BANK OF GHANA

PETROLEUM HOLDING FUND & GHANA PETROLEUM FUNDS

SEMI ANNUAL REPORT: January 1 – June 30, 2015

Jubilee Oil Field

CONTENTS

ABBREVIATIONS:

ABFA:	Annual Budget Funding Amount
bbl/d:	barrels per day
bbls:	barrels of oil
bopd.	barrels of oil per day
CAPI:	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
GPFs:	Ghana Petroleum Funds
GSF:	Ghana Stabilisation Fund
GNPC:	Ghana National Petroleum Corporation
mb/d:	Million barrels per day
PCE:	Personal Consumption Expenditure
PHF:	Petroleum Holding Fund
PRMA:	Petroleum Revenue Management Act 2011 (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), (b) the Bank of Ghana reports on the performance and activities of the PHF, and GPFs for the first half of 2015 (H1) ended June 30, 2015.

2. CRUDE OIL LIFTING & ALLOCATION

During H1 2015 an amount of US$274.47million was received into the PHF. This comprised US$274.09 million being proceeds of the five liftings (see Table 1) undertaken by the Ghana Group, and US$0.38 million from royalties and surface rentals and interest earned on undistributed lifting proceeds.

TABLE: 1 PETROLEUM HOLDING FUND RECEIPTS Jan - Jun 2015						
NARRATION						
LIFTINGS	**23rd Lifting****	**24th Lifting****	**25th Lifting**	**26th Lifting**	**27th Lifting*****	**Total**
LIFTING DATE	9-Dec-14	28-Dec-14	5-Feb-15	25/3/2015	26/06/2015	
BIll OF LADING QUANTITY	912,346	995,165	986,276	988,069	948,230	**4,830,086**
		(US$)	(US$)	(US$)	(US$)	**(US$)**
LIFTING PROCEEDS	56,096,476.16	54,239,478.00	49,937,126.43	52,422,988.86	61,395,996.04	**274,092,065.49**
Other Receipts Distributed with Liftings*	5,154.31	21,455.66	1,537.11	4,508.78	342,856.31	**375,512.17**
TOTAL	**56,101,630.47**	**54,260,933.66**	**49,938,663.54**	**52,427,497.64**	**61,738,852.35**	**274,467,577.66**

* Other Petroleum Reciepts includes Royalties, Surface Rentals shown in Table 4

** Lifting completed in H2 2014, proceeds received in H1 2015

*** Yet to be distributed

Total amount distributed from the PHF in H1 was US$213.60, including US$0.868 million being other income received in December 2014, leaving an undistributed amount of US$61.73 million in the PHF account (See Schedule 1 below).

TABLE: 2 PETROLEUM HOLDING FUND ALLOCATIONS JAN - JUN 2015						
NARRATION						
LIFTINGS	**23th Lifting***	**24th Lifting**	**25th Lifting**	**26th Lifting**	**27th Lifting****	
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
RECEIPTS	**56,970,347.74**	**54,260,933.66**	**49,938,663.54**	**52,427,497.64**	**61,738,852.35**	**275,336,294.93**
ALLOCATION:						
ANNUAL BUDGET FUNDING AMOUNT	42,506,514.97	32,510,175.77	33,857,115.82	38,389,227.12		**147,263,033.68**
GNPC	14,463,832.76	21,750,757.89	16,081,547.72	14,038,270.52		**66,334,408.89**
GHANA STABILISATION FUND						**-**
GHANA HERITAGE FUND						**-**
TOTAL	**56,970,347.73**	**54,260,933.66**	**49,938,663.54**	**52,427,497.64**		**213,597,442.57**

***Proceeds received in H2 of 2014. Disribution done in H1 of 2015**

**** Yet to be distributed**

Table 3 below shows a comparative analysis of the allocations for H1 2015 versus H2 2014. Total amount received by ABFA for H1 was US$147.26 million. ABFA H1 target of US$360.91 million was not met (based on the annual ABFA projection of US$721.82 million). GNPC received an amount of US$66.33 million for CAPI and EFC in H1 2015 compared to US$100.19 million in H2 2014. The

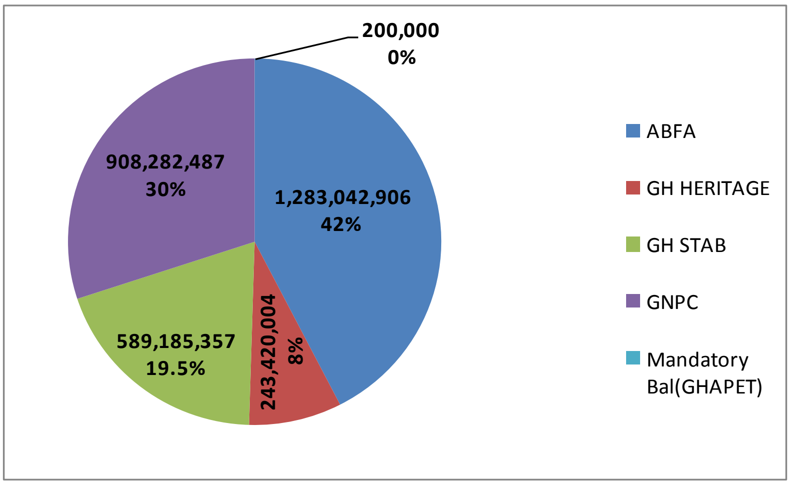
Ghana Stabilisation Fund and the Ghana Heritage Fund received no inflows in the period under review, as compared to US$150.55 million and US$$64.52 million respectively for H2 of 2014.

TABLE 3: PETROLEUM HALF YEARLY ALLOCATION FOR 2015 H1 & 2014 H2

	ALLOCATION				
H1 (2015)	**GNPC**	**ABFA**	**STAB**	**HERT**	**TOTAL**
	US$	**US$**	**US$**	**US$**	**US$**
FEB	14,463,832.76	42,506,514.97			56,970,347.73
MAR	21,750,757.89	32,510,175.77			54,260,933.66
APR	16,081,547.72	33,857,115.82			49,938,663.54
MAY	14,038,270.52	38,389,227.12			52,427,497.64
TOTAL	**66,334,408.89**	**147,263,033.68**	**-**	**-**	**213,597,442.57**
H2 (2014)					
JUL	31,931,648.66		50,627,342.91	21,697,432.68	104,256,424.25
AUG	24,471,694.21	102,268,194.45	63,590,269.69	27,252,972.72	217,583,131.07
NOV	21,125,681.41	76,467,893.22			97,593,574.63
DEC	22,659,116.57	25,800,301.23	36,328,181.14	15,569,220.49	100,356,819.43
TOTAL	**100,188,140.85**	**204,536,388.90**	**150,545,793.74**	**64,519,625.89**	**519,789,949.38**

Figure 1 below shows the allocation of funds since first lifting in 2011. Total lifting proceeds and other income allocated from inception to the end of June 2015 amounted to US$3.02 billion. ABFA received a total of US$1.283 billion representing 42% of the total revenue while GNPC received a total amount of US$908.28 million equivalent to 30% of total revenue. GSF and GHF had each received an amount of US$589.19 million (20%) and US$243.42 million (8%) respectively.

Figure 1: ALLOCATION OF GHANA GROUP PROCEEDS FROM INCEPTION



Source: Bank of Ghana.

3. WITHDRAWAL FROM GHANA STABILISATION FUND

In line with section 12(2b) of the PRMA, Act 815, the allocation to ABFA from the Petroleum revenue collected was less than one quarter of ABFA in both Q1 and Q2 2015. An amount of US$53.69 million was withdrawn and transferred to the ABFA account in respect of Q1 shortfall.

4. DETAILS OF OTHER RECEIPTS

Other petroleum receipts comprising surface rentals and interest earned on undistributed funds received in H1 2015 amounted to US$0.38 million (see Table 4 below). Of this amount, surface rental totaled US$0.36 million and interest on undistributed funds was US$0.02 million.

TABLE 4. SURFACE RENTALS, ROYALTIES & TAX RECEIPTS JUL - DEC 2014

Value Date	Ordering Institution	Narration	Amount Paid
12-Feb-15	SURFACE RENTAL	KOSMOS	17,797.20
20-May-15	SURFACE RENTAL	ENI GHANA EP LTD	22,600.00
28-May-15	SURFACE RENTAL	AMNI INTL PETROLEUM DEV	13,974.00
28-May-15	SURFACE RENTAL	HESS GH EXP	150,750.00
10-Jun-15	SURFACE RENTAL	CAMAC ENERGY GH LTD	73,422.50
12-Jun-15	SURFACE RENTAL	MEDEA DEV INT LTD	78,250.00
	TOTAL		**356,793.70**
12-Jan-15	PHF INCOME	PHF INCOME	5,154.31
20-Mar-15	PHF INCOME	PHF INCOME	3,658.36
20-Mar-15	PHF INCOME	PHF INCOME	1,537.11
21-May-15	PHF INCOME	PHF INCOME	4,508.78
21-May-15	PHF INCOME	PHF INCOME	3,859.81
	TOTAL		**18,718.37**
	GRAND TOTAL		**375,512.07**

5. PORTFOLIO PERFORMANCE

In HI 2015 the US economic recovery stalled somewhat amid weakness that caused the FOMC to delay monetary policy normalization beyond June 2015. Based on its assessment of realized and expected progress towards its objectives of 2% inflation and maximum employment the FOMC maintained the target range of the federal funds rate at 0 to 0.25%. The FOMC stated that the conditions warranting an increase in the target range for the federal funds rate had not yet been met. Inflation continued to run below the FOMC's longer run objective. The PCE index fell to 0.2% in H1 2015 from 0.8% in H2 2014. The pace of labour market recovery towards the FOMC's objective of maximum employment slowed. Unemployment rate fell to 5.3% in June 2015 from 5.6% in December 2014. However, change in Non-farm payrolls missed economists' estimate printing 223,000 instead of 233,000. The labour force participation rate also dropped from 62.7% in December 2014 to 62.6% in June 2015, the lowest since October 1977. Average hourly earnings dropped from an average of 2.28% in December 2014 to 1.9% in June 2015. The pace of recovery in the housing sector was mixed. Economic activity slowed in H1 2015. Industrial production on a year on year basis declined to 1.3% in June 2015 from 4.6% in December 2014, capacity utilization fell to 77.8%% in June 2015 from 79.0% in December 2014, and durable goods orders fell to -0.6% from 1.1% over the same period.

In spite of softer data, the US Treasury yield curve bear steepened due to repricing of bond risk premia, rising yields in core euro area, and deteriorating liquidity being the result of regulatory changes, and changes in internal risk management. The 10-year yield ended H1 2015 at 2.35% as compared to 2.17% end H2 2014 while the 2-year yield ended H1 2015 at 0.64% as compared to 0.66% at the end of H2 2014.

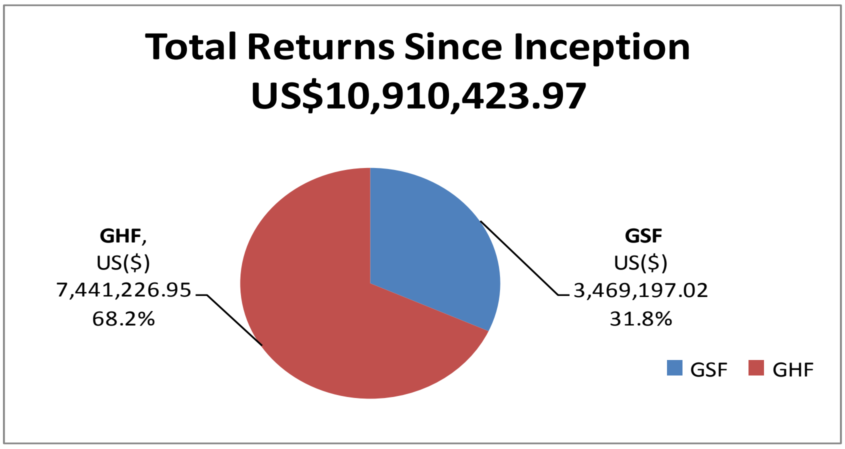
In H1 2015 the ECB kept the key interest rates unchanged with the main refinancing operations of the Eurosystem at 0.05% and the rate on the deposit facility at -0.20%. The ECB started an expanded asset purchase programme of €60 billion per month, on March 9. It noted that the monetary policy measures are working their way through to the economy and are contributing to economic growth, a reduction in economic slack, and money and credit expansion.

In Q2 the portfolios of the Ghana Petroleum Funds (GPFs) were adversely affected by the bear steepening of the US Treasury yield curve. Return on the investment of Ghana Heritage Fund (GHF) for H1 was -0.54% while that for Ghana Stabilisation Fund (GSF) was 0.47%. In comparison, H2 2014 returns on GHF and GSF were 5.37% and 1.47% respectively. At the end of H1 2015, net return on investment of the Ghana Petroleum Funds since inception was US$10.91 million compared to US$8.64 million in H2 of 2014. (fig.2)

Table 5:

Returns	Total Return year to date		
	Portfolio(%)	Stabilisation (%)	Heritage(%)
Jun-14	2.64	1.47	5.37
Jun-15	0.167	0.47	-0.54

Figure 2: RETURN ON THE GHANA PETROLEUM FUNDS FROM INCEPTION



6. PETROLEUM HOLDING FUND

The Petroleum Holding Fund Account (PHF) at the end of H1, held a balance of US$61.93 million which comprised undistributed petroleum receipts amounting to US$61.73 million and a mandatory balance of US$200,000.00. (See Schedule 1 attached).

7. SUMMARY

In H1 2015, a total amount of US$213.60 million made up of lifting proceeds of the Ghana Group, surface rentals, PHF income was distributed. GNPC received US$66.33 million, ABFA received US$147.26million, GSF and GHF did not receive any allocation during the period under review. GHF and GSF returned -0.54% and 0.33% respectively.

8. OUTLOOK FOR SECOND HALF 2015

During the first half of 2015 economic recovery in the US stalled somewhat with GDP dropping to -0.2% in Q1 (Q2 GDP yet to be released) due to a number of headwinds which could persist into the second half of 2015. The US dollar has appreciated rapidly reflecting the prospect of FOMC rate hike and portfolio shifts to US dollar assets. The continued appreciation of the currency will lead to export stagnation and widen the trade deficit. Average hourly earnings have been weak as a result of the size of the remaining employment gap, and price inflation has been tepid, dragged down by lower energy prices. As energy prices continue to fall due to record supply from Saudi Arabia and rising US stockpiles as well as potential return of Iranian oil to the market, price inflation could remain muted in the medium term. Overall, the employment gap in advanced economies, lower commodity prices in low-income countries, a sharper-than-expected slowdown in China and the Greek crisis will dampen global growth. These headwinds will adversely affect the recovery of the US economy, delaying and or slowing the trajectory for monetary policy normalisation. These factors would inform the strategy adapted for the investment of the Ghana Petroleum Funds.

Prepared by Ghana Petroleum Funds Secretariat, Bank of Ghana

July 14, 2015

Schedule 1				
PETROLEUM ACCOUNT AT FEDERAL RESERVE BANK OF NEW YORK				
	Date	Volume Shipped (BBLS)	Value of Shipment (US$)	
LIFTING PROCEEDS				
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	
8-Jan-15	23rd Lifting	912,346	56,096,476.16	
24-Feb-15	24th Lifting	995,165	54,239,478.00	
6-Mar-15	25th Lifting	986,276	49,937,126.43	
24-Apr-15	26th Lifting	988,069	52,422,988.86	
25-Jun-15	27th Lifting	948,230	61,395,996.04	
Total				**2,579,859,323.73**
OTHER RECEIPTS				
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	
6-Feb-15	SURFACE RENTAL	KOSMOS	17,797.20	
13-May-15	SURFACE RENTAL	ENI GHANA EP LTD	22,600.00	
20-May-15	SURFACE RENTAL	AMNI Intl Petroleum Dev Co Ltd	13,974.00	
22-May-15	SURFACE RENTAL	HESS GH EXP	150,750.00	
5-Jun-15	SURFACE RENTAL	CAMAC ENERGY GH LTD	73,422.50	
9-Jun-15	SURFACE RENTAL	Medea Development International Ltd	78,250.00	
12-Jan-15	PHF INCOME	PHF INCOME	5,154.31	
20-Mar-15	PHF INCOME	PHF INCOME	3,658.36	
20-Mar-15	PHF INCOME	PHF INCOME	1,537.11	
21-May-15	PHF INCOME	PHF INCOME	4,508.78	
Total Other Receipts				506,006,452.36
Total Lifting Proceeds and Other Income				**3,085,865,776.09**
DISTRIBUTIONS				
GNPC EQUITY FINANCING COST				
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	
13-Feb-15	23rd Lifting		3,314,779.94	
11-Mar-15	24th Lifting		14,298,917.29	
9-Apr-15	25th Lifting		7,530,550.65	
29-May-15	26th Lifting		3,842,828.65	
				(398,584,312.47)
GNPC - CAPI				
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	
13-Feb-15	23rd Lifting		11,149,052.82	
11-Mar-15	24th Lifting		7,451,840.60	
9-Apr-15	25th Lifting		8,550,997.07	
29-May-15	26th Lifting		10,195,441.87	
				(509,698,204.40)
ANNUAL BUDGET FUNDING AMOUNT				
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	
13-Feb-15	23rd Lifting		42,506,514.97	
11-Mar-15	24th Lifting		32,510,175.77	
9-Apr-15	25th Lifting		33,857,115.82	
29-May-15	26th Lifting		38,389,227.12	
				(1,283,042,905.80)
GSF AND GHF				
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	
13-Feb-15	23rd Lifting		-	
11-Mar-15	24th Lifting		-	
9-Apr-15	25th Lifting		-	
29-May-15	26th Lifting		-	
				(832,605,360.63)
Undistributed Funds (June 30, 2015)				**61,934,992.79**

SCHEDULE 2:

Ghana Petroleum Funds Values at end of H1, 2015

GHANA PETROLEUM FUNDS

GHANA STABILISATION FUND ACCOUNT	
	US$
Opening book Value (1 Jan 2015)	286,644,044.38
Receipt during the period	
Bank Charges	**(3,757.26)**
Income from Investments	329,578.28
Withdrawal	**(53,685,578.98)**
Closing book Value (30 Jun 2015)	**233,284,286.42**
Net Income for 1st Half of 2015 comprised the Following	
INCOME	**US$**
Investment Income	329,578.28
Less:	
Bank Charges	**(3,757.26)**
Net Return for the Period	**325,821.02**

GHANA HERITAGE FUND ACCOUNT	
	US$
Opening book Value (1 Jan 2015)	248,915,219.57
Receipt during the period	
Bank Charges	**(7,396.39)**
Income from Investments	1,953,407.25
Closing book Value (30 Jun 2015)	**250,861,230.43**
Net Income for the 1st Half of 2015 comprised the Following:	
INCOME	**US$**
Investment Income	1,953,407.25
Less:	
Bank Charges	**(7,396.39)**
Net Return for the Period	**1,946,010.86**