



Address by Dr. Mohammed Amin Adam, Executive Director of the Africa Centre for Energy Policy (ACEP) at the lunch of the Citizens Agenda for Energy Sector Development Project in Ghana on 4th July 2016.

Introduction

Let me thank you for your continuous interest in the work of ACEP. We all have a country to build, to improve on the socio-economic conditions of our people, and to provide inclusive growth and development for our sustainable well-being.

Over the past 6 years since ACEP was founded, we have rightly taken our position in the policy space of our country as an evidence-based fearless leader in Ghana's petroleum and energy sector advocacy. We are also gradually taking our place as a pan-African think tank contributing to the policy discourse in other African countries and at continental and global levels. A casual review of the new rules for the implementation of Section 1504 of the United States Dodd Frank Law issued by the US Securities and Exchange Commission clearly demonstrates ACEP's growing influence on the global stage.

It is this record that we bring to our engagement with African citizens and governments.

Today, we are launching yet another initiative to fulfill our mandate of holding our governments accountable, informing and educating citizens of alternative policies for our petroleum and energy sector; and providing platform for civic participation in the policy making process.

The "Citizens Agenda for Energy Sector Development" which is also called the "Citizens Energy Manifesto" is our flagship elections project aimed at using democratic elections as an instrument for generating policy reforms, building political consensus of policies and holding elected officials accountable for their promises. We are therefore launching the first "Citizens Energy Manifesto" in Ghana for this year's general elections. The next one will be in Sierra Leone and Kenya in 2017, where we will work with partners to launch the project. It is our plan to make this a credible platform in Africa for ensuring issues-based elections on our continent.

The importance of the Petroleum and Energy Sector in Ghana's Elections

The petroleum and energy sector of our country has become so intertwined with our national life that the wishes of our people would be unfulfilled if we do not make energy an important issue in this year's elections.

There are important developments on the energy front, which the next government will be confronted with. In our view, irrespective of the party that wins the elections, the challenges will be the same. This therefore requires pragmatic and practical solutions to address our challenges. Political parties that seek the mandate of our people to govern must therefore demonstrate a proper understanding of the petroleum and energy sector and present workable proposals for the scrutiny and consideration of citizens as we prepare to make decisions on which party we cast our votes for.

1. The oil and gas sector

The next government will have increased revenues to manage if ongoing development projects are completed. TEN is expected on stream in the third quarter of this year 2016; Sankofa is expected to produce oil in 2017 and gas in 2018. These projects will increase production of crude oil to an estimated 250,000 barrels a day, which will double petroleum revenue to the government at current levels of crude oil price. These resources could change the development fortunes of our country if properly and efficiently invested. Ghanaians must therefore engage our political parties to scrutinize them on how best the revenues can be managed after a government is elected in November. Besides revenue there is potential for value addition through the development of the service industry, creation of jobs and other opportunities for skills.

Given the current level of inactivity on Ghana's exploration map, we are worried about the future of the oil industry. We are currently depleting reserves without replacing them at the same level, as oil companies hold inactive petroleum licenses. Ghanaians must be concerned about the policy proposals of our political parties for attracting upstream investments because future production of oil depends on discoveries made today.

Whilst we are gearing up to review the policy proposals of the political parties, important but urgent decisions must be made about the inactivity in the upstream sub-sector. For example:

- i. Should the government stop granting discretionary extensions to licensees that are not active?
- ii. Where extensions are granted, should they fall within the requirements of Petroleum Agreements including the exercise of appropriate relinquishment clauses?
- iii. Where there is no justifiable reason for non-activity on the part of licensees, should the government exercise its right to abrogate those licenses in order to prevent speculation?

For more than 2 years now, the Petroleum (Exploration and Production) Bill has been pending although we have seen recent efforts at facilitating its passing into an Act. The Bill contains some of the most progressive global best standards for the governance of oil and gas resources. These include; open and competitive bidding processes for granting oil and gas licenses and mandatory requirements for the disclosure of oil and gas contracts. Political parties must show their commitment to these governance practices as they seek our mandate to manage the resources. This ensures that corruption and rent seeking behavior are checked. There is also the issue on the type of the fiscal regime Ghana should adopt for granting oil and gas rights, and citizens should know the type of fiscal arrangements our political parties will promote.

Last week, Tullow Oil issued its operation statement in which it provided updates on the technical challenges of the FPSO Kwame Nkrumah and the solution it opted for addressing these challenges, which have already caused reduction in production and petroleum revenues.

Tullow Oil announced that it had opted for an on-site solution that could lead to a shutdown of the FPSO by about 2-3 months. This is in contrast to an off-site solution that could lead to a shutdown period of 6 months. In view of the implications of this development for the next government's management of the oil sector, we must evaluate the propriety of this very important corporate decision and to demand answers from our political parties on what factors would inform their approvals of this decision if any of them has our mandate to govern.

There is no doubt that the on-site solution opted for by Tullow Oil will have short-term minimal effects on production and revenue losses. However, given that jubilee still has substantial reserves to recover, hence the need to have a long-term solution, we need to be convinced that short-term economic consideration did not overweight technical consideration in the choice of solution to the FPSO problem.

We also call on all political parties to take a long term view in considering the approval of the option proposed by Tullow Oil or any other option, particularly, considering that the short-term need for gas could blight the advantages and benefits of a longer shutdown period with the off-site option.

Tullow Oil must also disclose all relevant information on both options particularly the cost associated with the off-site option as it did for the on-site option as well as the composition of the technical solution. This is how the current as well as the next government can effectively evaluate the permanency of the solution proffered by Tullow Oil.

The subject of institutional restructuring in the oil and gas sector particularly the Ghana National Petroleum Corporation will be an important issue in this year's elections. The GNPC recently has been in the news for a number of reasons – advancing money meant for its core exploration functions to the Ministry of Finance,

investment in non-core activity, and sponsoring the Ghana Black Stars to the last World Cup. Considering that the corporation is the national vehicle for positioning our country to harness the potential of our oil and gas wealth, it is important to know how our political parties intend to restructure it. For instance:

- i. Should GNPC be made to focus on its core functions or continue to invest in non-core activity?
- ii. Should GNPC's budget be subject to parliamentary approvals or approvals by its Board?
- iii. Should GNPC expand its operations beyond Ghana or focus on operations in Ghana?
- iv. Should the government transfer a certain amount of its shareholding in GNPC to allow for private sector participation?

These and many more questions we believe will dominate the issue-based debate we are promoting during this year's election campaigns as we evaluate the policy positions of the political parties.

2. The Power Sector

Power sector challenges have formed a major part of the policy discourse over the past few years. The two most important issues in this sector are - financing and technical/operational efficiency of our utilities.

On financing, we recognize that generation project development is very expensive especially those by VRA, which requires substantial uninterrupted resource flow from project inception to completion, but which as we know has proven to be a challenge in many ways. As a result of this challenge, our country must attract private investment into generation including renewable generation options.

Financing of fuel purchases is another. The Energy Commission estimates that the utilities will require about US\$1.18 billion to purchase fuel in 2016. This will increase to about US\$1.5 billion in 2017 if indigenous and imported gas supply does not improve. The questions we ask our political parties are:

- i. How do we ensure adequate financing of investment in generation and distribution, fuel purchases as well as the debts of the utilities?
- ii. Should we do this through increased tariffs, which are already very high?
- iii. What about the role of the energy sector levies imposed by government this year? Should they be ring-fenced to liquidate the debts of the utilities? Should they be abolished?

Citizens must question our political parties on how they will address the financing issues when they are given the mandate to govern, as that has become the most significant challenge of our power sector.

On improving technical and operational efficiency, the government has started a process for partial privatization of the Electricity Company of Ghana (ECG). The Labour Union has clearly expressed its strong opposition to the policy. Certainly, there are serious challenges in the management of power distribution in Ghana, which must be addressed if we are to build a stronger energy industry to match our country's industrialization drive. As we go to elections, important questions that require attention are:

- i. Do we want our government to reverse the ECG privatization process?
- ii. Do we want our government to review the program if the current model is unsatisfactory to us?
- iii. If we do not implement the program, what alternative options will our political parties adopt to make ECG financially viable, technically and operationally efficient and to become a credible off-taker as an instrument for improving VRA's finances and attracting private investments into generation?

ACEP has been at the forefront of demanding the development of an efficient, reliable and affordable power industry. Citizens have also expressed their frustrations in different ways due to the prolonged power load management. The 2016 elections provide all of us the opportunity to ask our politicians how they will fix the problem to deserve our votes.

The Objectives of the Project

Through the support of the NRGI, we are aware that the political parties have developed policy proposals for the oil and gas sector, and we believe these will form the basis of the manifestoes of the parties. We also know that the President recently expressed public commitment at the UK anticorruption Summit to introduce provisions for the disclosure of beneficial ownership information of companies registered in Ghana including oil and gas companies.

On the power sector, the challenges are now well known - generation deficit, fuel insecurity, distribution inefficiencies and unsustainable levels of inter-utility and external debts.

We are therefore happy to provide our nation-wide platform with support from the Ghana Oil and Gas for Inclusive Growth (GOGIG) funded by the UK government, for the public to scrutinize these policies and the manifestoes of the parties with a view to achieving three main objectives:

- i. Public understanding of the manifesto proposals in the petroleum and energy sector;
- ii. Public expression of what they consider their priorities in the petroleum and energy sector deserving the attention of our political parties: and
- iii. To inform the choice of the voters with the view to forming a social contract based on which the elected government will be held accountable after the November elections.

The platform

The project consists of two-level activity. The first involves citizens' forums in the Northern Region, Ashanti Region and Western Region to provide platform for citizens to indicate their priorities in the petroleum and energy sector. The forums target civil society activists, industry, students and the media.

The second activity is an expert panel on the manifesto proposals of the parties in the petroleum and energy sector in which seasoned experts will be assembled to publicly evaluate the feasibility of the manifesto proposals of our political parties. This will be televised and carried on some radio stations.

The views collated from these processes, which will become the "Citizens Agenda for Energy Sector Development in Ghana" or the "Citizens Energy Manifesto", will be presented to the political parties through the presidential candidates or their representatives. During the presentation of the Manifesto, political parties are expected to declare their commitments to the citizens' energy agenda. Therefore, with a social contract established through this process, Ghanaians have a basis to evaluate the performance of their government after the general elections and to hold it publicly accountable.

It is now my pleasure to declare ACEP's Citizens Agenda for Energy Sector Development officially launched.

Thanks

Signed

Dr. Mohammed Amin Adam
(Executive Director – ACEP)

