



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 May 2022 and wishes to inform the public as follows:

To assist a global economy reeling from the aftermath of the crisis in Ukraine and the associated rampant inflation, the Organisation of Petroleum Exporting Countries and other crude oil producers, informally known as OPEC+, is planning to further increase crude oil output by nearly 432 000 barrels per day in May 2022 after a meagre output increase of about 57 000 barrels per day in March 2022. OPEC+ is also showing a commitment towards gradually ensuring an equilibrium between global crude oil supply and demand in efforts to further make up for the output cuts imposed during the darkest days of the COVID-19 pandemic. The prices of crude oil have been steadily falling after the United States and other countries announced plans to aid supply by tapping from their strategic oil stock reserves. Crude oil prices, however, are still hovering above USD100 per barrel. In short, the global oil market continues to face many uncertainties in the coming months.

The latest calculations by the Ministry indicate that the average price for Unleaded Petrol 95 over the period 1-25 April 2022 is USD125.034 per barrel (*compared to USD129.370 per barrel at the end of March 2022*), a decrease of about USD4 over the review period. Additionally, the average price for Diesel 50ppm over the period 1-25 April 2022 is USD148.788 per barrel (*compared to USD145.681 per barrel at the end of March 2022*), a moderate increase of about USD3 per barrel over the review period. Even before the Ukraine crisis broke out, diesel fuel was already in short supply due to a drop in global refining capacity. It is mainly this shortage coupled with the ongoing geopolitical tensions that has kept Diesel prices at record levels to this date. In addition, shipping costs are also on the upward trajectory following the bans imposed on the fleets of the Russian Federation.

Furthermore, the exchange rate figures for the period 1-25 April 2022 indicate that the NAD has recorded another slight appreciation against the USD at N\$14.8382 per USD (compared to N\$14.9549 per USD at the end of March 2022). This slight appreciation is, however, not very significant to the bottom line.

Therefore, after entering the above input factors into the fuel pricing model, the Ministry recorded a combination of over and under-recoveries on the two respective products, namely an over-recovery of 31 cents per litre on petrol and an under-recovery of 92 cents per litre on diesel.

Additionally, the Ministry has concluded its consultations 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. To that end, Cabinet has approved the Ministry's recommendation for a temporary reduction of levies imposed on fuel on all products for a period of 3 months (May to July) by 50%. Namely, the Road User Charges (from 148 to 74 cents per litre), the Fuel Levy (from 90 to 45 cents per litre), the NAMCOR Levy (from 7.6 to 3.8 cents per litre) and also reduce the MVA Levy by 25% (from 50.3 to 37.725 cents per litre).

The approved reduction in the levies amounts to 135.375 cents per litre on each of the two products and based on the monthly fuel consumption level of about 89 million litres. The reduction of the levies amounts to about N\$120.4 million per month in savings to the fuel consumer at the macroeconomic level. The forthcoming reduction of the levies also entails that the over-recovery on petrol of 31 cents per litre, and the under-recovery on diesel of 92 cents per litre, are each supported by an extra surplus of 135.375 cents per litre on each product.

The Ministry, while also accounting for the over-recovery of 31 cents per litre on petrol, has resolved to allocate the extra surplus of 135.375 cents per litre as follows **in terms of the price of Unleaded Petrol 95:**

- Allocate 42.575 cents per litre towards increasing the fuel equalization levy from 30.4 cents per litre to 72.975 cents per litre. This allocation is required to financially strengthen and further capacitate the National Energy Fund to ensure security of fuel supply to the country. This allocation is also expected to boost the NEF collection to about N\$21.1 million per month from the sale of petrol for slate equalization purposes.

- Allocate 120 cents per litre towards decreasing the petrol prices.

The Ministry, while also accounting for the under-recovery of 92 cents per litre on diesel, resolved to allocate the extra surplus of 135.375 cents per litre as follows **in terms of the price of Diesel 50ppm:**

- Allocate 12.575 cents per litre towards increasing the fuel equalization levy from 34.4 cents per litre to 46.975 cents per litre. This allocation is also required to financially strengthen and further capacitate the National Energy Fund to ensure security of fuel supply to the country. This allocation is further expected to boost the NEF collection to about N\$28.1 million per month from the sale of diesel for slate equalization purposes.
- Allocate 30 cents per litre towards decreasing the diesel prices.

The adjustments outlined above simply mean that the **petrol prices will decrease by 120 cents per litre** and the **diesel prices will decrease by 30 cents per litre**. The new fuel prices in Walvis Bay will thus become **N\$17.90** per litre for petrol and **N\$19.93** per litre for diesel. The fuel prices across the rest of the country will also be adjusted accordingly. These adjustments will become effective at **00h01 on 5th May 2022**, because the 4th May is a public holiday.

Moreover, it must be noted that the National Energy Fund (NEF) will cover the entirety of the under-recoveries recorded between 1-30 April 2022 on behalf of fuel consumers through the fuel equalization levy. This amounts to approximately N\$51.5 million.

In conclusion, the Ministry wishes to inform the public that it will continue to keep a close eye on the developments in the global oil market and continue to make decisions that are in the best interest of the Namibian fuel consumer(s).

Ends

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