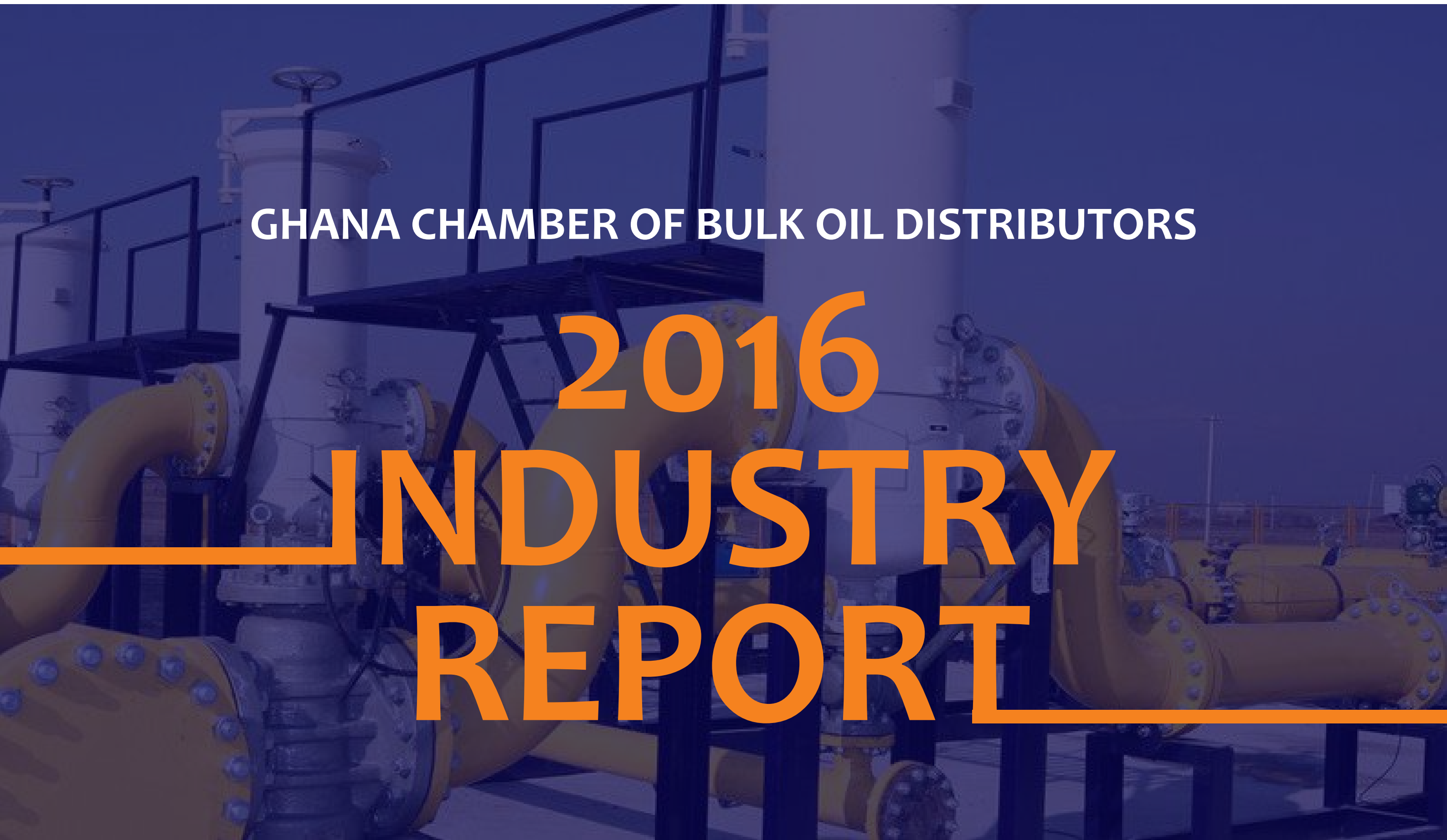
GHANA CHAMBER OF BULK OIL DISTRIBUTORS



GHANA CHAMBER OF BULK OIL DISTRIBUTORS

2016 INDUSTRY REPORT

ACKNOWLEDGMENTS

The 2016 Ghana Chamber of Bulk Oil Distributors (CBOD) Industry Report was authored by Senyo Kwasi Hosi (CEO) and Enock Kofi Anku (Research Analyst).

Excellent and extensive recommendations and contributions were given during conference calls and meetings with Board Members, Government officials, Heads of Banks and other Petroleum Service Providers. Their diligence and inputs contributed immensely towards making this report possible.

The editing and production were overseen by Mrs. Daisy Gyabaa (Head, Corporate & Regulatory Affairs) with assistance from Mr. Kwesi Keli-Delata, Mr. Kwasi Deh and Mr. William Ntim-Boadu.

NOTE

The views expressed in this publication are those of the authors and do not necessarily reflect the views of the CBOD or its entire membership.

CBOD

GHANA CHAMBER OF BULK OIL DISTRIBUTORS

CORPORATE INFORMATION

Board of Directors	Emmanuel Egyei-Mensah – Chairman Senyo Kwasi Hosi – Chief Executive Officer Dan Amoah Ivy Apea Owusu Joyce Heman-Ackah Samuel Duncan-Williams Sebastian Asem Yaw Koduah-Sarpong
Members	AlfaPetro Ghana Limited Blue Ocean Investments Limited Chase Petroleum Limited Cirrus Oil Services Limited Deen Petroleum Limited Dome Energy Resources Limited Dominion International Petroleum Limited Ebony Oil & Gas Limited Eco Petroleum Limited Firm Energy Limited Fueltrade Limited Hask Oil Limited Juwel Energy Limited LHS Energy Limited Maranatha Oil Services Limited Misyl Energy Limited Oil Channel Limited Oiltrade Company Limited Peace Petroleum Limited Petroleum Warehousing & Supplies Limited Redfins Energy Limited Rhema Energy Limited Springfield Energy Limited Vihama Energy Limited XF Petroleum & Engineers Limited
Registered Office	1st Floor, Right Wing C 127/21 Saflo Link, Abelemkpe, Accra
Solicitors	Darko, Keli-Delata & Co.
Independent Auditor	Nexia Debrah & Co.
Bankers	Prudential Bank Limited The Royal Bank

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MEET THE BOARD

EMMANUEL EGYEI-MENSAH

MR EGYEI-MENSAH holds a BSc Admin Degree and an MBA in Accounting and Finance from the University of Ghana Business School.

He is a member of the Ghana Institutes of Chartered Accountants and of Taxation and also holds several certificates in International Oil Trading and Finance. He is the Founder and CEO of Quantum Group (2000) and Sage Petroleum (2009).

His previous work experience includes roles as the Commercial Director of Cirrus Oil Services Ltd (2006 – 2009), Deputy Manager of KPMG Ghana (1994 – 1997) and Lecturer in Accounting and Finance at the University of Ghana Business School (1995 – 1999).

SENYO KWASI HOSI

MR. HOSI is the first Chief Executive Officer of the Ghana Chamber of Bulk Oil Distributors. He is credited with developing the Chamber into a major representative, advocacy and lobby organisation in the Ghanaian petroleum industry.

He is a finance and economic policy analyst with management experience across varying industries including downstream petroleum, public policy management and industry advocacy, finance, logistics and commodity trading. Prior to joining the CBOD, he worked as the Group General Manager for Meridian Management and Investments and served as a Director at Eco Petroleum Limited.

He holds an MBA in Finance and an MA in Economic Policy Management from the University of Ghana.

YAW KODUAH-SARPONG

MR. YAW KODUAH-SARPONG is the Chief Finance Officer & Head of Investments of Fueltrade Limited, a leading bulk distributor of refined petroleum products.

Mr. Koduah-Sarpong is a qualified accountant (ACCA), with a postgraduate degree in International Economic Law (LLM) from the University of Warwick in the United Kingdom and obtained his first degree in B.Sc. Administration (Accounting Option) from the University Of Ghana, Legon.

He has worked at Bulk Oil Storage & Transportation (BOST) Company Ltd where he was the Chief Finance Officer for four years. His other previous employment was with Ernst & Young Ghana, as a Tax and Legal consultant. He sits on the Board of Fueltrade Limited.

SAMUEL DUNCAN-WILLIAMS

SAMUEL DUNCAN-WILLIAMS is a Chemical Engineer; He started in the Tema Oil Refinery, (TOR) in 2001 where he worked at the Production Units.

He also holds a BSc. in Accounting and a Post Graduate Diploma, he was then moved to Process Valuation as part of Management Accounts Division of the Tema Oil Refinery, (Deregulated Stocks, under and over recoveries, etc), up until the year 2012.

He then resigned and joined the Sidalco Group to set up Dominion International Petroleum Ltd in 2012, which he manages, as the Chief Operations Officer. He also sits on the Board of Sidalco Ltd.

DAN AMOAH

DAN AMOAH completed his GCE 'O'Level at Sekondi College in 1977 and the Moscow Institute of Oil and Gas in 1986 with a Master of Science Degree in Petrochemical Engineer with specialty in the processing of oil and gas. In December 2007, he completed Master of Business Administration (MBA) programme with the University of Liverpool, UK. He worked for the Ministry of Energy, Ghana, from 1987 to 2005 and rose to the rank of the Acting Director of Petroleum and Head Petroleum Downstream from 2001 to October 2005. From October 2005 to 31ST January 2013, he worked at the National Petroleum Authority (NPA) as the Director responsible for petroleum products pricing, planning and research.

From February 2013 to date, he has been appointed as the Managing Director of Chase Petroleum Ghana Limited, he is responsible for the day to day management of the Bulk Oil Distribution Company. He sits on the Chase Board, the Tema Tank Farm Board and on the Board of United Storage Company Limited. He also serves on the Board of trustees of the Methodist Development Fund (MDF) of The Methodist Church Ghana. His major goal in life is to attain his maximum potential through training, education and hard work and help others to achieve their goals in life.

SEBASTIAN ASEM

SEBASTIAN KLENAM ASEM is the CEO of Vihama Energy. Prior to joining Vihama. Sebastian held senior banking positions at Standard Chartered Bank, Stanbic Bank and Access Bank. He is a Trade Finance and credit expert and has led teams to undertake various transactions including the financing of the first storage tanks for BOST, oil procurement transactions with international syndications, as well as the first syndicated financing transaction in Ghana's telecom industry.

He is also an expert in sovereign transactions having acquired in-depth experience in government financing over the years.

He holds an MBA in Finance from the University of Ghana –Legon; a certificate in Negotiations from the Harvard Business School, Cambridge, Massachusetts and a diploma in oil trading, supply and marketing from Oxford Princeton Programme UK...

IVY APEA OWUSU

IVY has been working in the Energy Sector since 2002 working with GE Capital in the USA from 2002 through 2007 and in the UK from 2007 until August 2009 in Energy Financing. Prior to that, she was with the Consumer Banking Department at Ecobank Ghana from 1998 until 2001 working closely with the Head of Consumer Banking and Customer Care, Ivy is a graduate of the University of Ghana, Legon (BA Admin) as well as Vanderbilt University in TN, USA (MBA). She also holds leadership certificates from both Harvard and Stanford Business Schools in the USA.

Ivy began her energy career in 2002 as an associate with GE Structured Finance Group and GE Energy Financial Services (GE EFS) focused on reserve based acquisition and monetization and quickly rose through the ranks to become Vice President in January 2007. During this period she garnered hands on experience in both Debt and Equity financing in the Oil & Gas, Power Generation, Renewable and Ancillary Energy Services Sectors. She was also involved in portfolio management, underwriting and loan syndication.

In 2007, Ivy was appointed Risk Director and transferred to London, UK to set up and head a European Structured Finance desk for GE's French Bank (GECFB). In this role, she worked closely with GE EFS and was responsible for deal structuring, document and contract negotiations, supervising deal teams in risks and mitigant analysis and presenting deals to credit committee for approval. She worked on over $1BN transactions covering Leverage Buyouts, Project Finance and Acquisition Finance. Her experience and wins include closing and syndicating the first GE Energy Financial Services UK Wind Farm Project Finance deal ($60MM) and the financing of 3 Spanish Solar projects (~$100MM) with WestLB and Santander Banks. She was also the portfolio manager and agent for the $100MM Katahdin Power Generation Portfolio which was owned by ArcLight Capital Partners. In 2008, she was handpicked and awarded by the Company CEO as an outstanding employee. She also received a best employee award in 2000 at Ecobank Ghana Limited. Ivy joined Cirrus Oil in 2009 as the company's Risk Manager.

She was promoted to the role of General Manager, Commerce a few weeks after joining the company and then appointed CEO in November 2010. In this role, she has spearheaded a wide range of health and education related community activities for Cirrus including artnering with the Pediatric Oncology Center at the Korle Bu Teaching Hospital (KBTH) as well as constructing and furnishing a library for the Poasi and New Takoradi communities in the Western Region of Ghana. Ivy has held numerous speaking engagements; some of which include giving the key note address for the Canadian Chamber of Commerce Power Breakfast 2012, panel presenter during the 2013 TICAD V conference in Japan, speaker at the CWC Energy Conference in Ghana 2011, etc.

JOYCE HEMAN-ACKAH

Ms. Joyce Heman-Ackah (Chief Executive Officer) joined Oil channel in January 2011 as Chief Operating Officer. She has played a key role in the growth of the company ensuring profitability, financial discipline and operational efficiency remain key values charting the strategic direction of the company.

Prior to joining the Oil and Gas Industry, Joyce was an active player in the Ghanaian Insurance Market. Her last role was the General Manager- Finance of NSIA Ghana Insurance Company formerly CDH Insurance. She joined NSIA Ghana, then Crusader Insurance in March 2000 and was instrumental in the growth of the company through the different phases of structural change, ownership change and industry challenges, in her ten year service period.

Joyce took keen interest in industry affairs, chairing the Finance Committee of the Ghana Insurance Association between 2008 and 2010, serving as a Director on the Board of the Ghana Insurance College and participating on various industry committees and conferences.

Between 1998 and 2000, she worked as a Consultant with KPMG Ghana and was involved in various projects within the Integrated Vendor Solutions, Corporate Finance and Taxation Units of the firm.

Joyce returned to Ghana from the UK in 1998. She was involved in NGO Financing for a few years. Her last position was the Finance Manager of Alcohol East, a Charitable Organization. She was also Non-Executive Director and Honorary Treasurer of Milton House Trust. Ms. Heman-Ackah worked for some years as a tax consultant / auditor in public practice in the UK.

Joyce Heman-Ackah is a Fellow of the Association of Chartered Certified Accountants UK and holds a BSc in Mathematics and Statistics from University of Ghana, Legon.

She is a member of the Institute of Directors (Ghana) and holds Directorships on the boards of Millenneum Insurance Company Limited, African Development Fund and Negotiated Benefits Company Tier 2 Fund.

ABBREVIATIONS

ABB	*All Buoy Berth*
ACEP	*Africa Center for Energy Policy*
AGO	*Automotive Gas Oil*
APD	*Accra Plains Depot*
BDC	*Bulk Distribution Company*
BoG	*Bank of Ghana*
BOST	*Bulk Oil Storage and Transportation*
CBOD	*Ghana Chamber for Bulk Oil Distributors*
CIP	*Covered Interest Parity*
FX	*Foreign Exchange*
FLUR	*Forex Loss under-recoveries*
GAB	*Ghana Association of Bankers*
Ghp	*Ghana Pesewa*
Ghs	*Ghana Cedi*
GOG	*Government of Ghana*
GPHA	*Ghana Ports and Harbor Authority*
LBL	*Legacy Bonds Limited*
LPG	*Liquefied Petroleum Gas*
NPA	*National Petroleum Authority*
OMC	*Oil Marketing Companies*
OTC	*Oil Trading Companies*
PMS	*Premium Motor Spirit*
PSPs	*Petroleum Service Providers*
RFO	*Residual Fuel Oil*
RVF	*Real Value Factor*
TOR	*Tema Oil Refinery*
UPPF	*Unified Petroleum Price Fund*
MT	*Metric Tonnes*

1.0 Executive Summary

This report reviews the petroleum downstream sector for the period ending 31st December 2016 and is focused on activities within the Bulk Distribution subsector. It reviews policy, financial and market activities for the period under review. It also analyses key risks facing the industry and provides an outlook and recommendations for the consideration of stakeholders.

2016 was fraught with policy inconsistencies which created market distortions in the downstream industry. Unilateral changes in the deregulation policy, covert subsidization of parastatal companies against the private sector, use of the government's reach to abuse public infrastructure to the disadvantage of the private sector, incongruence between regulation and implementation, characterised the public policy and regulatory sphere. In effect, government policy was not supportive of the private sector. This is attributable to the over politicization of the regulatory and industry policy function of government.

The finances of industry faced its most difficult year. Unpaid under-recoveries and the associated interest costs coupled with non-economic margins, resulting from unfair competition by Government (GoG), negatively impacted the finances of private sector players. For some BDCs, the situation was considered unsustainable hence they opted to scale down or shutdown operations. Out of 57 licensed importers (including 42 BDCs), only 18 imported products.

Despite receiving Ghs1.071bn in payments, an estimated Ghs1.78bn remains outstanding in GoG debt to BDCs. It is expected that further audits will be commissioned to bring closure to the debt sum.

The gross BDC premium[1] for 2016 averaged \$47.82/mt and \$53.79/mt for PMS and AGO respectively. This represents a 58% and 52% drop in indicative NPA premiums which stand

[1] The BDC premium refers to importers total supply chain cost inclusive of a gross margin. This includes freight, Marine insurance, storage fees, mooring/port fees, booster pump fees, in-plant losses, dyeing among others.

at $112.17/mt for both products. The combined effect of the covert subsidies and illegal products forced private industry players to reduce margins beyond economic levels. In some cases, margins were not just uneconomical; they were nominally negative. In a given case, supplier premiums from which margins may be realised were negative, indicating major trading losses.

Total petroleum imports (Crude and Products) for the petroleum and power sectors increased from 3.7mn mt in 2015 to 4.4mn mt in 2016, representing an 18.27% increase. The share of imports by the government sector increased from 14% in 2014 to 28% in 2015 and 45% in 2016, culminating into a total loss of 31% in private sector share. Export of petroleum products increased by about 400% compared to the 2015 fiscal year. The private sector's share of exports was 53% compared to 47% of the parastatal companies. Local petroleum product consumption however reduced by about 5.64%. The private sector was responsible for 75% of the product distribution which represents a 4% drop compared to 2015. Gasoil, with a share of 53%, represents the most consumed product on the market. The demand for Gasoil and Gasoline however saw a drop in actual terms whilst LPG rose marginally by 0.88%.

Activities of product 'round-tripping'[2] and inward smuggling, were rampant during the period under review. This negatively impacted fair pricing and deprived Government of needed taxes.

The industry continues to face risks which threaten the survival of the private sector. Among these include unfair regulation, GoG indebtedness to BDCs, trade credit risk, currency risk, the anti-competitive use of public infrastructure by parastatal companies, unhealthy rivalry and illegal products ('round-tripping', inward smuggling and off-spec products).

The developing trends from 2016 are unsustainable and require industry to revise its business models and operations to survive and thrive going forward. A change in current

[2] This refers to the illegal sale of products meant for export in the exporting country's market. It is a fraudulent activity that evades the tax regime to make pricing comparatively lower.

fortunes will require policy interventions by Government and operational restructuring by the major stakeholders (Banks, BDCs, OMCs). It is hoped that the recent change in political leadership will provide industry with an opportunity for new, fair and progressive thinking.

2.0 Policy Review

The year under review was fraught with major policy inconsistencies distortive of the market. Unilateral changes in the deregulation policy, covert subsidization of Government owned players against the private sector, use of government's reach to abuse public infrastructure to the disadvantage of the private sector, non-alignment between regulations and implementation, have characterised the policy and regulatory space.

In effect, it is fair to state that government policy has been less promotive of the private sector. This is attributable to the over politicisation of the regulatory and industry policy space.

2.1 Deregulation

The 18-month old price deregulation policy has been successful, to the extent of being accepted by the public and industry. It has increased Petroleum Service Providers' trading and finance management responsibility, and has accrued no fiscal cost to government (except for RFO, Premix). Competitive pricing, active marketing and improved services are observable within the market. Contrary to expectations that policy will progress towards full price deregulation, which will allow the liberalisation of transportation and the difference of pump price for a given Oil Marketing Companies' (OMCs) in its network of filling stations. It must however be acknowledged that it took the downstream sector almost a 20-year period to achieve this phase of deregulation, hence it will require more patience and policy analysis to assuage concerns of policy makers to attain full price deregulation.

The key concern of policy makers has been that prices in communities farther from shore will become more expensive. Many of these communities are less affluent and hence require some thorough policy analysis and structured intervention to mitigate the impact on pricing. Nonetheless, it is critical that policy favourably considers the full implementation of price deregulation to eliminate the inefficiencies that engulf price regulation which increases the overall cost to consumers and the economy.

A major policy inconsistency was in respect of the ex-ref pricing policy. At inception of the price deregulation, it had been agreed and understood that BDC ex-ref prices can differ at any point in time per customer. This situation was not new to industry even under the regulated pricing regime. The varied discounts per customer and liftings testify to this fact. The NPA in the year directed BDCs to sell at same prices nationwide. This position was without consultation and impractical, considering the differences in the supply chain structure per depot location. It was evident that the NPA sought to achieve a pricing policy like the OMC market which is required to sell at the same ex-pump price nationwide for a given OMC. A key consideration left out was the fact that the OMCs can fund the differentiating supply chain cost per location from the Unified Petroleum Pricing Fund (UPPF). This equates the cost per location for a given OMC. Unfortunately, same cannot be said to be applicable in the BDC sector as no such fund exists. This directive is at variance with the price deregulation policy. The CBOD's engagements with the NPA suggest that the directive was inspired by challenges OMCs encounter with pricing. It has however argued, that OMCs in the contemporary market ought to be able to manage differently priced purchases just as BDCs co-mingle and procure at different prices. Pending a conclusion on the matter, industry has reverted to varying discounts other than prices to achieve same effect without breaching the NPA directive.

It is imperative that policy-making ought to be clear, consistent, practical, consultative and not arbitrary.

2.2 Government's Market Activities & Participation

The Government of Ghana (GoG) through its parastatal organisations was very active in the market over the period under review. Traditionally, GoG's participation in the trading activities of the industry had been limited to the commercial activity of Tema Oil Refinery and Goil. BOST served as a provider of the infrastructural backbone for the industry and was expected to hold strategic stocks on behalf of GoG.

Policy however changed with GoG opting to galvanise the activities of Goil, Go-Energy, BOST and TOR in an alliance hoping to yield synergies that will make GoG the most dominant player in the market. It was the thinking of GoG officials that, the private sector had gained too much control over the downstream oil sector. The first move by GoG was to actively participate at every level of the supply chain i.e. (Refining-Importing-Storage-distribution-retailing). With refining filled by TOR, retailing by Goil, distribution by Go-Energy, Storage by BOST, importing remained unfilled. The import could have been undertaken by Go-Energy as a BDC but GoG opted to have BOST play the role for strategic reasons which may not hold for a publicly listed company like Goil/Go-Energy. This compromised BOST as an independent player for the industry. Consequently, this set of facts resulted in market distortions and an anti-competitive industry structure that has been destructive for the private sector.

2.3 Unfair Competition

The role of BOST to import and trade as an OTC made it a player and a referee – a key provider of services and infrastructure support - at the same time. It has since been unable to provide fair services to industry. It uses its infrastructural capacity and the GoG's Zonalization policy to reduce competition, compelling BDCs to procure products from it as against the BDCs trading their own products.

2.4 Biased Storage Access

The use of BOST facilities have been biased against private sector importers. Key complaints lodged by the private sector include;

1. The non-adherence to the open access system for operating zonalization.
2. The deprivation of access to products within the entire BOST system after delivery of products into its Accra Plains Depot (APD). This in effect forces the private sector out of the non-shore market zones to buy from BOST as against trading its own products.
3. Restricting some gantry usage for Go-Energy and the few private players who may have procured products from BOST. This causes longer queuing and inconveniences for BDCs stocking their own imported products with BOST. Clearly this was aimed at discouraging private players from importing and rather wholly

depending on BOST. It was also aimed at giving Goil a better leverage in the supply chain to out-compete the private OMCs.

The above situation frustrated the smooth implementation of the zonalization policy.

2.5 Covert Subsidies

The BOST Margin (accruing about Ghs100m a year) and allocations by the Ministry of Finance from the price stabilisation and recovery levy, under the guise of strategic stocks (about Ghs60m a qtr.), have provided indirect subsidies for BOST to translate into low pricing for Go Energy/Goil. This in effect is a subsidisation of Goil prices through BOST. This provision is not available to the private sector and is designed to suppress pump prices at the expense of the private sector, and fair competitive practices in the economy.

Explanations justifying the payments from the Price Stabilization Recovery levy (PSRL) under the guise of strategic stocks is totally moot. BOST has stated in many of its presentations, that it is running an open account trading arrangement with its suppliers and takes pride in its ability to trade without funding from GoG. This has been a well-known fact and flies in the face of assertions that GoG is investing in strategic stocks. These payments help subsidise Goil indirectly against the private sector.

An analysis of the pricing offered by BOST reveals a major discrimination in pricing against the private BDCs and in favour of Go-Energy/Goil. In most cases, private BDCs and OMCs must operate at break-even or economic losses to be able to compete with Goil. Goil on the other hand being a beneficiary of the scheme, continues to post profits unmatched in the industry.

2.6 Common Infrastructure Abuse

It became a new normal for TOR to abuse its influence over the use of the GPHA oil Jetty as against the open access rule. BDCs on scheduled laycans are forced out of berth for TOR vessels or frustrated in their efforts to discharge their cargo.

In presentations, the last MD of TOR/BOST indicated steps he was taking to leverage its new control of the All Buoy Berth (ABB) to restrict 50% usage to BOST and TOR. This in effect forces 50% of the trade to BOST/TOR at the expense of the private sector. These arbitrary acts are a clear abuse of public power and frustrate private investments in the sector.

The cumulative effect of the actions of GoG has been one aimed at suppressing the private sector. This only nurtures an environment for political patronage and rent-seeking.

2.7 Sulphur Reduction

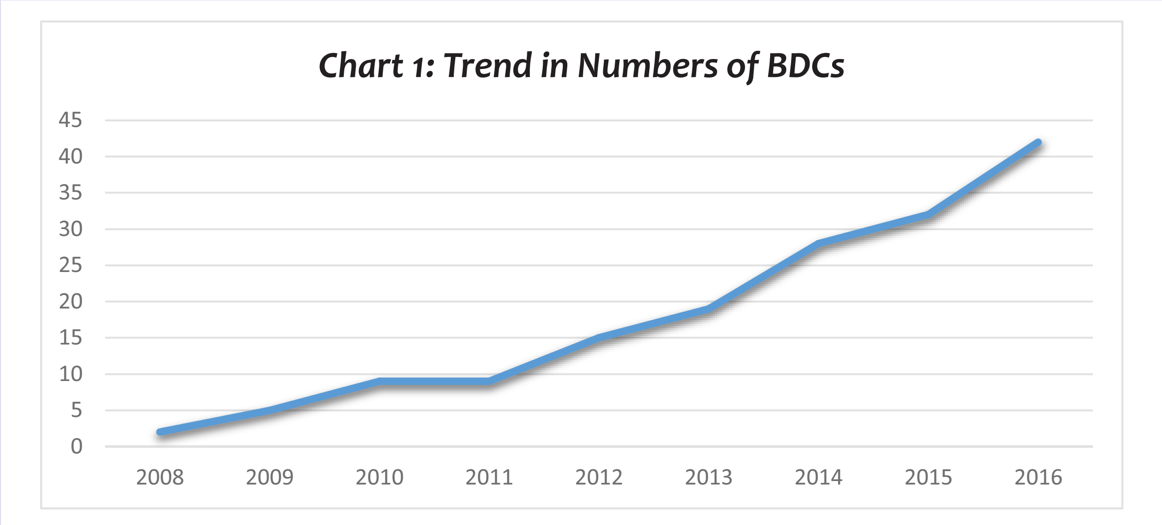
The release of a documentary and publication on sulphur content in fuels by Public Eye, triggered a major rethink of the pace of change in the quality standards of fuels delivered to the Ghana Market. The CBOD joined civil society led by the African Centre for Energy Policy (ACEP) in calling for an immediate change in quality standards. After holding various fora and workshops by inter-stakeholder committees, it was recommended that standards be revised to reduce sulphur content in diesel to 50ppm. A waiver was granted to TOR to produce 500ppm max.

The standards technical committee has initiated steps to bring the revised standards into force. The NPA, despite announcing in the media that the new standards will take effect in January 2017, is yet to officially advise industry on the start date and the implementation transition modalities. The CBOD has requested the NPA to formally advise industry on the subject matter.

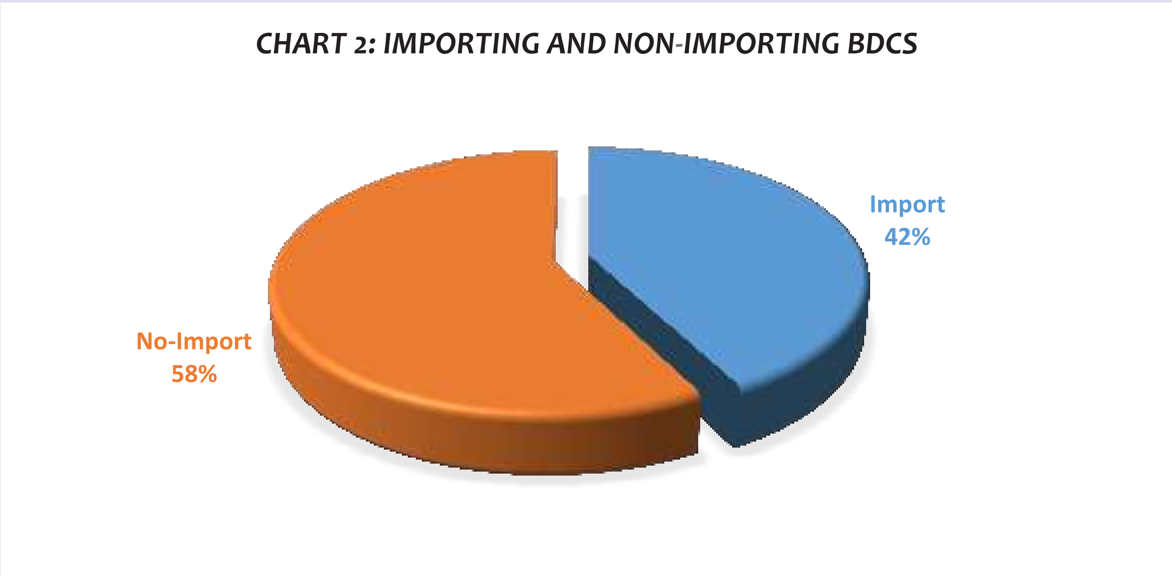
2.8 Licensing

Concerns remain as to whether the licensing regime genuinely enforces the requirements before issuance. This concern has arisen amidst increasing evidence of a lack of depth in managerial and financial capacity of new entrants.

Licensed BDCs increased from 3 in 2008 to 42 by 31st Dec, 2016. This reflects an average of about 5 new BDCs per year in the last 8years.



While it is necessary to promote competition, it is also critical to enforce standards that ensure players provide real value to the industry, the consumer and the economy. As it is known, the BDC function is designed to import products to augment refinery output and provide healthy pricing and supply competition for local refineries. It is also aimed at providing a bulk commercial exit for refinery output.



Increasingly, many BDCs fail to provide this value to the market. In 2016 for example, out of 42 BDCs, only 19 participated in product imports. This situation does not encourage efficient competition and value delivery to the market. It is therefore envisaged that strong monitoring may be required to ensure licensing requirements are maintained throughout the life of PSPs.

2.9 Taxes, Levies and Margins

Following the implementation of the Energy Sector Levies Act, 2015 (ACT 899) effective 1st Januray 2016, Petroleum levies and taxes generated an estimated tax revenue of over Ghs 4.7bn in the 2016 fiscal year. The SPT, EDR Levy and Road fund accounted for about 90% of the taxes generated. PMS and AGO provided the largest tax base by jointly contributing over 95% of tax revenue. Taxes and levies averaged 40% of pump prices for PMS and AGO for the period January 2016 to January 2017. At current prices (Jan 16th, 2017), taxes account for about 37% of pump prices.

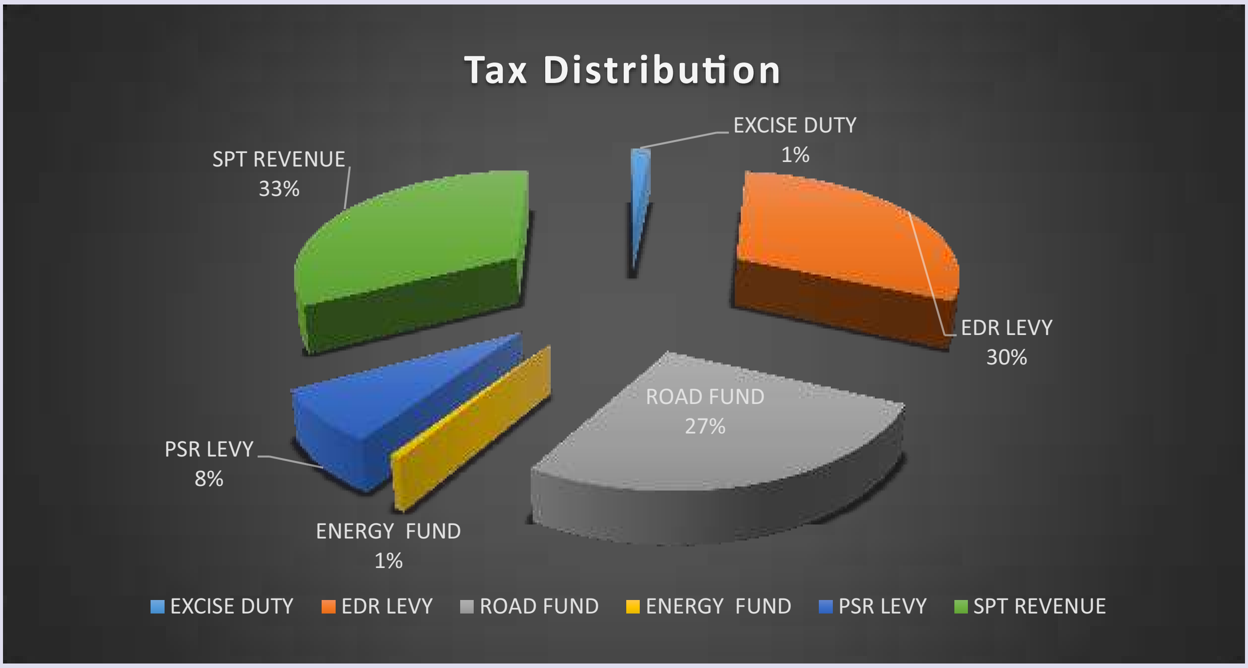


Table 1: 2016 Petroleum Tax Revenue (EST) Breakdown

PETROLEUM TAX REVENUE

TAX TYPE	Fuel oil	AGO	MGO	Unified	Kerosene	L.P G	PMS	Premix	ATK	Kerosene (Industrial)	TOTAL
EXCISE DUTY	417,478.75	30,884,208	1,106,683	91,059	103,750	2,039,564	39,896,671	-	3,280,408	1,068	77,820,890
EDR LEVY	520,320	703,473,633.50	11,273,509	1,342,955	-	104,145,557	588,404,141	-	-	-	1,409,160,116
ROAD FUND	-	686,315,740	-	1,310,200	-	-	574,052,821	-	-	-	1,261,678,761
ENERGY FUND	130,080	17,157,894	-	32,755	100,000	-	14,351,321	-	-	-	31,772,049
PSR LEVY	-	171,578,935	-	393,060	-	28,147,448	172,215,846.24	-	-	-	372,335,289
SPT REVENUE	-	757,137,420	10,158,218	1,396,450	2,798,753	106,173,953	653,454,298	-	0	28,819	1,531,147,911
Total	1,067,879	2,366,547,830	22,538,410	4,566,479	3,002,503	240,506,522	2,042,375,098	-	3,280,408	29,887	4,683,915,016
Product Share of Revenue	0.023%	50.525%	0.481%	0.097%	0.064%	5.135%	43.604%	0.000%	0.070%	0.001%	100.000%

3.0 Financial Review

The finances of the industry faced its most difficult year. Unpaid under-recoveries coupled with non-economic margins resulting from unfair competition by GoG, negatively impacted the finances of private sector players. For some BDCs, the situation was considered unsustainable. They thus opted to scale down or shutdown operations.

3.1 GoG Indebtedness to BDCs

The 2016 fiscal year ended with GoG Indebtedness to BDCs estimated Ghs 1.78bn (USD415mn). This follows total receipts of about Ghs1.024bn from government in the last quarter of 2016 and Ghs47mn in January 2017. GoG indebtedness comprise Forex Loss under-recoveries (FLUR), Real Value Factor (RVF) and FLUR interest.

3.1.1 FX Loss Under-Recoveries 2014-2015

The audit was completed and advised to industry on the 31st of October 2016 for review. The outcome is as follows:

FX LOSS 1	FX LOSS 2 & UNREALISED LOSSES	TOTAL
USD$ 164,824,853	USD$ 219,077,753	USD$ 383,902,606

The audit excluded a claim of $55.96m for being related to 2013 transactions. It however confirmed that 72% ($40.23m) of this amount was not included in the earlier audit of 2011-2013 FX Loss under-recovery claims. Despite numerous requests made by the CBOD, GoG is yet to commission an audit to validate the $40.23m claim. The Ministry of Finance (MoF) attributed the FX Loss 2 and Unrealised loss validated claims to the Bank of Ghana (BoG) and retained responsibility for FX Loss 1.

3.1.2 Payment

a. The Ministry of Finance has paid Ghs 171,000,000 in respect of the FX Loss 1 validated claim. The amount was paid in two tranches, Ghs124,000,000 (USD

31,000,000) in November 2016 and Ghs 47,000,000 (USD 11,000,070) in January 2017. This translates into a total of USD42,000,070.

b. The BoG share of the debt was fully paid with 5yr BoG bonds on the 23rd of December 2016. The bonds were issued to Legacy Bonds Limited, assignees of the BDC debt. Legacy Bonds Limited (LBL) is a special purpose vehicle set up by the Ghana Chamber of Bulk Oil Distributors (CBOD) and the Ghana Association of Bankers (GAB), to provide central administration of the BDC receivables from GoG and debts to the banking sector.

3.2 2011/2013 FX Loss Under-Recoveries

Reconciliation sessions were held with representatives of the Ministry of Finance and a provisional outstanding amount of USD 17.78m was established. This amount remains unpaid.

3.3 Real Value Factor (RVF)

The National Petroleum Authority's (NPA) position on RVF stood at Ghs 418,453,692 as at 31st March 2016. This was advised to CBOD in a letter dated 3rd May 2016. This position is yet to be updated by the NPA and advised to industry. We however estimate the amount payable to BDCs at about Ghs541m by 31st December 2016.

3.4 FLUR Interest

A total claim of USD 108.56m has been filed by BDCs through the CBOD. This amount is yet to be validated by GoG or an independent auditor.

4.0 GoG Liability Summary

4.1 Validated Claims

Liability	USD Amount	Ghs Amount
FX Loss 2013 Outstanding	17,784,530.15	
FX Loss 2014-2015	383,902,606.00	
Total	401,687,136.15	
Less		
MoF Payment Received (14-Nov-16)	31,000,000.00	124,000,000.00
BoG Bonds (23rd Dec-16)	219,077,753.00	900,000,000.00
MoF Payment Received (14-Jan-17)	11,000,070.00	47,000,000.00
Balance Due	140,609,313.15	604,971,569.83

4.2 Claims to be Validated

Liability	USD Amount	Ghs Amount
RVF*(As at 31st Dec.2016)	125,754,412.76	541,058,360.88
FX Loss 2013 unaudited	40,228,346.58	173,082,461.15
FLUR Interest (As at 31st January 2017)	108,563,489.59	467,094,413.96
Total	$274,546,248.93	Ghs 1,181,235,235.99

Note: * is estimated. GHS/USD=4.3025

5.0 Assignment Agreement

An agreement assigning the interest of BDCs to Legacy Bonds Ltd (LBL) was duly executed by all BDCs and representatives of LBL. Subsequently, letters notifying the MoF of the assignment and advising the GAB-CBOD account held at BoG as the beneficiary account was executed by all BDCs.

6.0 The Trade Finance

Banking confidence in the sector dwindled as GoG indebtedness to BDCs remained outstanding with uncertainties surrounding GoG's commitment. The impairment risk coupled with the risk of BDC teeming and lading sales proceeds minimised banking appetite for BDC trade risk.

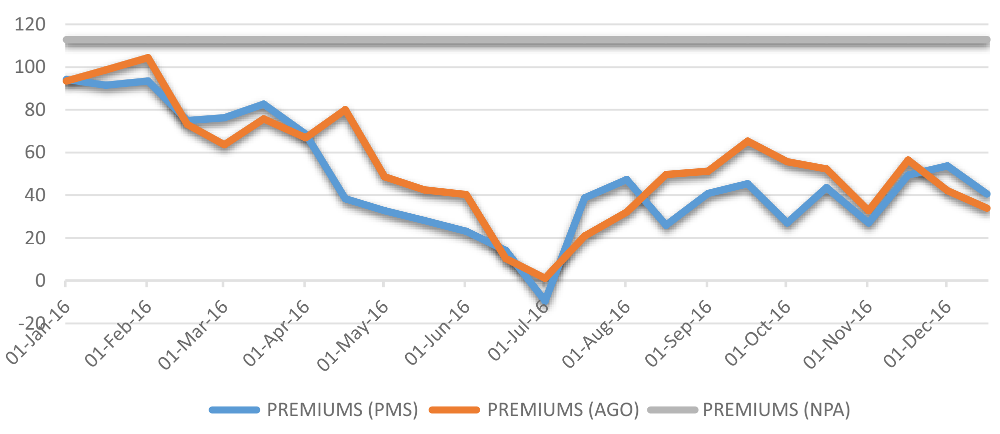
Trade funding was driven by supplier's direct credit structured along the lines of open account or collateral management arrangements. This enabled BDCs trade with very limited banking lines and provided an opportunity for international suppliers to keep their hold on the market.

7.0 Trade Profitability

The Industry's profitability was hampered by dwindled and negative margins and the canker of trade credit abuse. Despite these occurrences, the termination of under-recoveries because of deregulation proved helpful and provided some hope for recovery.

The BDC premium for January-December 2016 averaged $47.82/mt and $53.79/mt for PMS and AGO respectively. This represents a 58% and 52% drop in NPA premiums which stand at $112.17/mt for both products.

Chart 3: BDC and the NPA Premiums



The drop was driven mainly by the impact of Government's covert subsidies, inward smuggling, product 'round-tripping' and partly by the productivity of the deregulation policy. The fierce competition resulting from the deregulation policy led to improved negotiations and offerings from international suppliers and yielded a comparative drop in required premiums. This development is positive for the economy and translates into an efficient and healthy competition.

However, the use of covert subsidies by GoG to force prices even lower, beyond economic levels cannot be described as positive for the economy. It erodes productivity and dwarfs the growth of companies unfairly, in ways that threaten the financial system and the sustenance of investments in the sector.

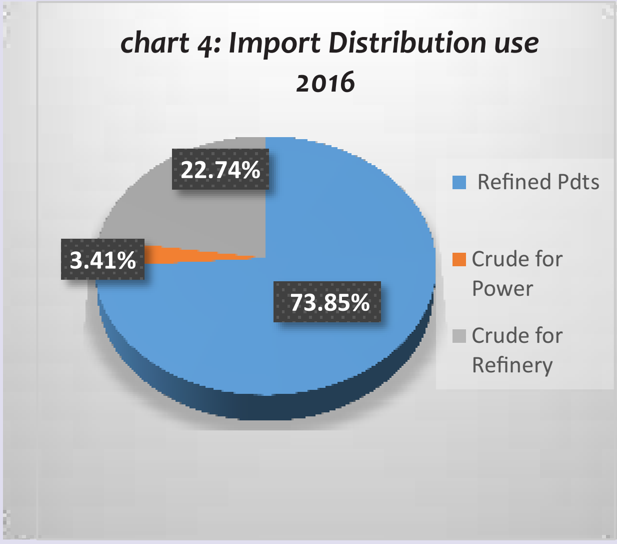
Two other factors were product 'round-tripping' and inward smuggling. The sale of these products evades the tax system and renders them cheaper than legitimate products. In most, cases over 25% less than the price of legitimate products. It introduces an unsustainable level of competition and further forces prices and premiums down. As is often the case, BDCs are compelled to further reduce ex-ref prices to enable legitimate OMCs compete. These reductions only spell unsupported losses for BDCs and the industry. Surprisingly, the heavy hand of Government is yet to be felt in the effort to arrest culprits and bring these illegal trades to an end.

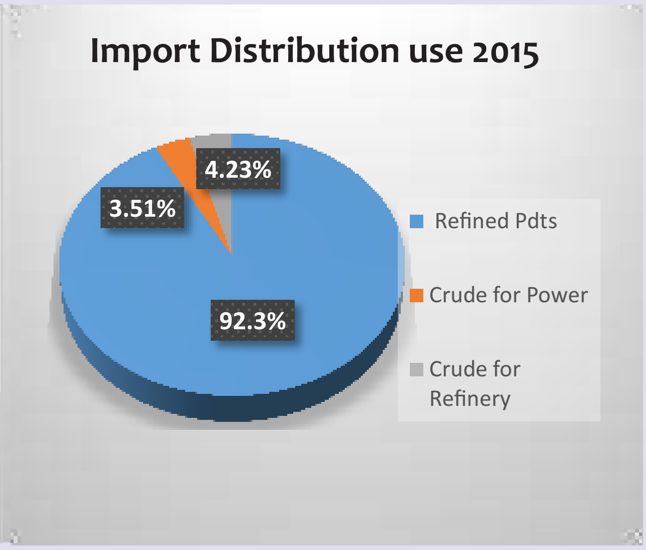
The combined effect of the covert subsidies and illegal products forced the private industry players to reduce margins beyond economic levels. In some cases, margins were not just uneconomical, they were nominally negative. In worse cases, supplier premiums from which margins may be realised were negative, indicating a major trading loss.

8.0 Market Review

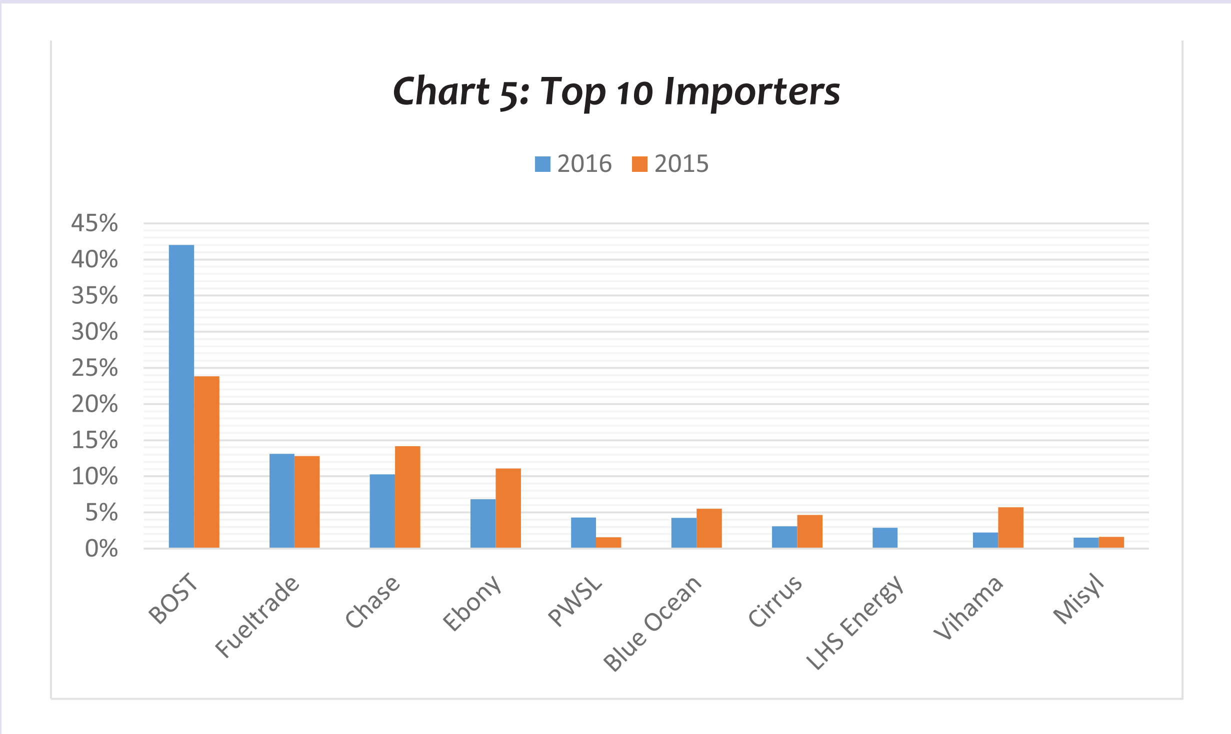
8.1 Imports of Petroleum Products

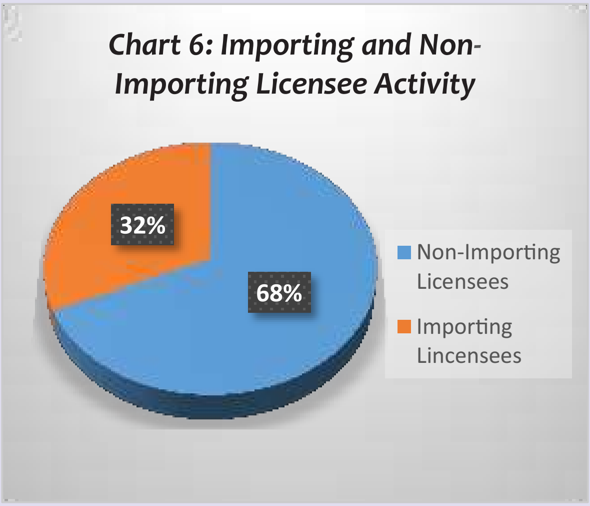
Total imports for the period ending 2016 stands at about 4.4mn metric tons. This marks an 18.27%% increase compared to imports in 2015. It also marked Ghana's largest annual petroleum product import ever. Products imported comprise refined products, crude for refining and crude for power generation.

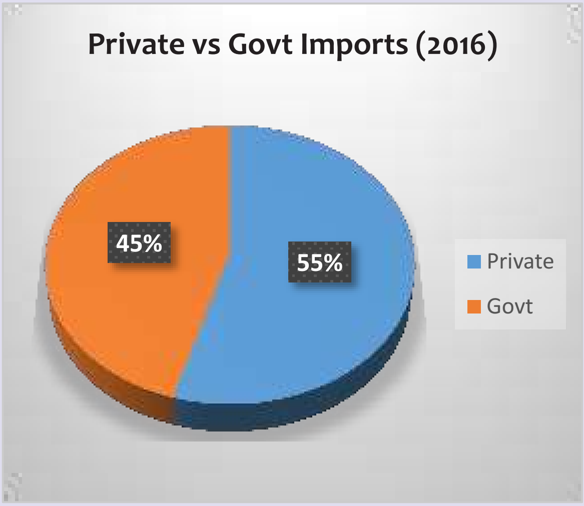




Out of 57 licensed importers (BDCs, OTCs, Power Generation companies and the refineries), only 24 companies imported products. 12 (50%) out of this 24 were unable to attain an annual import volume equivalent to a single standard cargo size of 30kt. The Bulk Oil Storage and Transport Company (BOST) imported 1.9mn metric tons of products (Refined and Crude), accounting for 44% of all products and making it the largest importer for the period under review. The largest private importer was Fueltrade Ltd with an import share of 13.1%.

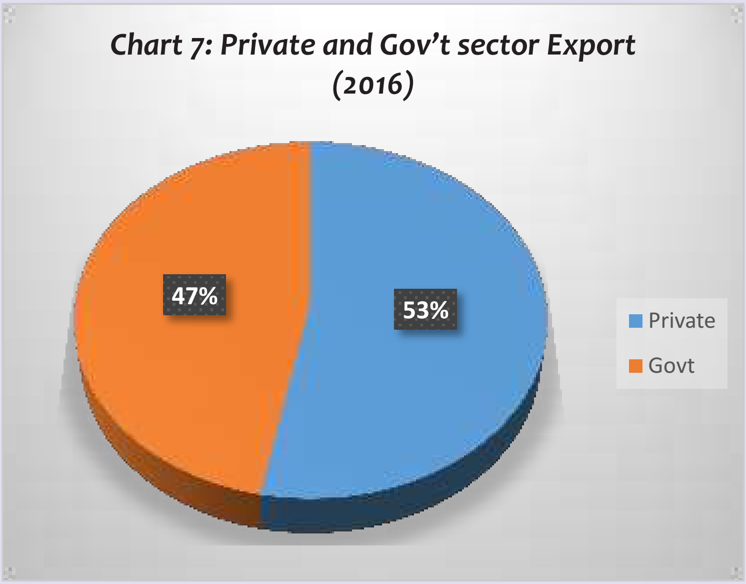




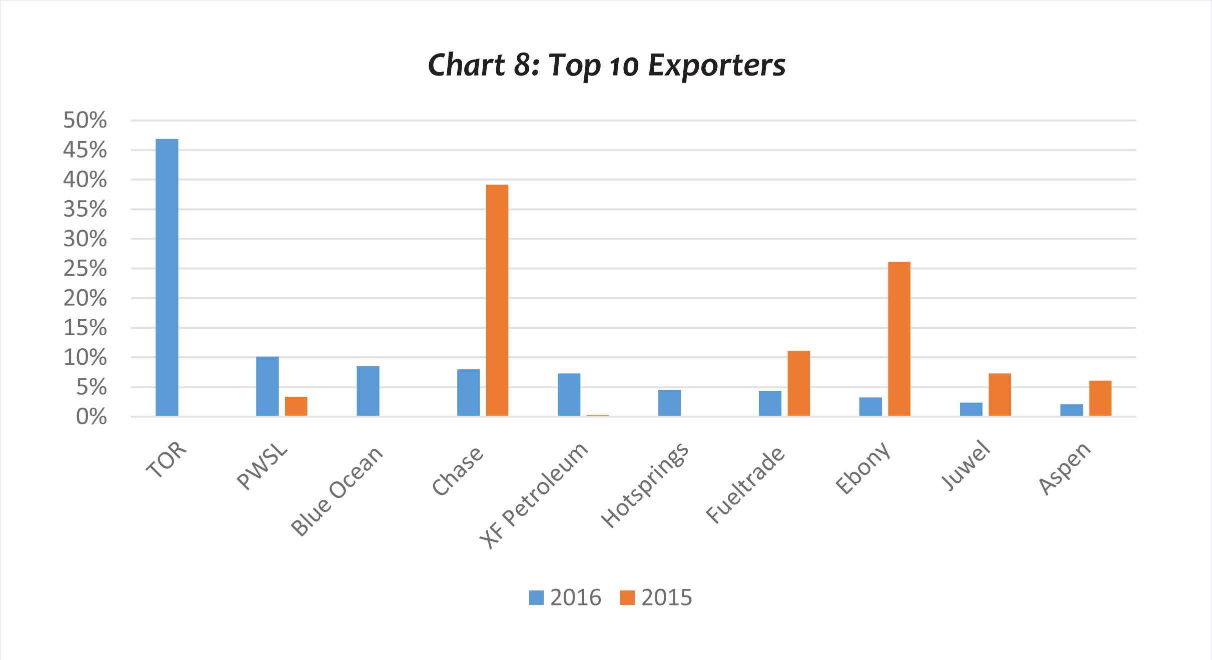


The GoG's strong performance is attributable to the covert subsidies and subvention BOST was granted by government. This included the BOST margin estimated at about Ghs100m annually and quarterly payments of over Ghs60mn by the Ministry of Finance, to suppress prices for the benefit of Goil. It was the GoG's illegitimate mechanism to suppress prices at the expense of the private sector. This situation is unfair, illegal and anti-competitive.

8.2 Export of Petroleum Products



Export for petroleum products (Gasoil, Gasoline, RFO, Naptha and LPG) in 2016 stood at about 532,803Mt. This represents a 400% rise in export over the 2015 fiscal year and marks the country's highest export ever. The products were reportedly exported to mainly Mali, Nigeria and Burkina Faso. The private sector continued to lead the export market with a 53% market share compared to the 47% share achieved by TOR (the only parastatal company to have participated in export). Out of 19 licensed exporters, only 14 were able to export products. TOR's exports stood at about 249,814 metric tons of refined products, representing 47% of total exports, making it the largest exporter for the period under review. It was followed by, PWSL, Blue Ocean Investments and Chase Petroleum with market shares of 10%, 9% and 8% respectively.



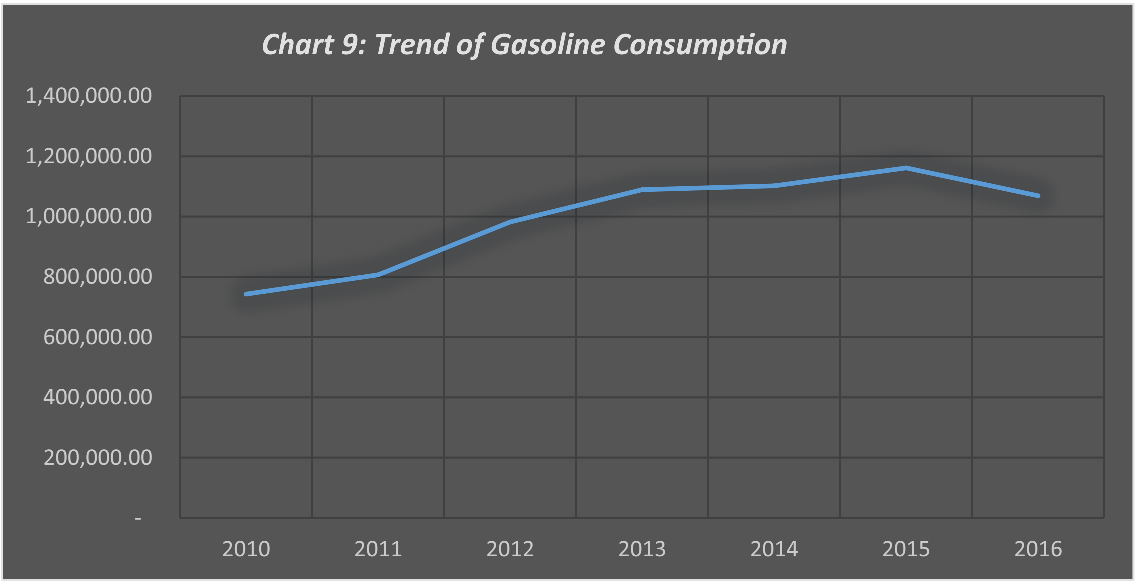
In light of the reported cases of product 'round tripping', it is unclear whether the growth in export was driven by real market or fraudulent market activities.

8.3 Consumption

Consumption of refined product (white products) dropped by 5.64% to stand at 3.3mn metric tons. This is the second and largest year-on-year fall in consumption recorded over the past seven years. It is unclear to what extent that the flooding of the market with illegal or smuggled products may account for this drop.

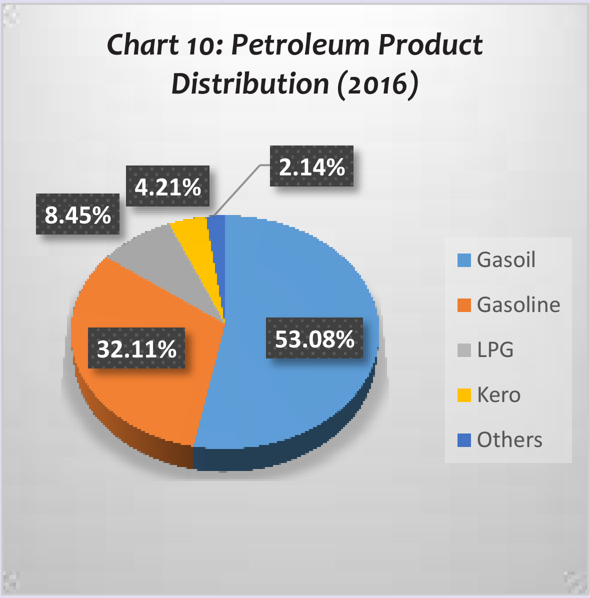
Gasoil demand dropped from 1.9mn metric tons to about 1.77mn metric tons, marking a 7.31% fall. This was driven by a 10.65% fall in the demand for regular gasoil which mitigated the 26.25%, 8.82% and 8.23% increases in the demand for Gasoil Rigs, Gasoil Mines and Gasoil Marine respectively.

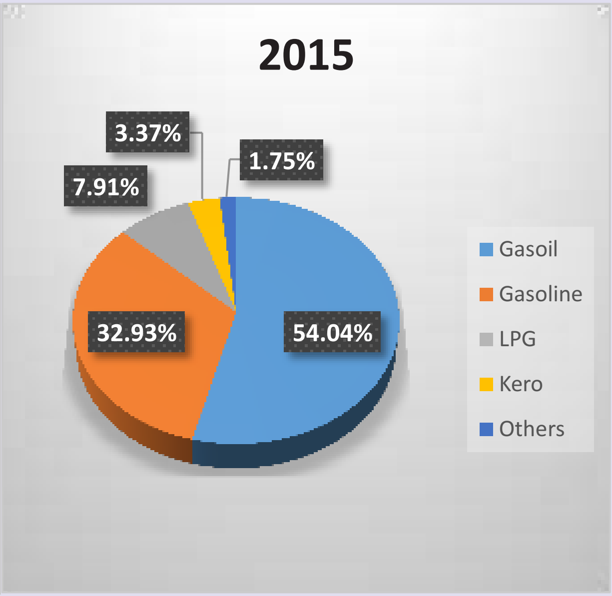
Gasoline demand fell by 8% from its consumption peak of 1.16mn metric tons in 2015 to 1.07mn metric tons in 2016. This marked the first fall in demand since 2010. The recorded 2016 demand estimate is lower than demand in 2013, 2014 and 2015. This sudden break in demand growth raises a lot of concern for a highly inelastic commodity and gives strong credence to assertions that, products continue to circumvent the tax and regulatory



regime through the 'round-tripping' of export products and the smuggling of products through the fishing harbours.

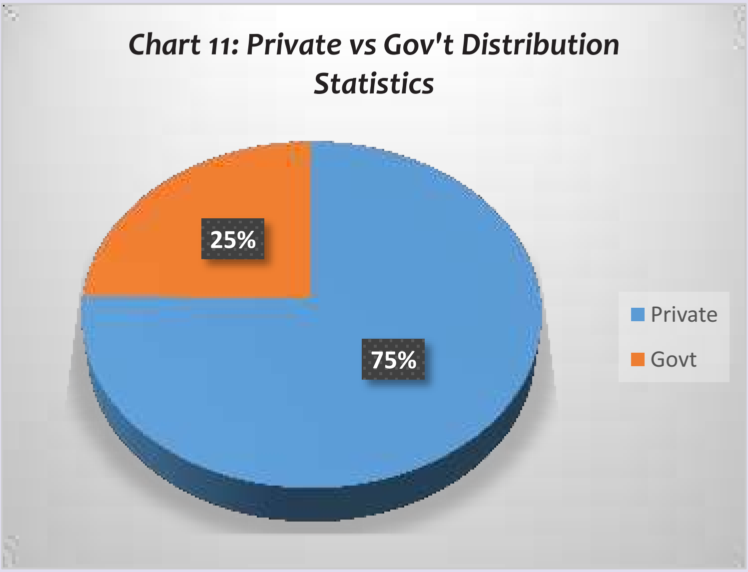
LPG realised a marginal 0.88% rise in demand. ATK/Kero demand increased by 17.91%, yielding an estimated annual volume of 140,272 metric tons. This increase is attributable to government policy action to reduce the price by removing the price stabilization margin and the intermittent supply challenges experienced by airlines in Nigeria.

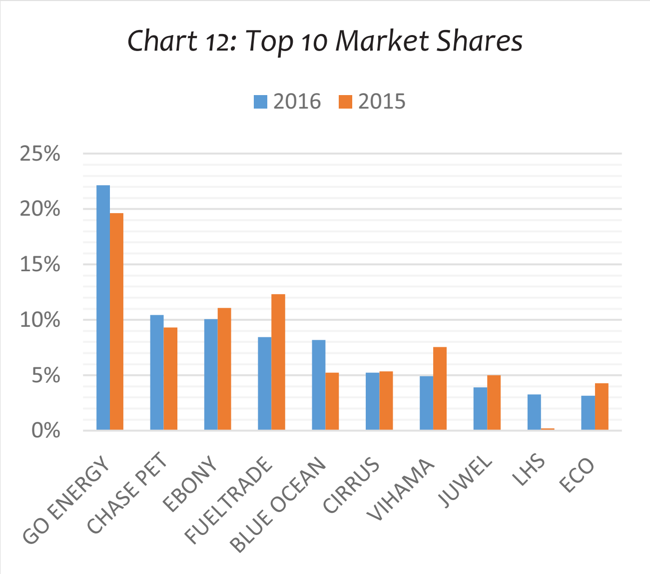




8.4 Distribution

The private sector continued to lead in the distribution of products to the market despite the major fall in import share. Government companies increased their distribution share from 20.72% in 2015 to 24.90%. The private sector accounted for 75%, marking a 4% fall from its 2015 share of 79%. This drop is also attributed to the unfair market conditions of covert subsidies perpetuated by Government in 2016 to the benefit of Goil through BOST.



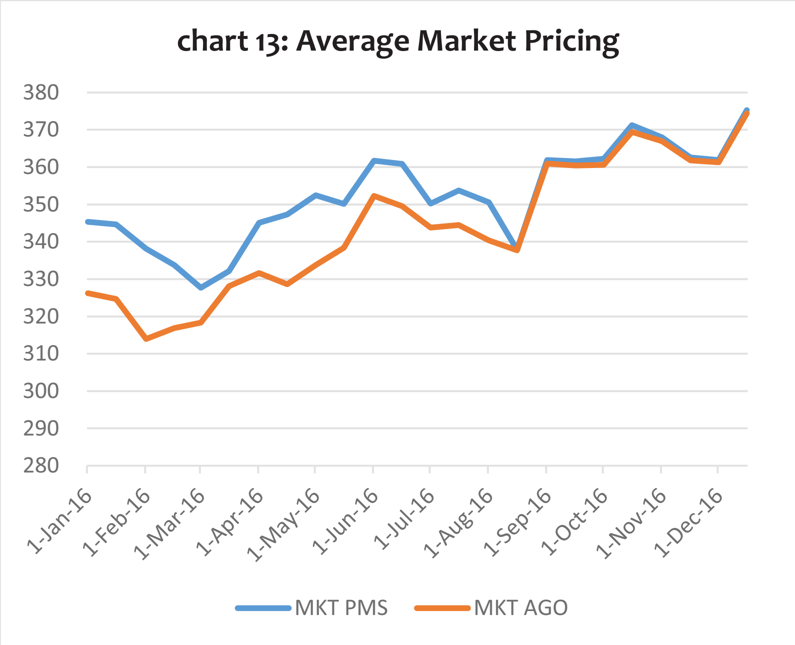


Out of 44 BDCs and Refineries, only 33 distributed products to the market. This indicates inactivity for 25% of distribution licensees. Out of the active 33, only 18 (about 50%) could distribute above 1% of total products consumed.

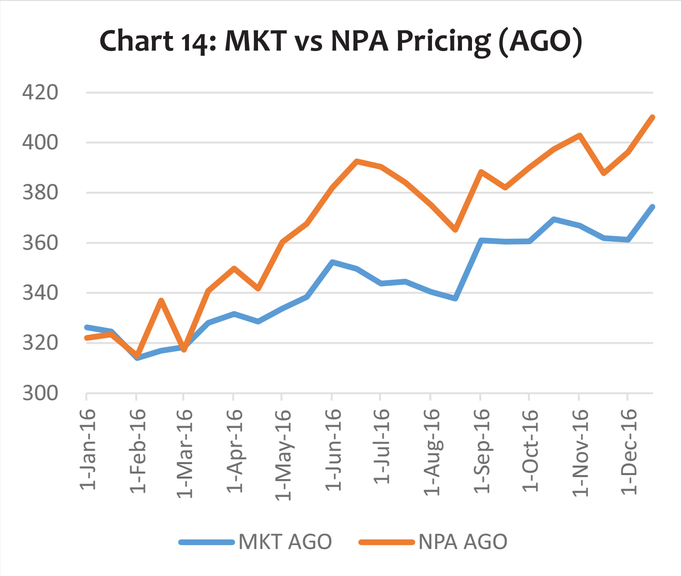
The government owned Go-Energy maintained its 2015 leadership as the largest distributor. Chase Petroleum moved from the 4th position in 2015 to the 2nd position in 2016 to become the private sector's largest distributor. The top ten distributors saw Oil Channel give way to LHS energy which became the newest entrant.

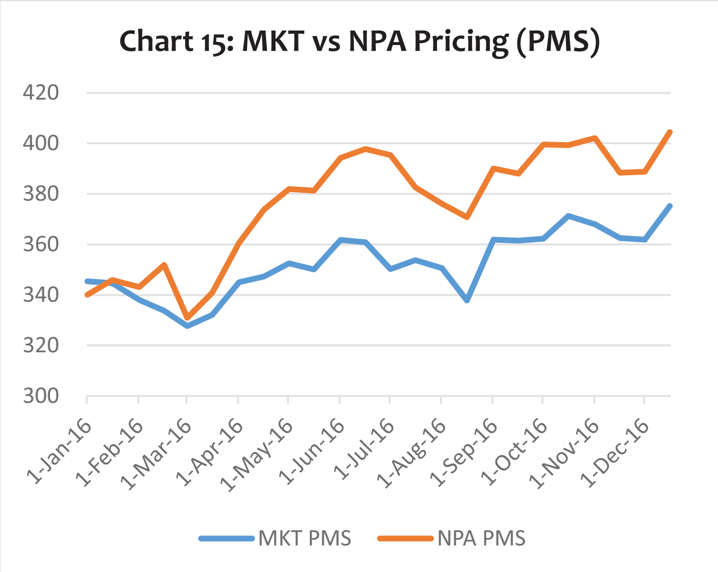
8.5 Local Market Prices

Local market prices of products for 2016 experienced an average change 0.39% AND 0.62% for PMS and AGO respectively. The highest change in price was experienced in September with both major product increasing by about 7%. This next major increase was in the second half of December with increases of about 3.7%. The lowest decrease was observed in the 2nd half of January (-3.63%) for PMS and the 2nd window of August for AGO (-3.30%).

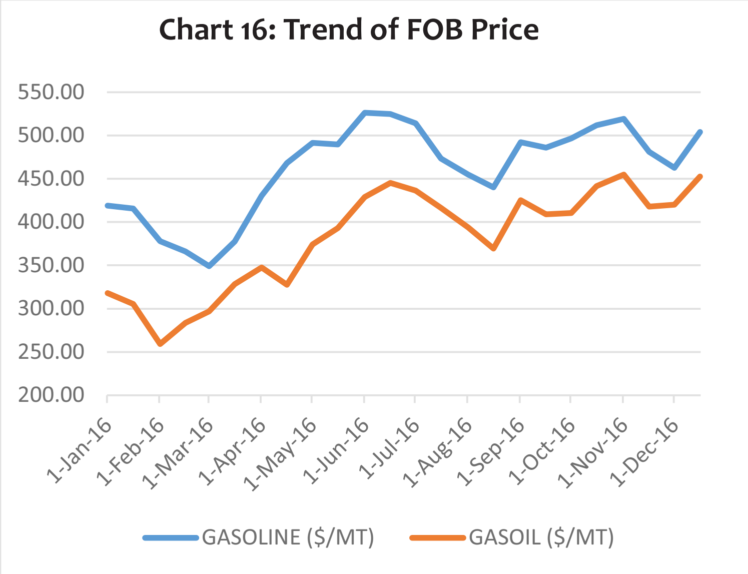


Pump prices over the period (January – December 2016) averaged Ghs3.52/Ltr and Ghs 3.43 /Ltr for PMS and AGO respectively. These average market pump prices were about 6.3% less than the NPA average window price estimates. This indicates that the deregulation policy is yielding lower prices than would have been in a regulated regime without subsidies.





8.6 International Market price (IMP)

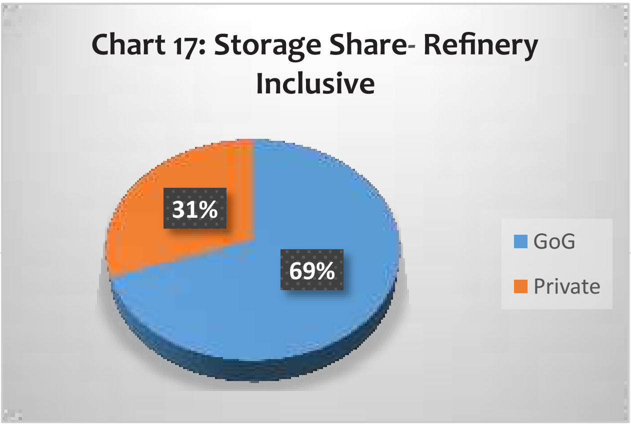


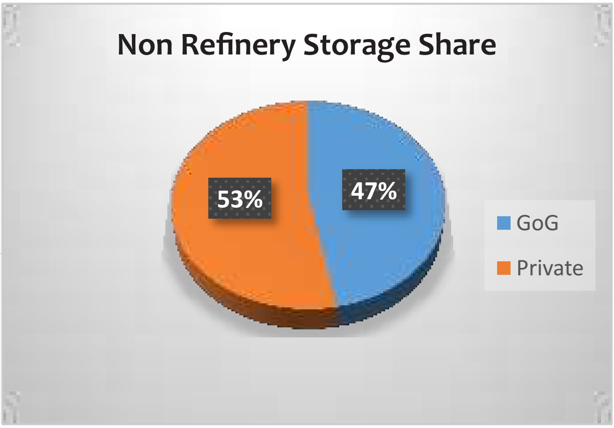
The IMP is determined by international market and geopolitical conditions with extremely minimal influence from the local market. The 2016 fiscal year realised a 1% and 1.83% average change in IMP price for PMS and AGO. The highest increase was 14.06% in the first window of April and 15.06% in the 1^{st} window of September for PMS and AGO respectively. The highest decreases were -9% for PMS and -15.11% for AGO in the 1^{st} window of February. The year was subsequently followed by an 5.32% sudden spike in January of 2017. This was triggered by news of OPEC's plans to cut production. It is expected that international market prices will remain at around the current comparative high, granted that OPEC continues to hold back production. Per reports by Reuters (2017), prices will not significantly exceed recent levels as US increased output will limit the impact of OPEC's actions.

9.0 Infrastructure Review

9.1 Storage

The period under review ended with an increase in storage capacity from 1.483mn m^3 to 1.595mn m^3. This was due to Tema Tank Farm Ltd's (TTF) addition of 15,000m^3 and 25,000m^3 to its AGO and PMS storage respectively, and the construction of a 72,000m^3

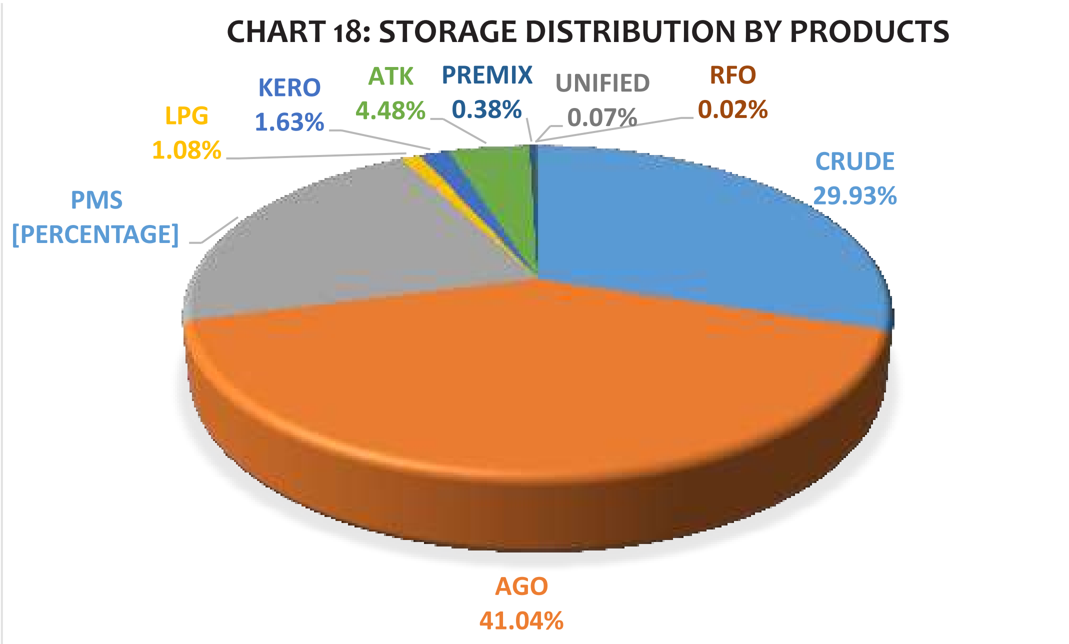




facility for crude storage. This makes TTF edge out Tema Fuel Company (TFC) as the largest private storage operator in the industry.

Government retained its place as the largest storage provider for crude and white products. The private sector however provided the largest non-refinery storage capacity for petroleum products.

AGO remained the product with the largest installed storage capacity (41.04%), followed by crude oil and PMS.



NATIONAL PRODUCT STORAGE CAPACITY 2016														
DEPOTS/ PRODUCTS	STATE-OWNED			PRIVATELY-OWNED										TOTAL STORAGE (M3)
	BOST	TOR	GHANA GAS	SAHARA	CIRRUS	CHASE- TTF	GOIL	FUELTRADE-TFC	PLATON GASOIL	BLUE OCEAN	GHANSTOCK	JUHI	QUANTUM	
CRUDE	-	405,500		-	-	72,000	-	-	-	-		-		477,500
AGO	243,976	184,625		21,871	33,669	70,000	10,000	47,412	1,150	18,000	24,000	-		654,704
MOGAS	170,757	17,288		7,750	30,423	50,000	-	51,146	-	13,500		-		340,864
LPG	-	8,451	4,000	-	-	-	-	4,000	-	-	-	-	750	17,201
KERO	10,000	16,056		-	-	-	-	-	-	-		-		26,056
ATK	-	42,048		-	3,000	-	-	-	-	25,000		1,500		71,548
PREMIX	-	5,983		-	-	-	-	-	-	-		-		5,983
RFO	-	-		-	-	-	-	-	300			-		300
UNIFIED	-	-		-	-	-	-	-	1,150	-		-		1,150
TOTAL	424,733	679,951	4,000	29,621	67,091	192,000	10,000	102,558	2,600	56,500	24,000	1,500	750	1,595,305

9.2 Pipeline Projects

Key pipeline projects by Puma Energy, Quantum Terminals and Woodfields Ltd are expected to be completed in 2017 and will add a total storage capacity of 284,005m^3 to industry.

Product	Puma Energy	Quantum	Woodfields	Total
PMS	50,000.00	33,557.00	53,691.20	**137,248.20**
AGO	50,000.00	35,502.90	53,254.35	**138,757.25**
LPG	8,000.00			**8,000.00**
Total	108,000.00	69,059.90	106,945.55	**284,005.45**

The commissioning of the above tankage will increase the private sector share of total storage (refinery inclusive) from 31% to 41%. Its share of non-refinery storage will shoot up to 62% from 53%.

9.3 Mooring & Jetty

The industry continues to operate with one All Buoy Berth (ABB) and SPM in Tema, and a Jetty each in Tema and Takoradi. The Tema ABB/SPM remains the major facility for product discharge to shore. It accounted for over 3.59mn metric tons out of a total 4.39mn mt of products imported in 2016. This 82% share makes it the most important access point for product delivery to shore. The ABB has a dead weight capacity of about 50,000mt. The only alternative to the ABB/SPM for the Tema zone is the Tema Oil Jetty. Its draft restriction of 9.6meters limits cargo sizes to about 15kmt-20kmt. At a discharge rate of about 350cbmph, it is almost 3 and half times slower to discharge when compared to the ABB's 1,200cbmph.

The Tema zone holds about 83% of national storage, hence discharge challenges experienced at the ABB/SPM pose major supply problems for the economy. It is therefore necessary that policy promotes the development of alternate offshore mooring facilities in Tema. It is worth noting that the private sector, coordinated by the CBOD, has initiated steps towards the development of an alternate mooring facility for the Tema zone. It is expected that Government will support the project in line with its deregulation policy.

10.0 Key Industry Risks

10.1 Regulation (inconsistent and unfair regulation)

Investment decisions are not only based on market situations but significantly on regulatory policies. Therefore, where policies are characterized by inconsistencies, it negatively hampers the progress of the industry and threatens the viability of existing and on-going investments.

The role of BOST ought to be clarified in a manner that assures the integrity of the market; through the weeding out of anticompetitive practices like covert subsidies. The inconsistent posturing of regulation over issues of industry infrastructure confuses investment and threatens their viability. Industry cannot continue to switch on and off over the permissibility of the use of Parastatal infrastructure and the enforcement of licensing requirements, among others.

The continuation of unfair and covert subsidies in favour of BOST and Goil directly impacts the private sector's ability to compete and poses a major threat to the commercial sustainability and viability of the industry. It totally defeats the essence of deregulation and removes any form of competition.

10.2 GoG Indebtedness to BDCs

The current indebtedness of GoG to BDCs is estimated at over Ghs 1.78bn. The consequential exposure of this debt to the banking sector has dampened funding confidence in the sector. More so, the growing interest cost being born by BDCs continues to wipe out capital required to survive as a going concern. This is a major risk and continues to have a rippling effect across the industry.

10.3 Trade Credit risk

The unhealthy rivalry that has characterized the industry since 2011, has resulted in poor trade credit management practices. Trade credit has become a tool for competition that continues to render BDCs heavily exposed to OMCs without adequate security. The current trade credit is estimated to stand at about Ghs750mn. The trade credit to some OMCs has been abused with funds being diverted into various ventures, which continue to prove illiquid. This poses a major insolvency risk to some BDCs and is unsustainable. It costs BDCs an estimated Ghs15mn per month in borrowing costs. It is imperative that all players resolve this unhealthy trade credit management situation to avoid it becoming an economic disaster for the industry and the financial system, generally.

10.4 Unhealthy Rivalry

Trading margins through 2016 fell to an all-time low in ways that question the viability of the BDC sector. Premiums, of which profit margins are a subset as indicated earlier, in some cases, were negative. Trading under such situations erodes capital, increases funding risk and undermines the ability of BDCs to withstand trading shocks.

This has been caused primarily by unfair competition from parastatal companies and the influx of illegal products which circumvent the tax regime.

The continuous erosion of margins and premiums, if not checked immediately, will soon render most BDCs insolvent.

10.5 Currency risk

2016 was comparatively a stable year for the Ghana Cedi (Ghs). The NPA and industry use the covered-interest parity FX (CIP FX) pricing model as a general guide for FX estimation. The CIP FX saw a relatively sharp upward movement from the 1st selling window of December 2016 all through to 16th January 2017. The FX rate experienced an average change of 0.423% over the period ending November 2016 vis-a-vis a 5.8% change during the 1st-15th January 2017 window. This change is reflective of the 5% change in the Bank of Ghana FX spot rates between 30th November 2016 and 15th January 2017. The currency has in recent times continued to fall.

With very limited FX hedging products on the Ghanaian market, BDCs are challenged with insulating their business from incurring negative forex differentials. If not effectively managed, this will erode capital.

10.6 Infrastructure abuse

The breach of rules by parastatal companies in the management of public infrastructure like the Tema jetty and the zonalized storage facilities in 2016 is not lost on industry. The reported incidents of abuse by BOST and TOR led to heavy operational and financing costs to BDCs. It is also known, that it was a strategy by the then TOR/BOST management to leverage its influence over the CBM and the Jetty to control 50% of imports and thereby carve out a market share for itself, against the private sector.

The abuse of shared infrastructure to out-muscle the private sector in disregard of the NPA ACT691, poses a major threat to the industry and the wider economy. This creates an imbalanced playing field that will injure the productivity of the private sector and its growth.

10.7 Illegal products

Reported cases of 'round-tripping' export products and the influx of untaxed and off-spec products smuggled onto the market, continues to negatively affect fair pricing. These products escape the tax regime and sell at 20%-45% below fair pump-pricing and force BDC margins below economic levels.

It is a major canker that deprives the State of tax revenue. **We estimate a Government revenue loss of not less than Ghs490mn in 2016 resulting from the trading of illegal products.**

These illegal activities will soon render legal players insolvent or inoperable and deprive the GoG of needed revenue for development.

All the above highlighted risks culminate in a major financial risk to the economy, as funding for industry is driven by the banking sector. Once operations continue to be commercially unviable, BDCs will be unable to meet debt repayment obligations, which may trigger a major financial crisis over time. It is therefore necessary that all stakeholders (Banks, NPA, BDCs, OMCs, etc.) engage to redefine the funding and operating environment for the BDC trade.

11.0 Outlook and Recommendations

11.1 Industry Restructuring

The policy views expressed by the current Government in its manifesto as well as pronouncements by the Minister of Energy, suggest a desire to restructure the industry (including licensing and roles of PSPs) to ensure fairness and operational efficiency. It has indicated it will revert BOST to its original function of managing strategic stocks and providing infrastructure support for the industry. Government is also expected to cease using the Price Stabilization and Recovery Levy as a covert subsidy for BOST. This will be a major step towards fair competition. The implementation of these policy views and the enforcement of fair utilization of shared infrastructure managed by Government entities will be critical to the progress of the industry. Thus, the CBOD will prioritize the industry restructuring in its policy advocacy.

It is expected that Government will seek to enforce the licensing requirements for new applicants and existing PSPs. The thorough enforcement of requirements such as the Ghs30mn equity capital, the dedicated 40,000 cubic meter storage and the $60mn trade facility among others, will prove a major compliance challenge for all 42 BDCs. This situation may force a reduction in the number of BDCs from the current 42 to between 8 and 15. It is envisaged that smaller BDCs (especially those with OMC off-take) will find prudence in consolidating their BDC interests to enable them meet the requirements and minimize the cost impact of the NPA license fees. It will also provide them with a stronger platform to procure products more efficiently.

To ensure that BOST remains commercially viable after halting its trading activities, Government is expected to recognize the use of the BOST storage facilities as dedicated throughput to meet licensing requirements. This will ensure significant utilization of the State's asset. Existing private owners of storage facilities may therefore not necessarily have a special advantage over non-storage facility owners. It is therefore advised that the focus of businesses should be on delivering superior supply chain value to customers other than seeking to edge out competition through regulations around infrastructure.

11.2 Trade Restructuring

The abuse of bank credit by BDCs which is partly caused by the mismanagement of trade credit by OMCs, has jeopardized existing funding arrangements for the industry. It is therefore necessary that the entire funding and trading structure of the industry be revised by stakeholders to restore funding and operational confidence. This will involve industry-wide agreed protocols over trade credit management, bank credit management, currency risk management and PSP capital requirements among others. This initiative is expected to be led by the CBOD and the Ghana Association of Bankers (GAB). The forward integration by international oil traders and the backward integration by oil marketing companies will continue to squeeze margins. This may necessitate nonintegrated companies to integrate forward and or backwards. Integrating backwards effectively for most BDCs may require collaborations or partnerships with their current competitors.

11.3 Infrastructure

The dependence on the 10-year-old All Buoy Berth (ABB) and the limited capacity of the TOR Jetty poses an industry and national security risk. In the event of a technical shut down of the ABB, products supply to the market will be hampered, thereby causing shortages. The possible abuse of the ABB as was observed in 2016 equally poses a major risk to the industry. It is therefore important that BDCs collaborate with each other and Government to develop an alternate Single Point Mooring facility. This will provide infrastructure assurance for the industry and minimize supply risk to the country. It is expected that the Special Purpose Vehicle, Pexus Mooring Ltd, set up for this purpose and coordinated by the CBOD will make significant progress in the 2017 fiscal year.

11.4 Sulphur Standards

The delay in implementing the agreed Sulphur standards is untenable considering the health implications on consumers. Government representatives have argued that the delay in implementation is a result of the administrative procedures required by the Ghana Standards Authority (GSA). While it is accurate that the administrative process is on-going, it is not a necessary condition for implementation. The Sulphur standards for AGO were revised by the NPA using its regulatory authority from 10,000ppm to 5,000ppm in 2007. It took the GSA another 3 years to ratify same. It is therefore possible for the NPA to enforce the recommended standards without the completion of the GSA's administrative processes for changing standards.

The anticipated challenge for government is the expected inability of TOR to meet the recommended standards. TOR is currently unable to produce the recommended 50ppm or the 500ppm waiver granted it. According to its past management, it will require investment of over US$120mn to be able to meet the new specifications. With consumers likely to reject high TOR Sulphur products, which will cost about same as low Sulphur products, TOR may struggle with the distribution of its refinery output. This situation will negatively impact TOR's ability to sustain production in the medium term. In effect, policy must weigh in on whether GoG is willing and capable of investing more in TOR, amidst its humongous debt, or allow it to be effectively non- operational or redefine the core services TOR provides.

The current standards create room for arbitrage and profit maximization for international traders, who price products using higher specifications while they supply lower grade products. The pricing benchmark for AGO has a Sulphur content of 1,000ppm while products of up to 3000ppm (in compliance to the Ghana specification) are supplied. PMS is benchmarked against a 10ppm specification but products with Sulphur levels of up to 1,000ppm are supplied.

The economy and the citizenry do not benefit from the maintenance of the current 'Toxic' Sulphur standards. It is therefore recommended that the proposed AGO Sulphur standards of 50ppm be urgently enforced and extended to include PMS.

11.5 Conclusion

2016 proved a very difficult and arguably the most anti-private sector year for the industry, with respect to Government's policy stance. It is erroneous for members to think that the events of 2016 may not recur. ***For where there is profiteering in chaos, there will always remain an incentive to nurture chaos***. It is therefore important that the private sector of the downstream industry remains resolute and united to rise against unfair practices.

The continuation of unhealthy trading practices like bank credit abuse, unhealthy trade credit and uneconomic price competition which threaten the stability of the financial system, questions the credibility of the private sector in the deregulation era. It should be noted that policy and public interest will prioritize financial stability over downstream privatization. It is therefore imperative that the private sector exercises optimal responsibility and discretion to maintain and grow the confidence of policymakers and the public always. This also includes fair pricing and quality assurance.

2017 provides industry with an opportunity to turnaround its dwindling fortunes, but will require responsible competition, and astute management of its operations. For industry to thrive, business and policy cannot remain the same, it is time for a policy reset and industry rethinking.

12.0 Appendices

Appendix 1

BDCs Petroleum Product Imports
January-December 2016 (Provisional)

	All Products are in Metric Tonnes (MT)									
	Company	Crude Oil	Fuel oil	Gas oil	Kerosene	LPG	Gasoline	ATK	TOTAL	SHARE
1	BOST	923,015	20,587	366,471		192,158	437,123		1,939,353.262	43.92%
2	Fueltrade			257,817		119,998	214,943		592,758.010	13.43%
3	Chase			265,181			165,371		430,551.453	9.75%
4	Ebony			150,034	5,939		103,633	43,916	303,522.133	6.87%
5	VRA	224,020							224,020.325	5.07%
6	Blue Ocean			97,976			41,092	58,364	197,432.642	4.47%
7	Cirrus			131,420			8,958		140,378.503	3.18%
8	PWSL	27,037		90,131			12,096	4,475	133,738.878	3.03%
9	LHS Energy			85,432			45,344		130,776.250	2.96%
10	Vihama			34,278			67,298		101,576.253	2.30%
11	Misyl			52,321			16,885		69,205.125	1.57%
12	Alfa Petrol			8,000			21,813		29,812.841	0.68%
13	Juwel Energy			15,500			12,191		27,691.297	0.63%
14	Platon	24,648							24,647.904	0.56%
15	Deen			13,451			5,642		19,092.868	0.43%
16	ECO			10,324			1,000		11,323.985	0.26%
17	Strata Energy						10,500		10,500.000	0.24%
18	XF Petroleum & Engineers						7,381		7,381.137	0.17%
19	Mobile Oil			7,000					7,000.000	0.16%
20	GO Energy Co. Ltd			5,510					5,509.940	0.12%
21	Chesdeg						4,005		4,004.907	0.09%
22	Hask						3,000		3,000.000	0.07%
23	Rama Energy						2,051		2,050.545	0.05%
24	Oilchannel								-	0.00%
25	Springfield								-	0.00%
26	Dominion								-	0.00%
27	Peace								-	0.00%
28	Dome								-	0.00%
29	Maranatha								-	0.00%
30	Redfins								-	0.00%
31	Oiltrade								-	0.00%
32	Firm Energy								-	0.00%
33	Nation Services								-	0.00%
34	Rhema Energy								-	0.00%
	Total	1,198,719.986	20,586.707	1,590,847.382	5,939.252	312,155.543	1,180,325.311	106,754.076	4,415,328.257	100.00%

Source: NPA

Appendix 2

BDCs Performance Statistics from January-December 2016

No	Company	Fuel oil	Gas oil	Marine Gasoil	Unified	Kerosene	LPG	Premium	Premix	Marine (Foreign)	Gasoil(Mines)	ATK	Gasoil (Rig)	Total	Share
	All Products are in Metric Tonnes (MT)														
1	GO ENERGY	-	386,919.38	4,281.62	-	351.85	14,651.19	309,838.15	-	418.28	-	7,240.21	13,321.26	737,021.93	22.14%
2	CHASE	-	164,144.39	3,034.40	-	-	-	123,379.47	-	79.85	56,965.35	-	-	347,603.47	10.44%
3	EBONY	-	105,391.62	6,749.88	-	4,240.69	-	109,235.11	-	1,585.65	45,873.52	62,221.02	15.21	335,312.70	10.07%
4	FUELTRADE	-	63,047.24	-	-	-	105,877.17	42,667.55	-	-	69,997.30	-	-	281,589.26	8.46%
5	BLUE OCEAN	-	134,063.74	7,262.79	-	2,332.74	23.72	77,647.58	-	26.62	-	50,974.85	-	272,332.04	8.18%
6	CIRRUS	-	71,235.14	159.71	-	402.63	-	9,805.33	-	302.93	42,935.03	-	49,338.98	174,179.74	5.23%
7	VIHAMA	-	69,985.63	201.53	-	10.88	-	37,219.06	55,980.12	-	-	-	-	163,397.23	4.91%
8	JUWEL	-	80,503.87	768.53	-	399.00	-	48,287.02	-	-	-	-	-	129,958.42	3.90%
9	LHS	-	54,573.15	2,912.72	-	-	-	51,514.59	-	-	-	-	-	109,000.45	3.27%
10	ECO	-	20,105.54	726.28	-	-	77,934.55	6,706.13	-	-	-	-	-	105,472.50	3.17%
11	MISYL	-	67,147.78	4,456.54	-	-	-	20,946.82	-	-	-	-	-	92,551.14	2.78%
12	TOR	1,974.57	2,434.03	-	-	-	82,137.23	2,373.20	-	-	-	3,176.37	-	92,095.39	2.77%
13	MARANATHA	-	35,641.14	-	-	-	-	36,720.65	-	-	-	-	-	72,361.80	2.17%
14	OIL CHANNEL	-	26,630.64	-	-	-	-	34,224.60	-	-	-	-	-	60,855.24	1.83%
15	PWSL	-	16,163.61	1,247.22	-	301.06	-	15,320.20	-	-	-	8,598.10	-	41,630.19	1.25%
16	OIL TRADE	-	15,698.44	22.82	-	-	-	25,040.98	-	-	-	-	-	40,762.23	1.22%
17	HASK	4,461.06	17,089.14	562.77	-	-	-	14,008.63	-	-	-	-	-	36,121.60	1.08%
18	ALFAPETRO	-	5,677.56	-	-	-	-	22,971.73	-	-	2,781.32	-	-	31,430.62	0.94%
19	DEEN	-	21,629.50	319.41	-	-	-	6,802.60	-	-	-	-	-	28,751.52	0.86%
20	RAMA	-	12,139.71	-	-	-	-	13,422.31	-	-	-	-	-	25,562.02	0.77%
21	FIRM	-	11,611.92	121.68	-	-	-	13,805.61	-	-	-	-	-	25,539.22	0.77%
22	EAGLE	-	15,998.83	-	-	21.76	-	8,779.46	-	-	-	-	-	24,800.06	0.74%
23	NATION SERVICES	-	12,105.49	-	-	-	-	9,447.36	-	-	-	-	-	21,552.85	0.65%
24	GLOBEX	-	6,825.08	-	-	-	-	13,414.49	-	-	-	-	-	20,239.57	0.61%
25	MOBILE	-	9,346.56	-	-	-	103.76	3,313.02	-	-	-	-	-	12,763.34	0.38%
26	PLATON	6,466.97	2,793.15	950.63	2,440.25	-	-	84.56	-	-	-	-	-	12,735.56	0.38%
27	BATTOP	-	9,491.48	-	-	-	-	1,042.63	-	-	-	-	-	10,534.11	0.32%
28	RHEMA	-	4,620.05	83.66	-	-	-	4,454.73	-	-	-	-	-	9,158.43	0.28%
29	DOME	40.30	1,074.00	34.22	-	-	691.65	5,266.41	-	-	-	-	-	7,106.58	0.21%
30	MIMSHACH	-	2,467.83	-	-	-	-	147.51	-	-	-	-	-	2,615.34	0.08%
31	PEACE	-	1,883.09	-	-	-	-	40.23	-	-	-	-	-	1,923.32	0.06%
32	MED PETRLOEUM	-	842.89	-	-	-	-	744.26	-	-	-	-	-	1,587.14	0.05%
33	RICHELLE	-	562.77	-	-	-	-	502.88	-	-	-	-	-	1,065.65	0.03%
34	XF PETROLEUM	-	-	-	-	-	55.21	-	-	-	-	-	-	55.21	0.00%
35	CHROME	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
36	DOMINION	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
37	REDFINS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
38	SPRINGFIELD	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
39	TIMELESS	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
	TOTAL	12,942.90	1,449,844.39	33,896.40	2,440.25	8,060.62	281,474.48	1,069,174.88	55,980.12	2,413.32	218,552.51	132,210.54	62,675.45	3,329,665.87	100.00%

Source: NPA Website

Appendix 3

BDCs Petroleum Products Export from January-December 2016

All Products are in Metric Tonnes (MT)							
COMPANY	**GASOIL**	**GASOLINE**	**LPG**	**NAPHTHA**	**RFO**	**TOTAL**	**SHARE**
TOR	39,962.46	29,648.19	-	111,713.92	68,489.14	249,813.71	46.89%
Petroleum Warehousing & Supplies	38,310.67	15,735.54	-	-	-	54,046.21	10.14%
Blue Ocean Investment	26,233.91	19,193.83	-	-	-	45,427.75	8.53%
Chase Petroleum Ghana Ltd	8,705.20	34,004.83	-	-	-	42,710.03	8.02%
XF Petroleum	20,443.54	18,603.87	-	-	-	39,047.41	7.33%
Hotsprings	14,036.32	9,797.14	-	194.45	-	24,027.90	4.51%
Fuel Trade Company Ltd	4,577.37	4,763.54	13,806.12	-	-	23,147.03	4.34%
Ebony Oil & Gas	513.76	16,673.12	-	-	-	17,186.88	3.23%
Juwel Energy	4,336.55	8,148.82	228.00	-	-	12,713.37	2.39%
Aspen Ltd	-	-	11,108.10	-	-	11,108.10	2.08%
Platon	7,171.53	-	-	902.20	1,343.24	9,416.97	1.77%
Firm Energy	1,338.06	774.06	-	-	-	2,112.12	0.40%
Dome Energy	556.01	842.60	-	-	-	1,398.61	0.26%
Cirrus Oil Services Ltd	76.05	571.04	-	-	-	647.09	0.12%
Springfield Energy Limited	-	-	-	-	-	-	0.00%
Energie Reference Ltd	-	-	-	-	-	-	0.00%
Vihama	-	-	-	-	-	-	0.00%
Oil Channel	-	-	-	-	-	-	0.00%
Strata Energy Limited	-	-	-	-	-	-	0.00%
TOTAL	**166,261.44**	**158,756.57**	**25,142.22**	**112,810.56**	**69,832.38**	**532,803.18**	**100.00%**

Source: NPA

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