REPUBLIC OF NAMIBIA

MINISTRY OF MINES AND ENERGY

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FUEL MEDIA RELEASE

A sizeable amount of global oil output is used in transportation, by either road, rail or air. Currently, the global transport network has been disrupted and has come to a standstill due to the Covid-19 pandemic. As a result, demand for oil around the world is significantly depressed against a huge supply of oil in storage, which the world does not need right now.

This imbalance between demand and supply led to the collapse of global oil prices, much worse in the US where the futures for one of the oil price benchmarks, Western Texas Intermediate (WTI) went below zero for the first time in history. Brent crude, our price benchmark has not been spared as it culminated into sharp falls in refined oil from a monthly average of US$35 and US$43 per barrel for petrol and diesel, respectively in March. The decrease continued to an average of US$22 and US$29 per barrel of petrol and diesel, respectively in April 2020.

A fall in the prices of oil was accompanied by a sharp depreciation in the exchange rate between the Namibia Dollar against the US Dollar which could potentially offset the benefits of a decline in oil prices. However, the impact of the fall in oil prices was larger than the depreciation in the local currency. The local currency depreciated from an average of N$16.60 in March to a monthly average of N$19.00 in April 2020. Filtered through the local market, both petrol and diesel recorded huge over-recoveries.

Like all other sectors of the economy, our local oil industry (*both bulk importers and fuel retailers*) are negatively affected by the national lockdown to curb the spread of Covid-19. Local demand for fuel has dropped significantly to a point where bulk fuel importers are only selling a fraction of what they usually sell and some retailers' sales are close to nothing depending on their location.

The latest Petroleum Activities Report (PAR), which determines the annual return on investment of the bulk oil importers, revealed that oil companies are currently recouping less than they should on their investment. It is for that reason that the Ministry has decided to grant a **7 c/l** increase on the **Industry Margin**. Furthermore, the Ministry has also decided to give a temporary increase in the **Dealer Margin** (*service station owners' profit margin*) of **50 c/l** for three months (**May, June, & July**) subject to monthly reviews to help the retailers get back on their feet. The aforementioned adjustments will be effective from **6th of May 2020**.

The over-recoveries per product on the Basic Fuel Price (BFP) import parity landed in Walvis Bay as calculated at 25 April 2020 are indicated below:

95 Octane Unleaded Petrol	-	**202.078 c/ℓ**
Diesel 50ppm	-	**180.234 c/ℓ**

It is for the abovementioned over-recoveries and reasons that the Ministry has decided to review the May 2020, fuel pump prices as follows:

95 Octane Unleaded Petrol	***- Decrease by 100 c/l***
Diesel 50 PPM	***- Decrease by 100 c/l***
Effective Date (for both grades)	***- 6th of May 2020***

Fuel pump prices in Walvis Bay will be reviewed as follows:

95 Octane Unleaded Petrol	-	**N$ 10.35 per liter**
Diesel 50ppm	-	**N$ 11.13 per liter**

Fuel pump prices for May countrywide will be adjusted accordingly.

Sincerely yours,

MINISTRY OF MINES AND ENERGY
OFFICE OF THE MINISTER
2020
PRIVATE BAG 13297, WINDHOEK
OFFICIAL

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TOM ALWEENDO, MP
MINISTER