



Gov't removes fixed price margins on fuel; NP gas stations for sale



Drivers will soon have to shop around for the best prices at the pump.

Finance Minister Colm Imbert said government has decided to remove fixed price margins on liquid petroleum products (with the exception of LPG), allowing distributors to decide their own prices.

Speaking in Parliament during the 2020-21 budget presentation, Imbert said it's expected the change in the price of gas and diesel will be minimal, however this may change once the price of oil recovers:

'In the mid-1970s when the price of oil began to rise in international markets, price stability and affordability became a public economic objective with prices of petroleum products being fixed by the Ministry of Energy and Energy Industries. Any amount in excess of the subsidy being provided by the state.'

'Since 2006 the [fuel] subsidy has been provided at great fiscal cost and in the fiscal period 2006-2020, subsequent payments made by government has been in the vicinity of \$25 billion.'

'We have formed the judgement that not only did the subsidy benefit the higher income groups but the usage was inefficient from an economy-wide perspective. Energy prices have declined and are now stabilising at significantly lower levels that subsidy payments would be reduced.'

'At current oil prices subsidies do not arise on the sale of premium or super gasoline, but they continue to prevail in the sale of diesel, kerosene and LPG.'

'We are of the view that in the context of the projected international oil prices, the fuel market should now be liberalised.'

'Under this arrangement which is targeted for introduction in January 2021, the fixed margins for all liquid petroleum products will be removed. Petroleum retailers and dealers will now be able to fix all margins.'

Imbert said wholesale margins will remain fixed for the time being and an 'appropriate but reasonable' tax would be introduced to compensate for the current fuel surplus generated on the sale of gasoline due to depressed oil prices.

Imbert assured that: 'The net result should be little or no increase in the price of motor fuels at current oil prices, however it must be noted that if the price of oil recovers the price of gasoline and diesel will naturally increase proportionately.'

He said the new trading arrangements between importers and wholesalers will result in price adjustments up or down based on changes in US Gulf Coast prices obtained from Platts product price reports, which is reflected on international product prices.

He said for transparency purposes the Energy Ministry will post the prices of premium, super and diesel gasoline on the first of each month, with the exception of the production price of LPG which remains under the subsidy mechanism.

Additionally, Imbert said that all gas stations owned by National Petroleum will be offered up for sale to the private sector, with first preference given to existing dealers and concessionaires.