

MINISTERIAL STATEMENT

ON THE

**THE PETROLEUM SITUATION IN THE COUNTRY**

BY THE

**THE MINISTER OF ENERGY (MR NKHUWA), MP**

Mr Speaker, I wish to thank you for this opportunity you have given me to issue a ministerial statement on the situation of the petroleum products in the country.

Sir, as you may be aware, Zambia stock of petroleum products is met through import. These compromise of petroleum feedstock and finished products. The imported feedstock is in form of spiked crude oil or commingled, which is pumped through the 1,700 km Tazama Pipe Line and refined at the Government owned, Indeni Petroleum Refinery Company in Ndola. Indeni Refinery Accounts for 40 per cent of the national petroleum requirements and the finished petroleum products transported by road meet 60 per cent of our petroleum requirements.

Mr, the currency in which importation transactions are conducted is the United States Dollar (USA\$), which implies that the changes in the international oil prices and the depreciation of the Zambian Kwacha against the United States of America Dollar is bound to affect the cost of the petroleum products in the country. Further, the changes in these economic fundamentals also affect the operations of institutions in the Zambian fuel supply chain.

Mr Speaker, since the last upward price adjustment on 26<sup>th</sup> December, 2019, the Kwacha has depreciated by 53.1 per cent from K14 to US\$1 in December, 2019 to K21.43 to a dollar in January, 2021. Additionally, the price main crude products have been fluctuating. It is suffices to

say that the two factors thus, the international price and the exchange rate fluctuation have not been favourable from the last fuel adjustment.

Mr Speaker, owing to the foregoing the losses and shortfalls incurred in importation of crude feedstock and finished product compromised further importation and security of supply of petroleum products. To recover the full cost of importing, feedstock and finished products, the domestic prices for wholesale and pump prices needed to be adjusted upwards. However, increasing the fuel prices would lead to a multiplier effect that would see prices of many goods and services increase in the country. This would have been retrogressive especially now with the adverse impact of the Coronavirus (COVID-19) Pandemic on the global economy and the Zambian economy in particular.

Sir, to prevent an upward adjustment of petroleum products, my ministry in consultation with several stakeholders including the Ministry of Finance came up with a proposal to realign the various cost elements in the petroleum price build up that were affected by the changes in both the local and international economic fundamentals. This entailed zero-rating the Value Added Tax (VAT) on petrol and diesel. Additionally, Excise Duty has been removed on diesel while for petrol, the Excise Duty has been reduced from K2.07 per litre to 64n per litre. I wish to state that the benefits have been passed on to the Oil Marketing Companies (OMCs), who were landing the product at a higher price than the approved pump prices thereby making losses. These measures also benefited the citizens who would have had to spend more on fuel in the event of an upward price adjustment on the commodity.

Sir, I am aware that there have been some reports of fuel shortages in some parts of the country, but I would like to assure the country that an interim measure with the Support of the Ministry of Finance, a waiver has been granted to OMCs to import finished products for a period of six months starting from 1<sup>st</sup> January, to 30<sup>th</sup> June, 2021. This will complement Government contracted suppliers and improve security of supply. The Total number of OMCs given the waiver to import is eighty-seven and the total quantities of diesel allocated to them is 1.9 billion. The total quantity for petrol is 934 Billion litres.

Sir, it should be noted that the INDENI Refinery has been shutdown since 12<sup>th</sup> December, 2020. I am confident that once the revolving facility using a letter of credit is concluded, the INDENI Refinery will be back on stream in the next few weeks. With these measures, I am confident that the situation will be normalised as most OMCs have indicated willingness to import petroleum products.

Mr Speaker, the Patriotic Front (PF) Government led by His Excellency the President, Dr Edgar Chagwa Lungu, has heard the cry of the people and has cushioned and absorbed the imminent fuel price increase. We are a listening Government and still stand by the promise we gave the Zambian people of being a pro-poor Government.

I thank you, Sir.

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