



REPUBLIC OF NAMIBIA

MINISTRY OF MINES AND ENERGY

MEDIA RELEASE

FUEL PRICE REVIEW ANNOUNCEMENT

The Ministry of Mines and Energy has completed the fuel price review for the month of April 2022 and wishes to inform the public as follows:

When the geopolitical tensions in Eastern Europe reached the boiling point late last month, the global oil markets immediately reacted with sharp increases in the prices of petroleum products. The subsequent sanctions on the Russian Federation, one of the world's major oil producers, reinforced the shocks by making the situation in the global oil markets even more problematic. These events are happening at a time when global oil supply is heavily unable to catch up with the levels of global demand for oil. These geopolitical events are also happening at a time when upstream oil and gas exploration projects are heavily competing for investments with the renewable energy sector, and while many ageing crude oil refineries are shutting down across the world.

The latest calculations by the Ministry indicate that the average price for Unleaded Petrol 95 over the period 1-24 March 2022 is USD129.892 per barrel (*compared to USD109.030 per barrel at the end of February 2022*), a sharp spike of about USD20 per barrel in just 24 days. Additionally, the average price for Diesel 50ppm over the period 1-24 March 2022 is USD144.675 per barrel (*compared to USD109.334 per barrel at the end of February 2022*), a sharper spike of USD35 per barrel in just 24 days. These sharp increases are occurring in a very uncertain global oil market environment.

Furthermore, the exchange rate figures for the period 1-24 March 2022 indicate that the NAD has recorded a slight appreciation against the USD at N\$15.0603 per USD (*compared to N\$15.2084 per USD at the end of February 2022*). This slight appreciation of the local currency against the currency used in conducting international transactions does little to improve the situation.

Therefore, after entering the above input factors into the fuel pricing model, and despite the recent increases of 120c/l and 130c/l on petrol and diesel respectively, the Ministry again recorded large under-recoveries on both products, namely 220 cents per litre on petrol and 359 cents per litre on diesel. This is the first time in recent memory that such extraordinary under-recoveries have been recorded.

The Ministry is, thus, required to make hard decisions. First, the Ministry needs to ensure the security of fuel supply to the country, and this can only be done if the oil importers have a healthy cashflow system because in the current oil market environment the oil sellers are no longer eager to accept letters of credit, they rather require buyers to make pre-payments for imports in cash before the goods can be released for shipping. Such a healthy cashflow system can only be ensured when the money collected at the pump(s) is sufficient to pay for further oil imports from the international market. For example, an increase in the current pump prices to satisfy the import parity price requirements. Second, the National Energy Fund will continue to run into very huge financial liabilities if the current pump prices are not immediately adjusted to be reflective of the current oil market situation.

Additionally, the Ministry has initiated a consultative process with the Ministry of Finance as well as other state institutions that derive revenue from the levies and taxes imposed on the price of petroleum products. The aim is to explore the possibilities of cutting some of the levies and taxes to soften the burden on fuel consumers. The consultations are expected to be finalised in April 2022.

It is for the reasons outlined above that the **petrol prices will have to increase by 195 cents per litre and those of diesel by 295 cents per litre**. The new fuel prices in Walvis Bay will become **N\$19.10** per litre for petrol and **N\$20.23** per litre for diesel. The prices across the rest of the country will also be adjusted accordingly. **These adjustments will become effective at 00h01 on 6th April 2022.**

Moreover, it must be noted that the National Energy Fund (NEF) will cover the entirety of the under-recoveries recorded between 1-31 March 2022 on the behalf of fuel consumers through the fuel equalization levy. This amounts to approximately N\$390 million.

In conclusion, the Ministry wishes to inform the public that the country is indeed facing a very tough and uncertain situation over the coming months given what is happening in the world right now. Great financial sacrifices will have to be made at both the individual and the collective level because it is the only way we will be able to overcome the current difficulties.

Ends

Issued By: Andreas Simon
Senior Public Relations Officer
Mobile: +264 85 2929 298
Email: Andreas.Simon@mme.gov.na
www.mme.gov.na

