

FAQS

THE PETROLEUM PRICE BUILD UP AND THE NEW ENERGY SECTOR LEVIES ACT (ESLA)

1. Why have prices increased by 29% for petrol and 27% for diesel when parliament only approved 5% and 3% respectively?

- a. The 5% increase for petrol and the 3% increase for diesel stated in the finance committee report of parliament were not tax approvals. They were an inaccurate analysis of the impact of the specific taxes that were approved by parliament on petroleum prices
- b. Parliament approved specific taxes amounting to GHP94/ltr for petrol and GHP92/ltr for diesel. The incremental effects of the approved taxes are GHP86.39/ltr for petrol and GHP93.09/ltr for diesel resulting in net effects of 29% and 27% respectively, in their ex-pump prices.
- c. It is not the case that Petroleum Service Providers (PSPs) have increased their margins to make any extra profits.

2. What are the components of the petroleum price build up (PBU)?

- a. The import price benchmarked to the world market price
 - i. World market price
 - ii. Suppliers' premium
 - iii. Freight and insurance premium
- b. The USD exchange rates
 - i. Often 60 – 90 day forward rates (liberalised)
- c. Taxes and levies
 - i. Excise duty
 - ii. Road fund
 - iii. Energy fund
 - iv. Energy debt recovery levy
 - v. Price stabilisation and recovery levy.
 - vi. Special Petroleum Tax
- d. Regulatory Margins
 - i. BOST margin
 - ii. Fuel marking margin
 - iii. Primary distribution margin
 - iv. UPPF
 - v. Distribution compensation margin / promotion margin
- e. Petroleum Service Providers' margins
 - i. Marketers' margins
 - ii. Dealers' margins
 - iii. LPG filling plant/Premix/MGO local Admin Costs

- 3. Which taxes have been revised and which new ones have been introduced?**
 - a. The energy debt recovery levy and the price stabilisation and recovery levy have been introduced.
 - b. The road fund and the energy fund have been revised upwards.
 - c. The TOR Debt recovery levy, the cross-subsidy levy and the exploration levy have been withdrawn.

- 4. What are the purposes of the new and revised taxes, levies and margins?**
 - a. See schedule A below.

- 5. Who are the beneficiaries of these levies?**
 - a. See schedule A below.

- 6. Will BDCs benefit from the newly introduced taxes?**
 - a. Yes. GHp15/ltr on diesel, GHp17/ltr on petrol and GHp15/kg on LPG have been earmarked to fund government legacy debts to BDCs as well as ongoing subsidies accrued on premix and fuel oil.

7. What is the impact of the revised tax regime on petroleum products prices?

PETROLEUM TAXES AND LEVIES BEFORE ENERGY SECTOR LEVIES ACT, 2015			
	PETROL	DIESEL	LPG
	GHp	GHp	GHp
Excise duty	2.78	1.80	0.72
Road Fund	7.32	7.32	-
Energy fund	0.05	0.05	-
TOR Debt recovery	8.00	8.00	5.00
Exploration	0.10	0.10	-
Cross-subsidy levy	5.00	-	2.70
Recovery Margin	-	-	12.68
Total Before SPT	23.25	14.57	-
Impact on Special Petroleum Tax*	4.07	2.55	-
Total Tax Impact on Petroleum Pricing	27.32	17.12	-
PETROLEUM TAXES AND LEVIES AFTER ENERGY SECTOR LEVIES ACT, 2015			
	PETROL	DIESEL	LPG
	GHp	GHp	GHp
Excise duty	2.78	1.80	0.72
Energy debt recovery levy	41.00	41.00	37.00
Price Stabilisation and Recovery margin	12.00	10.00	10.00
Road Fund Levy	40.00	40.00	-
Energy Fund	1.00	1.00	-
Total Before SPT	96.78	93.80	47.72
Impact on Special Petroleum Tax*	16.94	16.42	8.35
Total Tax Impact on Petroleum Pricing	113.72	110.22	56.08
Net impact of New Taxes	86.39	93.09	56.08
* This is a 17.50% additional tax charged on the sum of all other taxes listed above			

The above implies that prices of petrol, diesel and LPG would have been Ghp 86.39, Ghp 93.09 and Ghp 56.08 respectively; lower than the current prices (January 5th 2016) if the new tax regime was not introduced.

8. Why have prices increased despite fall in world market prices?

- World market prices for refined products fell by about 6.44% for petrol and about 13.33% for diesel (Dec 16, 2015 vs Jan 01, 2016 selling windows). This translates into an GHp8 drop in petrol and a GHp13 drop in diesel per litre.

- b. As observed in point 6 above, the net impact of new taxes amounts to GHp86.39 for petrol and GHp93.09 for diesel. This mitigates the above reductions noted in 7a. above, hence the average increase in pump prices for petrol and diesel.
9. **What is the share of total taxes in the ex-pump price of 5th January 2015?**
- Petrol- 41%
 - Diesel- 42%
 - LPG – 28%
10. **What is the share of regulatory margins in the ex-pump price of 5th January 2015?**
- 5% each for Petrol, Diesel and LPG.
11. **Is the energy debt recovery levy a replacement of the TOR debt recovery levy?**
- The Energy Debt Recovery Levy comprises
 - The Foreign Exchange under recovery
 - The Power Generation and Infrastructure Support
 - TOR debt recovery
12. **How do ex-pump prices today compare to ex-pump prices as at the last increment of transport fares?**
- Transport fares were last increased on the 22nd of June, 2015. Petroleum prices were then determined by the NPA.

	Petrol (GHS)	Diesel (GHS)
22 nd June, 2015	3.470	3.370
5 th January, 2016	3.465	3.281
GHS Change	0.005	0.089
Percentage Drop	0.14%	2.64%

As observed above, current petroleum prices are lower than they were during the last transport fare increase in June 2015.

13. **By what percentage were prices reduced prior to the introduction of the ESLA?**

	PMS	AGO
16 th June 2015	GHs3.47/Ltr	GHs3.37/Ltr
16 th December 2015	GHs2.68/Ltr	GHs2.59/Ltr
Percentage Drop	22.82%	23.01%

14. **How will the ESLA impact the deregulation process?**
- ESLA has no impact on the deregulation process.

Schedule A

Schedule of revised and new petroleum taxes (Excludes taxes and levies not revised)

LEVY / MARGIN	PMS GHp/ltr	AGO GHp/ltr	LPG GHp/Kg	PURPOSE	COLLECTED BY	ADMINISTERED BY	BENEFICIARY INSTITUTION
Energy Debt Recovery Levy	41	41	37				
Made up of;							
*Foreign exchange under recoveries	5	5	5	To facilitate debt recovery of downstream petroleum sector foreign exchange under recoveries	Ghana Revenue Authority	Minister Of Finance	BDC
*Power generation and infrastructural support	28	28	28	* To support the payment of power utility debts * To facilitate power generation and infrastructure support * To ensure power supply sustainability to achieve a secure, reliable and quality electricity. * To support power infrastructure risk mitigation including partial risk guarantee	Ghana Revenue Authority	Minister Of Finance	VRA and Power Sector
*TOR debt recovery	8	8	4	To facilitate debt recovery of TOR	Ghana Revenue Authority	Minister Of Finance	TOR
Road Fund	40	40		To support road maintenance	Ghana Revenue Authority	Minister Of Finance	Ministry Of Roads and Highways
Energy fund levy	1	1		To support Energy commission activities	Ghana Revenue Authority	Minister Of Finance	Energy Commission
Price stabilisation and recovery levy	12	10	10	* To be used as a buffer for under recoveries in the petroleum sector *To stabilise petroleum prices for consumers *To subsidise premix and RFO	National Petroleum Authority	Minister Of Finance	BDCs
GRAND TOTAL	94	92	47				

Schedule B – January 1, 2016 prices (old Levies vs new Levies)

JAN 1 2016 PRICES (OLD LEVIES)			
	PETROL	DIESEL	LPG
Xpi	159.1704	146.1864	185.4223
RECOVERY MARGIN	-	-	12.6796
EX-REFINERY PRICE	159.1704	146.1864	198.1019
EXCISE DUTY	2.7800	1.8000	0.7246
TOR DEBT RECOVERY LEVY	8.0000	8.0000	5.0000
ROAD FUND	7.3231	7.3231	-
ENERGY FUND	0.0500	0.0500	-
EXPLORATION	0.1000	0.1000	-
CROSS-SUBSIDY LEVY	5.0000	-2.6987	-18.4042
PRIMARY DISTRIBUTION MARGIN	4.5000	4.5000	-
BOST MARGIN	3.0000	3.0000	-
FUEL MARKING MARGIN	1.5000	1.5000	-
EX-DEPOT	191.4235	169.7608	185.4223
SPECIAL PETROLEUM TAX	33.4991	29.7081	32.4489
UPPF	9.0000	9.0000	11.0000
MARKETERS MARGIN	16.0000	16.0000	10.595
DEALERS (RETAILERS/OPERATORS) MARGIN	11.1400	11.1400	7.9750
LPG FILLING PLANT/ Premix/MGO Local Admin Costs			4.7753
DISTRIBUTION COMPENSATION MARGIN/PROMOTION MARGIN			5.0000
EX-PUMP PRICE	261.0626	235.6090	257.2165
JAN 1 2016 PRICES (CURRENT LEVIES)			
	PETROL	DIESEL	LPG
Xpi	159.1704	146.1864	185.4223
EX-REFINERY PRICE	159.1704	146.1864	185.4223
EXCISE DUTY	2.7800	1.8000	0.7249
ENERGY DEBT RECOVERY LEVY	41.0000	41.0000	37.0000
ROAD FUND	40.0000	40.0000	-
ENERGY FUND	1.0000	1.0000	-
PRICE STABILIZATION & RECOVERY LEVY	12.0000	10.0000	10.0000
PRIMARY DISTRIBUTION MARGIN	4.5000	4.5000	-
BOST MARGIN	3.0000	3.0000	-
FUEL MARKING MARGIN	1.5000	1.5000	-
EX-DEPOT	264.9504	248.9864	233.1472
SPECIAL PETROLEUM TAX	46.36631795	43.57262465	40.80076592
UPPF	9.0000	9.0000	11.0000
MARKETERS MARGIN	16.0000	16.0000	10.5950
DEALERS (RETAILERS/OPERATORS) MARGIN	11.1400	11.1400	7.9750
LPG FILLING PLANT/ Premix/MGO Local Admin Costs	-	-	4.7753
DISTRIBUTION COMPENSATION MARGIN/PROMOTION MARGIN	-	-	5.0000
EX-PUMP PRICE	347.4567	328.6991	313.2933

Schedule C – Xpi (16th December, 2015 vs 1st January, 2016)

16th December, 2015

XPI TEMPLATE

PRICE COMPONENT	PMS	AGO	LPG
Average World Market Price (USD/MT)	447.77	366.77	339.77
Supplier's Premium (USD/MT)	112.174	112.174	150
FX Rate	4.0227	4.0227	4.0227
Volume Conversion Factor (Ltrs/MT)	1342.28	1183.43	1000
XPi (Ghp/Ltr)	167.81	162.80	197.02

1st January 2016

PRICE COMPONENT	PMS	AGO	LPG
Average World Market Price (USD/MT)	418.94	317.89	320.94
Supplier's Premium (USD/MT)	112.174	112.174	140
FuFeX65 (Ghs/USD)	4.0227	4.0227	4.0227
Volume Conversion Factor (Ltrs/MT)	1342.28	1183.43	1000
XPi (Ghp/Ltr)	159.17	146.19	185.42
Xpi Percentage Change	-5.15%	-10.21%	-5.89%
Xpi Pesewa Change	-8.6409	-16.617	-11.6
Average World Market Price Percentage	-6.44%	-13.33%	-5.54%