



mineral resources & energy

Department:
Mineral Resources and Energy
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

MINISTER OF MINERAL RESOURCES AND ENERGY, MR GWEDE MANTASHE, ANNOUNCES ADJUSTMENT OF FUEL PRICES EFFECTIVE FROM THE 7TH OF DECEMBER 2022

The Minister of Mineral Resources and Energy, Mr Gwede Mantashe, announces the adjustment of fuel prices based on current local and international factors with effect from the 7th of December 2022.

South Africa's fuel prices are adjusted on a monthly basis, informed by international and local factors. International factors include the fact that South Africa imports both crude oil and finished products at a price set at the international level, including importation costs, e.g. shipping costs.

The main reasons for the fuel price adjustments are:

1. Crude oil prices

The average Brent Crude oil price decreased from 90.79 US Dollars (USD) per barrel to 88.77 USD per barrel during the period under review. The oil prices slumped to their lowest level since December 2021 amid fears of lower demand from China due the lockdowns in line with the country's strict covid-19 regulations.

2. International petroleum product prices

The movement in international refined petroleum product prices, diesel and illuminating paraffin in particular, followed the decreasing trend in crude oil prices while the prices of petrol increased during the period under review.

- (a) Petrol prices increased due to higher demand by motorists travelling for the thanksgiving season in the US amid limited supply emanating from the Russia Ukraine conflict. Increased demand resulted in a decrease of gasoline inventories and higher prices.
- (b) Refiners are producing more middle distillates, such as diesel, illuminating paraffin and gas to meet extra winter demand in the Northern Hemisphere and consequently producing less petrol.
- (c) These factors led to higher contributions to the Basic Fuel Price of petrol by 64.87 cents per litre (c/l), and lower contributions to diesel and illuminating paraffin by 122.47 c/l and 9.09 c/l, respectively.
- (d) LPGas prices are increasing due to the increase in the prices of Propane and Butane.

3. Rand/US Dollar exchange rate

The Rand appreciated, on average, against the US Dollar (USD) (from 18.11 to 17.43) Rand per USD during the period under review when compared to the previous one. The stronger Rand led to lower contributions to the Basic Fuel Prices of petrol, diesel and illuminating paraffin by 40.31 c/l, 48.94 c/l and 48.98 c/l respectively.

4. Implementation of the Slate Levy

The negative slate balance on petrol and diesel amounted to R9,69 billion at the end of October 2022. A slate levy increase of 13.14 c/l (from 70.14 c/l to 83.28 c/l) will be implemented into the price structures of petrol and diesel, in line with the Self-Adjusting Slate Mechanism rules effective from the 7th of December 2022.

5. Adjustment of the Industry Margins

In line with the application of the Regulatory Accounting System (RAS), the Minister of Mineral Resources and Energy approved a net increase of 21.26 c/l in the annual margin adjustments on petrol and a net increase of 0.67 c/l on diesel and illuminating paraffin wholesale prices, with effect from the 7th of December 2022.

6. Annual Wages Adjustment for the Forecourt Staff

The Minister of Mineral Resources and Energy approved a 5.5 c/l increase in the price structures of petrol to accommodate the wages increase for the Forecourt employees in line with the Motor Industry Bargaining Council (MIBCO) Agreement. The 5.5 c/l is already included in the annual margin adjustment on petrol.

7. Annual Adjustment of the Pricing Elements in the Maximum Retail Price Structure of Liquefied Petroleum Gas (LPGas)

The Minister approved the annual adjustment to the pricing elements of the Maximum Retail Price (MRP) of LPGas with effect from the 7th of December 2022. The operating expenses and the working capital were adjusted by the average Consumer Price Index (CPI) for 2021 of 4.5% whilst the depreciation, primary transport cost and the gross margin were adjusted by the average Producer Price Index (PPI) for 2021 which is 7.1%. The total increase in the MRP is 73.0 cents per kilogram (c/kg) at the coast (Zone 1A) and 90.6 c/kg inland (Gauteng, Zone 9C).

Based on current local and international factors, the fuel prices for December 2022 will be adjusted as follows:

- ❖ Petrol (both 93 and 95 ULP & LRP): Fifty-nine cents per litre (59.00 c/l) **increase**;
- ❖ Diesel (0.05% sulphur): One hundred and fifty-seven point one nine cents per litre (157.19 c/l) **decrease**;
- ❖ Diesel (0.005% sulphur): One hundred and fifty-two point one nine cents per litre (152.19c/l) **decrease**;
- ❖ Illuminating Paraffin (wholesale): Fifty-seven point three three cents per litre (57.33 c/l) **decrease**;
- ❖ SMNRP for IP: Seventy-six cents per litre (76.00 c/l) **decrease**; and
- ❖ Maximum LPGas Retail Price: Ninety-five cents per kilogram (95.00 c/kg) **increase**.

The fuel prices schedule for the different zones will be published on Tuesday, the 6th of December 2022.

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