

WE MAY NOT BE SUPER MAJORS, BUT WE ARE NOT EMPTY BARRELS.

I read recently from two important persons, Professor Robert Ebo Hinson and Mr Gabby Otchere Darko, in response to civil society generally and Bright Simons specifically on our critique of GNPC and Aker Energy transaction. I'm excited about the debate they encourage and hope they will continue to engage frontally in public discussions on the transaction to help the Ghanaian people appreciate the diverse positions. This is, by far, a more civil entry to the mischaracterisation of civil society as **anti-Ghana and all-knowing**, which emerged through a snoop exercise on CSOs. We may not have the capacity and appetite to engage in a diversionary tactic of that nature. But one thing is sure; like the biblical Zacchaeus, our voices will be heard in the midst of deliberate distortions of CSOs position on the matter. That is all we have.

Reading the two articles, I note that Professor Hinson sings directly from the hymn sheet of GNPC and Aker to provide an academic endorsement. Mr Otchere Darko, on the other hand, seeks further education on the position of CSOs and why we pretend to know more than the government in a transaction he contends is yet to be concluded.

Contrary to the perception that CSOs claim to know more than governments, we are firm in our belief that government is capable of making the right decisions but has been unwilling to do so in many high-value transactions in the public's interest, and that raises questions about incentives. Regardless of our humility to accept that there is capacity within government to act right if it wants to, it has to be admitted that CSOs do not work from a blank position. We have access to a solid pool of expertise that sometimes may not be found in government. Mr Otchere Darko may not be aware, but on this particular Aker transaction, like many other transactions, we command technical backstopping from the crème of the oil industry globally, including Ghanaians, who have attained commanding heights, have designed and delivered complex projects and transactions in the oil and gas industry. It is that pool of expertise that aid CSOs to be right when government and technocrats are wrong!

For example, in the energy sector alone, CSOs analysis has been right about Ameri, PDS, excess power procurement, award of petroleum blocks to incapable companies, poor gas sector planning and the \$2 billion Bauxite barter deal. Most of our warnings have crystallised and continue to slurp billions of dollars from the national budget at the expense of lifting people out of poverty. The inability of CSOs to pin down the incentives, while nothing deterrent happens after the fact, is why we are energised to strike down where possible. The fact that governments are unwilling to debate high-value transactions with such impeccable consistency justifies any apprehension we have about incentives. Mr Otchere Darko is right about both sides of the Parliament approving such transactions across the timeline. We are happy to expand that debate if he wants in another forum.

Having worked on similar transactions for a decade, I have seen through the template. I can conclude that it is not a mere coincidence that every high-value transaction is rushed through Parliament and requires the suspension of Order 80(1), the standing order which requires that a committee's report is delayed for at least 48 hours to allow other MPs to take a closer look at a laid committee's report before it is approved. Therefore, when a memo dated the 30th of July (Friday) is submitted to parliaments, a committee meets on the Memo on Monday the 2nd of August and produce a report for approval on the 5th of August, CSOs cannot be less suspicious. Could it be that the processes in Parliament are so oiled, like a relay race; As soon as the Memo got to the desk of the speaker, the Committee Chairman was on hand to pick it up and summon all his members to act the next working day while many parliamentarians were completely unaware? How can anybody argue that CSOs are not engaging when most parliamentarians do not have the opportunity to participate in debates on such high-value transactions? This illustrates that the genuine spaces for engagement is preciously in short supply.

The CSOs who have been critical of the GNPC-Aker transaction are blunt in our position that the justifications provided by GNPC contain deliberate misrepresentations anchored on the guise of energy transition, stranded assets and operator capacity development to short-change the country.

GNPC presents this single transaction as the silver bullet on steroids for Ghana to effectively deal with energy transition uncertainties. But is Aker leaving because of the energy transition? **With all the theatrics around energy transition in the narrative to spend over a billion dollars, why have the deal's supporters fail to tell us why Aker is selling the assets.**

We struggle to filter the arguments made by proponents of the transaction on stranded assets. We will isolate the deeper issues on why companies are leaving Ghana in subsequent writeups. However, the posturing that if Aker is exiting, GNPC must acquire its stake at any cost, and the worse part, Aker must linger on as the operator extraordinaire to lead GNPC to the promised land of operatorship is just a camouflage.

So, CSOs have been trying to demystify the narrative and policy inconsistencies embedded in the transaction and to show that fundamentally;

1. **GNPC does not need Aker to become an operator.** In a series of writeups and public statements, we have shown that GNPC is just refusing to be an operator. The Corporation that holds three oil blocks as an operator has turned around to convince the executive and Parliament that it lacks capacity. Why is it holding on to the blocks if it is incapable of exploring them? To become an operator, you learn by doing from the basics. Drill a well, learn

from the service companies to be able to control future drilling operations. Ghana has been producing oil for almost eleven years. GNPC has been party to drilling campaigns by all the producing companies. Is GNPC saying that those workers it attaches to the oil companies are not engineers, or they did not learn anything from Eni and Tullow? Our position is that the Corporation should advance serious arguments than this apprenticeship expedition.

2. **GNPC has not behaved like a company that wants to be an operator in its past expenditures and choices.** For example, with about \$1 billion (excluding its expenses on cash calls) of Ghana's oil money disbursed to GNPC between 2011 and 2020, the Corporation did not drill a single well. Instead, the Corporation has signed on to a long-term importation of Gas, on a take-or-pay basis to suppress domestic gas production and now wants to convince the government that it requires budgetary support to become a commercial oil and gas operator. We are saying that the foremost responsibility of the state is to ensure proper diagnosis of the past before linking the national budget to the abysmal performance of the Corporation on expenditures.
3. **There are significant defects in the structure of the transaction which do not correlate with the claim that GNPC will learn to become an operator through the transaction.** If the transaction succeeds, Aker will become a minority party with 10% interest in the Pecan and AGM blocks, then manages to stay on as an operator through a joint operating company (JOC). Essentially, GNPC will keep Aker as its boss in this transaction after paying them off. CSOs are at a loss how the JOC will transmit capacity to Explorco since Explorco itself will be a passive participant through its 40 per cent stake in the JOC. A similar arrangement with Technip since 2014 is in clutches today by the same GNPC.
4. **GNPCs valuation of the Aker stake at \$2 billion is baseless.** It only supports the claims being made by Aker that it can simply multiply preproduction barrels by a given price and sell to the resource owner, even when it quotes the value of its assets at about \$214 million to the shareholders of the company. Oil in the ground belongs to the state and means nothing until it is extracted. Therefore, the science of assuring investors that oil can be produced at a projected rate is much more rigorous than what Aker and GNPC are pushing down the throat of Ghanaians.

So, let it be clear that CSOs' challenge with the transaction is not simply about valuation. If anybody wants to understand the position of CSOs, it is important to pay attention to the details while reading the statement issued by the Alliance of CSOs, other individual activists and experts who have spoken and written in support of the CSOs position. It is not enough to refer and draw conclusions on structured interviews where specific questions are answered.

Calm down! The price for the GNPC and Aker/AGM deal is yet to be negotiated – Gabby Otchere-Darko. Really? Thank God for that, and CSOs have every right to claim credit for this u-turn. Mr Otchere Darko knows the backend of the transaction far better than the average Ghanaian. But here is the fact, GNPC has consistently insisted that it does not need Parliament to get into a commercial transaction with any company. GNPC is on record to have gotten into several transactions without Parliamentary approval to negotiate.

Just last week, the Corporation issued a Press Statement to refute the finding of the Auditor General. The Corporation cited case law to affirm that it does not need parliamentary approval for international commercial transactions. What has changed that GNPC now feels obligated to go to Parliament for a green light to negotiate with the blessing of the Ministry of Energy and cabinet in this deal? Did Parliament give them go ahead to pay Lambert to do the valuation? How does GNPC start negotiations and determine that it must go for a blank cheque before it concludes the negotiation? CSOs are smart to pierce these inconsistencies. When GNPC claims it has certified expenditures of Aker to the tune of \$965million at the EMT meeting, which metamorphosed to \$1.22 billion in Parliament, we are convinced that GNPC was seeking to purchase the stake at \$1.3 billion until parliament revised the ceiling to \$1.1 billion, albeit without any technical justification.

If Mr Otchere Darko is assuring Ghana that they will reconsider the values, we are grateful. But let it be clear that CSOs know that the total cost relative to the 37 per cent stake in Pecan is not more than \$155 million and that of AGM is zilch if Aker is unable to appraise the Nyankom discovery. **The \$ 700 million valuation is nauseating. No investor will pay for that, and GNPC should not!** It is not for nothing that exploration risk resides with the investor. The architects of the petroleum industry knew better, so let no one shift the risk to the state.

The intervention by Professor Hinson raises significant intellectual curiosities that cannot be ignored, but hey, he's welcome to the party.

Is professor Hinson projecting that the future of oil is better than its past?

Oil price projections is a pretty subjective terrain, and nothing stops professor Hinson from projecting trends or relying on a set of projections that justifies his line of argument. The fact, though, is that the average oil price for the past three decades is about \$50. With energy transition in focus and used strongly to advocate for this particular transaction, any careful analysis cannot be oblivious of the implication of the energy transition on oil price even if the commodity remains important in the foreseeable future. It's therefore intriguing how the good Professor deliberately or inadvertently ignored any other projection in the \$50 range. For example, in a recent Shell's disposal of assets in Nigeria, the closest transaction to Ghana, Wood Mackenzie used \$50 as the long-term price. Even worse, the average of the price

benchmarks cited by professor Hinson is lower than the \$65 benchmarks used by GNPC and Lambert. So, what is the basis of prof's conviction in the price GNPC is using? We need to hear more from you, prof!

Why Is Professor Hinson supporting the narrative of GNPC that Aker inherited debt from Hess?

This inaccuracy has been sold to the Economic Management Team (EMT) of government and Parliament in a presentation made by GNPC. Subsequently, it appears to be the primary defence of the Ministry of Energy on why the capital allowance for the acquisition is \$1.22 billion. This position exhibits extreme ignorance of our tax laws. Section 62 - 68 details the prohibition of transfer of losses in acquisitions of this nature. For capital allowance, the recognised value in this transaction does not exceed the \$100 million purchase price (\$74 million for 37 per cent) from Hess and subsequent investment by Aker. I recommend the relevant section of the tax law to Professor Hinson as he prepares his next line of defence. Whiles at that, the emphatic point remains that the GNPC's claim of having audited the cost of Aker raises more questions, particularly when they seek to credit Aker with benefits abhorred by Ghana's laws.

Did professor Hinson, on his own, verify the claim of GNPC that an additional \$800 million has been spent by Aker since it acquired stakes in Hess' block?

Our sources with GRA and some partners of the pecans field reveal that Aker overstates the expenditure. This is also evident in the reports of Aker ASA, which Professor Hinson wants us to ignore. The claim of \$1.22 billion capital allowance for five wells drill and \$74 million pro rata cost of acquisition by Aker Energy is about 30 per cent more than the total predevelopment capital allowance for Jubilee- at about \$930 million. Further, it escalates the capital allowance for the pecan field to about \$2 billion. If this inflated cost is allowed, the national take will diminish significantly as the debt is repaid with oil revenues. If professor Hinson has not verified these numbers, it is strange why he believes GNPC and not CSOs who, based on available information believe that the pro rata cost for 37 per cent is about \$155 million for Pecan.

Is professor Hinson aware that one well discovery in the AGM BLOCK is valued at \$700m by Lambert to arrive at the totality of Aker's interest in Ghana at \$2.5 billion?

This is not just incredible; Lambert failed to justify this valuation for a field that has not been appraised at a meeting with CSOs. What they simply did was to plug into their analysis an uncertain number of recoverable barrels of oil to generate Devine providence of \$700 million. they don't even stop there. They further taut the potential of the block as if Aker is the owner of the resource and Ghana is a tenant. Aker has specific rules of engagement. If they cannot confirm resources in place, there are exit rules for them. Mr Otchere Darko says we have billions of barrels on

our shores. That presupposes that we do not need Aker to tell us what we know without doing the extra work, let alone sell our potential oil in place to GNPC. The Nyankom discovery is far from a proven, commercially viable project.

Does professor Hinson know that GNPC wrote off an investment of \$29m to incentivise Aker Energy in 2018 on the AGM block?

GNPC, in 2009, paid Aker \$29m as settlement fees for the investment made by Aker before their petroleum agreement was abrogated for the Same South Deep-Water Cape Three (SDW/CTP) area. GNPC subsequently leveraged the data it paid for to negotiate 24 per cent carried commercial interest in the AGM Block for two wells for Explorco. When Aker came back into Ghana in 2018, it sought to zero-rate the \$29 million investment by GNPC when a rig was on site to drill the two wells that Explorco would have been carried. Parliament hurriedly wrote off the \$29 million for Aker. How does that company turn around to sell the incentives it got to Ghana? Even if it is true that the Nyakom discovery holds 127 million barrels, the fact that there is no proven technology for the water depth, there is a significant probability that the field may not go into production until a more substantial discovery is made to justify the development of the field. If Aker was so sure about the potential of the block and its data, why did they hit a dry well?

Has Professor Hinson seen the detailed development concept that achieves the \$30/bbl breakeven price he touts?

The apparent position of CSOs is that it is not enough just to consume what Aker and GNPC are saying. The detail must be in the evidence. Aker presented a Plan of Development (PoD) for the Pecan field with a breakeven price of \$48/bbl for the contractor group with a long-term oil price of \$65/bbl. This was in 2019 when oil price averaged \$57/bbl. The government did not approve the PoD because of demands and a development model that violated the laws of Ghana. Aker was required to resubmit a revised PoD within 45 days (end the 15th of April 2019). Aker instead convinced the government to change Ghana's laws to allow them to follow the development model proposed. Yet, Aker has since not submitted the revised PoD.

The year to date average oil price is \$62. Aker claims it has engineered a development concept that brings the breakeven price down from \$48/bbl to \$30/bbl at a sustained long-term horizon of \$65/bbl. If Aker has improved the profitability of the project by that much, why are they selling it? Are they father Christmas, or they have seen a national oil company that gives them higher Net Present Value (NPV) devoid of risks?

The project NPV for the entire Pecan development was \$3.8 billion (\$1.4 billion for 37%) with an optimistic oil recovery of 31% at P50. For Professor Hinson to defend the breakeven price at \$30/bbl, he should have seen and believed the **proof of concept**, which optimises the breakeven by \$18/bbl. Otherwise, he is calling deception the truth. Aker currently has a vessel on-site at Pecan doing geotechnical and Geophysical studies to understand the

terrain further. How were they able to firm up the breakeven price to GNPC and Prof while the needed work is ongoing?

CSOs have been willing to engage. In fact, GNPC and Aker started engaging CSOs, together, before the transaction emerged in its current form. When they were asked to provide the specific details of the transaction, they did not show up again. Again, after the presentation by Lambert to CSOs, we requested for a meeting with GNPC for a technical conversation on issues Lambert had no answers to. That has not been granted. We cannot be enemies of government if our interest is development for the people. It is a simple ask of transparency and accountability, which is the foundation of good governance everywhere. Ghana is a signatory to all the transparency and accountability mechanisms in the world today, which require the active participation of CSOs in resource governance conversations. Sadly, the country picks and chooses which component of the value chain it wishes to be transparent on. Accountability continues to be the weakest link, safely cloaked in the heavily connected state accountability institutions.

This has been the battle for CSOs. The worse we can do for our country and the people is to throw in the towel on the back of mischaracterisations and fear. We operate in a political space, but we are not politicians. On this particular Aker transaction, much of the pressure comes from people (including MPs, Ministers, Technical people in GNPC, Senior citizens and) who understand what the threats of the transaction are to the country but would not speak up. I dare say that people should find the courage and speak for themselves. After all, both parties approve all the controversial transactions in this country. We have a collective duty to support, if not compel, every government to succeed, and that must remain the commitment.

God bless our homeland Ghana.

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