PETROLEUM IMPORTS AND THE CALL FOR SULPHUR REDUCTION

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OUTLINE OF PRESENTATION

• Private Sector & Petroleum Imports Analysis
• Trade and Sulphur
• Sulphur Standard Comparison
• Ghana and the Regional Policy
• TOR Constraint
• Way Forward
• Private Sector participation in petroleum imports started in 2004.

• Imports were previously championed by Tema Oil Refinery.

• Since the advent of BDCs in 2007, petroleum imports have been mainly driven by the private sector.

Import Vs Refinery 2015
ANALYZING IMPORTS

NET IMPORT vs CONSUMPTION

- NET IMPORT
- CONSUMPTION (MT)
- RATIOS
THE TRADE & SULPHUR

• **AGO**
  - Ghana Spec: 3,000ppm
  - Import pricing is indexed to a 1000ppm market reference
  - 1,500-2,500ppm spec mainly supplied

• **PMS**
  - Ghana Spec: 1,000ppm
  - Import pricing is indexed to the 10ppm market references
  - 1000ppm mainly supplied

• The above provides international traders with arbitrage opportunities.

• We price benchmark the EU and yet quality benchmark..........................!
STANDARD COMPARISON

EU

• 1992: 2,000ppm
• 1996: 500ppm
• 2000: AGO-350ppm; PMS- 150ppm
• 2005: 50ppm
• 2009: 10ppm

GHANA

• <2009: 10,000ppm
• 2010: 5,000ppm
• 2014: 3,000ppm
• 2017: ???????
• 2020: ????????
1. The ARA/ECOWAS Roadmap
   • Afri 2 by 2010- 500ppm for Gasoline and 3,500ppm for AGO
   • Afri 4 by 2020- 50ppm
   • Harmonize Fuel standards and practices in the sub-region by 2015
   • The slow pace of ARA’s roadmap is driven by political and investment considerations of the owners of SSA refineries- Governments and not the interest of consumers.
   • Ghana has missed Afri2 (PMS) by 6yrs.
   • The entire sub-region has failed to meet its target to harmonize standards

2. No sign of real commitment to make the needed investments.

3. Research by ARA indicate that a $2.98bn investment in West African Refineries to produce Afri4 specs will yield a $32bn health return over 10yrs.
THE TOR CONSTRAINT

- The TOR Debt was reported at about Ghs400m in 2005 when the TOR debt recovery levy was being introduced.
- Between 2006-2015 Ghs1.55bn (est) valued at UDS780mn using annual average FX rates.
- TOR nonetheless remains even in more debt despite holding a net positive of Ghs4m in subsidies.
- TOR must not remain the policy constraint for Sulphur reduction.
  - 4% contribution to the market.
  - Enormous consumer sacrifice through the TOR Debt Recovery Levy
WAY FORWARD

- Stop mortgaging the health of the citizenry for political expediency.
- Move Standards to responsible health levels of 50ppm & 10ppm
- Grant local refineries limited special dispensation for a gradual achievement of Afri 4 by 2020. Government must put up the investment needed if it is truly committed to TOR.
- Harmonize regional standards to facilitate consumer and national security benefits from shared specs.
• IT IS TIME TO CUT THE TALK AND START ACTING
• IT IS TIME TO PUT THE CONSUMER AHEAD OF THE POLITICS.

• LET’S ACT NOW!
THANK YOU