

Ghana Energy, Extractives & Infrastructure 2024 Outlook

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Introduction

Ghana's Minister for Finance in the 2024 Budget Statement and Economic Policy (the 2024 Budget), stated that 2023 was a year of economic stabilisation and recovery for the country following government's negotiation and commencement of an International Monetary Fund (IMF) Extended Credit Facility (ECF) programme, debt restructuring, among other reforms and programmes.

Notable events in the energy and extractives sectors for 2023 included the relocation of the Ameri power plants to Kumasi; completion of phase 1 of the construction of the Early Power Project; granting of the country's first lithium mining lease; introduction of the Gold for Oil (G4O) policy; the pouring of first oil from the Jubilee South-East area offshore Ghana, which is expected to add 300,000 barrels of oil per day (bopd) to production from the Greater Jubilee field, resulting in an aggregate production of over 100,000 bopd; the acquisition by Africa Finance Corporation (AFC) of Aker Energy's interest in the Deep Water Tano/Cape Three Points (DWT/CTP) block; government's approval of the plan of development in respect of the Pecan discovery in the DWT/CTP block; and the plugging of all 6 wells designated for the decommissioning of the Saltpond oil field.

In the infrastructure sector, several construction projects and programmes relating to sanitation and water resources, works and housing, roads and highways, railway development, communication and digitalisation, and transport, were either commenced, progressed or completed. These included the:

- launching of the electric vehicle policy;
- development of a water safety plan by the Ministry of Sanitation and Water Resources;
- commencement of the implementation of the National Rental Assistance Scheme; progression with phase 2 of the Tema Motorway Roundabout project;
- completion of several priority infrastructure projects under the Sinohydro deal; and
- construction of an oil and gas services terminal to serve as a one-stop shop logistics support base for offshore oil and gas operations as part of the strategic development of the Takoradi Port.

In terms of legislation, the laws relevant to the energy, extractives and infrastructure sectors that came into force in 2023 are:

Value Added Tax (Amendment) Act 2023 (Act 1107) – amended the Value Added Tax Act, 2013 (Act 870) to

- provide for a 5% flat rate on the rental of commercial premises other than commercial rental establishments;
- provide for a 5% flat rate of tax on the supply of immovable property by an estate developer;
- extend the zero tax rate for locally manufactured textiles and vehicles;
- introduce a zero rate for locally manufactured sanitary towels;
- waive the tax on electric vehicles for public transportation;
- review the exemptions for specified goods and services and provide for related matters;

Stamp Duty (Amendment) Act, 2023 (Act 1109) - amended the Stamp Duty Act, 2005 (Act 689) to review the stamp duty rates on specified instruments to reflect current economic realities;

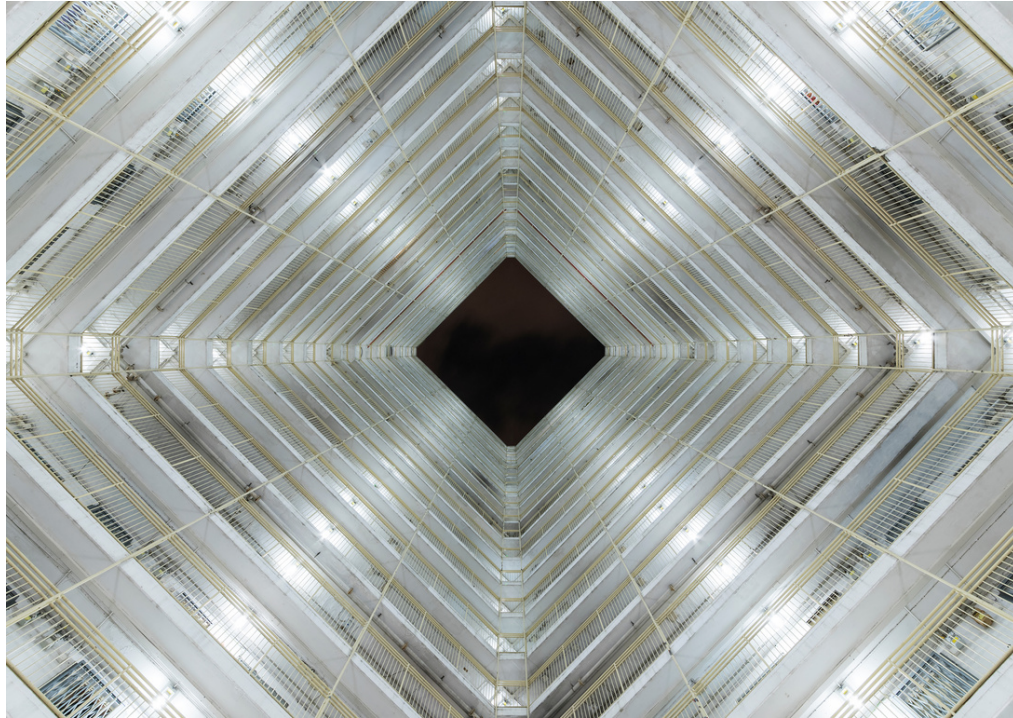
Income Tax (Amendment) Act, 2023 (Act 1094) - amended the Income Tax Act, 2015 (Act 896) to

- revise the rates of income tax for individuals and introduce an additional income tax bracket;
- introduce a withholding tax rate on the realisation of assets and liabilities and on winnings from lottery;
- revise the treatment of foreign exchange losses and unrelieved losses;
- revise the upper limits for the quantification of motor vehicle benefits and provide for related matters;

Income Tax (Amendment) (No.2) Act, 2023 (Act 1111) - amended the Income Tax Act, 2015 (Act 896) to revise the rates of income tax for individuals;

Growth and Sustainability Levy Act, 2023 (Act 1095) - imposed the Growth and Sustainability Levy to raise revenue for the growth and fiscal sustainability of the economy and to provide for related matters. The levy is imposed on upstream and downstream petroleum companies, mining companies, support services companies, and all other businesses; and

Emissions Levy Act, 2023 (Act 1112) – imposed an emissions levy on carbon dioxide equivalent emissions from internal combustion engine vehicles and specified sectors including the construction, manufacturing, mining, oil and gas, and electricity and heating sectors.



Outlook & Projections

Given the modest levels of recovery experienced by the Ghanaian economy in the past year, the government has indicated that it intends to launch a recovery, stability, and growth program in 2024. We expect this agenda to largely influence economic activities this year, notably in the energy, extractives, and infrastructure sectors. However, we anticipate that the upcoming 2024 general elections will have a significant impact on government spending for the year.

Additionally, we would expect that the ongoing IMF programme would significantly impact the relevant aspects of the economy such as production, distribution and consumption of goods and services in the energy, extractives and infrastructure sectors, as would the global efforts at energy transition, as was noted in our outlook for 2023.

Our outlook and projections for 2024 are discussed under commercial and legal/regulatory/policy subheadings.

Commercial

Renewable Energy Initiatives

Following the signing of Ghana's first mining lease for lithium exploitation, Atlantic Lithium expects to make the mine operational within 24 months of Parliament's approval. Parliament is expected to ratify the mining lease in the course of the year, to pave the way for the development of the mine.

Commencement of exploration activities in the DWCTP block

On the sidelines of the COP28, the government announced that GOIL Upstream Ghana Limited (GOIL) and Planet One Group had signed a farmout agreement and joint operating agreement in connection with the assignment of interests in the Deepwater Cape Three Points (DWCTP) block to Planet One Group. Planet One Group and GOIL are expected to start exploration activities as soon as the deal is approved by the government in fulfilment of their contractor duties under the petroleum agreement. Following ExxonMobil's departure from the project, there have been no exploration activities on the block. Planet One Group's acquisition of stakes and anticipated investments in the block is good news for the industry, which has begun to experience diminishing levels of production.

Combination of the Jubilee and TEN gas sales agreements

Upon completion of the negotiation of the deal terms, the Jubilee partners are expected to execute a gas sales agreement with GNPC to combine the gas sales agreements in respect of the associated gas productions from the Jubilee and Tweneboa Enyenra Ntomme (TEN) fields. The combined gas sales agreement would require an amendment and update to the gas utilisation plans in the existing plans of development for the Jubilee and TEN fields. A successful conclusion of the combined gas sales agreement would ensure that Ghana meets its fuel needs for power generation and other industrial purposes.

Development of the Pecan field

Following the AFC's acquisition of major stakes in the DWT/CTP block which houses the Pecan discovery, an updated plan of development and operation was presented and approved by the government. The development of the field is, therefore, expected to commence leading to a projected pour of first oil in 2026. Given the recent dwindling levels of investment and activity in greenfield projects in the industry, the development of the Pecan field is expected to revitalise and bring a much-needed boost to the industry.

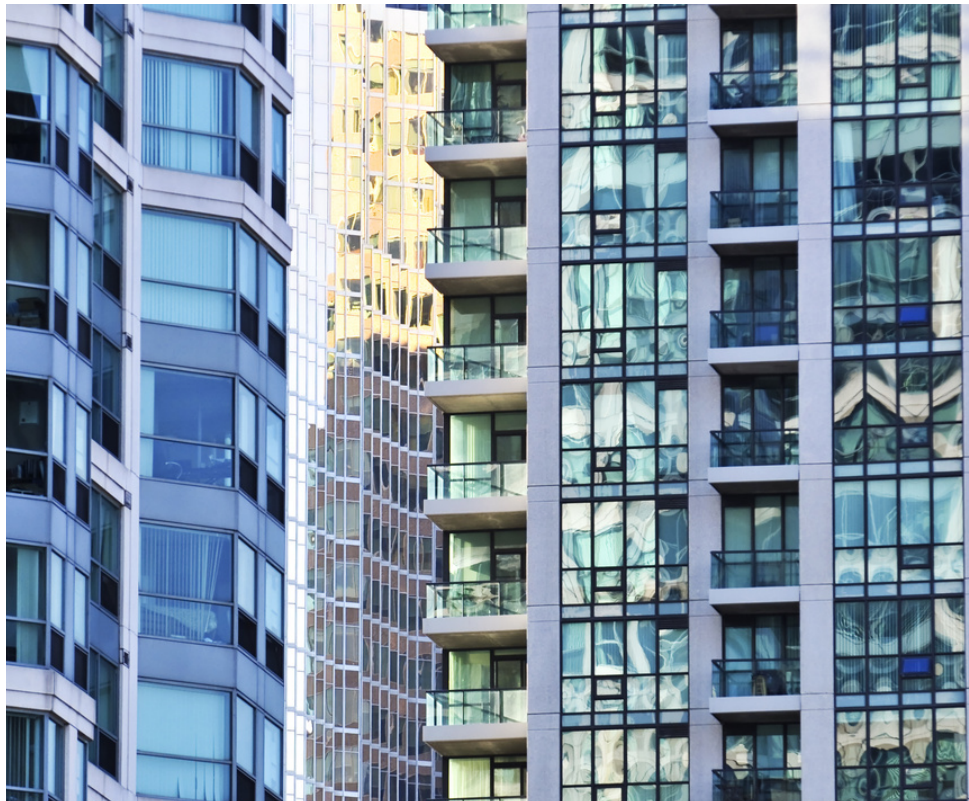
Commencement of infrastructural projects

The government's intended areas of focus for infrastructure development include water resource management; management of protected areas; coastal and marine erosion; provision of transport infrastructure; information and communication; construction industry development; drainage and flood control; infrastructure maintenance; rural and urban development management; and disaster management.

Affordable housing projects

It is expected that the Ministry of Works and Housing will complete administrative processes for the commencement of work on the National Affordable Housing Project at Dedesua in the Ashanti Region. Furthermore, the government may provide free unencumbered land and infrastructure at the site while procuring construction companies to build and sell the housing units to members of the public.

The Dedesua project will complement ongoing affordable housing initiatives including construction of housing units under the Security Services Housing Programme, the Kpone Affordable Housing Programme, and the Revised National Affordable Housing Programme at Pokuase.



Health sector infrastructural projects

Government is expected to continue ongoing projects in Ghana's health sector such as the construction of the Urology and Nephrology Centre of Excellence at Korle Bu Teaching Hospital and the construction of hospitals across the country. Following the renegotiation of the contract terms for the La General Hospital project, the project is expected to finally kick-off.

Construction of Engineered Sanitary Landfills and Materials Recovery Facility

The detailed engineering design, and environmental and social impact assessment reports of the proposed landfill in the Ga West Municipality is at the final review stage. It is expected that the proposed construction of the Engineered Sanitary Landfill and Materials Recovery (ESLMR) facility under the Greater Accra Resilient and Integrated Development (GARID) Project will commence. Similarly, we expect that the proposed construction of the ESLMR facility under the GARID Project in the Ga East Municipality will begin, in addition to the routine dredging of the Odaw basin.

Reconstruction of the Accra-Tema Motorway

The concession agreement for the reconstruction of the Accra-Tema Motorway through a public-private partnership with the Ghana Infrastructure and Investment Fund (GIIF) has been negotiated and will be submitted to Parliament for approval. The project involves strengthening 4 concrete lanes and building 6 urban highway lanes on the motorway; reconstructing the highway from Tetteh Quarshie to Apenkwa; remodeling the Tetteh Quarshie, Apenkwa, and Achimota interchanges; building new interchanges at Lashibi, Abattoir, Teshie Link, Fiesta Royale, and Neoplan junctions; and constructing pedestrian footbridges, toll plazas, and streetlights. The government is expected to invest US\$380 million in the project.

Development of Tema arterial roads

Preparatory works are expected to commence for the development of Tema arterial roads to improve the Tema Hospital Road to serve the expanded Tema Port.

Legal/Regulatory and Policy



Tax Reforms

Expected tax reforms include the alignment of Value Added Tax (VAT) and customs laws to address the disparity in VAT on local and imported products and align the relevant VAT rates. This alignment, will hopefully ensure similar products, whether imported or locally manufactured, attract the same tax, eliminating current market distortions and promoting local manufacturing.

Programmes and measures in the energy and extractives sectors

It is envisaged that the Gold for Oil (G4O) programme, which was, on the back of the Bank of Ghana's domestic gold purchase programme, introduced to provide foreign exchange financing for the importation of petroleum products, will be scaled up to cover 50% national consumption as indicated in the 2024 Budget. However, in a contrary report, the Bank of Ghana has hinted of a phasing out of the G4O programme. According to the Bank of Ghana, the programme was introduced as a "crisis management policy" i.e., to curb the rapid rate of depreciation of the Ghana Cedi and the rising prices of fuel at the pumps. Given the recent stability levels of the Cedi, the Bank of Ghana believes the G4O programme has achieved its purpose and is no longer necessary.

Government-led programmes relating to energy access and clean energy such as the Ghana Nuclear Power Programme, Scaling-up Renewable Energy Project and the Solar Lantern Distribution Programme are expected to continue.

The government is also expected to begin the formalisation of the agreements with mining companies and mining related industries to fund and commence the rehabilitation of roads in the mining enclaves in selected communities.

Programmes and measures in the infrastructure sector

The government is likely to continue with existing infrastructure programmes and measures such as the rehabilitation and expansion of water supply systems, and uncompleted projects under the National Flood Control Programme. The fortnightly water quality monitoring assessment programme is scheduled to continue, and water guards will be employed to patrol the river bodies to improve the regulation, management, and governance of the river bodies.

The National Rental Assistance Scheme, which presently covers six (6) regions, is expected to be expanded to cover ten (10) out of sixteen regions.

Policy guidelines for management of public lands

The Lands Commission is expected to issue a public land policy document which will subsequently be incorporated in a revised national land policy. The policy document will serve as a guide for the management of public lands in Ghana and review existing guidelines for regulating the acquisition, allocation or release of public lands to cater for contemporary land management and administration matters.

Legislative Reforms

Amendment of the Ghana Investment Promotion Centre Act, 2013 (Act 865)

Government proposes to amend the Ghana Investment Promotion Centre Act, 2013 (Act 865) to empower the Ghana Investment Promotion Centre (GIPC) to play a proactive role in attracting and retaining FDIs. This is to be achieved by leveraging government's initiatives to align with international best practices, following the fall in foreign direct investments (FDI) flows to Ghana as indicated in the United Nations Conference on Trade and Development World Investment Report 2023. It is expected that the proposed review of the GIPC Act will make Ghana a more competitive and attractive investment destination for FDI.

Amendment of the National Petroleum Authority Act, 2005 (Act 691)

There is expected to be an amendment to the National Petroleum Authority Act, 2005 (Act 691), to provide for the promotion, monitoring and enforcement of Ghanaian content and Ghanaian participation in the petroleum downstream industry.

Enactment of the Ghana National Roads Authority Bill

Following Cabinet's approval for the establishment of the Ghana National Roads Authority in 2023, it is expected that the Ghana National Roads Authority Bill will be submitted to Cabinet and Parliament for consideration and approval. The Ghana National Roads Authority Bill aims to establish the Ghana National Roads Authority as a unified body comprising the Ghana Highway Authority and the Departments of Urban and Feeder Roads, responsible for planning, development, maintenance and management of major roads in Ghana, including trunk, arterial, collector, district and inter-district roads.

Enactment of the Rent Bill

Following Cabinet's approval of the Rent Bill, it is expected that the Rent Bill will be submitted to Parliament for consideration and approval, and passed into law. The Rent Bill when enacted will consolidate the law on rent; reform the existing enactments on rent; remove the inherent constraints on housing supply; offer incentives to stimulate private sector investment in the rental housing sector; maintain the protection of low-income and vulnerable tenants from abuse and arbitrary actions and provide for related matters.

Construction industry

The Construction Industry Development Authority (CIDA) Bill, the Condominium Bill and the Ghana Housing Authority Bill, are yet to be passed despite the predictions in our outlook for 2023. These bills are therefore still in the pipeline and may be passed this year.

The CIDA Bill when passed will establish CIDA to regulate the construction industry and is expected to bring sanity and professionalism into the construction industry in light of the escalation of substandard buildings in the country. The Condominium Bill, when passed into law, will regulate shared ownership of common areas which has arisen due to increasing demand for development of high rise and compact properties and the need to maximise limited land space. On the other hand, the Ghana Housing Authority Bill when enacted will establish the Ghana Housing Authority to serve as a regulator in the housing sector and to plan, develop and manage housing development in Ghana.



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