



PRESS RELEASE

GNPC clarifies Non-Payment of JOHL revenues into PHF and Litasco Loan Transaction.

Accra, 26 October 2023: The attention of the Ghana National Petroleum Corporation (GNPC) has been drawn to numerous publications in the media space in relation to an amount of approximately US\$340 million that the Jubilee Oil Holdings Limited (JOHL), a wholly owned subsidiary of GNPC, has allegedly failed to pay into the Petroleum Holding Fund (PHF). The discussions have also sought to portray that GNPC is involved in a non-transparent attempt to secure a loan agreement with Litasco without Parliamentary approval. The Corporation would like to respond to the falsehoods and inaccuracies in the reportage as follows:

Payment of JOHL Revenue from Petroleum Liftings into PHF

1. GNPC takes note that the reportage on the payment of JOHL lifting revenues into the PHF follows the issuance by the Public Interest and Accountability Committee (PIAC) of the “Highlights of the 2023 Semi-Annual Report of PIAC”, in which it reiterated its position that “...proceeds from liftings of JOHL and any other subsidiary of GNPC constitute petroleum revenue and therefore must be paid into the PHF”.
2. PIAC is aware of GNPC’s disagreement with the long-held view of PIAC, and GNPC has on numerous occasions explained why revenues from petroleum activities of its subsidiaries cannot be considered as petroleum revenue that must be paid into the PHF. Consistent with the Petroleum Revenue Management Act, 2015 (Act 815, as amended by Act 893), not all petroleum revenue generated in Ghana are due to be paid into the PHF.
3. GNPC purchased JOHL from Anardarko Limited with a loan facility, which GNPC has fully repaid back to its creditor. JOHL is therefore a wholly owned subsidiary of GNPC and a separate legal entity distinct from GNPC. Section 29 of the GNPC Act (PNDCL 64) stipulates that subsidiaries of GNPC must be established under the Companies Code, 1963 (Act 179), which is now the Companies Act 2019 (act 992). JOHL’s governance and operational structure complies with Act 992.
4. The revenues of a subsidiary of a company established under Act 992 are neither due its shareholder i.e. the parent company, nor the shareholder of the parent company. The parent company is due dividends from the subsidiary, when appropriate.
5. As a commercial entity, JOHL’s operations are not covered by the ordinances of the PRMA. The PHF is due taxes and royalties from JOHL, just like any other commercial entity with

interest in any of Ghana's blocks. JOHL's revenues are not revenues due to the State through GNPC, just because GNPC is fully owned by the State. Per Act 992 GNPC is due dividends from JOHL.

6. Neither GNPC nor JOHL has stolen or made any attempt to steal US\$343 million meant for the PHF as being portrayed by the media reportage; and GNPC strongly denounces all related disinformation and false news surrounding the issue. The proceeds from the sale of JOHL's crude oil cargoes are paid into JOHL accounts, and as a sign of transparency, GNPC continues to provide information on the utilisation of these monies by JOHL to PIAC upon request.
7. It is important to note that GNPC's accounts are transparently audited annually by a reputable audit firm appointed by the Auditor General, of which a final report is submitted to Parliament for further scrutiny. The accounts of all of GNPC's subsidiaries including JOHL are also part of this comprehensive audit. Similar to all GNPC subsidiaries, the autonomous structure of JOHL is such that its management reports to a stand-alone Board.
8. It needs to be reiterated that GNPC's position of not paying JOHL's revenues into the PHF is supported by the express written legal opinion of the Attorney General of the Republic of Ghana.
9. Consistent with the instruction and approval of the Minister for Energy and further recommendation from Parliament, JOHL interests were assigned to GNPC Explorco. GNPC Explorco will therefore own the equity interests of JOHL in Jubilee and TEN. The dissolution of JOHL is actively being pursued.

Proposed Litasco Loan Facility

10. GNPC has also taken note of media discussions suggesting that GNPC has secretly contracted a loan facility with Litasco without seeking parliamentary approval. This information is not accurate.
11. The Facility currently under negotiation is not a new loan by GNPC or the Government of Ghana (GoG). Instead, it is a re-financing arrangement for an existing debt that is incumbent upon ECG and the Government of Ghana to settle, with GNPC as counterparty. The purpose of this arrangement is to ensure the uninterrupted supply of power to the country.

The Karpowership Arrangement

12. In 2014, during a period of protracted power outages in Ghana, the Government of Ghana (GoG) engaged Karpowership, a Turkish-based company, to provide electricity within the country. Karpowership entered into a power purchase agreement (PPA) with the Electricity Company of Ghana (ECG) to supply power. A critical precondition to this agreement was the obligation for ECG to post a total of US\$179 million in bank guarantees in favour of Karpowership. These guarantees were a necessary step to enable Karpowership to reach its final investment decision (FID) and to initiate operations in Ghana.
13. GNPC's decision to participate in the Karpowership arrangement was primarily a commercial one, driven by Karpowership's capacity to utilize natural gas from the Sankofa-Gye-Nyame Field. Up until the relocation of Karpowership to the Western Region, GNPC incurred

substantial costs in fulfilling its take-or-pay commitments to the OCTP Contractor party. The loans currently targeted for refinancing are the legacy debts accrued by ECG and the Government of Ghana.

GNPC's Commitment to Transparency

14. As part of its 2023 Work Program submitted to the Parliament of Ghana and at the behest of the Minister of Energy, GNPC sought approval for a facility amounting to US\$620 million from LITASCO. This facility's purpose is to refinance existing debts owed to LITASCO and Karpowership by the Government of Ghana and ECG, as well as to provide guarantees to Karpowership for the continued power supply to ECG. The Mines and Energy Committee of Parliament conducted a detailed review of this proposal and recommended that GNPC submits the final terms of the loan facility, following further negotiation of the term sheet, to Parliament for consideration.
15. GNPC has been transparent in its intentions and actions regarding the Litasco facility. There is a historical context for this facility:
 - a) In previous years, Litasco supplied Heavy Fuel Oil (HFO) to Karpowership for power production. Unfortunately, ECG failed to make payments for the power purchased, resulting in an accumulated debt of approximately US\$200 million. To address this, a facility of US\$200 million was negotiated with Litasco in August 2020 to refinance the HFO debt owed by the Government of Ghana, with GNPC as the counterparty.
 - b) The facilities obtained from LITASCO over time were duly approved by Parliament for the following purposes:
 - I. To pay for HFO supplied by Litasco to Karpowership for power production, with GNPC as the counterparty.
 - II. To provide guarantees required under the ECG-Karpowership arrangement.
 - c) The total amount currently owed to Litasco by the Government of Ghana in respect of the HFO supplies, including accrued interest, stands at approximately US\$155 million.
 - d) The Government of Ghana also owes Karpower for power delivery and US\$150 million of the debt owed is considered under this facility. The repayment of this US\$150 million debt is still being negotiated.
 - e) As of now, the total amount of bank guarantees outstanding is US\$126 million. The guarantees were originally due for renewal on 30th September 2023 but have been extended. These guarantees relate to Early Termination and Capacity charges.

- f) After receiving parliamentary approval for its Work Programme, GNPC engaged in further negotiations with Litasco, which resulted in improved terms of the Litasco term sheet. The revised amount is now US\$430 million, intended to cover the following:
- I. Refinancing of the US\$155 million debt owed to Litasco by the Government of Ghana.
 - II. Renewal of US\$126 million in bank guarantees on behalf of ECG in Favour of Karpowership.
 - III. Refinancing of the US\$150 million debt owed by the Government of Ghana to Karpowership for power delivery. Government is currently reviewing alternative means of refinancing this component of the debt.

Next Steps and Final Approval

16. GNPC is actively working on finalizing the detailed terms of the loan agreement with Litasco. Once these negotiations are completed, the final negotiated terms will be reviewed by the GNPC Board, the Minister for Energy, and the Minister for Finance. The final documents will then be submitted to Parliament for consideration.
17. GNPC is committed to maintaining transparency in this process and will ensure that Parliament is made aware of the final detailed negotiated terms before the execution of any agreements.

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Editor's Note:

About GNPC

GNPC is Ghana's national oil company, with the mandate to undertake exploration, development, production, and the disposal of petroleum. GNPC is an anchor partner in all upstream exploration and production operations in Ghana.