

Press Statement

Petroleum Product Prices remain unchanged

25th January 2008

The Energy Regulation Board (ERB) wishes to inform the public that there is no change in the pump prices of petroleum products, despite an unprecedented rise on the world market that has been exhibited over the last several weeks.

This has been made possible through a Government subsidy on petroleum products. Therefore prices will not change despite record highs of up to US\$99.29 per barrel in November 2007. Ordinarily such high global prices would have resulted in an increase of up to 10% in the fuel wholesale price on the local market.

The last upward wholesale price adjustment was in September 2007 and since October 2007 the Government has been subsidising fuel prices in the country to cushion the economy against adverse inflationary pressures.

The ERB further wishes to inform the public that it has changed the wholesale petroleum products pricing formula from Import Parity Pricing (IPP) model to the Cost-Plus methodology.

The Cost-Plus model ensures that the final price recovers all the costs in the petroleum supply chain. Prices will be determined on a cargo basis (at about two month intervals) and thus introduce price stability as opposed to the monthly reviews under the IPP. Similar to the IPP, changes in the price of oil on the international markets and the movements in the exchange rate of the Kwacha against the US dollar will still play a significant role in the Cost-plus price determination. The Cost-Plus pricing formula is expected to ensure both optimum pricing and availability of petroleum products in the country.

This price review is the first under the newly adopted Cost-plus model and has been calculated using the November 2007 cargo.

It is expected that the next price review will be conducted in April 2008.

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