



**PRESS STATEMENT BY MRS F. MWANGALA ZALOUMIS, CHAIRPERSON,
ENERGY REGULATION BOARD, ON THE ADJUSTMENT OF WHOLESALE
PRICES OF PETROLEUM PRODUCTS**

13th APRIL 2006

1.0 INTRODUCTION

EACH MONTH THE ENERGY REGULATION BOARD REVIEWS WHOLESALE PRICES OF PETROLEUM PRODUCTS.

THE PRICES WE ARE ANNOUNCING TODAY ARE BASED ON MOVEMENTS IN BOTH INTERNATIONAL OIL PRICES AND THE EXCHANGE RATE OF THE KWACHA TO THE US DOLLAR IN MARCH 2006.

2.0 INTERNATIONAL OIL PRICE TRENDS IN MARCH 2006

PETROLEUM PRODUCT PRICES ON THE INTERNATIONAL MARKET GENERALLY WENT UP IN THE MONTH OF MARCH 2006. THIS WAS MAINLY TRIGGERED BY A NUMBER OF FACTORS:

i. CONTINUING POLITICAL UNCERTAINTIES IN THE ENERGY MARKETS

THERE WERE STILL CONCERNS OVER SECURITY OF SUPPLY WITH OVER 450,000B/D OF NIGERIAN OUTPUT STILL SHUT IN BY THE NIGER DELTA REBEL GROUP. IN ADDITION THE ESCALATING ROW OVER THE

NUCLEAR PROGRAM IN IRAN WHICH IS THE 4TH LARGEST PRODUCER OF OIL CONTINUED TO RAISE UNCERTAINTIES IN THE OIL MARKETS.

HOWEVER, AT ITS 8TH MARCH MEETING IN VIENNA, OPEC AGREED TO RETAIN ITS PRODUCTION CEILING OF 28 MILLION BARELS PER DAY TO AVOID FRESH PRICE SPIKES AMID THESE CONCERNS ABOUT SUPPLY DISRUPTIONS AMONG ITS MEMBERS.

ii. GROWING GASOLINE DEMAND

GASOLINE DEMAND HAS BEEN PARTICULARLY HIGH IN ASIA, WITH JAPAN TURNING TO EUROPE AND SOUTH KOREA TO MAKE UP FOR THE SHORTFALLS OF LOW-SULPHUR GRADES. THIS HAS COME ABOUT WITH MOST OF THE COUNTRY'S REFINERIES HAVING CLOSED FOR MAINTENANCE CUTTING INTO SUPPLY.

THE UNITED STATES GASOLINE DEMAND WENT UP BY 2.5% AND SHOWED NO SIGNS OF ABATING DESPITE THE HIGH RETAIL PRICES.

THE EXTENDED COLD WEATHER IN EUROPE HAS ALSO BOOSTED DEMAND FOR HEATING OIL MAKING IT MORE DIFFICULT FOR REFINERS TO MAXIMIZE GASOLINE PRODUCTION.

CRUDE PRICES ON THE OTHER HAND HAVE MOVED HIGHER, SPARKED BY THIS HIGH DEMAND FOR GASOLINE IN ASIA, EUROPE AND THE US. AN INCREASE OF ABOUT \$2.70 PER BARREL FOR BENCHMARK CRUDE WEST TEXAS INTERMEDIATE (WTI) TOOK PRICES UPTO \$63.50/BL.

iii. THE MOVE TOWARDS PRODUCTION OF ULTRA-LOW SULPHUR DIESEL

THE MOVE TOWARDS CLEANER FUELS HAS STRETCHED REFINING CAPACITY AND REFINERS HAVE BEEN STRUGGLING TO MEET DIESEL DEMAND. THIS HAS AFFECTED SUPPLY OF DIESEL GENERALLY AND CONSEQUENTLY IMPACTED ON PRICES.

AS A RESULT OF THIS INTERNATIONAL SCENARIO IN THE MONTH OF MARCH 2006 THE PRODUCTS INCREASED AS FOLLOWS:

- PETROL INCREASED **BY 9.76%** FROM 63.15 US DOLLARS PER BARREL TO 69.32 US DOLLARS **PER BARREL**;
- DIESEL INCREASED BY 9.92% **FROM** 66.11 US DOLLARS PER BARREL TO 72.67 US DOLLARS PER BARREL;
- **KEROSENE INCREASED MARGINALLY BY 2.34% FROM 73.14US DOLLARS PER BARREL TO 74.85 US DOLLARS PER BARREL.**

3.0 EXCHANGE RATE

THE AVERAGE RATE OF THE KWACHA TO THE US DOLLAR REMAINED STABLE AND CHANGED VERY MARGINALLY BY 0.15% FROM K3,311 PER US\$ TO K3,316 PER US\$ DURING THE MONTH OF MARCH 2006.

4.0 IMPACT ON DOMESTIC PRICES

THE COMBINED EFFECT OF THESE CHANGES IN INTERNATIONAL OIL PRICES AND MOVEMENT IN THE EXCHANGE RATE ON THE WHOLESAL PRICES IS AS FOLLOWS:

- **PETROL:** THE WHOLESale PRICE OF PETROL HAS **GONE UP** BY **6.9%** FROM **K 1,943 PER LITRE TO K 2,077 PER LITRE.**
- **DIESEL:** DIESEL WHOLESale PRICES HAVE ALSO **RISEN** BY **6.29%** FROM **K2, 058 PER LITRE TO K2, 188 PER LITRE.**
- **KEROSENE:** THERE WILL BE **NO CHANGE** IN THE WHOLESale PRICE OF KEROSENE. THEREFORE THE PREVAILING PRICE OF **K2,231 PER LITRE** WILL BE MAINTAINED.
- **JET FUEL:** THERE WILL BE **NO CHANGE** IN THE WHOLESale PRICE OF JETFUEL, HENCE THE CURRENT PRICE OF TO **K2, 069 PER LITRE** WILL ALSO BE MAINTAINED.

THESE PRICES WILL COME INTO EFFECT FROM MIDNIGHT OF 13TH APRIL 2006.

5.0 EXPECTED PUMP PRICES

FOLLOWING THE CHANGES IN WHOLESale PRICES ALLUDED TO EARLIER, THE INDICATIVE LUSAKA AVERAGE PUMP PRICES ARE EXPECTED TO CHANGE AS FOLLOWS:

- THE PUMP PRICE OF **PETROL** WILL **INCREASE** BY ABOUT **4.9%**
- THE PUMP PRICE OF **DIESEL** WILL ALSO **GO UP** BY ABOUT **4.9%** WHILST
- THE PUMP PRICE OF **KEROSENE** WILL **REMAIN UNCHANGED.**

THANK YOU