



Press Statement

MONTHLY BULLETIN ON IMPORT PARITY PRICING OF PETROLEUM PRODUCTS

11th May 2007

The Energy Regulation Board (ERB) wishes to announce that with effect from midnight tonight the following adjustments on wholesale prices of petroleum products will apply for the month of May 2007:

	Kwacha Prices ZMK/m ³			% Change
	Current	New	Absolute Change	
Petrol	2,755,000	2,925,194	170,194	6.18
Diesel	2,885,284	2,885,284	0	0.00
Kerosene	2,945,111	2,945,111	0	0.00
Jet A1	2,879,711	2,963,524	83,812	2.91

Consequently, the pump prices will be adjusted as follows:

Petrol - increase of K322/L
Diesel - no change
Kerosene - no change

The maintenance of the prices of diesel and kerosene has been achieved through a subsidy from the Strategic Reserve Fund (SRF). Petrol has also been partially subsidised. Without the subsidy, the pump prices would have increased by K669/L for Petrol, K200/L for Diesel and K97/L for Kerosene. These products have been subsidised in order to effect stability on the market. The estimated cost of the subsidy is K6.09Billion.

The ERB further wishes to inform the public that international oil prices have continued to be volatile. During the month of April 2007 the prices of Petrol, Diesel and Jet A1 (Kerosene) on the international markets registered the following average increases when compared to March 2007:

Petrol - 11.38%
Diesel - 9.51%
Jet A1 (Kerosene) - 7.13%

These increases on the international markets have, however, been cushioned to a limited extent by the strengthening of the Kwacha against the United States Dollar by approximately 2.32% during the period under review.

Consequent to the stated position on wholesale prices, the benchmark pump prices at the provincial headquarters of Zambia will be as follows:

TOWN	PETROL (K/L)	DIESEL (K/L)	KEROSENE (K/L)
Chipata	7,025	5,871	4,503
Kabwe	6,655	5,500	4,187
Kasama	6,935	5,781	4,426
Livingstone	6,978	5,824	4,462
Lusaka	6,717	5,563	4,241
Mansa	6,895	5,741	4,392
Mongu	7,005	5,851	4,486
Ndola	6,588	5,434	4,131
Solwezi	6,708	5,554	4,233

Meanwhile, the SRF also continues to be used to compensate BP Zambia Plc for the losses incurred when the company was contracted to import petroleum products in September 2006 at higher transport costs to avert a fuel shortage on the Zambian market.

It should be noted that the ERB is aware of the concerns being raised by various stakeholders regarding the application of the Import Parity Pricing (IPP) formula and petroleum product pricing in Zambia. In this regard, a wide stakeholder consultative process on the review of the IPP shall soon commence. The ERB expects active participation from all relevant stakeholders (consumer associations, business associations, fuel importers, oil marketing companies etc.) in the review process to ensure that the revised pricing mechanism will result in both optimum pricing and availability of petroleum products in the country.

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