

Press Statement

No Adjustment of Fuel Prices

Date of Issue: Monday 9th April 2018

The Energy Regulation Board (ERB) has reviewed the recently imported petroleum feedstock cargo and finished products and determined that there will be no adjustment of fuel prices for this consignment.

In line with Government policy, fuel prices are determined on the basis of each cargo of the imported petroleum feedstock and finished petroleum products. Each cargo lasts between 45 and 60 days on average; and prices are determined for each cargo to ensure full cost recovery, among other considerations.

Therefore, this decision is based on the petroleum feedstock cargo that was imported in January 2018 and finished petroleum products imported in January and February 2018. Specifically:

- i. 103,700 metric tonnes (MT) of petroleum feedstock cargo carried by MT. Desh Mahima IV, at a cost of US\$69.34 million (CIF Dar-es-Salaam). The petroleum feedstock cargo docked and discharged at the port of Dar-es-Salaam from 9th to 11th January, 2018; and
- ii. Finished petroleum products (that is 36,228.12 m³ of petrol and 69,921.23 m³ of diesel), that were imported at a cost of US\$86.65 million during the period January to February 2018.

The ERB decision not to adjust fuel prices is in line with the *Cost Plus* Model used to determine fuel prices, which dictates that no adjustment is to be made when the difference in prices would be less than 2.5%. This is primarily aimed at ensuring price stability.



Fuel prices in Zambia are largely determined on the basis of two (2) factors namely: International Oil prices and the Exchange Rate of the Zambian Kwacha against the United States Dollar.

During the period November 2017 to March 2018, the Zambian Kwacha generally appreciated at an average rate of 0.98%. That is, the Kwacha traded at an average of K10.04/US\$ in November 2017, K10.03/US\$ in December 2017, and at K9.86/US\$ in January 2018. It further appreciated to K9.79/US\$ in February 2018 and K9.65/US\$ in March 2018. The appreciation of the Kwacha during the first quarter of 2018 is largely attributed to continued improved economic activity.

Specifically, since the last price adjustment on 12th February 2018 for the cargo that was received and costed in December 2017, the Kwacha has appreciated against the United States Dollar by about 4.21% to the February average rate of K9.79/US\$. It should be noted that in the last price adjustment, the exchange rate used was K10.00/US\$.

Further, from the last fuel price adjustment on 12th February 2018, the International Oil prices marginally decreased. For example, Western Texas Intermediate (WTI) decreased by 2.34% from US\$63.68/bbl in January to US\$62.19/bbl in February, while Brent crude reduced by 4.84% from US\$69.07/bbl to US\$65.73/bbl in February. Notably, Murban crude (the crude imported by the Government) reduced by 3.87% from US\$68.81/bbl to US\$66.15bbl in February.

In view of the foregoing, the average change in wholesale and pump prices would have been 1.52% which is less than 2.5%, the set trigger band for adjustment of fuel prices either upwards or downwards.

Therefore, the pump prices per litre for petroleum products announced by the Board in February 2018, shall remain the same, namely:

- Petrol – **K13.75**;
- Diesel – **K12.01**;
- Kerosene – **K8.85**; and
- Low Sulphur Gas (Diesel) – **K14.30**

BY ORDER OF THE BOARD

ENERGY REGULATION BOARD

