

# Ghana Petroleum Downstream Deregulation



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# Outline

- **Introduction to Ghana Downstream**
- **Deregulation Focus**
  - **Infrastructure**
  - **Product Supply**
  - **Price Liberalization**
- **Subsidy Administration**
- **Post Deregulation**
- **Policy Response**
- **Conclusion**



# Ghana Petroleum Sector



Oil & Gas Exploration and Production

## Upstream

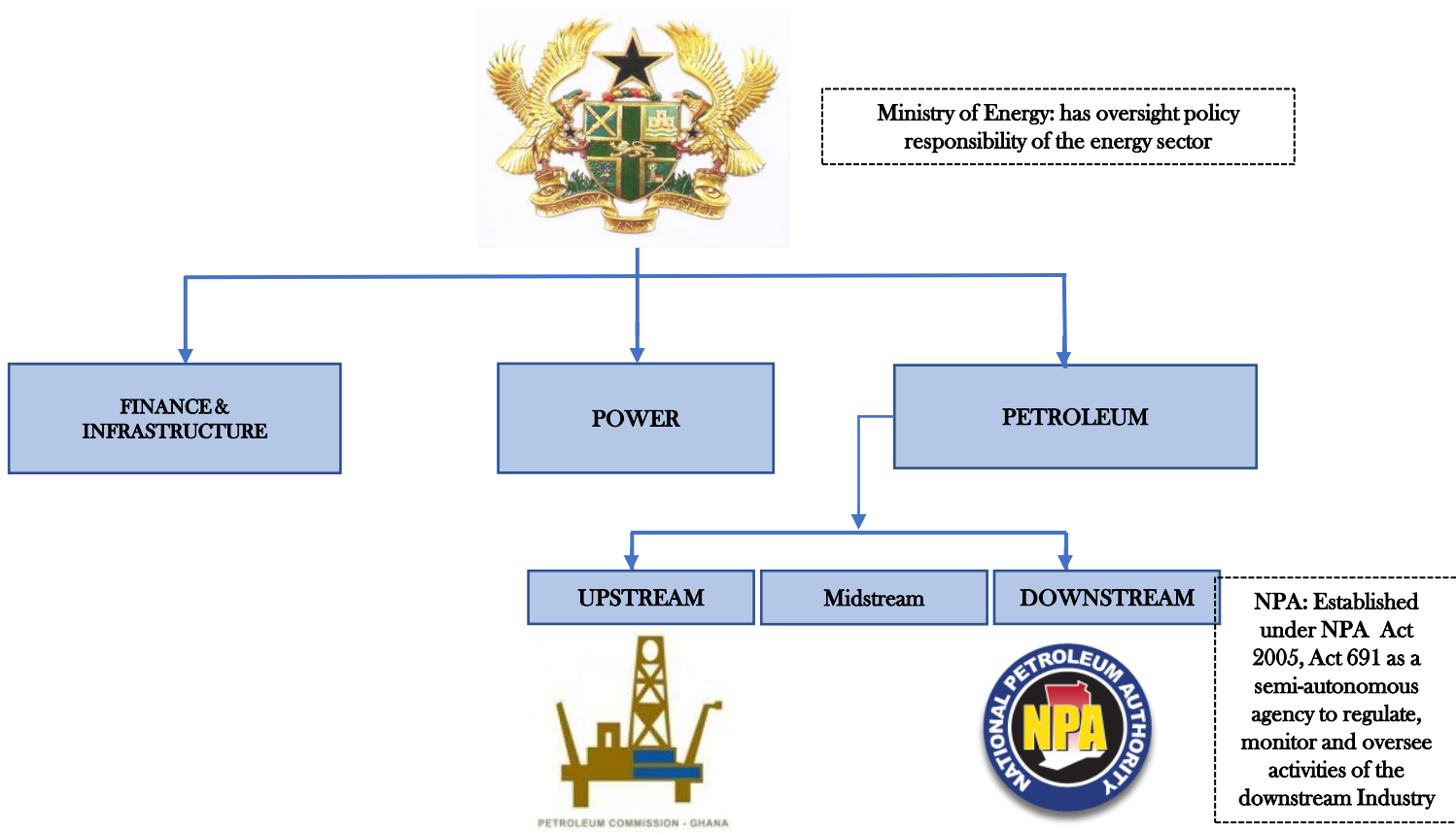


Refinery, Storage, Distribution and Marketing of refined products

## Downstream



# Ghana Petroleum Sector



# NPA Functions

- Monitor ceilings on the price of petroleum products in accordance with the prescribed petroleum pricing formula;
- Grant licenses to applicants under the NPA Act;
- Maintain a register and keep records and data on licenses, petroleum products and Petroleum Service Providers (PSPs);
- Provide guidelines for petroleum marketing operations;
- Protect the interests of consumers and petroleum service providers;
- Monitor standards of performance and quality of the provision of petroleum services;
- Initiate and conduct investigations into standards of quality of petroleum products offered to consumers;
- Investigate on a regular basis the operations of petroleum service providers to ensure conformity with best practice and protocols in the petroleum downstream industry;
- Promote fair competition amongst petroleum service providers;
- Conduct studies relating to the economy, efficiency and effectiveness of the petroleum downstream industry;

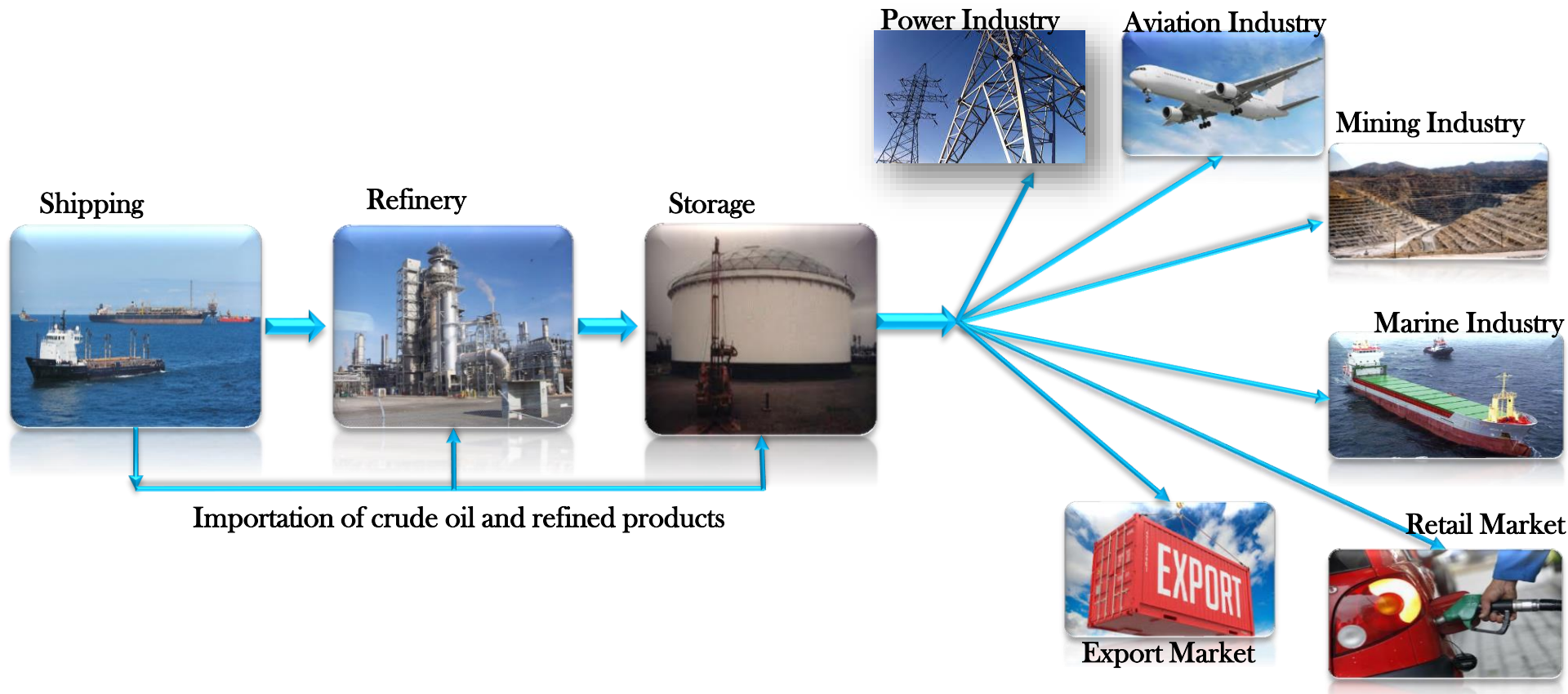


# NPA Functions

- Collect and compile data on a) international and domestic petroleum production, supply and demand, b) inventory of petroleum products, and c) pricing of petroleum products for the information of the public which the Board considers necessary for the performance of its functions;
- Periodically review in consultation with petroleum service providers the prescribed petroleum pricing formula and publish in the Gazette the respective formula;
- Publish in the Gazette the ex-refinery prices and ex-pump prices of petroleum products based on the prescribed petroleum pricing formula;
- Monitor daily the import parity price of refined petroleum products and publish periodically in the Gazette;
- Collaborate with relevant institutions for the purpose of the NPA Act;
- Approve charges for the provision of petroleum services within the downstream industry;
- Monitor and evaluate operations of the Unified Petroleum Price Fund;
- Approve expenditure charge on the UPPF;
- Publish in the Gazette user fees for monopoly infrastructure; and
- Perform any other function that is ancillary to the object of the Authority and assigned to it under the NPA Act.



# Downstream Supply Chain



# Downstream Players

## SHIPPING



TOR  
BIDECs (45)

## REFINERY



TOR (45,000bbl)  
Platon Oil & Gas (1,700bbl)  
Akwaaba Link (4,000bbl)  
Atuabo GPP (150,000scfd)

## STORAGE



BOST  
TOR Depot  
GNGC Storage  
GOIL/Go Energy  
Private Storage (21)

## TRANSPORT



Transport Operators (900)  
BRVs (4,241)  
BOST  
VLTC

## RETAIL (Local & Export)



OMCs (152)  
LPGMCs (42)  
Retail Outlets (4,730)  
Export Companies (3)

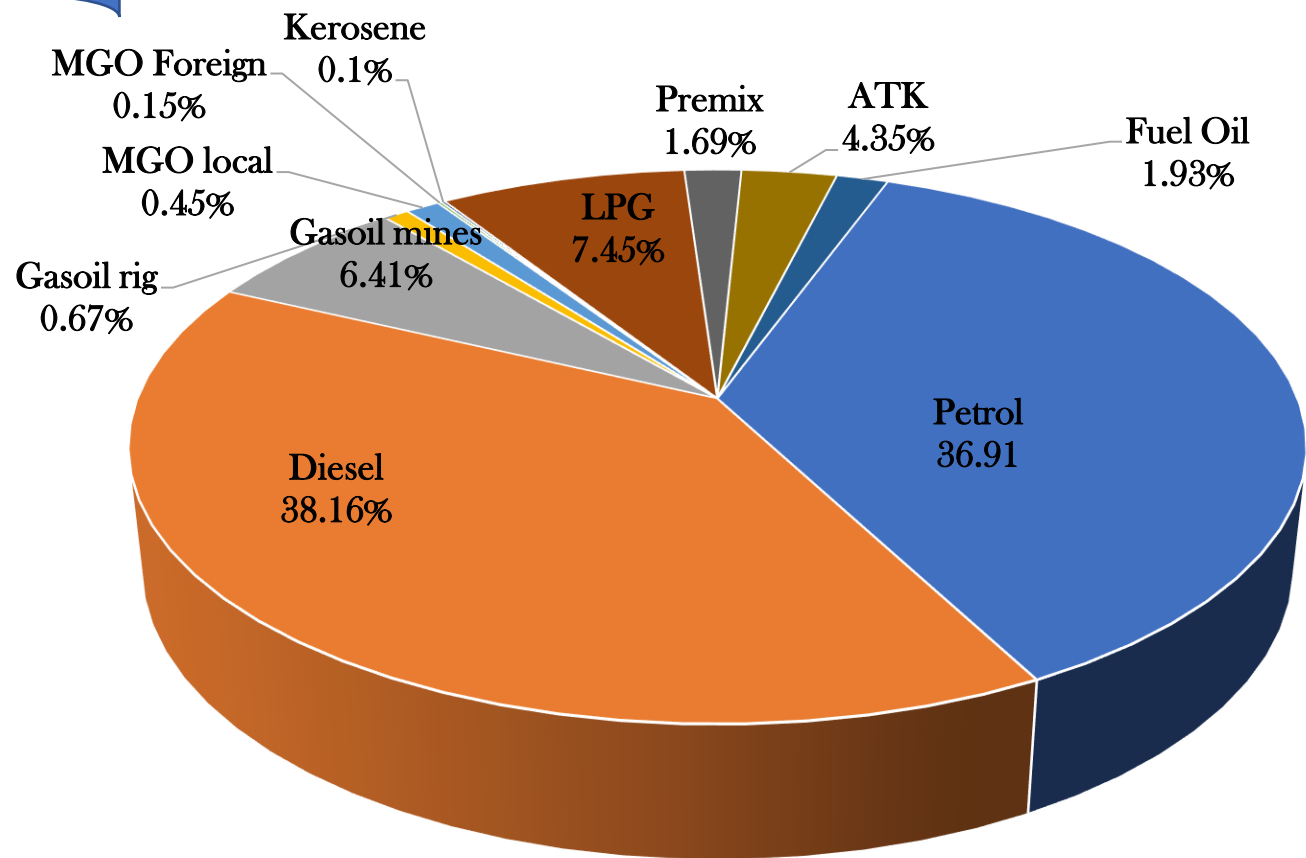
## SUPPORTING COMPANIES

- ❖ Offshore Mooring (1)
- ❖ Oil Jetty (2)
- ❖ Bunkering Companies (73)
- ❖ Tank Cleaning (14)
- ❖ Calibration (15)
- ❖ BRV Inspection Companies (4)
- ❖ Lubricant Manufacturing Companies (3)
- ❖ Lube Blending (15)
- ❖ Waste Oil Processing (3)
- ❖ LPG Bottling Companies (8)
- ❖ Petroleum Inspection Companies (5)



# Statistics

Total annual consumption of 4.2 million MT (2022)



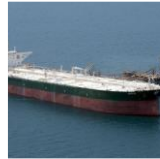
# Downstream Policy Focus

- Key policy focus for the petroleum downstream is removal of government control (deregulation) with the following objectives:
  1. Removal of restrictions on the importation of crude oil and petroleum products;
  2. Removal of restrictions on the establishment and operation of facilities; and
  3. Price De-control (Price liberalization).

# Importation of crude and products



- TOR responsible for crude oil and products importation (1998)



- Importation of shortfall in supply of products by private sector (2004)



- Private sector licensed to sell wholesale to OMCs and bulk consumers (2006)

# Establishment and provision of infrastructure



Establishment of BOST - 1993



Decentralization of product distribution network through BOST- 1998



Provision and operation of infrastructure by private sector - 2004



Over 1 million Mt of crude oil and petroleum product storage - 2023

# Price Liberalization (Deregulation)

Automatic adjustment petroleum pricing formula - 2001

Distribution margins adjusted to comparable levels within West Africa - 2003

Bi-weekly adjustment of prices - 2007

Price deregulation - 2015

# Pricing Structure

- Pricing Objectives
  - Full Cost Recovery at import Parity
  - Revenue generation through taxes and levies
  - Uniform pricing through the Unified Petroleum Price Fund
- Pricing Formula based on Import Parity pricing model
  - Ex-Ref Price = FOB + Supplier's Premium
  - Ex-Pump Price = Ex-Ref Price + Taxes + Levies + Margins
- Variability in price is based on FOB and FX rate

# Subsidy Administration

- Cross Subsidy - Petrol used to subsidize other products
- Under-recoveries payable by government
- Subsidy removed except RFO and Premix fuel
- Price Stabilization and Recovery Levy to pay for accrued subsidies on premix and RFO
- RFO subsidy Removed - GH¢172m/year (Approx \$14m)
- Premix Subsidy capped at 50% - GH¢260m/year(Approx \$21m)

# Post Price Deregulation.....

Aggressive Competition (Marketing, Branding, Pricing)

## Positives

- Strategic alliances and development of local content
- Improved efficiency
- Competitive ex-ref and ex-pump prices

## Negatives

- Illegal Imports
- Adulteration
- Tax Evasion
- Export dumping
- Smuggling
- Fraudulent freight claims



# Policy Response

- Increased monitoring, training and sensitization
- Review of price deregulation guidelines
- Frequent Inspections, quality checks
- Arrest and confiscation of assets of perpetrators of illegal activities
- Penalties and sanctions for non-compliance with deregulation guidelines
- Use of Technology to monitor (ERDMS, ECTS, ATGs)
- Replacement and Repeal of NPA Act

# Conclusions

- Government involvement in pricing creates:
  - Under recovery of costs
  - Unfunded subsidy
  - Product shortages
- The need for pricing reforms with little and properly targeted subsidy or no subsidy at all
- Price deregulation is needed for efficient and cost recovery market operations
- Price deregulation must be monitored and reviewed frequently
- Limited and short-term government intervention when necessary - Ghana's Gold for Oil Programme

## Thank You

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