

**MEDIA STATEMENT - FOR RELEASE ON 02 JANUARY 2009**

**RELEASED ON BEHALF OF THE DEPARTMENT OF MINERALS AND ENERGY**

**ENQUIRIES: MR B KHUMALO, DEPARTMENT OF MINERALS AND ENERGY**

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**1. ADJUSTMENT TO THE FUEL PRICE: WEDNESDAY, 07 JANUARY 2009**

Product:

Petrol 91 ULP	137.000	cents per litre decrease in retail price
Petrol 93 ULP & LRP	136.000	cents per litre decrease in retail price
Petrol 95 ULP & LRP	134.000	cents per litre decrease in retail price
Diesel 0.05% Sulphur	167.950	cents per litre decrease in wholesale price
Diesel 0.005% Sulphur	165.950	cents per litre decrease in wholesale price
Illuminating Paraffin (Wholesale)	131.300	cents per litre decrease in wholesale price
Illuminating Paraffin (SMNRP)	175.000	c/l decrease in the Single Maximum National Retail price (SMNRP)

**2. ECONOMIC FACTORS AFFECTING THE UNIT OVER/UNDER-RECOVERIES FOR THE PERIOD 28 NOVEMBER 2008 TO 01 JANUARY 2009**

During the period under review, the average international product prices of Petrol, Diesel and Illuminating Paraffin decreased.

The average Rand/US Dollar exchange rate strengthened when compared to the previous period. The average Rand/US Dollar exchange rate for the period 28 November 2008 to 01 January 2009 was 9.9518 compared to 10.1823 during the previous period.

**3. IMPLEMENTATION OF A SELF-ADJUSTING SLATE MECHANISM (SSLM) AND REVISED WORKING RULES TO ADMINISTER THE BASIC FUEL PRICE**

The Slate levy on petrol and diesel is utilised to finance the cumulative under recovery (negative Slate Account) realised on petrol and diesel sales by the oil industry. Income generated from the Slate levy and unit over recoveries realised on petrol and diesel since August 2008, completely wiped-out the negative Cumulative under recovery balance of some R7,000.00 million. At the end of November 2008, the balance in the Slate Account was positive. The Minister of Minerals and Energy approved the implementation of a Self-Adjusting Slate Levy Mechanism (SSLM) with effect from 1 January 2009. Based on this SSLM the Slate levy on petrol and diesel will be decreased from 44.85 c/l to 0.0 c/l with effect from 7 January 2008 whereafter the Slate levy will be adjusted in line with the SSLM Rules.

A copy of the SSLM Rules is attached hereto and can also be obtained from the Department of Minerals and Energy's website: [www.dme.gov.za](http://www.dme.gov.za) from 7 January 2009.

The Working Rules to administer the Basic Fuels Price (BFP) was revised to accommodate the following two changes, namely:

(a) the termination of the addition/subtracting of the additional 1.0 c/l to cater for the status of the Slate Account balance; and

(b) the termination of the diesel (0.2% sulphur) prices quoted by Platts (a price reporting agency) at the Mediterranean refining centre and the replacement thereof by diesel (0.1% sulphur) with effect from 1 January 2009.

A copy of the SSLM Rules and the revised Working Rules can be obtained from the Department of Minerals and Energy's website: [www.dme.gov.za](http://www.dme.gov.za) from 7 January 2009.

#### **4. IMPLEMENTATION OF A REVISED MAGISTERIAL DISTRICT ZONE SYSTEM**

The Department of Minerals and Energy, in consultation with the South African Petroleum Industry Association (SAPIA) and Transnet, completed a revision of the Magisterial District Zone (MDZ) System which is used to set transport tariffs in the regulated fuel price structures. The Minister of Minerals and Energy has approved the implementation of the Revised MDZ System with effect from 7 January 2009. The implementation of the Revised MDZ System will bring about transport tariff increases in the prices of petrol, diesel and illuminating paraffin in all the fuel pricing zones. The magnitude of these transport tariff increases will differ between fuel pricing zones and the price decreases to be effected on 7 January 2009 will therefore be different between similar petrol octane grades, diesel grades and illuminating paraffin. An example of 95 Unleaded Petrol price decreases in three different fuel pricing zones are reflected hereunder:

<b>Fuel Price element</b>	<b>Zone 1A (Coast)</b>	<b>Zone 9C (Gauteng)</b>	<b>Zone 19A (Gordonia)</b>
Decrease in BFP	91.000	91.000	91.000
Termination of Slate Levy	44.850	44.850	44.850
Increase in Zone Differential	-0.500	-0.900	-26.100
Rounding	-0.350	-0.950	0.250
<b>NET PRICE DECREASE</b>	<b>135.000</b>	<b>134.000</b>	<b>110.000</b>

The Revised MDZ System and new transport tariffs by zone can be obtained from the Department of Minerals and Energy's website: [www.dme.gov.za](http://www.dme.gov.za) from 7 January 2009.

#### **5. SINGLE MAXIMUM NATIONAL RETAIL PRICE FOR ILLUMINATING PARAFFIN (SMNRP)**

The Minister of Minerals and Energy has approved the implementation of a Single Maximum National Retail Price for Illuminating Paraffin with effect from 2 April 2003. The Single Maximum National Retail Price for Illuminating Paraffin will change on a monthly basis from the first Wednesday of each month and will also be promulgated in the Government Gazette. The Single Maximum National Retail Price with effect from 7 January 2009 to 3 February 2009 will be 648,0 c/l compared to 823,0 c/l from 3 December 2008 to 6 January 2009, that is a decrease of 175,00c/l.

#### **6. MAXIMUM LPGAS REFINERY GATE PRICE**

The maximum refinery gate price will be R 3 739.74 per metric ton (207.55 c/l) for the period 7 January 2009 to 3 February 2009.

## 7. PRICE ADJUSTMENT

In terms of the agreed mechanism:

- (a) Price changes are adjusted in such a manner that the over-or under-recovery during the prior month will be corrected in the following month; and
- (b) The unit over- or under-recoveries are rounded up or down to the nearest full cent so that the effect of rounding contributes to the clearing of the cumulative balance of the individual products on the slate.

With effect from 3 March 1999 an additional mechanism has been approved by the Minister of Minerals and Energy, intended to assist in management of cumulative slate balances and which operates as follows:

Should the cumulative individual slate balances (positive or negative) exceed R10 million for petrol, R5 million for diesel, or R1 million for illuminating paraffin, an additional 1.0 cent per litre will be added or subtracted to the price as determined in (a) and (b) above, depending on the status of the individual slate balances.

## 8. BREAKDOWN OF PRICE ADJUSTMENT

Petrol ULP	95	Diesel 0.05(%)	Diesel 0.005(%)	Illuminating Paraffin
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### The price adjustments in (1) above are based on the following actual data:

Average product over/(under)-recovery, measured for the 25 days from 28/11/2008 to 01/01/2009 (cents / litre) as detailed below.

89.705	122.608	120.660	138.361
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Cumulative positive/(negative) slate balances end of November 2008 (R-million)

1 575.740	130.857	130.857	( 126.749)
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### The price adjustments consist of the following elements:

Average product over/(under)-recovery rounded to the nearest full cent for price (increase) / decrease

<u>c/l</u>	<u>c/l</u>	<u>c/l</u>	<u>c/l</u>
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90.000	123.000	121.000	138.000
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One cent / litre added or subtracted depending on cumulative slate balance in terms of additional mechanism

1.000	1.000	1.000	( 1.000)
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Termination off Slate Levy

44.850	44.850	44.850	
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Increase in Transport Cost (Zone 9C Only)

( 0.900)	( 0.900)	( 0.900)	( 5.700)
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Rounding

( 0.950)			
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### Total price (increase) / decrease

<b>134.000</b>	<b>167.950</b>	<b>165.950</b>	<b>131.300</b>
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## 9. REPORT OF THE INDEPENDENT AUDITORS

The report of the independent auditors is available on request.

###### 10. ANALYSIS OF THE ELEMENTS THAT RESULTED IN THE OVER/(UNDER)-RECOVERIES

The over/(under)-recoveries for the period under review were affected by the factors set out below, which can be quantified as follows:

	Petrol c/l	** Diesel 0.05% c/l	** Diesel 0.005% c/l	illuminating Paraffin c/l
<b>Movements in external factors</b>				
Movement in International Product Prices	82.870	112.583	110.422	128.799
Movement in Exchange Rate	6.834	10.024	10.238	9.562
<b>Over/(under)-recovery for the period 28/11/2008 to 01/01/2009</b>	<b>89.705</b>	<b>122.608</b>	<b>120.660</b>	<b>138.361</b>

###### 11. ANNEXURE

The annexure attached contains details of the composition of product prices as well as history of the price changes.

## ANNEXURE 1

### COMPOSITION OF THE RETAIL PRICE OF PETROL AND THE WHOLESALE PRICES FOR DIESEL AND IP IN GAUTENG FOR THE PERIOD 07/01/2009 TO 03/02/2009 WILL BE AS FOLLOWS:

	Petrol 95 ULP c/l	Petrol 93 ULP & LRP c/l	Petrol 91 ULP c/l	Diesel * 0.05% S c/l	Diesel * 0.005% S c/l	illuminating Paraffin c/l
Wholesale margin	44.887	44.668	44.449	44.660	44.660	44.872
Service cost recoveries	9.500	9.500	9.500	9.500	9.500	16.900
Storage, handling & delivery costs	9.500	9.500	9.500	9.500	9.500	9.500
Distribution cost	0	0	0	0	0	7.400
Dealers margin	67.300	67.300	67.300	0	0	0
Zone differential in Gauteng	15.400	15.400	15.400	15.400	15.400	29.800
IP Tracer levy	0	0	0	0.010	0.010	0
Fuel levy	127.000	127.000	127.000	111.000	111.000	0
Customs & excise duty	4.000	4.000	4.000	4.000	4.000	0
RAF levy	46.500	46.500	46.500	46.500	46.500	0
Petroleum Products levy	0.150	0.150	0.150	0.150	0.150	0
Slate levy	0.000	0.000	0.000	0.000	0.000	0.000
DSML	10.000	0.000	0.000	0.000	0.000	0.000
Equalisation Fund Levy	0.000	0.000	0.000	0.000	0.000	0.000
Incremental Inland Transport Recovery levy	1.500	1.500	1.500	1.500	1.500	
Sub-total	326.237	316.018	315.799	232.720	232.720	91.572
<u>Contribution to the Basic Fuel Price</u>	<u>274.763</u>	<u>265.982</u>	<u>257.201</u>	<u>421.630</u>	<u>431.030</u>	<u>405.128</u>
<u>Retail Price</u>	<u>601.00</u>	<u>582.00</u>	<u>573.00</u>			
<u>Wholesale price</u>				<u>654.35</u>	<u>663.75</u>	<u>496.70</u>

(\*) The wholesale price of diesel is regulated, but not the retail price

**STATISTICS OF PRICE CHANGES**

<u>Effective from:</u>	Petrol 95 ULP		Diesel		Illuminating Paraffin	
	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l	Gauteng SA c/l	Coast SA c/l
	From 4 January 2006 0,05% Sulphur					
03-May-06	612.00	588.00	<b>571.10</b>	<b>557.50</b>	432.20	409.20
07-Jun-06	648.00	624.00	<b>600.10</b>	<b>586.50</b>	452.20	429.20
05-Jul-06	673.00	649.00	<b>632.10</b>	<b>618.50</b>	488.20	465.20
02-Aug-06	704.00	680.00	<b>654.10</b>	<b>640.50</b>	509.20	486.20
06-Sep-06	668.00	644.00	<b>629.10</b>	<b>615.50</b>	504.20	481.20
04-Oct-06	618.00	594.00	<b>595.10</b>	<b>581.50</b>	482.20	459.20
01-Nov-06	597.00	573.00	<b>593.10</b>	<b>579.50</b>	469.20	446.20
06-Dec-06	590.00	566.00	<b>568.10</b>	<b>554.50</b>	444.20	421.20
03-Jan-07	598.00	574.00	<b>551.10</b>	<b>537.50</b>	447.20	424.20
07-Feb-07	575.00	551.00	<b>542.10</b>	<b>528.50</b>	421.20	398.20
07-Mar-07	599.00	575.00	<b>552.10</b>	<b>538.50</b>	431.20	408.20
04-Apr-07	667.00	643.00	<b>590.10</b>	<b>576.50</b>	462.10	438.20
02-May-07	701.00	677.00	<b>620.30</b>	<b>606.50</b>	480.10	456.20
06-Jun-07	724.00	700.00	<b>625.30</b>	<b>611.50</b>	482.10	458.20
04-Jul-07	716.00	692.00	<b>636.30</b>	<b>622.50</b>	499.10	475.20
01-Aug-07	701.00	677.00	<b>651.30</b>	<b>637.50</b>	506.10	482.20
05-Sep-07	691.00	667.00	<b>656.30</b>	<b>642.50</b>	506.10	482.20
03-Oct-07	701.00	677.00	<b>679.30</b>	<b>665.50</b>	519.10	495.20
07-Nov-07	704.00	680.00	<b>673.30</b>	<b>659.50</b>	529.10	505.20
05-Dec-07	747.00	723.00	<b>724.30</b>	<b>710.50</b>	587.10	563.20
02-Jan-08	747.00	723.00	<b>725.30</b>	<b>711.50</b>	578.10	554.20
06-Feb-08	764.00	740.00	<b>732.30</b>	<b>718.50</b>	580.10	556.20
05-Mar-08	825.00	801.00	<b>810.30</b>	<b>796.50</b>	656.10	632.20
02-Apr-08	891.00	867.00	<b>938.30</b>	<b>924.50</b>	774.10	750.20
07-May-08	946.00	922.00	<b>1 009.30</b>	<b>995.50</b>	829.60	805.70
04-Jun-08	996.00	972.00	<b>1 080.30</b>	<b>1 066.50</b>	900.60	876.70
02-Jul-08	1 070.00	1 040.00	<b>1 143.30</b>	<b>1 129.50</b>	949.60	925.70
06-Aug-08	1 040.00	1 010.00	<b>1 127.30</b>	<b>1 113.50</b>	953.00	929.10
03-Sep-08	966.00	942.00	<b>983.30</b>	<b>969.50</b>	807.00	783.10
01-Oct-08	941.00	917.00	<b>927.30</b>	<b>913.50</b>	742.00	718.10
05-Nov-08	896.00	872.00	<b>903.30</b>	<b>889.50</b>	703.00	679.10
03-Dec-08	735.00	711.00	<b>822.30</b>	<b>808.50</b>	628.00	604.10
07-Jan-09	601.00	577.00	<b>654.35</b>	<b>639.65</b>	496.70	472.80