

The 2017 Abridged Report



THE GAS CONSORTIUM



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1.0 Key takeaways from the Ghana Gas Forum 2017

- 1.1** The 2017 annual Ghana Gas Forum (GGF 2017) event was held on November 7th & 8th at the Tang Palace Hotel and chaired by Mr. Kwame Pianim. The 2017 edition brought together over one hundred (100) of the leading industry stakeholders from government, private sector and civil society to deliberate on policy issues confronting Ghana's gas sector. GGF 2017 also made a strong case for strategic stakeholder and citizen engagement on energy sector initiatives. It thereby articulated the need for an avenue to promote and protect sector investments while minimizing government policy capture by private commercial interests which may undermine efforts to leverage the nation's hydrocarbon resources towards inclusive and transformational development.
- 1.2** The deliberations covered a wide range of policy issues and raised a series of recommendations that the Forum deemed worthwhile to be forwarded to Government for consideration. The policy recommendations cut across five (5) broad thematic areas:
- a) Effective Gas Sector Leadership,
 - b) Clarifying & Streamlining Roles and Responsibilities of Gas Sector Players,
 - c) Promoting Domestic Gas, Price Competitiveness and Attracting Gas Sector Investment,
 - d) Re-defining Liquefied Natural Gas (LNG) Strategy,
 - e) Promoting Citizens and Community Participation as well as Stakeholder Co-operation in the Industry.
- 1.3** The recommendations emanating from the GGF2017 theme "Gas for Development: Managing Ghana's Gas Resources" were collated from the panel and plenary discussions which followed speakers' presentations. GGF2017 Participants included globally established oil and gas experts as well as keen innovative practitioners at the helm of the industry in Ghana. The Forum thus brought together a wealth and depth of experience, thirst and zeal for innovation that made proceedings bubble with practical ideas. Submissions from participants evoked and reiterated a common realization that the country possesses a unique window of opportunity to utilize gas as a driver for broader economic transformation and as a platform for leveraging the government's new thrust at natural resource based industrialization.
- 1.4** GGF2017 recognized the important role that Ghana's key policy documents such as the Gas Master Plan (GMP) had played in outlining and clarifying the long-term plans and objectives for the development of Ghana's gas infrastructure. However, there was a general observation that such key and fundamental policy documents needed to be reviewed from time to time to align them with industry dynamics and trends in order to make national policies internationally competitive to attract investments as well as to achieve strategic national objectives such as skills development and effective local participation. Experience from other countries seems to suggest that to be effective, gas policies and initiatives should be premised on a clear and unambiguous philosophy. This should be reflected in deliberate policy choices anchored in a chosen development model calculated to yield long-term "net benefits" to both public and private sector actors as well as the general citizenry.

- 1.5** A key takeaway from Ghana Gas Forum 2017 is the need for policies to be developed in a structured policy environment that is devoid of, or largely insulated from, political interference and vested interests that tend to lead to short-termism in decision-making especially when policies are linked to the democratic electoral cycle. Effective policies for driving gas development as a tool for economic and social transformation need to be long-term in outlook to drive the successful establishment of domestic gas sector industries that promote wealth creation and build local expertise that is internationally competitive.
- 1.6** The broad parameters for long-term sustainability of the sector that emerged are that:
- Gas should be treated as a strategic commodity for leveraging national development objectives while investors are ensured a fair risk-adjusted return on their investments,
 - Government sector players should be encouraged to grow and maintain healthy balance sheets by consumers being made to face cost-reflective tariffs for gas and other energy products.
- 1.7** The broad recommendations and key take-aways that emerged from the GGF2017 are intended to offer Government some policy ingredients that will contribute towards guaranteeing the emergence of a national gas industry that is necessarily globally competitive while being sensitive to the unique dynamics of the global energy sector and the national long-term economic and social transformational objectives. This requires exemplary and focused leadership.



GGF 2017 Policy Recommendations

2.0 Effective Gas Sector Leadership

- 2.1** The key and major takeaway from the keynote speaker was that governments face two broad strategic gas policy options; The Venezuelan path of treating the resource as a commodity for sale and for funding public current consumption. Or the Trinidad & Tobago model where the gas resource is viewed as a platform for leveraging economic and social transformation of the nation, through gas-based industrialization. Given these options, the Government of Ghana needs to make a more clear choice in terms of its philosophical stance and approach to the use of its gas endowment. A clear choice will guide better long-term planning and deliberate policy choices insulated from the dynamics of short-term democratic electoral political cycles.
- 2.2** A key ingredient for the successful deployment of the Trinidad and Tobago model is the establishment of a high level decision-making institution to drive gas policy and implementation. In the T&T model, there is a Cabinet Standing Committee on Energy, chaired by the Prime Minister that includes the Ministers for Energy, Finance and Economic Planning as well as Chief Executives of public sector companies in the gas sector. This body is charged with the responsibility for final decisions and policies that drive initiatives in the gas sector. It is recommended that Ghana consider the establishment of such a high level decision-making body along these lines to be chaired by the President. In order to ensure a long-term outlook and minimize political short-termism, it is proposed that the Chair and the Ranking Member of the Parliamentary Select Committee on Mines and Energy be made members of the body so that the political parties are sensitized on the rationale for major energy policy directions. This may help start building decision-making consensus in the field of energy across the political divide.
- 2.3** The T&T model also benefited initially from identifying competent technocrats who were protected from the vicissitudes of the democratic political electoral cycle, and were granted relative free hand to implement policies set out by the Cabinet Standing Committee on Energy. The fact that Prime Minister Eric Williams was in power for several years enabled the long-term strategic approach and the practice of implementation by technocrats to be rooted and deepened for deploying gas as a tool for leveraging industrialization and economic and social transformation.
- 2.4** Among the key ingredients that were underlined by the Forum as critical for a nation in pursuit of gas-based industrialization is access to a pool of world-class skilled negotiators that are held accountable for contracts negotiated on behalf of the country. Contracts have costs that citizens bear when not negotiated well. Therefore those who are tasked with negotiating should understand that their actions have a burden on the citizenry, and that they would consequently be held responsible and accountable for their actions and inactions.

- 2.5** It is recommended that in order to have an investor-friendly business environment, Government should ensure that its gas sector is globally competitive. This is helped by policies that preserve contract sanctity as a pillar of business practice, ensuring that sector initiatives are insulated from changes in political regimes, and minimizing the chances of the country being assessed as a high-risk destination by international investors. It is important that a host nation's sovereign right over its tax policies should not be undermined by making corporate tax part of contracts. Contracts should aim at outlining negotiated minimum fair risk adjusted rate of return on investment while corporate tax deals with profits over and above such returns and is accepted as the prerogative of governments.

3.0 Clarifying and Streamlining Roles and Responsibilities of Gas Sector Players

- 3.1** The Forum recommended that roles and responsibilities of institutions dealing with regulatory and licensing aspects of the gas sector needed to be streamlined with some sense of urgency. For instance, Bulk Oil Storage and Transportation (BOST) is licensed as the Natural Gas Transmission Utility (NGTU), but has no corresponding assets for performing this function while Ghana National Gas Company (GNGC) which owns and operates the Natural Gas Transmission network, does not have the required NGTU licensing. It is therefore recommended that consideration be given to:

- a) BOST vacating its purported role as a gas transporter and licensee. The role be assigned to GNGC as a step in rationalizing and streamlining functions in order to harmonize responsibilities in the sector.
- b) Clarifying the seeming competing procurement roles being played by Ghana National Petroleum Corporation (GNPC) and GNGC that has been brought to the fore by the ongoing LNG negotiations. The issue needs to be reviewed and responsibilities appropriately assigned to the right public sector entity by Government (Minister for Energy).
- c) Strengthening GNGC financially and empowering it to become an integrated gas pipeline company with the capacity and full responsibility to transport, process and supply gas to distributors and end users while GNPC becomes the national gas aggregator.
- d) According GNGC the role of advisor to Government on the appropriate pricing and cross- subsidization regimes for purposes of promoting downstream industries that require gas as source of energy such as development of integrated iron and steel complex or the development of bauxite, and those such as fertilizer and petro-chemicals that require urea, methanol and natural gas as feedstock.
- e) Granting GNGC ownership rights to the nation's gas on behalf of the sovereign people of Ghana to help it build a strong balance sheet to position it as a credible off-taker to the international oil and gas companies engaged in exploiting the nation's gas resources.
- f) Giving a boost to the process of clarification and streamlining of the responsibilities in the Gas sector by enacting the Gas Act to provide a legal basis as well as a robust policy framework that delineates what is required of various stakeholders in order to achieve stated national objectives in a smooth and orderly manner.

4.0 Promoting the Development of Domestic Gas, Price Competitiveness and Attracting Gas Sector Investment

- 4.1** The Forum agreed that a major way of promoting the development and use of domestic gas was for Government to send strong signals and provide incentives to upstream investors, encouraging continuous gas exploration and development. There is a need to demonstrate government commitment to prioritize the development of domestic gas resources over imports and to look to regional sources of supply before contemplating imports in the form of LNG to balance shortfalls in domestic and regional supplies. To implement such a strategy, there is a need to develop and interconnect natural gas infrastructure in the region as well as restructure the power sector in order to protect and strengthen the balance sheet of the public sector agencies. Government should also institute cost reflective tariffs and ensure their timely payment to avoid future energy related legacy debts.
- 4.2** Among the recommendations proffered for enhancing the promotion and use of domestic gas as a preferred option were:
- a) Government to enhance the reliability of domestic gas supply by encouraging potential gas producers such as ENI/Vitol and Hess through the offer of incentives on price competitiveness to complete development of projects in order to increase gas available to the domestic market.
 - b) Government should rethink its current subsidy policies to ensure appropriate targeting of vulnerable groups, keeping in mind the need to protect the balance sheets of some of the key state actors in the energy sector.
 - c) Government should urgently find a sustainable solution to unfunded subsidy-induced debts in order to ensure those past schemes for repayment of such legacy debts such as the Tema Oil Refinery Debt Recovery Levy of the early 2000s and the current Energy Bonds, become things of the past. Government intervention is required to provide a permanent and sustainable solution to minimize the recurrence of these unfunded subsidy-induced energy related legacy debts.
 - d) Government should review the modalities by which the Ministries, Departments and other Agencies (MDAs) pay for their energy bills with the objective of establishing more effective mechanism for such payments so that throughout the energy value chain the financial viability and integrity of the various public sector energy institutions like ECG, NECO, VRA and GRIDCO are protected and strengthened. Improved balance sheets of these public sector institutions will ultimately encourage investments in gas production for domestic use as well.
 - e) In the establishment of tariff structures for electricity, for example, PURC should move away from punitive tariff escalation clauses that were justified when power supplies were scarce and there was a need to discourage citizens from excessive use. In an era of improved and adequate supplies, it is recommended that Government should do away with such tariff models.

- f) It is also recommended that Government review the price discrimination in favour of industrial use of energy. It is widely understood that a large group of Ghanaian workers would rather have electricity in their offices than in their homes. With the government's new thrust at industrialization, the time has come to review and reverse the estimated 50 - 60% of total demand for electricity being directed to domestic consumption.
- g) The Forum supports the Government intention to review the PURC tariff structure especially targeted at delivering competitive gas prices. The tariff build-up margins such as the regulatory fee and commodity charge should be reconsidered. Ensuring gas price competitiveness will not only send positive signals to investors along the gas value chain, but also benefit the mining and other productive sectors that are heavily reliant on power generated with gas as fuel.

5.0 Re-defining Liquefied Natural Gas (LNG) strategy

5.1 The Forum deliberated on current Government LNG strategy and decided that effective use of domestic gas be supplemented if necessary with regional gas supplies be taken into consideration. It is suggested that Government should re-assess the opportunities provided by the latest developments in Nigeria's gas sector that apparently has the potential of significantly increasing the volumes of gas available through the West African Gas Pipeline (WAGP). This review should be done as part of Government's strategy of using LNG as a stabilizing factor for gas supply shortfalls in Ghana.

5.2 In order to ensure a robust and structured gas development strategy, it is recommended that GNGC be repositioned as government's prime advisor and agency in the future development of the gas sector. Its mandate should include structuring liquefied natural gas (LNG) strategy that is based on robust investment appraisal process led by technocrats and premised on domestic market analyses and global industry trends.

6.0 Promoting Citizens and Community Participation as well as Stakeholder Co-operation in the Gas Industry

- 6.1** The consensus among the participants was that Government continue supporting platforms such as Ghana Gas Forum as a means of improving channels of communication between Government and international oil companies, investors, contractors, consultants, political parties, communities and citizens. Such platforms foster co-operation, frank exchange of information and tend to promote transparent decision-making in the sector and ensure that misunderstanding of public policy is minimized. Regular contacts and public dialogue over critical gas sector issues may also help to allay the usual suspicions that tend to arise over contracts when there is change in governments.
- 6.2** In order to encourage community buy-in, it is recommended that Government and regulatory agencies consider incorporating strong corporate social responsibility obligations into contracts entered into with investors. This is to ensure that communities buy into CSR initiatives and benefit from sector investments.
- 6.3** In order to encourage local participation and skills training, it is recommended that Government continues support for technical certification of skilled technicians to help them attain globally acceptable standards. This will help facilitate the participation of local skilled technicians in gas sector related activities. At the higher spectrum of transfer of engineering skills, it is recommended that expatriate professionals be granted longer contracts to enable them train and transfer knowledge and skills to locals. The longer visa periods will also ensure family stability for professionals who will be encouraged to relocate with their families to the benefit of the host nation's economy. The Petroleum Commission's visa regime and work permit approvals in respect of OICs' experts should therefore be reviewed accordingly.

7.0 Conclusion

- 7.1** In order to see the Trinidad and Tobago model in operation, it is recommended that the Minister of Energy consider arranging a working visit by His Excellency the President and some key Ministers and Energy sector CEOs for a "look-see" visit to T&T.
- 7.2** If such a visit is deemed worthwhile, The Gas Consortium stands ready to facilitate and coordinate such an arrangement with its industry contacts in Trinidad and Tobago.

8.0 Participants List

First Name	Last Name	Company Name
Abdul	Noor Wahab	VRA
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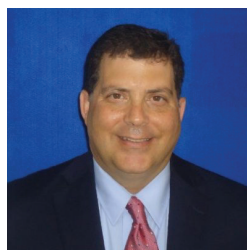
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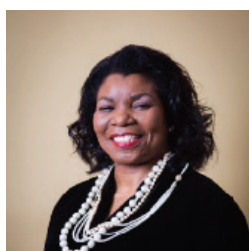
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Notes

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