



## **MEDIA RELEASE**

### **NOCMA REFUTES NYASATIMES BLAME FOR HIGH FUEL COSTS**

The National Oil Company of Malawi (NOCMA) would like to refute a news article published by Nyasatimes on Sunday 26<sup>th</sup> June 2022 titled 'NOCMA blamed for high fuel costs' written by Mr. Duncan Mlanjira.

In the article, Mr. Mlanjira alleges that NOCMA could have contributed to the recent fuel price adjustments by the Malawi Energy Regulatory Authority (MERA) because NOCMA committed to paying extra costs for fuel importation assigned to transporter association namely Women in Logistics and Large-Scale Suppliers (WOLLSS).

NOCMA finds this story a gross misrepresentation of facts on how fuel prices are determined by MERA as well as NOCMA's operations and a deliberate attempt to mislead the public to undermine the reputation of NOCMA.

NOCMA would like to state the following facts to correct the misleading article:

1. **Determinants of Increase in Fuel prices:** The price of fuel has gone up due to the rise in the global oil prices as well as the effects of the devaluation among other factors as confirmed by MERA in their press statement of June 22, 2022.

To provide a picture on the upward trend in global oil prices over the past couple of months, see below are the average costs in refined petroleum in USD/Metric ton from the month of November 2021 to June 2022;

Month	Petrol	Diesel
November 2021	747.36	685.33
December 2021	704.54	640.15
January 2022	802.00	744.59
February 2022	900.16	833.64
March 2022	1,065.54	1,056.28
April 2022	1,047.29	1,111.11
May 2022	1,227.46	1,134.32
June 2022	1,381.55	1,313.30

\*The above average monthly prices (Platts) are exclusive of all costs related to freight, insurance, handling, port fees and in-transit losses.

NOCMA would like to point to the fact that it does not determine the price of fuel; and that both the landed cost of petroleum product as well as the pump price are determined by the Malawi Energy Regulatory Authority (MERA) as a regulator in accordance with Malawi Energy Regulatory Act 2004 and Section 46 of the Liquid Fuels and Gas Act 2004.

Actually, NOCMA has indirectly subsidized fuel over the past three (3) years to the tune of MK68 billion which the Price Stabilization was unable to take on because of the disparities between the landed costs as determined by MERA and the prevailing global Oil prices.

2. **Credit Terms:** NOCMA as part of its business operations and arrangements enters into fuel credit sales agreements with various business partners on mutually agreed credit terms and these business partners include Oil Marketing Companies such as Total Energies, Puma, Vivo, Petroda, Mount Meru among others; as well as Transporters Associations which include Road

Transporters Association of Malawi (RTOA); Transporters Association of Malawi (TAM); Transporters Association 2016; and Women in Logistics and Large-Scale Supplies (WOLLS).

These are purely operational and business agreements and not procurement related.

- 3. Fuel Transportation Rates:** MERA is responsible for regulating and determining the fuel transportation rates and these have been adjusted upward twice (in October 2021 by 5.34% and in April 2022 by 11.58%.) All NOCMA's suppliers working with Malawian transporters are in compliance with these regulated transportation rates and so is NOCMA as a company.

NOCMA would like to state that it boasts of a good working relationship with MERA as a regulator and is in compliance with all the regulatory requirements. It is important to note that while MERA regulates NOCMA as its licensee, the regulator is not involved in NOCMA's operations.

We would therefore like to affirm NOCMA's commitment to ensuring security of fuel supply both as an importer and manager of the country's strategic fuel reserves.

27<sup>th</sup> June 2022

**MANAGEMENT**