



energy

Department:
Energy
REPUBLIC OF SOUTH AFRICA

ANTICIPATED FUEL PRICE CHANGES TO BE EFFECTED ON 05 NOVEMBER 2014

A media statement on the price adjustments to be effected on **05 November 2014** for the retail prices of petrol, the wholesale prices of diesel and illuminating paraffin (IP), the Single Maximum National Retail Price (SMRP) for IP and the maximum retail prices for LPGas. The following provide context for the factors influencing the anticipated adjustments in fuel prices:-

1. Crude oil prices:

As compared to the previous fuel price review period, the average Brent crude oil price decreased by USD10.4/bbl from USD98.10/bbl to USD87.67/bbl. This is the lowest level of Brent crude oil prices in nearly four years, pressured by ample supply, slackening demand, weak economic data from China and Europe, projections for another big boost in shale oil and reluctance by the Organization of the Petroleum Exporting Countries (OPEC) members to cut crude oil output. Since June Oil prices fell by 25% raising suggestions that the OPEC members would curb output. But some OPEC members have not warmed to the idea of cutting production. In addition to the current OPEC strategy, the USA crude oil stocks increased more than expected last week which also supported the lower crude oil prices.

2. Petroleum products prices

In line with the average decrease of some USD10/bbl in the price of Brent crude oil in the current fuel price review period, the prices of refined petroleum products in the international refining centres followed suit. The Basic Fuel Prices of petrol and middle

distillates decreased substantially from the 8th of October 2014 to the end of the current review period. These decreases resulted in substantial unit over recoveries on petrol, diesel and IP. On the 29th of October 2014, the daily unit over recoveries for petrol, diesel and IP amounted to 88.84 c/l, 96.75 c/l and 86.57 c/l respectively. However, the average unit over recoveries for petrol and middle distillates are much lower due to unit under recoveries realised on these products since the start of the current fuel price review period up to the 08th of October 2014. The substantial decreases in petroleum products prices were also driven by the weak economic signals from China and Europe and ample global refined petroleum products supply.

3. Rand/US Dollar exchange rate

During the current fuel price review period the average Rand/US Dollar exchange rate weakened. Compared to the previous fuel price review period the Rand-value depreciated by some 3.4 percent from USD1=10.89 to USD1=11.26 as at the 29th October 2014. This decrease in the value of the Rand against the US Dollar can mainly be attributed to the strength of the dollar. However, the value of the Rand is supported by, amongst others, the latest positive inflation rate data. Despite the current depreciation in the Rand-value against the US Dollar, the Rand is still among the strongest performers in a basket of 20 emerging currencies.

4. Self-adjusting Slate Levy Mechanism Rules

The combined cumulative positive Slate balance of petrol and diesel increased from R971.6 million at the end of August 2014 to R1 035 million at the end of September 2014. In line with the Self-Adjusting Slate Levy Mechanism Rules, the Slate Levy on petrol and diesel will remain 0.0 c/l.

5. Price Anticipated changes

Taking cognizance of the fuel price data at the disposal of the DoE as at 29 October 2014, the anticipated fuel price changes to be effected on 05 November 2014 are as follows:

- Petrol (Both grades): 45.00 c/l decrease in retail price.
- Diesel (Both grades): 60.00 c/l decrease in wholesale price.
- Illuminating Paraffin (wholesale): 53.00 c/l decrease in wholesale price.
- SMNRP for Illuminating Paraffin: 70.00 c/l decrease in the Single Maximum National Retail Price (SMNRP)
- Maximum Retail Price for LPGas: 105.000 c/kg decrease in retail price.

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