



**MEDIA STATEMENT ON THE FUEL PRICE REVIEW**

**BY**

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**04 SEPTEMBER 2018**

1. Over the past few weeks the Ministry of Mines and Energy has been inundated with enquiries from the general public raising concerns over the fuel price increases. The Ministry of Mines and Energy would therefore like to take this opportunity to clarify to the public why the fuel prices had to be adjusted with increases in the past few months. Furthermore, the Ministry would like to inform the members of the public what the Namibian government has been doing to soften the impact of fuel prices swings to the consumers.
2. The Petroleum Products and Energy Act 13 of 1990, Section 2 (1) (c) mandates the Minister of Mines and Energy, "to prescribe the price, maximum or minimum price, at which petroleum products may be sold or determine that such products may be sold without any restriction being applicable in relation to the selling price thereof".
3. As we all know, Namibia imports 100% of all petroleum products requirements from South Africa and some international markets. Namibia is not able to procure oil from Angola because of the difference in fuel specifications and standards. For example, Angola sells a diesel 2000 ppm while Namibia sells diesel 50ppm and 500ppm, which will be phased out by the 31 December 2018.
4. It is important to note that the price of petroleum products are regulated. The Ministry of Mines and Energy has the responsibility to adjust fuel prices every month with the aim of ensuring that consumers are charged the actual fuel costs.

5. The grounds on which local fuel pump prices are reviewed monthly are as follows: in the case where the import cost on the prevailing local pump prices are lower than the price, per litre, at which bulk importers brought from international markets, the need to increase fuel pump price arises. Equally, if the import cost on the prevailing local pump prices are higher than the price, per litre, at which bulk importers brought from international markets, the need to decrease fuel pump price arises.
  
6. The value of the adjustment is done with the assessment of the National Energy Fund (NEF) account balance. The mandate of the NEF among others is **Energy Price Equalization**. Energy Price Equalization is a mechanism that ensure that sharp increase in oil prices do not have a significant (dismal) effect on Namibian consumers. When the fund has a healthy account balance, it is therefore utilized to absorb more than half of the costs incurred during the period under review shielding consumers from the effect of increasing the fuel pump price by a larger margin.

**It is significant to note, that for the September month alone, more than 80 c/l difference in import cost on the prevailing price was recorded on all products. That means Government through the NEF assisted cushioning the impact of fuel price increase to consumers by paying more than half of the under-recoveries recorded. By increasing the pump price by only 40 c/l on all products, the NEF is going to pay N\$ 59 million on behalf of consumers.**

**NB:** There is a noticeable increase in the **cents per litre** paid by NEF on behalf of consumers by this year from April to July, the NEF has paid over **N\$ 320 Million** to subsidize oil costs.

7. The fuel pump price is comprised of the cost of importing fuel to Namibia and the following levies:

- **Customs & Excise Duty** – this levy is paid as import duties as a source of government revenue.
- **NEF Fuel Levy** – this levy is comprised of the slate account money used to offset fuel price to consumers, the strategic storage levy that funded the construction of the storage facility and the fuel marking used to mark fuel used in Namibia to prevent adulteration and illegal fuel from other countries.
- **Road User Charge** – this levy goes to the Road Fund Administration and used to pay for road constructions, maintenance and repair
- **Fuel Tax** – this is a tax paid to the Ministry of Finance as part of government revenue collection. This money is used to provide social services to the Namibian nation.
- **MVA Levy** – this levy is for the Motor Vehicle Accident Fund, mainly used to pay for victims of road clashes and conduct road awareness campaigns.

**Factors that influences global oil price include;**

- Increase in international crude price
- Exchange rate
- Demand and supply

- Political instability in oil producing countries/nations

8. However, for the latest review, the exchange rate has contributed greatly. In addition, the crisis in Libya as one of the oil producing country also led to the decrease in supply and in turn contributing to the increase in crude price.

In an effort to discover and produce our own crude oil in Namibia, the Ministry is increasing exploration efforts to ensure the location of this natural resource on the Namibia continental shelf.


9. The Ministry of Mines and Energy is very pleased to announce that early this morning Tullow Oil and its joint venture partners started drilling the Cormorant well offshore Namibia.

10. The well will test the oil potential of Namibia and the Ministry is hopeful that it will be a discovery. Drilling and evaluation of the well is expected to take about 34 days. The Ministry is actively participating and monitoring the drilling campaign and will announce the drilling results upon well completion. Let us all hope and pray for the best.

11. In conclusion, the Ministry of Mines and Energy continues to monitor oil prices in the international market to inform our fuel price analysis ensuring that consumers area not negatively affected by fuel price adjustments.

12. The Ministry of Mines and Energy would like to thank our friends the Media for attending to our call with the hope that this message will reach the consumers as indicated in this statement.

**I thank you**



**Kornelia Shilunga, MP**  
**Deputy Minister**  
**Ministry of Mines and Energy**