

**BANK OF GHANA**  
**PETROLEUM HOLDING FUND & GHANA PETROLEUM FUNDS**  
**SEMI ANNUAL REPORT: January 1 – June 30, 2016**



Jubilee Oil Field

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### ABBREVIATIONS:

ABFA:	Annual Budget Funding Amount
bb/d:	barrels per day
bbls:	barrels of oil
BOE:	Bank of England
bopd.	barrels of oil per day
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
mb/d:	Million barrels per day
NAHB:	National Association of Home Builders
PCE:	Personal Consumption Expenditure
PHF:	Petroleum Holding Fund
PRMA:	Petroleum Revenue Management Act, 2011 (Act 815)

## 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). In accordance with the PRMA Section 28(a) and (b), the Bank of Ghana reports on the performance and activities of the PHF, and GPFs for the first half of 2016 (H1) ended June 30, 2016.

## 2. CRUDE OIL LIFTING & ALLOCATION

During H1 2016, an amount of US\$126.41 million was received into the PHF. This comprised US\$114.40 million being proceeds of the 30<sup>th</sup>, 31<sup>st</sup> and 32<sup>nd</sup> liftings (see Table 1) undertaken by the Ghana Group, and US\$12.00 million from gas sale, taxes, royalties, surface rentals and interest earned on undistributed lifting proceeds held in the PHF as shown in table 4.

<b>TABLE: 1 PETROLEUM HOLDING FUND RECEIPTS Jan 2016 - Jun 2016</b>				
<b>NARRATION</b>				
<b>LIFTINGS</b>	<b>30th Lifting*</b>	<b>31st Lifting</b>	<b>32nd Lifting**</b>	
LIFTING DATE	8-Dec-15	2-Feb-16	14-May-16	
Bill OF LADING QUANTITY	948,118.00	947,980	995,152	
	(US\$)	(US\$)	(US\$)	<b>Total (US\$)</b>
LIFTING PROCEEDS	35,736,463.66	30,490,828.72	48,173,318.02	<b>114,400,610.40</b>
<b>TOTAL</b>	<b>35,736,463.66</b>	<b>30,490,828.72</b>	<b>48,173,318.02</b>	<b>114,400,610.40</b>

\* Proceeds received in H1, Lifting reported in H2 2015

\*\* Proceeds of the 32nd lifting to be distributed in H2 2016

Total amount distributed from the PHF in H1 was US\$87.15 million, including other income of US\$20.92 million (US\$9.21 million was received in H2 2015) as shown in table 2 below.

<b>TABLE: 2 PETROLEUM HOLDING FUND ALLOCATIONS JAN 2016 -JUN 2016</b>			
<b>NARRATION</b>			
<b>LIFTINGS</b>	<b>30th Lifting*</b>	<b>31st Lifting</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>RECEIPTS</b>	<b>44,951,020.66</b>	<b>42,197,467.51</b>	<b>87,148,488.17</b>
<b>ALLOCATION:</b>			
ANNUAL BUDGET FUNDING AMOUNT	21,565,135.88	23,500,482.72	<b>45,065,618.60</b>
GNPC	14,143,683.69	8,625,349.33	<b>22,769,033.02</b>
GHANA STABILISATION FUND	6,469,540.76	7,050,144.82	<b>13,519,685.58</b>
GHANA HERITAGE FUND	2,772,660.33	3,021,490.64	<b>5,794,150.97</b>
<b>TOTAL</b>	<b>44,951,020.66</b>	<b>42,197,467.51</b>	<b>87,148,488.17</b>

\*Proceeds reported in H2 of 2015. Distribution done in H1 of 2016

Table 3 below shows a comparative analysis of the allocations for H1 2016 versus H2 2015. Total amount received by ABFA for H1 was US\$45.07 million compared to US\$92.03 million for H2 2015. GNPC received an amount of US\$22.77 million for CAPI and EFC in H1 2016 compared to US\$60.52 million in H2 2015. The Ghana Stabilisation Fund and the Ghana Heritage Fund received US\$13.52 million and US\$5.79 million respectively in H1 2016 while an amount of US\$15.17 million and US\$6.05 million were received respectively in H2 2015.

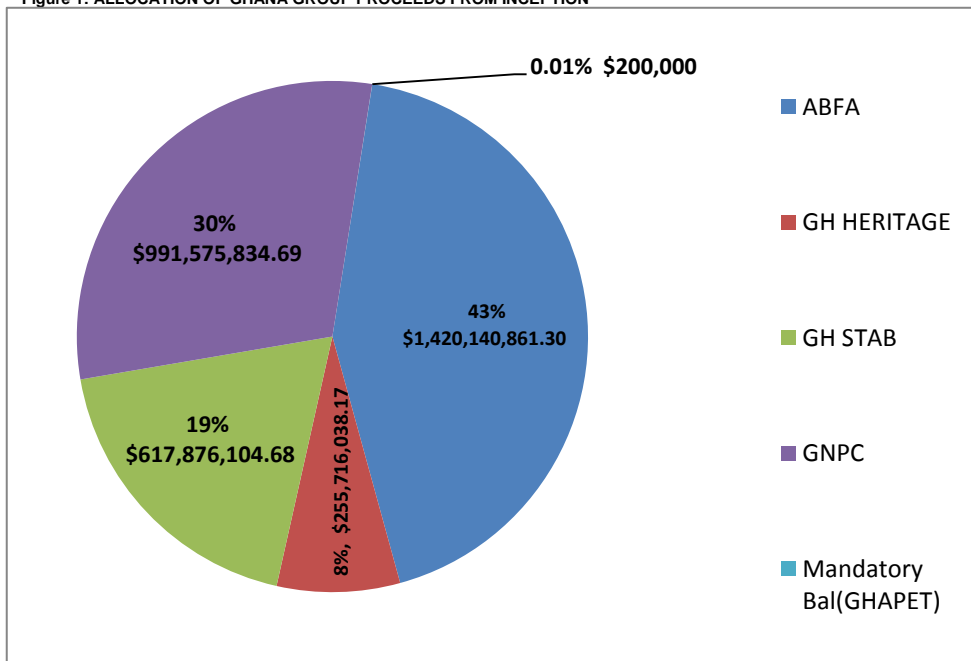
**TABLE 3: PETROLEUM HALF YEARLY ALLOCATION FOR 2016 H1 & 2015 H2**

ALLOCATION					
H1 (2016)	GNPC	ABFA	STAB	HERT	TOTAL
	US\$	US\$	US\$	US\$	US\$
FEB	14,143,683.69	21,565,135.88	6,469,540.76	2,772,660.33	44,951,020.66
MAR	8,625,349.33	23,500,482.72	7,050,144.82	3,021,490.64	42,197,467.51
<b>TOTAL</b>	<b>22,769,033.02</b>	<b>45,065,618.60</b>	<b>13,519,685.58</b>	<b>5,794,150.97</b>	<b>87,148,488.17</b>
H2 (2015)					
JUL	20,276,722.02	41,462,130.33			61,738,852.35
AUG	11,689,092.82	38,740,157.68	11,622,047.30	4,980,877.42	67,032,175.22
OCT	28,558,499.85	11,830,048.88	3,549,014.66	1,521,006.29	45,458,569.68
<b>TOTAL</b>	<b>60,524,314.69</b>	<b>92,032,336.89</b>	<b>15,171,061.96</b>	<b>6,501,883.71</b>	<b>174,229,597.25</b>

Figure 1 below shows the allocation of funds since 2011 to end of H1 2016. ABFA received a total of US\$1,420.14 million representing 43 percent of the total revenue while GNPC received a total amount of US\$991.58 million equivalent to 30 percent of total revenue. GSF and GHF had each received an amount of US\$617.88 million (19 percent) and US\$255.72 million (8 percent) respectively.

Total lifting proceeds and other income distributed to ABFA, GNPC, GSF and GHF from inception to the end of June 2016 amounted to US\$3,285.31 million.

Figure 1: ALLOCATION OF GHANA GROUP PROCEEDS FROM INCEPTION



Source: Bank of Ghana.

### 3. WITHDRAWAL FROM GHANA STABILISATION FUND

There were no withdrawals from the GSF during H1 2016 under Sections 12 and 23 of the PRMA, 2011, (Act 815). The cap of US\$200 million set for the GSF in the 2016 Budget was not attained in H1.

## 4. DETAILS OF OTHER RECEIPTS

Other petroleum receipts comprising surface rental, corporate taxes, price differential, interest earned on undistributed funds and proceeds of gas sale paid by GNGC received in H1 2016 amounted to US\$12.01 million (see Table 4 below). Of this amount, corporate tax totaled US\$2.29 million and interest on undistributed funds was US\$0.04 million, surface rental of US\$0.38 million and gas sale proceeds amounted to US\$9.30. A total amount of US\$ 0.30 million received in H1 will be distributed with the proceeds of the 32<sup>nd</sup> lifting in H2.

**TABLE 4: SURFACE RENTALS & ROYALTIES & OTHER RECEIPTS RECEIVED H1 2016**

Value Date	Ordering Institution	Narration	Amount Paid
27-Jan-16	CORPORATE TAX	KOSMOS	2,027,780.00
24-Feb-16	CORPORATE TAX	TULLOW	53,093.42
29-Apr-16	CORPORATE TAX	KOSMOS	204,770.00
	<b>Subtotal</b>		<b>2,285,643.42</b>
25-Jan-16	SURFACE RENTAL	KOSMOS	17,797.20
24-Feb-16	SURFACE RENTAL	TULLOW	66,643.35
25-Feb-16	SURFACE RENTAL	HESS GH EXP	219,310.27
13-May-16	SURFACE RENTAL	MEDEA DEV	78,250.00
	<b>Subtotal</b>		<b>382,000.82</b>
10-Mar-16	PHF INCOME	INTEREST JAN-MAR	25,675.86
30-Jun-16	PHF INCOME	INTEREST APR-JUN	10,706.30
	<b>Subtotal</b>		<b>36,382.16</b>
4-Mar-16	GAS PAYMENT	GHANA GAS	9,302,806.35
	<b>Subtotal</b>		<b>9,302,806.35</b>
	<b>GRAND TOTAL</b>		<b>12,006,832.75</b>

## 5. PORTFOLIO PERFORMANCE

In H1 2016 sluggish business investment, slowdown in corporate profits, heightened uncertainty regarding the future course of domestic regulatory and fiscal policies portended a broader economic slowdown in the US economy. Based on its assessment of realized and expected progress towards its objectives of 2% inflation and maximum employment, as well as the downside risks to the outlook the FOMC maintained the federal funds target range at 0.25% to 0.50%. Several FOMC members were of the view that the headwinds restraining growth and holding down the neutral rate of interest were likely to subside only slowly, hence a gradual approach to raising rates was prudent.

Inflation continued to run below the FOMC's longer run objective of 2% held down by large declines in energy prices and prices of non-energy imported goods. The CPI (yoy) index rose to 1.0% in June 2016 up from 0.70% in December 2015 while the core PCE (yoy) Index rose marginally from 1.40% in December 2015 to 1.60% in May 2016. The risks to the projection for inflation are tilted to the downside, reflecting the possibility that longer term inflation expectations may have edged down. Global disinflationary risks and slow growth pose downside risks to US inflation and growth.

The pace of labour market improvement towards the FOMC's objective of maximum employment slowed, although unemployment rate fell from 5.0% in December 2015 to 4.9% in June 2016. The fall in the unemployment rate was due to the marginal increase in the US labour force participation



rate from 62.6% in December 2015 to 62.7% in June 2016. Change in Non-farm payrolls fell unexpectedly to 11,000 in May but rose to 287,000 in June. The rate of change in average hourly earnings (yoy) fell from 2.6% in December 2015 to 2.4% in June 2016. The risks to the unemployment rate were tilted to the upside due to weak aggregate demand.

Activity in the housing sector was moderately mixed. The NAHB Housing Market Index rose to 61 in January 2016 from 60 in December 2015 but was flat at 58 in February through May 2016, and rose to 60 in June. Housing starts, new home sales, and building permits improved.

The US international trade deficit narrowed marginally from US\$41.5 billion in December 2015 to US\$41.1 billion in May 2016. Exports (yoy) decreased by 4.2% in May as against a decline of 7.3% in December 2015 due to lower commodity prices and reduced shipments of capital and consumer goods. Imports decreased 3.1% in May compared to a decline of 6.9% in December 2015 due to the strong exchange rate of the US Dollar.

In H1 2016 the US Treasury yield curve flattened as the FOMC adopted a gradual approach to monetary policy normalization. The decision of the United Kingdom to leave the European Union, flight to quality stemming from global growth concerns and negative yields offered by ECB and BoJ also offered relative value in US Treasuries. The 10-year yield ended H1 2016 at 1.47% as compared to 2.27% end H2 2015, while the 2-year yield ended H1 2016 at 0.58% as compared to 1.05% at the end of H2 2015.

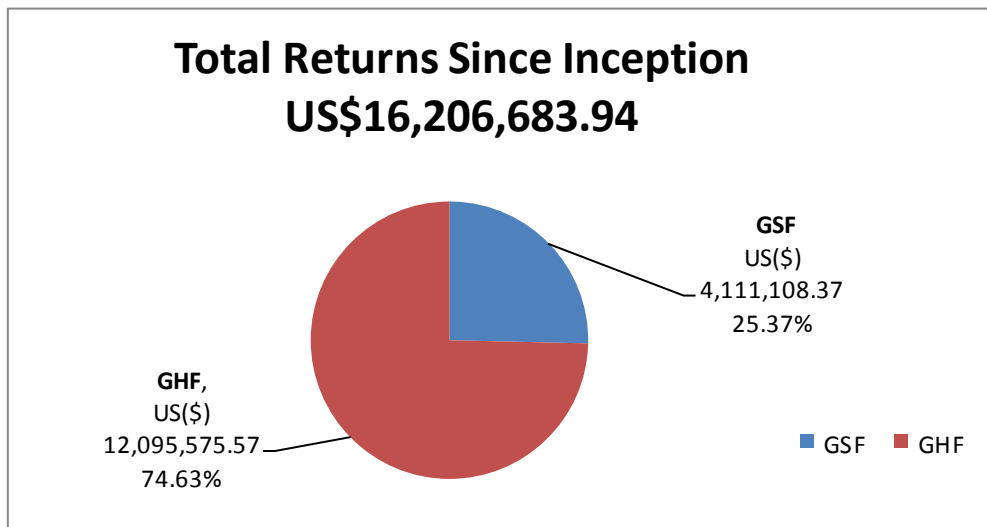
In Europe, the ECB took several decisions in pursuit of its price stability objective. As regards the key ECB interest rates, the rate on the deposit facility was lowered by 10 basis points to -0.40%; the rate on the main refinancing operations was decreased by 5 basis points to 0.00% and the rate on the marginal lending facility was also lowered by 5 basis points to 0.25%. On non-standard monetary policy measures, the monthly purchases under the asset purchase program (APP) were expanded to €80 billion per month. Investment grade euro-denominated bonds issued by non-bank corporations in the euro area are to be included in the assets eligible for purchases under a new corporate sector purchase program (CSPP). It is expected that this package will exploit the synergies between different instruments and further ease financing conditions in order to reinforce the momentum of the euro area's economic recovery and accelerate the return of inflation to levels below, but close to 2% over the medium term.

Table 5: Return on GSF and GHF

Returns		
	Stabilisation (%)	Heritage(%)
<b>2015</b>		
Jun-15	0.33	-0.54
Dec-15	-0.01	0.74
<b>2016</b>		
Jun-16	0.33	4.93

The performance of the Ghana Petroleum Funds' portfolios improved in H1 2016 relative to H2 2015. Return on investment of Ghana Heritage Fund (GHF) for H1 was 4.93% compared to 0.74% in H2 2015. Ghana Stabilisation Fund (GSF) returned 0.33% in H1 compared to -0.01 percent in H2 2015. At

the end of H1 2016, net return on investment of the Ghana Petroleum Funds since inception was US\$16.21 million compared to \$13.14 million in H2 2015.



## 6. PETROLEUM HOLDING FUND

The Petroleum Holding Fund Account (PHF) at the end of H1, held a balance of US\$48.673 million which comprised undistributed petroleum receipts amounting to US\$48.473 million and a mandatory balance of US\$200,000.00. (See Schedule 1 attached).

## 7. SUMMARY

In H1 2016, a total amount of US\$87.15 million made up of lifting proceeds of the Ghana Group, surface rentals, and PHF income was distributed. GNPC received US\$22.77 million, ABFA received US\$45.07million whiles GSF and GHF received an allocation of US\$13.52 million and US\$5.79 million respectively during the period under review. GHF and GSF returned 4.93 percent and 0.33 percent respectively.

## 8. OUTLOOK FIRST HALF 2016

The headwinds to global growth in 2015 remain the same in 2016 and have intensified somewhat with the IMF revising global growth downward, to 3.2% from 3.4%. These include the slowdown and rebalancing in China, decline in commodity prices – with redistributive consequences across sectors and countries, related slowdown in investment and trade, and the effects of the United Kingdom’s decision to leave the European Union on the financial markets. As signaled in our Q4 report, due to the persistence of these headwinds the FOMC has decided to approach interest rate increases cautiously. With this dovish stance US monetary policy remains accommodative in line with the policies of the ECB, BOJ, and BOE. It is expected that the synergies of these policies will reinforce the momentum of global economic recovery. Consequently bond yields may be expected to remain subdued in a low interest rate environment, and the market valuations of the Ghana Petroleum Funds may rise.

Prepared by Ghana Petroleum Funds Secretariat, Bank of Ghana

July 08, 2016

SCHEDULE 1: RECEIPT AND DISTRIBUTION OF PETROLEUM REVENUE

PETROLEUM ACCOUNT AT FEDERAL RESERVE BANK OF NEW YORK				
	Date	Volume Shipped (BBLs)	Value of Shipment (US\$)	
<b>LIFTING PROCEEDS</b>				
Apr 2011 to Dec 2012	1st to 9th Lifting	8,861,223	985,196,046.53	
Jan 2013 to Dec 2013	10th to 15th Lifting	5,876,260	628,580,078.49	
Jan 2014 to Dec 2014	16th to 22nd Lifting	6,698,584	691,991,133.22	
Aug 2015 to Oct 2015	23rd to 30th Lifting	7,637,533	410,028,921.36	
2-Feb-16	31st lifting	947,980	30,490,828.72	
14-Jun-16	32nd lifting	995,152	48,173,318.02	
<b>Total</b>				<b>2,794,460,326.34</b>
<b>OTHER RECEIPTS</b>				
Mar 2012 TO Dec 2012			906,567.46	
Jan 2013 to Dec 2013			217,832,955.89	
Jan 2014 to Dec 2014			286,895,276.75	
Jan 2015 to Dec 2015			21,880,421.59	
24-Feb-16	SURFACE RENTAL	TULLOW	66,643.35	
25-Jan-16	SURFACE RENTAL	KOSMOS	17,797.20	
25-Feb-16	SURFACE RENTAL	HESS GH EXP	219,310.27	
13-May-16	SURFACE RENTAL	MEDEA DEV	78,250.00	
27-Jan-16	CORPORATE TAX	KOSMOS	2,027,780.00	
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29-Apr-16	CORPORATE TAX	KOSMOS	204,770.00	
4-Mar-16	GAS PAYMENT	GHANA GAS	9,302,806.35	
10-Mar-16	PHF INCOME	INTEREST JAN-MAR	25,675.86	
30-Jun-16	PHF INCOME	INTEREST APR-JUN	10,706.30	
<b>Total Other Receipts</b>				<b>539,522,054.44</b>
<b>Total Lifting Proceeds and Other Income</b>				<b>3,333,982,380.78</b>
<b>DISTRIBUTIONS</b>				
<b>GNPC EQUITY FINANCING COST</b>				
May 2011 TO Dec 2012	1ST to 9TH lifting		257,115,443.09	
Jan 2013 to Dec 2013	10th to 15th lifting		68,319,783.18	
Jan 2014 to Dec 2014	16th to 22nd lifting		44,162,009.67	
Jan 2015 to Dec 2015	23rd to 30th Lifting		75,067,663.57	
16-Mar-16	31st Lifting		2,892,618.93	
				<b>(447,557,518.44)</b>
<b>GNPC - CAPI</b>				
May 2011 TO Dec 2012	1ST to 9TH lifting		181,798,785.15	
Jan 2013 to Dec 2013	10th to 15th lifting		154,001,593.02	
Jan 2014 to Dec 2014	16th to 22nd lifting		136,550,493.87	
Jan 2015 to Dec 2015	23rd to 30th lifting		65,934,743.53	
16-Mar-16	31st lifting		5,732,730.40	
				<b>(544,018,345.97)</b>
<b>ANNUAL BUDGET FUNDING AMOUNT</b>				
Apr 2011 to Dec 2012	1ST to 9TH lifting		453,509,527.69	
Jan 2013 to Dec 2013	10th to 15th lifting		273,197,566.63	
Jan 2014 to Dec 2014	16th to 22nd lifting		409,072,777.80	
Jan 2015 to Dec 2015	23rd to 30th lifting		260,860,506.45	
31-Mar-16	31st lifting		23,500,482.72	
				<b>(1,420,140,861.29)</b>
<b>GSF AND GHF</b>				
Nov 2011 TO Aug 2012	1ST to 9TH lifting		93,324,707.97	
Jan 2013 TO Dec 2013	10th to 15th lifting		351,048,145.30	
Jan 2014 to Dec 2014	16th to 22nd lifting		388,232,507.36	
Jan 2015 to Dec 2015	23rd to 30th lifting		30,915,145.99	
31-Mar-16	31st lifting		10,071,635.46	
				<b>(873,592,142.08)</b>
<b>Undistributed Funds (JUN 30, 2016)</b>				<b>48,673,513.00</b>



<b>Ghana Petroleum Funds- Semi Annual Report: Jan 1 - Jun 30 2016</b>	
<b>Schedule 2</b>	
<b>GHANA PETROLEUM FUNDS</b>	
<b>GHANA STABILISATION FUND ACCOUNT</b>	
	<b>US\$</b>
Opening book Value (1 Jan 2016)	177,396,126.85
Receipt during the period	13,519,685.58
Bank Charges	<b>(2,595.16)</b>
Realised Income	438,509.29
Withdrawal	
<b>Closing book Value(30 Jun 2016)</b>	<b>191,351,726.56</b>
Net Income for the Quarter comprised the Following	
<b>INCOME</b>	<b>US\$</b>
Investment Income	438,509.29
<b>Less:</b>	
Bank Charges	<b>(2,595.16)</b>
<b>Net Return for the Period</b>	<b>435,914.13</b>
<b>GHANA HERITAGE FUND ACCOUNT</b>	
	<b>US\$</b>
Opening book Value (1 Jan 2016)	259,383,472.45
Receipt during the period	5,794,150.97
Bank Charges	<b>(8,833.73)</b>
Realised Income	2,642,823.97
<b>Closing book Value( 30 Jun 2016)</b>	<b>267,811,613.66</b>
Net Income for the Quarter comprised the Following:	
<b>INCOME</b>	<b>US\$</b>
Investment Income	2,642,823.97
<b>Less:</b>	
Bank Charges	<b>(8,833.73)</b>
<b>Net Return for the Period</b>	<b>2,633,990.24</b>