ACEP Response to NPA's Downstream Sector Price Regulation

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Accra, Ghana

ACEP is dismayed by the National Petroleum Authority's (NPA) recent directive introducing price floors for the downstream petroleum sector. The directive is expressly outside the plethora of functional activities prescribed by the NPA Act (Act 691), 2005. ACEP asserts that most of the legally mandated functions of NPA are outdated in the current deregulated market context yet sustained by political settlement to levy petroleum consumers and the industry unnecessarily.

ACEP argues that the NPA's decision reflects a deepening of regulatory failure to effectively protect the consumer and the industry, which has crystallised in the:

1. Influx of illicit products through approved and unapproved routes on the market
2. Influx of substandard products on the market
3. Stealing of tax revenue by some Oil Marketing Companies (OMCs)
4. Burdensome passthrough levies and charges to the consumer
5. Anti-competitive behaviour, including price undercutting, which NPA thinks can be resolved by implementing price floors.

Rather than addressing the aforementioned challenges, the NPA is opting for a "lazy" solution that rewards inefficiency, discourages competition and punishes the consumer at the pump. Setting price floors creates a system that benefits OMCs and Bulk Oil Import, Distribution, and Export Companies (BIDECs), which have weaker market presence and are struggling to sell volumes at competitive rates. This protectionist policy is detrimental to creativity and competitive business strategy and ultimately harms consumer welfare.

Curiously, the regulator admits that substandard products are in the market and some players are undercutting prices. This is an apparent supposition that the NPA knows the players that are violating ethical conduct. Why they prefer to skirt around the issues and introduce protectionism is intriguing, even to the extent of creating potential windfalls for the merchants of the illicit substandard products.

ACEP urges the NPA to prioritise progressive regulatory functions. This entails a more targeted approach that enforces progressive rules and sanctions companies engaging in unfair practices by employing data-driven approaches focused on identifying and eliminating anti-competitive behaviour without undermining business creativity and cutting-edge strategies that benefit the consumer. This will foster a fairer market environment for consumers and businesses in the long run.

It is time for the NPA to realise that sustaining 200 OMCs and 30 BIDECs cannot be at the expense of the consumer. The excessive appetite for regulatory fees to sustain their growing staff is impeding the organisation's creativity and efficiency. Currently, 15 percent of registered

OMCs supply 90 percent of the market. Over 160 OMCs supply only 10 percent of the market but pay the required regulatory fees. Businesses must survive in the downstream sector on the merits of their business acumen and not on the basis of the NPA's wishes.

ACEP remains committed to advocating for a well-regulated downstream sector that prioritises competition, product quality, and consumer protection. We urge OMCs and BIDECs, who are committed to improved and cost-effective service delivery, to fight such illegal regulations and proceed to court to avert regulatory sabotage of genuine business efforts. ACEP will support any such challenge and demand accountability from the NPA in the public interest.

End.

Signed

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