

TANZANIA ASSOCIATION OF OIL MARKETING COMPANIES



PRESS RELEASE

The Tanzania Association of Oil Marketing Companies (TAOMAC) is aware of the various steps being taken by the Government to ensure reduction and stability in the retail petroleum products prices in the country. TAOMAC wishes to congratulate the Government of Her Excellency, the President of The United Republic of Tanzania, Mama Samia Suluhu Hassan for these bold initiatives. TAOMAC assures Her Excellency, the President and the Minister for Energy of our utmost support and collaboration in addressing together the challenges facing the downstream petroleum sub-sector to ensure efficiency and cost-effectiveness in the subsector for the benefits of all stakeholders.

The current rise in the pump prices is largely influenced by the changes in the crude prices in the international markets. In June 2020, the pump prices in Tanzania fell to record levels due to the impact of the COVID-19 pandemic. Following the economic recoveries from the COVID-19 pandemic across the globe, the international crude prices have been rising consistently since April 2020. This has influenced the rise in pump prices in Tanzania. Neither the Government nor the oil marketing companies (OMCs) are responsible for the rising retail prices of petroleum products. Figure 1 below shows the trends in the global crude prices and graph and Figure 2 shows local pump prices for petrol, where the correlation is very clear between the two, except for the intervention made by the Government starting around September 2021.

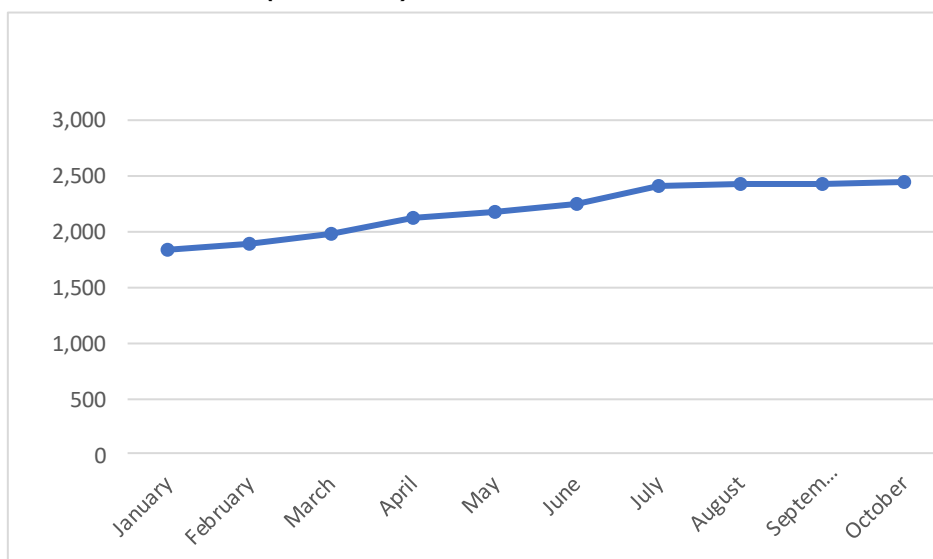
So far, the rising pump prices have been controlled by the Government following its intervention on 2nd September 2021 whereby the September 2021 Cap Prices which were published by EWURA on 1st September 2021 were stopped and the OMCs were directed to continue applying the August Cap Prices throughout September 2021. In October, the Government took some bold initiatives to reduce various levies and fees applicable on the petroleum products and payable to various Government agencies with view to reduce the retail prices. This has slightly helped to curb the increase in pump prices for October 2021.

The flattening of the curve in Figure No.2 from August to October shows the effect of Government intervention on the pricing with effect from 2nd September 2021 onwards. These initiatives much as they have contributed to the lowering of the pump prices they have had negative impacts on the OMCs cash flows, but OMCs have continued to support the Government efforts by ensuring a continuous and uninterrupted supply of petroleum products whilst continuing to import and hold stocks as usual.

Figure 1. Crude Oil Prices from Jan 2021-Nov 2021 (USD/Barrel)



Figure 2: Retail Prices(TZS/Liter) of Petrol in DSM from Jan 2021-Nov 2021



Unfortunately, petroleum prices may continue to rise because the prices of the crude oil in the international markets is still rising. Goldman Sachs

forecast crude to rise to \$90 by December 2021 and \$110 in 2022. Similarly, OPEC+ predicts that the crude prices may keep rising in 2022 on the international market. Therefore, it is important for the general public to understand these facts.

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