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Ambitious targets set for Ghana's energy sector in 2020 and beyond

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Ghana's recent competitive bidding round for offshore oil blocks garnered considerable foreign interest. Applications from global players, such Italy's Eni, helped to boost investor confidence in the domestic oil and gas industry. However, an increasing foreign presence runs counter to a competing ambition: Ghana has long worked to boost local participation across the petroleum value chain, first introducing a local content policy for the sector in 2010. A target of 90% Ghanaian content and participation in the oil and gas industry was established for 2020, and in 2011 the government enshrined this ambition into law through the Petroleum Local Content and Local Participation Regulations Law No. 2204. The rules gave first preference to indigenous companies to participate in upstream petroleum activities and required that all petroleum agreements include local company equity of at least 5%.

Compliance

Compliance with the regulatory framework has been inconsistent, and modest progress has been made towards the broader local content targets. In some cases, local companies have essentially fronted for foreign players, and as such have not benefitted from the opportunities envisioned by the new regulations. In 2019 Benjamin Nii Kpani Addy, deputy CEO of the Sekondi-Takoradi Chamber of Commerce and Industry, told local press that the country was not yet close to its local content target. This results from a number of factors. Ghana's energy sector – particularly its upstream segment – is relatively new, which means there is a shortage of domestic capability. The funding requirements of large energy projects, such as offshore exploration and drilling, require companies with deep pockets or access to large tranches of finance. For smaller firms attempting to break into the less capital-intensive areas of the industry, a number of bureaucratic hurdles have acted as a disincentive. For example, start-ups are required by law to obtain a tax clearance certificate before they bid for contracts in the sector. The Ghana Revenue Authority assesses their profit potential and calculates an amount payable before the certificate is issued. This means that small Ghanaian companies attempting to compete in the market are compelled to pay tax on profits that have yet to be booked – a significant barrier to entry.

Local Advances

The recent discovery made by locally owned Springfield Exploration and Production (E&P) was an important advance for the domestic industry. In late 2019 Springfield E&P and its partners, the Ghana National Petroleum Corporation (GNPC) and GNPC EXPLORCO, became the first independent Ghanaian and African energy company to drill in deepwater and find hydrocarbons, following significant exploration and research. In April 2017 it commissioned the Ramform Titan, the world's largest seismic vessel, to acquire data on the block, the results of which paved the way for successful drilling. Springfield E&P is the operator and majority interest holder (84%) in West Cape Three Points Block 2, where discovered oil reserves stand at 1.5bn barrels. The company estimates that the undiscovered potential of the block is over 3bn barrels of oil and gas, held within proven reservoir units.

Looking forward, Ghana's undeveloped onshore potential may be the arena for yet more domestic success. GNPC has earmarked two blocks in the Voltaian Basin in which it will undertake exploration activities in collaboration with an international oil firm. The intention is to use the process to acquire the requisite expertise to establish itself as a major upstream operator. The company has

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already begun processing survey data for the area. The ongoing analysis follows a six-year succession of environmental assessments, community relations management and geochemical sampling of sub-surface gas. International players will also be involved in the development of untapped onshore resources, with four blocks likely to be put to a bidding process. However, from the perspective of local content, GNPC's proactive stance in this latest phase of hydrocarbons development is a welcome one.



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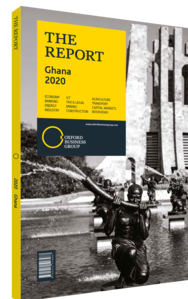
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