



REPUBLIC OF NAMIBIA

## MINISTRY OF MINES AND ENERGY

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28 January 2015

Ref: 10/5/4/2

### PRESS RELEASE

The Ministry of Mines and Energy has to announce that petrol and diesel pump prices for February will **decrease at 00h01 on Wednesday, the 4<sup>th</sup> February 2015.**

The global price of crude oil, which has been around US\$100 a barrel for the past 6 years has been collapsing and is now tending below US\$50. Many observers are trying to understand this rapid decrease and have proposed various explanations.

Of course, the ready explanation is simply in terms of supply and demand, but this does not fully explain the situation. The supply of oil has increased sharply in recent months, mainly because of the prolific production of shale oil in the United States, thanks to the technologies of fracking and horizontal drilling. In fact, the US is now the world's largest producer of crude oil and US imports of oil have dropped to the lowest level in 10 years.

At the same time, the demand for oil has not increased greatly, because of depressed economic conditions and the more efficient use in cars and trucks throughout the world. US imports peaked 10 years ago at 10 million barrels per day, and have been dropping rapidly. Chinese imports have been rising steadily and now exceed 5 million barrels per day.

One of the questions raised is why did Saudi Arabia, considered to be the linchpin of OPEC, permit the price to collapse. Clearly, it is not in their best economic interests, from a strictly profit-maximizing point of view. Obviously, there are political considerations involved, which override simple economics.

The general view is that Saudi Arabia is permitting the price to collapse in order to put pressure on their main competitors in the oil business. They are doing this by not cutting their production, willing to reduce profits in the short term. Russia is one of their competitors, and a major supporter of the

Alawite Syrian regime, anathema to orthodox Sunni Saudis. Russia, buffeted by sanctions imposed by the United States and Europe over her adventures in the Ukraine, is currently in bad economic shape and highly dependent on oil revenues and investments in oil exploration from outside companies. The same is true of Iran, a more immediate threat to Saudi Arabia. Shiite Iran also supports the Syrian regime and is feared to stir up anti-Saudi sentiment among the Shiites of the eastern Saudi oil-producing region. Allowing the price of oil to collapse fulfils certain political objectives for Saudi Arabia, which may improve its security.

Then there is the United States and Canada. Shale oil and tar sands are expensive to produce and cannot yield much of a profit if the price drops below US\$50. So letting the world price drop below US\$50 is yet another way of eliminating more Saudi competition.

Of course, at any time they wish, the Saudis can cut their production and thereby raise the world price, after they have halted their competitors. Once competition is brought under control, it can take years before production can be revved up again.

Last year TransNamib Holdings Ltd requested the Ministry of Mines and Energy to consider a fuel transport tariff adjustment as the cost of doing business have gone up. After the last fuel price review meeting, the Ministry has decided to **increase the fuel transport levy by 10 c/l** on all petroleum products. The adjustment is effective from the **4<sup>th</sup> February 2015**.

The over-recoveries per product on the BFP import parity landed in Walvis Bay calculated as at 23 January 2015 are:

<b>95 Octane Unleaded Petrol</b>	-	<b>172.716 c/l</b>
<b>Diesel 0.05% S</b>	-	<b>166.512 c/l</b>
<b>Diesel 0.005% S</b>	-	<b>197.728 c/l</b>

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

<b>95 Octane Unleaded Petrol</b>	- decreased by 1.00 c/l (retail)
<b>Diesel (all grades)</b>	- decreased by 1.20 c/l (wholesale)

Thus, Walvis Bay pump prices will be:

<b>95 Octane Unleaded Petrol</b>	- N\$ 9.59 per litre
<b>Diesel 500ppm</b>	- N\$ 9.82 per litre
<b>Diesel 50ppm</b>	- N\$ 9.92 per litre

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

Sincerely yours,



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2015 -01- 28	
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OFFICIAL	

**ISAK KATALI, MP**  
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