

THE SALE OF OFF-SPEC PRODUCTS BY BOST IS AVOIDABLE, ILLEGITIMATE AND DEMANDS ANSWERS

Accra, 26th June 2017

The Africa Centre for Energy Policy (ACEP) has sighted an undated press statement issued by Bulk Oil Storage and Transportation Company Limited (BOST) that the latter has recently sold some five million liters of off-spec petroleum product (product that do not meet national standards) to a company called Movenpiina. This transaction is extremely worrying especially at a time when, following ACEP and Public Eye's clean fuel campaign, there is stakeholder consensus to change the regulated sulfur content from the current 3000ppm to 50ppm, effective from 1st July, 2017.

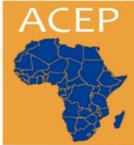
ACEP can confirm that the reported off-spec product is an accidental blend of petrol and diesel which occurred when a petrol flow-line was misdirected into a diesel tank during a discharge of petrol cargo into the Accra plains depot. This obviously contaminated the petrol and made it unfit to run in any automobile engine. The usual remedy in such situation would have been to further blend the product with more petrol or diesel, depending on the ratio of the two products, to achieve an acceptable standard and clean the tank. This blending could be done at TOR without the need for fractional distillation or running the catalytic cracker units which are down at the moment.

Contrary to the assertions by BOST that it would have taken more than 10 months to blend the product, ACEP disputes that this is only an attempt to justify why the product was hurriedly disposed of. 5million liters of diesel is just about one and a half days of national consumption. Therefore, if BOST was minded about protecting the consumer, the product could have been blended and sold as a normal product in less than a month. In fact, BOST recently imported a Ship load of off-spec products which it sent to TOR for blending.

ACEP's concerns

1. Qualification of the companies involved.

BOST, in its press statement, indicated that "it rests on the decision of Management as to who to do business with." ACEP is however of the opinion that such decision must comply with regulations of the sector. As a basic requirement, BOST can only sell products to companies that have been duly granted licenses by the National Petroleum Authority (NPA) to operate in the industry. ACEP's checks reveal that Movenpiina got registered as a company on 29th May, 2017. Meanwhile, Movenpiina initiated the transaction with BOST on 19th May, 2017 – some ten days before it became a legally recognized company in Ghana. Also, it has not obtained the requisite license from the NPA to trade in the industry. ZUPOIL LTD, another company which



was named in the statement released by BOST as “the off-taker” whose “storage facility could accommodate the volume of product”, is also not known in Ghana’s petroleum industry. We are therefore of the opinion that it was illegal for BOST to have engaged Movenpiina and ZUPOIL LTD in the sale and storage of the off-spec petroleum product. In the statement issued by BOST, NPA was implicated to have had full knowledge of the transaction. We hereby demand from the NPA explanations about how this transaction could happen without the requisite licensing.

2. No Due diligence was done on the companies

The management of BOST exhibited unreasonable discretion in the award of the contract to Movenpiina and ZUPOIL. Whiles the management affirms its right to decides who to do business with, it shouldn’t have done so without a simple due diligence about the capacity of the companies. If they conducted due diligence, it would have been clear that the companies did not qualify to participate in the industry.

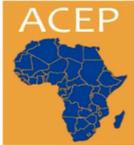
3. Off-spec product sold to unsuspecting consumers at a premium.

According to BOST’s statement, a company is qualifying to enter transaction with BOST if it shows commitment not to put the off-spec product back onto the market. BOST asserts that mechanisms were put in place to ensure that the off-spec product was safely transmitted to the off-taker’s facility. There however remains a puzzle about where ZUPOIL’s facility is located. Moreover, it is clear from the statement that BOST has not put in place measures to monitor movement of the product from ZUPOIL’s facilities to unsuspecting consumers. ACEP can confirm that the off-spec product was sent to the open market and sold to consumers. We challenge BOST to show the public where the ZUPOIL storage facilities are located. They simply don’t exist, and therefore confirms our checks that the products got into the tanks of unsuspecting consumers. This also highlights regulatory comatose in the movement of products unto the market.

4. Potential loss of revenue to BOST and the government

There are conflicting evidences that the product was originally sold for one Ghana Cedi (GHS1) per liter, instead of the One Ghana Cedi and thirty pesewas (GHS1.3) per liter reported in the statement issued by BOST. Granted that the products were sold at 1.30 cedis per liter despite documentary evidence of 1cedi, this implies that at a pump price of 3.85 per liter, a total sum of Ghs 12.57 million is illegitimately being appropriated by fraudulent officials and persons at the expense of the state and consumers.

BOST is a public company financed with taxpayers’ money and therefore has the responsibility to ensure that it does not engage in suspicious deals that lead to avoidable revenue losses, both to itself, government and consumers.



5. The role of BOST in the market.

This action by BOST raises the fundamental concern as to whether BOST should be allowed to be trading and import off-spec products into Ghana. The recurrent scandals that have emerged from the activities of the company in recent past demands that the government takes a critical look at focusing BOST on its strategic mandate of keeping stocks as a national security asset for protecting consumers against manipulation and unforeseen shortfalls. They have not demonstrated care for the consumer in this case and the ministry of Energy will have to step in immediately to ensure that the NPA raises the bar in its regulatory function to guarantee the protection of consumers.

Recommendations

ACEP therefore recommends that

1. **The government should conduct a full scale investigation** into the sale of the off-spec product to establish the validity or otherwise of the transaction and provide sanctions to those found to have misconducted themselves. The Head of BOST should step aside immediately to allow the independent enquiry to occur unimpeded.
2. The NPA should activate the needed sanctions for the Movenpiina and ZUPOIL for participating in the industry without license to send the signal to illegal operators in the industry.
3. GRA should ensure that all tax liabilities on the sale of the product is properly assessed.
4. The Ministry of Energy should issue policy directive to prohibit the importation of off-spec products into the country.

Signed

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