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Press Statement

ERB suspends Fuel Importation Licences

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The Energy Regulation Board (ERB) has suspended fuel importation Licences for Oil Marketing Companies (OMCs) in public interest to allow for a smooth transition before the Private Sector takes over procurement of petroleum products.

Following notices of intention to suspend importation of petroleum products sent to OMCs on 10th January 2017 the ERB on 16th January, 2017 further clarified during separate meetings held with the affected Licensees that the suspension was merely an interim measure and did not amount to a revocation.

The suspensions were also meant to curtail misconduct in the sector which had resulted in some **unlicensed** entities engaging in fuel importation, contrary to the Energy Regulation Act, Chapter 436 of the Laws of Zambia which prohibits the importation of petroleum products without valid licenses.

Other malpractices involved some OMCs wholesaling petroleum products and offering 30 days credit to their counterparts, when they do not hold wholesale licences duly issued by the ERB.

The Regulator is also aware that some OMCs were evading tax through the imports by abusing the SADC rules of origin provision and ignoring ERB licence conditions which only allow for the transportation of imported fuel to depots and not directly to service stations, a measure meant to closely monitor the quality of fuel.

As a result, the Government suffered losses through tax evasions through OMC imports and inability to have its fuel offloaded and sold on the market thereby incurring demurrage and related costs.

While acknowledging the apprehension expressed by OMCs following the suspensions, the ERB has a duty to act in the public interest through balancing the needs of all stakeholders in the energy sector as well as ensuring security of supply at all times.

Further, the ERB wonders why OMCs reportedly landing fuel for as low as K9.00 did not immediately pass on the benefit to consumers by selling petroleum products more cheaply. Pump prices determined by ERB are based on products to be uplifted

from TAZAMA, and therefore the cheaper imported products should have been priced differently.

Contrary to reports that ERB contracted "middlemen" to import expensive fuel, the ERB wishes to state that its mandate in the petroleum supply chain is restricted to setting wholesale and retail prices and does not extend to purchasing of feedstock.

In the meantime, the Ministry of Energy is presently spearheading country-wide consultative engagements to determine the best mode for private sector participation in the procurement of fuel.



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