

Africa  
Centre for  
Energy Policy



# ACEP's Comments on the Eni - Springfield Unitisation Tussle and ExxonMobil's Exit From Ghana

June 3, 2021

## Introduction

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ACEP has noted with concern, public discussions on the following issues, which present warning signals for government's action to avert the depletion of investor confidence in the upstream sector:

1. The proposed unitisation between Eni's Sankofa Gye Nyame (SGN) Field and Springfield's West Cape Three Points' (WCTP) Afina discovery.
2. The exit of ExxonMobil from Ghana.

The negative press associated with these issues has the potential to undermine the progress made over the years to encourage investments into Ghana's upstream petroleum sector. This is further worsened by the current global context of the energy transition, which is engineering a significant shift from fossil fuel investment to low carbon energy sources. The positive response of major oil producers and investors to the transition is promoting alternative energy sources that are significantly suppressing the demand growth for fossil fuels. A scan of the strategy of major oil producers shows a clear transition path to becoming energy companies through extensive Research and Development (R&D). The shift is shrinking the available capital for investments in new exploration activities in the oil industry and generating extreme competition for limited exploration funds. Attracting investment, therefore, requires a positive, assuring and less risky political environment. This environment can be achieved through stakeholder collaboration and transparent engagements that reduces negativity and its attendant impacts on investment attraction.

ACEP's statement on these developments is a cautionary call on government and stakeholders to act right and preserve the investment climate of the oil industry.

## Proposed unitisation between SGN and Afina

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ACEP has followed communication from the Ministry of Energy directing Eni and Springfield to unitise their fields. This directive was based on GNPC's assessment of the petroleum system on the two fields, informing the corporation's conclusion that the Afina discovery straddles the SGN production field. However, ACEP has sighted a subsequent report by Eni, which strongly disagrees with the conclusions made by GNPC. In the absence of clarity and public communication from the government on its position, the local media space has been hijacked with pressure to accelerate the implementation of the unitisation directives. Within the international press, the reportage suggests an arbitrary imposition of unitisation on the two parties.

The reports from GNPC and Eni point to contentions about the conditions precedent for unitising the two fields. GNPC, on the one hand, summarily, is of the view that the existing seismic data and oil properties of the Afina discovery within the same Cenomanian Channel as SGN is enough proof of straddling. On the other hand, Eni holds the opinion that further studies are required to establish commerciality and dynamic communication.

On the account of these contentions, ACEP cautions without judgement that:

- Unitisation is an age-old industry practice with established technical parameters and conditions necessary for joint development and production of adjacent fields, often necessitated by straddling or proximity. In most cases, the commercial benefits accruing to both parties ensure a smooth unitisation process without state intervention. However, where the state's intervention becomes necessary, it is required that the state is transparent in the application of the principles, laws, and science of unitisation. Unfortunately, the government's silence amid raging media war is unhealthy for creating a competitive and assuring environment to the investor community. Government must inform the public on the basis of its unitisation directive in an effort to diffuse the local and international controversies on the matter.
- The position of GNPC and Eni also contests Ghana's Petroleum (Exploration and Production) Law's provisions on unitisation and the regulations developed to operationalise it. Therefore, ACEP suggests the immediate interpretation of the provisions on unitisation by the Attorney General to guide the government's position.
- GNPC is an interested party and, by law, a partner to every investor in the sector. That position requires that GNPC maintains credibility and trust with its partners. Government must recognise the commercial position of GNPC and not use them to settle contentious issues. In this particular unitisation tussle, GNPC should not have been assumed as the independent arbiter. The Petroleum Commission or an independent party appointed by Eni and Springfield would have been better suited in this case.

## **The exit of ExxonMobil from Ghana**

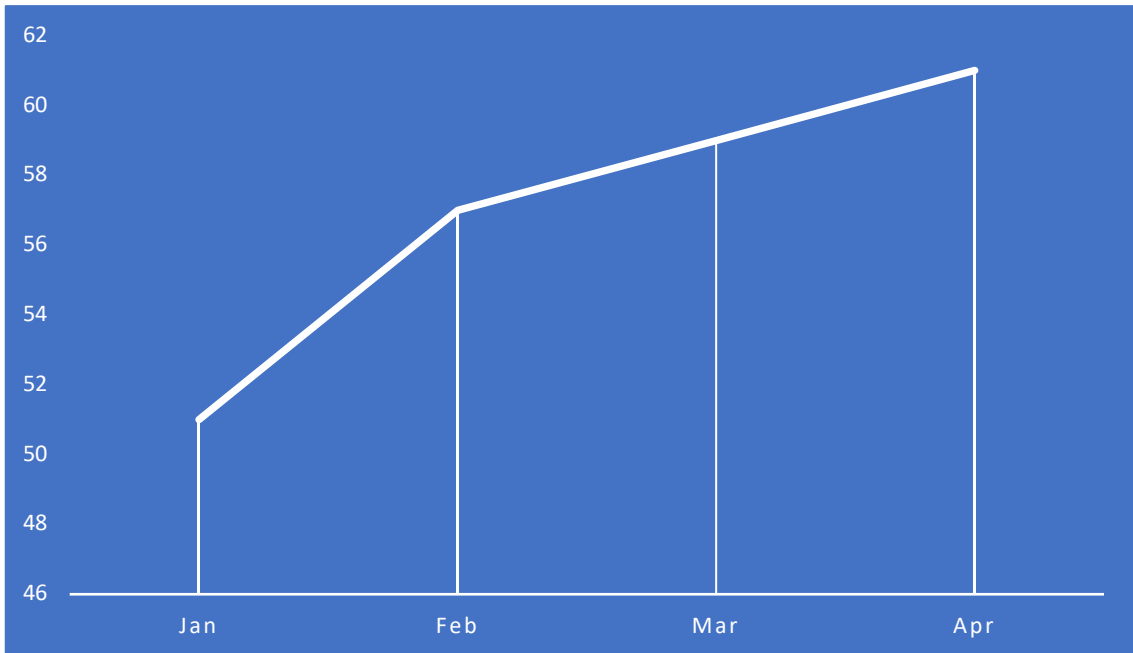
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After weeks of speculations, the government has confirmed that ExxonMobil has relinquished its interests and operatorship of the Deepwater Cape Three Points (DWCTP) block. There may be other unknown reasons which feed into the speculations for the exit of ExxonMobil. However, ACEP's industry intelligence points to the marginal prospectivity of the Deepwater Cape Three Points (DWCTP) block and

its misalignment with ExxonMobil's commercial strategy as the main reason for the exit. The exit of the company is a major setback to efforts to attract oil majors to enhance the development of the oil industry. It is also a wake-up call for Ghana to re-examine its upstream strategy to attract investments and align the sector with the global conversation on energy transition. Re-examining Ghana's upstream strategy must account for the following realities of global oil industries, which may have played out in ExxonMobil's Stay in Ghana:

- **A hostile environment (perceived or real) will not attract the necessary investments into the upstream sector.** This understanding should inform the processes and public engagements on the award of petroleum exploration contracts. For example, ExxonMobil endured political and social controversy on the fiscal terms in the company's Petroleum Agreement (PA). Much of the controversies can be traced to poor public engagements on the justification for the fiscal concessions. ExxonMobil's local content partner selection also became a major contention when the government rejected the local company selected by ExxonMobil in favour of other companies. GOIL was subsequently chosen as a compromise partner after the operationalisation of the agreement had stalled for almost a year post negotiation. Unfortunately, several discussions in the media did not elicit any response from the government to either diffuse or confirm the leaked letters that were in circulation. Ghana cannot encourage these kinds of controversies, as it may portray the country as a hostile environment within the current global context of competitive investments for exploration activities.
- **Capable companies can deliver on their work obligations.** ExxonMobil's petroleum agreement required the acquisition, processing, and interpretation of 2,222km of 3D seismic data and a minimum expenditure of US\$20 million in the initial exploratory period (first two and half years). According to the letter in circulation on the company's exit, ExxonMobil indicated that it had fully performed the relevant minimum work obligations specified in its petroleum agreement. If this is confirmed, it questions the inactivity of many of the contractors who are holding on to blocks without delivering on their work obligations since 2014. With the post covid recovery of rig activity on the continent as reported by Baker Hughes' Oil Rig Count (Fig.1), it was expected that these contractors would be actively exploring their blocks. Between January and April, there was a total of 228 rig activities in Africa, but Ghana recorded no activity on the 14 active petroleum contracts in the upstream sector. In May 2021, drilling of four production wells on Jubilee and TEN fields commenced. Eni has also commenced the only exploratory well in Ghana's basins on its Cape Three Points Block 4.

**Fig.1 Africa Oil Rig Count (Jan-April 2021)**



**228 rig activities in Africa between Jan & April, but Ghana recorded no activity in this period**

## Conclusion

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The future of oil continues to be extremely dicey, particularly for smaller oil producers like Ghana, which requires that Ghana remains cautious and transparent about signals it sends to the market. Speculations and the lack of active government response to them potentially undermines investment attraction. Immediate steps are required to address the impasse between Eni and Springfield on the unitisation directive from the government in compliance with the acceptable industry standards and interpretation of the legal provisions on unitisation in a manner that adequately responds to the emerging risks in the industry.

Ghana also needs to be transparent in the implementation of the local equity participation requirements in petroleum agreements. Operators must only be held to comply with local content provisions and choose local partners who have met the Petroleum Commission's requirements, not the imposition by the government or GNPC. Government must also deepen engagements with all stakeholders in the industry, including civil society actors, political actors, academia etc., to enhance understanding of the industry and reduce occurrences of political and social controversies in the contracting process.





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