

# Press Statement

## Fuel Prices Unchanged

**Date of Issue: Friday, 15<sup>th</sup> June 2018**

In line with Government policy to review fuel prices every sixty days, the Energy Regulation Board (ERB) has completed the process and made a determination. This follows the importation by Government of 104,100 metric tonnes (MT) of petroleum feedstock at a cost of US\$74.73 million and finished petroleum products (38,157 m<sup>3</sup> of petrol and 70,588 m<sup>3</sup> of diesel) at a cost of US\$92.90 million.

Consistent with the principle of cost recovery, the amount spent on the procurement of both the feedstock and finished petroleum products must be recovered through appropriate price revisions.

Notably, the last price reviews were on 12<sup>th</sup> February 2018, when there was an upward adjustment; and on 9<sup>th</sup> April 2018, when the prices remained unchanged because the resultant changes were below the ERB set threshold of 2.5 percent.

Fuel prices in Zambia are mainly determined based on two factors namely: International oil prices and the Exchange Rate of the Zambian Kwacha against the United States Dollar. The underlying assumption of the Cost-Plus Model (CPM) is that the final price of fuel covers all the costs incurred in the supply value chain.

Clearly, since the last price review the two fundamentals have been volatile where the International Oil prices have been rising, while the Kwacha has been unstable and continues to fluctuate. Going by the pattern of the two fundamentals that determine fuel pricing, namely the rise in oil prices and a seemingly weakening Kwacha, the expectation is that there would be an upward increase in the pump prices.

However, any price adjustment under such conditions of volatility and unpredictability must be approached with caution. Therefore, based on the foregoing the ERB has determined that for the current petroleum feedstock importation prices must remain the same.

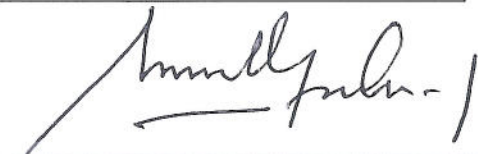
One of the factors that has moderated the impact has been the review of some of the cost lines in the price build-up for petroleum products. For instance, Government is now using an Open Account System of procurement where suppliers of imported petroleum products are only paid after the product has been sold. This has inevitably eliminated the costs related to Letter of Credit Financing charges and the Collateral Management Fees.

ERB shall continue to monitor the trends in the fundamentals that determine fuel pricing and commits to cost reflective pricing to ensure that fuel procurement and marketing remains self-financing.

The current fuel pump prices shall therefore remain the same and continue to apply as follows:

**Current Retail Pump Prices for June 2018 (Kwacha/Litre)**

<b>PRODUCT</b>	<b>Current Retail Price</b>
<b>PETROL</b>	13.75
<b>DIESEL</b>	12.01
<b>KEROSENE</b>	8.85
<b>LSG</b>	14.30



**BY ORDER OF THE BOARD**

**ENERGY REGULATION BOARD**