

## Press Statement

**Fuel Price Adjustment**  
**Date of Issue: 17<sup>th</sup> October 2017**

The Energy Regulation Board (ERB) has reviewed the wholesale and pump prices of fuel based on the most recent importation of petroleum feedstock and finished petroleum products. The last price review was on 7<sup>th</sup> August, 2017.

The decision to review prices is consistent with the policy guidance that fuel price adjustments will be made every 60 days, as fundamentals that determine them change. In addition, this decision is in line with Government policy to remove subsidies on fuel. The Government of the Republic of Zambia (GRZ), through the Ministry of Energy (MOE) imported a consignment of petroleum feedstock for INDENI Petroleum Refinery Ltd (INDENI) and finished petroleum products. The ERB determines the wholesale and pump prices using the Cost – Plus Pricing Model (CPM).

The current price review is based on the 102,129.435 metric tonnes (MT) of petroleum feedstock cargo imported in September 2017 and imported finished products to be consumed along with the products from the feedstock, that is, 43,219.32 m<sup>3</sup> of petrol and 87,581.62 m<sup>3</sup> of Low Sulphur Gasoil (LSG).

Fuel prices in Zambia are mainly determined by two (2) factors: international oil prices and the exchange rate of the Zambian Kwacha against the United States Dollar. The ERB effects a change to current prices of petroleum products if the proposed change in the wholesale prices, on average, is greater than the set 2.5% threshold.

With regard to the performance of the key fundamentals since mid-2017, international oil prices, specifically West Texas Intermediate (WTI) crude, registered an upward trend, increasing by 8.72% from US\$45.17/bbl to US\$49.11/bbl. **Specifically, from the last adjustment on 7<sup>th</sup> August 2017, WTI crude increased by 2.23% from US\$48.04/bbl in August to US\$49.11/bbl in September 2017.**

International oil prices increased owing to expected growth in world consumption particularly in the third quarter of 2017, due to generally favourable economic conditions across the world.

Meanwhile, during the same period, the Kwacha depreciated by 5.04% against the United States Dollar from K8.92/US\$ in July 2017 to K9.37/US\$ in September 2017. **Specifically, since the last price adjustment on 7<sup>th</sup> August 2017, the Kwacha has depreciated against the United States Dollar by about 8.1% from the August average rate of K9.02/US\$ to the current level of around K9.75/US\$.**

It is worth noting that, due to the recent increase in international oil prices and the depreciation of the Kwacha, the unit price for petroleum feedstock and finished products, for the current fuel

importation under review, was relatively higher than the most recent past importation on which the August price reduction was based. Consequently, changes in the fundamentals above necessitated an upward pump price adjustment. Failure to adjust the pump price upwards would entail that the Government incurs a significant loss which would adversely affect the purchase of the next cargo thereby threatening security of supply. It is also important to note that the National Treasury does not have the capacity to absorb any fuel subsidy but more importantly such a gesture would be against the Government Policy to remove fuel subsidies.

Based on the foregoing, it is with deep regret that the ERB has adjusted fuel retail pump prices upwards as follows: (in the table below)

### **Approved October 2017 Retail Pump Prices**

<b>NATIONAL UNIFORM PUMP PRICES K/Litre</b>			
<b>PRODUCT</b>	<b>CURRENT</b>	<b>NEW</b>	<b>ABSOLUTE VARIANCE</b>
<b>PETROL</b>	11.67	12.97	1.30
<b>DIESEL</b>	9.87	11.09	1.22
<b>KEROSENE</b>	6.50	7.82	1.32
<b>LSG</b>	12.16	13.38	1.22

In general, retail pump prices of fuel since January to October 2017 have remained stable between January and 7<sup>th</sup> August 2017. Notably, there was no price adjustment in the March and May price revisions, since these were below the 2.5% threshold. Meanwhile, there was a downward revision of prices in August until October 2017 and now an upward adjustment is unavoidable.

In conclusion, the ERB will continue to monitor developments in the exchange rates and international oil prices and will only adjust fuel prices, approximately every 60 days, if changes in wholesale prices increased or reduced by more than 2.5%. This measure is intended to allow for price stability.

In summary the prices at the retail level per litre shall be as follows:

- Petrol – **K12.97**;
- Diesel – **K11.09**;
- Kerosene – **K7.82**; and
- Low Sulphur Gas (Diesel) – **K13.38**

The Board is appealing to the OMCs not to breach their licence conditions by refusing to sell the petroleum products until mid-night. Our inspectors will be on the ground to ensure compliance. Any OMC that will be found wanting will be penalized accordingly.

This price adjustment is effective at midnight today. I thank you.

**BY ORDER OF THE BOARD  
ENERGY REGULATION BOARD**