

October 2017



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



# **Creating a Viable Energy Sector as a Catalyst for Growth**

**Investor Presentation**

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I. Ghana is on a path to recovery

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

President Nana Akufo-Addo's administration is focused restoring fiscal consolidation, boosting confidence in the economy and driving growth and job creation.



I

Entrench Fiscal Sustainability and Macro Economic Stability

**Foster Enabling Environment for Inclusive Growth**  
*"emphasis on production as opposed to taxation"*

II



III

Enhance Ghana's Overall Competitive Position



# Ghana on a Path to Recovery in 2017

E.S.L.A. PLC

Ghana's economy turned the corner; with increased growth, declining inflation and improved external balances on the back of implementation of prudent policies.

	2016 Outturn	2017 Revised Target	YTD 2017 Outturn
<b>Real GDP Growth (%)</b> <i>recovering significantly in 2017</i>	3.7	6.3	9.0 Q2*
<b>Inflation (%)</b> <i>under control in 2017</i>	15.4	11.2	12.2 Sept
<b>Fiscal Deficit (% GDP, Cash Basis)</b> <i>under control in 2017</i>	(9.3)	(6.3)	(3.7) July
<b>Primary Balance (% GDP)</b> <i>still in surplus</i>	(1.4)	0.2	0.01 July
<b>Gross Public Debt (% GDP)</b> <i>on downward trajectory</i>	73.3	70.9	68.6 July
<b>Interest Rate (91 Day T-Bill period end, %)</b> <i>trending down</i>	16.4	-	12.8 August
<b>Gross Foreign Assets (Import Cover Months)</b> <i>increasing</i>	3.5	3.0	4.1 August
<b>Current Account Balance (% of GDP)</b> <i>improving</i>	(6.6)	-	(0.2) June

Ghana's Credit Ratings have stabilized with positive rating actions from all three agencies in past 12 months

## STANDARD & POOR'S

"our positive outlook reflects several developments, many of which are based on the new administration tackling [...] issues. At the same time, we expect the underlying growth environment to be supportive of their efforts"

S&P, Oct 2017

## FitchRatings

"Ghana's ratings reflect the country's medium-term growth potential and improving macroeconomic stability, which is supported by the authorities' commitment to putting public finances on a sustainable path"

Fitch, Sept 2017

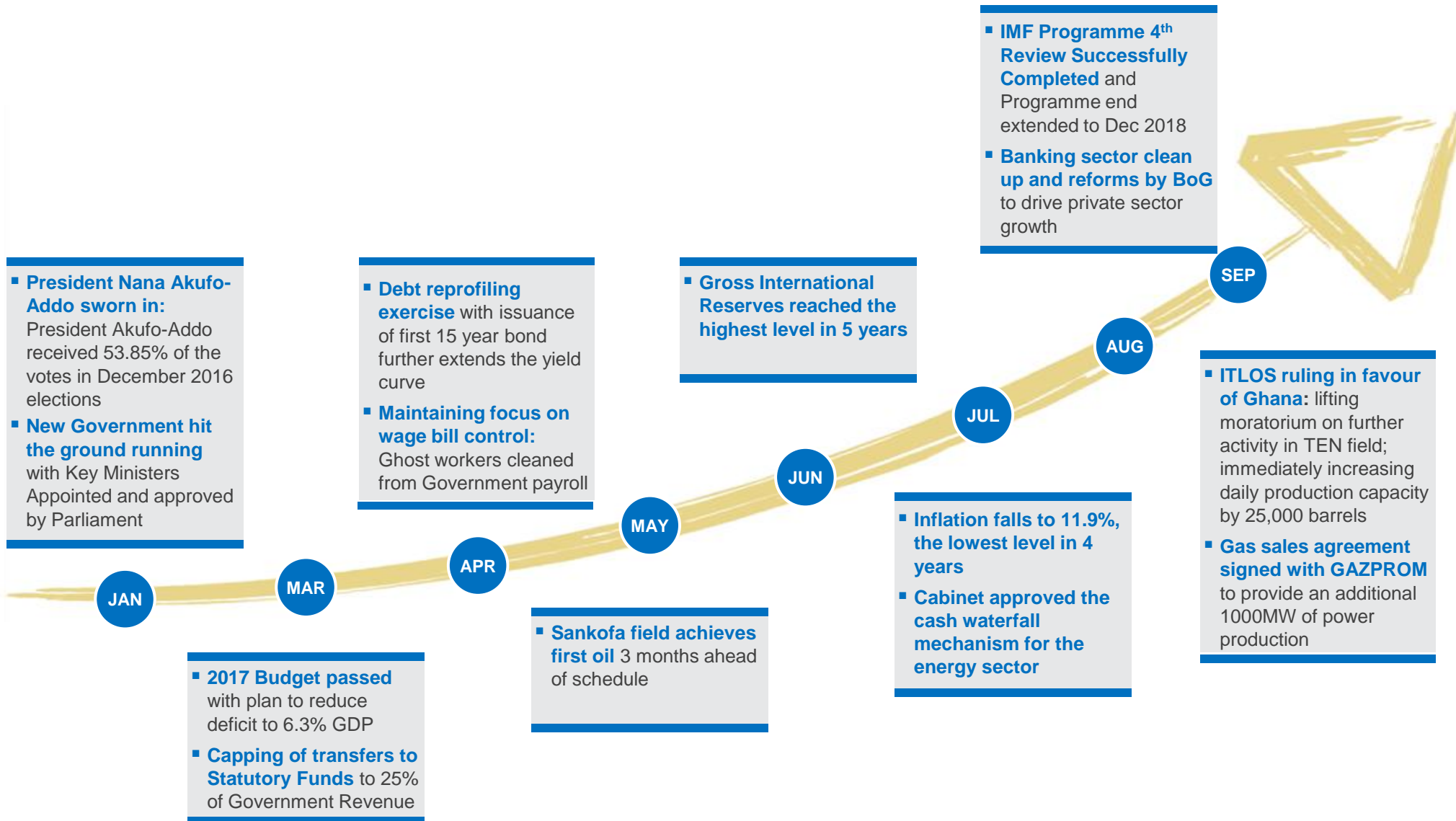
## MOODY'S

"Ghana's credit strengths include the strong growth outlook for the country's diversified economy compared to the regional average over the next few years, supported by new oil and gas field developments coming on stream"

Moody's, July 2017

# Government Delivering on Promises

E.S.L.A. PLC



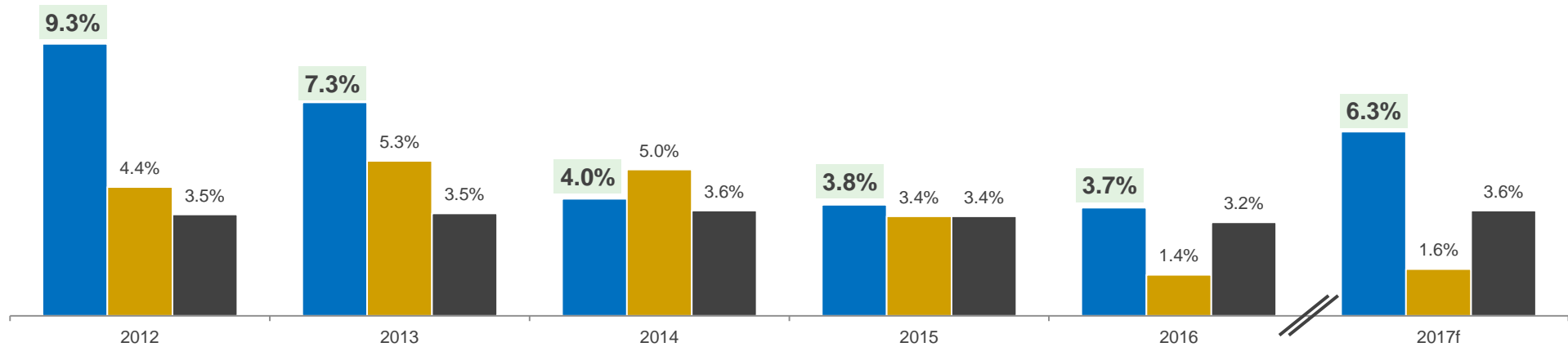
# GDP Growth Benefits from Diversified Economy

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## Ghana's real GDP growth has historically outperformed peers

Real GDP Growth (Annual %)

■ Ghana ■ Sub-Saharan Africa ■ World

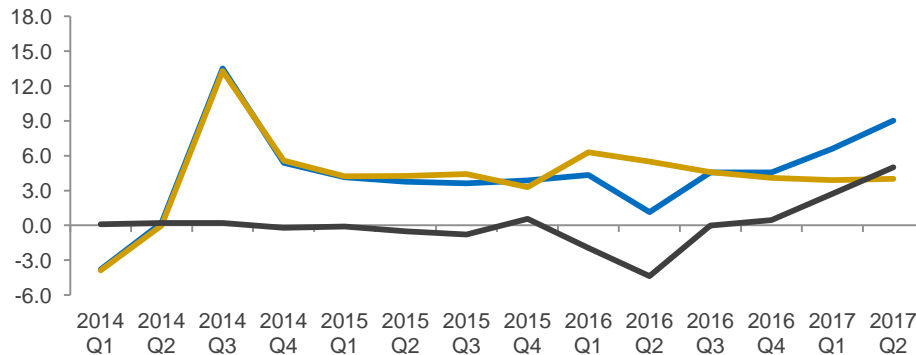


Source: IMF, Ministry of Finance, WEO

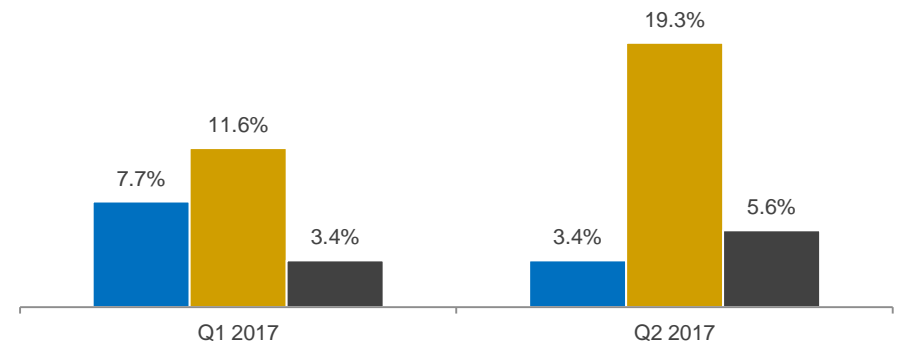
## Ghana's diversified economy underpin growth in 2017 YTD

— GDP Growth Combined YoY (%) — Non-Oil GDP Growth YoY (%) — Oil GDP Growth YoY (%)

■ Agriculture ■ Industry ■ Services



Source: Ministry of Finance, Ghana Statistical Services

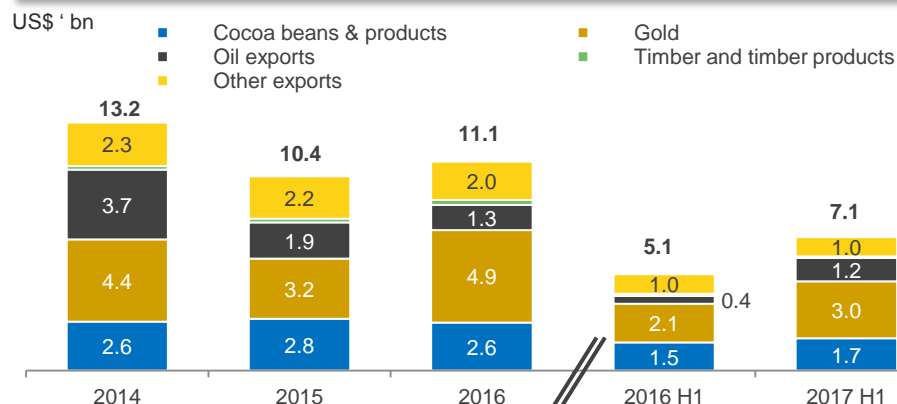


# External Position Strengthens

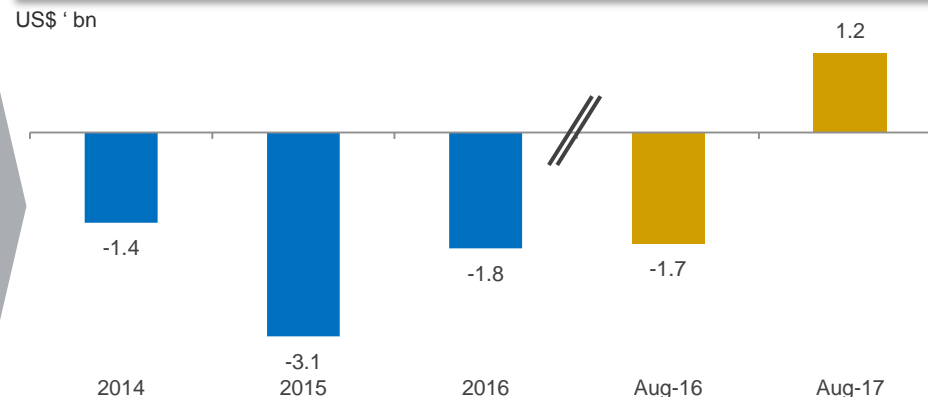
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**Strong performance of Ghana's diverse export base has led to an improved performance of the capital account in 2017; resulting in a trade surplus**

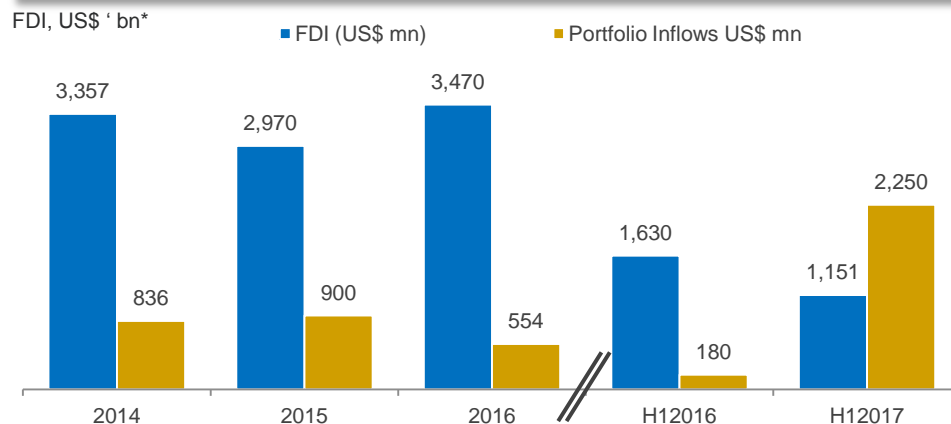
## Strong production volumes in key commodity exports



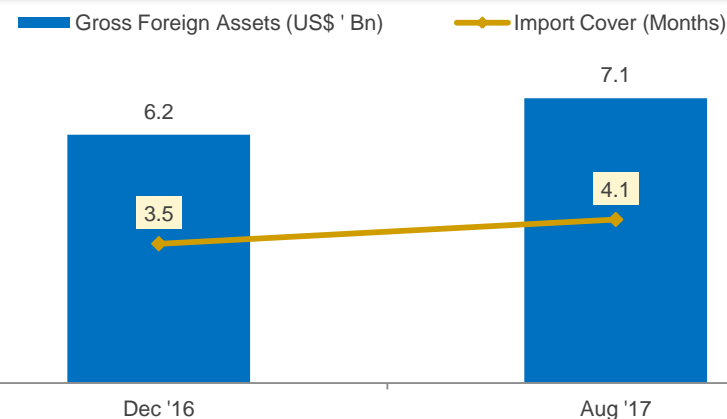
## Trade surplus emerging



## Resilient FDI, strong investor demand bolster capital account



## Gross foreign assets build-up

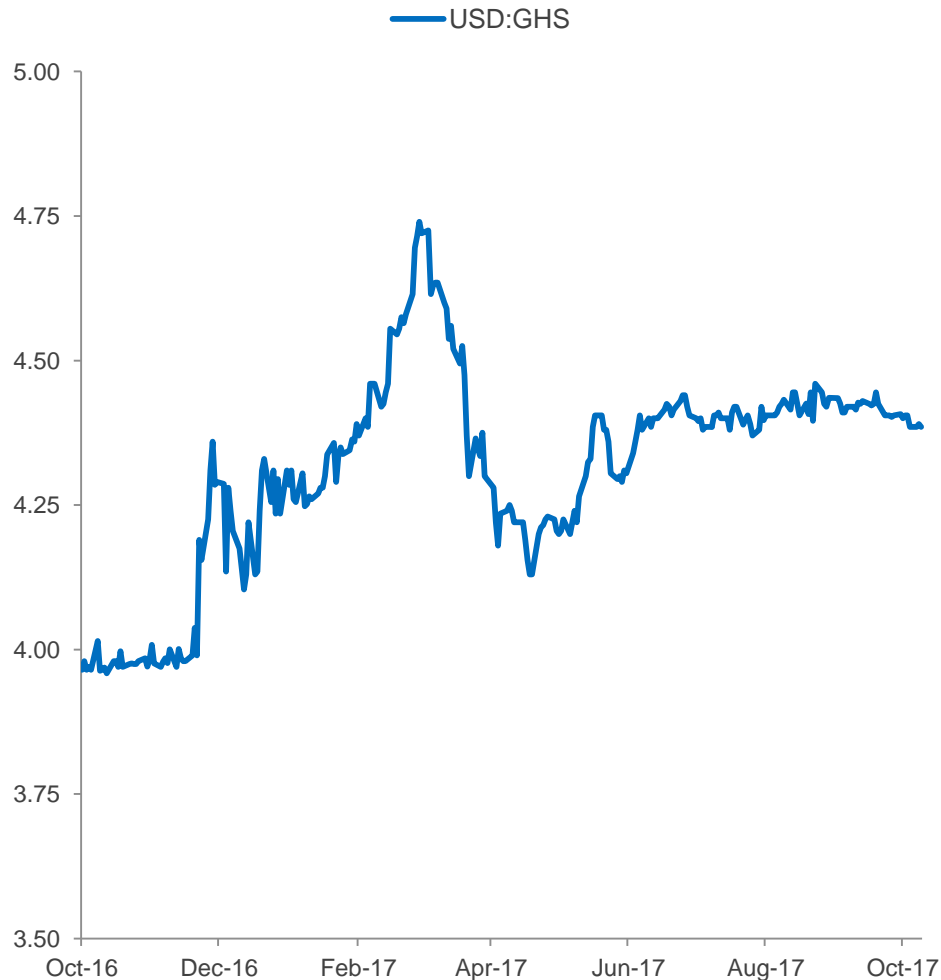


Source: Ministry of Finance, Bank of Ghana, Ghana Investment Promotion Centre. \*Numbers do not include "upstream" oil investment.

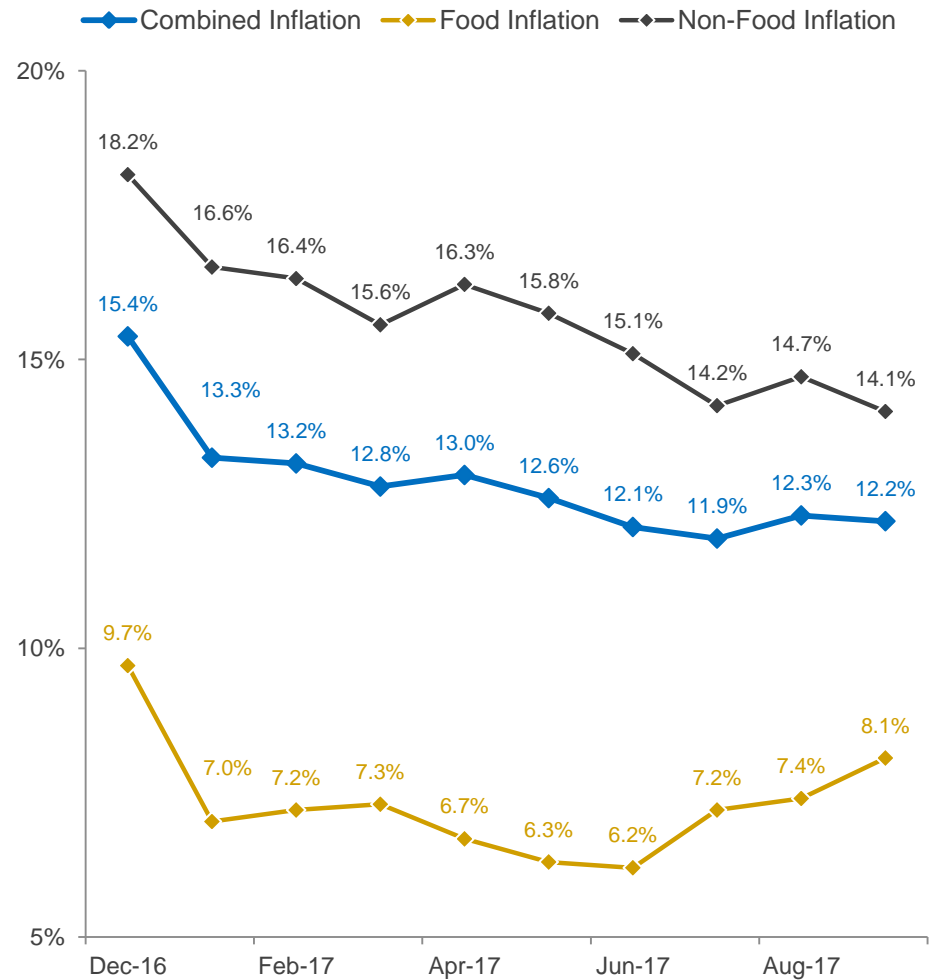
# Cedi Stabilizes and Inflation Under Control

E.S.L.A. PLC

## Cedi stabilizes



## Inflation under control



# Fiscal Consolidation Remains on Course

E.S.L.A. PLC

Government is restoring budget credibility and enforcing fiscal discipline. Key priorities include plugging loopholes, extracting efficiencies and managing expenditure through the effective implementation of the PFM Act.

	2017 Revised Budget		July 2017 Budget		July 2017 Outturn	
	GHS' bn	% GDP	GHS' bn	% GDP	GHS' bn	% GDP
Revenues and Grants	43.1	21.3	24.0	11.9	21.2	10.5
Expenditures	52.2	25.8	30.5	15.1	28.1	13.9
Fiscal Balance (incl. Divestiture and Discrepancy)	(12.8)	(6.3)	(8.2)	(4.1)	(8.1)	(4.0)
Total Net Financing	12.8	6.3	8.2	4.1	8.1	4.0

## IMF Programme Update

### IMF ECF Programme



- Cabinet has made the decision to extend the IMF Programme to December 2018 (last test date), following consultations with stakeholders including our bond investors
- Whilst we acknowledge that challenges remain, Ghana is committed to restoring fiscal credibility and macroeconomic stability

# Debt Position Being Proactively Managed

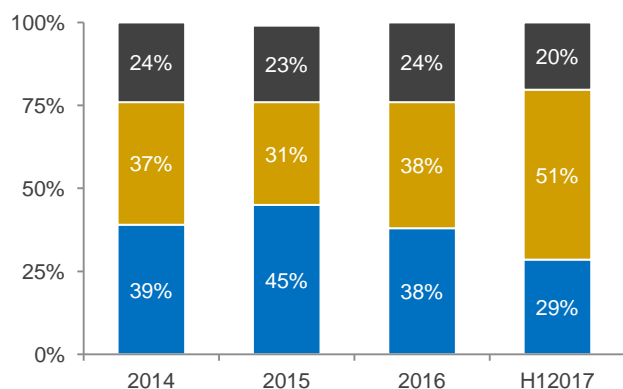
E.S.L.A. PLC

Government is focused on reducing Debt to GDP levels in 2017, extending the maturity profile and reducing financing costs

## Debt reprofiling will improve the debt mix and will drive lower debt costs

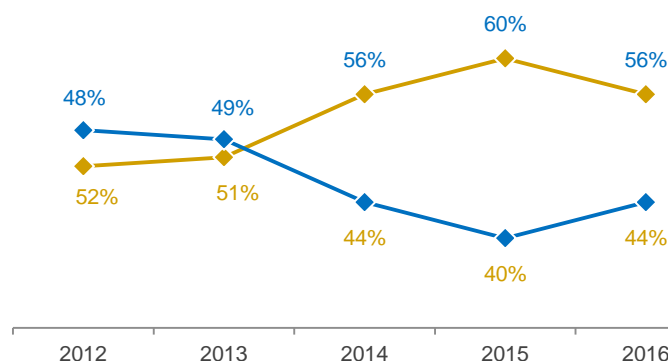
% of total debt

■ Short-Term Debt ■ Medium-Term Debt ■ Long-Term Debt



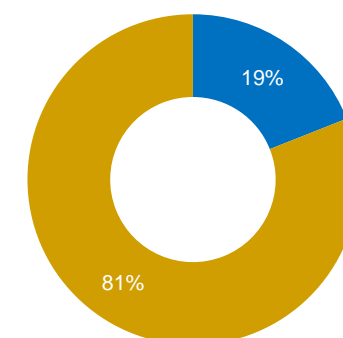
% of Total Debt Stock Split

— External Debt — Domestic Debt



■ External Debt Contribution to Debt Service (%)

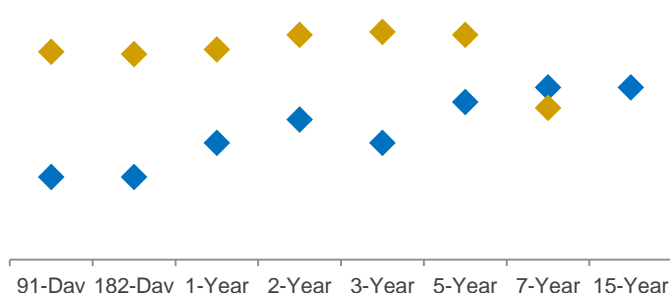
■ Domestic Debt Contribution to Debt Service (%)



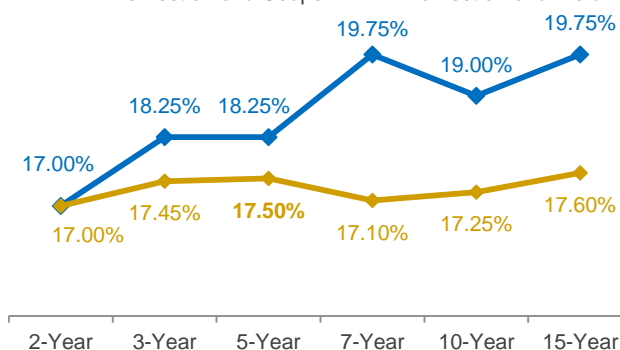
## The yield curve has normalized and spreads are tightening

◆ Domestic Yield Curve (June 2017)

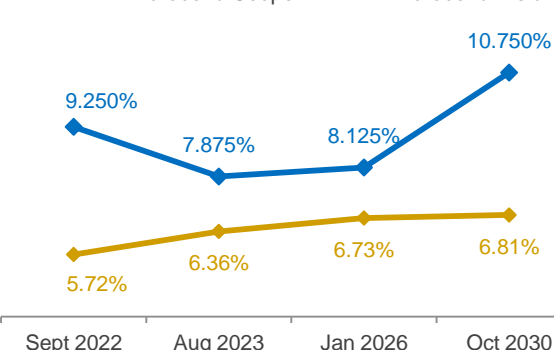
◆ Domestic Yield Curve (June 2016)



— Domestic Bond Coupon — Domestic Bond Yield\*



— Eurobond Coupon — Eurobond Yield\*



Source: Bloomberg, Ministry of Finance, Bank of Ghana. \* As at 17 October, 2017

## Demand, supply and efficiency improvements

- Transmission infrastructure fairly good and stable with enough supply to support industrial development
  - Projected Peak Demand 2017 - 2,500MW
  - Total average available generation capacity – 4,000MW
  - Excess capacity - 1456MW
- Over the next 4 years, excess capacity projected to be ~1680MW
- Consolidating hydro generation assets under VRA
- Divesting of government holding in thermal generation assets

## High cost of energy

- Reduced energy related taxes/levies in 2017 Budget
- Negotiating to reduce input gas price
- Improved efficiency and productivity with ongoing rationalization
- Going forward, applying competitive bidding process for IPP procurement

## Energy utilities legacy debts

- Actual Energy Sector Levies (ESLA) collections for 2016 was GHS3.29bn (1.31% higher than budget of GHS 3.25bn)
  - Structure is working and Banks are being repaid in a timely fashion
- Government already published the ESLA annual report for year 2016
- Introduction of “cash waterfall” mechanism to prevent new debt accumulation



## II. E.S.L.A. Bond Programme

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

**GHS10bn+ in debts and aged payables within the energy sector, accumulated over a number of years (2010 - 2015), is taking a toll on the economy and threatening the viability of the banking and energy sectors**

- Factors that drove accumulation of sector debt include:
  - poor rain fall that resulted in a recalibration of Ghana's power generation mix with a heavier dependence on thermal sources;
  - rapid depreciation in value of the Ghana Cedi; and
  - relatively high crude oil price environment.
- Collections challenges and inability to recover costs of production further tipped the energy sector into debt
- We plan to issue 7-10 year notes under the E.S.L.A. bond programme, supported by Energy Debt Recovery Levy (EDR Levy) receipts, to resolve the situation
  - Presently, the EDR Levy flows can support an initial issuance size of approximately GHS 6 - 7 billion

## Sources and Uses of Cash for E.S.L.A. Plc

### Sources of Cash for E.S.L.A.. Bond

Bond Proceeds	~ GHS 6 - 7 billion
Capped Ghana MoF cash commitment	~ GHS 600 million
Estimated minimum annual EDR Levy flows into Escrow	~ GHS 1.3 billion

### Uses of Cash for E.S.L.A.. Bond

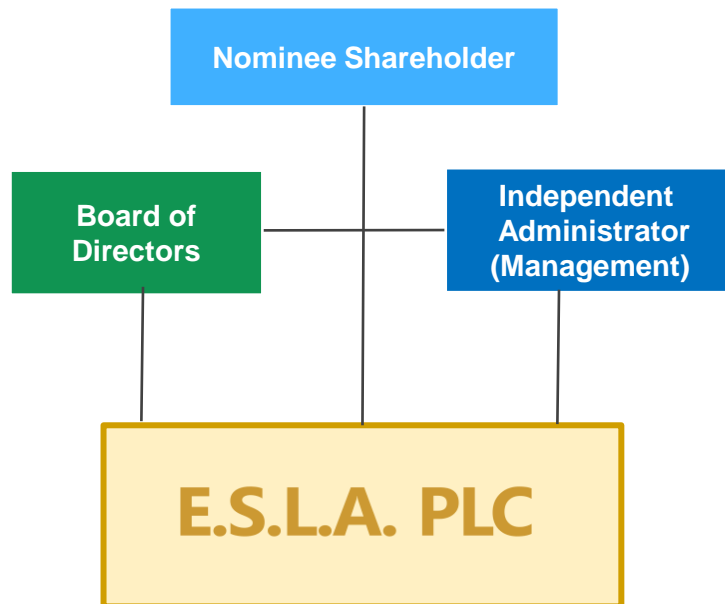
Energy sector debt refinancing	~ GHS 6 - 7 billion
Debt service	~ GHS 6 - 7 billion + coupons

## Transaction Rationale



E.S.L.A. PLC is set up as a special purpose vehicle, sponsored by Government of Ghana, to issue debt securities to refinance and repay the energy sector debt and payables.

## Company Structure



## Financial Reporting and Audit Appointments



## Profiles of E.S.L.A PLC Administration (KPMG)



**Nii Amanor Dodoo, Engagement Partner**

- Mr. Dodoo is the Senior Partner of the KPMG in Ghana and has 38 years of work experience.



**Anthony Sarpong, Partner**

- Mr. Sarpong is the Head of the Audit unit of KPMG. He is also the Risk Management Partner.
- Anthony has 20 years of audit, accounting advisory, and corporate recovery and Insolvency experience



**Frederick Dennis, Partner**

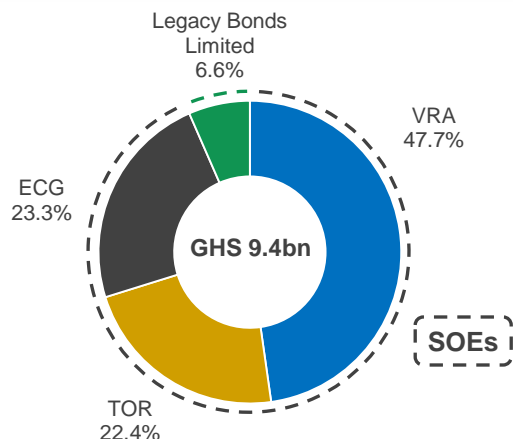
- Mr. Dennis is an audit partner with responsibility for overseeing audits in the Financial Services and Consumer Markets sector in Ghana, with the banking sector being his specialty
- Mr. Dennis has 16 years of audit and assurance experience

# Summary of Energy Sector Debt and Lenders

E.S.L.A. PLC

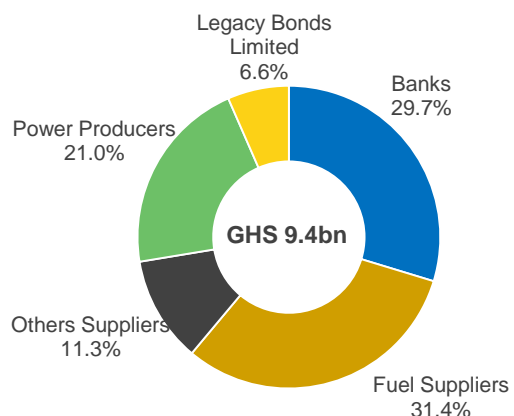
E.S.L.A PLC will pay lenders and suppliers directly from the bond issue proceeds.

## Debtors Breakdown (as at August 31, 2017)



Note: Exchange rate used USD 1.00 : GHS 4.40

## Debt to be Refinanced Breakdown (as at August 31, 2017)



## List of Lenders and Suppliers

1	Access Bank Ghana Limited
2	Sunon-Asogli Power Ghana Limited
3	Atholl Energy
4	BDCs
5	Cal Bank Limited
6	CENIT
7	Cobalt International Energy, Inc.
8	Cirrus Oil Services Limited
9	Ecobank Ghana Limited
10	ESBI Limited
11	First Atlantic Bank Limited
12	Fidelity Bank Ghana Limited
13	Guaranty Trust Bank Ghana Limited
14	Korea Electric Power Corporation
15	N-GAS Limited
16	Sage Petroleum Limited
17	Sahara Energy Resources Limited
18	Standard Chartered Bank
19	Stanbic Bank Ghana Limited
20	Takoradi International Company Limited
21	Tsakos Energy Navigation Limited
22	Universal Merchant Bank Limited
23	Unibank Limited
24	UT Bank Limited (Receiver)
25	Vitol S.A
26	Zenith Bank Ghana Limited

**The EDR Levy is a levy on fuel sold to consumers at the pump.**

- The Oil Marketing Companies (“OMCs”) who distribute the fuel are responsible for remitting the levies collected to BoG through the GRA’s collection banks.

**ESLA (the Act), which underpins the EDR Levy, has broad-based political support across the two major political parties in Ghana as it was passed by Parliament during the last Administration, and maintained by the current Administration.**

## Summary of ESLA levies audited collections for 2016 (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	1,175	1,281	1,264	107	9.10%	(17)	-1.30%
2	Price Stabilisation and Recovery levy	396	338	326	(58)	-14.60%	(12)	-3.00%
3	Public Lightening Levy	296	168	23	(127)	-43.10%	(146)	-86.40%
4	National Electrification Scheme	297	277	33	(20)	-6.80%	(244)	-88.20%
5	Road Fund Levy	1,062	1,204	1,002	142	13.40%	(202)	-16.80%
6	Energy Fund Levy	31	30	25	(1)	-3.30%	(5)	-17.10%
	<b>Total</b>	<b>3,256</b>	<b>3,299</b>	<b>2,673</b>	<b>0.04</b>		<b>(626)</b>	

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

### Energy Debt Recovery Levy (EDRL)

- Ghp41/ltr on Petrol and Diesel
- Ghp3 /ltr on Marine Gas Oil
- Ghp4 /ltr on Fuel oil
- Ghp37 /kg on LPG

**Total EDR Levy collections in FY 2016 was GHS 1.28 billion**

**E.S.L.A. PLC**  
**GHS10bn Bond Programme**

# Consumption History of EDR Levy Fuel Components

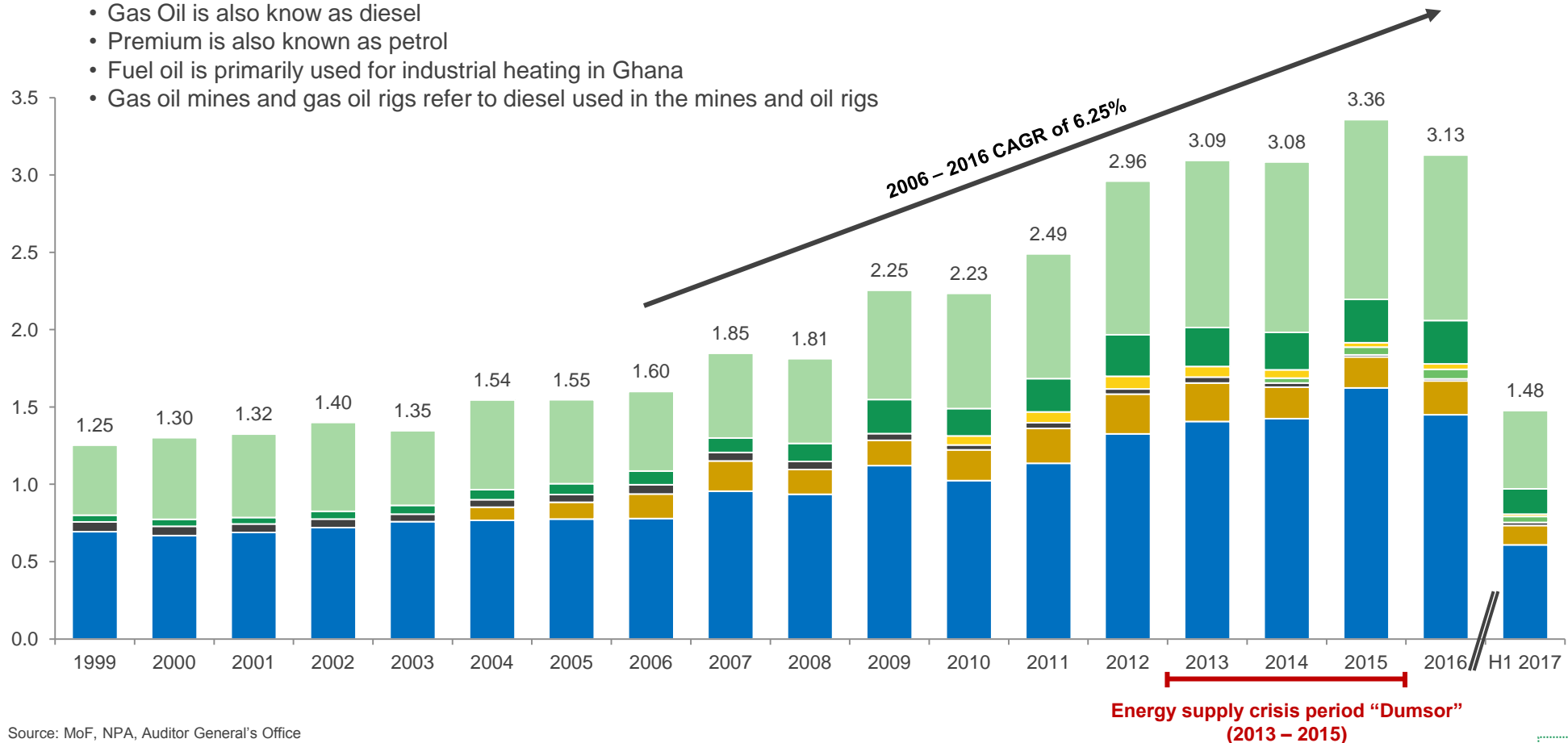
Historical data of annual fuel consumption levels are regularly published by the Ghana National Petroleum Authority (“NPA”). Monthly and annual fuel consumption data for the last 18+ years are available on the NPA website.

## Petroleum Products Consumption (1999 – H1 2017)

Million metric tonnes

■ Gas oil ■ Gasoil (Mines) ■ Fuel oil ■ Gasoil ( Rigs) ■ MGO Local ■ L.P G ■ Premium

- Gas Oil is also know as diesel
- Premium is also known as petrol
- Fuel oil is primarily used for industrial heating in Ghana
- Gas oil mines and gas oil rigs refer to diesel used in the mines and oil rigs

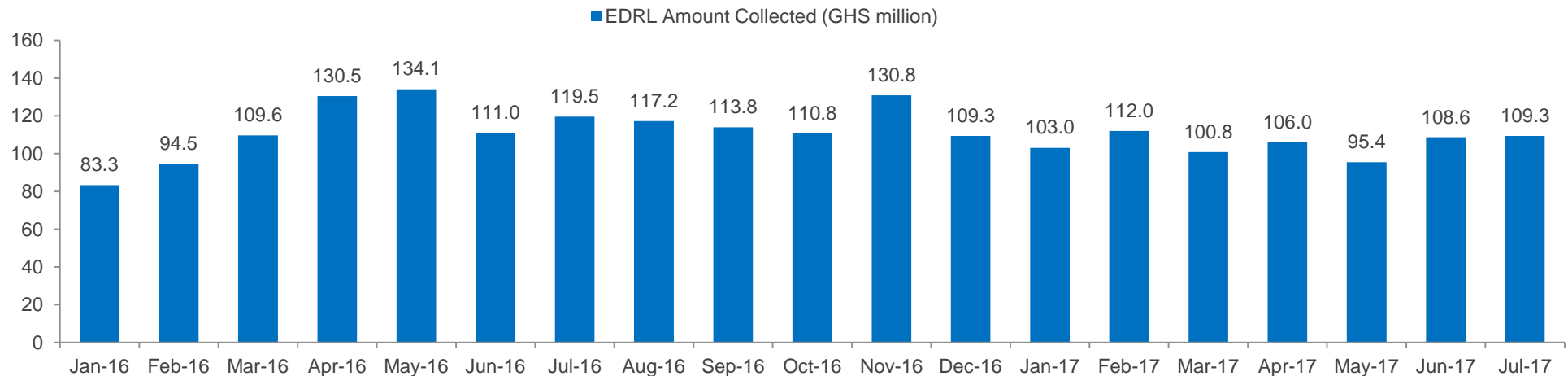


# Breakdown of the EDR Levy Collections

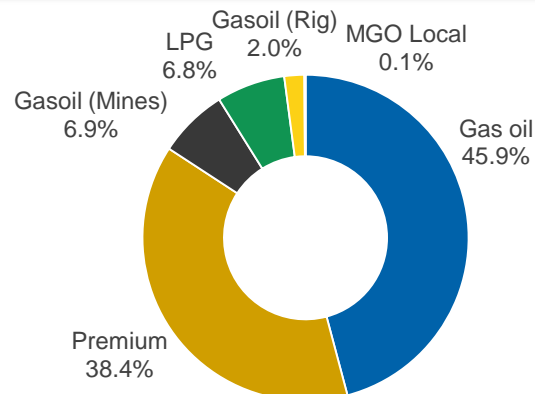
EDR Levy collections in 2017 are on track to match that of 2016.

Collections efficiency on volumes declared is expected to improve from 83% area level, seen since inception of ESLA, to about 90% area as escrow and reconciliation processes for the energy bond programme are implemented.

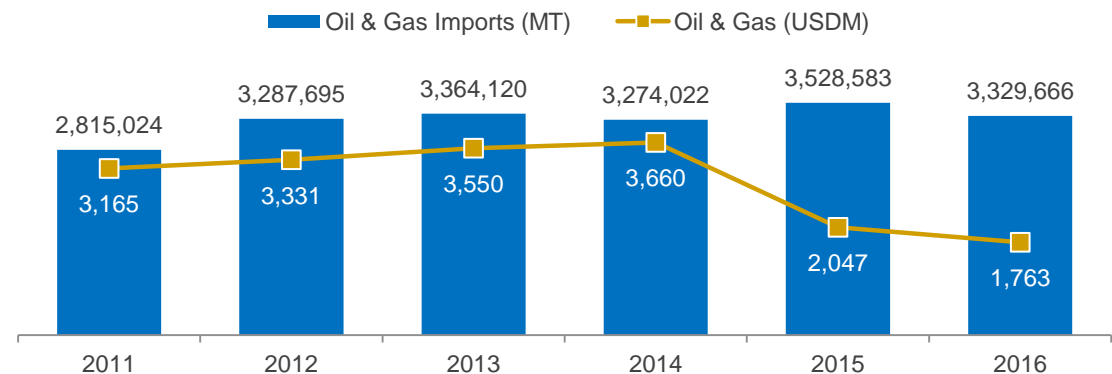
## Monthly EDRL collection data (2016 FY to July 2017)



## FY 2016 EDRL collections split



## Demand for fuel in Ghana relatively inelastic



# EDRL Collection and Reconciliation Process

E.S.L.A. PLC

**Time limit for remit of EDR Levy to BoG from date of sale of fuel to consumers is two weeks**

- For the energy bond, we have introduced daily sweeps from BoG to DSRA and Lock Box Bank
- The top 20 out of the 144 OMCs operating in Ghana control ~74% of the market; simplifying collections
- Additional reconciliation of volumes to KPMG will further strengthen the EDRL and fuel volumes reconciliation processes

**Cash for debt service must be moved to the Trustee 90 days before the next debt service date**



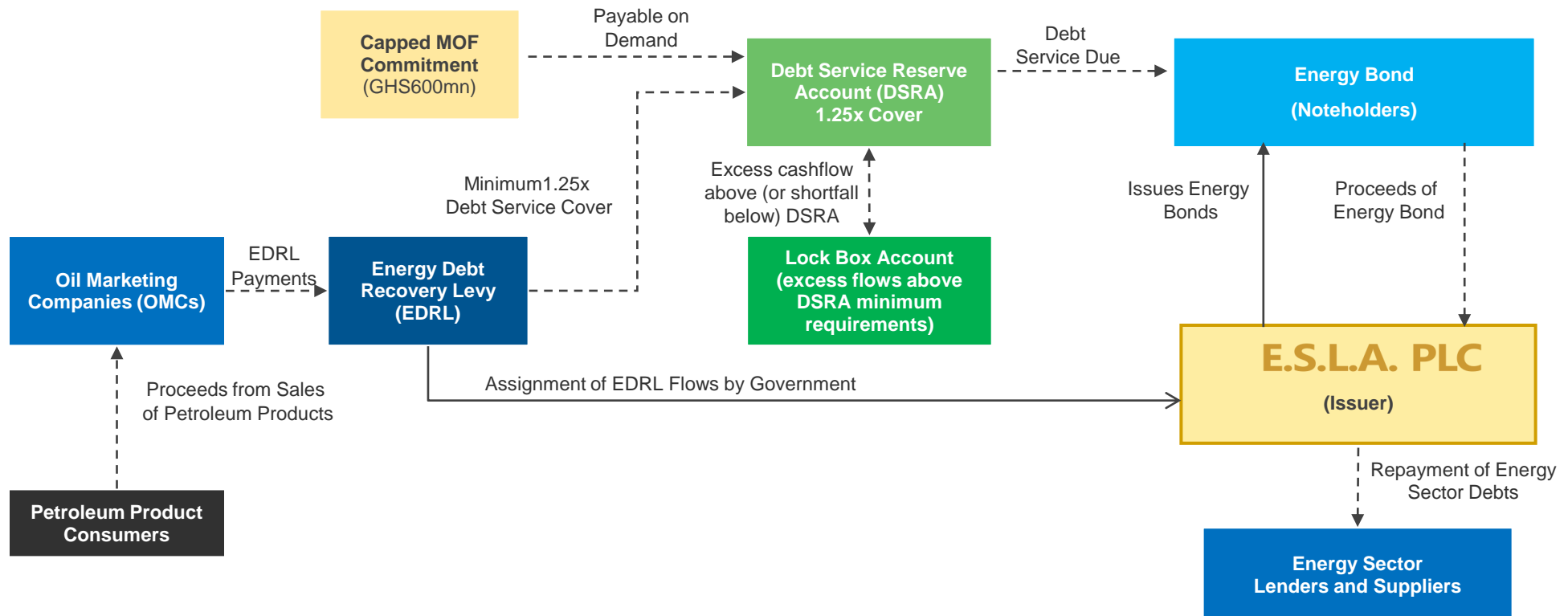
# The E.S.L.A. Bond Transaction Structure

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 trapped in Lock Box 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 and/or energy bonds.**



E.S.L.A. Plc Cedi Bond Programme		
Issuer	▪ E.S.L.A. Plc (the “Energy Bond SPV”)	
Sponsor	▪ Republic of Ghana, acting through the Ministry of Finance (“MOF”)	
Programme Size	▪ GHS 10 billion	
Issuer / Notes Rating	▪ Not rated / Not rated	
Total Size of Notes	▪ Amortising Notes in the aggregate principal amount of up to GHS 6,000,000,000	
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 12th October 2017	
Issue Price	▪ 100.00 per cent. of the principal amount of the Notes	
Issue Date	▪ [30] October 2017	
Series	▪ ESL001	▪ ESL002
Tenor	▪ 7 years	▪ 10 years
Tranche Size	▪ GHS 2,400,000,000	▪ GHS 3,600,000,000
Maturity	▪ Unless previously purchased and cancelled, the Notes will be repaid in three installments of GHS 720,000,000 on [30] October 2022, GHS 840,000,000 on [30] October 2023, and GHS 840,000,000 on [30] October 2024 (the “Maturity Date”).	▪ Unless previously purchased and cancelled, the Notes will be repaid in three installments of GHS 990,000,000 on [30] October 2025, GHS 1,080,000,000 on [30] October 2026, and GHS 1,530,000,000 on [30] October 2027 (the “Maturity Date”).
Investors	▪ Eligible to Domestic and Foreign Investors	
Format	▪ Bond documentation as per Ghana SEC and GSE rules	
Use of Net Proceeds	▪ Refinancing of legacy energy sector debts and obligations ▪ Each lender will receive a cash payment and/or a switch of its Debt into Bonds, less any agreed discount	
Governing Law	▪ English Law	
Taxation	▪ Gross-up of WHT for non-resident Noteholders	

## E.S.L.A. Plc Cedi Bond Programme (cont'd)

<b>Summary Conditions of the Bonds</b>	<ul style="list-style-type: none"> <li>Irrevocable assignment of EDRL Flows</li> <li>DSRA to over-collateralize debt service amounts by minimum 1.25x due next coupon/principal payment date</li> <li>Lock Box arrangement to capture EDRL flows over and above minimum DSRA requirements</li> <li>Capped cash commitment from Ghana MOF of up to GHS600m, payable on demand by Issuer</li> <li>Standard Capital Markets Negative Pledge</li> <li>Standard Events of Default (non payment, breach of DSCR, default by Sponsor (including repeal or adverse amendment of ESLA Act and / or intervention in EDRL collection process and failure to remit EDRL flows)                             <ul style="list-style-type: none"> <li>Any default by Sponsor will require the Sponsor to fully repay any outstanding bond amounts, upon demand by the Trustee</li> </ul> </li> <li>Performance Triggers / Events of Defaults that allows for acceleration of claim by investors</li> </ul>
<b>Financial Covenant</b>	<ul style="list-style-type: none"> <li>The Issuer shall maintain the Debt Service Reserve Coverage Ratio at all times and for as long as any of the Bonds remains outstanding. An Applicable Pricing Supplement may contain any additional financial covenants as may be determined by the Issuer.</li> <li>Debt Service Reserve Coverage Ratio means the ratio equal to, or in excess of, 1.25 obtained by dividing:                             <ul style="list-style-type: none"> <li>the aggregate of (A) all funds in all the Collection Accounts (except the Distribution Account) and (B) any unutilised portion of the Capped Cash Commitment</li> <li>the aggregate of the next due payments of (A) Interest, Installment Amount or Redemption Amount under any outstanding Bonds, and (B) repayment amounts under any other indebtedness of the Issuer</li> </ul> </li> </ul>
<b>Listing</b>	<ul style="list-style-type: none"> <li>Ghana Fixed Income Market ("GFIM") Platform of the Ghana Stock Exchange</li> </ul>
<b>Clearing and Settlement</b>	<ul style="list-style-type: none"> <li>Central Securities Depository (Ghana) Limited</li> </ul>
<b>Joint Lead Managers</b>	<ul style="list-style-type: none"> <li>Standard Chartered Bank Ghana and Fidelity Bank Ghana</li> </ul>
<b>Co Managers</b>	<ul style="list-style-type: none"> <li>Temple Investments Limited and GCB Bank</li> </ul>
<b>Sponsoring Brokers</b>	<ul style="list-style-type: none"> <li>Fidelity Bank Ghana and Temple Investments</li> </ul>
<b>Bond Trustee, Escrow Bank, Paying Agent and Paying Bank</b>	<ul style="list-style-type: none"> <li>Fidelity Bank Ghana</li> </ul>
<b>ESLA Receivables Bank, DSRA Bank, Lock Box Account Bank</b>	<ul style="list-style-type: none"> <li>Standard Chartered Bank Ghana</li> </ul>
<b>Calculation Agent, Registrar and Transfer Agent</b>	<ul style="list-style-type: none"> <li>Central Securities Depository (Ghana) Limited</li> </ul>

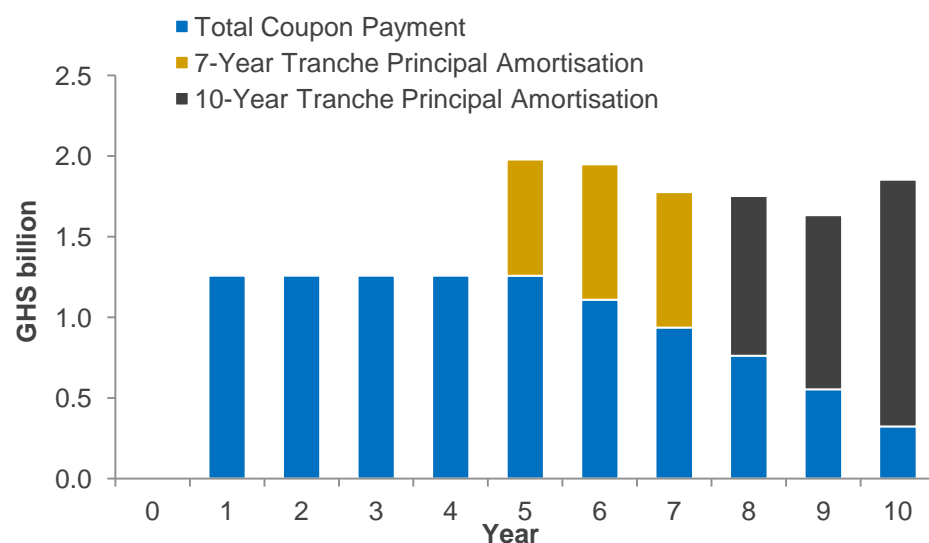
# Summary of the Financial Model Outputs

E.S.L.A. PLC

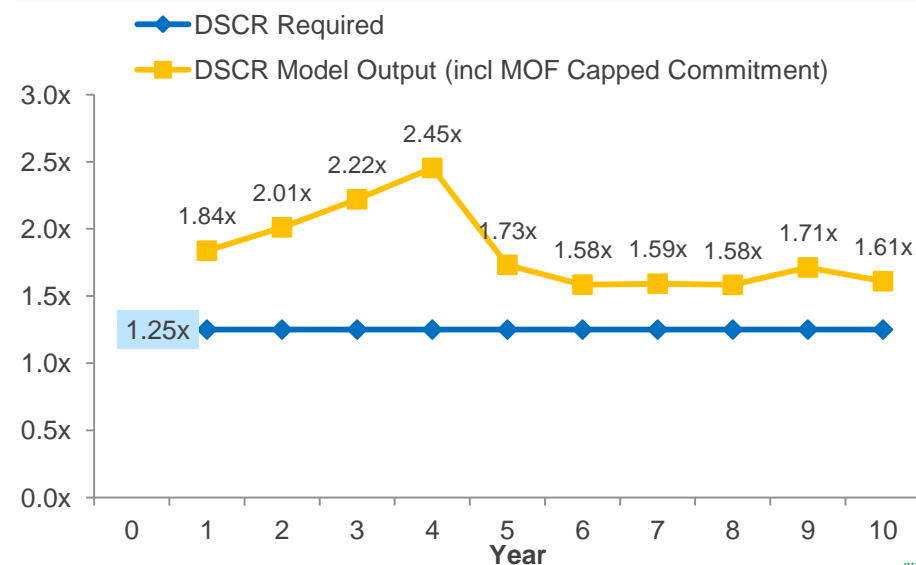
## Sensitivity Analysis

	Average 10-Year DSCR	Minimum DSCR
Base Case	1.83x	1.57x
Base Case modified for increase of Coupon Rate by 0.50% per tranche	1.71x	1.43x
Base Case modified for increase of Expense Reserve by 0.50% all though life of bonds	1.80x	1.54x
Base Case modified for increase of Coupon Rate by 0.50% per tranche and increase of Expense Reserve by 0.50% all though life of bonds	1.69x	1.40x
Base Case modified for Percentage of Realisable EDRL Flows to 85% all though life of bonds	1.43x	1.11x

## Debt Service Profile



## Model Debt Service Coverage Outputs for Base Scenario



# Summary of the Financial Model Assumptions

E.S.L.A. PLC

Ghana National Petroleum Authority used simple exponential smoothing method to forecast petroleum products consumption based on actual volumes of petroleum products from 2012 to 2016

## Key Assumptions on Issuer's Cash Flows

### Petroleum Products Consumption Growth Rate (10 year CAGR)

Fuel oil	0.73%
Premium	3.58%
Gas oil	1.97%
Gasoil Mines	2.48%
Gasoil Rig	2.00%
MGO Local	2.10%
LPG	1.80%

### EDRL Rate Levied

Fuel oil (GHS/ltr)	0.04
Premium (GHS/ltr)	0.41
Gas oil (GHS/ltr)	0.41
Gasoil Mines (GHS/ltr)	0.41
Gasoil Rig (GHS/ltr)	0.41
MGO Local (GHS/ltr)	0.03
LPG (GHS/kg)	0.37

### Expense and Efficiency Assumptions

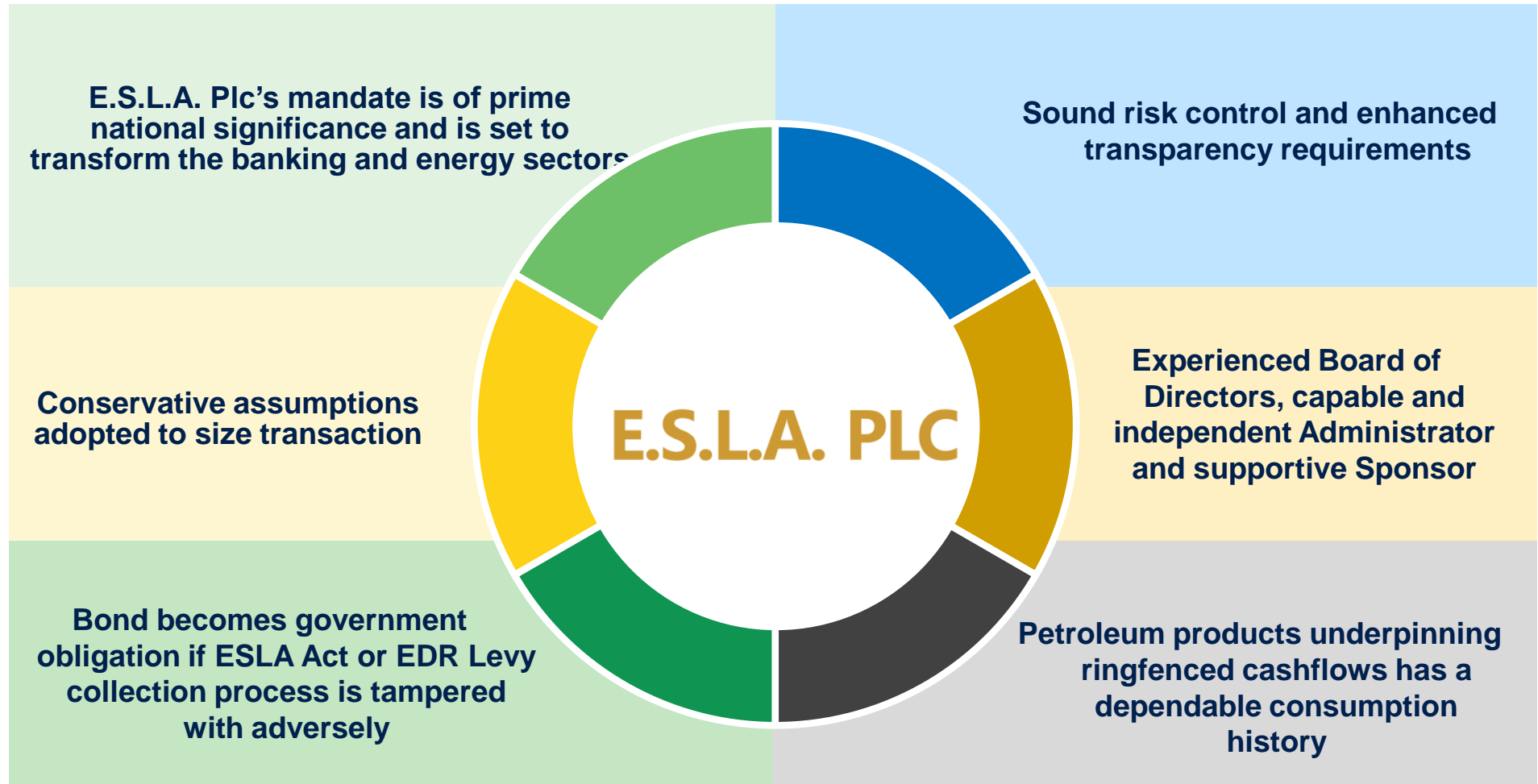
Percentage of Realisable EDRL Flows	90.00%
WHT Rate for Gross-Up	8.00%
Annual Expense Reserve	0.50%
Minimum DSCR	1.25x

## Transaction Assumptions

Tenor (years)	7.00	10.00
Amortisation Profile	Year 5: 30% Year 6: 35% Year 7: 35%	Year 8: 27.5% Year 9: 35% Year 10: 42.5%
Weighted Average Life	6.05	9.15
Percentage of Total Indebtedness	40.00%	60.00%
Tranche Size (GHS)	2,400,000,000.00	3,600,000,000.00
MOF Capped Commitment (GHS)	600,000,000.00	
Size of Total Indebtedness (GHS)	6,000,000,000.00	
Amount Reserved for DSR from Transaction Proceeds and/or EDRL balance as at end Sept 2017 (GHS)	350,000,000.00	
Revolving 1-Year DFI Standby Letter of Credit to support debt service	Nil	
Cash Support Flows	Nil	

## Model DSCR Outputs

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
DSCR Model Output (including MOF Capped Commitment)	1.84x	2.01x	2.22x	2.45x	1.73x	1.58x	1.59x	1.58x	1.71x	1.61x
DSCR Model Output (excluding MOF Capped Commitment)	1.36x	1.53x	1.74x	1.98x	1.43x	1.28x	1.25x	1.24x	1.35x	1.29x





## Appendix

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

**E.S.L.A. Plc's Board is constituted by five (5) Directors who are highly experienced and well respected in various fields such as accounting, macro-economic management, fiscal and public debt policy formulation, banking and downstream oil & gas**



**Simon Dornoo**  
*Chairman*

- Most recently CEO of Ghana Commercial Bank (GCB).
- Prior to GCB Mr. Dornoo worked at Barclays Bank in Ghana and then Barclays Plc. in UK where he was Finance Director for Barclays Africa businesses in Africa and the Indian Ocean
- Financial services industry experience spanning more than 25 years locally and abroad



**Alhassan Tampuli**  
*Non-Executive Director*

- Mr. Tampuli is the CEO of National Petroleum Authority ("NPA"). He previously worked with the National Service Scheme of Ghana (NSS) as Deputy Head of Human Resources and Acting Director of Postings
- He later set up and headed the Legal Department of the NSS
- Co-founded the law firm Eastbridge Associates, a corporate law firm



**James Demitrus**  
*Non-Executive Director*

- Head, Revenue Monitoring Unit (Financial and Energy Expert), Ministry of Energy
- Chartered Accountant with extensive consultancy and managerial experience in the energy sector, spanning over 26 years across numerous positions, projects and companies in Ghana, Nigeria, Tanzania and Zambia



**Samuel Arkhurst**  
*Non-Executive Director*

- Chief Economics Officer and Director of Debt Management Division of the Ministry of Finance
- Prior served as a member of the board of directors of Grains and Legumes Development Board, Cocoa Processing Company Limited, Vodafone Cash, and Ghana Export Import Bank



**Frederick Dennis**  
*Executive Director*

- Audit partner with KPMG with responsibility for overseeing audits in the Financial Services and Consumer Market sector in Ghana, with the banking sector being his specialty
- Mr. Dennis has 16 years of audit and assurance experience

# The Energy Sector Levies Act (ESLA)

**ESLA consolidates existing sector levies and redefines a framework to correct imbalances, promote financial viability of Energy SOEs and facilitate investments into the sector**

**The levies imposed by the ESLA 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	<ul style="list-style-type: none"> <li>▪ Ghp41/ltr on Petrol and Diesel</li> <li>▪ Ghp3 /ltr on Marine Gas Oil</li> <li>▪ Ghp4 /ltr on Fuel oil</li> <li>▪ Ghp37 /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>
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>
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>▪ 2% 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>▪ 3% per price of kWh charged on all categories of consumers</li> </ul>

# Key Power Sector Policy Initiatives

E.S.L.A. PLC

Government is determined to put the energy sector back on sound footing and avoid reoccurrence of current challenges

## Energy SOE debts repayment and controlling further debt accumulation

- Energy bond to refinance sector debt using ESLA flows
- MOF must approve any new Energy Sector utility borrowing
- On-lending arrangements with Energy Utilities to be strengthened

## Aggressive prepayment metering rollout plan

- Rollout of prepayment metering
- Target to increase prepayment metering ratio to 70% from about 35% by end of year 2018

## Bill collection improvement

- Improvement in Aggregate Technical & Distribution losses from 35% to a maximum 15% by 2018
- District and boundary metering to also be introduced to check tampering and bypass

## Progressive reduction / removal of subsidies

- The electricity lifeline program to be progressively reduced
- The subsidies provided for non-residential to address the acceptable social policy dimensions targeting the SMEs in the informal sector

## Partial deregulation

- Gradually reach full deregulation
- The Government continues to subsidize some fuel products regarded as a social products

## New tariff revenue allocation and disbursement

- Repayment of sector debt and operations funding through a **Cash Waterfall Mechanism** with clear allocation and transparency
- Approved by Cabinet and methodology for implementation is underway

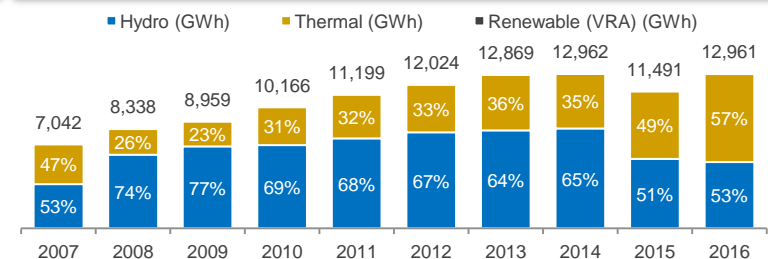
## MDAs prepayment metering installation

- Pre-paid meters are being installed at all MDAs
- Funds for payment of MDAs bills would be budgeted for and held at the MoF

## Automatic tariff adjustment

- Implementation of multi-year major tariff review with provision for quarterly automatic adjustment to cover the financing cost, forex variations, inflation and fuel supply mix and cost in particular

## Strategic focus on "Energy Mix" balance and overall production capacity



**Decisive actions to resolve near term challenges and tackling long term structural issues have supported a rapid improvement in Ghana's economic outlook**

## Entrenching Fiscal Sustainability

- ✓ **Restoring budgetary credibility**
  - Capping of Statutory Funds at 25% of government revenues
  - Arrears audit concluded and 40% confirmed to be invalid claims on government
- ✓ **Implementing solutions to ensure fiscal sustainability**
  - Debt reprofiling initiated
  - Amendment to the Public Financial Management Act to cap deficit to 5% of GDP approved by cabinet
- ✓ **IMF 4<sup>th</sup> review under ECF programme successfully completed and programme end date extended to December 2018**

## Stabilizing the Energy Sector to Fuel Growth

- ✓ **Power crisis resolved**
  - Power generation capacity at 4,000MW compared to peak demand of 2,500MW
  - Laying the foundation to meet long term demand – LNG deal signed with Gazprom will support an additional 1,000MW of capacity in medium to long term
- ✓ **Positive outlook for oil sector**
  - Solution for Jubilee turret bearing issue supporting improved oil production
  - Sankofa achieves 1st oil in May, 3 months ahead of schedule
  - ITLOS ruling in favour of Ghana removes a two year moratorium on further activity in TEN field

## BoG Policy Stance Supports Macro Stability

- ✓ **Effective implementation of inflation targeting framework**
  - Lower inflation in a low yield regime is expected to translate into lower borrowing costs to support growth
- ✓ **Discontinuation of the FX auction process**
  - Helped to minimise uncertainty and supported the Cedi's stability
- ✓ **Regulatory actions by the Bank of Ghana in the financial sector**
  - The actions are expected to improve the general health of the industry to support business growth, particularly in the banking sector

## Attracting New Investments

- ✓ **Power sector reforms**
  - Support long term viability of the sector and reducing burden on fiscal
  - Proposals received for partial divestments of government holding in power sector
- ✓ **An enabling environment for private sector led growth**
  - 95 new investments via GIPC in H1 2017 with a total value of USD3.25 billion
  - Target FDI up >100% versus same period in 2016

Government has been successful in funding the 2017 budget from domestic sources and a revised Medium Term Debt Management Strategy ('MTDS') 2017-2019 has been approved and under implementation.

## Re-profile Domestic Maturity Profile

I

- Issuance of innovative **long-term bonds** using **book-building** approach
- The reprofiling operation has already seen a **reduction in interest rates in 2017**
  - Provisional savings from re-profiling domestic debt estimated at **GHS612mn** for H1 2017

## Lower Cost of Borrowing Domestically

II

- Proactive **liability management** to reduce high cost debt and address other debt risks
  - Domestic debt is only 44% of debt stock but accounts for over 80% of debt service costs
- Establish and **implement Treasury Single Account** to better manage cashflows

## Deepen Domestic Debt Market

III

- Deepen secondary bond markets through **re-opening of existing issues** and **e-bond trading platform**
- Implement **pension fund reforms** to increase **domestic investor capacity**

## Enhanced Control of Broader Public Sector Debt

IV

- **Credit risk guidelines** and methodology documents on the **issuance of guarantees** and **on-lending to state owned enterprises** in place
- Enhanced **oversight and credit risk assessment** of **state owned entities**

Thank You

