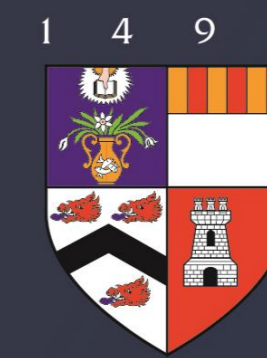


EVALUATING THE EFFECTIVENESS OF GHANA'S CURRENT OIL AND GAS FISCAL REGIME

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INTRODUCTION/MOTIVATION

- ❑ Ghana as nascent oil/gas producing country
- ❑ Fiscal regime widely criticised as ineffective

OBJECTIVES

- ❑ Ascertain fiscal regime profitability
- ❑ Ascertain progressivity of the fiscal regime
- ❑ Assess contribution of various tax sources
- ❑ Examine contribution of additional oil entitlement (AOE)

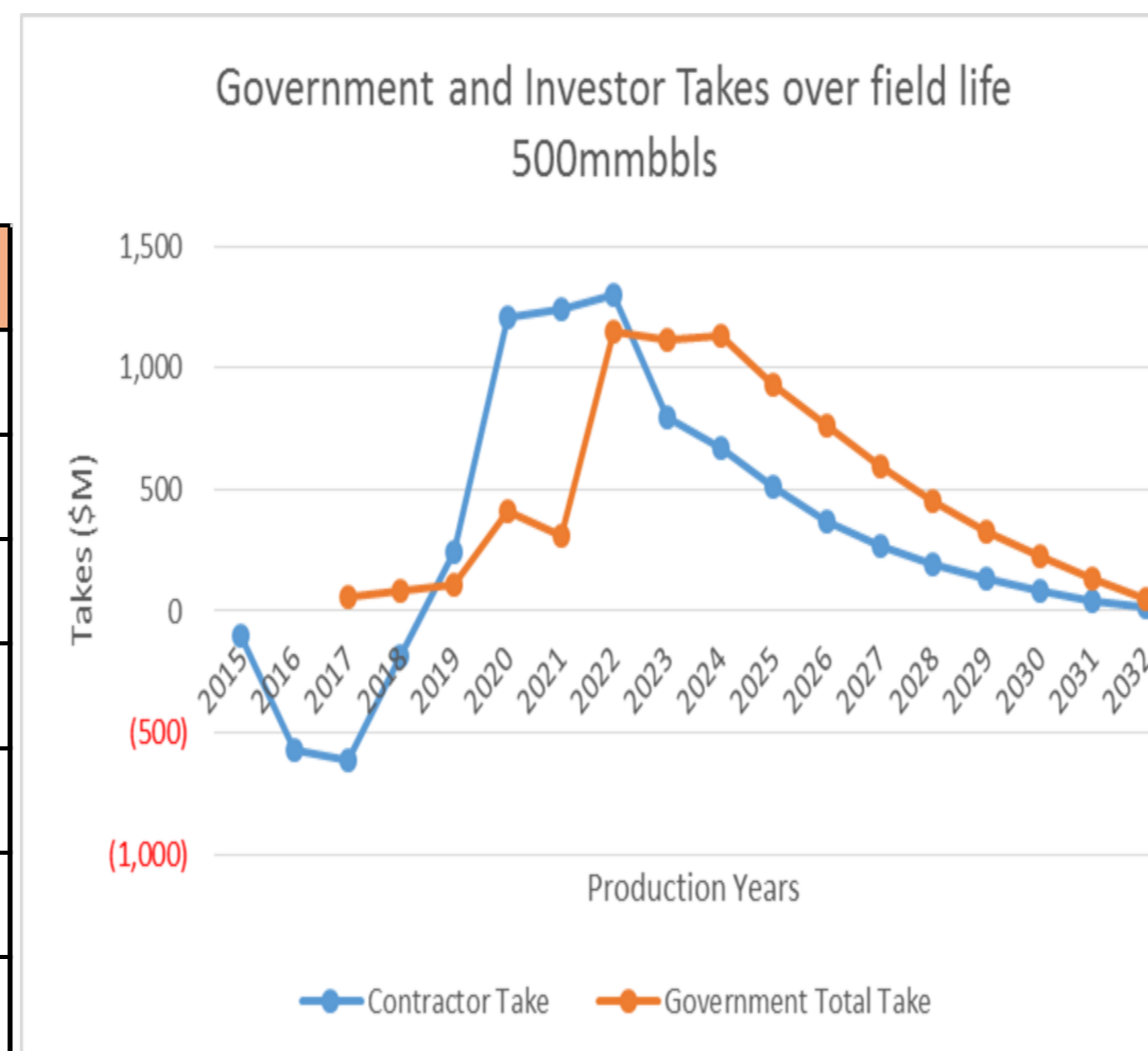
METHODOLOGY

- ❑ Discounted cash flow (DCF) method
- ❑ Monte Carlo simulation
- ❑ Crystal ball
- ❑ Three model fields – different characteristics

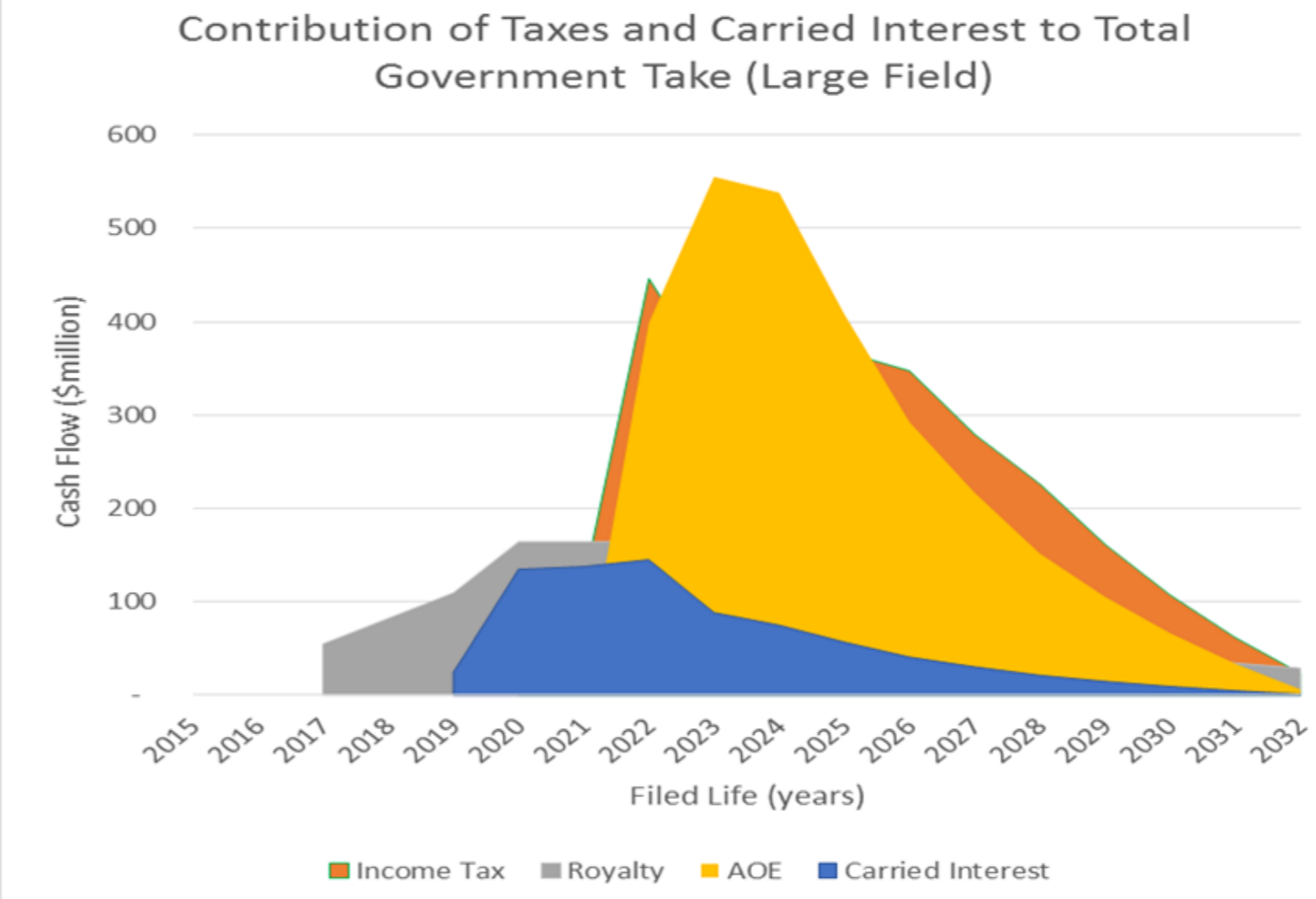
Fields	Small	Medium	Large
Recoverable reserves (mmbbls)	100	250	500
Production decline rate (%)	20	17	16
Development costs (\$/barrel)	22.5	20	17.5
Drilling costs (% of devex)	45	40	40
Operating costs (% of accumulated devex)	7.5	6.75	6
Abandonment costs (% of devex)	10	10	10
No. of years of abandonment (years)	3	3	5

RESULTS

	500mmbbls		250mmbbls		100mmbbls	
Pre-tax	Real	MOD	Real	MOD	Real	MOD
NPV (\$M)	5,540	6,497	2,343	3,004	902	1,137
IRR (%)	49%	54%	33%	37%	33%	27%
Post-tax	Real	MOD	Real	MOD	Real	MOD
NPV (\$M)	2,570	2,810	1,208	1,485	538	627
IRR (%)	36%	39%	24%	27%	25%	27%
NPV/Investment	0.30	0.32	0.26	0.31	0.24	0.28



3. Maximum contribution from CIT, least from carried interest (additional risk)



4. AOE high with prolific reserves, otherwise low

CONCLUSION

- ❑ Generally profitable
- ❑ Regressive
- ❑ Carried interest – additional risk
- ❑ Overall - fiscal regime requires improvement

RECOMMENDATIONS

- ❑ Abandon carried interest and review CIT upwards
- ❑ Reduce AOE tiers, improve AOE tax rates for remaining tiers