

MINISTERIAL STATEMENT
ON THE
PROCUREMENT OF OIL FROM SAUDI ARABIA
BY THE
HON. MINISTER OF ENERGY, MR NKHUWA, MP

Madam Speaker, I would like to sincerely thank you for this opportunity to update the nation, through this august House, on the procurement of fuel from Saudi Arabia through a Government to Government loan.

Madam Speaker, as the House is aware, Zambia is a landlocked country with no proven reserves of crude oil. Therefore, Zambia imports all here petroleum products requirements. Petroleum is supplied into Zambia via crude oil pipeline running a distance of 1,710 km from Dar-es-salaam, Tanzania to Ndola Indeni Refinery, Zambia and road trucks carrying refined products from Tanzania, South Africa and Mozambique.

Madam, the procurement discussion of the Saudi fuel become in 2014 when the Saudi Fund for Development (SFD) offered the Zambian Government a loan of US\$20 million towards the supply of petrol and diesel by the Saudi Aramco Product Trading Company (Aramco Trading), up to the port of Dar-es-salaam.

Aramco Trading is a South Arabian national petroleum and national gas company with the world's largest proven crude oil reserves. The contract that was signed in February 2015, with Aramco Trading was for the supply of 1.3 million litres of petrol which is equivalent to sixteen days of national consumption and 27.2 million litres of diesel which is equivalent to thirteen days of national consumption.

Madam Speaker, I wish to dispel rumours by the general public that the deal was signed by His Excellency the President of the Republic of Zambia at the time when he made a visit to Saudi Arabia in 2015. It must be clear that His Excellency the President and his delegation at that time,

had discussions with the business community in Saudi Arabia on various opportunities from investment into different sectors of the economy, including energy.

Madam, with regard to the petroleum sector, it was agreed, in principle, between His Excellency the President and the business community in Saudi Arabia that the SFD would facilitate the supply of cheap fuel to Zambia. There was no agreement signed as the decision had to be formalised by the technical teams from both countries.

Madam Speaker, the contract between the Government and Aramco Trading could not be implemented in 2015 as envisioned due to logistical reasons which include, approval process with the Ministry of Justice, Ministry of Finance and Bank of Zambia in order to reach the financial closure. Consequently, the financial agreement with the SFD was not signed in 2014 as expected. Nevertheless, following our commitment to adhere to the conditions of the facility, the financial agreement was signed in 2016, which facilitated the signing of a new contract with Aramco Trading in 2018.

Madam, hon. Members of the House may wish to note that although the financial agreement was signed in 2016, my ministry still had few processes to conclude such as opening a letter of credit, legal clearance of requisite agreement, just to mention but a few, to facilitate the signing of the new contract with Aramco Trading.

Madam Speaker, hon. Members of this House may wish to note that at the time the deal was signed in 2015, the anticipated impact of fuel from Saudi Arabia was a perceived reduction in the price of fuel to K5.00 per litre at the pump. I wish to take this opportunity to clarify that the K5.00 was initially estimated landed cost and not the pump price because it excluded inland costs such as transport and dealer margins, amongst others.

Madam, it is worth noting that in view of the period between 2015 and 2018, a number of variables have changed which have influenced the price of fuel to increase. Variables include; the fluctuation of the Kwacha against the US dollar, that is, the average exchange rate in 2014 was K6.1 to US\$1. Today, it is at K12.2 to US\$1. The international oil market price, that is, the