



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

Media Statement

Issued on 27 September 2013

FUEL PRICE CHANGES TO BE EFFECTED ON 02 OCTOBER 2013

The retail prices of all grades of petrol, the wholesale prices of both grades of diesel and illuminating paraffin and the maximum retail prices of LPGas will be adjusted with effect from **Wednesday, 02 October 2013**.

1. Crude oil prices:

- 1.1 Since the start of the current fuel price review period (30 August 2013 to 26 September 2013) the Brent crude oil prices decreased by U\$1.0/bbl from U\$111.0/bbl to U\$110.0/bbl on average. The big news affecting the oil price and hence international product prices over the past month was the threatened military strike on Syria which pushed Brent oil price to a 6 month high on the 29 August 2013. This risk has dissipated over the course of September and the oil price has fallen. The spectre of world economic growth has become the focus again. The Brent oil price spiked to US\$118.86 a barrel on 30 August 2013 and ended at US\$112.17 a barrel on 23 September 2013.
- 1.2 The USA economic recovery was seen to be still on track with Jobless Claims (unemployment payments) falling below 300 000 for the first time in a very long time and Chinese economic data coming out positive as well. This brought concerns of a reduction in the Federal Reserve bond buying programme where the USA central bank is putting US Dollars into the world economy and keeping interest rates low. However after the Federal Reserve's meeting on 20 September 2013 it announced that it would continue with the stimulus. The Brent oil price rose from US\$ 111.04 a barrel to US\$ 112.17 on this news.

2. International petroleum product prices

- 2.1 This period is called the "shoulder period" between the typical peak Northern Hemisphere demand period (led by gasoline consumption in the US) and the peak winter demand period (led by heating oil), so it is normal that product prices

and refining margins should wane at this time of year. Gasoline demand in the US has subsided, and thus the opportunity to export gasoline to the US from Europe has been reduced, so even with refinery maintenance shutdowns expected the European market is well supplied.

2.2 This means that more is available to export to African markets including South Africa, which means lower prices for gasoline. The US had a surplus of diesel to export to Europe and to Latin America, so this is also weighing on outright prices of middle distillate products including diesel and kerosene. Diesel spreads remain steady above \$15/bl in Europe, so prices have fallen in outright terms but not relative to crude.

3. **Rand/US Dollar exchange rate**

3.1 The average Rand/US Dollar exchange decreased from USD R10.0928 to USD R10.01, during the current fuel price review period (30 August 2013 to 26 September 2013). The Rand strengthened slightly against the US Dollar after the US central bank said it would continue injecting \$85bn a month into the financial system through bond purchases, a key source of flows into high-yielding emerging markets such as South Africa.

3.2 The combination of the fall in the crude oil price and the international petroleum product prices and an appreciation of the Rand/US\$ exchange rate has seen a reversal of the under-recovery trends of petrol, diesel and Illuminating Paraffin.

4 **Salary Increase for Forecourt Staff**

The Minister of Energy, on 27 September 2013, approved that the retail margin on all grades of petrol be increased by 4.9 c/l with effect from 02 October 2013, to accommodate the salary increase for the Forecourt Attendants. The 4.9 cents per litre will be ring-fenced to pay the wages of the Forecourt Attendants.

5. **Self-adjusting Slate Levy Mechanism Rules**

In line with the Self-Adjusting Slate Levy Mechanism, the Slate Levy on petrol and diesel will remain **unchanged** in October 2013.

6. The fuel price decreases to be effected on 02 October 2013 are as :

- ✓ Petrol (95 ULP and LRP): 20.0 c/l decrease
- ✓ Petrol (93 ULP and LRP); 19.0 c/l decrease
- ✓ Diesel (both grades); 2.0 c/l decrease
- ✓ IP wholesale; 4.0 c/l decrease
- ✓ SMNRP for IP: 5.0 c/l decrease
- ✓ Maximum LPGas: 40.0 c/kg decrease:

This statement is issued by the Department of Energy, for more information, please contact: mediadesk@energy.gov.za / 012 4067481 / 0827663674