



**PRESS STATEMENT ISSUED BY THE ENERGY REGULATION
BOARD CHAIRMAN MR. SIKOTA WINA ON THE REVIEW
OF PETROLEUM PRICES**

23RD SEPTEMBER 2008

**MEMBERS OF THE PRESS,
LADIES AND GENTLEMEN**

1. INTRODUCTION

ON BEHALF OF THE ENERGY REGULATION BOARD, I WISH TO INFORM MEMBERS OF THE PUBLIC THAT WE HAVE YET AGAIN REVIEWED THE PRICES OF PETROLEUM PRODUCTS IN LINE WITH OUR MANDATE TO REGULATE THE ENERGY SECTOR.

THE REVIEW OF PETROLEUM PRODUCTS PRICES HAS BEEN MAINLY NECESSITATED BY THE NEED FOR PRICES IN THE REMAINDER OF SEPTEMBER AND THE WHOLE OF OCTOBER TO REFLECT THE LANDED COST, VIS A VIS NEW DEVELOPMENTS IN THE SECTOR. THESE DEVELOPMENTS RELATE TO THE CLOSURE OF INDENI PETROLEUM REFINERY ON 20TH SEPTEMBER 2008 AND GOVERNMENT'S REVIEW OF EXCISE DUTY LEVELS, AMONG OTHER REASONS.

AS YOU MAY BE AWARE, THE PRICES OF PETROLEUM PRODUCTS IN ZAMBIA ARE DICTATED BY TWO KEY FACTORS - INTERNATIONAL OIL PRICES AND THE EXCHANGE RATE OF THE ZAMBIAN KWACHA AGAINST THE US DOLLAR. THESE FACTORS HAVE OVER THE YEARS TENDED TO AFFECT THE PRICES OF FINISHED PETROLEUM PRODUCTS EITHER DOWNWARDS OR UPWARDS, AS THEY HAVE A BEARING ON THE LANDED COST OF FINISHED PETROLEUM PRODUCTS SOLD ON THE ZAMBIAN MARKET.

2. KEY FACTORS THAT HAVE AFFECTED PRICES

I WOULD NOW LIKE TO OUTLINE IN DETAIL THE KEY FACTORS THAT HAVE DIRECTLY LED TO THIS REVIEW OF PRICES:

2.1 INDENI PETROLEUM REFINERY CLOSURE

THE SCHEDULED CLOSURE OF INDENI PETROLEUM REFINERY FOR ROUTINE MAINTENANCE ON 20TH SEPTEMBER 2008 FOR 30 DAYS ENTAILS THAT OIL MARKETING COMPANIES (OMCs) AND TAZAMA WILL BE EXPECTED TO IMPORT FINISHED PETROLEUM PRODUCTS TO MEET THE NATIONAL REQUIREMENTS DURING THE PERIOD OF THE CLOSURE. AS HAS BEEN THE CASE IN THE PAST, THE PRICES WILL HAVE TO REFLECT THE LANDED COST, WHILE RECOGNISING THE NEED FOR PRUDENT PROCUREMENT OF FINISHED PETROLEUM PRODUCTS AT REASONABLE PRICES BY THE OMCs AND TAZAMA.

2.2 GOVERNMENT REVIEW OF EXCISE

MEMBERS OF THE PRESS, I WOULD ALSO LIKE TO INFORM YOU THAT IN ORDER TO CUSHION CONSUMERS AGAINST RISING FUEL PRICES, GOVERNMENT HAS DECIDED TO FURTHER REDUCE EXCISE DUTY ON PETROL AND DIESEL. THE NEW ADJUSTMENTS ON EXCISE DUTY AFTER THE LAST REVIEW OF EXCISE DUTY IN JUNE 2008, ARE AS FOLLOWS:

	Prior to June 2008	Current	New
Petrol	60%	45%	36%
Diesel	30%	15%	7%
Kerosene	15%	0%	0%

THESE REDUCTIONS IN EXCISE DUTY BY GOVERNMENT HAVE A DIRECT BEARING ON FUEL PRICES, AS THE PUMP PRICE INCLUDES GOVERNMENT TAXES, AMONG OTHER COSTS. INEVITABLY, REDUCTIONS IN EXCISE DUTY HAVE TO BE REFLECTED THROUGH LOWER PRICES.

2.3 GENERAL OVERVIEW OF THE INTERNATIONAL OIL MARKETS

GENERALLY, CRUDE OIL PRICES IN THE RECENT PAST HAVE REDUCED ON THE BASIS OF REDUCED DEMAND BY MAJOR CONSUMERS SUCH AS THE UNITED STATES OF AMERICA AND CHINA DUE TO A NUMBER OF FACTORS, AND THE DEMAND FORECAST FOR THE REST OF 2008 INDICATES A REDUCTION. THIS SCENARIO HAS ALSO BEEN MANIFESTED BY A SEEMING SUSTAINED DROP IN PRICES IN THE MONTHS OF AUGUST AND SEPTEMBER 2008. IN THAT REGARD, OIL PRICES ACCORDING TO

UNITED STATES OF AMERICA WEST TEXAS INTERMEDIATE (WTI) BENCHMARK PRICES FELL TO US\$115.59/BBL AND FURTHER DROPPED TO US\$100.87/BBL BY MID SEPTEMBER 2008.

2.4 EXCHANGE RATE

THE BANK OF ZAMBIA INTER-BANK EXCHANGE RATE HAS CONTINUED TO DEPRECIATE INDICATING A DROP OF 1.53% FROM ZMK 3,404/US\$ IN JULY 2008 TO ZMK 3,456/US\$ IN AUGUST 2008 AGAINST THE US DOLLAR. AS AT 12TH SEPTEMBER 2008, THE KWACHA HAD FALLEN BY A FURTHER 1.82% TO ZMK 3,519/US\$. HOWEVER, AS MAY BE OBSERVED, THESE DECLINES IN LOCAL CURRENCY STRENGTH HAVE NOT BEEN SIGNIFICANT ENOUGH WHEN COMPARED TO OTHER FACTORS AFFECTING THE PRICE OF FUEL.

3. NEW PRICES

IN VIEW OF THE FOREGOING, THE AVERAGE PUMP PRICES OF FINISHED PETROLEUM PRODUCTS IN ALL PROVINCIAL CENTRES HAVE BEEN REDUCED AS FOLLOWS:

3.1 PETROL

TOWN	CURRENT AV. MKT PRICES	NEW AV. MKT PRICES	PRICE REDUCTION (K)
Kasama	10,358	8,402	(1,956)
Livingstone	10,045	8,089	(1,956)
Chipata	10,218	8,262	(1,956)
Solwezi	9,866	7,910	(1,956)
Ndola	9,550	7,594	(1,956)
Lusaka	9,647	7,691	(1,956)
Kabwe	9,621	7,665	(1,956)
Mansa	10,238	8,282	(1,956)
Mongu	10,312	8,356	(1,956)

3.2 DIESEL TOWN	CURRENT AV. MKT PRICES	NEW AV. MKT PRICES	PRICE REDUCTION (K)
Kasama	9,067	7,976	(1,091)
Livingstone	8,753	7,662	(1,091)
Chipata	8,927	7,836	(1,091)
Solwezi	8,574	7,483	(1,091)
Ndola	8,258	7,167	(1,091)
Lusaka	8,355	7,264	(1,091)
Kabwe	8,329	7,238	(1,091)
Mansa	8,947	7,856	(1,091)
Mongu	9,021	7,930	(1,091)

3.3 KEROSENE

TOWN	CURRENT AV. MKT PRICES	NEW AV. MKT PRICES	PRICE REDUCTION (K)
Kasama	6,465	5,613	(852)
Livingstone	6,465	5,613	(852)
Chipata	6,195	5,343	(852)
Solwezi	6,345	5,493	(852)
Ndola	6,041	5,189	(852)
Lusaka	5,769	4,917	(852)
Kabwe	5,852	5,000	(852)
Mansa	5,830	4,978	(852)
Mongu	6,362	5,510	(852)

THESE ADJUSTMENTS ARE EFFECTIVE FROM MID NIGHT TONIGHT, THE 23RD OF SEPTEMBER 2008.

IT SHOULD BE NOTED THAT THIS REVIEW DOES NOT INCLUDE JET A1 AND HEAVY FUEL OILS (HFO) PRICES AS THOSE WILL BE DETERMINED BY THE SUPPLIERS OF THE PRODUCTS AT COSTS NEGOTIATED WITH THE INDUSTRY.

CONCLUSION

MEMBERS OF THE PRESS, LADIES AND GENTLEMEN, IN CONCLUSION, I WISH TO REITERATE THAT THE REDUCTION IN INTERNATIONAL PRICES OF CRUDE OIL AND FURTHER REDUCTION OF EXCISE DUTY BY THE ZAMBIAN GOVERNMENT HAVE NECESSITATED THIS REDUCTION IN PUMP PRICES OF PETROL, DIESEL AND KEROSENE.

I THANK YOU.