



Press Statement

Petroleum Pump Prices Revised Downwards

15th January 2015

The Energy Regulation Board (ERB) has reduced the pump price of petroleum products by K2.29 for petrol; K2.59 for diesel; and K2.08 for kerosene, which translates into 23.13%, 28.22% and 30.76%, respectively. Wholesale prices of petroleum products have been reduced by 35.93%, effective midnight 16th January 2015.

In determining prices, the ERB uses the Cost Plus pricing model, which operates on the principle that the final price of petroleum products should cover all costs incurred in the supply chain. Wholesale and pump prices are determined based on the cost of each feedstock cargo received. The cost of each feedstock cargo is mainly affected by global crude oil prices and the exchange rate of the Kwacha to the United States Dollar.

Since the last price adjustment on 8th December 2014, the exchange rate of the Kwacha against the US Dollar has held stable around K6.50/US\$. Over the past three months, the World has seen the largest slump in oil prices since 2008. Oman crude decreased by US\$28.58 (32.88%) from US\$86.91/bbl in October to US\$58.33/bbl in December 2014. The reduction in international oil prices is the trigger of the current fuel price reduction.

Owing to the procurement process for feedstock cargoes, the current feedstock cargo was purchased in December 2014 when the international oil price had fallen significantly. Therefore, the benefit of the continued drop in international oil prices is now being realized in

the form of the substantial wholesale prices and pump prices adjustments.

In order to recover the cost of the cargo, the wholesale prices of Petrol, Diesel, Kerosene, Jet A-1, Heavy Fuel Oil and Liquefied Petroleum Gas at the Ndola Fuel Terminal would have to be reduced by 35.93%. The uniform pump prices would change as indicated in the table below:

PRODUCT	CURRENT	NEW	ABSOLUTE VARIANCE	% CHANGE
PETROL	9.89	7.60	(2.29)	(23.13)
DIESEL	9.18	6.59	(2.59)	(28.22)
KEROSENE	6.77	4.69	(2.08)	(30.76)

The new prices are effective on midnight Friday 16th January 2015. This is to allow for depletion of current stocks on the market.

It is, however, important to note that, as world prices of oil fall, there are still other fixed costs within the pricing model which remain constant: such as freight; TAZAMA fees and Refinery fees; taxes; downstream margins for Oil Marketing Companies; Dealers and Transporters; and such fees and charges, that need to be fully covered.

Cumulatively, between October 2014 and January 2015, ERB has reduced the prices by K3.03 or 28.50% for petrol; K3.42 or 34.17% for Diesel and 2.79 and 37.30% for Kerosene.

According to the ERB pricing model, if subsequent procurement of feedstock is made while the falling trend in international oil prices continues and the exchange rate appreciates or holds steady, then more reductions will be expected in the near future.

By Order of the Board

Pastor Geoff Mwape
CHAIRMAN
ENERGY REGULATION BOARD