REPUBLIC OF NAMIBIA

MINISTRY OF MINES AND ENERGY

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MEDIA RELEASE

The Ministry of Mines and Energy has to announce that petrol and diesel pump prices for December will **decrease at 00h01 on Wednesday**, the **3rd December 2014.**

We observed that the current dollar appreciation has continued to weigh down on the demand of crude oil, which often moves inversely to the U.S. currency. A stronger dollar makes oil more expensive for buyers using foreign currencies. Meanwhile, U.S. production is growing at a time when the Organization of the Petroleum Exporting Countries appears reluctant to scale back output, prompting forecasts that the market could remain oversupplied in the near future if current trends continue. Although we Namibians continue to feel the pressure of petrol costs, the price that we pay for our petroleum is below the global average of N$14.30 a litre. The international oil market took a price cut in the first quarter of November, as another sign the kingdom of Saudi Arabia is willing to use pricing as a lever to preserve its market share, rather than cut production in what is now an oversupplied market. Even if it was not the intention, some traders took the Saudi move as a sign the kingdom would like falling prices to slow U.S. shale production.

Furthermore, we observed that the world might have hit the bottom on crude prices. Ever since Saudi Arabia boosted production and cut prices in August, oil watchers have wondered how far crude could fall. This divination requires an understanding of geopolitics as much as economics because oil does not really trade on a free and transparent market. The price is based on how much oil the largest producers put on the market and at what price they want to charge, decisions often made by the cliques ruling Middle Eastern nations. Most members of the Organization of the Petroleum Exporting Countries rely on oil revenues to pay for government services, which can be very generous and expensive to maintain public support. The U.S. has nearly doubled oil and natural gas production since 2007, when drillers began perfecting shale wells with hydraulic fracturing. That has meant a dramatic cut in imports, which means more oil on the international market and more competition for customers. Saudi Arabia, which has traditionally modulated prices by expanding or contracting production, grew frustrated this year with other OPEC countries cheating on their quotas and with the Western Hemisphere's boost in production. Rather than cut production to keep prices high, Saudi Arabia decided to cut prices in hopes of retaining market share while curbing competition. The economics are becoming clear. The world's biggest producers will accept lower prices to force out competition, but keep them high enough to continue finding and producing more oil.

Moving into the last quarter of November, expectations of growing U.S. crude supplies sent world oil prices sliding to a new four-year low and are turning up the heat on OPEC members to cut production. The market is highly focused on whether members of the Organization of the Petroleum Exporting Countries will get over their differences and cut production. Saudi Arabia, the biggest producer, has indicated it does not want to go it alone with a production cut, and it has been adjusting its official selling price to maintain market share, particularly in Asia. Platts reported that OPEC pumped 30.3 million barrels a day in October, down from 30.6 million barrels in September. OPEC countries hold about 80 percent of the world's oil reserves, and OPEC produces about a third of the world's oil. U.S. oil production continues to grow, and has been averaging above 8.9 million barrels a day for the past month, close to the just more than 9 million barrels a day produced by Saudi Arabia.

Moreover, On the 7th March 2013 the Ministry of Mines and Energy appointed the Small Business Advisory Bureau (SABS) to conduct an investigation in order to determine the retail margin of petrol based on the Retail Margin Model, where the driveway related operating cost should be 80% of the gross profit for the year ending 28 February 2014.

Based on the results of the survey sample, the retail margin should, therefore, be adjusted with **7.000 cents per litre** to make provision for the theoretical shortfall (under recovery) occurred up to 28 February 2014. The adjustment is effective from the **3rd December 2014.**

The over-recoveries per product on the BFP import parity landed in Walvis Bay calculated as at 24 November 2014 are:

95 Octane Unleaded Petrol	-	**89.614 c/ℓ**
Diesel 0.05% S	-	**92.527 c/ℓ**
Diesel 0.005% S	-	**96.511 c/ℓ**

The present Walvis Bay petrol and diesel pump prices are high and are to be adjusted as follows:

95 Octane Unleaded Petrol	***- decreased by 50 c/l (retail)***
Diesel (all grades)	***- decreased by 50 c/l (wholesale)***

Thus, Walvis Bay pump prices will be:

95 Octane Unleaded Petrol	-	**N$ 11.19 per litre**
Diesel 500ppm	-	**N$ 11.62 per litre**
Diesel 50ppm	-	**N$ 11.72 per litre**

Petrol and diesel pump prices at various inland destinations countrywide will also be adjusted accordingly.

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