

ADDRESSING TEMA OIL REFINERY'S SHORT-TO-MEDIUM TERM FINANCIAL CHALLENGES: A STRATEGIC ROADMAP.

EUREKA ENERGY SOLUTIONS LTD

For Immediate Release

Tema Oil Refinery (TOR), a stalwart in Ghana's oil and petrochemical industry, has encountered financial turbulence in recent times, notably in the first to third quarter of 2023. These challenges have constrained TOR's ability to fulfill its core mandate of crude oil refining and its potential for generating vital revenue streams.

The Financial Conundrum

At the heart of TOR's financial setbacks lies an outstanding debt of 11 million GHS owed to the Electricity Company of Ghana (ECG). This debt has, regrettably, led to persistent power disruptions, hindering TOR's operations. The severity of the situation prompted ECG to set deadlines for debt repayment, with five (5) million GHS due by 18th August and the remaining six (6) million GHS due by 31st August 2023. Studies conducted by EUREKA on the matter indicate a looming threat of shutdown due to TOR's inability to meet its financial obligations. Critical among these is the National Petroleum Authority's (NPA) ultimatum for TOR to present an immediate laboratory restoration plan, a prerequisite for resuming product certification in the Aviation sector. Furthermore, the NPA has demanded that TOR strive to achieve a 50ppm Sulphur specification in automotive fuels. Compounding these financial constraints is TOR's obligation to meet staff remuneration and offset overhead costs, which include obligations to the Ghana Revenue Authority (GRA), Provident Fund (PF), Social Security and National Insurance Trust (SSNIT), and ongoing legal fees. This confluence of financial pressures necessitates swift short-to-medium-term measures to explore alternative revenue streams and ensure the refinery's continued operation.

Eureka Proposed Solutions

Rehabilitating Storage Infrastructure: Currently, TOR boasts of a storage capacity of approximately 60 tanks designed for various products and loading Gantries for bulk road vehicle loading. However, a significant portion of these tanks is in disrepair, hindering TOR's ability to fully optimize its storage capacity. Roughly 20 storage tanks with a combined product capacity of about 250,000MT are currently unfit for purpose.

TOR charges fees for three key services—Storage, Loading Gantry, and Pipe Transfer—at rates of \$5, \$7, and \$3.5 per month, respectively. The non-availability of these tanks for storage results in

substantial revenue losses for the company, estimated at \$1,499,880 per month. Loading Gantry and Pipeline transfer systems with specific allocated volumes of 110,000MT and 140,000MT respectively, could potentially results in revenue accruals of some estimated \$1,260,000 per month when put into active use. Collectively, the potential monthly gross revenue for the three revenue streams is about \$2,759,880. TOR must therefore deploy proactive efforts to engage prospective oil companies for business.

Strategic Business Partnerships and Tank Rehabilitation: Urgent consideration must be given to forging strategic business partnerships where TOR can provide ullages to interested Oil Trading Companies (OTCs), Bulk Distribution Companies (BDCs), etc., and lease out underutilized tanks to clients willing to refurbish them. A portion of the revenue accrued can then be allocated to cover the cost of tank repairs. This initiative allows TOR to operationalize these idle assets and generate substantial revenues from them as well guaranteeing a continuous cash flow for the refinery irrespective of the status of the core business.

In conclusion, Tema Oil Refinery must be committed to addressing its short-to-medium term financial challenges with resolve and innovation by exploring third-party storage services, optimizing storage infrastructure, and fostering strategic partnerships, TOR's aim must not only centered on navigating its current financial distress but also establish a robust and sustainable financial foundation that secures the future of the refinery and contributes to the growth and stability of Ghana's energy sector.

Thank you.

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Signed.