



Press Statement

Pump Prices increased due to High Oil Prices

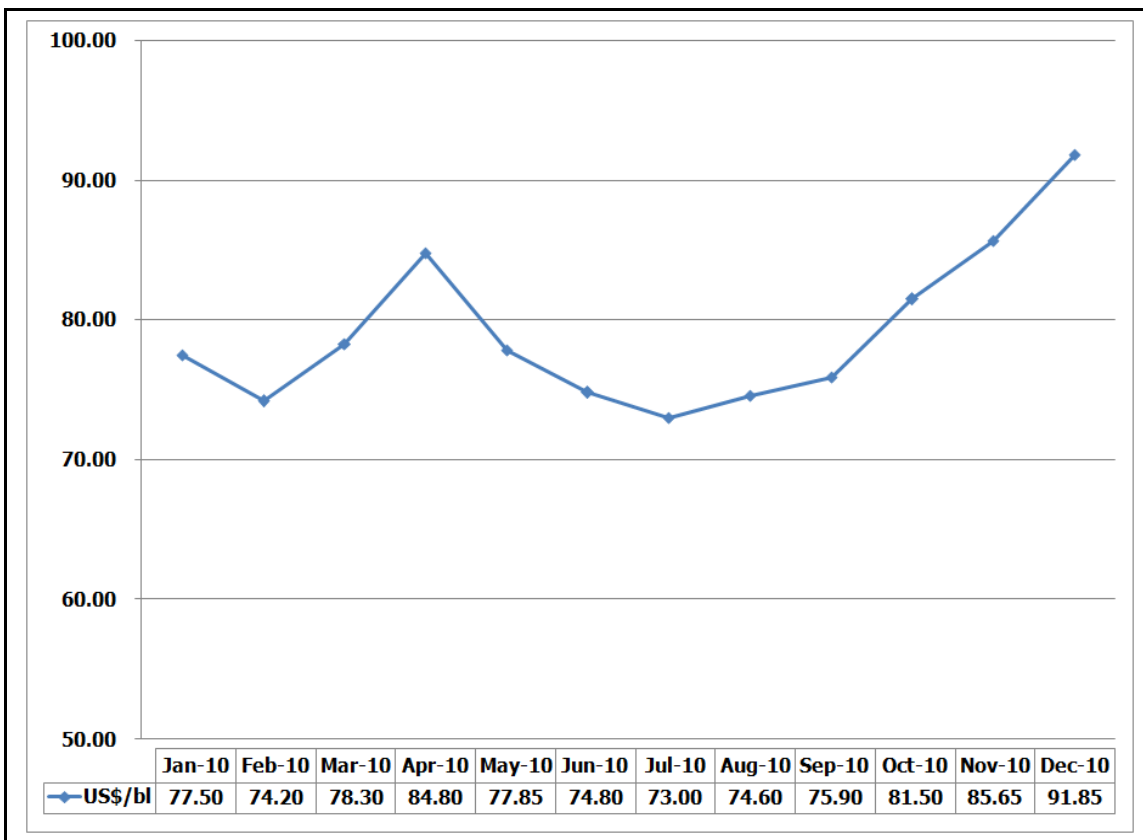
11th February 2011

Due to the sustained increase in prices of crude oil on the international market from September 2010 to date, it has become necessary to review the prices of petroleum products in Zambia. Pump prices of fuel were last adjusted in September 2010 when the Uniform Pump Pricing (UPP) mechanism was implemented. Since then prices of crude oil on the international market have continued to rise and surpassed US\$100.00 per barrel on 31st January 2011 amid fears that the tension in Egypt could adversely impact the Suez Canal, an important shipping route for oil between the Gulf countries and the Mediterranean.

The increases in prices of crude oil are attributed to increased demand from China and the US; a decline in US crude inventories by about 19 million barrels in the first three weeks of December; and severe cold weather in Europe and parts of the US. Recent events in the proximity of the Suez Canal have exacerbated the situation.

Zambia imports all its petroleum feedstock requirements from the international market and prices are determined based on the cost of each cargo and the exchange rate of the Zambian Kwacha to the United States Dollar. At the last price review in May 2010, the petroleum feedstock cargo had been procured at a cost of US\$68.6 million. The latest cargo was procured in December 2010 at a cost US\$81 million.

The movement in prices of crude oil for the year 2010 on the international market is shown in the figure below:



Owing to the high cost of the latest cargo of feedstock, prices of petroleum products have had to be adjusted upwards. Unless the prices of petroleum products are therefore adjusted, it would become increasingly difficult for the Nation to meet the cost of current and future stock feed imports.

Further, petroleum feedstock is priced in US Dollars. The increase in pump prices has therefore also been necessitated by the depreciation of the Kwacha against the US Dollar from the time wholesale prices were last adjusted. Whereas, at the time of reviewing the last wholesale prices the exchange rate used was K4,500 to US\$1, it had increased to about K4,750 per US\$ at the time of purchasing the cargo in December 2010.

In order to ensure continued and uninterrupted supply of petroleum products in the face of rising international prices, it has become necessary to adjust prices as follows:

NATIONAL UNIFORM PUMP PRICES IN KWACHA PER LITRE

	CURRENT	NEW
	K/L	K/L
Petrol	7,639	8,647
Diesel	6,999	7,958

Kerosene	5,008	5,641
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Arising from this review, the average increase in fuel prices is K866.66. The new prices are effective mid night of 11th February 2011. It should be noted that the new prices are uniform across the whole country.

Butler A. Sitali
EXECUTIVE DIRECTOR

