

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

**REPORT OF THE FINANCE COMMITTEE ON THE ANNUAL REPORT
ON THE MANAGEMENT OF THE ENERGY SECTOR LEVIES AND
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2018**

1.0 INTRODUCTION

The Annual Report on the Management of the Energy Sector Levies and Accounts for the year ended 31st December, 2018 was presented to the House by the Hon. Minister for Finance Mr. Ken Ofori-Atta on Monday, 8th April, 2019 in accordance with Section 6 of the Energy Sector Levies Act, 2015 (Act 899).

The Rt. Hon. Speaker referred the report to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the Hon. Deputy Minister of Finance, Mr. Charles Adu Boahen and officials from the Ministry of Finance, the Ministry of Energy, Bank of Ghana, Ghana National Petroleum Corporation (GNPC), Ghana National Gas Company (GNGC), Ghana Revenue Authority (GRA), Ghana Infrastructure Investment Fund (GIIF), ESLA Plc., Controller and Accountant-General's Department, National Petroleum Authority (NPA), Bui Power Authority, Ghana Grid Company Limited, Northern Electricity Distribution Company, Electricity Company Limited, Power Distribution Services (PDS) and Tullow Oil Ghana and considered the referral.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents at its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana;
- The Public Financial Management Act 2016 (Act 921); and
- The Energy Sector Levies Act, 2015 (Act 899) As Amended in 2017 (Act 946).

3.0 BACKGROUND

The Energy Sector Levies Act, 2015 (Act 899) as amended in 2017 (Act 946) was promulgated in 2015 to address the huge debt burden and operational challenges facing State Owned Enterprises (SOEs) in the Energy Sector, support power generation and power supply sustainability, subsidize premix and stabilize petroleum prices, support road maintenance as well as fund the activities of the Energy Commission.

In order to achieve its objects, Act 899 imposed a number of levies namely the Energy Debt Recovery Levy (EDRL), Price Stabilization and Recovery Levy (PSRL), Road Fund Levy, Energy Fund Levy, Public Lighting Levy and National Electrification Scheme Levy on the prices of petrol, diesel, MGO, fuel oil, kerosene, LPG as well as electricity. The proceeds from the imposition of the levies are to be used to pay off the huge debt in the Energy Sector, among others.

Section 6 of Act 899 as amended in Act 946 requires the Minister for Finance to submit an Annual Report to Parliament on the management and utilization of the accounts established under the Act. It is pursuant to this requirement that the Minister for Finance has submitted to Parliament the Annual Report on the management of the Energy Sector Levies for 2018.

4.0 PURPOSE OF THE ANNUAL REPORT

The purpose of the Annual Report is to inform Parliament on the management and use of the funds realized from the imposition of levies under Act 899.

5.0 OBSERVATIONS

5.1 Prevailing Rates for 2018

The Committee was informed that for the period 2018, the Act imposed various levies on petroleum products and electricity. The levies, their respective rates and the products are summarized in Table 1 below:

Table 1: Energy Sector Levies charged per product for 2018

SN	TYPE OF LEVY	PRODUCTS							Total
		Petrol (ppl)	Diesel (ppl)	MG O (ppl)	Fuel Oil (ppl)	LPG (ppkg)	Kerosine (ppl)	Electricity (ppkWh)	
1	Energy Debt Recovery Levy (EDRL)	0.41	0.41	0.03	0.04	0.37			¢1.26 (pl)
2	Road Fund Levy (RFL)	0.40	0.40						¢0.80 (pl)
3	Energy Fund Levy (EFL)	0.01	0.01		0.01		0.01		¢0.04 (pl)
4	Price Stabilization and Recovery Levy (PSRL)	0.12	0.10			0.10			¢0.32 (pl)
5	Public Lighting Levy (PLL)							3%	3% (pkWh)
6	National Electrification Scheme Levy (NESL)							2%	2% (pkWh)
	Total Levies Applied	0.94	0.92	0.03	0.05	0.47	0.01	5.0%	

NB: PPL = price per liter; ppkg = price per kilogram; ppkWh = price per KWh.

5.2 Volumes of Petroleum Products and Gas Lifted In 2018

During the period under review, a total amount of 3,455.64 million litres of petroleum products and 261.26 million kilograms of LPG were lifted. Out of this amount, 189,193,800 litres of petroleum products and 1,035,100 kilograms of LPG were exempted from the payment of the levies. The details of the lifting and exemptions are captured in Table 2 below:

Table 2: Total lifting by volume and Levies accrued

No	Product	Total Volumes Lifted	Exemptions (in Volumes)
1	Petrol/Super/Premium/PMI	1,511,440,999	0.00
2	Kerosene	6,345,500	0.00
3	Diesel (incl. Mines and Rig)	1,712,601,326	189,193,800
4	MGO - Foreign	18,655,112	0.00
5	MGO - Local	16,081,496	0.00
6	RFO	190,513,684	0.00
Subtotal for Petroleum Products		3,455,638,117	189,193,800
7	LPG	261,256,807	1,035,100

5.3 Levies Collected for the 2018 period

The Committee observed that the total amount accrued from levies collection for the period was GH¢3,190,738,564.82 as against a programmed collection of GH¢3,507,036,778.77. This resulted in a shortfall in collection of GH¢316,298,213.98 representing a 9.2% shortfall.

As at the end of 2018, the Energy Debt Recovery Levy (EDRL), Road Fund Levy (RFL), and Energy Fund Levy (EFL) all outperformed their targets by 7.9%, 0.72%, and 7.29 % respectively. The positive performance of the levies was on account of 11.79% increase in consumption volumes in 2018 compared with the same period in 2017. The Price Stabilization and Recovery Levy (PSRL) fell significantly below target by 65.5%. The Public Lighting Levy (PLL) and National Electrification and Scheme Levy (NESL) were also below target by 45.76% and 43.69% respectively. The reduction recorded was mainly due to the reduction in electricity tariffs, change in consumer attitude towards energy conservation, gradual shift towards the consumption of renewable energy such as solar and the lower than estimated recovery of electricity bills. Details of the levies collected are presented in Table 3 below:

Table 3 Collections of EDRL, RFL, and EFL

	Levy Type	Programmed Collection	Actual Collection	Variance
1	Energy Debt Recovery Levy (EDRL)	1,364,010,000	1,471,956,951.76	107,946,951.76
2	Price Stabilization and Recovery Levy (PSRL)	401,751,633.12	142,463,907.43	-259,287,725.69
3	Public Lighting Levy (PLL)	236,988,724.50	128,546,723.20	-108,442,001.31
	<i>o/w ECG</i>	182,722,962.90	99,378,165.33	-83,344,797.57
	<i>o/w NEDCO</i>	21,314,668.35	12,365,578.15	-8,949,090.19
	<i>o/w VRA</i>	32,951,093.26	16,802,979.71	-16,148,113.55
4	National Electrification Scheme Levy (NESL)	156,644,541.15	88,210,521.13	-68,434,020.02
	<i>o/w ECG</i>	119,802,848.60	65,569,391.23	-54,233,457.37
	<i>o/w NEDCO</i>	14,874,297.05	10,705,571.26	-4,168,725.79
	<i>o/w VRA</i>	21,967,395.50	11,935,558.64	-10,031,836.86
5	Road Fund levy (RFL)	1,314,772,565.85	1,324,294,852.43	9,522,286.58
6	Energy Fund Levy (EFL)	32,869,314.15	35,265,608.87	2,396,294.72
	Total	3,507,036,778.77	3,190,738,564.82	-316,298,213.96

5.4 Distribution of EDRL and PSRL into the Established Accounts

Sections 3 of Act 899 (as amended by Act 947) causes the establishment of the Energy Debt Service Account (EDSA) and to be paid into thirty-two (32) percent of the Energy Debt Recovery Levy (EDRL) collections.

Section 4 of Act 899 (as amended by Act 947) also establishes a Power Generation and Infrastructure Support sub-Account (PGISsA), and into it Sixty-Eight (68) percent of monies collected under the Energy Debt Recovery Levy are to be paid.

Section 5 of Act 899 (as amended by Act 947) establishes the Price Stabilization and Recovery Account for the purpose of keeping monies realized from the Price Stabilization and Recovery Levy.

The Committee observed that at the end of December 2018, a total amount of GH¢1,614.42 million was collected in respect of the EDSA, PGISsA, and PSRA. Total lodgments into the accounts, on the other hand amounted to GH¢1,600.47 million, leaving an outstanding balance of GH¢13.95 million unlogged. The distribution of the collections and lodgments into the established accounts is captured in Table 4 below:

Table 4: Collection and Lodgment into Established Accounts under ESLA

SN	Account	Program Collection (GH¢)	Actual Collection (GH¢)	Lodgment (GH¢)	Outstanding (GH¢) (Actual-lodg)	% Lodged
1	Energy Debt Service Account	436,483,200.00	464,886,994.67	459,075,239.40	5,811,755.27	98.75
	o/w foreign Exchange underrecoveries	155,886,857.14	179,985,060.35	177,356,214.47	2,628,845.88	98.54
	o/w TOR recovery Debt	280,596,342.86	284,901,934.32	281,719,024.93	3,182,909.39	98.88
2	Power Generation & Infrastructure Support Sub Account	927,526,800	1,007,069,957.09	998,927,495.49	8,142,461.	99.19
	o/w share of EDRL	927,526,800	1,007,069,957.09	998,927,495.49	8,142,461.	99.19
	o/w share of PLL	-	-	-	-	
	o/w share of NESL	-	-	-	-	
3	Price Stabilization & Recovery Account	401,751,633.12	142,463,907.43	142,463,907.43	-	100.00
	Total	1,765,761,633.12	1,614,420,859.19	1,600,466,642.32	13,954,216.87	99.16

5.5 Distribution of Road Fund Levies and Energy Fund Levies into Specified Accounts

The Act provides that the amounts collected under Road Fund Levy and Energy Fund Levy [made up of the Public Lighting Levy (PLL) and National Electrification Scheme levy (NESL)] are first paid into the Petroleum Collection Account at the Bank of Ghana, after which the amounts lodged are distributed into the respective Fund Accounts.

The Act further provides that two percent (2%) of the National Electrification Scheme levy (NESL) collected by the Electricity Distribution Companies is to be lodged in the National Energy Fund (NEF) whilst all levies collected for public lighting are to be distributed between the MoEn and EDCs.

The Committee was informed that at the end of 2018, a total amount of GH¢1,741.28 Million was programmed for distribution into the Road Fund Account, the Energy Fund Account as well as transfers of Public Lighting Levies (PLL) and National Electrification Scheme Levy (NESL) to the Ministry of Energy, Electricity Distribution Companies (EDCs) and the National Energy Fund (NEF). Actual amount collected for these accounts summed up to GH¢1,576.32 Million while lodgment amounted to GH¢1,487.57 Million.

The shortfall was attributed to reduction in electricity tariffs, a shift toward renewable energy and lower than programmed recovery of electricity bills during the period. Details of the distribution is captured in Table 5 below:

Table 5: Payments into Specified Accounts

	Account	Programmed Collection	Actual Collection	Lodgment	Variance (Actual Collection less Lodgment)
1	Road Fund	1,314,772,565.85	1,324,294,852.43	1,254,843,511.74	(69,451,340.69)
2	Energy Fund	32,869,314.15	35,265,608.87	33,435,135.40	(1,830,473.47)
3	50% of Public Lighting Levy paid to Ministry of Energy	118,494,362.25	64,273,361.60	11,917,891.66	(52,355,469.94)
4	50% Public Lighting Levy retained by EDCs	118,494,362.25	64,273,361.60	116,628,831.54	52,355,469.94
5	100% of the NESL transferred into NEF	156,644,541.15	88,210,521.13	70,747,534.38	(17,462,986.75)
	Total	1,741,275,145.65	1,576,317,705.63	1,487,572,904.72	(88,744,800.91)

It was explained that the shortfall in lodgment of GH¢88.74 million (5.6 percent) was as a result of the following:

- ECG retention of additional GH¢49.69 million and GH¢13.57 million of PLL and NESL collections respectively;
- NEDCo retention of additional GH¢6.18 million of PLL Collections;

- VRA retention of GH¢3.89 million of NESL collections into the National Electrification Fund; and
- cash in transit of Road and Energy Fund Levy collections.

5.6 Other Receipts and Cash Balances

The Committee was informed that a total amount of GH¢683,378,843.30 was in the three established accounts. This amount was made up of

- An opening balance of the three established account of GH¢663,789,357.97, and
- An interest income for the three established Accounts of GH¢ 19,589,485.33

Details of the balances are captured in Table 6 below:

Table 6: Breakdown of Other Receipts into ESLA Accounts

SN	ACCOUNT	CASH BALANCE AS AT 01/01/2018 (GH¢)	INTEREST INCOME (GH¢)	TOTAL (GH¢)
1	Energy Debt Service Account	119,442,830.85	4,392,988.79	123,835,818.97
2	Power Generation and Infrastructure Support Sub-Account	46,077,781.85	0.00	46,077,781.85
3	Price Stabilization and Recovery Levy Account	348,766,495.12	15,196,496.54	363,962,991.66
4	Energy Debt Recovery Levy Account	149,502,250.82	0.00	149,502,250.82
	Total	663,789,357.97	19,589,485.33	683,378,843.30

5.7 Utilization of Energy Sector Levies

The Committee observed that as at 31st December, 2018, an amount of GH¢2,565,499,310.56 was utilized from ESLA proceeds. This consists of GH¢1,667,625,548.63 from the Established Accounts and GH¢897,873,761.93 from the other accounts.

From the Established Accounts, GH¢468,761,427 was paid into the Energy Debt Service Account. GH¢952,321,732.66 was paid into the Power Gen. & Infra. Sub-Account and GH¢245,676,195.54 was paid into the Price Stabilization and Recovery Account. An amount of GH¢866,193.41 was paid into Energy Debt Recovery Levy Account. Details of the Utilization is captured on Table 7 below:

Table 7: Summary of Utilization of Levies lodged in the Established Accounts

SN	Accounts	Utilization/Transfers	Amount (GH¢)
1	Energy Debt Service Account		468,761,427
		TOR Debt Recovery	0.00
		Bank Charges and Commission	1,007.67
		Transfer to ESLA PLC	468,760,419.35
2	Power Gen. & Infra. Sub-Account		952,321,732.66
		Payment of Power Utility Debt	47,715,270.40
		Power supply sustainability	0.00
		Power Gen. and Infra. Support Recoveries	0.00
		Power Infrastructure partial risk Guarantees	4,201,309.22
		Bank Charges	0.00
		Transfer to ESLA PLC	900,405,153.04
3	Energy Debt Recovery Levy Account		866,193.41
		Transfer to ESLA PLC	866,193.41
4	Price Stabilization and Recovery Account		245,676,195.54
		Petroleum under-recoveries	0.00
		Petroleum price stabilization	0.00
		Premix & residual fuel oil subsidy	245,447,603.00
		Bank Charges and Commission on Transfer	228,592.54
TOTAL			1,667,625,548.63

An amount of GH¢897,873,761.93 was used by the Road Fund, Energy Fund and Ministry of Energy in furtherance of their objectives. Summary of the payments of the levies lodged into other accounts is captured in Table 8:

Table 8: Summary of Payments of Levies Lodged in other Accounts

SN	Account Name	Amount Transferred (GH¢)	Amount Utilized (GH¢)	Amount Outstanding as at 31/12/2018 (GH¢)
1	Transfer to Road Fund	685,504,587.81	622,130,000.00	63,374,587.81
2	Transfer to Energy Fund	130,074,916.54	9,301,511.17	120,773,405.37
3	Public Lighting Levy Transfer to MoE	11,917,891.66	11,917,891.66	0.00
4	Public Lighting Levy Retention by EDCs	116,628,831.54	116,628,831.54	0.00
5	NEF Transfer to MoE	70,747,534.38	79,569,040.19	(8,821,505.81)
Total		1,014,873,761.93	839,547,274.56	175,326,487.37

5.8 Balances in ESLA Accounts as at 31st December, 2018

The ESLA Accounts recorded a closing balance of GH¢615,417,858.48 at the end of 2018. This balance is made up of balances in EDSA, PGISSA, PSRA and EDRA. Summary of the balances is presented in Table 9 below:

Table 9: Closing Balance in the ESLA Accounts as at 31/12/2018

SN	Account	Cash balance as at 31/12/2018 (GH¢)
1	Energy Debt Service Account	69,072,226.60
2	Power Generation & Infrs. Support Sub-Account	69,178,603.82
3	Price Stabilization and Recovery Account	326,600,703.55
4	Energy Debt Recovery Levy Account	150,566,324.51
	Total	615,417,858.48

5.9 Transfers to E.S.L.A Plc and Utilization

The Committee observed that during the period under review, a total amount of GH¢1,353.71 million was transferred to E.S.L.A.PLC from ESLA accounts. The amount excluded GH¢16.33 million transferred in December, 2018 and received by ESLA in 2019. Summary of total levies received by E.S.L.A Plc during the period is presented in Table 10 below:

Table 10: Total Levies Received by E.S.L.A Plc in 2018

SN	Account	Amount Transferred from ESLA Account (GH¢)	Amount Received by ESLA PLC (GH¢)	Outstanding Received in 2019 (GH¢)
1.0	Energy Debt Service Account	468,760,419.35	467,578,411.95	1,182,007.40
2.0	Power Generation & Infrs. Sub-Account	900,405,153.04	885,261,538.64	15,143,614.40
3.0	Energy Debt Recovery Levy Account	866,193.41	866,193.41	0.00
	Total	1,370,031,765.80	1,353,706,144.00	16,325,621.80

5.10 ELSA's Utilization of Proceeds

The Committee observed that out of a total amount of GH¢1,353,706,144.00 received by E.S.L.A Plc, an amount of GH¢1,104,334,498.02 was used to pay two coupons held by ESLA

Bond holders in May and November, 2018. The balance of GH326, 697,267.78 was transferred into a LOCKBOX Account.

5.11 Suspension of the Price Stabilisation and Recovery Levy (PSRL)

The Committee observed that in 2018, the Ministry of Energy directed National Petroleum Authority to suspend and subsequently withdraw the Price Stabilisation and Recovery Levy (PSRL). This led to a net loss of ESLA proceeds in excess of GH¢270 million.

The Deputy Minister explained that during the year, prices of crude oil on the international market continuously went up leading to escalating petroleum prices at the pumps and transport fares. There was therefore the need to provide some relief to Ghanaians especially users of public transport hence Government's decision to withdraw the implementation of the levy.

5.12 Outstanding Debt of Energy Sector SOEs

The Committee noted that an amount of GH¢5,453.20 million out of the total proceeds realized from ESLA PLC Bond was applied to redeem part of the legacy debt of the Energy Sector. Notwithstanding the payments, substantial portions of the debt remain on the books of the SOEs. Additionally, Energy Sector SOEs continue to accumulate new debts. The convoluted nature of indebtedness among participants in the Energy Sector also makes it difficult to determine the actual indebtedness of the Sector.

The Deputy Minister of Finance conceded that the Cash Waterfall Scheme which was designed to address these challenges was not operational. He suggested that ESLA may have to issue additional bonds to address the rest of the debt.

6.0 RECOMMENDATION

6.1 Need to Address New Debts in the Energy Sector

The Committee noted that even though ESLA Plc was established to help address the huge debt burden and operational challenges facing the State Owned Enterprises in the Energy Sector, debts in the Sector continues to increase.

The Committee expressed the concern that there was the urgent need to address the growing indebtedness in the Sector in order to avert any potential power crisis. It therefore recommends to the House to urge the Minister of Finance and Minister for Energy to as a matter of urgency, activate the cash waterfall scheme and other prudent measures to address the debt accumulation in the Energy Sector. Further, the Minister of Finance should conduct an audit to determine the level of indebtedness among Energy Sector SOEs. The Committee also urges the Minister of Finance to consider issuing a new bond to finance the remaining legacy debts in the Energy Sector.

6.2 Suspension of Price Stabilisation and Recovery Levy

The Committee noted that in the course of the period under review, the PSRL was withdrawn in order to provide some relief for Ghanaians in the face of escalating petroleum prices at the pumps. The Committee finds this unacceptable.

Whilst the measure might be laudable, the Committee urges the Minister for Finance to follow due process by coming to Parliament to get any section of a law amended, thereby upholding the rule of law. Steps must be taken to reverse this illegality as soon as possible.

6.3 Withholding of Public Lighting Levies and National Electrification Scheme Levies

The Committee observed that the VRA, ECG and NEDCO retained portions of the PLL and NESL instead of transferring them into the respective accounts. The retention was contrary to the law.

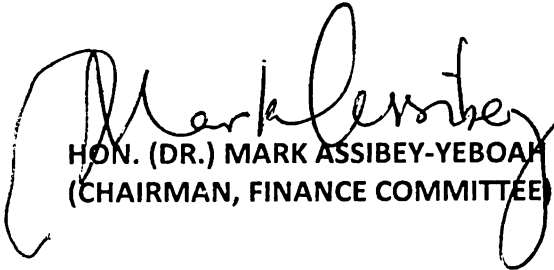
The Committee recommends that the Minister of Finance should ensure that all proceeds from the levies are duly paid into the respective accounts as scheduled.

7.0 CONCLUSION

The Committee after a careful examination of the report is of the view that the contents of the report satisfies the requirements of the Energy Sector Levies Act, 2015 (Act 899) as amended (Act 946). The report provided a detailed account of volumes of products lifted, proceeds realized into ESLA, the allocation into the various established and other accounts as well as the utilization and the balances in each account. The report also provided information on transfers to ESLA Plc and its utilization.

The Committee therefore recommends to the House to adopt its report on the Annual Report on the Management of The Energy Sector Levies and Accounts for the year ended 31st December, 2018.

Respectfully submitted.



HON. (DR.) MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)



MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)