



**MINISTRY OF ENERGY**  
**REPUBLIC OF GHANA**

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**GOVERNMENT CONTINUES TO ACT IN THE BEST INTERESTS OF GHANA IN PETROLEUM AGREEMENTS.**

**Accra, February 24 2020:** The Ministry of Energy is surprised by the attempts of Mr. Alex Mould, former CEO of GNPC to misinform the people of Ghana on issues related to the Aker Energy and AGM Petroleum Agreements either directly or through surrogates via an article titled **"GOVERNMENT HAS BESTOWED ON ALL GHANAIS MASSIVE HISTORICAL DAMAGE TO OUR OIL AND GAS SECTOR"**.

We would wish to reiterate to Mr. Mould and all members of the general public that we operate an open door policy and would be very happy to address issues of concern to them. We are of the knowledge that it is better for individuals to have such interactions with us and be properly informed before publications which are mostly laced with untruths are made.

The amendments to the Petroleum Agreements of Aker Energy and AGM were to provide regulatory certainty and incentives to support the realization of Aker's Pecan Project and increase investment in the AGM block respectively. These incentives have already yielded positive results for the country as AGM recently announced crude oil discoveries following an accelerated drilling campaign.

Providing incentives to support a project of this magnitude, which is expected to:

1. Increase oil production
2. Provide job opportunities and
3. Add value to our economy

is not new. The NDC government provided incentives to the ENI Sankofa project including; a gas price of \$9.8 per mmBTU, prioritizing Sankofa gas over free jubilee gas, an exempt debt-equity of 2:1 on all commercial loans at 7% interest which was not allowed under the Petroleum Income Tax Law (PNDC Law 188); and upfront payments of free fiscal support of \$125 million to the Contractors by GNPC. These incentives were negotiated by officials of the then NDC government with Mr. Alex Mould bearing the ultimate responsibility as head of GNPC.

It is sad that as Ghana is currently suffering from the bad negotiations, the terms of which Alex Mould signed, he has found his voice to question the import of incentives provided to Aker Energy and AGM. Mr. Mould seems to have forgotten that the oil sector in Ghana over the last decade has seen its regulatory framework and fiscal terms tighten significantly while at the same time, activity has significantly slowed down. Under the previous administration, all the 13 Petroleum Agreements signed between 2013 and 2016 did not lead to any significant investment given that not a single well was drilled out of the 14 wells expected to

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be drilled was drilled under the Petroleum Agreements signed during those periods.

The provision of an investment enabling environment that has raised the level of petroleum activity, including 6 drilling campaigns over the last three years, is not only appropriate but also assures the sustainability of our oil industry.

The focus on Aker Energy is most unfortunate and intended to derail the progress made towards increasing oil production from the Pecan Field, as other companies have been supported with similar incentives through their Petroleum Agreements or regulatory amendments such as ExxonMobil, the Jubilee Field Partners and ENI.

Government assures Mr. Mould that we will not lose focus in our efforts to increase petroleum activity as we are reversing the trend of low activity bequeathed by the NDC to the current Government.

Mr. Mould claims that local content development will be collapsed with the PA Amendments. What he fails to recognize is that it is the Minister who decides whether a PoD will be approved or not, and part of the PoD is the local content plan. As a matter of fact, Aker has established a new company, Aker Ghana Investment Corporation (AGIC) to develop Ghanaian Tier 2 and Tier 3 suppliers. This is over and beyond the local content terms negotiated in the original Agreement.

The Ministry wishes to correct some other factual errors published by Mr. Mould to mislead the public.

a. Mr. Mould claims that the PA Amendments compels Gov't to accept FPSO as the development technology. This is factually wrong. It only stabilizes the framework for evaluating an FPSO, so Contractor can rest assured that any FPSOs being evaluated will be subject to the current evaluation criteria. Further, Mr. Mould should know that FPSO is the most realistic development option at these water depths

b. Mr. Mould claims that the PA Amendments allows Aker Energy to change a PoD one year after FID. He fails to mention that this is only allowed if costs are not increased.

c. That Aker and AGM will be exempted from import duty, VAT and all sorts of other taxes. This demonstrates a lack of appreciation of the fiscal stabilization provisions specified in the original Petroleum Agreement. The Petroleum Agreement specifies the type and number of taxes the Contractor shall be required to pay. In Article 12.1, the PA provides as follows: "No tax, duty, fee or other impost shall be imposed by the State or any political sub-division of the State on Contractor, its subcontractors or its affiliates in respect of activities related to petroleum operations and to the sale and export of petroleum other than those provided in this Article."

The taxes provided in the Article are: Corporate income tax, Additional Oil Entitlement (AOE), Surface Rentals, Fees and imposts of a minor nature and Withholding tax. The taxes Mr. Mould complained about such as Import VAT and NHIL became effective after the Petroleum Agreement was signed and are therefore inapplicable.

d. That the withholding tax rate of AGM is zero. That is factually wrong, it is 5.0% as stated

in the PA Amendment.

e. That the PA Amendments "Give Contractors unfettered discretion over oilfield procurement without recourse to the petroleum commission or any other governmental authority - also weakening the role of GNPC in Joint Management Committees". He forgets to take into consideration that Ghana will have oversight of operations through approving or disapproving the license budgets and work programs. Hence, Contractor is not given unfettered discretion. We want to refer him to the new regulations which came into force before the PA Amendments and which require the Petroleum Commission to approve work programs and budgets of Contractors.

Regulation 40A (2) states: "Where the Joint Management Committee grants an initial approval under sub-regulation (1), the Contractor shall submit the approved annual work program and budget to the Commission for a final approval ". It is curious therefore where Mr. Mould got his idea about "unfettered discretion".

It is important to state that in the amendments of the AGM Petroleum Agreement, we negotiated a higher net gain for Ghana. We reduced our commercial paid interest and the subsequent exposure of GNPC; but raised the free carried interest of the state. This resulted in a Benefit-Cost ratio of 19 in favour of Ghana against 11 in the original Agreement. The Ministry assures the people of Ghana that Government will continue to act responsibly in the interest of our country when dealing with foreign and domestic oil companies.

The Ministry wishes to advise Mr. Mould and others who conduct themselves in similar ways to contact the appropriate institutions where they lack information on any issue in the oil and gas sector. As former CEO of GNPC, he cannot rely on uninformed commentators for information on critical subjects like petroleum for the purpose of conducting analysis for public consumption. Our doors are always open.

SIGNED  
  
NANA DAMOAH  
HEAD, COMMUNICATIONS AND PUBLIC AFFAIRS