

MINISTRY OF ENERGY



Republic of Ghana

**Local Content and Local Participation in
Petroleum Activities –
*Policy Framework***

FEBRUARY 26th, 2010

Table of Content

1.0	Policy Context.....	2
2.0	Policy Goal.....	4
3.0	Vision and Policy Framework.....	4
4.0	Policy Objectives.....	5
5.0	Policy Directions.....	6

1.0 Policy Context

Oil and Gas Development in Ghana

In 2007 Ghana made discoveries of oil and gas in two deepwater blocks: Cape Three Points and Tano by Kosmos Energy and Tullow respectively. The two discoveries, referred to as the “Jubilee Field”, is operated by Tullow as a unitised field. Appraisals conducted indicate that the field contains expected recoverable reserves of about 800 million barrels of light crude oil, with an upside potential of about 3 billion barrels as well as significant quantities of associated natural gas. The discovery of commercial quantity of oil and gas provides Ghana an opportunity to effectively reduce foreign exchange requirements for the importation of oil as well as increase the country’s export earnings and to also develop gas-based industries. The expectation of Ghanaians as to the potential impact of the oil and gas find on the national economy and the individual Ghanaian has grown significantly.

Government Development Agenda

A key development objective of Government is to grow the economy to rapidly achieve accelerated development and industrialisation. The oil and gas industry is known to contribute significantly to the strong economic growth of countries that produce oil and gas. It is anticipated that the development of the oil and gas industry will be a source of accelerated growth, poverty reduction and general prosperity to the people of Ghana. The active involvement of Ghanaians in the oil and gas development, through local content¹ and participation, has become a major policy issue.

¹ Local Content and participation refers to the level of use of Ghanaian local expertise, goods and services, people, businesses and financing in oil and gas activities.

Challenges

The production of the oil and gas will contribute to the socio-economic development of Ghana and indeed bring prosperity to Ghanaians. It is the desire of the Government and people that the control as well as the benefits from the oil and gas discovery and production will remain with Ghanaians. This desire is however constrained by limitations in the following areas:

- (i) Finance;
- (ii) Human resource capacity; and
- (iii) Technology.

Recognising this fact, the goal of developing a local content and participation policy is to define actions that will ensure that the constraints/challenges are resolved to enable Ghanaians take control and thus maximise the benefits to them and by the Ghanaian state.

The major challenges regarding the Upstream petroleum sub-sector are therefore:

- How to develop the oil and gas industry with optimal local content and participation, enhance national development, create jobs;
- How to manage effectively the potential revenue from oil and gas production and processing;
- How to ensure security for the oil and gas installations and the industry as a whole; and
- How to ensure environmental sustainability.

2.0 Policy Goal

Within the context of the challenges, Government is committed to:

- exploiting of the country's oil and gas endowment sustainably;
- managing oil and gas revenue judiciously for the overall benefit and welfare of all Ghanaians, including future generations;
- attracting increased local value-added investments in the oil and gas sector;
- creating job opportunities in the oil and gas and related industries; and
- indigenizing knowledge, expertise and technology in the oil and gas and related industries.

These actions will lead to the creation of self-sustaining and buoyant economy.

3.0 Vision

The Government of Ghana is committed to deploying an effective local content and local participation policy as the platform for achieving the goals for the oil and gas sector with full local participation in all aspects of the oil and gas value chain of at least 90% by 2020.

To this end, Government shall seek to provide the enabling environment and opportunities for Ghanaians to benefit from the economic wealth that emanates from the activities in the oil and gas industry through participation of Ghanaians in the ownership, operations, control and management.

4.0 Policy Objectives

The key policy objectives to be attained under the Local Content Platform are to:

- *Maximise the benefits of oil and gas wealth generation on a comprehensive local content platform by maximizing the use of local expertise, goods and services, job creation for people, businesses and financing in all aspects of the oil and gas industry value chain and retention of the benefit within Ghana;*
- *Develop local capability in all aspects of the oil and gas value chain through education, skills and expertise development, transfer of technology and know-how and an active research and development portfolio;*
- *Achieve a degree of influence or control over development initiatives for local/domestic stakeholders;*
- *Achieve at least 90 percent local content and local participation in all aspects of oil and gas industry value chain within a decade;*
- *Increase capabilities and international competitiveness of domestic businesses and industrial sectors; and*
- *Create oil and gas and related supportive industries that will sustain economic development.*

5.0 Policy Directions

The policy objectives will be attained within the context of the following actions:

5.1 *Mandatory Local Content in Oil and Gas Development*

All regulatory authorities, operators, contractors, sub-contractors and any other entities involved in any project, operations, activity or transaction in Ghanaian Oil and Gas Industry shall consider local content as an important element in their project development and management philosophy for project execution. Every project, operation, activity or transaction must have a Annual Local Content Plan. Such a Plan shall include all aspects of the Local Content framework discussed in this document and shall be assessed and revised annually.

The implementation of the Local Content philosophy shall ensure measurable and continuous growth of Ghanaian participation in all aspects of the operations.

5.2 *Interest of a citizen of Ghana in Petroleum Exploration, Development and Production*

Government is committed to ensuring Ghanaian citizens participate in the ownership of businesses in the oil and gas industry. In this regard, the policy objective of Government is to give first consideration to Ghanaian independent operators in the award of oil blocks, oil field licenses, oil lifting licenses and in all projects for which contract is to be awarded in the Ghanaian oil and gas industry save that they must fulfil such conditions as the Minister will specify.

In the case of non-Ghanaian ownership and operations, the entity must provide for the participation of a citizen of Ghana in an interest of at least five percent in the exploration and production activities under petroleum licenses.

The interest of the citizen of Ghana shall not be transferable to a non-citizen of Ghana.

5.3 *Provision of goods and services by national entrepreneurs*

In order to ensure increased financial benefits to Ghanaians, and the Ghanaian state, all operators in the oil and gas industry, shall as far as practicable use goods and services produced by or provided in Ghana for their operations in preference to foreign goods and services. The Operators shall give priority to the purchase from citizens of Ghana local products and services that are competitive in terms of price, quality and timely availability. A preference for Ghanaian entities, even if they are up to 10% more expensive is mandated.

Where bids are being evaluated, and where bids are otherwise equal, the bid containing the highest level of Ghanaian content shall be selected.

Where a foreign entity is to provide goods and services for the licensee, the foreign entity shall operate² from Ghana and partner with a Ghanaian owned and registered company.

After the commencement of operations, the participation of Ghanaians shall be at least ten percent by value in the provision of goods and services or as may be prescribed by regulations.

²“Operate from Ghana” means that the foreign entity shall be incorporated under the Companies Code, 1963, Act 179.

The percentage contribution shall increase to at least twenty percent in the second year and shall increase by at least ten percent each year thereafter or as may be prescribed by regulations.

These targets shall be assessed and revised annually as part of the regular assessment of the Annual Local Content Plan to determine the progress of national entities relative to their competitiveness with respect to price, quality, and timely availability and other commercial terms.

5.4 *Employment and training of citizens of Ghana*

An Operator in the petroleum sub-sector shall ensure that opportunities are given as far as is possible for the employment of Ghanaians having the requisite expertise or qualifications in the various levels of the operations.

The Operator shall, within twelve months after the grant of a licence (or effective date of a Petroleum Agreement), submit to the relevant Regulatory Agency for approval, a detailed Annual Recruitment and Training Programme for recruitment and training of citizens of Ghana in all job classifications and in all aspects of petroleum activities, which may be carried out in or outside the country.

The Annual Recruitment and Training Programme shall ensure that the following targets are met :

- (a) management staff, at least fifty percent of the management staff are Ghanaians from the start of petroleum activities of the licensee and the percentage shall increase to at least eighty percent within five years after the start of the petroleum activities;

- (b) core technical staff, at least thirty percent of the technical staff are Ghanaians from the start of petroleum activities of the licensee and the percentage shall increase to at least eighty percent within five (5) years after the start of petroleum activities and ninety percent within ten (10) years; and
- (c) other staff, one hundred percent are Ghanaians.

Such programme shall provide for the training of Ghanaians in all aspects and phases of petroleum activities and as many staff categories, including management, as is possible and shall be reassessed and revised on an annual basis (the "Annual Recruitment and Training Programme) and may include scholarships, industrial training for students and other financial support for education.

To enhance transparency and effectiveness in the implementation of this policy direction, an Operator shall publicly advertise and give preference to the employment of citizens of Ghana who have the requisite qualification, competence and experience required to carry out the required work.

With respect to employee training, an operator shall prepare a scheme for the training of its Ghanaian employees. For the effectiveness of this policy the scheme shall be submitted to the Petroleum Regulatory Agency for approval as part of the Annual Recruitment and Training Programme. Where such a programme or a scholarship proposed to be awarded has been approved by the Regulatory Agency it may not be varied without the permission of the Regulatory Agency.

Where Ghanaians are not employed because of their lack of training, the Operator shall ensure that every reasonable effort is made within a reasonable time to supply such training locally or elsewhere.

Quarterly reports on the execution of the training programme shall be submitted by the operator to the Regulatory Agency. The Regulatory Agency shall ensure that a proportion of such training is tenable in Ghanaian institutions and that such institutions are resourced adequately to carry out the training.

5.5 *Technology transfer*

An Operator shall, while carrying out petroleum operations, prepare and implement plans for the transfer of technological know-how and skills relating to petroleum operations to Ghanaians and to establish in the country any necessary facility for technical work and technology transfer.

5.6 *Local Capability Development*

In order to ensure competitiveness of Ghanaians in the provision of the full range of services required in the oil and gas industry, the local training and technical institutions will be supported by both Government and the petroleum operators to develop the requisite capacity to international standards to be able to train Ghanaians to comparable high levels as required by the industry in drilling and support services, marine, catering and housekeeping, supplies and other support services. This measure will focus on all aspects of training, including the following:

- (i) Lower skill artisanal training such as welding, catering services;
- (ii) Middle-level skill training of technicians to provide maintenance services, offshore and on shore drilling etc.;
- (iii) High level skill training including general management, engineering design, procurement and business strategy development.

Attention will also be given to technology development skills towards indigenisation of oil and gas technologies. High level seminars and workshops will be used to create the necessary awareness and interest of local businesses in the development of the requisite technologies and provision of technical support for the oil and gas industry.

Government is committed to supporting academic and technical institutions to build the requisite human and material resources to provide effective training for Ghanaians.

Government will deploy transparent fiscal and other financial support mechanisms to promote development of local businesses in the petroleum sub-sector.

Government will also provide transparent fiscal incentives and rewards to Operators who exceed the goals set forth in their “Annual Local Content Plans” and “Annual Recruitment and Training Programmes”.

5.7 Gender in Oil and Gas

While Government will provide equal opportunities for all citizens of the Republic of Ghana, the participation of women in the oil and gas industry will be actively encouraged.

5.8 Legislation of Local Content & Local Participation and Implementation

In order to give effect to the implementation of the local content and local participation policy these policy directions will be legislated by Regulations and other such legal instruments. A dedicated Petroleum Regulatory Agency, with the assistance of independent **National Local Content Committee**, will be mandated to oversee and ensure the full implementation of the local content

and local participation policy. The National Local Content Committee will be comprised of public and private sector stakeholders, including:

- Ghana Government Ministries, Departments and Agencies;
- Non-Governmental Organisations; and
- Petroleum industry Operators, Non-Operators, Contractors and Sub-contractors.

An **Oil and Gas Business Development and Local Content Fund** will be established to support local capability development aspects of the local content framework. The fund will be used primarily for education, training and research and development in oil and gas. Sources of the fund will include contribution from Licensed Operators (at amounts specified in the applicable Petroleum Agreements), Oil and Gas Revenue, levies, grants and other support from Ghana's Development Partners. The Ministry of Energy or the Ministry responsible for petroleum will oversee the disbursement of the fund.