

**Statement delivered by ERB Vice Chairperson
Professor Francis Yamba**

ERB reduces Petroleum wholesale and pump prices

You will recall that in October 2016, the Energy Regulation Board (ERB) adjusted petroleum wholesale and pump prices in line with its energy pricing mandate. The review was based on the importation of feedstock and finished products imported in June and July 2016.

Considering that the Government has to import and refine crude oil almost every six weeks on average, ERB has since then analysed another cargo imported in September 2016; and finished products imported from September to November 2016.

Based on this analysis, the ERB has hereby revised pump prices for petroleum products as follows:

- Petrol has reduced by **K1.20**;
- Diesel has reduced by **68 ngwee**;
- Kerosene has reduced by **K1.22**; and
- Low Sulphur Gas (Diesel) has reduced by **68 ngwee**.

Therefore, the **new pump prices** effective midnight on **Tuesday, 3rd January 2017** will be as follows:

Current and new Pump Prices (Kwacha/Litre)

National Uniform Pump Prices				
PRODUCT	CURRENT	NEW	ABSOLUTE VARIANCE	% CHANGE
PETROL	13.70	12.50	(1.20)	(8.76)
DIESEL	11.40	10.72	(0.68)	(5.96)
KEROSENE	8.03	6.81	(1.22)	(15.19)
LSG	13.69	13.01	(0.68)	(4.97)

When reviewing prices of petroleum products, the ERB takes into account all the costs related to each cargo to arrive at the wholesale and pump prices. The pricing

of petroleum products sold in Zambia is mainly affected by movements in oil prices on the international market and the exchange rate of the Kwacha against the US Dollar. Fuel prices are reviewed, using the Cost Plus Model, each time Government imports crude feedstock and finished petroleum products. However, in order to stabilize prices; fuel prices are only revised when the computed wholesale fuel price adjustment exceeds the 2.5% threshold.

The exchange rate at the point of importation was **K9.98/US\$** compared to **K10.70/US\$** in June 2016. This represents an exchange rate appreciation of **6.73%**. Meanwhile, during the same period, the international oil prices also fell, by **8.16%** from **US\$ 49/barrel** to an average of **US\$ 45/barrel**.

Notably, for the current price review, at the point of importation, the exchange rate appreciated while the international price of oil also fell slightly. Thus, the unit cost of the imported finished petroleum products in the current importation is significantly lower than that of the previous consignment.

It is worth noting that during the period, January to June 2016, international oil prices generally increased but started to fall beyond July 2016. However, in October 2016, oil prices again began to rise in response to growing proposals by Organisation of the Petroleum Exporting Countries (OPEC) to allocate production quotas to its members and eventually produce less oil and therefore push oil prices to higher levels.

The rising trend in international oil prices, observed in October 2016, will likely continue well into 2017 due to the decision by OPEC to cut production for the first time in eight years.

On the local front, the Zambian Kwacha has generally appreciated against the US Dollar since March 2016. By the close of the first quarter of 2016, the Kwacha depreciated to **K11.36/US\$**. During the second quarter of 2016, on average, the Kwacha generally appreciated against the US Dollar to trade at a quarterly average of **K10.17/US\$**. In the third quarter, the Kwacha was relatively more stable than the first and second quarters, at a quarterly average of **K9.96/US\$**. The appreciation was on account of a combination of factors which included an increase in the yield rates for Government securities which attracted foreign investments.

The ERB remains committed to consistently monitor and review fuel prices to minimise consumer price shocks as well as compel service providers to deliver quality service. Therefore, fuel prices will accordingly be adjusted downwards or upwards as and when the fundamentals dictate.

In conclusion, I wish to underscore that the ERB has a responsibility 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.

I thank you.

Date of issue: Tuesday, 3rd January 2017

BY ORDER OF THE BOARD