Press Statement

Clarifying ACEP's Position on Springfield's Afina-1x Appraisal Programme

Washington, DC, October 24, 2024

The Africa Centre for Energy Policy (ACEP), guided by its mandate to defend public interest and promote sound policy formulation in the energy and extractive sectors, has closely followed the developments in Ghana's petroleum upstream sector. Over the years, the country has experienced declining oil production and a downturn in exploration investment, both of which have raised concerns. ACEP has been vocal in its analysis, engaging the media to highlight research findings and advocate for better policy directions.

On the sidelines of the International Monetary Fund (IMF) and World Bank Annual Meetings, the media interviewed the Executive Director of ACEP, who elaborated on the challenges facing the oil and gas sector. In his assessment, the poor performance of the upstream petroleum sector has been a significant contributor to Ghana's current fiscal challenges. Several key points were highlighted:

1. **Over-reliance on optimistic oil production forecasts**: The Ministry of Finance's projections, which underpinned significant borrowings, were based on assumptions of high oil production and corresponding revenue increases. These were meant to support Ghana's financial commitments, including those to the financial markets and development banks.

2. **Failed policies impacting sector growth**: The anticipated growth in the oil industry never materialized due to ineffective policies. These failed policies have resulted in lower investment, making Ghana less attractive to investors in the oil and gas sector.

3. **Litigation over scientific problem-solving**: Instead of addressing technical issues in the sector using sound scientific approaches, the government has prioritized litigating investors. This has culminated in unfavourable outcomes, including the embarrassing arbitration result in July 2024, where Ghana was portrayed as unable to properly interpret its own laws.

4. **Specific governance challenges**: In expanding on the governance issues, the Executive Director discussed the ongoing dispute between Eni and Springfield over the Afina discovery and Sankofa. Specifically, he had concerns on data presented in the appraisal programme (**not an "appraisal report" as captured**

and later corrected by Norvan Report[1]) submitted by Springfield to the Petroleum Commission, which would be taken up officially by ACEP, not to discredit the private company, but in the defence of public interest.

The key issues raised about the Afina appraisal programme include:

1. **Data inconsistencies**: Springfield's appraisal programme presented data that significantly differed from the data used by the government to determine Tract Participation (TP) percentages in the unitization directive. This directive gave Springfield and its partners 54.545% and Eni and its partners 45.455%. Notably, Springfield's estimate of the Oil Water Contact (OWC) at 3958m was about 172m less than the 4130m used by the Ministry of Energy to estimate a Stock Tank Oil Initially In Place (STOIIP) volume of about 642 million barrels. If the OWC provided in Springfield's appraisal programme had been used from the outset, the Afina discovery would likely have been deemed to require further work to assess its commercial viability instead of the premature unitisation directive, which wasted the country's time for three years.

2. **Appraisal programme cost concerns**: The programme proposed re-entering the Afina well to assess reservoir productivity and potential pressure changes, at an estimated cost of $50 million. This raises concerns about value for money and the timing of the appraisal. Ideally, reservoir flow tests should have been conducted during the original drilling campaign when hydrocarbons were first encountered. Delaying the well test to now increases costs for Ghana National Petroleum Corporation (GNPC) and Explorco, which are partners in the Afina field. This points to regulatory failures under the oversight of the Petroleum Commission and the Ministry of Energy, which have resulted in unnecessary financial burdens for Ghana.

   It is also highly contestable to pass-off the well re-entry proposed by Springfield as an appraisal programme within the context of Act 919 which requires delineation of the extent of hydrocarbon accumulation and the determination of commerciality of the discovery, which per industry practice is the essence of appraisal.

3. **Unitization objectives**: The appraisal programme aims to establish connectivity between the Afina and Sankofa fields, as required for the unitization process. However, considering the recent arbitration ruling, ACEP believes that studies to confirm connectivity should have involved collaboration with the other party, Eni, to enhance the credibility of the process and avoid further disputes. A collaborative effort would have been more effective in addressing issues related

[1] See Correction: https://norvanreports.com/correction-springfield-exploration-unitisation-story/

to dynamic communication and commerciality, saving time and eliminating uncertainties.

ACEP's positions on these issues are not intended to harm Springfield but reflect its commitment to national interest, which has been undermined by recent governance failures. There is a growing perception that hidden interests are being prioritized over investment and development in Ghana's upstream sector. As the world shifts away from oil and gas through decarbonization, ensuring a fair and transparent oil and gas industry in Ghana is more important now than ever.

ACEP continues to advocate for policies that attract investment and restore confidence in Ghana's petroleum sector. The recent focus on misgovernance, political interference, and regulatory failures threatens to erode the long-term potential of the sector, leaving the country vulnerable in an era of stranded assets. Addressing these challenges requires the government to adopt sound, transparent, and investor-friendly policies that align with global trends in energy transition and decarbonization.

Signed.

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