

December 2019



**E.S.L.A. PLC**



# Consolidating Gains in Energy Sector Debt Refinancing

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Indicative Term Sheet

E.S.L.A. Plc is a public limited liability company established in 2017 as an independent Special Purpose Vehicle (SPV) primarily to issue debt securities to refinance the Energy Sector Debt. It was established by the Government of Ghana acting through the Ministry of Finance, with the National Trust Holding Company (NTHC) as its sole nominee shareholder. E.S.L.A. Plc is managed by KPMG as the Administrator.

- In 2017, E.S.L.A. Plc successfully issued the first E.S.L.A. Bonds, Tranche E1 and Tranche E2 maturing in 2024 and 2027 respectively, and raising GHS 4.784 billion in total for the purpose indicated above. An additional GHS 880 million of Tranche E2 was also raised in 2018. E.S.L.A. Plc has also issued Tranche E3, a GHS 1 billion 2029 maturity bond in 2019. The Bonds are backed by the Energy Debt Recovery (EDR) Levy imposed under the Energy Sector Levy Act.
- The current outstanding issuance is GHS 6 billion, representing a total issuance of GHS 6.664 billion, out of which GHS 664 million was redeemed in a buyback transaction financed with funds from the Lock Box account.
- In the 2019 Mid-Year Budget Review, the Government of Ghana increased the EDRL for Petrol, Diesel, LPG and Marine Gas Oil (Foreign) to GHp49, GHp49, GHp41 and GHp49 respectively, whereas Marine Gas Oil (Local) and Fuel Oil remained the same at GHp3 and GHp4 respectively.
- E.S.L.A. Plc seeks the consent of bondholders to decrease the Debt Service Coverage Ratio from 2x to 1.25x under Condition 12.3(c) of the Prospectus, in order to issue additional bonds to pay outstanding energy sector debts.
- E.S.L.A. Bonds have seen satisfactory demand and liquidity. Data from the Central Securities Depository (September 2019) show that E.S.L.A. Bonds account for 6.26% of total bonds outstanding. The bondholder profile is as follows: Domestic Investors, 99.51%; Offshore Investors, 0.49%. Domestic Investors include Banks 42.38%, Asset Managers 25.62%, Pensions 8.52%, Bank of Ghana Welfare 3.51%, SSNIT 3.18%, Insurance Companies 1.46% and Others 14.82%.

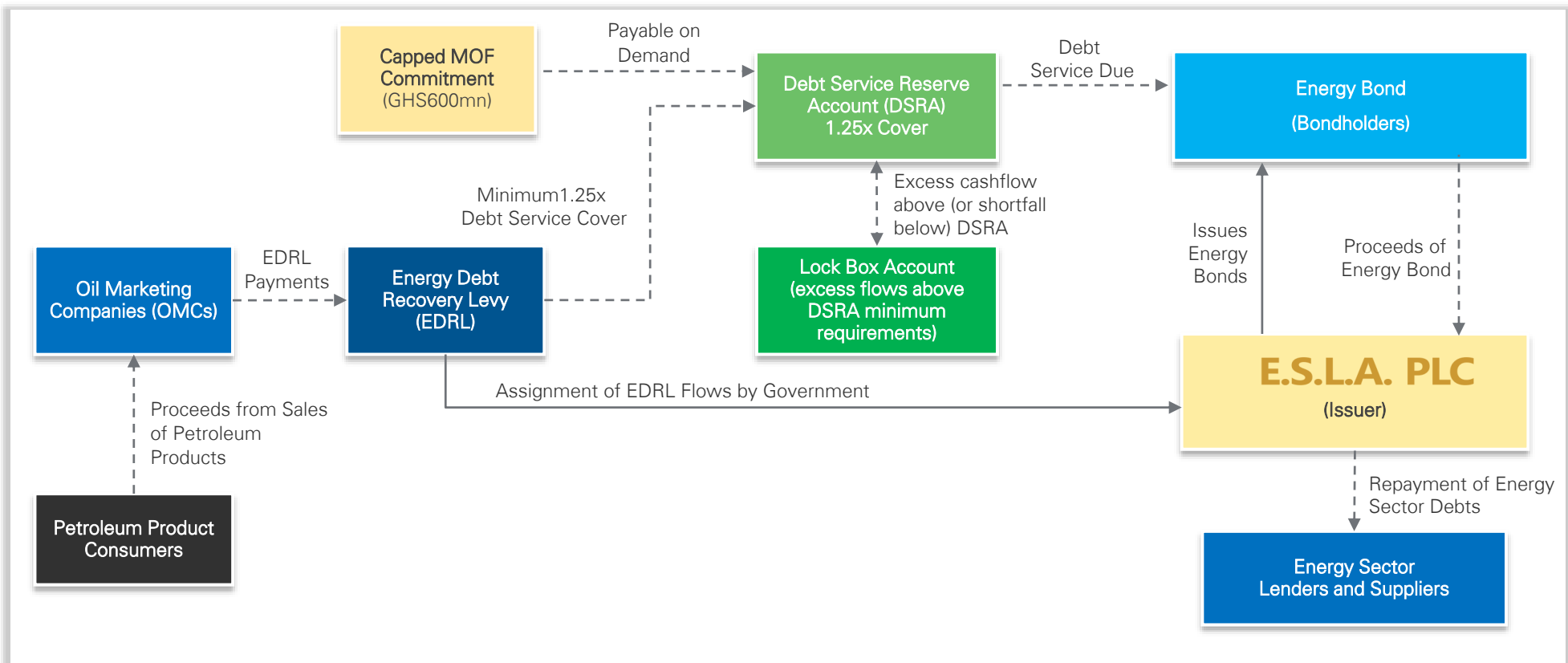
# The “E.S.L.A.” Bond Transaction Structure

E.S.L.A. PLC

Transaction structure is simple and straightforward with buffers built-in.

- SPV is totally ring fenced, no cash flows back to Sponsor until bonds are fully redeemed.
- The Lock Box holds excess EDR Levy cash flows above the minimum debt service reserve amount.
- Cash built up in Lock Box account can flow back to DSRA to meet any debt service shortfall.
- MOF Capped Cash Commitment can be drawn on demand to support debt service funding shortfall, if any.

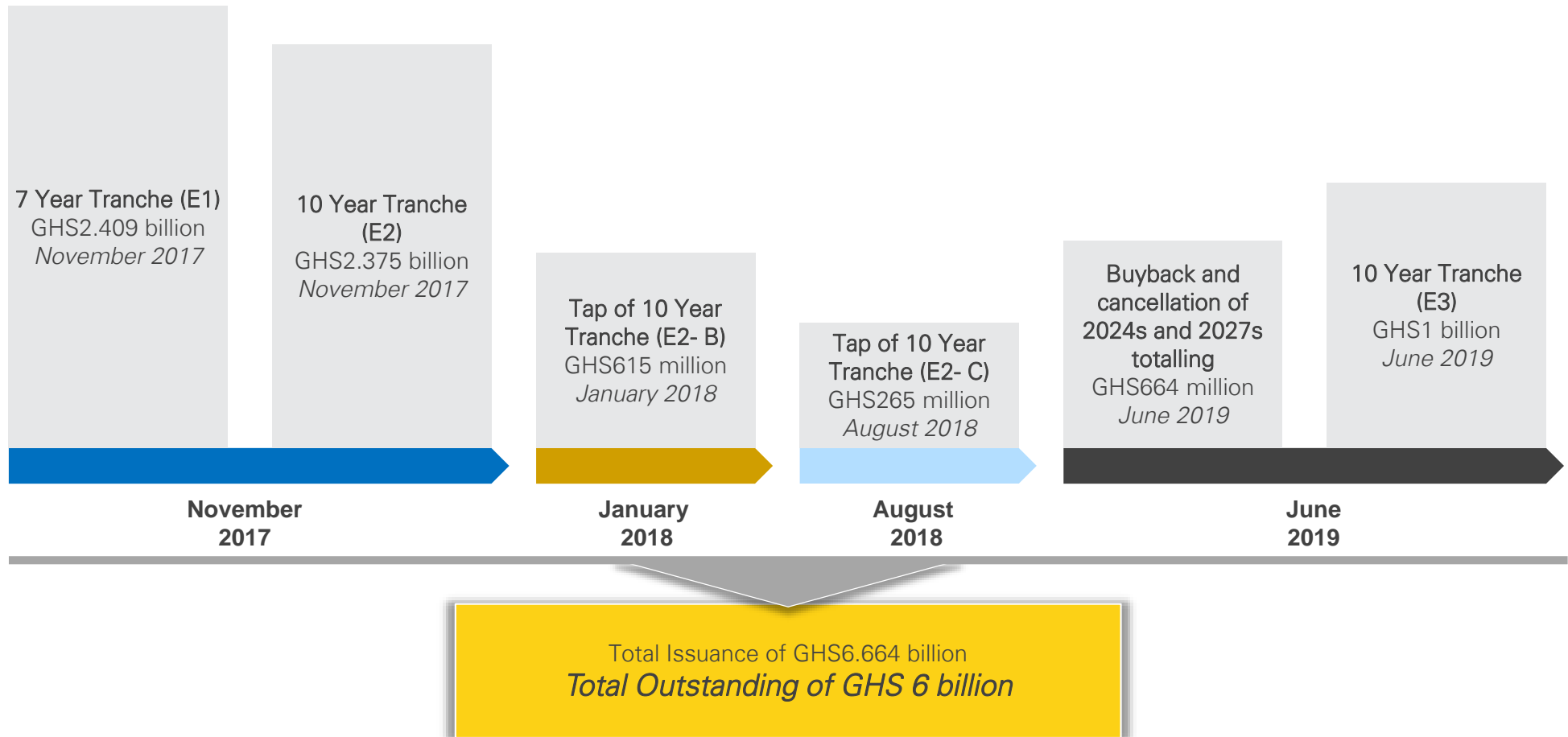
E.S.L.A. PLC repays energy sector lenders and suppliers directly with cash from bond proceeds.



# Update on the “E.S.L.A.” Programme

E.S.L.A. PLC

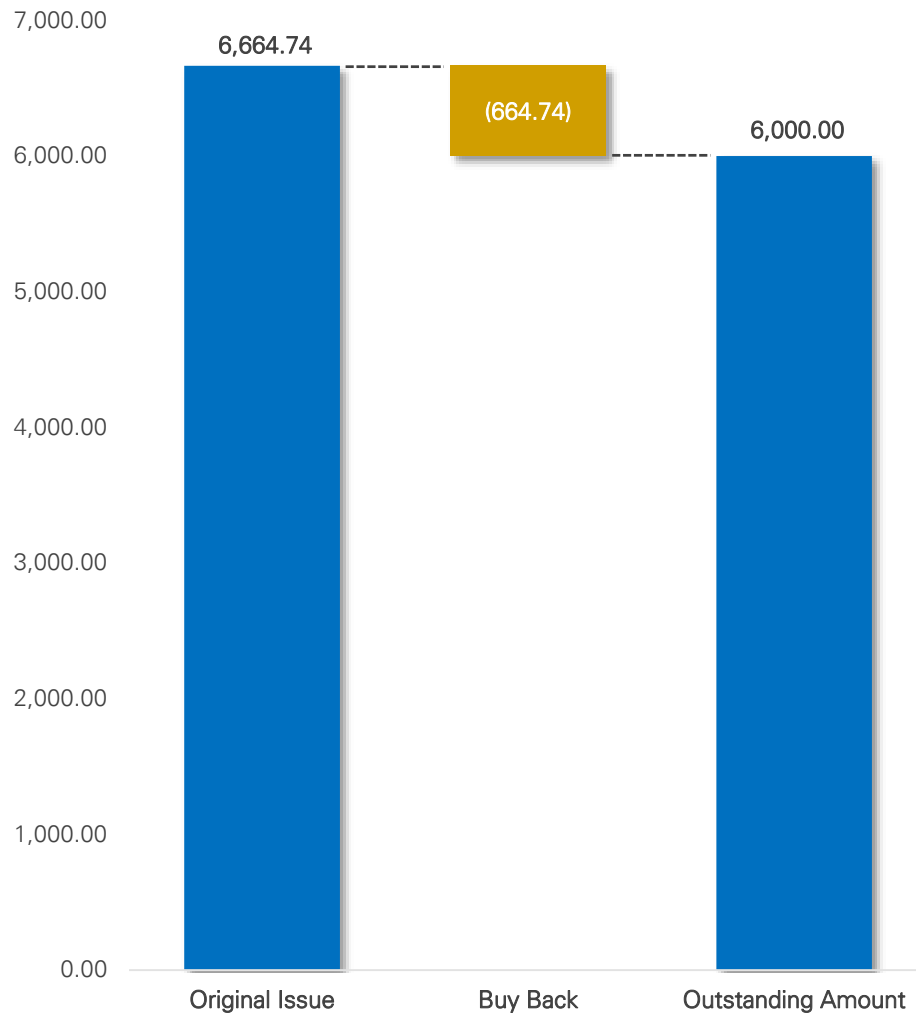
E.S.L.A. Plc was incorporated in September 2017 as a Special Purpose Vehicle (SPV), sponsored by the Government of Ghana, to amongst others issue debt securities to refinance and repay energy sector debt.



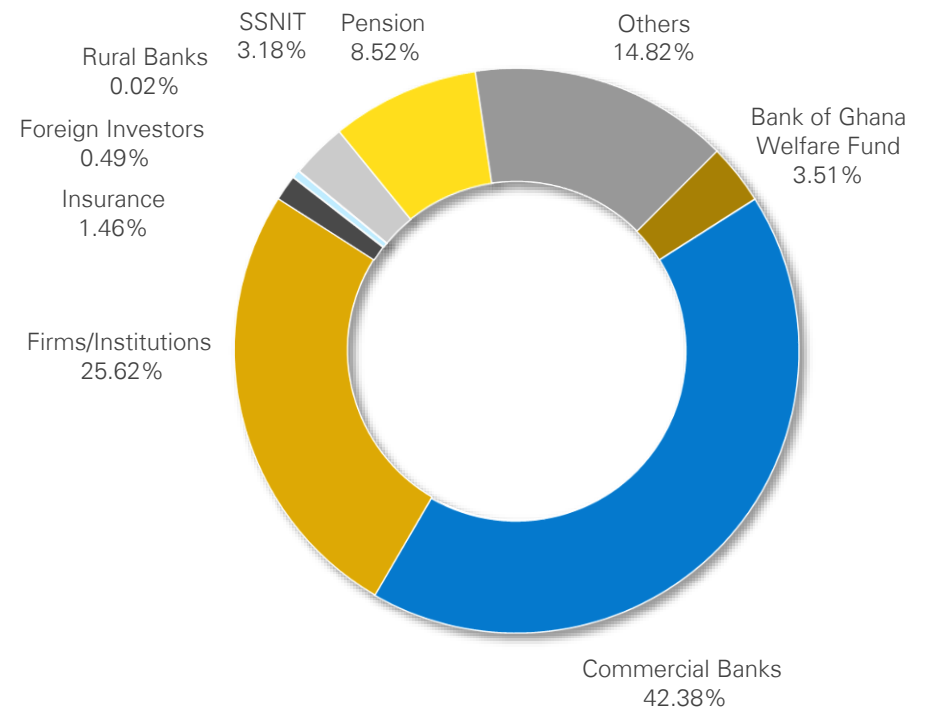
# Update on the E.S.L.A. Programme

E.S.L.A. PLC

E.S.L.A. Plc Bond Programme (GHS' million)



Investors by Type





“E.S.L.A.” consolidates existing energy sector levies and redefines a framework to correct imbalances, promote financial viability of Energy Sector State Owned Enterprises (SOEs) and facilitate investments into the sector. The levies imposed by the “E.S.L.A.” are derived from the sale of petrol, diesel, marine gas oil, residual fuel oil, liquefied petroleum gas, kerosene, and electricity within Ghana

No.	Levy	Purpose	Collection Agency	Account	Levy Components	
1.	<b>EDR Levy</b>	To facilitate the debt recovery of the TOR, downstream petroleum sector foreign exchange under-recoveries and power generation and infrastructure support	GRA	1. EDSA; and 2. PGISsA	<b>Act 899</b> <ul style="list-style-type: none"> <li>▪ Ghp41/ltr on Petrol and Diesel</li> <li>▪ Ghp3 /ltr on Marine Gas Oil</li> <li>▪ Ghp41 /ltr on Marine Gas Oil – Foreign</li> <li>▪ Ghp4 /ltr on Fuel oil</li> <li>▪ Ghp37 /kg on LPG</li> </ul>	<b>Act 997</b> <ul style="list-style-type: none"> <li>▪ Ghp49/ltr on Petrol and Diesel</li> <li>▪ Ghp3 /ltr on Marine Gas Oil – Local</li> <li>▪ Ghp49 /ltr on Marine Gas Oil – Foreign</li> <li>▪ Ghp4 /ltr on Fuel oil</li> <li>▪ Ghp41 /kg on LPG</li> </ul>
2.	<b>Price Stabilisation and Recovery Levy</b>	To be used as a buffer for under-recoveries or subsidies to stabilise petroleum prices for consumers	NPA	Price Stabilisation and Recovery Levy (“PSRL”)	<ul style="list-style-type: none"> <li>▪ Ghp12 per litre on Petrol</li> <li>▪ Ghp10 per litre on diesel</li> <li>▪ Ghp10 per kg on LPG</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ghp16 per litre on Petrol</li> <li>▪ Ghp14 per litre on diesel</li> <li>▪ Ghp14 per kg on LPG</li> </ul>
3.	<b>Road Fund Levy</b>	To support road maintenance	GRA	Road Fund	<ul style="list-style-type: none"> <li>▪ Ghp40 per litre on Petrol</li> <li>▪ Ghp40 per litre on diesel</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ghp48 per litre on Petrol</li> <li>▪ Ghp48 per litre on diesel</li> </ul>
4.	<b>Energy Fund Levy</b>	To support the activities of the Energy Commission as technical regulator	GRA	Energy Commission (“EC”)	<ul style="list-style-type: none"> <li>▪ Ghp1 per litre on Petrol</li> <li>▪ Ghp1 per litre on Diesel</li> <li>▪ Ghp1 per litre on Kerosene</li> <li>▪ Ghp1 per litre on Fuel Oil</li> </ul>	
5.	<b>Public Lighting Levy</b>	To support investment, maintenance and payment of energy consumed by traffic lights, street lights, public lights on highways	ECG, NEDCo, VRA and other suppliers of electricity	Ministry of Energy and the Electricity Distribution Companies	<ul style="list-style-type: none"> <li>▪ 3% per price of kWh charged on all categories of consumers</li> </ul>	
6.	<b>National Electrification Scheme Levy</b>	To provide funding to support the national electrification programme to improve access to electricity across the country	ECG, NEDCo, VRA and other suppliers of electricity	National Electrification Fund	<ul style="list-style-type: none"> <li>▪ 2% per price of kWh charged on all categories of consumers</li> </ul>	

The "E.S.L.A." (the Act), was passed into law in 2015 to address challenges in the energy sector, through collections made into the established "E.S.L.A." accounts and other accounts. The Act underpins the EDR Levy, a levy on fuel sold to consumers at the pump to facilitate debt recovery, amongst others.

The Oil Marketing Companies ("OMCs") who distribute the fuel are responsible for remitting the levies collected to Bank of Ghana (BoG) through the Ghana Revenue Authority's (GRA) collection banks.

## Summary of "E.S.L.A." levies' audited collections for 2018 (GHS' million)

		Programmed Collections (P)	Actual Collections (A)	Lodgement (L)	(A - P)	% (A/P)	Change (L-A)	% Change (L-A)
1	Energy Debt Recovery Levy	1,765	1,614	1,600	(151)	91%	(14)	(0.88)%
2	Price Stabilisation and Recovery levy	401	142	142	(259)	35%	0	0.00%
3	Public Lighting Levy	118	64	11	(54)	54%	(53)	(481.82)%
4	National Electrification Scheme	157	88	70	(68)	56%	(18)	(25.71)%
5	Road Fund Levy	1,314	1,324	1,254	10	101%	(70)	(5.58)%
6	Energy Fund Levy	33	35	33	(2)	106%	(2)	(6.06)%
	<b>Total</b>	<b>3,788</b>	<b>3,267</b>	<b>3,110</b>	<b>(521)</b>	<b>86%</b>	<b>(157)</b>	<b>(5.05)%</b>

## 100% of EDR Levy Assigned to the "E.S.L.A" Bond Programme

### Energy Debt Recovery Levy (EDRL)

- Ghp49/ltr on Petrol and Diesel
- Ghp3 /ltr on Marine Gas Oil (local)
- GHP49/ltr on Marine Gas Oil (foreign)
- Ghp4 /ltr on Fuel oil
- Ghp41 /kg on LPG

Total EDR Levy collections in FY 2018 was GHS 1.35 billion

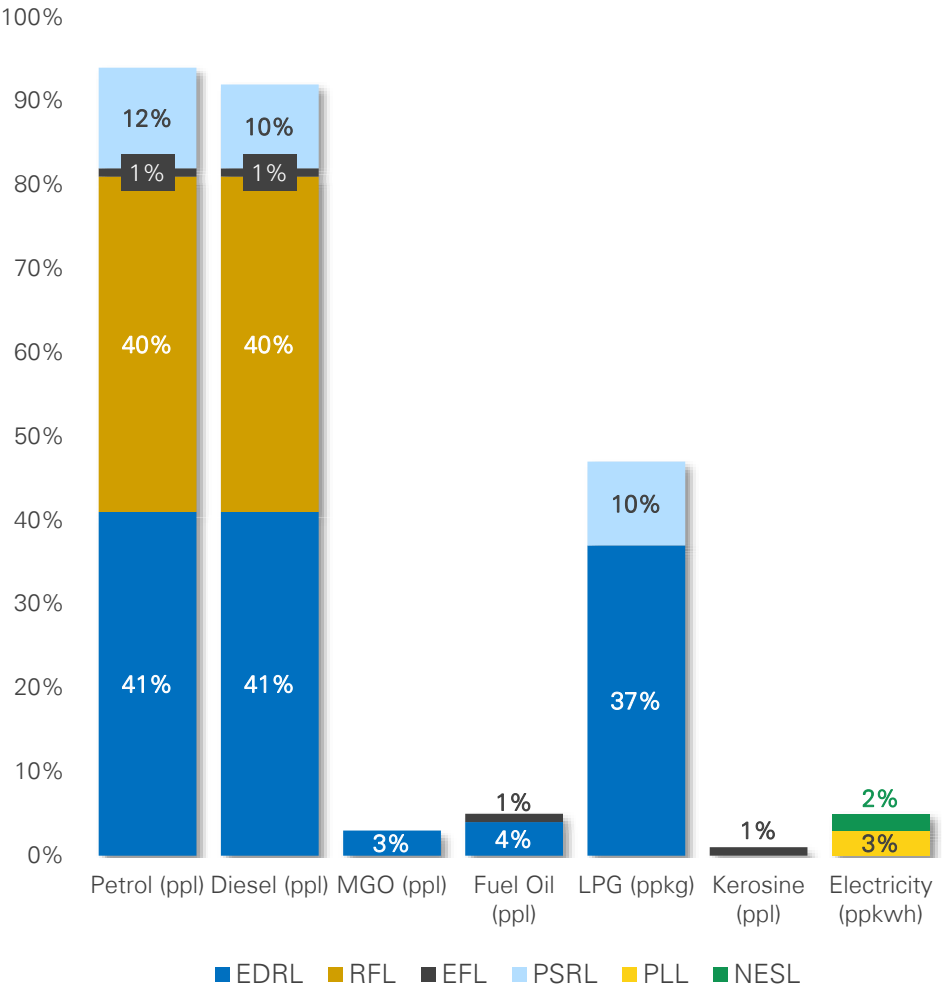
**E.S.L.A. PLC**

GHS 10 billion Bond Programme

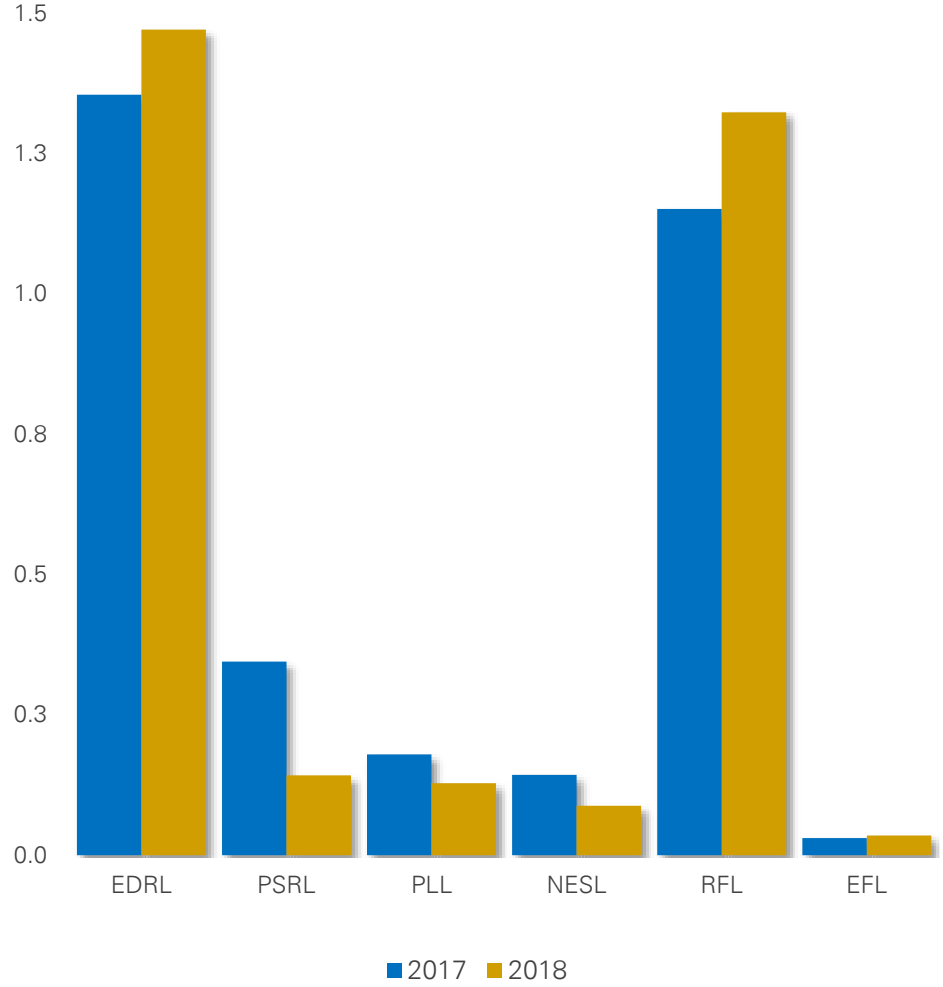


# Breakdown of the E.S.L.A. Collections

Composition of collections by products (GHS) (2018)



2017/2018 "E.S.L.A." Collections (GHS' billion)

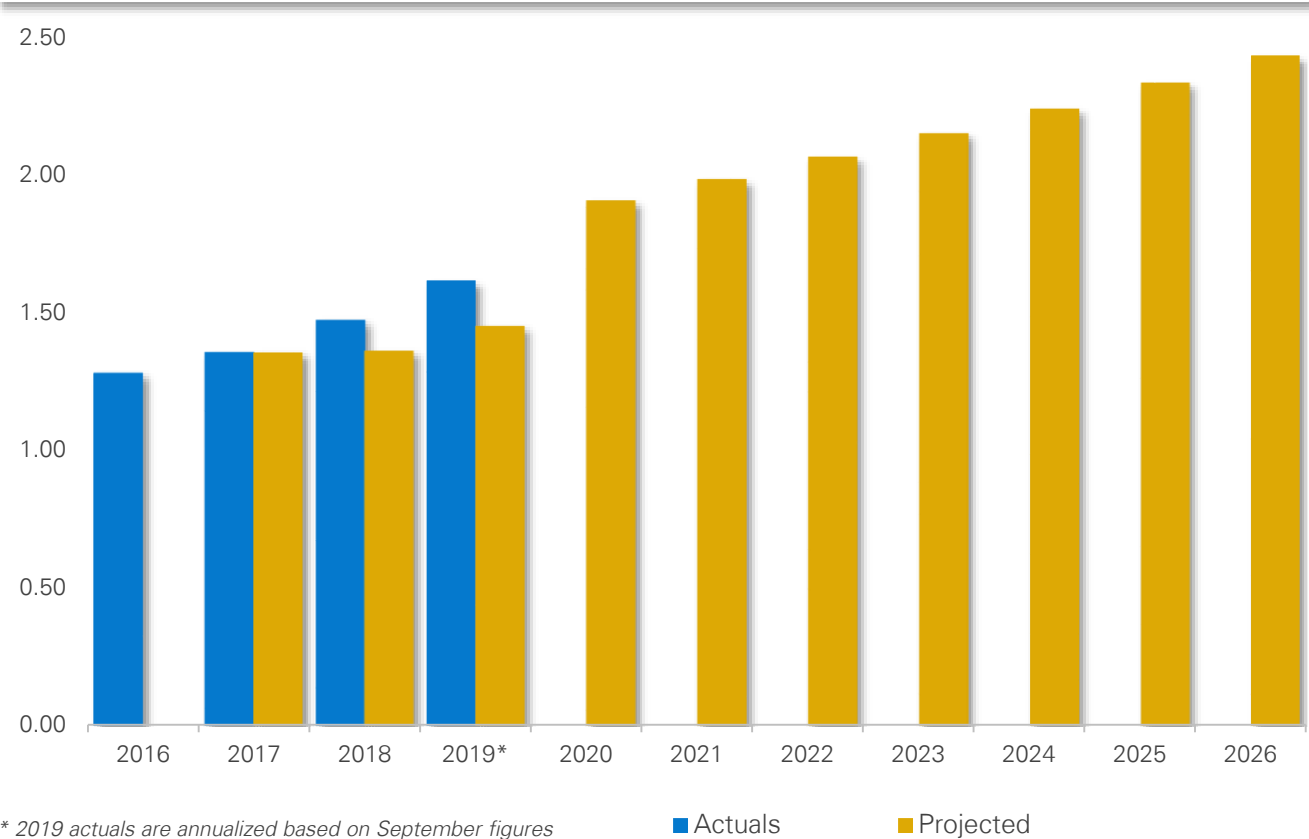


Source: 2018 Annual Report on the E.S.L.A

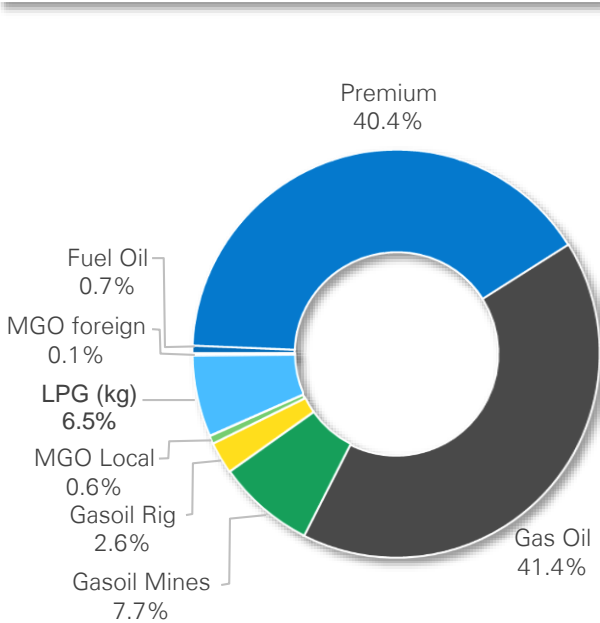
# Breakdown of the EDR Levy Collections

EDR Levy collections as at September 2019 have exceeded full year collections for 2018. Collections efficiency on volumes declared is expected to be in the 90% area level, improving gradually since the inception of "E.S.L.A", as escrow and reconciliation processes for the energy bond programme are better monitored.

Annual EDRL collections (actual and projections, billions)



Jan – May 2019 EDRL Actual collection volumes split



## Enhancement of EDR Levies to “E.S.L.A.” has necessitated changes to the “E.S.L.A.” Bond Programme Prospectus

- The Energy Sector Levy increments made by the Government of Ghana will increase inflows and enable “E.S.L.A.” Plc issue additional bonds to pay down energy sector debt obligations
- “E.S.L.A.” Plc will update the existing Prospectus dated 12 October 2017 (the Prospectus) by issuing a supplement to the Prospectus (the Supplement), to incorporate the proposed amendment which will be made available to bondholders.
- The Supplement shall be supplemental to and should be read in conjunction with the Prospectus. In the event of any conflict between the provisions of the Prospectus and the provisions of the Supplement, the Supplement shall prevail.
- The Supplement shall be reviewed and approved by the Securities & Exchange Commission (SEC) in accordance with Section 3 of the Securities Industries Act and SEC regulations and the Ghana Stock Exchange (GSE).

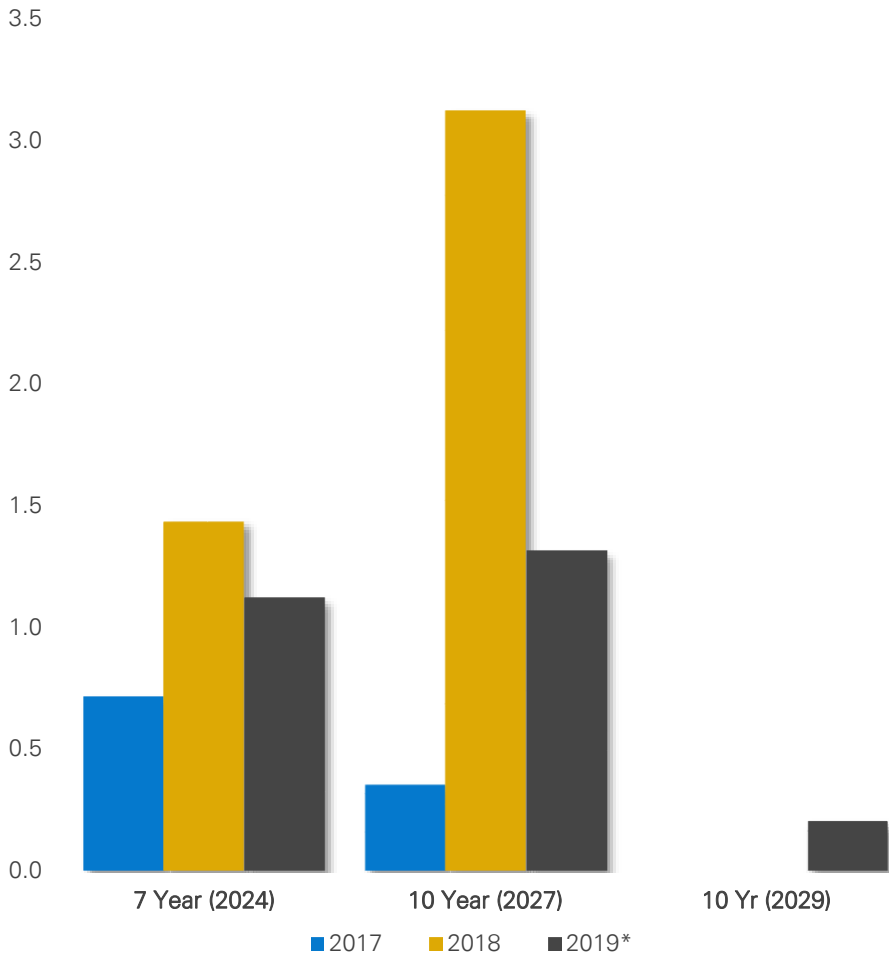
**“E.S.L.A.” Plc has no reason to believe that the Debt Service Coverage Ratio (DSCR) required will not be met for the balance of the scheduled tenors of the outstanding bonds and the further indebtedness of borrowed money.**

### Proposed Amendment

**Decrease the Debt Service Coverage Ratio (DSCR)  
from 2x to 1.25x under Condition 12.3 (c)**

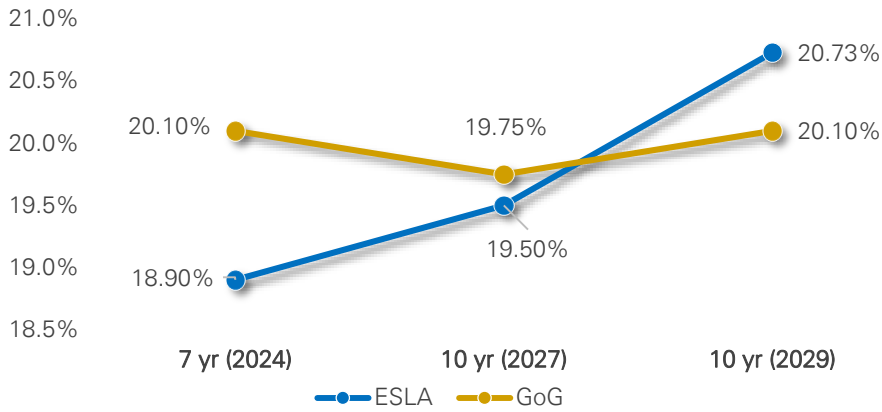
# At a Glance: "E.S.L.A". & The Bond Market

Trade Volumes of "E.S.L.A" (Oct' 17- Sep' 19, billions)



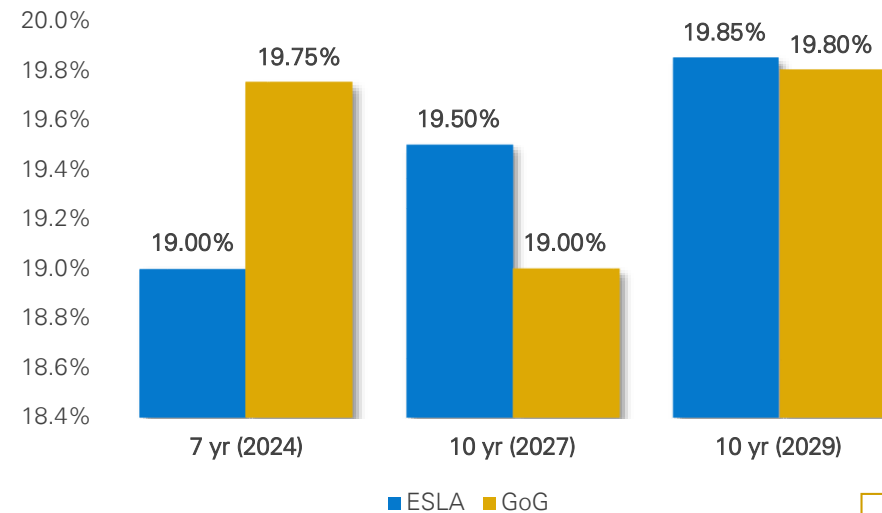
\*2019 figures represent trade volumes as at September, 2019  
Source: CSD

Current Market Yields- E.S.L.A. vs GoG

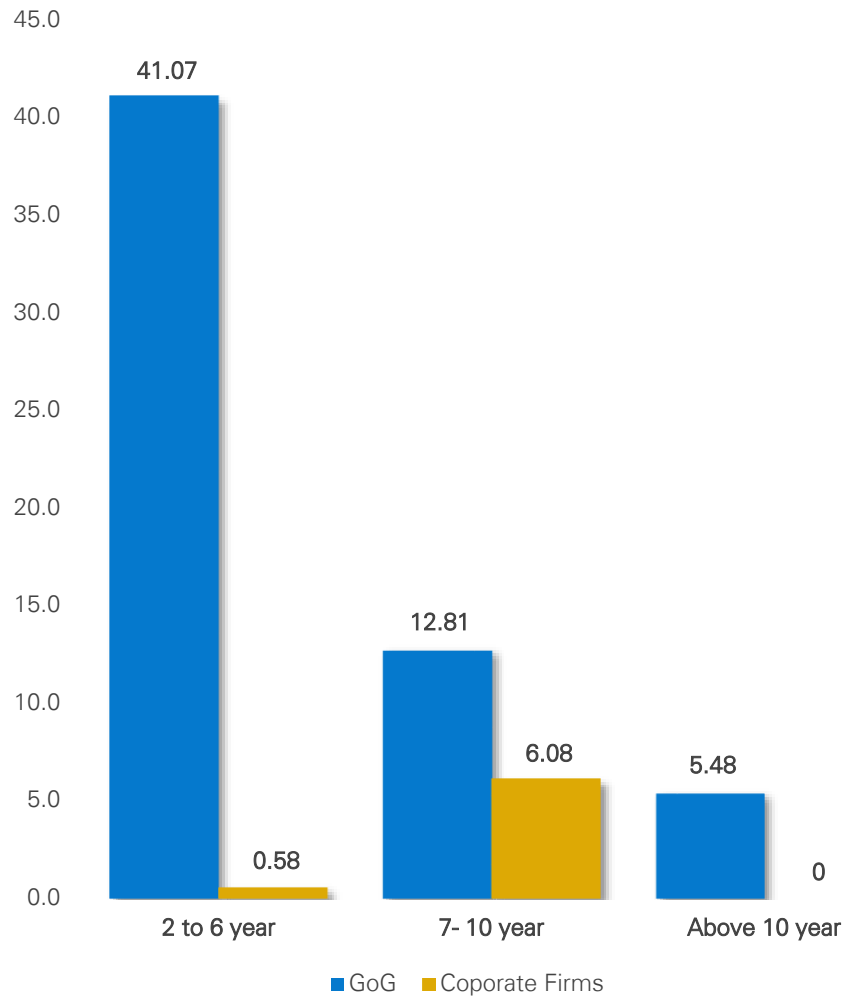


\*Yields shown are the latest yields traded by Oct' 17th 2019

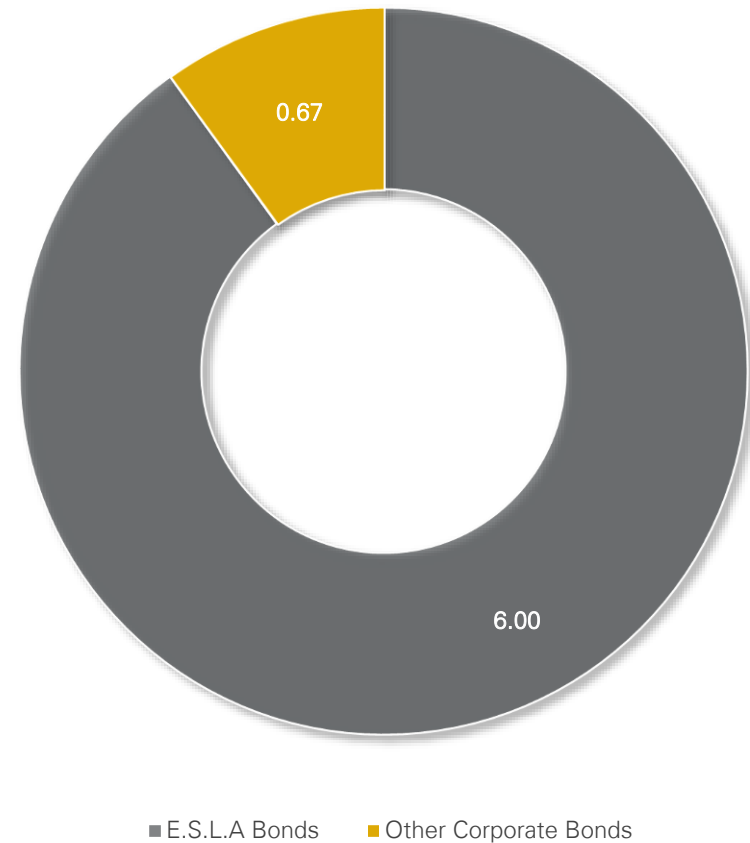
Security Coupons- E.S.L.A. vs GoG



Distribution of Securities Issued by GoG and Corporates



Corporate Bond Issuances- GHS' billion (September 2019)



# Summary of Financial Model Assumptions

E.S.L.A. PLC

As E.S.L.A. Plc has successfully collected revenues over the last two years, a combination of historical actuals as well as projections from the National Petroleum Authority (NPA) have been used to forecast petroleum products' consumption over a 10-year forecast period to 2029.

## Key Assumptions on Issuer's Cash Flows

Petroleum Products Consumption Growth Rate (10 year CAGR)		
Fuel oil		1.0%
Premium		5.0%
Gas oil		2.8%
Gasoil Mines		8.0%
Gasoil Rig		6.0%
MGO Local		-10.4%
LPG		0.0%
MGO Foreign		5.0%
EDRL Rate Levied	Existing Levies	New Levies
Fuel oil (GHS/ltr)	0.04	0.04
Premium (GHS/ltr)	0.41	0.49
Gas oil (GHS/ltr)	0.41	0.49
Gasoil Mines (GHS/ltr)	0.41	0.49
Gasoil Rig (GHS/ltr)	0.41	0.49
MGO Local (GHS/ltr)	0.03	0.03
LPG (GHS/kg)	0.37	0.41
MGO Foreign (GHS/ltr)	0.41	0.49
Expense and Efficiency Assumptions		
Percentage of Realisable EDRL Flows	87.90%	
WHT Rate for Gross-Up	8.00%	
Annual Expense Reserve	0.50%	
Minimum DSCR	1.25x	

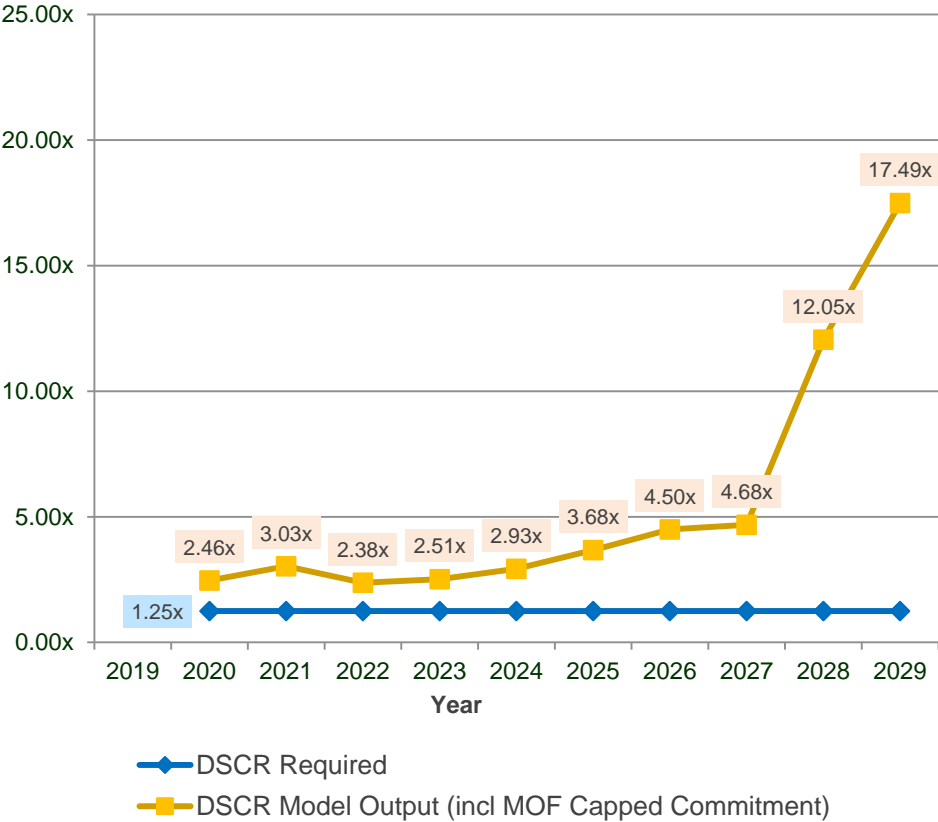
## Model DSCR Outputs on Outstanding GHS 6 Billion Bonds

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
DSCR Model Output (including MOF Capped Commitment)	2.46x	3.03x	2.38x	2.51x	2.93x	3.68x	4.50x	4.68x	12.05x	17.49x
DSCR Model Output (excluding MOF Capped Commitment)	1.99x	2.55x	2.07x	2.20x	2.59x	3.29x	4.09x	4.31x	11.21x	16.50x

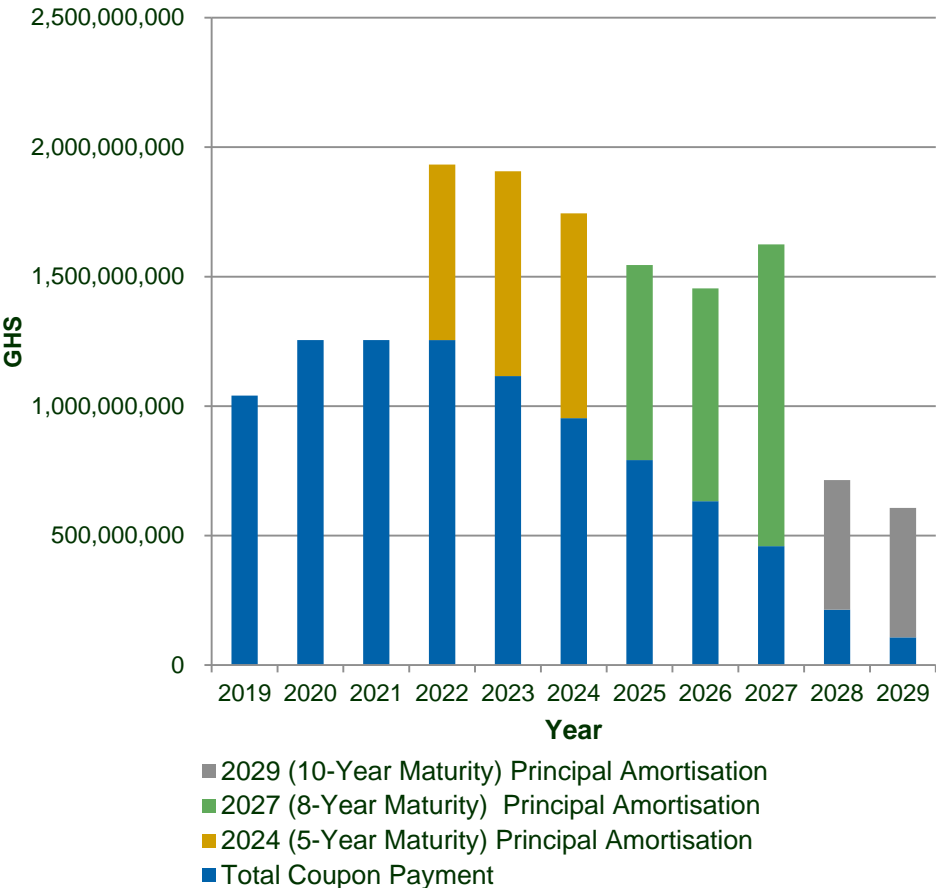


# Summary of Financial Model Outputs

Debt Service Coverage Outputs



Debt Service Profile (millions)



# Indicative Terms for Potential Issuance

**E.S.L.A. PLC**

E.S.L.A. Plc Cedi Bond Programme	
Issuer	E.S.L.A. Plc
Sponsor	Republic of Ghana, acting through the Ministry of Finance
Programme Size	GHS10 billion
Issuer/ Notes Rating	Not rated
Total Size of Notes	Amortizing Notes in the aggregate principal amount of up to GHS10,000,000,000
Minimum Denominations	GHS100,000 with integral multiples of GHS1,000
Status	Senior, unsecured Bonds backed by an Assignment of ESLA Receivables by the Sponsor to the Issuer under the Assignment Agreement dated 12 <sup>th</sup> October, 2017
Issue price	100.00 per cent of the principal amount of the notes
Issue Date	TBD
Series	TBD
Tenor	10 to 20 Years
Tranche Size	500,000,000 up to 4,000,000,000
Maturity	Unless previously purchased and cancelled, the Notes will be repaid in a back end amortization as determined for each respective issuance.
Investors	Eligible to domestic and foreign investors
Format	Bond documentation as per GSE and SEC rules
Use of Proceeds	Refinancing of Energy Sector debts and obligations
Governing Law	English Law

Thank You

