



PRESS STATEMENT

Revision of Fuel Prices in October 2016

OCTOBER, 2016

The Energy Regulation Board (ERB) is an autonomous body with the mandate to determine petroleum prices that guarantee full cost recovery for Government which is the procuring agent and all the players in the supply chain from the point of importation to the point of delivery to the consumer.

In line with the policy decision of 2014, to remove fuel subsidies, and the current policy direction to migrate to cost reflective pricing of energy services and products, the ERB has revised the pump price of petroleum products as follows;

Petrol has increased by K3.83; Diesel by K2.81; Kerosene by K1.91; and Low Sulphur Diesel (LSG) by K2.81. The new prices are as reflected in the table below.

Current and new national Uniform Pump Prices (Kwacha/Litre)

NATIONAL UNIFORM PUMP PRICES K/Litre			
PRODUCT	CURRENT	NEW	ABSOLUTE VARIANCE
PETROL	9.87	13.70	3.83
DIESEL	8.59	11.40	2.81
KEROSENE	6.12	8.03	1.91
LSG	10.88	13.69	2.81

The price adjustment is effective mid-night on 14th October 2016.

In Zambia, the domestic prices of fuel are mainly determined by two key fundamentals, i.e. the international oil prices and the exchange rate of the Zambian Kwacha to the United States Dollar

The pump prices of fuel were last reviewed in July 2015 when the exchange rate was K7.68 per US dollar. From July 2015 to date the international oil prices have remained fairly stable while the exchange rate has been volatile and has depreciated by over 30%, with the Zambian Kwacha now trading at about K9.98 against the United States Dollar.

There are also other factors that may trigger price adjustments such as changes in costs at any point of the supply chain e.g. an upward adjustment for transporters; Oil Marketing Company; and Dealer margins.

However, this current adjustment is mainly due to the volatility of the Zambian Kwacha in the period under review. During this period of extreme exchange rate volatility, the Government imported several feedstock cargoes and imported finished products but the

petroleum prices remained constant. The ERB found it prudent to now adjust the prices when the Kwacha seems to have relatively stabilized.

Using the Cost-Plus Model, ERB only adjusts fuel prices when the computed wholesale fuel price adjustment exceeds the 2.5% threshold. The ERB has been using the threshold of 2.5% since 2004, implying that the domestic fuel prices are not adjusted in instances where the computed price adjustment is lower than the 2.5% threshold.

It is important to note that periodic price adjustments are essential to ensure that consumers pay cost reflective prices as this in turn promotes the sustainable supply of petroleum products in the country. The ERB will therefore continue to ensure that all players in the petroleum supply chain operate within a pricing framework that allows them to operate viably with reasonable return on capital employed. The pricing framework will also support the Government fiscal objectives on taxation and other fees and levies.

Through the use of the current regulatory framework, ERB is committed to ensure consistent revisions towards cost reflective pricing so as to minimize consumer price shocks and at the same time compel service providers in the petroleum value chain to provide quality service to customers.

