



REPUBLIC OF NAMIBIA

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## MINISTRY OF MINES AND ENERGY

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### PRESS 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 7<sup>th</sup> January 2015.**

When the price of oil falls consistently, that is a sign that economic activity is slowing down.

During the middle of December, oil traded at below US\$60 a barrel and has been dropping for nearly six months. This is a drastic difference from June, when oil was nearly trading at US\$110 a barrel. OPEC announced at the end of November that it would not cut the official production target of 30 million barrels a day, about a third of which comes from Saudi Arabia, and that has put immediate pressure on the price of crude causing it to drop to below US\$70 a barrel during the first quarter of December. Saudi production is probably among the cheapest in the world and the government has banked a large fortune in oil riches that will help the Kingdom ride out the current low prices. The lower price produces a bigger impact on other OPEC members particularly Venezuela, Angola, and Algeria. All of them have been vocal about cutting production to raise prices.

The Saudis and OPEC no longer have the amount of influence they once had in the oil markets. For at least 20 years, the Saudis have been the major producers, able to turn the oil tap on and off to meet rises and falls in demand. This is no longer the case. The boom in U.S. production due to horizontal drilling and fracking has essentially awarded the title of major producer to the U.S. and currently, the falling price of crude has had no impact on U.S. production. Russia's state controlled oil giant Rosneft announced that the country will not cut production, at least not immediately, because the current oil price is not damaging. The Saudis will not cut production, at least not yet, and the other members of OPEC will have to tag along.

In light of the current global situation, demand for crude is declining for a number of reasons. In the developed world, new vehicle fuels efficiency ratings have improved and demand for motor fuel has declined. Driving habits have also changed since the price spikes in the middle of the last decade. In the emerging economies of the world, demand has fallen as growth has slowed in China, Brazil, and elsewhere. Globally there is also the increasing focus on climate change and the damage to the planet caused by carbon dioxide emissions.

Crude prices will have to rise again as exploration and development slow down because low prices cut off capital funding. Gradually, supply will drop below demand and prices will begin to rise again. How far it will go and how fast it will happen remain the big questions.

The over-recoveries per product on the BFP import parity landed in Walvis Bay calculated as at 19 December 2014 are:

<b>95 Octane Unleaded Petrol</b>	-	<b>117.999 c/l</b>
<b>Diesel 0.05% S</b>	-	<b>104.731 c/l</b>
<b>Diesel 0.005% S</b>	-	<b>109.500 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>	- <b>decreased by 60 c/l (retail)</b>
<b>Diesel (all grades)</b>	- <b>decreased by 60 c/l (wholesale)</b>

Thus, Walvis Bay pump prices will be:

<b>95 Octane Unleaded Petrol</b>	-	<b>N\$ 10.59 per litre</b>
<b>Diesel 500ppm</b>	-	<b>N\$ 11.02 per litre</b>
<b>Diesel 50ppm</b>	-	<b>N\$ 11.12 per litre</b>

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

Sincerely yours,

  
ISAK KATALI, MP  
MINISTER

