



REPUBLIC OF NAMIBIA

MINISTRY OF MINES AND ENERGY

Tel.: +264 61 284-8318/ 8308
Fax: +264 61 284-8363
E-mail: Officeoftheminister@mme.gov.na
Website: www.mme.gov.na

OFFICE OF THE MINISTER

6 Aviation Road
Private Bag 13297
WINDHOEK

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MEDIA RELEASE

Fuel is traded using USDs (United States Dollars) throughout the international market (e.g. Singapore, Arab Gulf, and Mediterranean). Therefore, there is a need for Namibian bulk importers (fuel wholesalers) to convert Namibian Dollars (N\$) into USDs to enable them to import fuel products (e.g. petrol and diesel). This review is based on the trading cycle between April 26th and May 24th.

The average exchange rate between the two currencies (N\$ and USD) for the trading cycle under review is: **N\$ 14.3518 per USD.**

In contrast, the average exchange rate for April 2019 as a full month was: N\$ 14.1400 per USD. Therefore, the latest figure of N\$ 14.3518 per USD indicates that the Namibian Dollar has depreciated (lost value) against the United States Dollar, i.e. it has become expensive or it costs more to import fuel into Namibia.

The exchange rate can be affected by a host of factors such as inflation rates, interest rates, Namibia's current account/balance of payments, Government debt, terms of trade, political stability, performance, recession, and financial market speculation, etc.

In international markets, fuel is traded (bought/sold) in quantities of barrels. One barrel is approximately equal to 159 litres. For the trading cycle under review, one barrel of Unleaded Petrol 95 (ULP95) traded at an average price of **USD 79.101 or N\$ 1135.24** and one barrel of Diesel 50ppm is traded at an average price of **USD 83.430 or N\$ 1197.37.**

The average barrel prices recorded for April 2019 as a full month were: USD 80.725 or N\$ 1141.45 for ULP95 and USD 82.738 or N\$ 1169.92 for Diesel 50ppm. This indicates that the average barrel prices have remained relatively stable over May 2019.

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Barrel prices for refined fuel are determined by demand and supply factors mainly affecting the Organization of Petroleum Exporting Countries (OPEC) such as the cost of production, competition, profits, geopolitics, etc.

The local fuel market operates on a cost recovery model, i.e. the suppliers of fuel products must recover the full cost of supplying fuel to local consumers. Every month, the Government sets fuel pump prices based on the latest market indicators in order to ensure that fuel suppliers recover the cost of supplying fuel to Namibia. An **under-recovery** indicates that the suppliers have traded below the full cost of supply while an **over-recovery** indicates that suppliers have traded above the cost of supply. The idea is, thus, for the Government to keep the prices paid at the pumps equal to the actual cost of supply.

The Dealer Margin Survey Report was recently compiled and submitted to the Ministry for consideration. This survey investigates the activities of fuel service stations (dealers). The results of the report indicated that, on average, the fuel dealers are failing to run their businesses profitably due to inflation and other cost factors. Since the fuel dealers operate in a price controlled market, the Government is obliged to review their margin from time to time and adjust it accordingly. Guided by the results of the report and other technical considerations such as the general inflation rate. The Ministry has resolved to **increase** the Dealer Margin by **6 cents per litre** from **100 cents per litre to 106 cents per litre** on all controlled products effective 5th of June 2019.

In line with the fuel pricing formula agreed between the Government and the local oil industry, the results for the trading cycle under review indicate that fuel suppliers are still trading below the cost of supply.

The over/(under)-recoveries per product on the Basic Fuel Price (BFP) import parity landed in Walvis Bay calculated as at **24 May 2019** are indicated below:

| | | |
|----------------------------------|---|---------------------|
| 95 Octane Unleaded Petrol | - | (51.802) c/ℓ |
| Diesel 50ppm | - | (41.790) c/ℓ |

Based on the market indicators outlined above, and based on the under-recoveries recorded during the trading cycle under review, the Ministry announces that the fuel pump prices for **June 2019 will increase by 30 c/l on all controlled products**, Unleaded Petrol 95 and Diesel 50ppm, **effective 5th June 2019**. Included in the 30 cents per litre adjustments is 6 cents per litre for the Dealer Margin.

Therefore, fuel pump prices in Walvis Bay will become:

| | | |
|----------------------------------|---|----------------------------|
| 95 Octane Unleaded Petrol | - | N\$ 13.05 per liter |
| Diesel 50ppm | - | N\$ 13.63 per liter |

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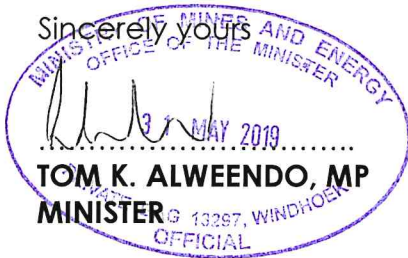
This also means that fuel pump prices countrywide will be adjusted accordingly.

The decision taken above indicates, that the Ministry will not pass on the full under-recoveries to the consumers at the pumps. This means that the remaining portions of the under-recoveries will be paid to the oil companies from the coffers of the NEF on behalf of consumers. This is in line with one of the main roles of the NEF, i.e. to stabilize fuel pump prices.

It should however, be recalled that the final under-recoveries recorded at the end of April 2019 were not fully passed on-to-consumer(s) and as a result, the NEF absorbed about **N\$ 112 million on behalf of consumers** in under-recoveries during the last trading cycle alone.

The Government would further like to reassure the public that it is committed to maintaining a stable fuel pricing framework which reflects market realities.

Sincerely yours



3 MAY 2019

TOM K. ALWEENDO, MP
MINISTER

OFFICIAL