

# Press Statement

## No Adjustment of Fuel Prices

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In line with the Cost-Plus Model that is currently used to set fuel prices, the Energy Regulation Board (ERB) has determined that there will be no adjustment of fuel prices. The decision is also in line with the policy guidance at the last price adjustment that fuel prices shall be reviewed after every 60 days.

This is because the marginal price increase for the current consignment that would have been made is lower than 2.5% – the minimum threshold for adjusting prices under the Cost Plus Model. Therefore, while the cost of the petroleum feedstock and finished petroleum products currently on the market is slightly higher than that of the last assessed cargo, no adjustment shall be made.

The Government of the Republic of Zambia imports a commingled petroleum feedstock typically consisting of: petroleum feedstock (41%); condensate/naphtha (13%); and gasoil (diesel) (46%). In turn, the ERB determines the wholesale and pump prices. The consignments whose wholesale pricing was being determined are as follows:

- i. 105,018 metric tonnes (MT) of petroleum feedstock cargo carried by MT. Desh Mahima. The feedstock cargo berthed and discharged at the port of Dar-es-Salaam from 26<sup>th</sup> to 28<sup>th</sup> December, 2016; and
- ii. Finished petroleum products (*petrol amounting to 37,904.45 m<sup>3</sup> and diesel amounting to 79,692.93 m<sup>3</sup>*), that was imported beginning from 11<sup>th</sup> February to 31<sup>st</sup> March 2017.

Fuel prices in Zambia are largely determined on the basis of two factors: international oil prices and the exchange rate of the Zambian Kwacha against the United States Dollar. Between August 2016 and January 2017, international oil prices generally increased. Specifically, international oil prices gradually rose from US\$44.72/barrel (bbl) in August to US\$51.35/bbl in October. Further, from November 2016 to January 2017, a

much steeper rise in international oil prices was observed. However, there was a fall in oil prices in November 2016 mainly attributed to rising crude inventories in the United States of America and elsewhere in world, mainly owing to record output by the Organisation of Petroleum Exporting Countries (OPEC).

With regard to the exchange rate, between August 2016 and February 2017, the Kwacha traded between K9.76/US\$ and K10.01/US\$. During that period, the Kwacha appreciated against the United States Dollar while from November to January 2017, it depreciated. However, by February 2017, the local currency had again appreciated to K9.76/US\$.

In view of the foregoing, the combined effect of the import costs for petroleum feedstock and finished petroleum products, if wholesale and pump prices are retained at current levels shows that there would be marginal losses. This therefore implies that wholesale and pump prices would need to be adjusted slightly upwards to allow for recovery of costs.

However, to allow for price stability, and in keeping with the application of the Cost Plus Model, a price adjustment can only be implemented if wholesale prices rose or reduced by more than 2.5%. Therefore, under the circumstances the wholesale and pump prices shall remain unchanged.

Based on the announcement by the Board in January 2017, the pump prices for petroleum products shall therefore remain as follows:

- Petrol – **K12.50**;
- Diesel – **K10.72**;
- Kerosene – **K6.81**; and
- Low Sulphur Gas (Diesel) – **K13.01**

**BY ORDER OF THE BOARD**

**ENERGY REGULATION BOARD**