



# Press Statement

## Petroleum Product Prices Revised Downwards

22<sup>nd</sup> December 2008

The Energy Regulation Board (ERB) wishes to inform the public that prices of petroleum products have been revised downwards by K1, 873 for Petrol, K1,786 for diesel and K1, 166 for kerosene, based on Lusaka pump prices, with effect from midnight tonight.

This reduction has been made possible by the reduced cost of the latest 90,000MT cargo which was purchased at US\$53million and arrived end November, compared to the October cargo, which was bought at US\$81 million. Fuel prices in Zambia are mainly affected by two fundamentals international oil prices and the exchange rate. Global prices for crude oil have reduced from the peak of US\$147 per barrel in July 2008, to the lowest level in nearly four years at US\$35.98 per barrel on 18<sup>th</sup> December 2008. The world economic slowdown has resulted in reduced demand for petroleum product leading to declining prices.

Implementation of price reduction in Zambia has however been relatively gradual due to the pricing mechanism, the Cost Plus. This pricing mechanism adjusts prices on a cargo basis and does not respond immediately to price changes on the international market, unlike the IPP methodology which was being used in the past.

However with this price review, Zambia will benefit from reductions on the international market, despite the depreciation of the Kwacha at 24% against the US dollar. The kwacha depreciated from K4, 045 in October 2008, to K5000 against US\$1 last week.

In addition, it should also be noted that the delay in reviewing prices has been due to a backlog of unsold products at the Ndola Fuel Terminal from the last cargo. This is because Oil Marketing Companies still had refined stocks which they had been requested to import during the shut of Indeni from 19<sup>th</sup> September to 22<sup>nd</sup> October 2008.

In view of the afore mentioned and using the Cost Plus Model, the ERB has determined that pump prices for Lusaka will be adjusted as follows:

PRODUCT	LUSAKA PUMP PRICES K/Litre		ABSOLUTE VARIANCE (K/Litre)	% CHANGE
	Current	New		
Petrol	7,691	5,818	(1,873)	(24.35)
Diesel	7,264	5,478	(1,786)	(24.59)
Kerosene	5,000	3,834	(1,166)	(23.32)

Pump prices for provincial centres will be changed as indicated in the table below:

TOWN	PETROL PUMP PRICES	DIESEL PUMP PRICES	KEROSENE PUMP PRICES
Kasama	6,529	6,190	4,447
Livingstone	6,216	5,876	4,177
Chipata	6,389	6,050	4,327
Solwezi	6,037	5,697	4,023
Ndola	5,721	5,381	3,751
Lusaka	5,818	5,478	3,834
Kabwe	5,792	5,452	3,812
Mansa	6,409	6,070	4,344
Mongu	6,483	6,144	4,408

The above prices are the maximum prices at which fuel should be sold. Members of the public should report sales of higher prices than those indicated above after 48 hours from midnight tonight. Receipts for such transactions should be obtained and incidents reported to the ERB.

All OMCs are therefore required to implement the new price change from midnight tonight.

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A/EXECUTIVE DIRECTOR  
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