

Press Statement

Reduction of Fuel Prices

Date of Issue: Thursday 28th February 2019

The Energy Regulation Board (ERB) has reviewed the wholesale and pump prices of fuel for the most recently imported cargo of petroleum feedstock and finished petroleum products, and determined that a reduction be made.

This adjustment of pump prices is consistent with Government policy to review fuel prices for every cargo, which lasts about 60 days, taking into account changes in the economic fundamentals at any one given time.

This price reduction is based on a review of the following cargo:

- i. The **100,689 metric tonnes (MT)** of petroleum feedstock cargo imported in **January 2019** at a cost of **US\$69.51 million**; and
- ii. Imported finished petroleum products supplied to Government comprising, **28,221 m³ of petrol** and **70,493.50 m³ of Low Sulphur Gasoil (LSG)** at a total cost of **US\$62.91 million**.

This price reduction has been largely influenced by movements in international oil prices, the exchange rate between the Kwacha and the United States Dollar and recent amendments to the Customs and Excise Act.

Notably, after the price adjustment in October 2018, international oil prices significantly dropped while the Kwacha continued to depreciate steadily to around K12/US\$. The sustained depreciation of the Kwacha implies that the possible gains from reduced international oil prices have been slightly negated.

Specifically, following the last fuel price adjustment on 2nd October 2018, the price of Murban crude petroleum feedstock, which Zambia imports, declined - from an average of US\$82.30/bbl in October 2018 to an average of US\$59.50/bbl in December, 2018. On the other hand, during the same period, the Kwacha steadily depreciated and stabilized to a monthly average rate of K12.00/US\$ in the fourth quarter of 2018.

Furthermore, beyond September 2018, international prices of petrol declined to levels of around US\$68/bbl, US\$69/bbl and US\$67/bbl, in the Mediterranean, Arab gulf and Singapore markets, respectively. Similarly, during the same period, international diesel prices declined to levels of around US\$85/bbl, US\$82/bbl and US\$80/bbl, in the Mediterranean, Singapore and the Arab Gulf markets, respectively.

It also noted that, the Customs and Excise (Amendment) Act No.19 of 2018 which was enacted on 26th December, 2018 by Parliament has now been effected. Consequently, Excise Duty on petrol and diesel was increased to K2.07/litre (from K1.97/litre) and K0.66/litre (from K0.62/litre), respectively.

In light of the foregoing, the pump prices have been revised downwards for petroleum products as illustrated below:

Approved retail pump prices February 2019 in K/Litre

PRODUCT	CURRENT	NEW	VARIANCE
PETROL	16.06	15.20	(0.86)
DIESEL	14.65	13.43	(1.22)
KEROSENE	11.34	11.34	(0.00)
LSG	16.94	15.72	(1.22)

The new prices are to take effect today 28th February 2019 at midnight. Following this reduction in prices, retailers of petroleum products are reminded that failure to effect these changes shall attract regulatory sanctions. Our inspectors shall therefore be dispatched to monitor service stations and ensure that the new prices are implemented timely so that consumers are not taken advantage of. Further, consumers are advised to report any service station that fails to implement the price reduction timely to the ERB through the Toll Free Line **8484**.

It should be noted that while prices of petroleum products were consistently reviewed in 2018, there were only two price adjustments made upwards, in February and October, 2018, respectively. While price reviews were undertaken in April, June, August and December, there were no price adjustments in those instances since the fundamental determinants (international oil prices and the exchange rate) were below the threshold (2.5%) that would have triggered price adjustments.

ISSUED BY THE BOARD CHAIRMAN



**MR. RAYMOND MPUNDU
BY ORDER OF THE BOARD**