



## **Media Statement**

**Issued on 30 August 2013**

### **FUEL PRICE INCREASES TO BE EFFECTED ON 04 SEPTEMBER 2013**

#### **1. Introduction**

The August fuel price review window closed on the 29<sup>th</sup> of August 2013 and the fuel price adjustments will be effected on Wednesday, 04 September 2013. Prices of all grades of petrol will decrease whilst that of diesel, IP and LPGas will increase.

#### **2. Factors influencing the fuel price**

##### **2.1 Developments in the Crude oil market**

**2.1.1** The average Brent crude oil price increased from USD 108.50 per barrel (bbl.) to around USD 110.00 per barrel during the review period. The upward price movement in Brent crude oil prices were mainly driven by the tensions in the Middle East. The violence in Egypt threatened the disruption of flow of crude oil to the Suez Canal, which is an important supply route for the Middle Eastern crude oil. In Libya, production of crude oil fell due to disruptions in some fields while the Ras Lanuf terminal remained shut until mid-August due to labour unrest.

**2.1.2** Better than expected economic data from the United States of America (USA) and China, the two largest consumers of crude oil, continued to raise prospects for improved global oil demand.

##### **2.2 Prices of International petroleum products**

2.2.1 The international petroleum product prices increased mainly because the international crude oil price has also been on the increase. On Petrol, the US refineries registered better than expected performances and the anticipated US demand for the European petrol did not materialise. This resulted in the market experiencing an oversupply of petrol, which has contributed to the current decline in the prices.

### 3. The Rand / US Dollar exchange rate

The weaker Rand/US Dollar exchange rate for the period influenced the Basic Fuel Price negatively. The average rand/ dollar exchange rate moved from USD1=R9.9348 to USD = R10.08. The deterioration of the Rand-value against the US Dollar is mainly attributed to foreign investment flows away from emerging markets. This is on the back of potential tapering of the US Federal Reserve's monthly asset purchases prompting an upward trajectory for US interest rates. Uncertainty with regards to the outcome of the wage negotiations in South Africa has also had a negative impact on the currency.

### 4. Adjustment to the Slate Levy on petrol and diesel

4.1 In line with the Self-Adjusting Slate Levy Mechanism, the Slate Levy on petrol and diesel will be decreased by 2.18 c/l from 17.54 c/l to 15.36 c/l with effect from 04 September 2013.

### 5. Fuel price adjustments

5.1 Based on the average unit over/under recoveries realised in the current fuel price review period and the reduction in the Slate Levy of 2.18 c/l on petrol and diesel, the following fuel price **adjustments** will be affected on 04 September 2013, namely:

- Petrol (all grades): .5.0 c/l **decrease**;
- Diesel (0.05% Sulphur): 13.820 c/l **increase**;
- Diesel (0.005% Sulphur): 14.820 c/l **increase**;
- Illuminating Paraffin (wholesale) : .25.0 c/l **increase**;

- SMNRP for IP: .33.0 c/l **increase**; and
- Maximum Retail Price for LPGas: .9.0 c/kg **increase**.

### **Conclusion**

The Department remains concerned about the outlook for the upcoming review period. This concern is mainly driven by the escalating tension in the Middle East, which is already having a detrimental effect on the price of crude oil.

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