

## **MINISTERIAL STATEMENT**

**ON**

**FUEL SUPPLY SITUATION IN THE COUNTRY**

**BY**

**THE MINISTERIAL OF ENERGY (MR KAPALA), MP**

Madam Speaker, I wish to thank you for this opportunity to give a ministerial statement on the fuel supply situation in the country. This is arising from a matter of urgent public importance raised by Mr Christopher Kang'ombe, junior engineer and hon. Member of Parliament for Kamfinsa.

Madam Speaker, in October, 2022, the Ministry of Energy disengaged from financing and procuring petroleum products for the Zambian market. This policy direction has enhanced private sector participation that is oil marketing companies (OMCs), in the fuel supply chain, with these companies now taking a leading role in meeting national petroleum requirements.

Madam Speaker, in June, 2023, the Ministry of Energy, through daily stock monitoring, observed with growing concern low importation of petrol by OMCs. The main reason advanced by the OMCs for the said low imports is the alleged non-responsive pricing mechanism. The low petrol stocks in the month of June have been further exacerbated by the Indeni Refinery being on shutdown from 15<sup>th</sup> June, 2023. The refinery went into shutdown due to lack of storage space for high sulphur gasoil or diesel that is currently being produced by the refinery through the processing of the crude oil feedstock that was displaced from the Tanzania-Zambia Mafuta (TAZAMA) Pipeline.

Madam Speaker, in order to address the low petrol stock position in the immediate term, the Government through the Ministry of Energy has ensured that the Indeni Refinery resumes operations. The refinery resumed its operations on Sunday, 25<sup>th</sup> June, 2023 and the first batch of 700,000 litres of petrol was produced from the refinery and pumped for distribution on Tuesday,

27<sup>th</sup> June 2023. This, therefore, means that this volume of petrol is available for the market. The petrol from the refinery is being supplemented by imports from the OMCs.

Madam Speaker, it must be pointed out that the recent appreciation of the Zambian Kwacha has already improved the importation of petrol, which has increased by 3 per cent from 19<sup>th</sup> to 26<sup>th</sup> June, 2023. It is, therefore, anticipated that the increase in imports will cushion the shortfall from the refinery and enhance security of supply of petrol for the country.

Madam Speaker, you may recall that I had earlier mentioned that one of the reasons advanced by the OMCs is alleged non-responsive pricing mechanism. In this regard, the Government through the Ministry of Energy is considering the following short-term measures:

(a) *Introduction of a slate mechanism aimed at addressing exchange rate fluctuations*

A slate mechanism ensures that any under-collections by importers of fuel are compensated in the following month and *vice-versa*. These under and over-collections are computed for each day in the fuel price review period and an average exchange rate for the fuel price review period is calculated. The current mechanism for the exchange rate component does not allow for over and under-collections.

(b) *Peer-review of the petroleum pricing mechanism*

The Government intends to carry out an independent review of the petroleum pricing mechanism so as to ensure the adequacy of the current petroleum pricing mechanism. This shall respond to assertions of the non-responsiveness of the current pricing mechanism and is being undertaken through an independent peer-review process.

Madam Speaker, in the medium term, and also to ensure sustainable fuel supply, the Government plans to implement the private sector-led system for bulk importation of petroleum products, which will be called the Zambia Bull Procurement System (ZBPS). The Ministry of Energy is working with key stakeholders to implement a structured system for the bulk importation of petroleum products, in a bid to ensure and enhance security of fuel supply. This system is aimed at establishing more stable and efficient importation and distribution of petroleum products in Zambia. It is envisaged that the system shall ensure that the supply of petroleum products is conducted in a co-ordinated manner and at the most competitive price.

Madam Speaker, the above interventions are all part of the broader sector reforms that my ministry is implementing so as to ensure that petroleum products are procured at the lowest possible price.

Madam Speaker, my statement thus far has been focused on the petrol situation in the country. That said, may I take this opportunity to inform the House that the country has adequate stock days for low sulphur gasoil.

Madam Speaker, lastly, I wish to reassure the House and the nation that the petrol stock-outs reported in Kitwe and other parts of the country shall normalise in the next few days. I further wish to urge the public to report any filling stations that do not have petrol stocks to the Energy Regulation Board (ERB) to avoid hoarding of fuel by the OMCs. The Ministry of Energy remains vigilant to ensuring adequate security of supply of petroleum products.

Madam Speaker, I thank you.

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