



MINISTRY OF ENERGY
REPUBLIC OF SOUTH AFRICA

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Memorandum from the Parliamentary Office

National Assembly Question : **1332**

1332. Mr P van Dalen (DA) to ask the Minister of Energy:

- (1) (a) What factors/criteria are taken into account to establish the (i) tax and (ii) general increases when petrol price increases are established and (b) what is the detailed number-based analysis of these factors in each case;
- (2) whether the impact of the specified increases on the poor is taken into account when establishing petrol price increases; if not, why not; if so,
- (3) are the social costs in terms of (a) transport and (b) food increases incorporated into the factors which are taken into account when a petrol price increase is established; if not, why not; if so, what is the value of these costs in each case?

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Reply

- 1 (a) (i) Taxes on fuel in South Africa are determined by the Minister of Finance. It is worth noting that South Africa's fuel taxes remain very competitive.

(ii) the monthly petrol price adjustments are influenced by international factors, such as the price of petrol in the international markets that South Africa uses as benchmarks, as well as factors such as the shipping costs for importing to South Africa. The prices of petroleum products in the

international markets are linked to the prevailing crude oil prices as well as seasonal demand. Furthermore, the Rand/US Dollar (R/\$) exchange rate is very important because the international prices are quoted in US Dollars. (b) These international factors, including the R/\$ exchange rate, changes on daily basis. Prevailing international petroleum product prices are monitored, adjusted and published on a daily basis.

2. South Africa is a price taker when it comes to Petroleum products because the country does not have proven reserves of crude oil. The pricing of products such as petrol is therefore based on a deemed imported product basis. The price of illuminating paraffin, which is used in the main by the poor in our society, is zero (VAT) rated. It also does not include any fuel levy. Furthermore, the published retail price for a litre of paraffin is the same countrywide; it is called the Single Maximum National Retail Price (SMNRP). This is an intervention government instituted to cushion the users of paraffin in our society.
3. As stated in (2.) above, the fuel price in South Africa is based on import parity pricing as South Africa imports 100% of its crude oil requirements and in addition about 20% of the refined product requirements are imported. Until such time as South Africa is able to prove and unlock its crude oil potential, (a) transport cost and (b) food price increases cannot be a major factor in determining fuel prices and it has been proven in a number of markets (including oil producing countries) that subsidising fuel is not a sustainable practice.