US\$51.09 barrel.
32. Associated gas produced from the TEN Field at end-2016 was 6,531 MMscf, of which 367 MMscf was re-injected. The remaining gas was utilized on the FPSO for power generation and flared due to FPSO commissioning operations. The first associated and non-associated gas exports are scheduled for 12 and 24 months, respectively, from first oil.
33. In the meantime, efforts are underway to interconnect the Jubilee and TEN gas export facilities to enable gas export to the GPP at Atuabo. This is expected to be completed by March 2017.

Sankofa-Gye Nyame Project

34. The overall project progress of the SGN Fields at end-2016 was 63 percent, against a target of 64.3 percent. Physical completion of the SGN FPSO was 94.8 percent, against a target of 96.2 percent.
35. Work on the subsea production system was 85.6 percent complete, compared to the 88.6 percent target completion. The timelines for first oil and gas remain unchanged. First oil from the SGN Fields will be in the third quarter of 2017 and, production of first gas in the first quarter of 2018. Annualised average crude oil production from the field is expected to be 7,214 bopd in 2017.
36. The Gas Sales Agreement for the SGN Fields was signed in December 2015 between GNPC and the OCTP partners. GNPC has a paying interest of 5 percent (Capex) during the development phase and a paying interest of 20 percent (Opex) during the production phase of the project. The Field is estimated to hold 173 million barrels of oil and 1,071 bcf of gas. The FPSO Sail away to Ghana is expected to take place in February 2017.

Voltaian Basin Project

37. GNPC continues to intensify its exploration activities on the inland Voltaian basin. These activities are meant to:
 - determine the thermal maturity of potential source rocks by utilizing the right mix of foreign and local expertise;
 - enhance the knowledge base of the relatively unexplored basin which would inform the effective development of exploration programmes in the near future; and

- de-risk the basin to justify further investment and build the capacity of GNPC for operatorship.

In 2016, the Voltaian Basin Project completed the following tasks:

- Technical and Financial Evaluations of 2D Seismic Acquisition, awaiting approval from Central Tender Review Committee;
- Seismic Data Processing Contracting; and
- Explosives and Detonators Contracting.

Saltpond Field Decommissioning Project

38. The Minister for Petroleum, in a letter dated 18th August, 2016, terminated the Saltpond Field Petroleum Agreement. As a result, no production was realized from the Field in 2016. GNPC is in the process of decommissioning the Field.

39. Phase 1 of the decommissioning project started in October 2016 to select a Consultant. Technical proposals from the shortlisted consultants have been submitted and technical evaluations completed.

2.2 Developments in Exploration and Other Petroleum Activities

40. Since the Jubilee discovery in 2007, additional discoveries have been made. Table 2 presents the status of discoveries at various stages of appraisal, development and production.

Table 2: Status of Oil & Gas Discoveries made since Jubilee

	BLOCK/ OPERATOR	DISCOVERIES	HYDROCARBON TYPE	STATUS
1	GNPC	<i>Ebony</i>	<i>Condensate/Gas</i>	<i>Relinquished</i>
2	DWT/TULLOW OIL	<i>Tweneboa-1</i>	<i>Gas Condensate</i>	<i>Development</i>
3		<i>Tweneboa-2</i>	<i>Oil</i>	<i>Development</i>
4		<i>Enyenra-1</i>	<i>Oil</i>	<i>Production</i>
5		<i>Ntomme</i>	<i>Oil & Gas</i>	<i>Production</i>
6		<i>Wawa</i>	<i>Oil & Gas</i>	<i>Exploration</i>
7	WCTP/KOSMOS ENERGY	<i>Odum-1</i>	<i>Heavy Oil</i>	<i>Re-evaluation</i>
8		<i>Teak-1</i>	<i>Oil & Gas</i>	<i>PoD</i>
9		<i>Teak-2</i>	<i>Gas</i>	<i>PoD</i>
10		<i>Banda-1</i>	<i>Oil</i>	<i>Re-evaluation</i>
11		<i>Mahogany Deep</i>	<i>Light Oil</i>	<i>PoD</i>
12		<i>Akasa-1</i>	<i>Light Oil & Gas</i>	<i>Relinquished</i>
13	OCTP/ENI	<i>Sankofa-1</i>	<i>Gas</i>	<i>Development</i>
14		<i>Gye Nyame-1</i>	<i>Gas</i>	<i>Development</i>
15		<i>Sankofa East</i>	<i>Oil & Gas</i>	<i>Development</i>
16	DWTCTP/HESS	<i>Paradise-1</i>	<i>Oil & Condensate</i>	<i>Appraisal</i>
17		<i>Hickory North</i>	<i>Oil & Condensate</i>	<i>Appraisal</i>
18		<i>Almond</i>	<i>Oil & Condensate</i>	<i>Appraisal</i>
19		<i>Beech</i>	<i>Oil</i>	<i>Appraisal</i>
20		<i>Pecan</i>	<i>Oil</i>	<i>Appraisal</i>
21		<i>PN-1</i>	<i>Oil</i>	<i>Appraisal</i>
22		<i>Cob</i>	<i>Oil</i>	<i>Appraisal</i>
23	DWCTP/LUKOIL	<i>Dzata-1</i>	<i>Oil & Gas</i>	<i>Relinquished</i>
24	EXPANDED SHALLOW WATER TANO	<i>North and South Tano West Tano</i>	<i>Oil & Gas Heavy Oil</i>	<i>Re-evaluation</i>

Source: GNPC

SECTION THREE: PETROLEUM RECEIPTS AND UTILISATION IN 2016

3.1 Analysis of 2016 Petroleum Receipts

41. According to the fiscal regime of the Petroleum Agreements, Government is entitled to a royalty on gross production of 5 percent for Jubilee and TEN. The Petroleum Agreements also grant Ghana Carried and Participating Interests of approximately 13.64 percent and

15 percent in the Jubilee and TEN Fields, respectively. Corporate Income Tax on upstream and midstream petroleum companies for 2016 was 35 percent.

42. The receipt of the proceeds from these and other sources of petroleum revenue is regulated by the PRMA. The PRMA establishes the PHF as a designated Public Fund to receive all petroleum receipts, as defined in the Law, and provides the framework for the collection, allocation and management of the petroleum funds.

43. In 2016, GNPC lifted six parcels of crude oil (i.e. the 31st to 35th Jubilee and 1st TEN liftings) on behalf of the State and exported a total of 21,580 MMscf of gas to GNGC. Total crude oil lifted was 5,856,921 barrels of oil (4,860,462 barrels of Jubilee oil and 996,459 barrels of TEN oil), compared to 5,730,090 barrels in 2015. Even though the overall lifting volume was 2.21 percent higher than that of the previous year, the Jubilee lifting of 4,860,462 barrels of oil is lower than the 5,730,090 barrels in the corresponding period in 2015.

44. Receipts from crude oil liftings for 2016, which accrued from the 30th (lifted in December 2015) to the 34th Jubilee liftings was US\$207.79 million (GH¢811.68 million), as shown in Table 3. This involved 4,824,417 barrels of oil and excludes the proceeds from the 35th Jubilee and 1st TEN liftings in December 2016, whose proceeds were received in the first quarter of 2017.

Table 3: Details of Crude Oil Proceeds on Lifting Basis

Item	Unit	1st Qtr		2nd Qtr	3rd Qtr	4th Qtr	Total
		JUBILEE					
		30th Lifting	31st Lifting	32nd Lifting	33rd Lifting	34th Lifting	
Date of Lifting	dd/mm/yy	8-Dec-15	2-Feb-16	14-May-16	10-Aug-16	23-Oct-16	
Receipt Date	dd/mm/yy	7-Jan-16	3-Mar-16	13-Jun-16	9-Sep-16	22-Nov-16	
Volume of lift	barrels	948,118	947,980	995,152	983,847	949,320	4,824,417
Selling Price	US\$	37.692	32.164	48.408	47.250	49.404	
Value of lift	US\$	35,736,463.66	30,490,828.72	48,173,318.02	46,486,770.75	46,900,205.28	207,787,586.43
	GH¢	135,687,778.87	117,676,304.36	187,818,132.30	183,855,178.32	186,644,056.93	811,681,450.78

Source: Ministry of Finance/Bank of Ghana

45. Total petroleum receipts (i.e. proceeds from Jubilee liftings and other petroleum receipts) as at the end of 2016 was US\$247.18 million (GH¢972.55 million), as shown in Table 4. This compares with the 2015 receipts of US\$396.17 million (GH¢1,449.92 million).

Table 4: Sources of 2016 Petroleum Receipts

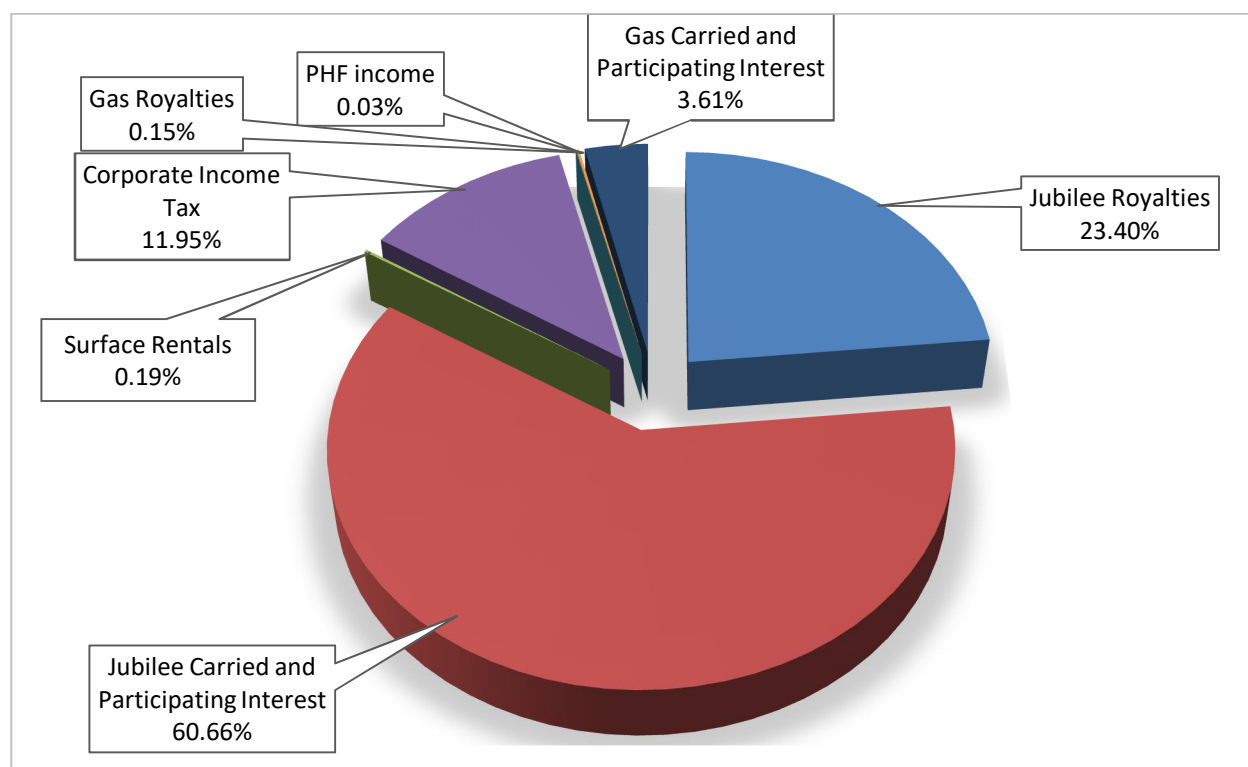
Item	Unit	1st Qtr		2nd Qtr	3rd Qtr	4th Qtr		Total	
		JUBILEE							TEN
		30th Lifting	31st Lifting	32nd Lifting	33rd Lifting	34th Lifting	1st Lifting*		
Jubilee Royalties	US\$	9,949,572.66	8,489,108.45	13,412,181.25	12,942,620.95	13,057,727.38	-	57,851,210.69	
Jubilee Carried and Participating Interest	US\$	25,786,891.00	22,001,720.27	34,761,136.77	33,544,149.80	33,842,477.90	-	149,936,375.74	
Surface Rentals	US\$	-	356,844.24	78,250.00	-	-	29,935.50	465,029.74	
Corporate Income Tax	US\$	-	2,027,780.00	204,770.00	-	-	27,314,273.00	29,546,823.00	
PHF income	US\$	-	19,208.20	8,529.19	24,079.01	8,990.01	12,342.33	73,148.74	
Gas Royalties	US\$	-	379,554.50	-	-	-	-	379,554.50	
Gas Carried and Participating Interest	US\$	-	8,923,251.85	-	-	-	-	8,923,251.85	
Price Differentials	US\$	-	-	-	-	-	-	-	
Total Petroleum Receipts	US\$	35,736,463.66	42,197,467.51	48,464,867.21	46,510,849.76	46,909,195.29	27,356,550.83	247,175,394.26	
	GHC	135,687,778.87	162,926,879.02	188,926,970.89	183,949,330.54	186,679,836.27	114,376,616.80	972,547,412.39	

Source: Ministry of Finance/Bank of Ghana

*These receipts are not related to TEN. They were rather distributed together with the 1st TEN lifting proceeds in 2017Q1

46. The share of Carried and Participating Interest of total crude oil receipts, as at December 2016, decreased from 68.17 percent in 2015 to 60.66 percent. The share of gas receipts, on the other hand, increased from 0.14 percent in 2015 to 3.76 percent of total petroleum receipts. This was due to the receipt of an amount of about US\$9.30 million from GNGC in 2016, compared to US\$0.55 million in 2015. Corporate Income Tax increased to 11.95 percent from 5.15 percent in 2015. Jubilee Royalties constituted 23.41 percent of the total petroleum revenue, while Surface Rentals and PHF Interest made up the remaining 0.37 percent, as shown in Figure 1.

Figure 1: Composition of Total Petroleum Receipts, 2016



Source: Ministry of Finance/Bank of Ghana

47. Actual receipts for 2016 showed a negative variance of US\$101.24 million over the 2016 Budget estimate, as shown in Table 5.

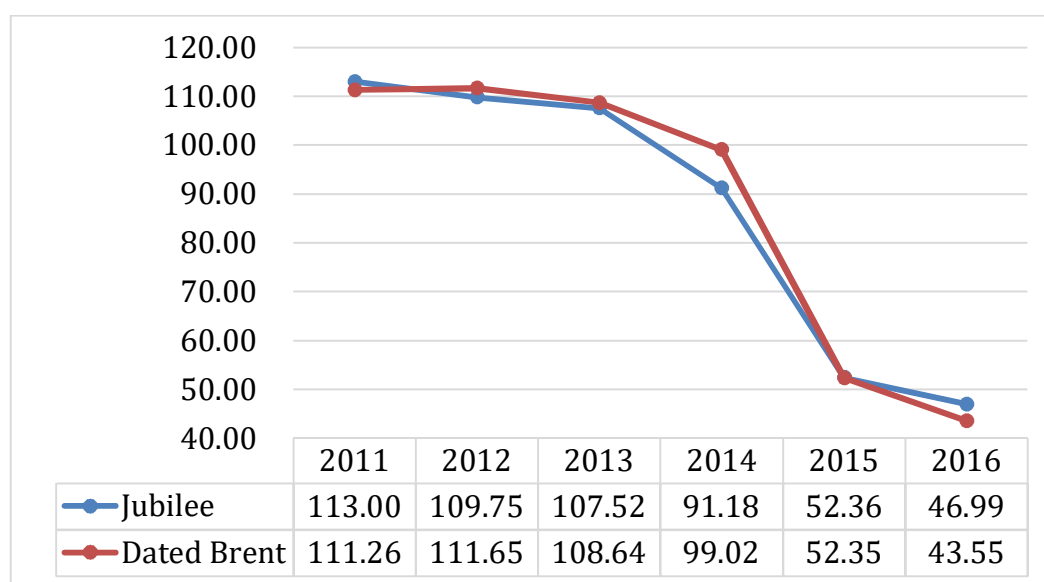
Table 5: Analysis of 2016 Petroleum Receipts

Item	Budget	Actual	Variance
	A	B	C = B - A
US\$			
Royalties	78,533,594.14	57,851,210.69	(20,682,383.45)
o/w Jubilee Royalties	78,533,594.14	57,851,210.69	(20,682,383.45)
o/w SOPCL Royalties	-	-	-
Carried and Participating Interest	208,475,417.95	149,936,375.74	(58,539,042.21)
Surface Rentals	1,051,277.25	465,029.74	(586,247.51)
Corporate Income Tax	-	29,546,823.00	29,546,823.00
PHF income	-	73,148.74	73,148.74
Gas Royalties	2,462,541.12	379,554.50	(2,082,986.62)
Gas Carried and Participating Interest	57,893,858.88	8,923,251.85	(48,970,607.03)
Total	348,416,689.34	247,175,394.26	(101,241,295.08)

Source: Ministry of Finance/Bank of Ghana

48. The 29.1 percent under-performance of petroleum revenue for the year stemmed from the continuous fall in crude oil prices (as shown in Figure 2), the decline in the Jubilee production and lower TEN production (as a result of a later production start date and early reserve performance issues), which resulted in fewer lifting volumes during the period under review.

Figure 2: Annual Lifting Average Price



Source: GNPC

49. Corporate Income Tax receipts for the year was US\$29.55 million (GH¢122.78 million), while Surface Rentals receipts amounted to US\$0.47 million (GH¢1.80 million). An amount of US\$9.30 million (GH¢36.00 million) was realised from Gas Receipts and distributed in the first quarter, together with the 31st lifting proceeds in April 2016.

50. Table 6 indicates a significant decrease (37.6%) in overall petroleum revenue in 2016, compared to that of 2015. This was due mainly to the same reasons adduced above.

Table 6: Analysis of Petroleum Receipts from 2011 to 2016

Item	Unit	2011	2012	2013	2014	2015	2016	Total Since Inception	Variance 2016 vrs 2015
Jubilee Royalties	US\$	122,171,971	150,642,450	175,006,213	192,660,811	104,208,697	57,851,211	802,541,352	(46,357,486)
Carried and Participating Interest	US\$	321,952,753	390,428,872	453,573,866	499,330,323	270,083,791	149,936,376	2,085,305,980	(120,147,415)
Surface Rentals	US\$	-	570,138	676,418	1,775,768	465,920	465,030	3,953,274	(890)
Royalties from SOPCL	US\$	-	336,429	171,040	151,986	-	-	659,455	-
Corporate Income Tax	US\$	-	-	216,985,498	284,546,191	20,410,832	29,546,823	551,489,344	9,135,991
PHF income	US\$	-	-	-	129,237	30,468	73,149	232,853	42,681
Price Differentials	US\$	-	-	-	297,249	419,387	-	716,636	(419,387)
Gas Royalties	US\$	-	-	-	-	22,636	379,554	402,191	356,918
GAS Carried and Participating Interest	US\$	-	-	-	-	531,179	8,923,252	9,454,431	8,392,073
Total Petroleum Receipts	US\$	444,124,724	541,977,890	846,413,034	978,891,564	396,172,909	247,175,394	3,454,755,516	(148,997,515)
	GH¢	670,683,313	977,668,475	1,644,933,994	2,774,917,536	1,449,906,213	972,547,412	8,490,656,943	(477,358,801)

Source: Ministry of Finance/Bank of Ghana

3.2 Allocation of 2016 Petroleum Receipts

51. The PRMA requires that not more than 70 percent of Government's net petroleum receipts is designated as ABFA and not less than 30 percent designated as GPFs. Out of the amount transferred into the GPFs, the GHF receives not less than 30 percent, with the rest transferred into the GSF.

52. The 2016 petroleum receipts were allocated based on the provisions of the PRMA, as amended. Out of the total revenue of US\$247.18 million, US\$88.50 million was allocated to GNPC (the NOC) as Equity Financing Cost (US\$58.11 million) and its share of the net Carried and Participating Interest (US\$27.55 million for crude oil and US\$2.84 million for gas¹), as shown in Table 7.

Table 7: Distribution of 2016 Petroleum Receipts

Item	Unit	30th Lifting*	31st Lifting	32nd Lifting	33rd Lifting	34th Lifting	Total
Transfer to GNPC	US\$	14,143,683.52	8,625,349.33	24,145,013.22	26,922,105.64	14,660,940.31	88,497,092.01
o/w Equity Financing cost	US\$	9,153,737.46	2,892,618.93	15,543,329.62	24,084,086.71	6,440,281.34	58,114,054.06
o/w Crude oil Net Carried and Participation Interest	US\$	4,989,946.06	5,732,730.40	5,765,342.15	2,838,018.93	8,220,658.97	27,546,696.50
o/w Gas Net Carried and Participation Interest	US\$	-	-	2,836,341.45	-	-	2,836,341.45
ABFA and GPFs	US\$	30,807,336.97	33,572,118.18	24,319,853.99	19,588,744.12	32,248,254.98	140,536,308.25
o/w Annual Budget Funding Amount	US\$	21,565,135.88	23,500,482.73	17,023,897.80	13,712,120.89	22,573,778.49	98,375,415.77
o/w Ghana Infrastructure Investment Fund	US\$	3,773,898.78	4,112,584.48	2,979,182.11	2,399,621.15	3,950,411.24	17,215,697.76
o/w Ghana Petroleum Funds	US\$	9,242,201.09	10,071,635.45	7,295,956.20	5,876,623.24	9,674,476.49	42,160,892.47
o/w Ghana Stabilisation Fund	US\$	6,469,540.76	7,050,144.82	5,107,169.34	4,113,636.27	6,772,133.55	29,512,624.73
o/w Ghana Heritage Fund	US\$	2,772,660.33	3,021,490.64	2,188,786.86	1,762,986.97	2,902,342.95	12,648,267.74
Total Payments	US\$	44,951,020.49	42,197,467.51	48,464,867.21	46,510,849.76	46,909,195.29	229,033,400.26
	GH¢	173,791,483.13	161,419,566.63	191,269,012.94	184,678,180.07	192,823,558.37	903,981,801.14

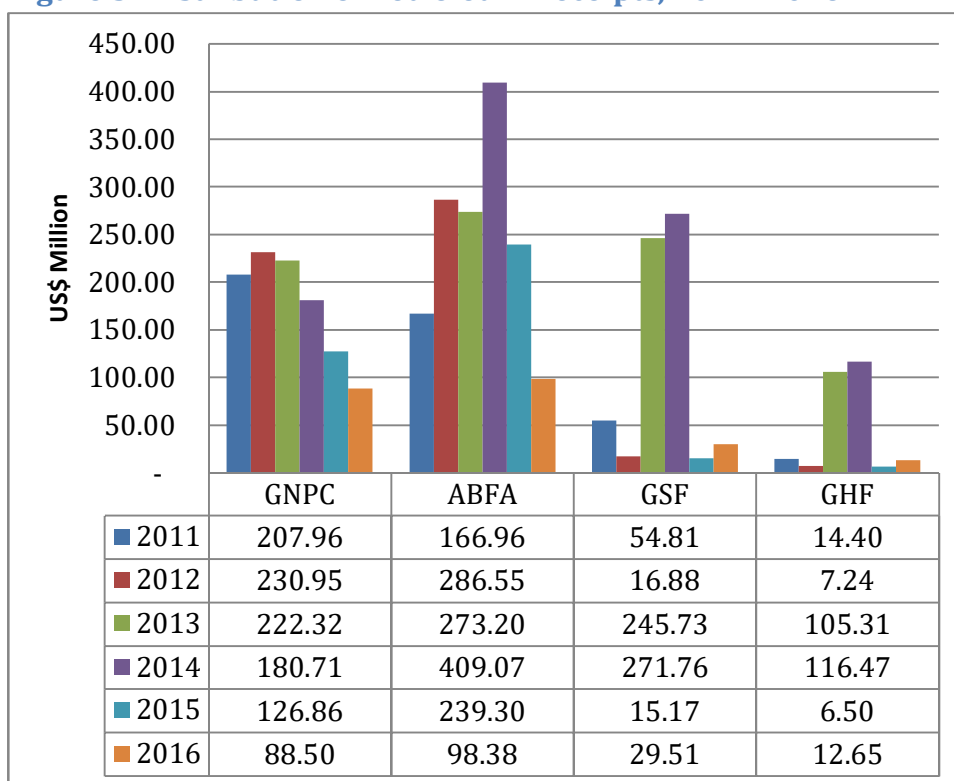
Source: Ministry of Finance/Bank of Ghana

*Includes the US\$9.21 million which was accounted for as a 2015Q4 receipt in the 2015 Reconciliation Report on the Petroleum Holding Fund

¹ This is made up of US\$0.16 million of the 2015 receipts of US\$0.55 million and US\$2.68 million of the 2016 receipts of US\$9.30 million

53. A total of US\$42.16 million (GH¢166.65 million) was transferred into the GPFs in 2016, compared to US\$21.67 million (GH¢86.27 million) for the same period in 2015. The increase was attributed to the amendment of the PRMA, which allows for constant transfers into the GPFs, irrespective of the amount. Out of the amount transferred, the GHF received US\$12.65 million (GH¢50.0 million), against US\$6.50 million (GH¢25.98 million) in 2015, while the GSF received US\$29.51 million (GH¢116.67 million), against US\$15.17 million (GH¢60.34 million) in 2015.
54. The total amount transferred in 2016 from petroleum liftings and related proceeds to the ABFA was US\$98.38 million (GH¢388.85 million). The allocation to the ABFA was lower than the budgeted amount of US\$149.76 million. In spite of this shortfall, no withdrawal was made from the GSF. Of the ABFA allocation, the Ghana Infrastructure Investment Fund (GIIF) received a total of US\$17.22 million, which represents 25 percent of the capital component of the ABFA, in line with the GIIF Act.
55. This brings the total ABFA allocation to GIIF to US\$68.48 million. The GIIF Secretariat indicates that it has not spent its ABFA allocation, even though the GIIF Board granted approval for GIIF to co-finance 9 infrastructure projects. These projects are at various stages of due diligence.
56. As indicated earlier, GNPC received a total of US\$88.50 million (GH¢348.48 million) in respect of Carried and Participating Interest (US\$30.38 million) and Equity Financing Cost (US\$58.11 million), compared to a total amount of US\$126.86 million (GH¢463.34 million) received in the same period of 2015. The utilisation of funds allocated to GNPC is shown in Section 3.4. The allocation of petroleum receipts to the allowable destination accounts since 2011 is shown in Figure 3.

Figure 3: Distribution of Petroleum Receipts, 2011- 2016



Source: Ministry of Finance/Bank of Ghana

57. The 2016 Budget established a quarterly ABFA of US\$63.06 million. This was revised downwards to US\$37.44 million during the mid-year review, due mainly to the continuous decline in crude oil prices and volumes. The performance of actual ABFA inflows against the quarterly budget projections is shown in Table 8.

Table 8: 2016 ABFA Allocation and Variance Analysis

Period	US\$			GH¢		
	Budget	Actual	Variance	Budget	Actual	Variance
Qtr1	37,439,026.85	21,565,135.88	(15,873,890.97)	153,375,000.00	83,838,778.76	(69,536,221.24)
Qtr2	37,439,026.85	23,500,482.72	(13,938,544.13)	153,375,000.00	89,790,644.38	(63,584,355.62)
Qtr3	37,439,026.85	30,736,018.68	(6,703,008.17)	153,375,000.00	121,626,046.20	(31,748,953.80)
Qtr4	37,439,026.85	22,573,778.49	(14,865,248.36)	153,375,000.00	93,595,400.38	(59,779,599.62)
Total	149,756,107.38	98,375,415.77	(51,380,691.61)	613,500,000.00	388,850,869.72	(224,649,130.28)

Source: Ministry of Finance/Bank of Ghana

58. Section 12 of the PRMA permits a withdrawal from the GSF to cushion the Budget against the effects of petroleum revenue shortfall in each quarter. Even though there were revenue shortfalls in each quarter throughout the year, there were no withdrawals from the GSF.

3.3 Utilisation of the 2016 Annual Budget Funding Amount

59. The closing balance on the ABFA Account as at 31st December, 2015, was US\$0.14 million (GH¢0.54 million).

60. Total programmed ABFA expenditure for the 2016 fiscal year was GH¢1,009.01 million. Of this amount, GH¢302.70 million was programmed for Goods and Services, while GH¢706.31 million was programmed for capital spending (CAPEX). This amount was revised in the mid-year review of the 2016 Budget to accommodate both the price and output declines that impacted heavily on petroleum receipts during the year. The total programmed ABFA for Goods and Services and CAPEX were revised downwards by 39.2 percent, to GH¢184.04 million and GH¢429.42 million, respectively, as shown in Table 9.

Table 9: 2016 Programmed and Revised Annual Budget Funding Amount

Item of Expenditure	GH¢			% Variance
	2016 Budget	2016 Revised Budget	Variance	
ABFA Goods & Services	302,703,316.50	184,038,292.20	118,665,024.30	39.20%
ABFA CAPEX	706,307,738.50	429,422,681.80	276,885,056.70	39.20%
Total ABFA	1,009,011,055.00	613,460,974.00	395,550,081.00	39.20%

Source: Ministry of Finance

61. Out of the total revised budget for the year, actual receipts for the period amounted to GH¢83.84 million, GH¢89.79 million, GH¢121.63 million and GH¢93.60 million at the end of the first, second, third and fourth quarters, respectively. Actual utilisation, on the other hand, amounted to GH¢34.64 million, GH¢224.15 million, GH¢35.60 million and GH¢16.75 million at the end of the first, second, third and fourth quarters, respectively. Cumulatively, this brings the total actual receipts at the end of December 2016 to GH¢388.85 million, and actual utilisation to GH¢311.12 million, leaving an unutilised balance of GH¢77.73 million, as shown in Table 10.

Table 10: Summary of Actual ABFA Receipts and Utilisation for 2016

Period	GH¢		
	Actual Receipts	Actual Utilisation	Balance
Quarter 1	83,838,778.76	34,635,327.12	49,203,451.64
Quarter 2	89,790,644.38	224,145,977.05	(134,355,332.67)
Quarter 3	121,626,046.20	35,595,557.69	86,030,488.51
Quarter 4	93,595,400.38	16,746,195.07	76,849,205.31
Total	388,850,869.72	311,123,056.93	77,727,812.79

Source: Ministry of Finance

62. Utilisation of the ABFA by the priority areas was in line with the provisions of the PRMA. Table 11 provides a summary of utilisation by the priority areas, with the details shown in Appendix Table 3.

Table 11: 2016 ABFA Utilisation by Priority Area

Priority Area	Utilisation (GH¢)
Expenditure and Amortisation of Loans for Oil and Gas Infrastructure	-
Road and Other Infrastructure	199,447,492.13
Agriculture Modernisation	27,671,280.88
Capacity Building (including Oil and Gas)	83,037,283.91
Total Spending in Priority Areas	310,156,056.92
Transfers to the Public Interest and Accountability Committee	967,000.00
Total ABFA Spending	311,123,056.92

Source: Ministry of Finance

63. Total Spending for Road and Other Infrastructure amounted to GH¢199.45 million. Of this amount, GH¢48.15 million was spent on the construction, rehabilitation and upgrading of roads and highways across the country. An additional amount of GH¢43.46 million was spent on energy infrastructure, mainly for the supply of steel and wooden poles, pole top accessories, and other electrical materials under the National Electrification Scheme. Furthermore, GH¢23.48 million was utilised for Water Infrastructure in respect of the construction of drainage facilities, sea defence and coastal protection works. An amount of GH¢2.0 million was utilised for the redevelopment and construction of railway lines, railway stations, and the supply of rolling stock.

64. Additionally, GH¢14.31 million was utilised in respect of the CDB matching fund requirements for the provision of ICT infrastructure, while total transfers into the GIIF Account amounted to GH¢68.05 million.

65. Total spending on Agriculture Modernisation amounted to GH¢27.67 million. The amount was mainly in respect of payments for Government's fertiliser subsidy programme and the development and rehabilitation of irrigation infrastructure.

66. Total spending on Capacity Building (including Oil and Gas) amounted to GH¢83.04 million. These were mainly transfers to the Scholarship Secretariat for the payment of scholarship claims.

3.4 Utilisation of 2016 GNPC Allocations

67. As at end-December 2016, GNPC had received a total amount of US\$88.50 million for its share of development and production costs and its 30 percent share of the net Carried and Participating Interest proceeds for the Jubilee operations.

68. GNPC spent a total of US\$144.53 million in the year under review, as indicated in Table 12. The US\$56.03 million excess expenditure over receipts was financed by GNPC's cash balance brought forward from the previous year, leaving cash-on-hand of US\$68.03 million.

Table 12: Utilisation of GNPC's Share of Jubilee Petroleum Revenue, 2016

SRN	RECEIPTS FROM JUBILEE PROCEEDS	AMOUNT (US\$)	EXPENDITURE AS % OF RECEIPTS
1	Level A Receipts (Equity Financing)	58,114,054.06	65.7%
2	Level B Receipts (30% of Net Proceeds)	27,546,696.50	31.1%
3	Gas Receipt (30% of Net Proceeds)	2,836,000.00	3.2%
4	Total Amount Received:- (A)	88,496,750.56	100.0%
SRN	USES OF AMOUNTS ALLOCATED:-		
5	Jubilee Equity Financing Cost	67,211,088.66	75.9%
6	Exploration & Development Projects	25,574,454.43	28.9%
7	Staff Cost	16,403,758.50	18.5%
8	Admin. Capital Expenditure	2,219,618.29	2.5%
9	Capital Projects	12,641,615.64	14.3%
10	General Operational Expenditure	12,460,289.71	14.1%
11	Western Corridor Roads	7,576,981.08	8.6%
12	SOPCL	440,336.85	0.5%
13	Total Expenditure:- (B)	144,528,143.15	163.3%
14	Net Position:- (C = A - B)	(56,031,392.59)	-63.3%
15	Add: Cash B/Fwd (01.01.2016) (D)	124,059,072.39	
16	Total Cash-Available :- (E = C + D)	68,027,679.80	

Source: GNPC

69. 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: 2016

<i>Exploration & Development Projects</i>	Amount (US\$)
- North & South Tano Petroleum Projects	2,036,838.22
- TEN	4,891,671.03
- Voltaian Basin Petroleum Projects	4,383,162.28
- South Deepwater Tano Petroleum Projects	1,583,291.24
- OCTP ENI Project	3,618,993.05
- Hess	2,446,604.16
- Ultra Deep Water [Keta Heritage]	603,354.91
-Tano - Heritage	603,354.91
-A - Z Petroleum	603,354.91
- Explorco	1,984,913.57
- Maritime Boundary Special Project	2,818,916.14
Total Non Jubilee Project Expenditure	25,574,454.43

Source: GNPC

SECTION FOUR: PERFORMANCE OF THE GHANA PETROLEUM FUNDS IN 2016

4.1 Developments in the Global Fixed Income Market

70. In 2016, markets were largely marked by record low bond yields, low commodity prices, mediocre global growth and low productivity. Global markets took an abrupt turn upwards after the US elections. Bond yields rose significantly afterwards, supported by prospects of more expansionary fiscal stimulus by the incoming administration. Measures of inflation compensation also edged upwards. These developments have extended divergent monetary policy trajectories of the major monetary authorities further, contributing to the high levels of volatility in the fixed income markets.

71. In Europe, the European Central Bank (ECB) kept the key interest rates unchanged in the pursuit of its price stability objective. The rate on the deposit facility was maintained at -0.40 percent, the rate on the main refinancing operations was kept at 0.00 percent and the rate on the marginal lending facility was also held at 0.25 percent. On non-standard monetary policy measures, the ECB reduced the pace of the monthly purchases under the Asset Purchase Program (APP) from €80 billion to €60 billion per month from April to December 2017 or beyond, if necessary.
72. The ECB also broadened the public sector purchase program by reducing the minimum remaining maturity for eligible securities from two years to one year. It also permitted purchases of securities under the APP with a yield to maturity below the interest rate on the ECB's deposit facility. The ECB expects that this package will exploit the synergies between different instruments and further ease financing conditions in order to reinforce the momentum of the Euro Area's economic recovery and accelerate the return of inflation to levels below, but close to, 2 percent over the medium term.
73. In the fourth quarter of 2016, economic activity in the US continued to expand at a moderate pace. The labour market tightened further with the unemployment rate falling to 4.6 percent in November from 4.8 percent in October. However, business fixed investment remained soft and, inflation continued to run below the Federal Open Market Committee's (FOMC) 2 percent long run objective.
74. Based on its assessment of realised and expected progress towards its objectives of 2 percent inflation and maximum employment, the FOMC increased the Federal funds target range from 0.25-0.50 percent to 0.50-0.75 percent. The increase in the target range was deemed necessary given the substantial progress achieved towards the FOMC's objective of maximum employment and, in view of the pick-up in inflation, reinforcing the FOMC's view that inflation will rise to 2 percent in the medium term.

4.2 Withdrawal from the Ghana Stabilisation Fund

75. In 2016, there were no withdrawals from the GSF for either the shortfalls in the ABFA or excess over the cap.

4.3 Portfolio Performance of the Ghana Petroleum Funds

The total returns on the GHF for 2016 was 1.79 percent, compared to 0.25 percent in 2015. Quarterly returns were equally stronger in 2016. Quarters 1 and 2 of 2016 recorded performance of 2.96 percent and 1.91 percent, respectively, compared to 1.8 percent and -2.3 percent, respectively, for the same period in 2015. GHF portfolio performance dipped in the fourth quarter of 2016 following the US elections, as the expectations for more expansionary fiscal stimulus and infrastructure spending drove nominal bond yields significantly higher. Measures of inflation compensation, based on

Treasury Inflation Protection securities, also extended their upward trajectory on the back of the Organisation of the Petroleum Exporting Countries (OPEC) production cut.

76. The total return on the GSF for 2016 was 0.58 percent, compared to 0.33 percent in 2015. Portfolio returns were better on a quarterly basis in 2016 than 2015. Unlike the GHF, the GSF returns were consistent throughout the year as the portfolio is concentrated in the short-term sector of the yield curve and is largely insensitive to yield fluctuations, as shown in Table 14.

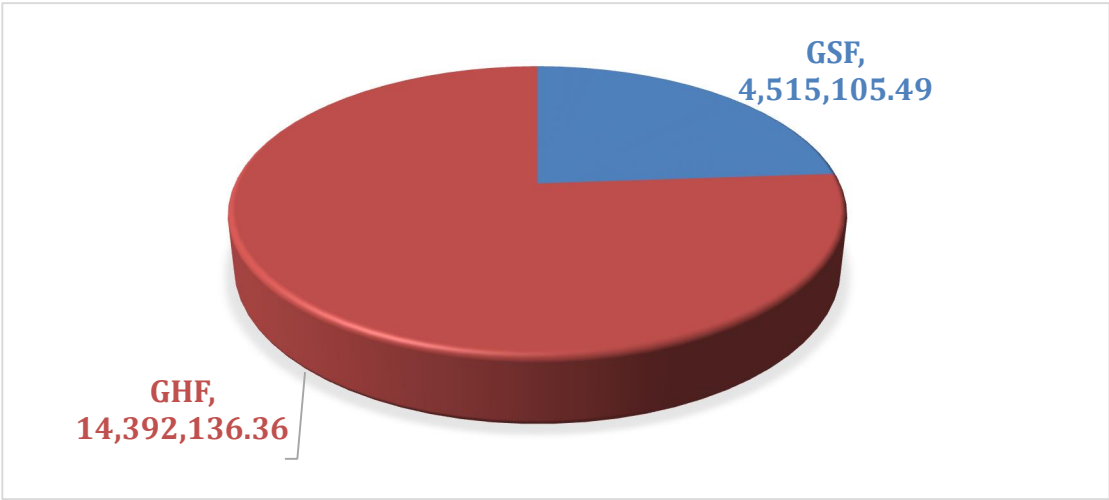
Table 14: Returns on the Ghana Petroleum Funds

Quarter End	Ghana Petroleum Funds			
	Current Returns		Total Return year to date	
	Stabilisation (%)	Heritage(%)	Stabilisation (%)	Heritage(%)
2014				
March	0.133	0.406	0.809	1.554
June	0.71	2.44	1.47	5.37
September	-0.04	0.32	1.43	5.7
December	0.18	1.92	1.61	7.73
2015				
March	0.32	1.8	0.32	1.8
June	0.02	-2.3	0.33	-0.64
September	0.04	1.74	0.38	1.18
December	-0.01	-0.97	0.33	0.25
2016				
March	0.18	2.96	0.18	2.96
June	0.15	1.91	0.33	4.93
September	0.13	0.27	0.46	5.21
December	0.12	-3.25	0.58	1.79

Source: Bank of Ghana

77. Since inception, the GPFs have returned a total of US\$18.91 on, as shown in Figure 4. Of this amount, the GHF has contributed US\$14.39 million and the GSF has contributed US\$4.52 million.

Figure 4: Composition of Total Returns on the GPFs, 2012-2016



Source: Bank of Ghana

78. The total return on the GPFs for January to December 2016 was US\$5.77 million, as shown in Table 15. Of this amount, the GHF contributed a total of US\$4.93 million, compared with US\$3.97 million for 2015, while the GSF returned US\$0.84 million, compared with US\$0.53 million in 2015.

Table 15: Returns on the Ghana Petroleum Funds, 2012- 2016

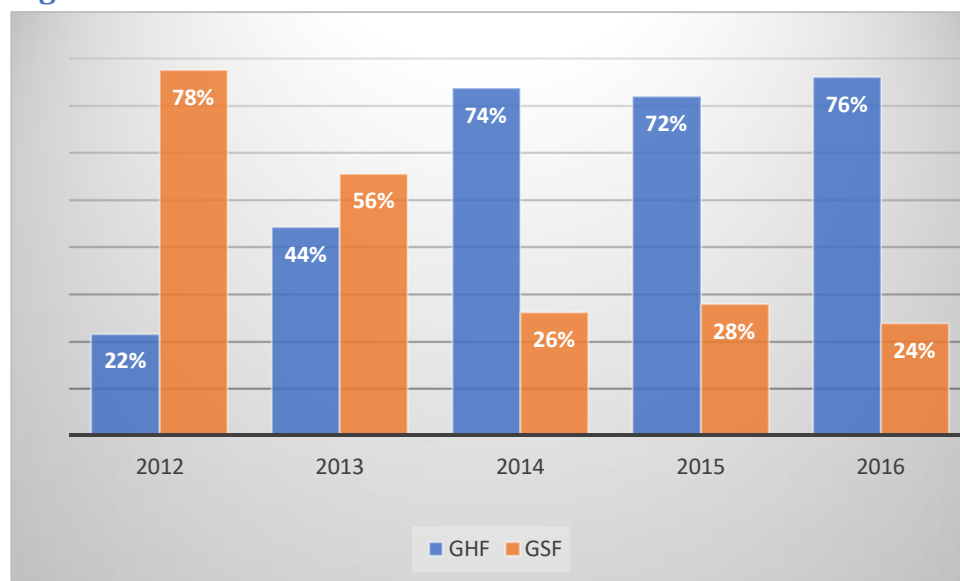
GHANA STABILISATION FUND					
	2012	2013	2014	2015	2016
	US\$	US\$	US\$	US\$	US\$
Opening Book Value	54,810,032	71,898,588	319,034,153	286,644,044	177,396,127
Receipts during the year	16,883,548	245,733,702	271,762,755	15,171,062	29,512,625
Income from Investments	214,049	1,413,341	1,549,380	538,215	845,150
Bank Charges	(9,041)	(11,477)	(17,556)	(6,397)	(5,238)
Sub Total	71,898,588	319,034,153	592,328,733	302,346,924	207,748,663
Less Transfer to:					
Contingency Fund	0	0	(17,433,144)	(23,755,073)	0
Debt Service / Sinking Fund	0	0	(288,251,545)	(47,510,146)	0
Annual Budget Funding Amount(ABFA)	0	0		(53,685,579)	0
Closing Book Value	71,898,588	319,034,153	286,644,044	177,396,127	207,748,663
Investment Income	214,049	1,413,341	1,549,380	538,215	845,150
less:					
Bank Charges	-	(11,477)	(17,556)	(6,397)	(5,238)
Net return for the Period	214,049	1,401,864	1,531,824	531,818	839,912
GHANA HERITAGE FUND					
	2012	2013	2014	2015	2016
	US\$	US\$	US\$	US\$	US\$
Opening book Value	14,401,216	21,694,221	128,125,943	248,915,220	259,383,473
Receipts during the year	7,235,806	105,314,444	116,469,752	6,501,884	12,648,268
Income from Investments	60,209	1,126,764	4,331,660	3,981,867	4,948,908
Bank Charges	(3,010)	(9,486)	(12,135)	(15,497)	(18,357)
Closing book Value	21,694,221	128,125,943	248,915,220	259,383,473	276,962,292
Investment Income	60,209	1,126,764	4,331,660	3,981,867	4,948,908
less					
Bank Charges	0	(9,486)	(12,135)	(15,497)	(18,357)
Net return for the Period	60,209	1,117,278	4,319,525	3,966,369	4,930,551
COMBINED FUNDS					
	2012	2013	2014	2015	2016
Opening book Value	69,211,248	93,592,809	447,160,096	535,559,264	436,779,600
Receipts during the year	24,119,354	351,048,146	388,232,507	21,672,946	42,160,892
Income from Investments	274,258	2,540,105	5,881,040	4,520,081	5,794,058
Bank Charges	(12,051)	(20,963)	(29,691)	(21,894)	(23,595)
Sub Total	93,592,809	447,160,096	841,243,953	561,730,397	484,710,955
Less Transfer to:					
Contingency Fund	0	0	(17,433,144)	0	0
Debt Service Account for Debt Repayment	0	0	(288,251,545)	0	0
Annual Budget Funding Amount(ABFA)	0	0	0	(53,685,579)	0
Closing Book Value	93,592,809	447,160,096	535,559,264	508,044,818	484,710,955
Investment Income	274,258	2,540,105	5,881,040	4,520,081	5,794,058
Less Bank Charges	(12,051)	(20,963)	(29,691)	(21,894)	(23,595)
Net return for the Period	262,207	2,519,142	5,851,350	4,498,187	5,770,463

Source: Bank of Ghana

79. In 2012, the GSF share of returns was 78 percent, while that of GHF was 22 percent. This trend reversed in 2014, with the GHF contributing 74 percent to the total return, while GSF contributed 26 percent, as shown in Figure 5. This trend has continued into 2016, where the GHF returned 76 percent and GSF, 24 percent. The reversal is due in part to higher interest rates (due to a longer investment horizon) in the investment universe of the GHF. Again, the PRMA allows for withdrawals from the GSF to support shortfalls in the ABFA and also allows the Minister responsible for Finance to set a cap on the GSF and withdraw the excess over the cap for contingency and debt repayment. Accordingly, an amount of US\$430.64 million has been withdrawn from the GSF for the above-mentioned

purposes since 2014. These withdrawals had an adverse impact on investment returns of the GSF.

Figure 5: GPFs Contribution to Annual Returns



Source: Bank of Ghana

4.4 Outlook for 2017

80. The global economy is expected to grow at a pace of 3.4 percent in 2017 having expanded at a rate of 3.1 percent in 2016. Global disinflationary pressures appear to be dampening somewhat, with firming commodity prices and broad manufacturing indicators in emerging and advanced economies in expansionary territory.

81. The Federal Open Market Committee (FOMC) has increased the forecasts for US economic growth due to prospects of more expansionary fiscal stimulus. These forecasts have driven nominal bond yields in advanced economies significantly higher and increased the pace of increases in the range of the Federal funds rate. The European Central Bank has reduced the size of monetary stimulus from €80 billion a month to €60 billion a month as upside inflationary pressures gradually build up.

82. However, there are considerable uncertainties to this outlook. The details of the timing, size and composition of any future fiscal and other economic policy initiatives in the US is currently unclear. Economic growth would be faster or slower than currently anticipated depending on the mix of tax, spending, regulatory and other policy changes. Consequently, growth forecasts may be revised downwards unexpectedly when market expectations on expansionary fiscal stimulus and policy mix are not met. These would lead to measures of inflation expectations edging down and nominal bond yields falling.

83. Additional appreciation of the foreign exchange value of the US dollar and financial vulnerabilities in some advanced and emerging market economies could impact negatively on global growth, resulting in bond yields falling.
84. The terms of Britain's exit from the European Union have not been concluded. Upcoming elections in Germany, Italy and other European Union countries have potential for adverse economic consequences resulting in investors moving their funds from high-risk assets to investment safe havens. This will cause safe haven bond yields to fall, which will impact positively on the portfolios of the GSF and GHF.

SECTION FIVE: AUDITED FINANCIAL STATEMENTS OF THE PETROLEUM FUNDS

85. Section 48 of the PRMA requires that the audited financial statements on the Petroleum Funds are attached to the Annual Report each year. In this regard, the relevant sections of the audited financial statements for 2014 and 2015 are shown in Appendix Tables 4A and 4B.

SECTION SIX: CHALLENGES AND THE WAY FORWARD

86. There are considerable opportunities and headwinds in the petroleum sector in 2017, not least, price and production related opportunities and headwinds. This section identifies a few challenges and upside potentials in 2017.

6.1 Challenges

87. **Price Volatility:** Oil prices began to trend upwards towards the end of 2016, after OPEC agreed a landmark global arrangement to limit production in a bid to reduce supply and boost prices. The International Energy Agency expects the balance between supply and demand to be restored by the middle of 2017, but warned of further volatility ahead. This shows clearly that we are not completely out of the low price regime and, this is not palatable for upstream petroleum operations.
88. **TEN Field:** As indicated in the 2015 Annual Report, the challenge with the TEN Field will persist until September 2017 when ITLOS rules on the dispute between Ghana and Cote d'Ivoire. Until that is done, the operator cannot ramp up crude oil production and gas output, which is expected to come on stream in the second half of 2017.

6.2 The Way Forward

89. Government has taken steps to firm up the necessary legal frameworks, with the view to further strengthening the overall management of the upstream petroleum sector. Parliament finally passed the Petroleum (Exploration and Production) Act 2016, (Act 919), to regulate petroleum exploration and production in Ghana, after years of debating the Bill. The Act, among other things, firms up Government's take from upstream

petroleum operations and seeks to make the process of petroleum contracting more certain and transparent to the Ghanaian public and private sector partners.

90. Furthermore, the PRMA Regulations have been finalized and sent to the Attorney-General's Department for drafting. Once this phase is completed, the Ministry will engage with Parliament to bring closure to the process of developing accompanying Regulations for the PRMA, after having amended the Act in July 2015. This is all in a bid to transparently forecast, collect, manage, spend and account for petroleum revenue.
91. Government is working with the Jubilee partners to find a permanent solution to the turret failure on FPSO Atta Mills. The FPSO will be shut down in the third quarter of 2017 to complete the turret remediation project. The shut down of the FPSO is not expected to exceed 12 weeks. Normal production is expected to resume in 2017/2018 when the turret remediation project is completed. This impact of the shut-down has been factored into Jubilee production forecasts for 2017.
92. Finally, the SGN Field is expected to produce its first oil in the second half of 2017. Government, together with its private sector partners, is working towards interconnecting the GNGC and WAGP pipelines to facilitate the transportation of excess gas in the west to the east. This is a critical step towards averting having stranded gas in the west though there could be demand for them in the east. The reverse flow pipeline is also one of the major milestones in the SGN contract.

SECTION SEVEN: CONCLUSION

93. The 2016 Annual Report on the Petroleum Funds is a PRMA Section 48 requirement, which reports on petroleum receipts and expenditure from January to December of the year. This is a departure from the two previous reports, which covered January to September, given that the Annual Budgets were laid in Parliament in November. The 2017 Budget was not laid in Parliament in November 2016 because 2016 was an election year. This explains why the 2016 Annual Report is being laid in Parliament in 2017.
94. The report covers petroleum production from the Jubilee and TEN Fields in 2016. There was no production at the Saltpond Field due to the on-going process for the decommissioning of the field. The low crude oil prices and output in 2016 led to low receipts, which fell short of the 2015 receipts.
95. Total petroleum receipts (i.e. proceeds from Jubilee liftings and other petroleum receipts), as at the end of the December 2016, was US\$247.18 million. This compares with the end December 2015 figure of US\$396.17 million.

96. Out of the total receipts, US\$88.50 million was allocated to GNPC as its share of Equity Financing Cost (US\$58.11 million) and Net Carried and Participating Interest (US\$27.55 million and gas receipts US\$2.84 million).
97. A total of US\$42.16 million was transferred into the GPFs in 2016. Out of the amount transferred, the GHF received US\$12.65 million (GH¢50.0 million), while the GSF received US\$29.51 million (GH¢116.67 million).
98. The total amount transferred in 2016 from petroleum liftings and related proceeds to the ABFA was US\$98.38 million. Of the ABFA allocation, the Ghana Infrastructure Investment Fund (GIIF) received a total of US\$17.22 million, which represents 25 percent of the capital component of the ABFA, in line with the GIIF Act.

APPENDICES

APPENDIX TABLE 1: JUBILEE AND CRUDE OIL PRODUCTION, 2016

MONTH	DAILY AVERAGE			DAILY AVERAGE		
	PRODUCTION	PRODUCTION	QTY PRODUCED	PRODUCTION	PRODUCTION	QTY PRODUCED
	(BBLs)	DAYS	(BBLs)	(BBLs)	DAYS	(BBLs)
	JUBILEE			TEN		
Jan-2016	100,413	31	3,112,793	0	0	0
Feb-2016	99,188	29	2,876,466	0	0	0
Mar-2016	42,636	31	1,321,719	0	0	0
Apr-2016	0	30	0	0	0	0
May-2016	52,620	29	1,525,973	0	0	0
Jun-2016	86,773	30	2,603,178	0	0	0
Jul-2016	76,734	31	2,378,761	0	0	0
Aug-2016	99,799	31	3,093,778	9,698	14	135,778
Sep-2016	97,314	30	2,919,429	31,668	30	950,036
Oct-2016	97,716	31	3,029,181	36,269	31	1,124,324
Nov-2016	56,994	30	1,709,832	48,455	30	1,453,648
Dec-2016	77,759	31	2,410,530	53,302	31	1,652,354
TOTAL	73,720		26,981,640	14,525		5,316,140

Source: GNPC

Note: 2016 was a leap year so production is divided by 366 days, rather than 365 days, in calculating the annual average daily production

APPENDIX TABLE 2: JUBILEE GAS DELIVERED TO THE GPP

MONTH	DAILY DELIVERED AVERAGE	DELIVERY DAYS	VOL. DELIVERED (MMSCF)	VOL. DELIVERED (MMBtu)
Jan-2016	78	31	2,411	2,555,914
Feb-2016	88	29	2,558	2,711,363
Mar-2016	52	31	1,603	1,699,328
Apr-2016	0	30	0	0
May-2016	40	31	1,231	1,305,008
Jun-2016	52	30	1,546	1,638,771
Jul-2016	67	31	2,068	2,192,504
Aug-2016	74	31	2,283	2,419,482
Sep-2016	56	30	1,674	1,774,207
Oct-2016	77	31	2,401	2,545,474
Nov-2016	52	30	1,558	1,651,925
Dec-2016	72	31	2,246	2,380,739
TOTAL			21,580	22,874,716

Source: GNPC

APPENDIX TABLE 3: DETAILS OF USE OF ABFA

PRIORITY AREA	GOODS & SERVICES	CAPEX	TOTAL
EXPENDITURE AND AMORTISATION OF LOANS FOR OIL AND GAS INFRASTRUCTURE	-	-	-
ROAD AND OTHER INFRASTRUCTURE	-	199,447,492.13	199,447,492.13
Roads and Highways	-	48,151,290.94	48,151,290.94
REHABILITATION OF OLD ADA AND LIGHT INDUSTRIAL AREA ROADS	-	8,473,781.07	8,473,781.07
PARTIAL RECONSTRUCTION OF TROM SOMANYA ODUMASE KPONG ROAD AS AN ADDENDUM TO UPGRADING OF GOLOKWATI WLI HOHOE ROAD	-	5,002,380.77	5,002,380.77
CONSTRUCTION OF TWIFO PRASO DUNKWA ROAD	-	3,388,341.50	3,388,341.50
UPGRADING OF HO ADIDOME ROAD	-	2,785,326.08	2,785,326.08
CONSTRUCTION OF ROADS AND OTHER INFRASTRUCTURAL AMENITIES FOR THE UNIVERSITY OF HEALTH AND ALLIED SCIENCES AT SOKODE LOKOE NEAR HO	-	2,264,932.85	2,264,932.85
BITUMEN SURFACING OF TADZEVU-DEVEGO-AGORVE JUNCTION FEEDER ROAD	-	10,710,586.31	10,710,586.31
EMERGENCY ASPHALTIC OVERLAY OF ARTERIAL AND COLLECTOR ROADS IN TEMA, NINGO PRAMPARAM, TESHIE NUNGUA AND LA AREAS	-	9,287,340.36	9,287,340.36
CONSTRUCTION OF EASTERN CORRIDOR ROADS	-	6,238,602.00	6,238,602.00
Energy Infrastructure	-	43,460,581.47	43,460,581.47
SUPPLY OF STEEL TUBULAR POLES UNDER THE NATIONAL ELECTRIFICATION SCHEME	-	14,714,782.43	14,714,782.43
SUPPLY OF WOODEN POLES AND STEEL BLOCKS FOR THE NATIONAL ELECTRIFICATION SCHEME	-	3,721,350.00	3,721,350.00
SUPPLY OF ELECTRICAL MATERIALS AND EQUIPMENTS UNDER THE NATIONAL ELECTRIFICATION SCHEME	-	7,858,713.44	7,858,713.44
SUPPLY OF LED STREETLIGHT UNDER THE NATIONAL ELECTRIFICATION SCHEME	-	2,981,535.00	2,981,535.00
SUPPLY OF POLE-TOP ACCESSORIES UNDER THE NATIONAL ELECTRIFICATION SCHEME	-	4,000,000.00	4,000,000.00
SUPPLY OF ELECTRICAL MATERIALS AND EQUIPMENT UNDER THE NATIONAL ELECTRIFICATION SCHEME	-	10,184,200.60	10,184,200.60
Water Infrastructure	-	23,475,717.92	23,475,717.92
CONSTRUCTION WORKS IN RESPECT ADJOA COASTAL PROTECTION WORKS	-	8,000,000.00	8,000,000.00
CONSTRUCTION WORKS IN RESPECT OF BLEKUSU COASTAL PROTECTION WORKS	-	8,000,000.00	8,000,000.00
CONSTRUCTION WORKS IN RESPECT OF THE ABOADZE COASTAL PROTECTION PROJECT	-	7,475,717.92	7,475,717.92
Transport Infrastructure	-	2,000,000.00	2,000,000.00
DEVELOPMENT OF TAKORADI-SECONDI VIA KOJOKROM SUBURBAN RAILWAY LINE INCLUDING RAILWAY STATIONS AND SUPPLY OF ROLLING STOCK TO FACILITATE RAIL TRANSPORT	-	2,000,000.00	2,000,000.00
CDB Master Facility - ICT	-	14,310,999.60	14,310,999.60
Transfers into the Ghana Investment and Infrastructure Fund (GIIF)	-	68,048,902.20	68,048,902.20

PRIORITY AREA	GOODS & SERVICES	CAPEX	TOTAL
AGRICULTURE MODERNISATION	6,524,754.00	21,146,526.88	27,671,280.88
Food and Agric Infrastructure	6,524,754.00	21,146,526.88	27,671,280.88
SUPPLY OF FERTILIZER UNDER GOVERNMENTS FERTILIZER SUBSIDY PROGRAM FOR 2015	6,524,754.00	-	6,524,754.00
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT UASI	-	2,185,430.79	2,185,430.79
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT ATIDZIVE AND AYITEYKOPE AND AKA-BASIN	-	2,782,099.02	2,782,099.02
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT ATIDZIVE AND AYITEYKOPE AND AKA-BASIN	-	2,338,108.86	2,338,108.86
DEVELOPMENT OF IRRIGATION INFRASTRUCTURE AT ADITRASE AND KORNORKLOE	-	13,840,888.21	13,840,888.21
CAPACITY BUILDING (INCLUDING OIL AND GAS)	83,037,283.91	-	83,037,283.91
Human Resource	83,037,283.91	-	83,037,283.91
SCHOLARSHIP CLAIMS FOR 2016	83,037,283.91	-	83,037,283.91
Public Interest and Accountability Committee (PIAC)	967,000.00	-	967,000.00
GRAND TOTAL	90,529,037.91	220,594,019.01	311,123,056.92

APPENDIX TABLE 4A: AUDITED REPORT FOR 2014

PETROLEUM FUNDS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 US\$	2013 US\$	2012 US\$
Investment income (note 9)	5,881,040	2,540,104	320,903
Less			
Bank charges (note 11)	<u>(29,691)</u>	<u>(20,963)</u>	<u>(12,051)</u>
Surplus	5,851,349	2,519,141	308,852
Balance brought forward	2,787,239	336,534	27,682
Withdrawal of net income (note 14)	(2,827,512)	-	-
Interest received attributable to 2011&2012 on petroleum holding fund	-	<u>(68,436)</u>	-
Income reserve	5,811,076	2,787,239	336,534

PETROLEUM FUNDS

STATEMENT OF AFFAIRS AS AT 31 DECEMBER 2014

	2014 US\$	2013 US\$	2012 US\$
Assets			
Investment (note 10)	213,650,752	338,386,340	68,931,206
Bank balances (note 12)	<u>322,982,385</u>	<u>109,069,863</u>	<u>25,084,185</u>
Total Assets	536,633,137	447,456,203	94,015,391
Financed by:			
Accumulated Fund Accounts (Note 13)	530,822,061	444,668,964	93,678,857
Income Reserve	<u>5,811,076</u>	<u>2,787,239</u>	<u>336,534</u>
Total Liabilities and Reserves	536,633,137	447,456,203	94,015,391

PETROLEUM FUNDS**PETROLEUM HOLDING FUND
STATEMENT OF RECEIPTS AND TRANSFERS
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 US\$	2013 US\$	2012 US\$
Opening balance	296,109	354,148	-
Total Funds Received (note 3)	978,795,521	846,509,050	541,977,885
Less:			
Carried & Participating Interest (note 5)	(136,550,464)	(154,001,592)	(106,319,296)
Transfer to GNPC Equity Finance (note 4)	(44,162,009)	(68,319,783)	(124,630,628)
Transfer to ABFA (note 6)	(409,072,776)	(273,197,568)	(286,554,460)
Transfer to Stabilisation Fund (note 7)	(271,762,755)	(245,733,702)	(16,883,547)
Transfer to Heritage Fund (note 8)	(116,469,752)	(105,314,444)	(7,235,806)
Closing balance	1,073,874	296,109	354,148

PETROLEUM FUNDS

GHANA HERITAGE FUND
STATEMENT OF DEPOSITS AND WITHDRAWALS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 US\$	2013 US\$	2012 US\$
Opening balance January 1, 2014	128,125,939	21,694,217	14,401,214
Receipts			
7th lifting			7,235,806
10th lifting		12,776,846	-
11th lifting		20,885,273	-
12th lifting		21,668,427	-
13th lifting		37,166,956	-
14th lifting		2,329,146	-
15th lifting		10,487,796	-
16 th lifting	22,815,727	-	-
17 th lifting	23,003,652	-	-
18 th lifting	6,130,747	-	-
19 th lifting	21,697,433	-	-
20 th lifting	27,252,973	-	-
22 nd lifting	15,569,220	-	-
	<u>244,595,691</u>	<u>127,008,661</u>	<u>21,637,020</u>
Interest Received (note 9)	4,331,660	1,126,764	60,208
Less Interest Expense (note 11)	<u>(12,135)</u>	<u>(9,486)</u>	<u>(3,011)</u>
Total	248,915,216	128,125,939	21,694,217

PETROLEUM FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Ghana Group Oil Lifting Proceeds

	2014 US\$	2013 US\$	2012 US\$
5th Lifting			111,157,790
6th Lifting			125,598,382
7th Lifting			89,863,837
8th Lifting			106,592,896
9th Lifting			107,858,417
10th Lifting		112,667,389	-
11th Lifting		108,207,353	-
12th Lifting		98,594,310	-
13th Lifting		103,296,345	-
14th Lifting		111,093,925	-
15th Lifting		94,720,759	-
16 th lifting	101,775,847	-	-
17 th lifting	103,223,300	-	-
18 th lifting	101,918,372	-	-
19 th lifting	103,522,460	-	-
20 th lifting	104,437,897	-	-
21 st lifting	97,589,268	-	-
22 nd lifting	79,523,959	-	-
	691,991,103	628,580,081	541,071,322
Other Income			
Surface Rental - Tullow	115,913	116,359	63,866
Surface Rental - Tap Oil	60,000	-	43,770
Surface Rental - Kosmos Energy	57,292	16,954	35,438
Surface Rental - Vanco	154,398	-	154,398
Surface Rental - Hess Ghana Exploration	287,805	82,190	150,750
Surface Rental - Eni Ghana Ep Ltd	254,691	324,219	118,888
Surface Rental - Sopcl	113,898	555	3,025
Surface Rental - Lukoil Overseas Ghana Ltd	154,399	76,142	-
Surface Rental - Ophir Ghana Ltd	-	60,000	-
Surface Rental - Oranto	73,208	-	-
Surface Rental - Cola Natural Resources Ghana Ltd	78,230	-	-
Surface Rental - Azonto Petroleum Limited	60,000	-	-
Surface Rental - AGM Petroluem	174,000	-	-
Surface Rental - AMNI Petroluem Dev Co. Ltd	13,974	-	-
Surface Rental - Africa Energy GH	177,960	-	-
Royalties - Omikron Energy Ltd	-	-	71,434
Royalties - Sopcl	-	154,055	104,193
Royalties - Lushann Int Gh Ltd	151,986	16,985	160,801
Corporate Tax - All Partners	-	40,210,099	-
Corporate Tax - Kosmos	85,187,040	55,004,842	-
Corporate Tax - Tullow Ghana	114,988,270	66,699,272	-
Corporate Tax - Anadarko	84,370,881	55,071,284	-
Interest earned on Petroleum Holding Fund	33,224	96,013	-
Price Differential - Unipet	297,249	-	-
Total Other Income	286,804,418	217,928,969	906,563
Total Receipts	978,795,521	846,509,050	541,977,885

PETROLEUM FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

4. Distributions

Equity Finance (GNPC)	2014 US\$	2013 US\$	2012 US\$
5th Lifting			32,083,911
6th Lifting			28,774,038
7th Lifting			27,603,476
8th Lifting			18,195,508
9 th Lifting			17,973,695
10th Lifting		16,371,879	-
11th Lifting		12,258,684	-
12th Lifting		14,957,392	-
13th Lifting		4,787,197	-
14th Lifting		5,126,315	-
15th Lifting		14,818,316	-
16 th lifting	9,463,193	-	-
17 th lifting	6,024,303	-	-
18 th lifting	4,632,855	-	-
19 th lifting	13,602,253	-	-
20 th lifting	2,662,075	-	-
22 nd lifting	7,777,330	-	-
	<u>44,162,009</u>	<u>68,319,783</u>	<u>124,630,628</u>

5. Carried & Participating Interest (GNPC)

	2014 US\$	2013 US\$	2012 US\$
5th Lifting			19,250,346
6th Lifting			24,742,341
7th Lifting			14,896,363
8th Lifting			23,488,124
9 th Lifting			23,942,122
10th Lifting		25,970,881	-
11th Lifting		26,228,801	-
12th Lifting		22,474,708	-
13th Lifting		27,899,952	-
14th Lifting		30,014,951	-
15th Lifting		21,412,299	-
16 th lifting	19,192,992	-	-
17 th lifting	20,538,020	-	-
18 th lifting	20,672,970	-	-
19 th lifting	18,329,396	-	-
20 th lifting	21,809,619	-	-
21 st lifting	21,125,681	-	-
22 nd lifting	14,881,786	-	-
	<u>136,550,464</u>	<u>154,001,592</u>	<u>106,319,296</u>

PETROLEUM FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Transfers to ABFA

	2014 US\$	2013 US\$	2012 US\$
5th Lifting			59,823,532
6th Lifting			72,082,003
7th Lifting			23,797,062
8th Lifting			64,909,263
9 th Lifting			65,942,600
10th Lifting		68,299,392	-
11th Lifting		-	-
12th Lifting		68,299,392	-
13th Lifting		-	-
14th Lifting		68,299,392	-
15th Lifting		68,299,392	-
16 th lifting	102,268,194	-	-
17 th lifting	-	-	-
18 th lifting	102,268,194	-	-
19 th lifting	-	-	-
20 th lifting	102,268,194	-	-
21 st lifting	76,467,893	-	-
22 nd lifting	25,800,301	-	-
	409,072,776	273,197,568	286,554,460

The 21st and 22nd distributions were done in the 4th quarter of 2014. ABFA received its full allocation of US\$102.268 million

7. Transfer to Ghana Stabilisation Fund

	2014 US\$	2013 US\$	2012 US\$
7th Lifting			16,883,547
10th Lifting		29,812,641	-
11th Lifting		48,732,304	-
12th Lifting		50,559,663	-
13th Lifting		86,722,898	-
14th Lifting		5,434,674	-
15th Lifting		24,471,522	-
16 th lifting	53,236,697	-	-
17 th lifting	53,675,188	-	-
18 th lifting	14,305,076	-	-
19 th lifting	50,627,343	-	-
20 th lifting	63,590,270	-	-
22 nd lifting	36,328,181	-	-
	271,762,755	245,733,702	16,883,547

PETROLEUM FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. Transfer to Ghana Heritage Fund

	2014 US\$	2013 US\$	2012 US\$
7th Lifting			7,235,806
10th Lifting		12,776,846	-
11th Lifting		20,885,273	-
12th Lifting		21,668,427	-
13th Lifting		37,166,956	-
14th Lifting		2,329,146	-
15th Lifting		10,487,796	-
16 th lifting	22,815,727	-	-
17 th lifting	23,003,652	-	-
18 th lifting	6,130,747	-	-
19 th lifting	21,697,433	-	-
20 th lifting	27,252,973	-	-
22 nd lifting	15,569,220	-	-
	<u>116,469,752</u>	<u>105,314,444</u>	<u>7,235,806</u>

9. Investment Income

	2014 US\$	2013 US\$	2012 US\$
Petroleum Holding Fund Income	-	-	46,647
Ghana Stab. Fund Invest. Income	1,549,380	1,413,340	214,048
Ghana Heritage Fund Invest. Income	4,331,660	1,126,764	60,208
Total Income	<u>5,881,040</u>	<u>2,540,104</u>	<u>320,903</u>

Investment income includes an amount of US\$ 792,934 which is attributable to investments made during the year ended 31 December 2013. Details are as follows:

Fund	Investment amount US\$	2013 accrued interest received in 2014
Ghana Stabilisation Fund	248.696 million	315,926
Ghana Heritage Fund	89.690 million	<u>477,008</u>
Total		792,934

PETROLEUM FUNDS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Investment income received during the year is classified in the following categories;

Investment Type	Ghana Stabilisation Fund	Ghana Heritage Fund	Total
	US\$	US\$	US\$
Bond	1,449,824	4,302,403	5,752,227
Overnight/Repo agreements	42,007	29,257	71,264
Treasury bills	<u>57,549</u>	<u>-</u>	<u>57,549</u>
Total	1,549,380	4,331,660	5,881,040

Interest income of US\$1,292,034 attributable to the total investment of US\$213,650,753 held as at 31 December 2014 had accrued as at the end of the period. The table on the next page shows the details.

APPENDIX TABLE 4B: AUDITED REPORT FOR 2015

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

INCOME AND EXPENDITURE ACCOUNT (All amounts are in US Dollars)

	Note	<u>Year ended 31 December</u>		
		2015	2014	2013
Investment income	9	4,520,081	5,881,040	2,540,104
Bank charges	10	<u>(21,894)</u>	<u>(29,691)</u>	<u>(20,963)</u>
Surplus income for the year		<u>4,498,187</u>	<u>5,851,349</u>	<u>2,519,141</u>
INCOME RESERVE				
Balance brought forward		5,811,076	2,787,239	336,534
Surplus income for the year		<u>4,498,187</u>	<u>5,851,349</u>	<u>2,519,141</u>
		10,309,263	8,638,588	2,855,675
Withdrawal of net income	13	-	(2,827,512)	-
Income attributable to 2011 and 2012 on petroleum holding fund		<u>-</u>	<u>-</u>	<u>(68,436)</u>
		<u>10,309,263</u>	<u>5,811,076</u>	<u>2,787,239</u>

The notes on pages 12 to 24 are an integral part of these financial statements.

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

STATEMENT OF AFFAIRS
(All amounts are in US Dollars)

ASSETS	Note	<u>At 31 December</u>		
		2015	2014	2013
Investment	11	235,166,794	213,650,752	338,386,340
Bank balances	12	<u>211,027,362</u>	<u>322,982,385</u>	<u>109,069,863</u>
Total Assets		<u>446,194,156</u>	<u>536,633,137</u>	<u>447,456,203</u>
FINANCED BY:				
Accumulated fund	13	435,884,893	530,822,061	444,668,964
Income reserve		<u>10,309,263</u>	<u>5,811,076</u>	<u>2,787,239</u>
Total accumulated fund and reserve		<u>446,194,156</u>	<u>536,633,137</u>	<u>447,456,203</u>

The notes on pages 12 to 24 are an integral part of these financial statements.

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

PETROLEUM HOLDING FUND
STATEMENT OF CASH RECEIPTS AND PAYMENTS
(All amounts are in US Dollars)

	Note	<u>Year ended 31 December</u>		
		2015	2014	2013
Opening balance		1,073,874	296,109	354,148
Total funds received	3	<u>396,167,723</u>	<u>978,795,521</u>	<u>846,509,050</u>
Total funds available		<u>397,241,597</u>	<u>979,091,630</u>	<u>846,863,198</u>
Distributions:				
Transfers to GNPC equity finance	4	(65,913,926)	(44,162,009)	(68,319,783)
Transfers to GNPC carried and participating interest	5	(60,944,797)	(136,550,463)	(154,001,592)
Transfers to Annual Budget Funding Amount (ABFA)	6	(239,295,371)	(409,072,776)	(273,197,568)
Transfers to Ghana Stabilisation Fund	7	(15,171,062)	(271,762,755)	(245,733,702)
Transfers to Ghana Heritage Fund	8	<u>(6,501,884)</u>	<u>(116,469,753)</u>	<u>(105,314,444)</u>
Total distributions		<u>(387,827,040)</u>	<u>(978,017,756)</u>	<u>(846,567,089)</u>
Undistributed receipts		<u>9,414,557</u>	<u>1,073,874</u>	<u>296,109</u>

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

GHANA STABILISATION FUND
STATEMENT OF DEPOSITS AND WITHDRAWALS
(All amounts are in US Dollars)

	Note	<u>Year ended 31 December</u>		
		2015	2014	2013
Opening balance		286,644,041	319,034,150	71,898,585
Total funds received from the Petroleum Holding Fund	7	<u>15,171,062</u>	<u>271,762,755</u>	<u>245,733,702</u>
		301,815,103	590,796,905	317,632,287
Interest received	9	538,215	1,549,380	1,413,340
Bank charges	10	<u>(6,397)</u>	<u>(17,556)</u>	<u>(11,477)</u>
		302,346,921	592,328,729	319,034,150
Total funds withdrawn	14	<u>(124,950,797)</u>	<u>(305,684,688)</u>	-
Accumulated fund		<u>177,396,124</u>	<u>286,644,041</u>	<u>319,034,150</u>

The notes on pages 12 to 24 are an integral part of these financial statements.

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

GHANA HERITAGE FUND
STATEMENT OF DEPOSITS AND WITHDRAWALS
(All amounts are in US Dollars)

	Note	Year ended 31 December		
		2015	2014	2013
Opening balance		248,915,217	128,125,939	21,694,217
Total funds received from the Petroleum Holding Fund	8	<u>6,501,884</u>	<u>116,469,753</u>	<u>105,314,444</u>
		255,417,101	244,595,692	127,008,661
Interest received	9	3,981,866	4,331,660	1,126,764
Bank charges	10	<u>(15,497)</u>	<u>(12,135)</u>	<u>(9,486)</u>
		259,383,470	248,915,217	128,125,939
Total funds withdrawn		<u>-</u>	<u>-</u>	<u>-</u>
Accumulated fund		<u>259,383,470</u>	<u>248,915,217</u>	<u>128,125,939</u>

The notes on pages 12 to 24 are an integral part of these financial statements.

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

NOTES (continued)
(All amounts are in US Dollars)

Total funds received

		Year ended 31 December		
		2015	2014	2013
Ghana Group Oil Lifting Proceeds		374,292,457	691,991,103	628,580,081
Corporate tax payments		20,410,832	284,546,191	216,985,497
Surface rental fees		465,920	1,775,768	676,419
Saltpond Offshore Producing Co. Royalties		-	151,986	171,040
Other receipts		<u>998,514</u>	<u>330,473</u>	<u>96,013</u>
Total funds received		<u>396,167,723</u>	<u>978,795,521</u>	<u>846,509,050</u>

Total funds received	<u>396,167,723</u>	<u>978,795,521</u>	<u>846,509,050</u>
(a) Ghana Group Oil Lifting Proceeds			
10th Lifting	-	-	112,667,389
11th Lifting	-	-	108,207,353
12th Lifting	-	-	98,594,310
13th Lifting	-	-	103,296,345
14th Lifting	-	-	111,093,925
15th Lifting	-	-	94,720,759
16th Lifting	-	101,775,847	-
17th Lifting	-	103,223,300	-
18th Lifting	-	101,918,372	-
19th Lifting	-	103,522,460	-
20th Lifting	-	104,437,897	-
21st Lifting	-	97,589,268	-
22nd Lifting	-	79,523,959	-
23rd Lifting	<u>56,096,476</u>	-	-
24th Lifting	<u>54,239,478</u>	-	-
25th Lifting	<u>49,937,126</u>	-	-
26th Lifting	<u>52,422,989</u>	-	-
27th Lifting	<u>61,395,996</u>	-	-
28th Lifting	<u>55,411,477</u>	-	-
29th Lifting	<u>44,788,915</u>	-	-
Total proceeds from oil lifting	<u>374,292,457</u>	<u>691,991,103</u>	<u>628,580,081</u>

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

NOTES (continued)
(All amounts are in US Dollars)

Total funds received (continued)

(b) Corporate tax payments	Year ended 31 December		
	2015	2014	2013
Kosmos Energy	<u>11,730,107</u>	85,187,040	55,004,842
Tullow Ghana Limited	-	114,988,270	66,699,272
Anadarko Petroleum	<u>8,680,725</u>	84,370,881	55,071,284
All Partners	-	-	<u>40,210,099</u>
Total corporate tax payments	<u>20,410,832</u>	<u>284,546,191</u>	<u>216,985,497</u>

(c) Surface rental fees

(c) Surface rental fees

Tullow Oil Ghana Limited	-	115,913	116,359
TapOil	-	60,000	-
Kosmos Energy	17,797	57,292	16,954
Vanco	-	154,398	-
Hess Ghana Exploration Ltd	150,750	287,805	82,190
ENI Ghana EP Ltd	22,600	254,691	324,219
Saltpond Offshore Producing Company Ltd	-	113,898	555
Lukoil Overseas Ghana Ltd	-	154,399	76,142
Ophir Ghana Ltd	-	-	60,000
Oranto	-	73,208	-
Cola Natural Resources Ghana Ltd	-	78,230	-
Azonto Petroleum Limited	-	60,000	-
AGM Petroleum	-	174,000	-
AMNI Petroleum Dev Co. Ltd.	13,974	13,974	-
Afren Energy GH	-	177,960	-
CAMAC Energy GH LTD	73,423	-	-
Medea Development International Ltd	78,250	-	-
Other Companies	109,126	-	-
Total Surface rental fees	465,920	1,775,768	676,419

(d) Royalties

Saltpond Offshore Producing Company Ltd	-	-	154,055
Lushann International Ghana Ltd	-	151,986	16,985
Total royalties	-	151,986	171,040

PETROLEUM FUNDS*Financial statements**for the year ended 31 December 2015***NOTES (continued)**

(All amounts are in US Dollars)

3. Total funds received (continued)**(e) Other receipts**

	Year ended 31 December		
	2015	2014	2013
Interest earned on Petroleum Holding Fund	25,312	33,224	96,013
Price Differential - UNIPEC	419,387	297,249	-
Gas Receipts	553,815	-	-
Total Other Receipts	998,514	330,473	96,013

4. Transfers to GNPC Equity Finance

10th Lifting	-	-	16,371,879
11th Lifting	-	-	12,258,684
12th Lifting	-	-	14,957,392
13th Lifting	-	-	4,787,197
14th Lifting	-	-	5,126,315
15th Lifting	-	-	14,818,316
16th Lifting	-	9,463,193	-
17th Lifting	-	6,024,303	-
18th Lifting	-	4,632,855	-
19th Lifting	-	13,602,253	-
20th Lifting	-	2,662,075	-
21st Lifting	-	-	-
22nd Lifting	-	7,777,330	-
23rd Lifting	3,314,780	-	-
24th Lifting	14,298,917	-	-
25th Lifting	7,530,551	-	-
26th Lifting	3,842,828	-	-
27th Lifting	9,979,994	-	-
28th Lifting	-	-	-
29th Lifting	<u>26,946,856</u>	-	-
Total transfers	<u>65,913,926</u>	<u>44,162,009</u>	<u>68,319,783</u>

NOTES (continued)
 (All amounts are in US Dollars)

5. Transfers to GNPC carried and participating interest

	Year ended 31 December		
	2015	2014	2013
10th Lifting	-	-	25,970,881
11th Lifting	-	-	26,228,801
12th Lifting	-	-	22,474,708
13th Lifting	-	-	27,899,952
14th Lifting	-	-	30,014,951
15th Lifting	-	-	21,412,299
16th Lifting	-	19,192,992	-
17th Lifting	-	20,538,020	-
18th Lifting	-	20,672,970	-
19th Lifting	-	18,329,396	-
20th Lifting	-	21,809,619	-
21st Lifting	-	21,125,681	-
22nd Lifting	-	14,881,785	-
23rd Lifting	11,149,053	-	-
24th Lifting	7,451,841	-	-
25th Lifting	8,550,997	-	-
26th Lifting	10,195,442	-	-
27th Lifting	10,296,727	-	-
28th Lifting	11,689,093	-	-
29th Lifting	<u>1,611,644</u>	-	-
Total transfers	<u>60,944,797</u>	<u>136,550,463</u>	<u>154,001,592</u>

NOTES (continued)
 (All amounts are in US Dollars)

6. Transfers to Annual Budget Funding Amount (ABFA)

	Year ended 31 December		
	2015	2014	2013
10th Lifting	-	-	68,299,392
11th Lifting	-	-	-
12th Lifting	-	-	68,299,392
13th Lifting	-	-	-
14th Lifting	-	-	68,299,392
15th Lifting	-	-	68,299,392
16th Lifting	-	102,268,194	-
17th Lifting	-	-	-
18th Lifting	-	102,268,194	-
19th Lifting	-	-	-
20th Lifting	-	102,268,194	-
21st Lifting	-	76,467,893	-
22nd Lifting	-	25,800,301	-
23rd Lifting	42,506,515	-	-
24th Lifting	32,510,176	-	-
25th Lifting	33,857,116	-	-
26th Lifting	38,389,227	-	-
27th Lifting	41,462,130	-	-
28th Lifting	38,740,158	-	-
29th Lifting	<u>11,830,049</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>239,295,371</u>	<u>409,072,776</u>	<u>273,197,568</u>

PETROLEUM FUNDS
Financial statements
for the year ended 31 December 2015

NOTES (continued)
 (All amounts are in US Dollars)

7. Transfers to Ghana Stabilisation Fund

	Year ended 31 December		
	2015	2014	2013
10th Lifting	-	-	29,812,641
11th Lifting	-	-	48,732,304
12th Lifting	-	-	50,559,663
13th Lifting	-	-	86,722,898
14th Lifting	-	-	5,434,674
15th Lifting	-	-	24,471,522
16th Lifting	-	53,236,697	-
17th Lifting	-	53,675,188	-
18th Lifting	-	14,305,076	-
19th Lifting	-	50,627,343	-
20th Lifting	-	63,590,270	-
22nd Lifting	-	36,328,181	-
28th Lifting	11,622,047	-	-
29th Lifting	3,549,015	-	-
Total	<u>15,171,062</u>	<u>271,762,755</u>	<u>245,733,702</u>

There were no distributions from the Petroleum Holding Fund into the Ghana Stabilisation Fund (GSF) for the 21st and 23rd to 27th liftings. Prior to the amendment of the Petroleum Revenue Management Act, 2011 (Act 815) on 31 July 2015, only the excess revenue over the allocation to the Annual Budget Funding amount was transferred to the Ghana Petroleum Funds per section 11(2) of the Act. At the point of these liftings, there were no excess revenues.

8. Transfers to Ghana Heritage Fund

	Year ended 31 December		
	2015	2014	2013
10th Lifting	-	-	12,776,846
11th Lifting	-	-	20,885,273
12th Lifting	-	-	21,668,427
13th Lifting	-	-	37,166,956
14th Lifting	-	-	2,329,146
15th Lifting	-	-	10,487,796
16th Lifting	-	22,815,727	-
17th Lifting	-	23,003,652	-
18th Lifting	-	6,130,747	-
19th Lifting	-	21,697,433	-
20th Lifting	-	27,252,973	-
22nd Lifting	-	15,569,221	-
28th Lifting	4,980,878	-	-
29th Lifting	1,521,006	-	-
Total	<u>6,501,884</u>	<u>116,469,753</u>	<u>105,314,444</u>

NOTES (continued)

(All amounts are in US Dollars)

Transfers to Ghana Heritage Fund (continued)

There were no distributions from the Petroleum Holding Fund into the Ghana Heritage Fund for the 21st and 23rd to 27th liftings. Prior to the amendment of the Petroleum Revenue Management Act, 2011 (Act 815) on 31 July 2015, only the excess revenue over the allocation to the Annual Budget Funding amount was transferred to the Ghana Petroleum Funds per section 11(2) of the Act. At the point of these liftings, there were no excess revenues.

Investment income

	Year ended 31 December		
	2015	2014	2013
Ghana Stabilisation Fund	538,215	1,549,380	1,413,340
Ghana Heritage Fund	<u>3,981,866</u>	<u>4,331,660</u>	<u>1,126,764</u>
Total	<u>4,520,081</u>	<u>5,881,040</u>	<u>2,540,104</u>

Investment income received during the year was derived from the following instruments:

Investment income received during the year was derived from the following instruments:

(a) Ghana Stabilisation Fund

	Year ended 31 December		
	2015	2014	2013
Bonds	345,259	1,449,824	1,296,235
Commercial Papers	-	-	70,958
Treasury Bills	1,487	57,549	27,101
Repurchase agreements/overnight income	<u>191,469</u>	<u>42,007</u>	<u>19,046</u>
Total	<u>538,215</u>	<u>1,549,380</u>	<u>1,413,340</u>

(b) Ghana Heritage Fund

Bonds	3,904,033	4,302,403	950,647
Commercial Papers	-	-	160,858
Treasury Bills	-	-	-
Repurchase agreements/overnight income	<u>77,833</u>	<u>29,257</u>	<u>15,259</u>
Total	<u>3,981,866</u>	<u>4,331,660</u>	<u>1,126,764</u>

NOTES (continued)
 (All amounts are in US Dollars)

Bank charges

	2015	2014	2013
Ghana Stabilisation Fund Euroclear Bank Charges	6,397	17,556	11,477
Ghana Heritage Fund Euroclear Bank Charges	<u>15,497</u>	<u>12,135</u>	<u>9,486</u>
Total	<u>21,894</u>	<u>29,691</u>	<u>20,963</u>

Investment

Ghana Stabilisation Fund	38,956,604	89,031,276	248,696,294
Ghana Heritage Fund	<u>196,210,190</u>	<u>124,619,476</u>	<u>89,690,046</u>
Total Investment	<u>235,166,794</u>	<u>213,650,752</u>	<u>338,386,340</u>

An analysis of the type of instruments invested in and the investment banks used are provided below:

(a) Type of investment instrument:

	Bonds	US Treasury Bill	Total
Ghana Stabilisation Fund	38,956,604	-	38,956,604
Ghana Heritage Fund	<u>196,210,190</u>	<u>-</u>	<u>196,210,190</u>
Total	<u>235,166,794</u>	<u>-</u>	<u>235,166,794</u>

(b) Investment bank used:

	Euroclear	Federal Reserve	Total
Ghana Stabilisation Fund	34,954,500	4,002,104	38,956,604
Ghana Heritage Fund	<u>116,539,199</u>	<u>79,670,991</u>	<u>196,210,190</u>
Total	<u>151,493,699</u>	<u>83,673,095</u>	<u>235,166,794</u>

APPENDIX TABLE 5: LIST OF PERSONS HOLDING POSITIONS AND QUALIFYING INSTRUMENTS

A. LIST OF PERSONS HOLDING POSITIONS REQUIRED FOR THE OPERATION AND PERFORMANCE OF THE GHANA STABILISATION AND GHANA HERITAGE FUNDS

Minister of Finance

Ken Ofori-Atta

Governor, Bank of Ghana

Dr. Abdul-Nashiru Issahaku

Members of the Investment Advisory Committee (IAC)

1. Steve Williams	Chairman
2. Yao A. Abalo	Member
3. Dr. Sam Mensah	Member
4. Nana Ama Botchway-Dowuona	Member
5. Shirley-Ann Awuletey-Williams	Member
6. Michael N. A. Cobblah	Member

B. LIST OF QUALIFYING INSTRUMENTS FOR THE GHANA PETROLEUM FUNDS

In compliance with Section 61 of the PRMA, the GPFs are invested in the following instruments:

1. Overnight and call deposits
2. Discount notes
3. Treasury bills
4. Short-term deposits
5. Investment grade bonds
6. Certificates of deposit
7. Commercial papers
8. Medium term notes