



10<sup>th</sup> May 2010

## **PRESS RELEASE**

### **DI RAISES REDFLAG ON \$1.5BN STX KOREAN CREDIT**

#### **PLUS OIL DEAL FROM EQUATORIAL GUINEA**

In the last five months alone, President J E A Mills has made two 3-day official trips to Equatorial Guinea and has on both occasions returned to Ghana with news of striking significantly different crude oil deals with his Equatorial Guinean counterpart, President Theodore Nguema Mbasogo.

The Danquah Institute is also extremely disturbed by moves by the Government of Ghana to rescue a Korean company that is US\$6.3 billion in debt, whilst thousands of Ghanaian companies are also in distress and would require only a fraction of that amount to stimulate them back into productivity and profitability.

The first one added up to nearly 12 million barrels a month and the second one is significantly lower at 1 million barrels a month. We believe Government owes some explanation to the Ghanaian public as to which is which. Which of the two deals should Ghanaians believe?

The Thursday, December 10, 2009 Daily Graphic carried the banner headline: 'Ghana Brokers Oil Deal With Equatorial Guinea.' It read: "Petroleum deal under which Equatorial Guinea will supply Ghana with about 65,000 barrels of crude oil daily until the commercial production of oil in the country comes on line has been brokered by President J.E.A. Mills."

The Minister of Energy, Dr Joseph Oteng-Agyei, confirmed to the Daily Graphic last December that the deal was the outcome of a meeting between President Mills and President Nguema Mbasogo at the Presidential Palace in Bata.

Dr Oteng-Agyei said five months ago that the Government of Equatorial Guinea had agreed to work out the technical details of the deal to facilitate the commencement of the supply of what would have added up to one million nine hundred and fifty thousand (1,950,000) barrels of crude oil to Ghana every month. The minister gave the impression then that all that was left to complete was for the governments of the two countries "to fine-tune some procedural and legal requirements of the deal."

Fast forward to May 8, 2010: Another presidential trip with another deal - "Ghana is to receive one million barrels of crude oil every six months from Equatorial Guinea," according Mr. Chris Kpodo, Deputy Minister of Foreign Affairs and Regional Integration.

This new translates into 5,555 barrels per day. Significantly, this volume represents a 1,070% less than the 65,000 barrels per day that we were told was earlier negotiated.

Without making any reference to the earlier deal purportedly struck between the two sovereign states, President Mills' Communications Director, Mr. Koku Anyidoho, stresses that this new deal translates into 2 millions barrel a year.

The original deal which the Government of Ghana said it had struck with Equatorial Guinea would have added up to eleven million, seven hundred thousand (11,700,000) every six months, or twenty three million, four hundred (23,400,000) barrels annually.

Equatorial Guinea produces approximately 500,000 barrels a day. The December 10 deal with Ghana would represent 13% of the country's total production.

We believe the Ghana Government should show a greater appreciation for sincere information. The penchant of the Mills administration to rush out with incredible figures, such as the claim that 1.6 million new jobs have been created since 2009, is not healthy for good governance. It affects negatively public confidence in official information.

We would advise the Mills administration to show greater competence in its negotiations on behalf of the people of Ghana.

Another typical example, which we find extremely worrying is the recent attempt to rush through the Suppliers Credit Financing Agreement between the Government of Ghana and STX Engineering and Construction Limited (subsidiary of the STX Group, Korea) for an amount of US\$1,525,443,468.00 for the construction of 30,000 housing units for the security services.

This translates into US\$50,000 per housing unit - a very expensive rate for such a mass construction project. Again, the Government of Ghana should be more Ghanaian in its apparent efforts to offer charity to the private sector. STX Group of Korea has cash-equivalent assets of US\$2.92 billion and a debt of US\$6.8 billion.

This is a company in distress and in need of a stimulus package for solvency. The Government of Ghana which claims to be hard on funds and cannot therefore rescue local companies in distress can still enter into a credit facility of US\$1.5 billion to rescue a Korean firm.

The details of the credit agreement also require more answers from Government. For example, Clause 7.1.3 provides the option of the credit facility to be converted into commodity trading after five years, specifically "crude oil or other petroleum related resources on such terms as may be agreed between the parties."

Also Clause 14.2 of the Supplier's Credit Financing Agreement puts the facility fee at 0.75% of the US\$1.5 billion facility and the management fee to the lender at 0.75% of the facility, both to be paid upfront. Yet the financing details of the said facility presented to Parliament puts the management fee at 0.50%.

That same document to Parliament puts the interest rate on the facility at 2.00% fixed per annum. Yet, Clause 6.1 of the agreement states that "Interest shall accrue on each disbursement for each Interest Period at the rate of 2.0% per annum." Clause 6.1.1 adds, "The duration of each Interest Period shall be six months..." This

means, the accumulated interest rate per annum is 4.0% and not 2.0% as presented in the notes to Parliament.

We are also worried by the non-detailed assurance from Government that the project “will ensure a minimum of 30% local participation” and that a “project of this scale will certainly transfer technology to local counterparts at the end of the project.” This is merely chancing local content and technology transfer.