

Ghana Tries to Guard Against Falling Victim to Oil 'Curse'

As Ghana prepares to start producing oil later this year, it could face the biggest challenge in its history (IOD Mar.24,p1). The government insists the country is on track to harness the surge in oil revenues for growth and poverty reduction. But activists, oil company officials, diplomats and donors gathered for a conference in the capital, Accra, differ on the extent to which Ghana can dodge the "oil curse" and avoid falling prey to corruption and economic mismanagement.

The country would certainly have fewer excuses than some of its African neighbors, analysts say. It has a functioning multiparty democracy, a strong civil society and, by regional standards, a relatively diverse economy, with revenues derived from a mix of cocoa, gold and other minerals. The government plans training in regulation, revenue management and technical skills to serve the expanding energy sector and economy. It is also working on a revenue management bill and a local content bill that are being presented in roadshows across parts of the country.

These steps are welcome, but more are needed. Weaknesses in the way the government has managed the policy and legal framework could have huge implications, Oxfam America's Ian Gary told the CWC Ghana oil summit. Right now, the government of President John Atta Mills is amending the petroleum law, which calls for expanding the role of the National Petroleum Authority to include

upstream oversight. But it has not publicly circulated drafts of the changes showing how the regulator will be supported.

"In many African countries, the national oil company [NOC] is regulated by a ministry, but in practice most expertise, knowledge and power is housed in the NOC or presidency," Gary told the conference. "So in fact you don't have effective regulation of the sector, and oil policy gets set by the NOC."

In Ghana, it is already clear that officials working for the energy ministry have received less training and investment than those at Ghana National Petroleum Corp. (GNPC), which is expected to become a strong NOC, industry sources say. Many Ghanaians cite Nigeria as an example of what not to do. Civil society activists from Ghana's western region — closest to its oil and gas fields — say they are determined to avoid the social breakdown and violence seen in Nigeria's Niger Delta.

A recent study of coastal communities nearest Ghana's oil fields found that local chiefs had gone to the Niger Delta and appeared conversant with the tactics some Delta community leaders have employed to raise money from oil companies working in Nigeria. "This should be a cause for concern," says Bill Knight of New York-based Akassa Associates, which promotes sustainable development in oil producing areas.

With production from the first phase of the giant Jubilee field set to start late this

year and ramp up to 120,000 barrels per day in 2011, the national economy is set to see an influx of more than \$1 billion a year in royalties, income tax and sales. But the government lacks capacity in revenue collection and auditing, says Gary, who recommends setting up a capable and dedicated petroleum tax unit at the Ghana Revenue Authority.

Some locals fear the oil revenues could alter the balance of party politics. Ghana's two main parties — the ruling National Democratic Congress and the opposition New Patriotic Party — both have distinct ideologies and roots. This is notably absent in Nigeria, where the ruling People's Democratic Party is glued together mainly by oil revenues secured through the party's control of Nigeria since 1999.

On the positive side, the Ghanaian government demonstrated transparency Wednesday when it published a draft of the new revenue management bill on the finance ministry website. But it is not clear whether the move was spontaneous or prompted by pressure from two Ghanaian transparency campaigners, Publish What you Pay and the Integrated Social Development Center. Both have been demanding more transparency and preparation for the oil boom, supported by Oxfam America, which published a report in early 2009 warning of the risks to Ghana — and the need for adequate planning and preparation (IOD Feb.13'09,p4).

☎ **Christina Katsouris, Accra**

Saudi Aramco, Total Again Push Back Jubail Refinery IPO

Saudi Aramco and France's Total are delaying an initial public offering (IPO) of 25% of their joint venture Jubail refinery because of uncertainty on Tadawul, the Saudi stock exchange. Saudi Aramco Total Refining and Petrochemical Co. (Satorp) may now offer the shares to the public in 2011 or 2012, depending on stock market performance, Chief Executive Saleem Shaheen said Wednesday on the sidelines of a World Refining Association conference in Abu Dhabi.

The IPO had been expected at the end of 2008, but was postponed after the partners decided to delay the launch of engineering, procurement and construction (EPC) packages until 2009 to help bring down costs (IOD Jun.19,p7). The IPO will cut Aramco's stake in the 400,000 barrel per day refinery from 62.5% to 37.5%; Total's 37.5% holding will remain unchanged.

Aramco and Total awarded the last 13 EPC packages last year, locking in overall construction costs at around \$9.6 billion — or a 20%-30% discount to 2008 prices. The project's total price tag, including financing costs, will be "above \$12 billion," Shaheen said.

The financing package, to be closed in the second quarter, will include \$8 billion in debt as well as equity finance, he said. The debt includes a \$1 billion-plus loan from the Saudi Public Investment Fund.

Mechanical completion is scheduled for the end of 2012, with start-up expected in mid-2013. The full-conversion refinery, designed to serve the domestic market and help meet fast-growing Asian demand, will process Arab Heavy crude. It is designed to produce 190,000 b/d of diesel, 90,000 b/d of gasoline, 700,000 tons per year of paraxylene, 140,000 tons/yr of benzene and 200,000 tons/yr of polymer-grade propylene.

In Egypt, meanwhile, plans to build a new refinery in Cairo are finally moving ahead as the project finance market begins to recover from global recession. Egyptian Refining Co. (ERC) says it will close the financing package for the \$3.5 billion project in April. ERC was set up in 2007 to build the refinery, but inability to access project finance delayed the scheme, ERC Chief Operating Officer Tariq Malik said (IOD Aug.31'07,p5). On completion in 2014, the refinery will produce 2.2

million tons/yr of diesel to help meet domestic demand. Egyptian General Petroleum Corp. has guaranteed to buy all the diesel at international prices to cover part of the 3 million ton/yr domestic shortfall. The plant's main feedstock will be atmospheric residue from a nearby refinery, Malik said.

☎ **C. Onur Ant, Abu Dhabi**

Shell Opens Singapore Cracker

Royal Dutch Shell said Wednesday it has started up the Shell eastern petrochemicals complex next to its Bukom refinery in Singapore. The complex will produce 800,000 tons/yr of ethylene, 450,000 tons/yr of propylene and 230,000 tons/yr of benzene. It will become the Anglo-Dutch supermajor's biggest fully integrated refinery and petrochemicals hub once more downstream units come on stream. Shell started up a monoethylene glycol unit in December and is due to bring a butadiene-extraction unit on line over the next few months. The 500,000 b/d Bukom refinery has been modified to enable it to supply the petrochemical complex with feedstock.