



**SPEECH BY THE MINISTER OF FINANCE, ENOCH GODONGWANA, TO
PARLIAMENT ON THE ANNOUNCEMENT OF A TEMPORARY REDUCTION IN
THE FUEL LEVY**

DATE: 31 MARCH 2022

Madam Speaker;

Honourable Members,

Fellow South Africans:

INTRODUCTION AND BACKGROUND

On the 23rd of February this year, I tabled before this House the 2022/23 Budget.

In it, I announced that there would be no increases to the general fuel levy on petrol and diesel.

I also indicated that there would be no increase to the Road Accident Fund (RAF) levy for the 2022/23 fiscal year.

These measures were taken despite our constrained fiscal position.

Our aim was to protect in particular poor households who spend the majority of their income on food and transport, against record-high increases in fuel prices.

Our commitment in the 2022 Budget was to strike a delicate balance between keeping money in the pockets of our people, amid the economic shock of the COVID-19 pandemic, while at the same time striving to restore the health of our public finances.

By refraining from including an inflationary increase to the fuel levy and Road Accident Fund (RAF) levy, we managed to provide much-needed relief to South Africans, to the value of R3.5 billion.

In addition, I indicated at the time of the budget that Minister Mantashe and I had agreed to review all aspects of the fuel price regulation.

Let me emphasise again that this was in recognition of the increasing cost of living for all South Africans, as well as the need to do what we can within our limited resources to support the economic recovery.

However, the day after I tabled the Budget, we woke up to the news of the escalation in the conflict between Russia and Ukraine.

The conflict will almost certainly intensify some of the risks we had already highlighted in the Budget Review 2022, specifically the risk of continued supply disruptions and higher inflation.

A few weeks ago, during my address to this House, I spelled out some of these risks and the likely impact that the conflict may have on our economy and revenue proposals.

A big concern for the South African economy is imported inflation, especially the direct impact on fuel and food prices.

We are equally concerned about the secondary effects on the rest of the economy, and the overall impact on the local and global economic recovery that was beginning to take root.

While the most recent data released by StatsSA showed a slight upside in the growth of gross domestic product when compared with National Treasury estimates for 2021, the growth outlook going forward is much less promising and subject to new, emerging risks.

Most notable of these risks is the Russia/Ukraine conflict.

In addition, the re-emergence of the COVID-19 virus in China, and the consequent lockdowns which are increasing constraints on global supply chains, are also of concern.

TABLING OF THE KEY PROPOSAL

Madam Speaker, since the start of the conflict, there has already been sharp increases in the prices of crude oil. This has had a direct impact on fuel prices in our country.

In March this year, the petrol price rose to R21.60c per litre for 95 unleaded petrol in the inland region, while 500 ppm diesel prices rose to R19.55c per litre.

Of concern is that the Minister of Mineral Resources and Energy has advised that fuel prices in April are likely to increase even further.

Honourable Members, to mitigate the impact of these escalating fuel prices, I hereby table the following proposal, which will be included in the 2022 Rates and Monetary Amount and Amendment of Revenue Laws Bill, for consideration by this House:

- A temporary reduction of the general fuel levy by R1.50c per litre, for the period 6 April 2022 to 31 May 2022.

This will reduce the levy for petrol from R3.85c per litre to R2.35c per litre. The levy on diesel will be reduce from R3.70c per litre to R2.20c per litre.

These amounts exclude other levies such as the Road Accident Fund levy and the carbon fuel levy.

The intention of the temporary reduction of the general fuel levy is to support a phasing in the fuel price increases that we are expecting in the short term. This will go some way in assisting South Africans to adjust to the new reality.

NO REQUIREMENT FOR A SUPPLEMENTARY BUDGET

Madam Speaker, the proposed reduction of the general fuel levy, for a period of two months, will not require adjustments to the annual national budget, as the proposal is not expected to have an impact on the fiscal framework.

The proposed reduction of the general fuel levy will be funded by a liquidation of a portion of the strategic crude oil reserves.

In this instance, the revenue foregone by the reduction in the levies will be recouped through a sale of strategic crude oil reserves, which are held by the Strategic Fuel Fund, which is a subsidiary of the Central Energy Fund. The sale would be required to raise around R6 billion.

The sale will be authorised by the Minister of Mineral Resources and Energy, and the funds will be deposited into the Equalisation Fund at the Central Energy Fund.

The Minister of Finance and the Minister of DMRE have the authority to approve the release of funds from the Equalisation Fund into the National Revenue Fund in terms of the CEF Act (Act No. 38 of 1977).

FURTHER MEASURES TO BE INTRODUCED BY THE DEPARTMENT OF MINERAL RESOURCES AND ENERGY

Madam Speaker, the fuel levy reduction will be temporary.

A broader package of relief measures will be explored, and they will come into effect after the expiry of the two-month fuel levy reduction.

In this regard, the Minister of Mineral Resources and Energy proposes the following package of measures to be introduced after the expiry of the temporary measures from Wednesday 1 June 2022:

- A reduction in the Basic Fuel Price of 3c per litre, in line with the recommendations of the review done by the DMRE.
- The termination of the Demand Side Management Levy (DSML) of 10c per litre on 95 unleaded petrol sold inland.
- The introduction of a price cap on 93 octane petrol, following from the previous DMRE proposal and consultation. This means that retailers can sell below the regulated prices.
- The termination of the practice of publishing guidance by the DMRE on diesel prices to promote greater competition.
- The Regulatory Accounting System (including the retail margin, wholesale margin and secondary storage and distribution margins) will be reviewed to assess whether adjustments can be made to lower the margins over the medium term. Interventions will be considered by the DMRE to reduce the price pressure for illuminating paraffin over the medium term.

We are doing all of these things in line with our overall commitment to keeping money in the pockets of South Africans during these trying times, while at the same time restoring the health of our public finances.

Minister Mantashe and I have released a joint statement which provides further details.

Thank you.

ENDS