

SPEECH DELIVERED BY MR SENYO HOSI, CHIEF EXECUTIVE OFFICER OF THE GHANA CHAMBER OF BULK OIL DISTRIBUTORS AT THE 11TH ANNUAL GENERAL MEETING OF THE CHAMBER

DATE: MARCH 27, 2015.

VENUE: ALISA HOTEL, ACCRA

THEME: PRICE LIBERALIZATION: THE DUE PHASE OF DEREGULATION

Mr. Chairman, the year 2014 was a defining year in the formation and structural set up of the Chamber of Bulk Oil Distributors (CBOD). The CBOD was formally incorporated on 19th January 2014, after 9 months of active operations and 2 years of passive existence. Under the guidance of the Board, the secretariat was set to pursue the mission per the constitution:

- To operate as a flagship organization prioritizing and championing the interest of members.
- To be a visible, active and responsible industry player partnering allied agencies for national development.
- To coordinate and facilitate healthy cooperation and competition amongst members.

2014 saw the industry under severe financial challenges. Suppliers' premiums were commercially not viable; uncertainties about Government's commitment to FX losses lingered; unpaid matured bills compounded; membership reeled under growing Price and FX under-recoveries as well as the associated financial costs for bearing them. Together, these presented nearly insuperable headwinds to the industry. Funding confidence and liquidity waned, as a result.

The CBOD considered it imperative to take steps to re-establish the commercial viability of the industry. The CBOD spearheaded efforts, with the co-operation of Government through the Presidency, the Ministry of Petroleum, the Ministry of Finance and the NPA to achieve the following:

1. An upward Premium Review
2. The Passing of the Real Subsidy Policy
3. The Audit and part payment of FX Losses (US\$150mn)
4. The removal of price under recoveries in July 2014

Though the above was inadequate to cure the challenges BDCs faced, they went a long way in ensuring industry's survival. Today, industry continues to suffer from the effect of liquidity loss from Government's liabilities.

In line with the objective of being a responsible industry player, the CBOD opened its doors to the media to share its challenges and advocacy orientation in a quest to constructively engage and educate the industry's ultimate customers, the Ghanaian Public. Our activities yielded adequate visibility and recognition from major stakeholders and international organisations.

Outlook for 2015

Mr. Chairman, the year 2015 must mark a turning point in the structure of the industry. The compounding challenges we face with liquidity and the threat to our survival is only an indication that the industry cannot continue to operate on a Business-as-Usual basis. We have sold when pricing as set by the NPA was not prudent. We sold when NPA pricing showed under-recoveries which were unbudgeted for. We sold when NPA pricing yielded fx under recoveries even in excess of our total suppliers premium. We have sold trusting and expecting the Government to honour its obligations. We failed to respond appropriately to a pricing model that compounds and threatens our survival, and that of our stakeholders, especially where we have had little to no evidence of Government's budgetary provision or capacity to timeously pay. As an industry we cannot continue like this. We are for Ghana, and this threatens Ghana!

Mr. Chairman, two key events this year will redefine the structure of the industry. The Governor of the Bank of Ghana stated it will no longer guarantee the supply of FX to our industry as was the convention. The Minister of Finance on the floor of parliament stated that FX losses will no more be entertained. These two events fundamentally question the sustainability of the current financing and trading model which the industry, its investors and financiers have depended on. This implies that BDCs will have to source and negotiate their own FX and manage the risk associated with it. As you are aware, the CBOD has been an advocate for members managing their own risk. This nonetheless can only be done under a liberalised pricing regime. It is my considered opinion, that the last key milestone left in the deregulation process, which started in 1996 is here – **No government Control of Prices**. The compounding FX under recoveries, the growing outstanding FX bills (\$207mn in 2009, rising to \$1.3bn in 2014) and the fiscal challenges of Government makes the Government's exposure to additional liabilities under the current pricing regime unsustainable.

It is, therefore, necessary for members to immediately commence operating under the reasonable assumption of no further Government liabilities. It is a considered opinion that the era of Price Liberalisation is here, de facto. In line with these developments, the CBOD will organise a strategy retreat in April to reassess the entire deregulation process and understand the evolving industry, and the place of the BDC. It is our expectation that this

retreat will shape the action of membership and the advocacy or support from the CBOD over the next three years.

The CBOD will tirelessly work in 2015 towards the payment of all Government liabilities. It will, nonetheless, be necessary to revise our trading practices especially in terms of unsecured credit to customers. The CBOD and the CREPT advisory board will continue to prosecute the realisation of the CREPT objectives. As you are aware, the Advisory board made up of Bank representatives, the Ministry of Petroleum and the BDCs have frantically commenced the process to roll-out CREPT. We will continue to engage the AOMCs for their participation in this process. The Chamber will like to acknowledge and thank the Presidency, the Ministry of Petroleum, and the National Petroleum Authority for its support, advice and guidance in developing the CREPT policy and programmes.

The CBOD has mostly been curative in its support to membership. The year 2015 is expected to reshape the CBOD into a proactive and preventive entity. We hope to embark on research and industry advisory activities that will minimise membership's exposure to key risks and promote our value within the wider downstream industry. The CBOD will embark on a communications project to demystify the industry and educate key policy decision makers and the public on the dynamics of the downstream industry. It will consider ideas to develop a Trading College which will serve as a vehicle for educating non-operating stakeholders and shape key technical skills required to excel in an ever changing industry.

Policy

The incoherence of Policy continues to impede investment and business development decisions. The frequent changes in infrastructure and licensing requirements, for instance, negatively impacts business and inhibits long term investor confidence in the industry. The CBOD will engage Government and the industry regulator to clarify, influence and enforce its fair policy decisions.

Constitutional Amendments

Following the immense interest shown in the activities of the CBOD, steps will be taken to amend the membership to allow for the inclusion of key stakeholders like the Banks, the Refineries and other PSPs as was recommended at our last AGM.

Conclusion

Mr. Chairman, times have changed. A constructive change is needed to excel in this new era. The year 2015, though challenging, will set the tone for the future leaders of the industry.