GHANA'S OIL AND GAS SECTOR!

.........On the right path?

Oil and Gas in Ghana

With about 120 years of exploratory activities for hydrocarbons (since 1896), Ghana finally struck oil and gas in commercial quantities in 2007. Proceeding from this Ghana developed a local content and local participation policy framework for the sector.

Do you know that the Ghana Local Content and Local Participation Policy projects to achieve a target of at least 50% Ghanaian management staff of the operator from the start of petroleum activities and to increase progressively to 80% in 5 years?

Do you also know that the policy targets at least 30% of the core technical staff to be Ghanaians from the start of petroleum, and to increase progressively to at least 80% within five (5) years; 90% within ten (10) years of the Operator? For other staff, a target of 100% Ghanaians?

The Ghana Government defines Local Content as "the *quantum/percentage of locally produced materials, personnel, financing, goods and services rendered to the oil industry and which can be measured in monetary terms*".

But should Ghanaians put faith just in lofty policy intentions and not worry?

WHY WORRY?

- Worry because the Oil and Gas sector is less labour intensive but highly capital intensive which potentially threatens to price most Ghanaians out of the sector.

- Worry because the Ghana Petroleum Commission initial registration fees for local oil and gas service companies ranges between US$5000-US$30,000 requiring also a turnover of between US$1m-US$5m respectively for Ghanaian businesses.

- Worry because the renewal fees after the initial registration fees for Ghanaian businesses in the Oil and Gas sector ranges between US$3,000-US$20,000 annually.

- Worry because the Local Content and Local Participation Policy proposes the establishment of an Oil and Gas Development and Local Content Fund but this is yet to see the light of day for local enterprises in Ghana to get a head start.

- Worry because business collaboration among Ghanaian businesses is generally very weak. In the oil and gas industry where huge capital and quality human source is a basic requirement, Ghanaian businesses cannot afford to go it alone. Ghanaian businesses must brace up with business collaborative arrangements to harvest the benefit of scale and shared expertise. Local enterprises must embrace these challenges in the industry, because minimum standards require that businesses deliver on time, with quality and consistence. But this untold latent strength is usually missing from local businesses.

DO YOU ALSO KNOW?

- *That the manufacturing and agriculture sectors offer the most backward and forward linkages to the rest of the Ghanaian Economy?*

A preliminary 'input-output model' study of Ghana's economy by the Institute of Fiscal Policy (IFP), suggest that, the manufacturing and agric sectors offer the most backward and forward linkages (spin-off effect) in Ghana's economy. Studies of this kind must be taken seriously and deepened to inform and direct policy actions, especially if widespread benefit from the oil and gas sector is an objective.

- *That Ghanaian enterprise typically uses trading as the launching pad into manufacturing*?

The trading sector must strategically be considered for selecting winners and building Ghana's industrial base. This assertion stems from the fact that historically, major Ghana successes in manufacturing have their roots in trading. The trading industry has a major link between consumers and producers and has established a wide network of economic players to learn from. In terms of the transfer of best practices, technology and capabilities, the trading industry must be taken seriously and supported strategically.

This is evidenced by the Enterprise Map of Ghana publication by the International Growth Centre (IGC), UK.

- *That the normal gestation period according to the IGC study for a Ghanaian businesses to learn the ropes from retail to manufacturing is about 30 years?*

But with the local content policy and regulation in place, an effective implementation of these instruments can potentially reduced the transition cycle to about 10 - 7 years and broaden effective participation of more Ghanaian firms in the upstream and mid-stream segments of the oil and gas sector. This therefore means time is of essence here and Government must be up and doing.