IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE

FINANCE COMMITTEE

ON THE

ENERGY SECTOR LEVIES (AMENDMENT) BILL, 2019

1ST AUGUST, 2019
1.0 INTRODUCTION

The Energy Sector Levies (Amendment) Bill, 2019 was first presented to Parliament by Hon. Abena Osei Asare, Deputy Minister for Finance and read the first time on Tuesday, 30th July, 2019.

Rt. Hon. Speaker referred the Bill to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of Parliament.

The Committee met with two Deputy Ministers for Finance, Hon. Kwaku Kwarteng and Hon. Abena Osei Asare and officials from the Ministry of Finance, ELSA Plc., Ghana Revenue Authority, the Road Fund and the Attorney-General’s Department to consider the Bill.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents in the consideration of the Bill:

1. The 1992 Constitution;
2. The Energy Sector Levies Act, 2015 (Act 899);
3. The Standing Orders of Parliament;
4. The Mid-Year Fiscal Policy Review of the 2019 Budget Statement and Economic Policy; and

2.1 Urgency of the Bill

The Committee determined and hereby certifies that the Bill is of an urgent nature and may therefore be taken through all the stages of passage in one day in accordance with Article 106 (13) of the Constitution, 1992 and Order 119 of the Standing Orders of the House.
3.0 OBJECT OF THE BILL
The object of the bill is to amend the Energy Sector Levies Act, 2015 (Act 899) to increase the rates for the Power Generation and Infrastructure Support components of the Energy Debt Recovery Levy and the rates for the Road Fund Levy and the Price Stabilization and Recovery Levy on petroleum products.

3.1 Structure of the Bill
The Bill contains a clause which amends the First Schedule to Act 899 by increasing the rates for the Power Generation and Infrastructure Support components of the Energy Debt Recovery Levy and the rates for the Road Fund Levy and the Price Stabilization and Recovery Levy on petroleum products.

4.0 OBSERVATIONS

4.1 Rationale for the Bill
The Committee was informed that the Energy Sector Levies Act was passed to promote prudent and efficient utilization of revenue and to facilitate sustainable long-term investments in the Energy Sector in order to enhance availability, regularity and reliability of the supply of energy. Act 899 also sought to improve the poor balance sheets of the Power Sector utilities, relieving government of the pressures of the Sector and reducing reliance on direct funding from the Ministry of Finance.

The Ministry of Finance indicated that on the coming into force of Act 899, it was estimated that approximately twenty-four (24) per cent of the ex-pump price of fuel would adequately cover the required financing. The percentage of the levies in the ex-pump build-up has dwindled over the years to about seventeen (17) per cent, currently. The upward adjustment is to bring the ratio closer to twenty one per cent and improve financing options. The increase would also enable Government to deal with the Energy Sector liabilities, stabilize petroleum prices as well as provide the necessary buffer for under recoveries and subsidize premix and residual fuel oil.
4.2 **Increase in the Price Stabilisation and Recovery Levy (PSRL)**

The Committee observed that the Bill proposes to increase the current Price Stabilisation and Recovery Levy on petrol, diesel and LPG from:

- Ghs12 to Ghs16 per litre on petrol,
- Ghs10 to Ghs14 per litre on diesel, and
- Ghs10 to Ghs 14 per kg on LPG.

The Ministry explained that the increase was necessary because the expected revenue target for the first half of the year was missed. The Ministry said for the year 2019, the budgeted revenue to be accrued from the levy for the first half of the year was GH¢236,598,836. Only GH¢32,072,141 was realized. There is therefore the need to increase the levy to enable the PSRL Account hold enough funds to undertake its core objects which include the provision of a buffer for under recoveries and to stabilize petroleum prices for the consumers.

The Deputy Minister acknowledged that at the beginning of the year, the levy was wrongly suspended by the National Petroleum Authority to provide some relief for consumers. It was reintroduced in June, 2019.

4.3 **Increase in the Road Fund Levy**

The Committee observed that a total amount of GH¢433,735,450 was budgeted to be raised for the first half of the 2019 year. So far the Fund has received GH¢422,817,709 for its activities.

The Road Fund Secretariat indicated that even though they marginally missed the half-year target, the entire amount was woefully inadequate to meet the pressing demand for road maintenance in the country as most of the roads require urgent attention. The Chief Director for the Ministry of Roads and Highways stated that if the Road Fund is to carry out its mandate successfully, then it has to be supported adequately.
The Committee noted that the Bill proposes an increase in the Road Fund Levy from Ghp 40 to Ghp 48. About GH₵110 million is expected to accrue to the Road Fund between August and December, 2019.

The Committee also reiterates its earlier recommendation that in view of the deplorable nature of our roads, the Minister for Finance should not cap the Road Fund in the 2020 Budget. This would help the Road Fund have more funding to undertake its mandate.

4.4 Increase in the Energy Debt Recovery Levy

The Committee observed that the Bill proposes to increase the current Energy Debt Recovery Levy on petrol, diesel and LPG from:

- Ghp 41 to Ghp 49 per litre on petrol and diesel, consisting in respect of:
  - Foreign Exchange under recoveries – Ghp 5 per litre,
  - Power Generation and Infrastructure Support – Ghp 36 per litre, and
  - Tema Oil Refinery Company Debt Recovery – Ghp 8 per each litre, and
- Ghp 37 to Ghp 41 per kg on LPG.

The Committee was informed that the increase was necessitated as a result of energy sector debts which currently stands at GH₵5.199 billion. The increase will enable Government to issue additional bonds to pay down our energy sector debt obligations.

4.5 Impact of the Increases on ESLA Plc.

The Committee was informed that since the establishment of ESLA Plc. Government has raised almost Six Billion Ghana Cedis on the back of the Energy Sector Levies to pay the legacy debts of the Energy Sector. To date, the bond raised has been used to liquidate approximately Sixty (60) per cent of those debts.

ESLA Plc. however informed the Committee that the target was to raise a Ten (10) Billion Ghana Cedis Bond to liquidate all the energy sector debts. However the current inflows could only support Six (6) Billion. A substantial increase in
the levies would therefore enable ESLA Plc raise additional bonds to pay for the outstanding legacy debts.

4.6 Objection to imposition of the Levy
Some members of the Committee were opposed to the increment in the levies. To them the increment was not justifiable because the existing levies and its subsequent revenues are not used for the purpose for which they were imposed. Further, the Price Stabilization and Recovery Account had a surplus account balance of 326,600,703.55 as at 31st December, 2018. For them, there is no need to increase the levy to impose more burden on the ordinary Ghanaian.

4.7 Fiscal Impact
The Committee was informed that the estimated additional revenue for the period August to December, 2019 is Two Hundred and Seventy- Three Million Ghana Cedis (GH₵273 million).

5.0 RECOMMENDATIONS
The Committee having carefully scrutinized the Bill, proposes the following amendment for the consideration of the House:

Clause 1 – Amendment proposed – paragraph (a), third column, line 2, after “debt”, insert “recovery”

6.0 CONCLUSION
After careful consideration, the Committee recommends to the House to adopt this report and approve by Majority decision the Energy Sector Levies (Amendment) Bill, 2019.

Respectfully submitted.

HON. MARK ASSIBEY-YEOBAH (DR)
CHAIRMAN OF THE COMMITTEE
Thursday, August 1, 2019

EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE