

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

REPORT OF THE

FINANCE COMMITTEE

ON THE

ENERGY SECTOR LEVIES BILL, 2015

DECEMBER, 2015

ACC No: 1596 Ck

Class No: BR/ESL/15

PARLIAMENT OF GHANA LIBRARY

REPORT OF THE FINANCE COMMITTEE ON THE ENERGY SECTOR
LEVIES BILL, 2015

1.0 INTRODUCTION

The Energy Sector Levies Bill, 2015 was presented to Parliament and read the first time by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper on Monday, 21st December, 2015. The Hon. First Deputy Speaker referred the Bill to the Finance Committee for consideration and report in accordance with Article 174 (1) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana. The Hon. First Deputy Speaker further directed the Committee to determine whether the Bill was of an urgent nature to be taken through all the stages in one day in accordance with Order 119 of the Standing Orders of Parliament.

The Committee was assisted in its deliberations by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper, Hon. Minister for Power, Dr. Kwabena Donkor, the Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson, Attorneys from Attorney-General's Department, and officials from Ministry of Finance and Public Utilities Regulatory Commission (PURC).

The Committee expresses its profound gratitude to the Hon. Ministers and Officials of their assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana.
- The Standing Orders of the Parliament of Ghana.
- The Interpretations Act, 1960 (CA4)

3.0 BACKGROUND

The energy sector is currently faced with several challenges which constrain its effective functioning. Foremost amongst these challenges is the issue of legacy debts. This has been a major drain on the energy sector and the magnitude of the debt overhang continues to weigh down heavily on the performance of the energy sector.

In the emerging Gas Era, there is the need to prudently coordinate energy sector resources to underpin the transformation agenda. Currently, there are several levies in the energy sector, but not every single one of these levies has reasonably achieved the original objective for which it was created. The various energy sector debt recovery levies need to be consolidated to bring focus and efficiency in the utilization of the levies and their purpose along the energy value chain, particularly gas-to-power. It has therefore become imperative to restructure, rationalize and consolidate the various levies to address the current demands of the energy sector in a comprehensive and holistic manner.

4.0 PURPOSE OF THE BILL

The objective of the Bill is to restructure, renationalize and consolidate energy sector levies to promote the prudent and efficient utilization of proceeds derived from the levies to facilitate sustainable long-term investments in the energy sector. This will enhance the availability, regularity and reliability of energy for the future.

5.0 DIVISION OF THE BILL

The Bill has ten (10) clauses and two (2) Schedules.

Clause 1 imposes the levies set out in the First Schedule, namely the Energy Debt Recovery LEVY, Road Fund Levy, the Energy Fund Levy, the Price Stabilization and Recovery Margin, the Public Lighting Levy and National Electrification Scheme Levy.

Clause 2 mandates the relevant agencies specified in the First Schedule to collect the levies imposed and to pay the moneys into the accounts specified in that Schedule and

Clause 3 empowers the Minister to open and maintain an account into which payment of moneys collected in respect of the Energy Debt Recovery Levy are to be paid. The clause further provides for the purpose for which the moneys in the Debt Service Account are to be applied. **Clause 4** provides for the application of moneys paid into the Power Generation and Infrastructure Support Sub-Account.

Clause 5 of the Bill empowers the Minister to open and maintain an account to be known as Price Stabilization and Recovery Account into which moneys realized from the Price Stabilization and Recovery levy are to be paid. The clause further provides for how such funds can be applied.

Clause 6 deals with the management of the accounts provided for in the Bill and **Clause 7** empowers the Minister responsible for Finance to make Regulations to amend the Schedules and for the effective implementation of the Act.

Clause 8 is on the interpretation whilst **Clause 9** provides for consequential amendments and repeals.

Clause 10 is on transitional provisions and in effect provides for the transfer of money to the Debt Service Account.

6.0 OBSERVATIONS

Urgency of the bill

The Committee was informed that the Bill seek to realign petroleum related taxes by adjusting some of the levies and abolition others. The rationalization has cost implications on the ex-pump price of petroleum products which would be announced on Wednesday, 23rd December, 2015. There is therefore an urgent need to pass the Energy Sector Levies Bill, 2015 to avert speculation by retailers and possible artificial shortage in the market.

The Committee after considerable discussion considered the bill to be of an urgent nature and must be taken through all the stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Impact on Petroleum Prices

Responding to the Committee's concerns regarding the possible impact on the ex-pump prices of petroleum products upon the introduction of the proposed levies, the Hon Minister for Finance indicated that the direction of the price adjustment will vary depending on the trends of the variables in the price build-up such as exchange rate fluctuation and international crude prices. The following scenario for was given as an estimated pump prices with the introduction of the new levies using crude price of US\$48 per barrel.

Product	average market prices (1 st Dec, 2015) (GHp/Lt or kg)	estimated ex-pump prices (16 th Dec, 2015) (GHp/Lt or Kg)	% change wrt to Existing price
Premium	273.18	287.33	5.18
Gas Oil	266.40	274.12	2.90
LPG	280.83	285.71	1.74

The above scenario was based on the following assumptions:

1. FX Rate of GH¢3.8/USD

2. Increase Road Fund from GHp7.3231 to GHp40/Lt
3. UPPF @GHp9Lts
4. PDM @ GHp4.5/Lts
5. Introduction of GHp5/Lt on Diesel and LPG as PSM
6. Introduction of GHp5/Lt on Petro as PSM
7. Introduction of GHp5/Lts on Petro as Recovery Margin
8. Introduction of GHp28/Lt on Petro, Diesel and LPG as PIS Levy
9. Introduction of GHp5/Lt on Petro, Diesel and GHp23/Kg on LPG as Forex Under Recovery

Since then however, the world price of oil has further declined. This means that at a lower world price, the adjustment is likely to be downwards.

7.0 AMENDMENTS

The Committee having carefully scrutinized the Bill proposes the following amendments for the consideration of the House:

- 1) **Clause 3 – Amendment proposed –**
 - a. Head note, insert “Energy” before “Debt Service Account”.
 - b. Sub-clause (1), line 2, insert “Energy” before “Debt Service Account”.
 - c. Sub clause (2), line 1, insert “Energy” before “Debt Service Account”.
- 2) **Clause 4 – Amendment proposed –** Sub-clause (1), line (1), , insert “Energy” before “Debt Service Account”.
- 3) **Clause 6 – Amendment proposed –** delete and insert the following:
 - “6. (1) The accounts established under section 3 to 5 shall be managed by the Minister.
 - (2) The Minister shall report to Parliament annually on the management of the accounts”.
- 4) **Clause 7 – Amendment proposed –** Insert new paragraph (b) as follow

“(b) In respect of matters relating to the management of the accounts established under sections 3 to 5;”

- 5) **Clause 8 – Amendment proposed** – in the definition of “Debt recovery Levy”, delete “(642” and insert “(Act 642)”.
- 6) **Clause 10 – Amendment proposed** – line 3, insert “Energy” before “Debt Service Account”.
- 7) **First Schedule – Amendment proposed –**

1. Energy Debt Recovery Levy

- (A) In second column, delete

“GHp37 per kg on LPG consisting in respect of

- (a) Foreign exchange under recoveries – Ghp5 per each litre
- (b) Power generation and infrastructure support – Ghp28 per each litre
- (c) Tema Oil Refinery Company debt recovery – Ghp4 per each litre and insert

“Ghp37 per kg on LPG consisting in respect of

- (d) Foreign exchange under recoveries – Ghp5 per kg
- (e) Power generation and infrastructure support – Ghp28 per kg
- (f) Tema Oil Refinery Company debt recovery – Ghp4 per kg”

- (B) In the fifth column, delete

“Debt Service Account” and insert “Energy Debt Service Account and Power Generation and Infrastructure Support Sub-Account”

2. Public Lighting Levy

- (a) In Second Column, delete

“5% per kwh of Electricity charged on all categories of consumers
5%of Insurance Premium charged on all categories of vehicles” and insert

“5% per price of kwh of Electricity charged on all categories of consumers”

- (b) In the fourth column, delete “Electricity Company of Ghana” and insert “Electricity Company of Ghana, NEDCO and other suppliers of electricity”
- (c) In the fifth column, delete “Ministry responsible for Power and Electricity Distribution Companies” and insert “Ministry responsible for Power and Electricity Distribution Companies, and Power generation and Infrastructure Support Sub-Account”

3. National Electrification Scheme Levy

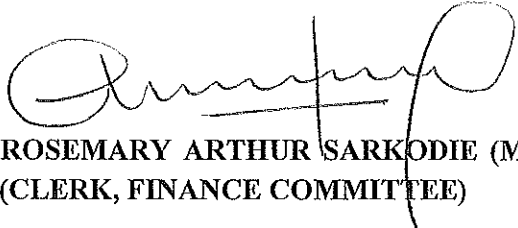
- (a) In Second Column, delete “5% per kwh of Electricity charged on all categories of consumers” and insert “5% per price of kwh of Electricity charged on all categories of consumers”
- (b) In the fourth column, delete “Electricity Company of Ghana” and insert “Electricity Company of Ghana, NEDCO and other suppliers of electricity”
- (c) In the fifth column, delete “National Electrification Fund” and insert “National Electrification Fund and Power generation and Infrastructure Support Sub-Account”

8.0 CONCLUSION AND RECOMMENDATION

The Committee has thoroughly examined the Bill and recommends to the House to adopt its report and take the Energy Sector Levies Bill, 2015 through all stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.


HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)


ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

December, 2015