



Press Statement

MONTHLY BULLETIN ON IMPORT PARITY PRICING OF PETROLEUM PRODUCTS

19th February 2007

The Energy Regulation Board (ERB) has revised the prices for petroleum products downwards with effect from midnight, Monday 19th February 2007.

The downward changes are largely attributed to trends in international oil prices and the exchange rate of the Kwacha against the US Dollar, since the last monthly review of prices in January 2007.

It will be observed that during the month of January 2007, international oil prices decreased on average. Petrol prices reduced from US\$66.93/barrel to US\$59.70/barrel, Diesel prices declined from US\$70.39/barrel to US\$64.45 per barrel and Kerosene prices from US\$75.78/barrel to US\$67.77 per barrel since the last price adjustments.

However, the Kwacha depreciated by **1.50%** from **K4, 143** to 1 US\$ used at the last price adjustment, to **K4, 205** to 1 US\$ being the actual average inter-bank exchange selling rate for the month ending January 2007. The depreciation of the Kwacha, though marginal, has mitigated against the drop in prices of petroleum products.

Further, it will be recalled that Indeni was shutdown in January 2007, prompting Government to allow BP to supply finished petroleum products to the Zambian market. In order to forestall a sudden increase in prices following the importation of petroleum products, BP sold the petroleum products imported largely by road, at Import Parity Pricing (IPP) based prices. This resulted into losses on the part of BP as the transportation costs they incurred far exceeded those used in the IPP model.

To recover these losses, the costs will now be spread over a period of time to cushion consumers against high prices. It should be appreciated that without this measure, prices would have had to be increased significantly to recover the losses instantly. The measure to allow BP to supply petroleum products at very short notice helped to avert a fuel shortage after the unplanned closure of Indeni in January 2007.

The comparative costs of transportation are highlighted below:

**COMPARATIVE COSTS OF TRANSPORTING PETROLEUM PRODUCTS
FROM DAR – es - SALAAM TO NDOLA**

MODE OF TRANSPORTATION	COST PER TONNE
Pipeline	US\$39
Weighted Average of Road and Rail	US\$169
Road	US\$200

EXPECTED PUMP PRICES

In view of the factors highlighted above, the expected average pump prices of petroleum products for the month of February, in Lusaka, will be as follows:

AVERAGE INDICATIVE LUSAKA PUMP PRICES

	Kwacha Prices ZMK/ Litre		
	Current	New	Decrease
Premium	6,104	5,935	(169)
Diesel	5,336	5,228	(108)
Kerosene	4,328	4,129	(199)

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