

BANK OF GHANA

**PETROLEUM HOLDING FUND & GHANA PETROLEUM FUNDS**

**SEMI ANNUAL REPORT: Jan 2 – Jun 28, 2019**



Jubilee Oil Field

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ABBREVIATIONS:

ABFA:	Annual Budget Funding Amount
APP:	Asset Purchase Program
BOE:	Bank of England
CAP:	Carried and Participating Interest
CPI:	Consumer Price Index
ECB:	European Central Bank
EFC:	Equity Finance Cost
FOMC:	Federal Open Market Committee
GHAPET:	Ghana Petroleum Holding Fund Account at Federal Reserve Bank of New York
GHF:	Ghana Heritage Fund
GNGC:	Ghana National Gas Company
GPFs:	Ghana Petroleum Funds
GSF:	Ghana Stabilisation Fund
GNPC:	Ghana National Petroleum Corporation
MPC:	Monetary Policy Committee
NAHB:	National Association of Home Builders
PCE:	Personal Consumption Expenditure
PHF:	Petroleum Holding Fund
PRMA:	Petroleum Revenue Management Act, Act 815 and Act 893 as amended
SGN:	Sankofa Gye-Nyame Field
YTD:	Year To Date

## 1. INTRODUCTION

The Petroleum Holding Fund (PHF) and the Ghana Petroleum Funds (GPFs) were established by the Petroleum Revenue Management Act, 2011 (Act 815) (PRMA) and Act 893 as amended. In accordance with the PRMA Section 28(a) and (b), the Bank of Ghana is required to report on the performance and activities of the PHF, and GPFs for the first half of 2019 (H1) ended June 28, 2019.

## 2. CRUDE OIL LIFTING & ALLOCATION

### a. Crude Oil Lifting

During H1 2019, the Ghana Group (GNPC lifting on behalf of Government of Ghana) lifted three (3) parcels of crude oil (10<sup>th</sup>, 11<sup>th</sup> & 12<sup>th</sup> liftings) from the Tweneboa, Enyenra and Ntomme (TEN) field, Jubilee field (47<sup>th</sup>, 48<sup>th</sup> & 49<sup>th</sup> liftings) and one from Sankofa Gye Nyame field (2<sup>nd</sup> lifting). The lifting proceeds received into the PHF in H1 was US\$311.22 million compared to receipts of US\$423.93 million in H2, 2018. The H1 lifting receipts comprised US\$117.37 million for TEN (10<sup>th</sup> & 11<sup>th</sup> liftings) compared to 123.88 million for H2 2018, US\$123.85 million from Jubilee (47<sup>th</sup> & 48<sup>th</sup> liftings) compared to US\$200.30 million for H2 2018, and US\$70.00 million from Sankofa Gye Nyame (2<sup>nd</sup> lifting). The H1 2019 lifting receipts are shown in Table 1 below. The lower lifting receipts is predominantly a result of lower crude oil prices.

NARRATION	TEN		JUBILEE (JUB)			SGN	JUB, TEN SGN	
	10th Lifting	11th Lifting	TOTAL (TEN)	47th Lifting	48th Lifting	TOTAL (JUB)	2nd Lifting**	TOTAL
Lifting Date	18-Jan-19	2-Apr-19		25-Jan-19	25-Mar-19		3-May-19	
Receipt Date	18-Feb-19	3-May-19		24-Feb-19	24-Apr-19		3-Jun-19	
Bill of Lading Quantity (bbls)	994,389	995,076	1,989,465	948,122	994,251	1,942,373	996,223	4,928,061
Selling Price (US\$)	54.51	63.48		60.12	67.23		70.27	
<b>TOTAL LIFTING PROCEEDS(US\$)</b>	<b>54,201,161.22</b>	<b>63,169,414.63</b>	<b>117,370,576</b>	<b>57,002,042.76</b>	<b>66,846,477.48</b>	<b>123,848,520</b>	<b>70,002,597.76</b>	<b>311,221,693.86</b>

\*\* Lifting Proceeds received in H1 2019 yet to be distributed

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## **b. Other Income**

During the period under review, a total amount of US\$123.26 million was received from various entities for the payment of surface rental, corporation income tax, and interest accrued on the PHF account. The amounts received in respect of other income comprise of US\$1.138 million from interest on undistributed funds held in the PHF, US\$0.595 million for surface rental and US\$121.53 million for corporation income tax. Table 2 below shows details of other income received.

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**TABLE 2: SURFACE RENTALS, ROYALTIES & OTHER RECEIPTS RECEIVED IN H1 2019**

DATE	BLOCK	DESCRIPTION	PAYEE	RECEIPTS ( US\$ )
Jan- Jun 2019		interest	PHF income	660,963.75
Jan- Jun 2019		interest	PHF income	476,706.51 *
			<b>Subtotal</b>	<b>1,137,670.26</b>
<b>SURFACE RENTAL</b>				
11- Feb- 19		Surface Rental	UB group	37,799.92
13- Feb- 19	Cape Three points Block 4	Surface Rental	ENI Ghana EP LTD	22,600.00
13- Feb- 19	Cape Three points Block 4	Surface Rental	ENI Ghana EP LTD	29,796.03
25- Feb- 19		Surface Rental	Aker	150,750.00
27- Feb- 19	South Deep Water Tano	Surface Rental	Agm Petroleum	174,100.00
21- Mar- 19		Surface Rental	Tullow	53,093.43
21- Mar- 19		Surface Rental	Tullow	24,631.80
2- May- 19		Surface Rental	Exxon Mobil Exp	55,245.00
6- May- 19		Surface Rental	PetroGulf Ltd	47,230.00 *
			<b>Subtotal</b>	<b>595,246.18</b>
<b>CORPORATE TAX</b>				
4- Jan- 19		Corporate Tax	Tullow	75,000,000.00
4- Apr- 19		Interest on late Payment	Tullow	219,041.81 *
29- Jan- 19		Corporate Tax	Anadarko	19,105,858.00
30- Jan- 19		Corporate Tax	Kosmos	8,936,450.00
30- Jan- 19		Corporate Tax	Petro S.A Ghana	3,040,716.00
29- Mar- 19		Corporate Tax	Petro S.A Ghana	1,302,645.00
26- Apr- 19		Corporate Tax	Anadarko	9,870,269.00
29- Apr- 19		Corporate Tax	Petro S.A Ghana	140,196.60
30- Apr- 19		Corporate Tax	Kosmos	3,912,013.00
			<b>Subtotal</b>	<b>121,527,189.41</b>
		<b>GRAND TOTAL</b>		<b>123,260,105.85</b>

\*Distribution will be done in H2 2019

### c. Allocation

The total amount received and distributed from the PHF during the period was US\$ 363.74 million. This comprised of lifting proceeds from the Jubilee 47<sup>th</sup> and 48<sup>th</sup> liftings totalling US\$123.85 million, proceeds of the 10<sup>th</sup> and 11<sup>th</sup> liftings from TEN totalling US\$117.37 million and other income amounting to US\$122.52 million. A total amount of US\$0.74 million although received in H1 2019 will be distributed in H2 2019.

Table 3 below shows a comparative analysis of the allocations for H1 2019 versus H2 2018. GNPC received an amount of US\$98.29 million for CAPI and EFC in H1 2019 compared to US\$162.45 million in H2 2018. Total amount received by ABFA for H1 was US\$165.66 million. ABFA target of US\$236.52 million was not met for the first half of 2019. The Ghana Stabilisation Fund and the Ghana Heritage Fund received US\$69.85 million and US\$29.94 million respectively in H1 2019 compared to US\$154.88 million and US\$66.38 million respectively received in H2 2018.

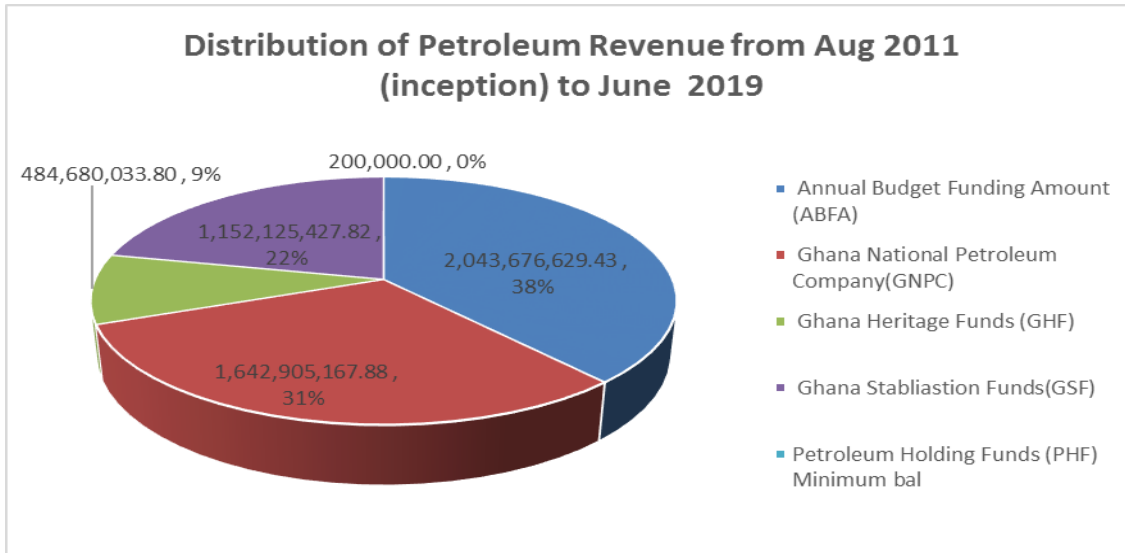
**TABLE 3: PETROLEUM HALF YEARLY ALLOCATION FOR 2019 H1 & 2018 H2**

ALLOCATION					
H1 (2019)	GNPC	ABFA	STAB	HERT	TOTAL
	US\$	US\$	US\$	US\$	US\$
<b>MAR</b>	<b>20,536,602.43</b>	<b>47,402,044.17</b>	<b>14,220,613.25</b>	<b>6,094,548.54</b>	<b>88,253,808.39</b>
<b>APR</b>	23,271,303.77	74,504,617.98	22,351,385.39	9,579,165.17	129,706,472.31
<b>MAY</b>	54,479,962.28	43,757,318.49	33,277,063.51	14,261,598.65	145,775,942.93
<b>TOTAL</b>	<b>98,287,868.48</b>	<b>165,663,980.64</b>	<b>69,849,062.15</b>	<b>29,935,312.36</b>	<b>363,736,223.63</b>
H2 (2018)					
<b>AUG</b>	<b>34,847,481.96</b>	<b>26,922,178.72</b>	<b>8,076,653.62</b>	<b>3,461,422.98</b>	73,307,737.28
<b>SEPT</b>	45,759,499.39	31,853,650.33	67,736,621.71	29,029,980.74	174,379,752.17
<b>NOV</b>	29,220,743.65	54,769,186.54	16,430,755.96	7,041,752.55	107,462,438.70
<b>DEC</b>	52,623,666.50	4,006,642.51	62,638,053.84	26,844,880.22	146,113,243.07
<b>TOTAL</b>	<b>162,451,391.50</b>	<b>117,551,658.10</b>	<b>154,882,085.13</b>	<b>66,378,036.49</b>	<b>501,263,171.22</b>

Figure 1 below shows the allocation of funds since April 2011 to June 28 2019. ABFA has received a total of US\$2,043.68 million representing 38% of the total revenue while GNPC has received a total amount of US\$1,642.91 million equivalent to 31% of total revenue. GSF and GHF have each received an amount of US\$1,152.13 million (22%) and US\$484.68 million (9%) respectively.

Total lifting proceeds and other income distributed to ABFA, GNPC, GSF and GHF from inception to the end of June 2019 amounted to US\$5,323.59 million.

**Figure 1: ALLOCATION OF GHANA GROUP PROCEEDS FROM INCEPTION**



### 3. WITHDRAWAL FROM GHANA STABILISATION FUND

In line with Section 23(4) of the PRMA, Act 815 and Section 9 of Act 893 as amended, the GSF was capped at US\$300 million per the Budget Statement and Economic Policy for the 2019 financial year. The excess over the cap as at June 28 2019 stood at US\$155,534,395.21. There was no withdrawal to shore up the ABFA shortfall for Q1, 2019.

### 4. GLOBAL ECONOMIC HIGHLIGHTS

In H1 2019, economic activity in the US rose at a moderate pace. The outlook was roughly balanced but with some highlighted downside risks resulting from financial markets and less upbeat business contracts. The labour market remains strong, job gains have been strong on average and unemployment rate at 3.6% remains close to its lowest level in 50 years. Although household spending growth picked up, business fixed investment has been soft and inflation continued to run below the FOMC's 2% objective. Indicators of longer term inflation expectations were little changed on balance. Continuing decline in residential investment albeit at a slower pace and the effect of escalations in trade tensions was of significant concern to the FOMC members. The June FOMC minutes highlighted the strength of the labour market, the rebound of personal consumption, softening in business fixed investment and muted inflation pressures underpinned by uncertainties surrounding the global growth outlook. Following their assessment of economic developments and outlook, the FOMC judged that it was appropriate to keep its policy rate, unchanged at 2.25-2.5%, while it closely monitors the implications of incoming economic data and will act as appropriate to sustain the expansion.



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In the course of Q1 2019 the CPI (yoy) index declined 2.49% from 1.95% in December 2018 to 1.90% in March 2019. It declined further by 11.49% to end Q2 2019 at 1.6%. The Core PCE (yoy) Index, the FOMC's preferred measure of inflation and a more useful predictor of future inflation decreased by 24.88% from 1.97% in December 2018 to 1.48% in March 2019. As of end June 2019, the Core PCE read 1.6%. The risks to the projection for inflation were balanced.

The strength of the labour market towards the FOMC's objective of maximum employment improved. The unemployment rate increased from 3.8% in December 2018 to 3.9% in May 2019 and declined to 3.6% in June 2019 as labour market conditions improved. The labour force participation rate remained flat at 60.6% from Q4 2018 up until the end of Q2 2019. Change in Non-farm payrolls has averaged around 172,000 per month in the first half of 2019. It fell by 32.60% from 227,000 in Q4 2018 to 153,000 in Q1 2019 and thereafter rose by 46.41% to 224,000 in Q2 2019. The rate of change in average hourly earnings (yoy) was unchanged at 3.4% between December 2018 and June 2019. The risks to the unemployment rate were balanced.

In the first half of 2019, activity in the housing sector was mixed. Housing starts rose 4.99% from 1.14 million in H2 2018 to 1.20 million in Q1 2019 and 1.25 million at the end of Q2 2019. Building permits issuance for single-family homes - a good indicator of underlying trend in construction fell 2.99% from 1.34 million in H2 2018 to 1.23 million homes at the end of Q2 2019. New home sales (mom %) also rose 22.87% from 0.56 million at the end of H2 2018 to 0.69 million in Q1 2019 subsequently falling to 0.65 million at the end of H2 2019. The NAHB Housing Market Index however increased from 56.0 in H2 2018 to 64.0 in H1 2019.

The US international trade deficit narrowed 9.53% from US\$60.81 billion in December 2018 to US\$55.52 billion in May 2019.

In Europe, the ECB kept the key interest rates unchanged in the pursuit of its price stability objective and maintained the expectation of rates to remain at their present levels at least through the first half of 2020. Continued weak incoming data suggests that near-term growth outlook will be weaker than previously anticipated. The ECB stressed the need to maintain the rates for as long as necessary to ensure sustained convergence of inflation to levels below but close to 2% over the medium term. The rate on the deposit facility was maintained at -0.40%; the rate on the main refinancing operations was kept at 0.00% and the rate on the marginal lending facility was also held at 0.25%. On non-standard monetary policy measures, in line with earlier communication, the ECB ended its net asset purchases in December 2018 and reiterated its forward guidance on reinvestment by reinvesting all principal payment from maturing securities for an extended period well past the first rate hike. To help preserve

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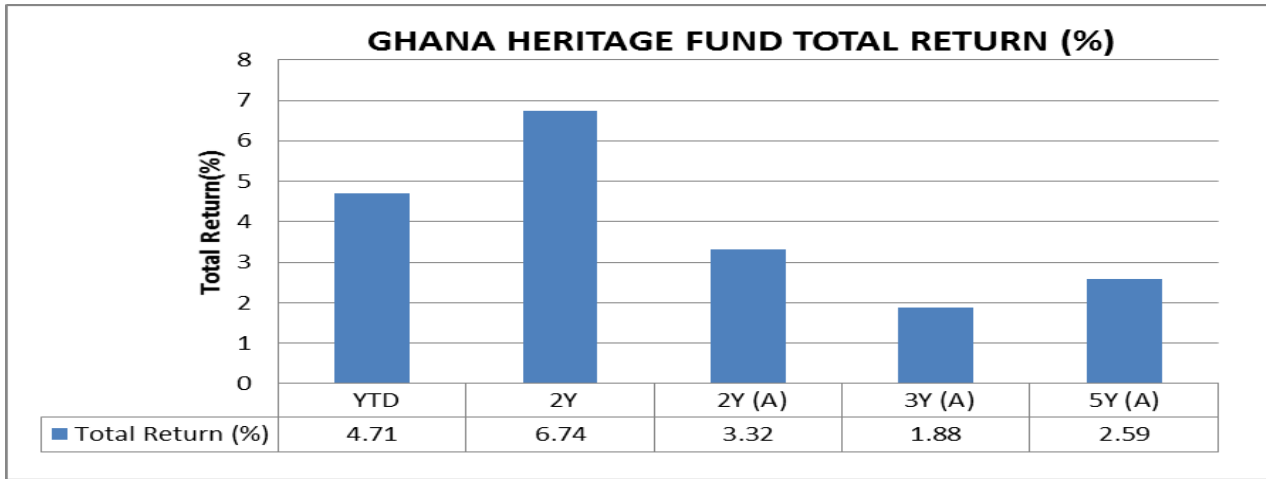
favourable bank lending conditions and the smooth transmission of monetary policy, the ECB launched a new series of quarterly targeted longer-term refinancing operations each with a two-year maturity.

The Monetary Policy Committee (MPC) of the Bank of England (BoE) maintained the Bank Rate at 0.75% in the course of H1 2019. The MPC voted unanimously to maintain the stock of sterling non-financial investment grade corporate bond purchases financed by the issuance of central bank reserves at £10 billion, and also to keep the stock of UK government bond purchases financed by the issuance of central bank reserves at £435 billion.

## 5. PERFORMANCE OF THE GHANA PETROLEUM FUNDS

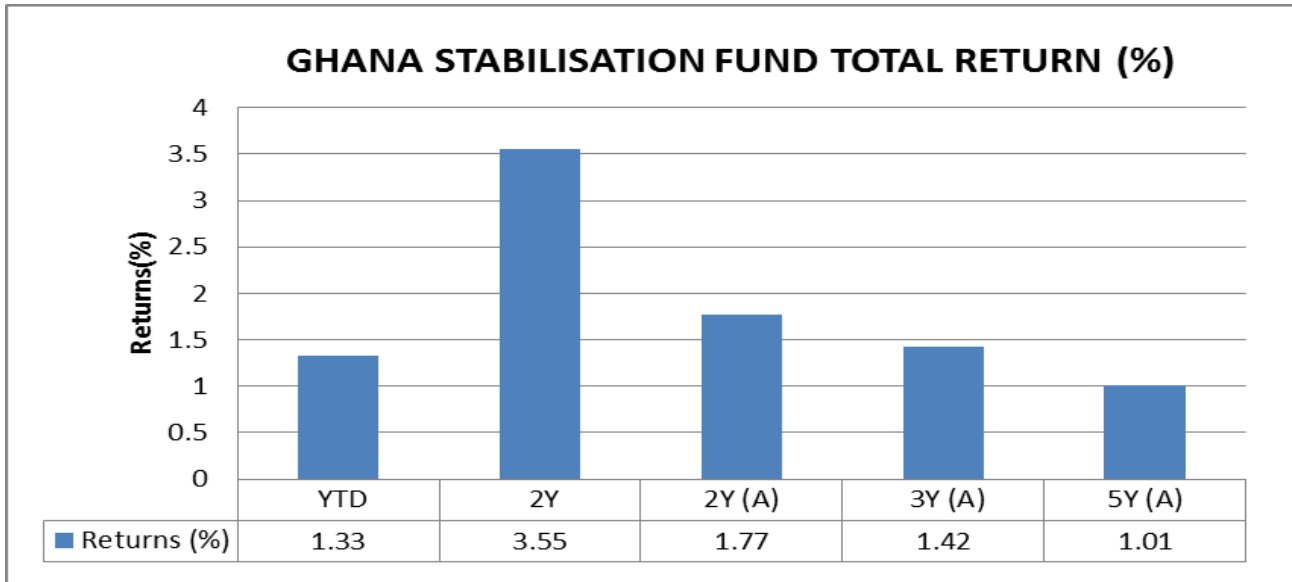
In H1 2019 the difference between the US 10-year Treasury note yield and the 2-year note yield narrowed by 27.75% from 19.23% in December 2018 to 13.90% at the end of Q1 2019, followed by an increment of 78.60% in June 2019 to 24.82%. The 3-month Treasury bill fell by 12.35% at the end of Q2, 2019 with the 10-year Treasury note declining by 16.63% within the same period, leading to an inversion of the term structure of interest rates. Among the reasons accounting for this were higher than expected readings of PCE and Core PCE inflation, lower economic activity, lower longer term inflation expectations and lower term premia. Consequently, the yield of the US 10-year Treasury note fell 10.40% from 2.68% in December 2018 to 2.41% in March 2019 ending at 2.0% in Q2 2019. The yield of the 2-year note fell 9.16% from 2.49% in December 2018 to 2.26% in March 2019, declining by a further 22.32% to end the Half at 1.75%. The fall in yields positively impacted the marked-to-market performance of the Ghana Heritage Fund due to its sensitivity to changes in the interest rate. Total return on investment of the Ghana Heritage Fund (GHF) year to date (YTD), (first half of 2019) was 4.71% as compared to 1.12% (2<sup>nd</sup> half of 2018). The three year annualised return (3Y (A)) of GHF was 1.88% while the five year annualised return (5Y (A)) was 2.59%.

Figure 2a: Ghana Heritage Fund Returns



Ghana Stabilisation Fund (GSF) returned 1.33% YTD and a 3 year annualised (3Y (A)) return of 1.42%.

Figure 2b: Ghana Stabilisation Fund Returns



In H1 2019, the Ghana Petroleum Funds returned a net realised income of US\$11.20 million compared to US\$9.26 million in H2 2018. The Ghana Stabilisation Fund contributed 40.01% or US\$4.48 million to total net income compared to US\$3.95 million in H2 2018 whilst GHF contributed 59.99% or US\$6.72 million compared to US\$5.31 million in H2 2018.

The GPFs reserves at the end of H1 2019 was US\$977.36 million (GHF was US\$521.83 million and GSF was US\$455.53 million) compared to US\$866.38 million in H2 2018 (GHF was US\$485.17 million and GSF was US\$381.20 million). This is shown in Table 6 below and schedule 2 attached.

Table 6: Net Accumulated Reserve of the Ghana Petroleum Funds

FUND NAME	Allocations Since Inception (Injection)	Realised Income Nov 2011 (Inception) to Jun 2019	Total Allocation and Net Income Since Inception	Withdrawals	Closing Value of GPFs
	28-Jun-19 US\$	28-Jun-19 US\$	28-Jun-19 US\$	28-Jun-19 US\$	28-Jun-19 US\$
<b>Ghana Heritage Fund</b>	<b>484,680,033.80</b>	<b>37,147,614.33</b>	<b>521,827,648.13</b>	<b>-</b>	<b>521,827,648.13</b>
<b>Ghana Stabilisation Fund</b>	<b>1,152,125,427.82</b>	<b>18,017,306.45</b>	<b>1,170,142,734.27</b>	<b>(714,608,339.13)</b>	<b>455,534,395.14</b>
<b>Total</b>	<b>1,636,805,461.62</b>	<b>55,164,920.78</b>	<b>1,691,970,382.40</b>	<b>(714,608,339.13)</b>	<b>977,362,043.27</b>

## 6. PETROLEUM HOLDING FUND

The Petroleum Holding Fund Account (PHF) at the end of H1, 2019 held a balance of US\$70.89 million which comprised interest on undistributed funds amounting to US\$0.74 million, a mandatory balance of US\$0.20 million and 2<sup>nd</sup> lifting proceeds from Sankofa Gye Nyame field of US\$70.00 million (See Schedule 1 attached).

## 7. OUTLOOK FOR 2019

Global economic growth is projected to decline from 3.6% in 2018 to 3.3% in 2019 before picking up slightly to 3.6% in 2020. The forecast for 2019 and 2020 have been marked down by 0.4 and 0.1 percentage points respectively due to a confluence of factors discussed below.

Growth has moderated amid weak growth in the Eurozone, continued trade policy uncertainty, concerns about China's greater-than-envisaged growth slowdown outlook, the weakest pace in at least 27 years, higher tariffs on Chinese imports, threats of tariff imposition on Mexican imports, and lingering "no-deal" withdrawal of the United Kingdom from the European Union. Global inflation appears subdued and interest rates, which were expected to rise faster in earlier projections, are now expected to rise more slowly, accentuated by the FOMC's forward guidance to closely monitor the implications of incoming data and global economic developments on the US economy. The balance of risks thus remains skewed to the downside, however this dovish stance is favourable for global financial conditions with positive implications for emerging markets and frontier economies in the near-term as investors look for higher yields.

In view of these risks, the major central banks have adopted a dovish stance to monitor the implications of incoming data and global economic developments. The Bank of England maintained the BOE rate at 0.75% in June 2019. The ECB kept the key interest rates unchanged in the pursuit of its price stability

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objective and maintained the expectation of rates to remain at their present levels at least through the first half of 2020. The Federal Open Market Committee lowered the federal funds rate by 25 basis points to a range of 2.00 to 2.25% citing concerns of the implications of global developments for the economic outlook and muted inflation pressures.

The crystallization of these risks has in the near to medium term created a flight to quality with safe haven bond yields falling and is impacting positively on the marked-to-market valuations of the portfolios of the Ghana Petroleum Funds. It will also create a demand for emerging market debt as investors seek higher yields.

## 8. CONCLUSION

In H1 2019, a total amount of US\$434.48 million comprising lifting proceeds of the Ghana Group, surface rentals, PHF income and corporation income tax was received into the PHF. Total petroleum revenue distributed was US\$363.74 million. GNPC received US\$98.29 million, ABFA received US\$165.66 million while GSF and GHF received an allocation of US\$69.85 million and US\$29.94 million respectively during the period under review. GHF and GSF total return year to date (YTD) was 4.71% and 1.33% respectively. Realised income on the GPFs in H1 was US\$11.20 million (GHF contributed US\$6.72 million and GSF contributed US\$4.48 million) as compared to H2 2018 total net realised income of US\$9.26 million (GHF contributed US\$5.31 million and GSF contributed US\$3.95 million). GSF and GHF accumulated reserves were US\$455.53 million and US\$521.83 million respectively.

Global economic growth is projected to decline from 3.6% in 2018 to 3.3% in 2019 before picking up slightly to 3.6% in 2020. Growth has moderated amid weak growth in the Eurozone, continued trade policy uncertainty, concerns about China's greater-than-envisaged growth slowdown outlook at the weakest pace in at least 27 years, higher tariffs on Chinese imports, threats of tariff imposition on Mexican imports, and lingering "no-deal" withdrawal of the United Kingdom from the European Union.

The balance of risks thus remains skewed to the downside, the major central banks have adopted a dovish stance to monitor implications of incoming data and global economic developments. This dovish stance is favourable for global financial conditions with positive implications for emerging markets and frontier economies in the near-term as investors seek higher yields. The crystallization of these risks has in the near to medium term created a flight to quality with safe haven bond yields falling

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and is impacting positively on the marked-to-market valuations of the portfolios of the Ghana Petroleum Funds.

**Prepared by Ghana Petroleum Funds Secretariat, Bank of Ghana**

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<b>Ghana Petroleum Funds- Semi Annual Report: Jan 2 - Jun 28 2019</b>	
<b>Schedule 2</b>	
<b>GHANA PETROLEUM FUNDS</b>	
<b>GHANA STABILISATION FUND ACCOUNT</b>	
	<b>US\$</b>
Opening book Value (2 Jan 2019)	381,203,231.15
Receipt during the period	69,849,062.28
Bank Charges	<b>(3,859.39)</b>
Realised Income	4,485,961.31
Withdrawal	
<b>Closing book Value(28 Jun 2019)</b>	<b>455,534,395.35</b>
Net Income for the Quarter comprised the Following	
<b>INCOME</b>	<b>US\$</b>
Investment Income	4,485,961.31
<b>Less:</b>	
Bank Charges	<b>(3,859.39)</b>
<b>Net Return for the Period</b>	<b>4,482,101.92</b>
<b>GHANA HERITAGE FUND ACCOUNT</b>	
	<b>US\$</b>
Opening book Value (2 Jan 2019)	485,172,436.04
Receipt during the period	29,935,312.36
Bank Charges	<b>(13,423.32)</b>
Realised Income	6,733,323.08
<b>Closing book Value(28 Jun 2019)</b>	<b>521,827,648.16</b>
Net Income for the Quarter comprised the Following:	
<b>INCOME</b>	<b>US\$</b>
Investment Income	6,733,323.08
<b>Less:</b>	
Bank Charges	<b>(13,423.32)</b>
<b>Net Return for the Period</b>	<b>6,719,899.76</b>