
JOINT MEDIA STATEMENT

ANNOUNCEMENT BY MINISTER ENOCH GODONGWANA AND MINISTER GWEDE MANTASHE ON SHORT-TERM RELIEF MEASURES TO ADDRESS FUEL PRICE INCREASES

The escalation in oil prices due to the global economic recovery as COVID restrictions are eased, and the current conflict between Russia and Ukraine, has placed significant pressure on domestic fuel prices (and other commodities). Extensive consultations have been held between the National Treasury and the Department of Mineral Resources and Energy as announced in the 2022 Budget to explore measures to provide short term relief to consumers and to reduce fuel prices over the medium term.

A “two phase approach” was agreed, consisting of an immediate intervention for the next two months, and a package of measures to reduce prices when the temporary measures end after two months. This is in addition to announcements made in the 2022 Budget where no changes were made to the general fuel levy and the Road Accident Fund levy, providing tax relief of R3.5 billion.

The key proposals are outlined below:

1. **Phase 1:** A temporary reduction in the general fuel levy to be funded by a liquidation of a portion of the strategic crude oil reserves.
 - a. The Minister of Finance proposes that the general fuel levy is temporarily reduced by R1.50 per litre from Wednesday 6 April 2022 to Tuesday 31 May 2022. This will reduce the general fuel levy for petrol from R3.85 per litre to R2.35 per litre and reduce the general fuel levy for diesel from R3.70 per litre to R2.20 per litre for two months. These amounts exclude other levies such as the Road Accident Fund levy and the Carbon Fuel Levy.
 - b. It is estimated that the partial reduction in the fuel levy will cost around R6 billion in foregone tax revenue for the two-month period.
 - c. The Minister of Mineral Resources and Energy proposes that the revenue foregone be recouped through a sale of strategic crude oil reserves held by the Strategic Fuel Fund (a subsidiary of the Central Energy Fund). The sale would be required to raise around R6 billion.

- d. The combined effect of the two proposals will not have an impact on the fiscal framework adopted by Parliament following the 2022 Budget.
2. **Phase 2:** The Minister of Mineral Resources and Energy proposes the following package of additional measures to be introduced after the expiry of the temporary measures from Wednesday 1 June 2022:
- a. A reduction in the Basic Fuel Price of 3c/l, in line with the recommendations of the review done by the DMRE.
 - b. The termination of the Demand Side Management Levy (DSML) of 10c/l on 95 unleaded petrol sold inland.
 - c. The introduction of a price cap on 93 octane petrol, following from the previous DMRE proposal and consultation. This will allow retailers to sell at a price below the regulated price.
 - d. The termination of the practice to publish guidance by the DMRE on diesel prices to promote greater competition.
 - e. The Regulatory Accounting System (including the retail margin, wholesale margin and secondary storage and distribution margins) will be reviewed to assess whether adjustments can be made to lower the margins over the medium term. Interventions will be considered by the DMRE to reduce the price pressure for illuminating paraffin over the medium term.

Legislative Process

Proposed reduction of the general fuel levy

The Minister of Finance has tabled the temporary reduction in the general fuel levy in the National Assembly today. The proposal will be included in the 2022 Rates and Monetary Amount and Amendment of Revenue Laws Bill for consideration of this House. Since the proposal will not have an impact on the fiscal framework, an adjustment to the annual national budget is not necessary.

Legal requirements for the sale of strategic crude oil reserves

The sale of strategic crude oil reserves requires will be authorised by the Minister of Mineral Resources and Energy, with the concurrence of the Minister of Finance, in terms of the Central Energy Fund (CEF) Act (Act No. 38 of 1977). Funds from the sale must be deposited into the Equalisation Fund at the Central Energy Fund. The Minister of Finance and the Minister of Mineral Resources and Energy have the authority to approve the release of funds from the Equalisation Fund into the National Revenue Fund in terms of the Act. They are expected to do so during the 2022/23 fiscal year.

**ISSUED BY NATIONAL TREASURY AND DEPARTMENT OF MINERAL RESOURCES
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