



REPUBLIC OF GHANA

MINISTRY
OF
ENERGY

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Kindly quote this number and date on all correspondence

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For Immediate Release

RE: GHANA FACES \$7 BILLION JUDGEMENT DEBT

The Ministry of Energy's attention has been drawn to a press release by Hon. John Abdulai Jinapor purportedly conveying the concerns of the Minority in Parliament regarding a unitization impasse between Springfield and Eni/Vitol and in which he raises the following issues:

1. Premature Ministerial decision for unitization, inconsistency with industry standards and Poor Management of Process
2. Protracted impasse between ENI/Vitoli and Springfield Ghana, occasioned by a directive from then Minister for Energy
3. Negative impact of avoidable dispute and implications for attracting big oil players
4. The current administration has not executed a single "block" agreement and has not brought any oil field into production since assuming office.

The Ministry of Energy wishes to address the issues as follows:

1. Claim of premature ministerial decision, inconsistency with industry standards and poor management of process

Government's decision to direct unitization was not premature but was based on the provisions of the Petroleum (Exploration and Production) Act 2016, Act 919 and occasioned by the failure of Springfield and Eni after several fruitless engagements to exchange and evaluate the data in their respective areas. The exchange of data was to confirm or refute Springfield's claims that the two discoveries extended beyond the two boundaries and belonged to the same accumulation of petroleum.

The process has not been poorly managed as due process was followed to the letter. Unitization in Ghana is governed primarily by the laws of Ghana. The then Minister simply sought to implement the provisions of the Petroleum (Exploration and Production) Act

2016, Act 919. Section 34(1) of the Act which states that: "Where an accumulation of petroleum extends beyond the boundaries of one contract area into one or more other contract areas, the Minister in consultation with the Commission may, for the purpose of ensuring optimum recovery of petroleum from the accumulation of petroleum, direct the relevant contractors, to enter into an agreement to develop and produce the accumulation of petroleum as a single unit". As the law prescribes, the Minister's actions were based on sound technical and legal advice from relevant petroleum sector agencies, many of whom the Minority have worked with and whose competencies they can attest to. These agencies established that the hydrocarbon accumulation extended across the two contract areas prior to the directive being issued.

Ghana's laws are also built on industry standards but written to deal with the peculiarities of the Ghanaian situation and are the first point of reference in dealing with matters of unitization. The Ministry expects that the Minority should be the championing the primacy of Ghana's laws and not a preference for so-called "industry standards". It would be interesting to note what the Minority refers to as "industry standards" and whether such industry standards are consistent with the laws of Ghana.

2. Claim of protracted impasse between ENI/Vitol and Springfield Ghana being occasioned from a directive by then Minister of Energy

Disputes are anticipated by the Petroleum Agreements which provide elaborate mechanisms for settlement. What the parties are engaged in are exercising their rights under the Petroleum Agreements (PA) and the Laws of Ghana which govern them. The PAs provide mechanisms for dialogue and if that fails, it also provides recourse to arbitration as well as the use of third party experts. However, in the case of differences between parties that are under different petroleum agreements, resort to the law courts is an option. The use of these processes to resolve grievances are normal and are being used by parties specifically for that purpose. The so-called protracted impasse could therefore not have been occasioned by the Minister for Energy.

The legal case in Ghana is a commercial case between ENI and Springfield and has nothing to do with Government. Government recognizes the independence of the judiciary and therefore cannot intervene.

We also want to clarify that it was ENI that took Government to Arbitration so it is up to ENI to withdraw the case and together with Government find a solution without breaking the law. Furthermore, Government is not aware of any \$7billion dollar claim in ENI's submission, that will be the basis of a judgment debt. Ghanaians should therefore ignore the misrepresentations by the minority.

3. Claim of negative impact of avoidable dispute and implications for attracting big oil players

Unitization disputes are normal industry practice and Ghana is not an exception as anticipated by the petroleum laws whether repealed or current. All parties conducting business in Ghana have various rights in the PAs and such disputes should not be seen as giving Ghana a bad image.

Eni/Vitol as investors for example, in spite of the ongoing issues around unitization are continuing their work in Ghana. They have been seeking the approval of Government to conduct a joint appraisal where they believe two separate discoveries are connected. In this particular case they are seeking to conduct joint appraisal on the two separate discoveries, which, similar to unitization, in bringing those blocks to development. Does the Minority deem this approach as also contrary to the "industry practice" they refer to?

The Government's support for Eni/Vitol to conduct joint appraisal and potentially joint development of the Eban and Akoma discoveries which these same contractors claim are part of the same oil accumulation is an example of the Government's commitment to optimal development and conservation of resources as stipulated in the Act. Perhaps the Minority should take a leaf from the books of several CSOs who have supported the need for optimal development and conservation of resources.

4. Current administration has not executed a single "block" agreement and has not brought any oil field into production since assuming office.

It is not factual that the current administration has not signed any Petroleum Agreement yet. The Deep-water Cape Three Points (DWCTP) Petroleum Agreement involving ExxonMobil was signed in 2019. Even though ExxonMobil has exited, the PA is still valid and operational. Prior to ExxonMobil's exit, the minimum work obligations within the Initial Exploration Period had been executed unlike several of the 13 PAs signed by the NDC between 2013 and 2016. Government has subsequently terminated some of the PAs signed by the NDC for non-performance.

Negotiations are also almost concluded, although challenged by the long period of the covid pandemic, for four PAs to be ratified by Parliament. Our approach is not to rush into signing many PAs as the NDC did, but to do proper due diligence on the capacity of

companies that come to undertake petroleum activity in Ghana to ensure that they can meet their work obligations once a PA is signed.

Contrary to the Minority's position that this government has not brought any field to production, the Government completed works that brought the Sankofa-Gye-Nyame fields on stream in 2017 and 2018 when the NDC government was out of power. This is similar to the Jubilee fields where work had begun before the NDC came to complete it after the NPP government left office. It is therefore ridiculous that the minority will be engaged in the politics of associating oil production in Ghana to the NDC. In any case, all the blocks that are in production were discovered during the era of President Kufour because of the diligence of the then government, an achievement the NDC now feels proud to associate with.

It must also be noted that unlike the NDC, the Government of President Akufo-Addo successfully executed the Takoradi-Tema Interconnection Project ensuring the evacuation of gas to power plants in the Tema enclave. Prior to this, Ghana's gas was stranded in the Western Region whilst the country was going through "dumsor" because power plants in Tema could not operate due to lack of gas.

The people of Ghana should be rest assured that, government is committed to the development and proper utilization of the country's petroleum resources contrary to the views of the Minority. The Minority may have to review their positions on these issues in line with the signs of the time.

We wish to emphasize again that the Government is not aware of any \$7 billion judgement debt from the current dispute over the unitization directive between Springfield and ENI/Vitol

END

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