

3rd May 2019

Dear Mr Amewu,

Please Stop Squandering Ghana's Energy Assets!

We are back, and sooner than we feared.

We were preparing to file several Constitutional Right to Information (CRTI) requests for a wide range of documents to vindicate our belief that you have been abusing your discretion in the management of our energy resources, when we were interrupted by news of your latest undertaking.

We have seen your memorandum to Parliament asking the Legislature to rubberstamp a decision to relinquish hard-won Ghanaian stakes in a valuable oil block (South Deepwater Tano – SDWT) to AGM, a company majority-owned by the same people who own Aker, the oil company whose recent handling of their oil license has been the basis of our current “fight” with you.

From the look of things, as soon as you saw that the patriotic actors working to prevent Aker and its powerful backers from taking Ghana for a ride in the Deepwater Tano/Cape Three Points (DWT/CTP) Plan of Development (PoD) matter were building momentum, you hurriedly rushed said memorandum to Parliament, all within a few days after IMANI's Forum, so as to “salvage something out from the wreckage” re Aker.

We are writing to assure you that though you can deploy the enormous power of your office to push your schemes through, we shall also continue to turn the floodlight on these strange actions and decisions so that the good people of this country are never under any illusions about what is at stake.

Now to your memorandum.

1. The Proposed Amendment Makes No Sense

When in 2013 the Cabinet of Ghana approved an agreement among the GNPC, GNPC Explorco, and AGM (itself a joint venture among AGR Energy - Gibraltar, Minexco, and businessman, Joseph Siaw Agyepong – Jospong's, MED Songhai), which granted Ghana as much as 32% of the total equity in the South Deepwater Tano (SDWT) block, you and your colleagues, then clothed in “civil society” and “research” garb screamed to high heavens alleging lack of transparency, poor due diligence, “tax haven” skulduggery, and all manner of assorted shortcomings.

You even claimed then that agencies of the United States government were investigating the transaction for possible intervention.

Yet, the award of the block had followed a round of quasi-competitive bidding (a qualified tender of sorts in which expressions of interest had been whittled down to three “serious contenders”), and the 32% total commercial interest for Ghana was among the strongest showings Ghana has ever had in this country's petroleum sector. You and your colleagues refused to be satisfied with the Government of the day's explanation of the need to secure technology transfer as part of the transaction. Many

of us cheered you on, since in the business of protecting national assets, it is always best to err on the side of caution.

It is thus the height of hypocrisy that you will rush an amendment to a Petroleum Agreement that was structured on the back of a “joint operating company” (between GNPC Explorco and AGM, that is), and which structure ought to have been modified through commercial transactions among GNPC, GNPC Explorco and AGM.

GNPC and GNPC Explorco’s commercial holdings of roughly 32% (15% additional interest for GNPC, and 17% participating interest for GNPC Explorco) **are valuable national assets** secured through hard negotiations.

If the Aker teleguided AGM wishes to increase its stake in the joint operating company (from 66% to 85%) and thus the block, the minimally sensible thing, from Ghana’s point of view, would have been a commercial farm-in agreement and the consequent modification of the commercial structure of the joint operating company. To use Parliamentary fiat to bypass a process that would have led to Ghana making potentially hundreds of millions of dollars through such transactions amounts to nothing less than economic treason, Sir!

2. Who is the “Local Content Partner”?

We note that your memorandum mentions a “local content partner”, but it does not name any specific entity. We have noticed however that a certain “Quad Energy” is mentioned in the draft amendment sheet annexed to your memorandum as the new AGM partner in the proposed joint operating company (“contractor”).

The only Quad Energy active in risky exploration ventures and notable for that reason is Quad Energy S.A., a Canadian junior oil player and occasional Lukoil collaborator. Why is there no background information at all on this company in your memorandum? Who are the specific Ghanaian beneficial owners of this entity that makes it a “local content” play?

Why was the said Quad registered barely a month ago just before you triggered the latest Parliamentary proceedings to amend the Petroleum Agreement? In the past, you criticised the Government when even companies like Minexco, which did have operating experience, participated in such consortia on the basis that they had limited exposure to the industry. What has changed?

Even more troubling, our preliminary analysis shows that Quad Energy is controlled by David Adomakoh, a member of the Aker Energy Board. This is problematic on so many counts. Clearly, Quad is merely an extension of Aker, and the notion of an empowering “local content” arrangement has been hijacked merely to deepen Aker’s complete control over the block. They have not only jacked up their interest from 66%, the local content partner business enhances their complete commercial dominance in the entire arrangement.

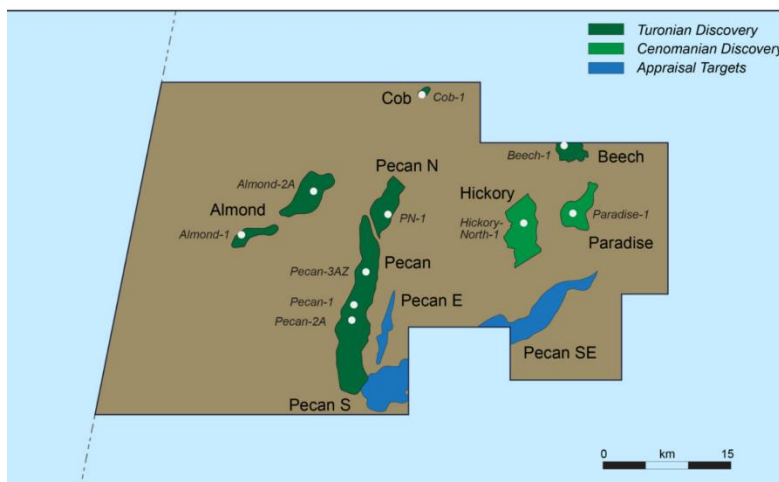
3. The Aker Giveaway Continues!

It is common knowledge that Aker and its investors have been coordinating their operating activities with AGM for some time now, and that they seek to integrate the DWT-CTP and the SDWT blocks into one behemoth without committing the requisite levels of resources commensurate with the benefit. The current transaction was designed purposefully to advance this underhand strategy.



Aker's modus operandi of extending its holdings without paying a fair price has now become systemic.

All one has to do is take a cursory look at even elementary maps of the concerned acreage to discern this brazen asset grab. Other readers should look carefully at the green blots in the public domain map below. Those are the "oil accumulations" Hess found in the DWT-CTP block.



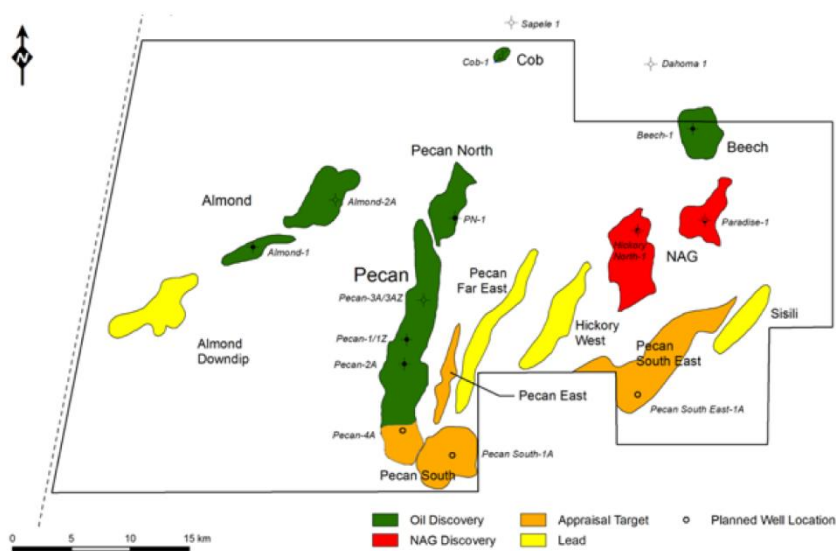
They appear dotted somewhat across the block (i.e. "contract area"). Because of that convenient fact, it is easy to fudge around what the "discovery area" means/is because with some bully tactics one can literally turn the whole block into the "discovery and production area" banking on poor delimitations by the Ghanaian authorities. This is clearly what is happening, and our reading of the situation, and discussions with industry insiders, suggest that the GNPC and the Ministry of Energy are encouraging this exact conduct on the part of Aker.

To make that point clearer, readers should look carefully at the blue smudge/blot; those are Aker's appraisal target areas, where it has been drilling some of the key wells it has decided to call, "appraisal wells".

The problem here is that at the end of 2013, all areas outside the "discovery area" proper should have been "relinquished" back to the ownership of Ghana. So, drilling outside the demarcated discovery area proper ought to be treated as "exploration" per se and covered by a new production agreement, as IMANI and others have argued.

By failing to demarcate the strict boundaries of the discovery area, and hiding behind the dispersion of the finds, the Government of Ghana is enabling Aker to aggressively exploit the grey areas to spread wells in strategic directions that should eventually lead to their total control of virtually the entire block awarded in 2006, even though a significant proportion of the fertile South-Eastern and Southern extremities of this most southerly of our ultradeep oil basin should have been relinquished in 2013 as falling outside the 10% margin around the discovery formations.

A slightly more granular map should underscore the point even more strongly.



It is our considered view that a strong case can be made that the following sites of interest in the 2006 allotted contract area should have been relinquished to Ghana:

- Almond downdip
- Sisili
- Pecan South East – 1A
- Pecan South-1A

Furthermore, because the Beech discovery extends into the Kosmos block, special commercial arrangements ought to be in place to ensure additional gains to Ghana before allowing fresh boundary demarcations. In fact, a new petroleum agreement would have enabled the proper capture of all these developments in a clean and concise, and of course profitable to Ghana, way.

4. There is a Far Better Approach

The implied justification of your recent, incomprehensible, action is that by increasing the carried interest marginally and giving away 22% gross equity holding (or net 17% giveaway), you are merely protecting GNPC and Explorco from fiscal risks since they might not be able to raise their share of the exploration costs.

This is of course indefensible. GNPC has the balance sheet to raise the necessary funds. And even if the fear is that servicing the debt might prove difficult for the national oil company, which by the way has been spending millions on all manner of frivolous schemes (including budgeting \$43 million for so-called “corporate social responsibility” without a detailed CSR strategy and budget), the option of a bond with a convertibility option could have been explored so that contingent risks are transferred to deep-pocket investors through the conferred right/guarantee of an equity swap for stakes in the proposed integrated block, which we have instead given away for free to Aker and its investors.

There is absolutely no logical basis for the refusal to explore the use of convertible bonds as a means both to raise money for GNPC to pay for its share of exploration costs in an integrated, considerably derisked, block whilst suppressing all risks of debt distress, which apparently you fear might end up being transferred to the state treasury. A further sweetener would be the commitment to ring-fence any future revenues should a discovery be made in order to provide additional securitisation for the facility.

The only plausible explanation why such an obvious approach was discarded in favour of this monstrously unpatriotic approach (i.e. your amendment to the original 2013 petroleum agreement to hand over an additional 17% of the SDWT block to AGM/Aker for virtually nothing) is that once again the powerful forces behind Aker that are influencing or manipulating GNPC and your good self, Mr Amewu, to hand over largesse after largesse to these private interests are far stronger than the forces of patriotism, sound judgement and analytical reasoning.

As we have said before, we shall soon be using all legal means available to obtain a full accounting of the grounds on which you have exercised such levels of discretion, which, from the information currently available to us, amount to arbitrary and, with all due respect, reckless conduct.

We wish you a good weekend.

Yours faithfully,

IMANI