



Eurocontrol Technics Group

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Eurocontrol's anti-fuel adulteration system directly linked to big increases in govt revenue

Eurocontrol Technics Group (CVE:EEO) has a four-part proprietary fuel marking system that has been proven to generate a significant increase in government tax revenues in markets like Tanzania, Uganda, and Albania, amongst others, in some instances bringing in as much as \$300 million in less than four years.

Eurocontrol's Petromark system, which is controlled by Eurocontrol's wholly owned subsidiary Global Fluids International, works to identify fuel that has been tampered with --- for example diluted with lower grade fuel, propane, water or even urine --- but in a covert way, without the use of coloured dyes. The end result is a reduction in the reported cases of fuel adulteration and the illicit comingling of fuels.

Fuel adulteration is a growing problem for governments worldwide, which generate enormous tax revenues from hydrocarbons. Annual global losses from the illicit trade of fuels are currently estimated at over US\$200 billion per year.

Global Fluids' process works with molecular markers that cannot be copied or removed, which is then injected at the terminal or pipeline with high precision parts per million concentrations. The marker, which is invisible to others and stable even in extreme environmental conditions, can be traced at any point in the supply chain, with small samples of the fuel tested at gas stations for immediate results. The technology is the only one in the world that has an ISO 17025 accreditation, meaning it is of sufficient forensic quality to be admissible into a court of law for evidence.

The Petromark system, which was introduced in Tanzania in September 2010 to help limit fuel adulteration and other malpractices tied to smuggling, has led to an increase in tax revenue of about \$300 million between 2010 and March of this year, according to figures released by the Tanzania Energy and Water Utilities Authority.

The facts are cited from a study carried out by the Department of Economics at the University of Dar es Salaam.

Indeed, the rate of change of taxes from locally consumed petroleum products rose significantly by 24 percent in 2011/12 --- a growth rate that exceeded the average growth rate of 11.6 percent of the three years preceding the introduction of fuel marking.

The study also confirmed that since the start of Eurocontrol's fuel marking program in Tanzania (which was won through a public tender), there has also been a considerable jump in the increase of volumes of reported imported petrol and diesel for the local market, and a decrease of kerosene.

Eurocontrol's system also contributed to the reduction in reported cases of fuel adulteration in Tanzania, where the conformity index of retail outlets to petroleum product quality standards rose from 19 percent in 2007 to a whopping 91 percent in 2013, an increase of almost five times.

While the positive impact in Tanzania is clear, Eurocontrol also has contracts for its proprietary technology with governments in Albania and Uganda, which are also showing similar improvements.

Price: C\$0.07

Market Cap: C\$6.591M

1 Year Share Price Graph



Share Information

Code: EEO

Listing: TSX Venture

Sector: Oil & Gas Equipment & Services

Website: www.eurocontrol.ca

Company Synopsis:

Eurocontrol is a leading provider and innovator of detection and marking systems worldwide, developing and implementing innovative molecular marking systems for the oil industry.

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In Albania, where the Petromark system was introduced in September last year, revenues of the Albanian Customs increased by 28 percent in one year, with the biggest contributor in this increase being the excise tax on petroleum, according to the declarations of the General Director of the Customs. This equates to \$11 million of increased tax revenue per month.

The Albanian government attributed this increase to the fight against tax evasion in the fuel market, through Eurocontrol's Petromark, and the fight against coffee smuggling, especially in the northern borders.

"The same thing is happening in Uganda," says Eurocontrol's chief executive, Bruce Rowlands.

The company, which is based in Toronto, is expected to generate about \$8 million in revenue this year, of which approximately 75% is recurring revenue, up from \$6.5 million in 2013. Approximately three quarters of Eurocontrol's revenue comes from its fuel marking business, with the company also owning two other subsidiaries.

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