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PRESS RELEASE

For immediate release

IES contends the NPA price floor policy is a critical safeguard for fair competition and long-term deregulated market

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1. The Institute for Energy Security (IES) has taken note of recent public statements by the Chief Executive Officer of StarOil Ghana, suggesting that the National Petroleum Authority's (NPA) price floor regime prevents the company from offering petroleum products at significantly lower prices; specifically claiming that StarOil could sell petrol at GHS 9.50 per litre during off-peak night hours if not for the price floor.

2. These statements have sparked extensive public debate and consumer reactions on social media. While public engagement on energy pricing is healthy, it is important that discussions are grounded in sound market principles, regulatory context, and the long-term interests of Ghana's petroleum sector.

3. The petroleum downstream market is capital-intensive, high-risk, and highly exposed to global price volatility and exchange rate fluctuations. The NPA price floor was introduced as a competition-stabilizing mechanism, not as a price-fixing tool.

4. The price floor serves several critical purposes, including;

- preventing predatory pricing by dominant or well-capitalized firms that could temporarily sell below cost to eliminate competitors.

- Protecting small and emerging Oil Marketing Companies (OMCs) from being forced out of the market.

- Preserving healthy competition, ensuring multiple suppliers remain viable.

- Guaranteeing supply continuity, particularly during periods of tight margins or market stress.

- Promoting long-term consumer welfare, rather than short-term price reductions that could lead to market concentration and higher prices in the future.

5. International experiences show that unregulated price wars in fuel markets often lead to monopolization, supply disruptions, and ultimately higher consumer prices.

6. The suggestion that an individual OMC could selectively reduce prices during specific hours (e.g., 10pm–4am) raises serious regulatory and competition concerns. Fuel retailing is not a digital

service where marginal costs disappear at night; storage, financing, distribution, and inventory risks remain constant.

7. If an OMC claims it can sustainably sell below the regulatory floor, this raises legitimate questions:

a. Are such prices below economic cost?

b. Are losses being cross-subsidized to crowd out competitors?

c. Would smaller OMCs survive such a strategy?

d. What happens to prices once competitors exit the market?

These are precisely the market failures the price floor is designed to prevent.

8. It is noteworthy that several industry players, including GOIL Ghana, have publicly challenged StarOil's claims. The Group CEO of GOIL rightly noted that some companies advocating for lower prices are unable to compete even at the approved floor price of GHS 9.80 per litre in the current pricing window. This divergence between industry realities and public-facing narratives underscores the danger of oversimplifying fuel pricing dynamics for social media appeal.

9. A critical question must be asked: Would the call for removal of the price floor have arisen if StarOil were not a market leader today?

10. Historically, price floors and similar regulatory protections are what enabled many OMCs- large and small, to survive intense competition, build scale, and invest in infrastructure. To advocate for dismantling these protections after achieving dominance raises concerns about regulatory opportunism rather than genuine consumer advocacy.

11. Given the gravity of the claims made publicly, the Institute for Energy Security formally calls on the National Petroleum Authority (NPA) to:

a. Investigate StarOil's pricing claims and cost structures.

b. Examine whether any form of attempted predatory pricing or market distortion is being either contemplated or practiced by StarOil.

c. Assess StarOil's compliance with existing petroleum pricing regulations.

d. Reaffirm the principles underpinning the price floor regime in the interest of market stability.

12. Regulation must be evidence-based, transparent, and enforced uniformly, particularly in markets that directly affect national economic stability and household welfare.

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13. The debate on fuel pricing must move beyond headline-grabbing statements to a serious engagement with market economics, competition policy, and long-term consumer protection. Short-term price reductions that undermine market structure are not pro-consumer in the long run. On the matter of "price floor" removal, StarOil must allow industry to decide.

14. IES remains committed to supporting policies that promote fair competition, energy security, and sustainable consumer welfare in Ghana’s petroleum downstream sector.

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