NATIONAL PETROLEUM AUTHORITY (PRESCRIBED PETROLEUM PRICING FORMULA) REGULATIONS, 2012 (L.I. 2186)

ARRANGEMENT OF REGULATIONS

Regulations

NATIONAL PETROLEUM AUTHORITY (PRESCRIBED PETROLEUM PRICING FORMULA) REGULATIONS, 2012

IN exercise of the power conferred on the National Petroleum Authority by sections 80(1)(a) and (80)(1)(d) of the National Petroleum Authority Act, 2005 (Act 691), these Regulations are made this 11th day of July, 2012.

Regulation 1—Determinants of the prescribed petroleum pricing formula

The determinants of the prescribed petroleum pricing formula are the following:

(a) full cost recovery of all investments made to procure; refine, store transport and market petroleum products and to ensure that ex-refinery prices are set equal to the import parity;

(b) raising revenue for Government through the imposition of petroleum taxes or levies duly approved by Parliament;

(c) ensuring that ex-pump prices are the same throughout the country;

(d) ensuring the purity and quality of petroleum products in the country; and

(e) managing the impact of constant international price swings of petroleum products on ex-pump prices.

Regulation 2—Components of the prescribed petroleum pricing formula

The components of the prescribed petroleum pricing formula are

(a) cost, insurance and freight charges;

(b) other related charges that include

(i) off-loading charges,

(ii) in-transit losses,

(iii) inspection fees,

(iv) letters of credit costs,

(v) financing costs,

(vi) storage and rack loading costs,

(vii) in-plant losses;

(viii) operating margins, and

(ix) foreign exchange losses;

(c) conversion factors;

(d) other administrative costs;

(e) taxes;

(f) levies;

(g) distribution margins; and

(h) price stabilisation margin.

Regulation 3—Cost, insurance and freight

The constituent elements of cost, insurance and freight are

(a) free on board prices derived from a periodic mean of the daily averages of product prices per metric tonne observed on a pricing reference for internationally published transaction prices;

(b) the estimated cost of insuring the products; and

(c) the estimated freight cost of crude oil or products.

Regulation 4—Other related charges

The other related charges are other import-related charges borne by an importer of crude oil or petroleum products.

Regulation 5—Conversion factors

Conversion factors are factors of the various petroleum products observed on a pricing reference for internationally published transaction prices, which are used in converting products from metric tonnes to litres.

Regulation 6—Other administrative costs

The constituent elements of other administrative costs are

(a) the exchange rate estimated from the mean of the average daily transaction rates of Bank of Ghana within a pricing window;

(b) the marine mix used in blending petrol for premix preparation;

(c) liquefied petroleum gas filling plant cost; and

(d) premix or marine gas oil local administrative costs.

Regulation 7—Taxes

The taxes or excise duty approved by Parliament on petroleum products shall be included in the formula.

Regulation 8—Levies

The prescribed petroleum pricing formula includes the following levies:

(a) the Tema Oil Refinery Debt Recovery Fund Levy;

(h) the Road Fund Levy;

(c) the Energy Fund Levy;

(d) the Exploration Levy; and

(e) the Cross Subsidy Levy.

Regulation 9—Distribution margins

The prescribed petroleum pricing formula includes the following margins:

(a) the primary distribution margin;

(b) the Bulk Oil Storage and Transportation Company Margin;

(c) the Unified Petroleum Price Fund Margin;

(d) the marketers' margin;

(e) the dealers' margin;

(f) the distribution compensation or promotion margin; and

(g) the fuel marking margin.

Regulation 10—Price stabilisation margin

The Authority shall indicate a price stabilisation margin which shall be used to manage the impact of prices of international petroleum products on local ex-pump prices.

Regulation 11—Fuel marking margin

The Authority shall indicate a fuel marking margin which shall be used to ensure the purity and quality of petroleum products in Ghana.

Regulation 12—Prescribed petroleum pricing formula

(1) The computation of the prescribed petroleum pricing formula is as specified in the Schedule.

(2) A petroleum service provider engaged in the marketing of additivated or non-additivated petroleum products in the downstream sector shall use the petroleum products price build up which results from the prescribed petroleum pricing formula.

(3) A petroleum service provider authorised by the Authority to set prices for differentiated products shall use the prescribed petroleum pricing formula.

Regulation 13—Review of the prescribed petroleum pricing formula

(1) The Authority, in consultation with petroleum service providers, shall periodically review the prescribed petroleum pricing formula.

(2) The Authority, in consultation with petroleum service providers, shall determine the effective date of implementation of the revised petroleum pricing formula.

Regulation 14—Publication of the prescribed petroleum pricing formula

The Authority shall

(a) publish the prescribed petroleum pricing formula or any subsequent review of the formula in the Gazette and in at least two newspapers of national circulation;

(b) issue to petroleum service providers the petroleum products price build up which results from the prescribed petroleum pricing formula; and

(c) publish the petroleum products price build up for every pricing window in the Gazette and in at least two newspapers of national circulation.

Regulation 15—Interpretation

In these Regulations, unless the context otherwise requires:

“Bulk Oil Storage and Transportation Company Margin” means a margin incorporated in the buildup of petroleum prices used to cover the maintenance and operating cost of petroleum product depots and to undertake expansion programmes of the depots;

“Cross Subsidy Levy” means a levy incorporated into the buildup of petroleum prices with a social policy aim to ameliorate the impact of price adjustments on the poorer segment of society through product cross subsidisation;

“distribution compensation or promotion margin” means a margin incorporated in the buildup of petroleum prices to compensate for the cost of distributing liquefied petroleum gas or kerosene to locations in the northern sector and nonurban areas as a means of encouraging the use of liquefied petroleum gas or kerosene;

“Energy Fund Levy” means a levy imposed on petroleum products to be used for the activities of the Energy Commission as stated in the Energy Commission Act, 1997 (Act 541);

“excise duty” means any duty other than an export duty of customs imposed on petroleum products consumed in Ghana;

“Exploration Levy” means a levy imposed on petroleum products to support the exploratory activities of the Ghana National Petroleum Corporation;

“export duty” means any duty imposed on exports of petroleum products;

“finance costs” mean costs charged by a bank or a financial institution to a buyer for the credit days given, to make full payment to a seller or a supplier for the petroleum products supplied;

“foreign exchange losses” mean losses that are incurred by an importer or producer on the depreciation of the Ghana Cedi against the United States Dollar when the domestic sales proceeds are converted into the United States Dollar;

“fuel marking margin” means a margin incorporated into the buildup of petroleum prices to pay for the marking of petroleum products to prevent tax revenue loss, smuggling and adulteration of petroleum products;

“in-plant losses” mean the cost of acceptable petroleum industry product losses that occur during the storage of a petroleum product;

“inspection fees” means fees paid to independent inspectors, acting on the behalf of a buyer and a seller or a supplier, to confirm the quality and the quantity of petroleum products imported into the country;

“letters of credit costs” means the costs charged by a bank to issue confirmed and unconfirmed letters of credit to a seller or a supplier on behalf of a buyer;

“marker” means a bio-chemical substance introduced into a petroleum product;

“marking” means the process of introducing a marker into a petroleum product;

“off-loading charges” mean costs incurred by an importer for the off-loading of crude oil or petroleum products using port facilities onshore or offshore;

“operating margin” means the operating profit due to an importer or producer of petroleum products for services, investments and risks taken to make petroleum products available;

“price build up” means the formulation of petroleum product prices based on cost, insurance, freight and related charges plus petroleum taxes, levies and the distribution margin and the price stabilisation margin;

“price stabilisation margin” means a margin that serves as a mitigation to stabilize the ex-pump prices of petroleum products for the interest of both petroleum service providers and consumers;

“pricing window” means a period within which the mean of daily average free-on-board prices of petroleum products and the mean of daily averages of the selling exchange rate of the Ghana cedi to the United States Dollar are observed and computed into the prescribed petroleum pricing formula;

“primary storage and rack loading costs” means costs paid by an importer or a producer to a depot operator for receiving petroleum products directly from imports or production into a storage facility;

“Road Fund Levy” means a levy imposed on petroleum products to constitute a part of the Road Fund established under the Road Fund Act, 1997 (Act 536);

“secondary storage and rack loading costs” means costs paid by an importer or producer to a depot operator for storage and delivery of petroleum products to retail outlets;

“storage and rack loading costs” means the costs paid by service providers to a depot operator for the use of the depot operator's storage facility and consists of both primary and secondary storage and rack loading costs;

“Tema Oil Refinery Debt Recovery Fund Levy” means a levy to finance Tema Oil Refinery's accumulated debt to banks under the Debt Recovery (Tema Oil Refinery Company) Fund Act, 2003 (Act 642); and

“Unified Petroleum Price Fund Margin” means a margin incorporated in the build up of petroleum prices to compensate transporters who move petroleum products far into the hinterland and other parts of the country in order ensure equal prices of petroleum products round the country.

SCHEDULE

(Regulation 12(1))

Computation of the prescribed petroleum pricing formula

The computation of the prescribed petroleum pricing formula is as follows:

Ex-refinery price = cost, insurance and freight + other related charges

Ex-pump price = ex-refinery price + Government-approved taxes/levies + distribution margin + price stabilisation margin.

MR. KOJO FYNN

Chairperson of the Authority

Date of Gazette Notification: 13th July, 2012.

Entry into force: 15th August, 2012.