

Ref: CBOD/008/2020

11 March 2020

The Chief Executive Officer
National Petroleum Authority
Accra

Dear Sir,

REQUEST FOR REVIEW OF BULK OIL DISTRIBUTION COMPANIES LICENSE RENEWAL FEES

The license rationalisation and requirement enforcement exercise undertaken by the NPA in 2018 and 2019 has not been a subject of contention for the CBOD and its members. We absolutely appreciate the drive to ensure compliance with the regulations as set prior to 2017.

As part of this exercise you engaged with CBOD on the consideration of an increase in the License renewal fees for BDCs from USD300,000 per year to USD500,000 per year, marking a 67% increase. The NPA's arguments were largely pinned on the assumption that the license requirement enforcement will lead to the consolidation of most BDCs and a reduction of active BDCs from 35 to an estimated 10 BDCs. This situation was expected to negatively impact the finances of the NPA. In recognition of the real challenges to the NPA finances and an expected increase in the average BDC productivity of 113,840mt/BDC to 398,441mt/BDC (250%), we agreed to an increase to USD400,000 per year.

The assumptions of the estimated productivity of 398,441mt/BDC and the consolidation of BDCs has not occurred and is unlikely to occur with more licenses being issued. The increase in fees has therefore not been compensated for in anyway by a material increase in average productivity. It has rather increased our operating cost significantly and at a time where BDC margins are extremely low and unsustainable for some. Coupled with the USD432m haircut granted to Government, the BDC financial state is seriously challenged.

Our Request

We humbly appeal to your office to revise the renewal fees to the previous fee of USD300,000 effective this year 2020. We also wish to note the fact that BDC subsector cost among the least major PSPs to regulate.

As a Chamber, we fully support your drive to raise the needed funds for your operations and assure you of our continuous support. We however trust it must be structured to ensure mutual sustainability.

We count on your usual cooperation.

Yours faithfully,



Senyo Hosi
CEO

CC: The Board Chairman, NPA
The Director of Licensing, NPA
The Director of Finance, NPA
The Board, CBOD