

**REPORT OF THE FINANCE COMMITTEE**  
**ON THE DEBT RECOVERY (TEMA OIL**  
**REFINERY COMPANY) FUND**  
**(AMENDMENT) BILL, 2010**

**1.0 INTRODUCTION**

The **Debt Recovery (Tema Oil Refinery Company) Fund (Amendment) Bill, 2010** was presented and *read the first time* in the House on Thursday 18<sup>th</sup> November, 2010 and subsequently referred to the Finance Committee for consideration and report in accordance with article 103 of the 1992 Constitution and order numbers 125 and 169 of the Standing Orders of the House.

The Committee met and considered the Bill with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, officials of the Ghana Revenue Authority (GRA) and officials from the Ministry of Finance and Economic Planning and hereby submit this report pursuant to order no. 126 of the Standing Orders of the House.

**2.0 BACKGROUND**

In the year 2003, the Debt Recovery (Tema Oil Refinery Company) Fund Act was passed to establish a Debt Recovery Fund to finance Tema Oil Refinery Company (TOR's) accumulated debt and to cater for the company's under-recovery. A debt recovery levy was imposed on specified petroleum products.

TOR's debt burden however remains high and threatens the financial viability of the country's banking system. Government is therefore proposing an upward adjustment to the current Debt Recovery Levy to retire the TOR debt and to prevent continuous accumulation of debts in order to alleviate the effect of the debt on the banking system.

### **3.0 REFERENCE DOCUMENTS**

The Committee referred to and/or was guided by the following in its consideration of the Bill:

1. Constitution of the Republic of Ghana, 1992
2. Debt Recovery (Tema Oil Refinery Company) Fund Act, 2003 (Act 642)
3. Standing Orders of the Parliament of Ghana

### **4.0 PURPOSE OF THE BILL**

The purpose of the Bill is to amend the Debt Recovery (Tema Oil Refinery Company) Fund Act, 2003 (Act 642) to replace the Schedule and increase the levy on specified petroleum products.

### **5.0 CONTENTS OF THE BILL**

The Bill contains a total of two clauses.

**Clause 1** seeks to replace the Schedule to Act 642 with a new one that specifies new levels of debt recovery levy on petroleum products as shown below:

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**Schedule**  
(Section 8)  
Debt Recovery Levy

Column 1 Petroleum Products	Column 2 Levy GH¢
Premium	Not exceeding 8 pesewas per litre
Kerosene	0
Gas Oil	Not exceeding 8 pesewas per litre
Marine Gas Oil (MGO)	Not exceeding 3 pesewas per litre
Residue Fuel Oil (RFO)	Not exceeding 4 pesewas per litre
Liquefied Petroleum Gas (LPG)	Not exceeding 5 pesewas per litre
Premix	0

**Clause 2** repeals the Debt Recovery (Tema Oil Refinery Company) Fund (Amendment) Act, 2006 (Act 713).

## **6.0 OBSERVATIONS**

The Committee observed that the new increases would not affect Kerosene, Premix Fuel and Liquefied Petroleum Gas (LPG).

The Bill, when passed, would increase the Debt Recovery Levy on the various petroleum products as follows:

<b>Petroleum products</b>	<b>Existing Levy (per litre)</b>	<b>New Levy (per litre)</b>	<b>Change</b>
Premium	2 pesewas	8 pesewas	6 pesewas
Kerosene	0	0	0
Gas Oil	2 pesewas	8 pesewas	6 pesewas
Marine Gas Oil (MGO)	2.5 pesewas	3 pesewas	0.5 pesewas
Residue Fuel Oil (RFO)	3.5 pesewas	4 pesewas	0.5 pesewas
Liquefied Petroleum Gas (LPG)	5 pesewas	5 pesewas	0
Premix	0	0	0

The Deputy Minister of Finance and Economic Planning, Hon Seth Terkper informed the Committee that the aim of the Bill is to relieve Tema Oil Refinery (TOR) of its debt overhang so as to firmly position the company to play a significant role in the emerging petroleum industry, especially in the downstream sector.

It was observed that in the year 2010, Government refinanced about GH¢445 million of TOR's debts as part of measures to stabilise the company.

The Committee advised Government to come out clearly on exactly how much the TOR debt was at the end of 2008 and how much it is currently.

Members also encouraged Government and the Security Agencies to do everything possible to curb smuggling of petroleum products from Ghana to neighbouring countries.

As to how much the government expects to derive from the new levels of the levy, the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper informed the Committee that the estimated revenue from the Debt Recovery Levy for the year 2011 is **GH¢330,000,000.00** as indicated in the Budget Statement.

## **6.1 AMENDMENT PROPOSED**

The Committee respectfully recommends the following amendment to the Bill:

**Clause 1 – Amendment Proposed** – Column 1 of Schedule, *delete* "Gas Oil" and *insert* "Gas Oil"

## **7.0 CONCLUSION**

The Committee, having scrutinised the Bill, found that its passage would help in the speedy repayment of TOR's debt in order to put the company on a sound financial footing.

The Committee therefore recommends to the House to *pass* the **Debt Recovery (Tema Oil Refinery Company) Fund (Amendment) Bill, 2010** subject to the amendment proposed.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI**  
**CHAIRMAN**



**PEACE A. FIAWOYIFE (MS)**  
**CLERK**

**15<sup>TH</sup> DECEMBER, 2010**

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