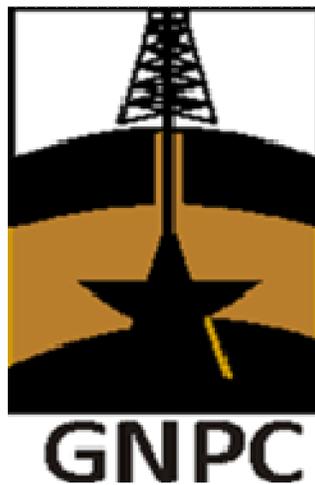


# KEYNOTE ADDRESS BY GNPC CEO, ALEXANDER K-M MOULD



**TOPIC: GNPC, THE CRITICAL CATALYST FOR GHANA'S DRIVE TOWARDS ENERGY  
SUSTAINABILITY**

**GNPC  
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Theme: **Driving Ghana's Oil, Gas, Power and LNG Potential Forward**

TOPIC: **GNPC, THE CRITICAL CATALYST FOR GHANA'S DRIVE TOWARDS ENERGY SUSTAINABILITY**

Mr. Chairman, Honorable Ministers, Honorable Members of Parliament, traditional leaders, Colleagues from the Industry, Distinguished Invited Guests, Ladies and Gentlemen, WELCOME.

It is with great pleasure that I address this esteemed audience once again.

I would like to use my time today to outline the mandate and vision that has inspired and sustained the Ghana National Petroleum Corporation over the last 30 years, and to give a brief outline of the strategies that we are implementing to drive forward Ghana's Oil & Gas Exploration & Production and the Power sector.

### **The Mandate and Vision**

GNPC was established as a commercial strategic vehicle for state participation in Ghana's exploration and production activities.

Our mandate is clear – to undertake the exploration of hydrocarbon resources and to optimize the development, production and disposal of these resources by combining world-class industry practice with policies and programmes that build the capacity of Ghanaian citizens and institutions and rapidly increase local participation in all aspects of our industry.

To deliver on this mandate, GNPC in all its operations for over two decades focused on three key strategic objectives:

- Developing human capital

- Building a critical resource base of exploration data
- developing an entrepreneurial culture

Mr. Chairman, These three key objectives – human capital development, investment in exploration data acquisition and analysis, and entrepreneurship to improve our operating capabilities at an early stage – have established GNPC, in the last 30 years, as the critical catalyst for Ghana's successes in exploration and production.

We can now talk about significant successes such as Jubilee Oil & Gas production, the Upcoming TEN oil and gas fields, and the Sankofa&GyeNyame oil and gas Field currently in the development stage.

### **Accelerated Growth Strategy**

The Corporation continues to pursue its strategic goal through the accelerated growth strategy. This strategy is anchored on four pillars:

- **Building Capacity and Expanding Activities**
- **Replacing and Growing Reserves**
- **Efficient Capitalization and Optimum Participation**
- **Catalyzing Local Content Development**

One of the key strategic vehicle through which GNPC's Accelerated Growth Strategy is being deployed and executed is subsidiarisation.

In December 2012, GNPC established the GNPC Exploration and Production Company Limited (Explorco), as a wholly-owned subsidiary of GNPC. Explorco is a key plank of GNPC's strategic tool to achieve rapid capacity building and technology transfer to enable the attainment of the Corporation's goal of becoming a world-class operator in 15 years.

Explorco's establishment comes at a time of expanding exploration activity in Africa, particularly in offshore provinces. It has been established at a time when

drilling activity in the Middle East and Africa region is expected to reach \$77.3 billion for the period between 2012 and 2016, and at a time when spending in offshore drilling in Africa alone is expected to reach and surpass \$12 billion annually between 2014 and 2016.

Explorco has been established at a time when the size of industry in Ghana is expected to grow and reach USD20bn by 2015 and USD60bn by 2022

The company has commenced operation at a time when the upstream industry in Ghana is currently dominated by international companies with very limited local participation due to the Lack of local technical expertise, low risk appetite of Ghanaians and the huge investments required in the sector.

Explorco will operate within the constraints of Ghana's industry dynamics (e.g. human resource constraints arising from lack of Ghanaian technical expertise). However it is itself a vehicle intended to help address several challenges facing the industry.

Explorco is therefore expected to:

- Enter into Stronger JV arrangements with well-established oil and gas companies for skills and technology transfer
- Adopt and transfer global best practice operating systems and culture from these JV partners
- Increase GNPC and ultimately Ghanaian participation in petroleum operations
- Increase Ghana's share of barrels produced
- Take advantage of opportunities that arise to increase stakes & participation because Ghana's offshore province remains one of West Africa's most promising exploration regions
- Reduce GNPC's dependence on "carried" participation and state funding by accessing international capital markets

- Ensure greater control and participation by Ghanaians in the sector
- Support the development of indigenous oil and gas industry.
- Explorco has been established because there is now gratifying national consensus that GNPC should move as quickly as possible towards the independent operator status. Ghanaians agree that this is an essential part of domesticating the benefits of oil and gas revenues and of stimulating the local petroleum industry.

Mr. Chairman, in the oil and gas business, partnerships are an important strategy for sharing risks and rewards. Indeed, Ghana's ascent to significant oil and gas production status was achieved through partnerships with IOCs. Central to the current strategy is a new approach to partnerships.

In the past, we have been successful, albeit, with significant challenges in using the unincorporated alliance model in our current Petroleum Agreements to develop individual capabilities, which we then integrate into our organization and culture. Going forward, through Explorco, GNPC's global operating capacity will be developed through the framework of Joint Operating Companies (JOCs) in strategic alliance with world-class operators. These vehicles will develop the requisite policies, systems and procedures of the organization and in tandem develop the capabilities of our people under different operating contexts.

This way, we will acquire not only skilled individuals as we did in the past but entire functional systems. GNPC personnel will grow within and eventually take over operational and corporate management of JOCs in planned phases. The transfer of such entities to Explorco over a reasonable period and their reintegration will enable the evolution of the strong systems, culture and brand that will make the Explorco an efficient and dependable operator.

You can join me this afternoon to listen to the Explorco story so far.

## **Clean Energy Promotion**

In realization of the petroleum industry's potential, the framers of the GNPC Law enjoins the Corporation to seek to optimize wealth creation from the industry to enhance the welfare of Ghanaian citizens.

In the late 1980s and early 1990s, GNPC staff designed, fabricated, produced and patented domestic gas use technologies based on a sustained engagement with rural women to learn about their needs.

GNPC, through its subsidiary, Energy Products Company Limited (ENPRO), produced and marketed what we called 'Kleenkuk' stoves – and embarked on a national campaign to promote gas use among Ghanaians, supplying them with free gas cylinders.

This exercise was not just to establish a market for the country's abundant natural gas, which international oil companies (IOCs) at the time did not place much value on, but also to help protect the environment, the country's forests from rapid depletion through charcoal burning for fuel.

## **Gas to Power**

Beyond using liquefied petroleum gas as domestic fuel, GNPC established the Western Power Company Limited in the mid-1990s and embarked on developing Ghana's abundant gas resources to generate electricity to supplement the existing supply base of the country. This project was informed by research dating back to the 1980s that had established the imminent shortfall from hydro sources in meeting growing national demand by the turn of the century.

This forays into gas use and power generation two decades ago emphasizes the fact that we at GNPC recognized the important role of and relationship between our petroleum industry and power generation for sustained national

development. It was this same recognition that made GNPC play a leading role in the West African Gas Pipeline (WAGP) project, to ensure that gas that was hitherto being flared would be harnessed and converted to light the sub-region and to fire industrial plants.

In view of our past experiences, recent successes and challenges in the sector, both as a company and as a country, GNPC has made a defacto entry into the power sector.

GNPC has been appointed gas sector aggregator and also given the oversight responsibility over the Ghana National Gas Company Limited.

Our emerging role in the gas market heralds development of local gas market, with the potential to evolve into a regional hub.

In June 2015, Ghana signed on to a multibillion gas offtake deal with our Offshore Cape Three Points (OCTP) block partners, ENI and Vitol.

The deal is for the supply of up to 180 mmscfd of gas to IPPs for over 13 years of plateau period under a long-term take-or-pay contract. This supply is enough to generate 1.1GW of power on combined cycle basis

The Sankofa-GyeNyame Gas Project is the largest FDI in Ghana to date, and is the largest single gas project in Sub-Saharan Africa in recent years

In view of the progress made to date, there is the need to establish local market for OCTP gas - main driver of the Gas Project. For this, IPPs are expected to play significant and continued role in the country's electricity generation as demand grows.

I am happy to announce that IPPs have expressed strong interest in procuring OCTP gas from GNPC.

## **The LNG Option**

GNPC and Quantum Power, the pan-African energy infrastructure investment platform, early this year announced an agreement on Heads of Terms for the construction and operation of liquefied natural gas (LNG) storage, regasification and delivery facilities at Tema,, Ghana (the "Tema LNG Project"). Construction is expected to commence before the end of this year.

The Tema LNG Project, comprising a capital outlay of over \$550 million, will be implemented on a build-own-operate-transfer (BOOT) basis with the assets transferring to GNPC after the Project's 20-year term.

Importing LNG is necessary to complement security of gas supply in Ghana.

## **Conclusion**

GNPC is implementing an accelerated growth strategy to enable us realise our vision to be a leading global oil and gas company whose operations have a profound impact on Ghanaians.

We shall play our part in ensuring that the entire oil and gas value chain is robust so we are able to monetize our gas domestically to meet the energy needs of the country, and the sub-region. We will continue to work closely with other stakeholders to deliver a robust and sustainable value chain.

Ghana offers a stable and predictable investment environment for private power investments to expand its generation capacity cost-efficiently and rapidly.

Energy has become a national priority amidst recent power challenges fraught with persistent power outages that hindered economic development. GNPC stands ready and willing to engage with and partner investors in exploring opportunities in the sector.

I thank you all very much for your attention.