

PETROLEUM PRICING FORMULA COMPONENTS

- 1) **Average Platts:** This is the monthly average reference international prices for refined products and it's quoted in US Dollars (\$) per metric ton. Presently, we've transitioned into the West African Benchmark from FOB MED to allow economies of scale and increase replenishment period. This adjustment is part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.
- 2) **Freight:** This is the premium price to bring a vessel of product to Freetown, Sierra Leone. It was reviewed in 2015 as part of the Commercial Formula and later in both retail & commercial formulae respectively (*27th July & 24th August 2015 pricing formula reviews*). It was further reviewed on the *30th June 2022* during the epitome of the European crisis (Russia/Ukraine conflict) to improve on vessel deliveries for Freetown, Sierra Leone.
- 3) **Import Duty:** Revenue paid to by the Oil Marketing Companies (OMCs) to the National Revenue Authority (NRA) / Government of Sierra Leone (GoSL). It is 5% of C&F and it is statutory.
- 4) **Insurance Cost** – To protect investments and empower operators' importers recover some of their costs in sourcing and importing products for storage and distribution in the country. This adjustment is part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.
- 5) **Ocean Loss Allowance** – To facilitate trade and encourage investments, ocean loss allowance has been introduced in the formula. This would help operators recover from challenging temperatures when loading products at refinery/high sea's (ship-to-ship operation on to final discharge port. This adjustment is part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.
- 6) **Storage:** Funds allocated to the OMCs for the maintenance of their installation tanks. This provision has been in place since the WB/EC/ADB/IMF funding import arrangement in the 90s. It is USD 4.70 per metric ton on each of the product.
- 7) **Port Charges:** Revenue provision for Sierra Leone Ports Authority. Port Charges are USD 3.00 per metric ton on petrol, diesel and kerosene and USD 2.00 per metric ton on marine fuel oil.
- 8) **Petrojetty Charges:** Charges paid by the OMCs to Petrojetty (SL) Limited for berthing and discharging imported petroleum products at Petrojetty. These charges were incorporated into the Pricing Formula since *11th November 2016* and are meant for recouping the money spent on construction of the new Petrojetty.

- 9) **Freight Levy:** Revenue paid to Sierra Leone Maritime Administration by the OMCs. It is USD 2.00 per metric ton on each product (petrol, diesel, jet/kerosene & fuel oil).
- 10) **Other Charges (Transfer & Agency fees, etc.):** Funds allocated to the OMCs for the costs incurred in transactions leading to the importation and landing of petroleum products to their installations.

These adjustments were part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.

- 11) **Landed Cost (USD):** This is the total costs incurred for the purchase and transportation of petroleum products into Sierra Leone and it's the aggregate of all expenses in the value chain quoted in US Dollars (\$).
- 12) **Conversion (Metric Ton / Litre):** This the total amount of petroleum products in litre that equals a metric ton and it varies according to products grade.
- 13) **Landed Cost (USD / Metric Ton):** This is the total incurred cost for the purchase and transport of petroleum products into Sierra Leone and it's the aggregate of all expenses in the value chain quoted in US Dollars (\$).
- 14) **Conversion (Metric Ton / Litre):** This the total amount of petroleum products in litre that equals a metric ton and it varies according to products grade.
- 15) **Foreign Exchange (FX) Rate:** This is the weighted average (*not on volume of amount purchases*) FX rates derived from the analysis of FX transactions provided by the Bank of Sierra Leone and Oil Marketing Companies (OMCs').
- 16) **Landed Cost (Le/Lt):** This is the cost to land a litre of petroleum product into the country and it's quoted in leones per litre using the prevailing exchange rate of the leone to US Dollar.
- 17) **Price Correction Levy** – This line item had been introduced to reduce the financial impact on both the investors and final consumers in the market. This adjustment is part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.
- 18) **Distribution Cost:** OMCs' profit margins. It also comprises margins given to Dealers and Transporters. This had been adjusted overtime to meet with the current operational costs for the operators in the industry.
- 19) **Debt Recovery** – The stabilization fund item had been replaced with debt recovery to account for debt owed to GoSL by OMCs and that of OMCs owed by GoSL. It is a component that is used to off-set operational losses of OMCs and accrued revenues due GoSL from OMCs. This is collected by the OMCs and the Agency only had an oversight on the amount collected base on sales volume per period. This adjustment is part of the New Pricing Regime introduced on *1st July 2024* with collaboration from the World Bank, Ministry of Finance and Ministry of Trade & Industry.

- 20) Petroleum Fund:** Fund paid to PRA by the OMCs for the running of the Agency.
- 21) Excise Duty:** This is a Statutory Provision and its paid by the OMCs to NRA/GoSL in line with the Customs & Excise Act of Sierra Leone.
- 22) Road User Charge:** Revenue paid by OMCs to Road Maintenance Fund Administration for the maintenance of roads.
- 23) Fuel Marking –** Provision for fuel marking has been introduced in the pricing formula to help SICPA recover their investment. Its an MoF/NRA project that helps enhanced GoSL revenues on excise for petroleum and other commodities.
- 24) Uniform Price Adjustment Factor:** Money allocated to the OMCs to ensure that Dealers can adhere to the stipulated Government pump price throughout the Country irrespective of the transportation cost and distance from Freetown.
- 25) Infrastructure Development Fund:** Fund for infrastructural development activities of GoSL. It was initially **Le 500.00** per litre but later reduced to **Le 440.00** per litre as at pricing formula review of 12th December, 2016, in order to commensurately increase the OMCs' Distribution Cost by Le 60.00 per litre.
- 26) Full Pass-Through Pump Price:** It's the Final cost of the product at the pumps, its cost recovery plus profit margins and its paid by the final consumer of the product.

Note:

**Uniform Price Adjustment Factor helps to keep the prices of petroleum products the same across the country, as Sierra Leone is ahead of other countries in the sub-region (Ghana, Burkina Faso, etc) that are calculating uniform price factor based on distance covered per tanker to a certain location.*