



mineral resources & energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

Media statement

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REASONS FOR STEEP FUEL PRICE ADJUSTMENTS

The Department of Mineral Resources and Energy (DMRE) has noted the justified anxiety of fuel users and consumers in general, following the steep fuel increases effected in the last two months.

The DMRE wishes to assure consumers that the recent fuel price increases that have been experienced in the country are not dissimilar to record breaking increases that have been experienced in such jurisdictions as New Zealand, Australia, Canada, the UK, Singapore and other non-oil producing countries. The United States has for example seen pump prices rise by over 60% in the last 12 months. The attempt by the US government to moderate crude oil prices by releasing strategic oil reserves did little to lower prices.

There are two reasons for these increases; the first being the decision by the Organisation of the Petroleum Exporting Countries (OPEC) and its partners not to increase production of crude oil even when global demand has readjusted to pre-covid-19 levels. The price of crude oil which is the main feedstock for refined fuels has doubled in the last twelve (12) months from about 40 US Dollars per Barrel to over 80 US Dollars per Barrel.

The second reason is that the imminent shortage of heating fuels at the onset of Northern hemisphere winter season has placed added pressure on the prices of diesel and paraffin. This is putting pressure on all heating fuels and explains why diesel and paraffin increased more than Petrol in the November prices. Natural Gas Prices in Europe have increased by about 6 times since last year.

This upward trend has unfortunately been unabating and economies around the world including South Africa are going to be impacted negatively, as the prices of

goods could rise given the increasing transport costs. Furthermore, the inflationary nature of global fuel prices is influencing the posture of many central banks.

The Department is disappointed by last month's decision of OPEC and its partners not to release more oil to the market in the face of high oil prices. Increasing oil production is a lever that is well within OPEC's control and for reasons best known to them they are unwilling to use it.

The Department wishes to discourage comments that seem to suggest that these record-breaking increases are only happening to South Africa. This is a global energy challenge and many governments believe that OPEC and its partners can do more to alleviate the situation.

The calls for a change in the pricing system are premature as it is the same system that passed through the lower crude oil price impacts in the middle of the pandemic last year. This system is highly predictable and ensures security of fuel supply countrywide.

The DMRE notes that the crude oil prices have retreated by more than 10 percent in the face of new Covid concerns and this will have the impact of moderating fuel prices.

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