



Press Statement

MONTHLY BULLETIN ON IMPORT PARITY PRICING OF PETROLEUM PRODUCTS

1.0 INTRODUCTION

The Energy Regulation Board (ERB) determines the wholesale prices of petroleum products on a monthly basis using the Import Parity Pricing (IPP) methodology. This method reflects international trends of production costs, refining and transportation of petroleum products. The changes in the domestic wholesale and retail prices of petroleum products are therefore due to movements in the international price of petroleum products and the exchange rate of the Kwacha to the US Dollar.

2.0 INTERNATIONAL TRENDS

Crude prices on World Texas Intermediate (WTI) were over US\$71/barrel. The high crude prices were due to the increasing global demand for key transport fuel and the continued political tensions in Nigeria and Iran. More than 500,000 barrels per day of production in Nigeria continued to be unavailable due to rebel threats and there is a standoff between Iran and the US over Iran's nuclear program.

Overall on the product market, there was a steady rise in international prices due to the fact that the US gasoline inventories remained 6 million barrels below levels at the same time last year. This pushed prices upwards as it was just before the start of the peak summer driving season. Refinery constraints are also keeping product prices high and concerns about jet fuel supplies have increased as refiners in some regions neglected jet output. In the US, jet fuel stock fell by over 1 million barrels. The demand for jet fuel has increased due to increased passenger air travel but production has not increased as much. The increased demand for gasoline (petrol) and diesel has also limited production of jet fuel.

Consequently, the prices on the international market changed as follows:

- Petrol prices increased by **4.82%** from \$81.54/barrel to **\$85.47/barrel**.
- Diesel increased by **1.15%** from \$81.74/barrel registered in April to **\$82.68/barrel**.
- Kerosene - Jet A1 prices have also increased very marginally by **0.39%** from \$83.93/barrel to **\$84.26/barrel**.

3.0 EXCHANGE RATE

The Kwacha appreciated by **0.31%** from K3, 226 to 1US\$, used at the last adjustment to **K3,216** to 1 US\$ being the actual average inter-bank exchange selling rate as at 31st May 2006.

4.0 DOMESTIC PRICES

4.1 Wholesale Prices

The impact on the domestic wholesale prices of the movements in the international prices and the exchange rate reflected above is as follows:

	Kwacha Prices ZMK/m ³			
	Current	New	Absolute Change	% Change
Petrol	2,300,663	2,438,443	137,780	5.99
Diesel	2,338,691	2,405,713	67,022	2.87
Kerosene	2,402,396	2,453,263	50,867	2.12
Jet A1	2,233,627	2,282,702	49,075	2.20

From the table above:

- Petrol wholesale prices will **increase** to K2,438/L.
- Diesel wholesale prices will also **increase** to K2,406/L. However, the pump price of diesel will not change due to an adjustment in the pricing parameters of diesel ex-Ndola Fuel Terminal.
- The price of Kerosene and Jet A1 will **remain unchanged** at K2,402/L and K2,233/L as the price differential falls short of the set trigger limit of 2.5%.

4.2 Expected Pump Prices

In light of the wholesale prices shown above, the indicative pump prices in Lusaka will be as follows:

PRODUCT	AVERAGE PUMP PRICES K/Litre		ABSOLUTE VARIANCE (K/Litre)
	CURRENT	NEW	
PETROL	5,460	5,720	260
DIESEL	4,549	4,549	0
KEROSENE	3,621	3,621	0

F MWANGALA ZALOUMIS (MRS)
BOARD CHAIRPERSON
ENERGY REGULATION BOARD

CONTACT: 236002
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