



FUEL FRAUD PREVENTION THROUGH THE SGS FUEL INTEGRITY PROGRAM



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FORMULATION

FUEL INTEGRITY

MEASURES DETER AND PREVENT FUEL FRAUD

FUEL FRAUD – A TAXING PROBLEM

Governments need excise tax to generate wealth to support their economies and for consumer protection governments often subsidise the cost of essential products.

For example, in the petroleum sector, heating oil is subsidised but automotive fuels are taxed. The differential in pricing and the similar operating properties of these two different grades of fuel creates perverse incentives for fraud. Consequently, government suffers a loss of tax revenues and lower retail sales.

GLOBAL LEADERSHIP IN FUEL INTEGRITY

To prevent losses and recover revenue SGS has pioneered Fuel Integrity Programmes (FIPs). For over 12 years we have managed multiple programmes in a number of countries around the world, that have assisted Governments and oil companies deter and prevent fuel fraud. Our successful track record has established SGS as the world leader in these national programmes.

MINIMISING LOSSES

SGS can provide a complete outsourced solution for government. In our experience prevention of fuel fraud

and assurance of fuel tax compliance is achieved by outsourcing all the interrelated and interdependent activities in the entire system to a single independent party.

SGS programmes minimise losses from a range of fuel oil frauds, including:

- Adulteration: blending subsidised or tax exempt fuel with higher priced fuel; product grade substitution.
- Dilution: comingling of smuggled fuel with domestic fuel system.

We believe, a single service provider is best able to operate a programme that will maximise the return on investment.

THE BENEFITS

Detering and preventing fuel fraud has benefits for the following stakeholders:

Governments

- Increased tax receipts (without raising taxes) and sales revenues from increased volumes of official fuel in legal circulation.
- Greater transparency and improved data to assist control of the national fuel distribution system.
- Enhanced control to improve tax compliance and mitigate against tax evasion.
- Minimising losses from fuel fraud and the corresponding uplift in fuel revenues and tax receipts provide measureable returns on investment.

Oil companies

- Increases volume sales of their product and associated revenues.
- Assures customers on the integrity and authenticity of their product.
- Reduces product liability claims.

Wider stakeholders

- Improves economic conditions such as higher employment, raised standard of living and higher foreign direct investment.
- Provides a real and credible demonstration to outside financial institutions (e.g. IMF, World Bank) of actions taken to provide good governance.
- Improves environmental health and reduces environmental impact caused by poor combustion from sub-standard fuels.

WHY SGS?

SGS is the world's leading inspection, verification, testing and certification company. Recognised as the global benchmark for quality and integrity, we employ over 64000 people and operate a network of more than 1 250 offices and laboratories around the world. We are constantly looking beyond customers' and society's expectations in order to deliver market leading services wherever they are needed.

Partnering with SGS opens the door to better performing processes, increasingly skilful talent, consistent and compliant supply chains and more sustainable customer relationships delivering profitable competitive advantage. Work with the global leader and take your commitment to the next level.

We have a history of undertaking and successfully executing large-scale, complex international projects. With a presence in every single region around the globe, our people speak the language and understand the culture of the local market and operate globally in a consistent, reliable and effective manner.

TO LEARN HOW SGS CAN HELP YOU EXCEED CUSTOMER EXPECTATIONS, VISIT WWW.SGS.COM/OGC OR CONTACT OGC@SGS.COM FOR MORE INFORMATION.

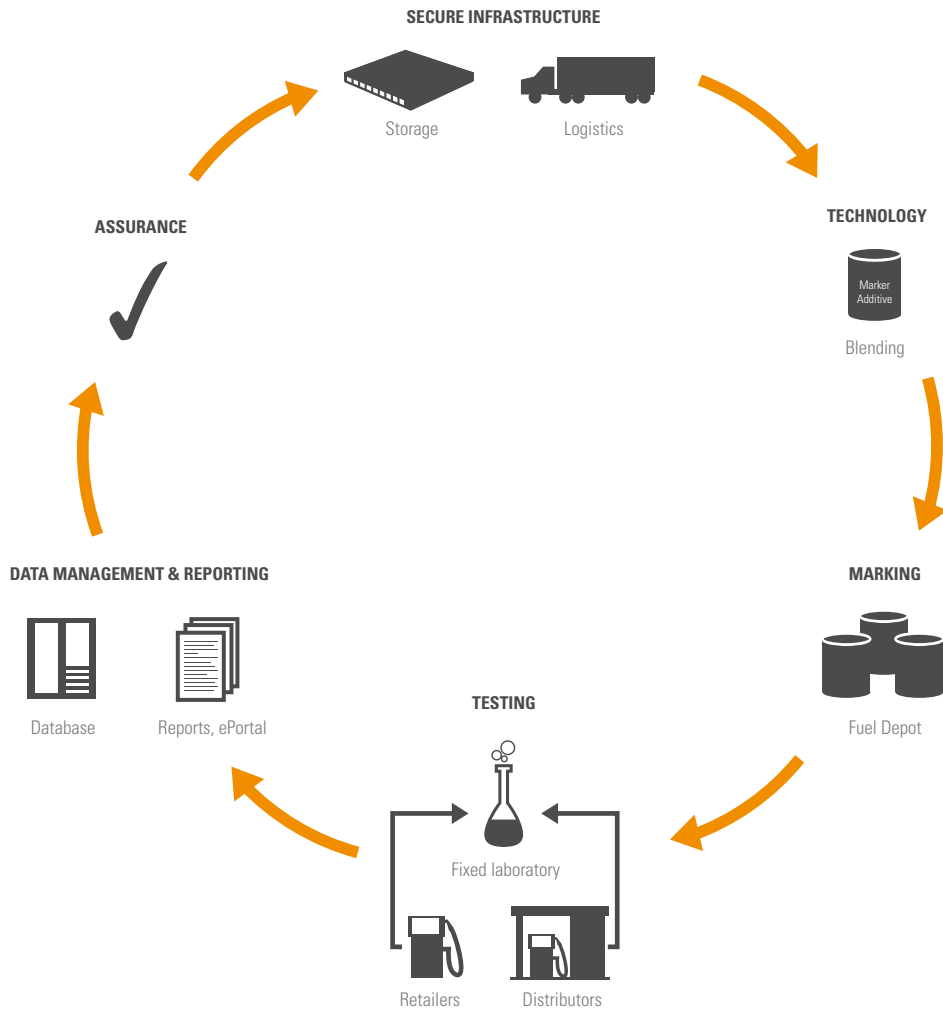
SGS FUEL INTEGRITY PROGRAMME ACTIVITIES

SGS has a dedicated central team of fuel integrity specialists that set-up and manage the programmes and coordinate

the activities of SGS' in-country team that are responsible for deploying the operations.

Programme Design: SGS' specialist consultancy team will formulate a programme that; specifically targets

adulteration and dilution fraud; can be put in to operation within the national fuel distribution system; deploys advanced marker technologies and professional surveillance teams; and achieves specific objectives to maximize return on investment.



Secure Infrastructure: SGS shall set-up secure infrastructure, logistics and traceability systems for managing the programme. All SGS' operations are standardised, controlled and operate within parameters of clearly defined codes of practice, quality and ethics.

Technology: The programme involves the marking and tracing of fuels using the latest generation overt and covert chemical markers, at extremely low levels, that can be traced at various points in the fuel distribution system.

Marking: SGS shall ensure marker is added to the fuel accurately with the correct amounts being carefully introduced under controlled supervision and in accordance with Standard Operating Procedures.

Testing: SGS will deploy a field surveillance programme comprising professional teams to detect and overtime, deter abuse. Field testing can be performed at all points in the national distribution chain including at bulk fuel depots, distributors and especially at service stations. Field testing results will identify fuel abuse has very high levels of accuracy and proof positive evidence of fraud.

Data Management and Reporting: SGS uses electronic database systems to identify and monitor trends of illicit activity on a national and regional basis; We will provide the government with on-line access to these databases and regular reporting of trend analysis, re-targeting and improvement plans.

Assurance: SGS shall administer the programme as a total quality management system which links together the various activities to assure fuel integrity and provide objective evidence of fraud.

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