



TOP ENERGY
ZAMBIA

TRANSPORTATION



Top Energy joins Zambia fuel imports

Zambia's national petroleum requirements are met through the importation of finished petroleum products, an investment opportunity for Top Energy, a reliable participant in the transportation, distribution and supply chain of petroleum products in the southern African nation.

Refined petroleum products are imported into the country by road through authorized oil marketing companies and to a lesser extent by rail through Zambia Railways and Tanzania-Zambia Railway (TAZARA).

The Government is also considering a proposal to re-convert TAZAMA pipeline to its original specifications of a clean products line so that it can be used to carry finished petroleum products from Tanzania, which will require significant investment.

Finished petroleum products are currently imported into Zambia through the port of

Beira in Mozambique, approximately 1,043 kilometers from Lusaka or via Walvis Bay in Namibia, which is 2,072 kilometers from the Zambian capital.

Petroleum products can also be accessed using the port of the Tanzanian port Dar es Salaam which is a distance of 1,923 km from Lusaka.

To reach Ndola from the three regional ports, it is estimated that the distance from Dar es Salaam to Ndola is 1,704 kilometers, the distance between Ndola to Walvis Bay is 2,238 kilometers and it is 1,379 kilometers between Beira and Ndola.

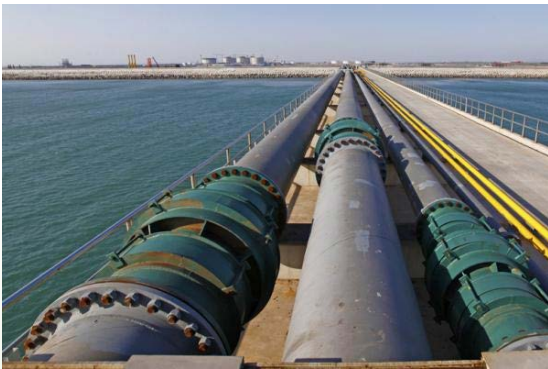
Zambia previously imported feedstock in the form of spiked crude oil which was transported through the TAZAMA Petroleum Pipeline Limited and refined at INDENI Petroleum Refinery Limited in Ndola.

TAZAMA charged US\$49.00 per metric tonne to the importer for transporting

petroleum feedstock through the pipeline from the Dar-es-Salaam tank farm to Indeni Petroleum Refinery in Ndola.

The feedstock was processed into petrol, diesel, kerosene, jet A-1, heavy fuel oil (HFO), and liquefied petroleum gas (LPG). Petrol, diesel, kerosene, and jet A-1 were pumped over to the Ndola Fuel Terminal, where they were later wholesaled to Oil Marketing Companies (OMCs).

In a bid to increase private sector participation in the importation of petroleum products through OMCs and maintain security of supply, the Government last year issued import waivers to enable the



OMCs participating to import petroleum products without incurring a cost of 25% import duty.

The imported finished petroleum products are delivered to various Government-owned depots in Ndola, Lusaka, Mpika, Solwezi, and Mongu, where they are sold at wholesale price to OMCs by the importers.

The Ndola Fuel Terminal and the Government-owned provincial depots are managed by TAZAMA Petroleum Pipeline

Limited.

There were over 977 trucking companies in Zambia, over 8,000 horses and 9,000 trailers. The trucking sector employed over 10,000 people, out of which about 4,000 were truck drivers.

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DISTANCE OF 1,923 KM FROM LUSAKA.

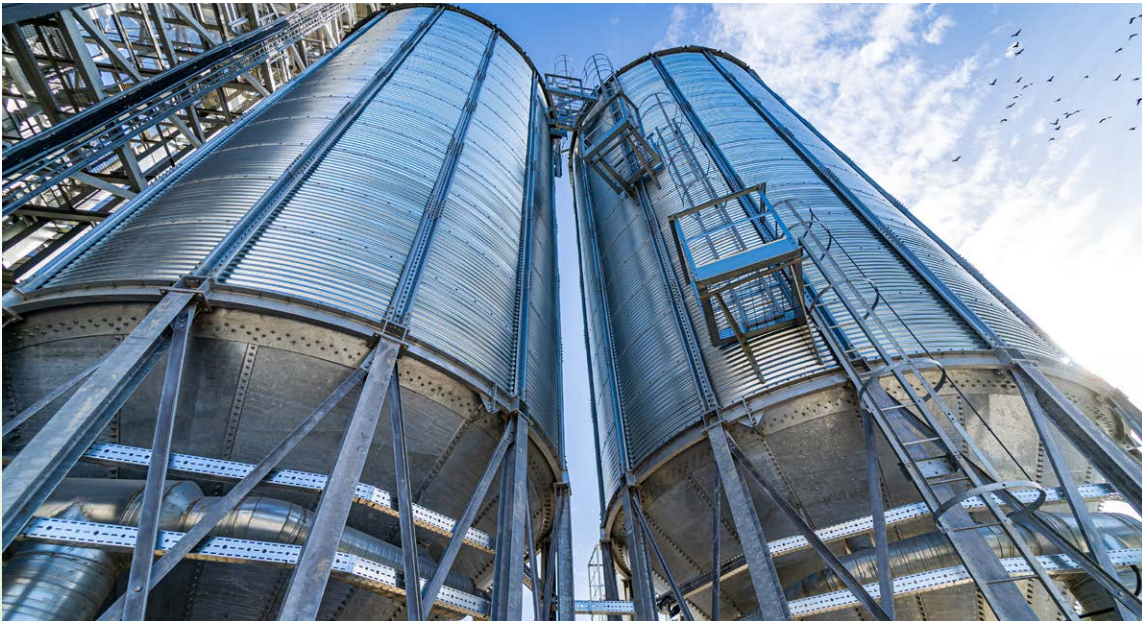
Most of the trucking companies are based in the high production regions of Lusaka and Copperbelt provinces. However, there is a growing trend of newly registered companies in North-Western Province because of the newly opened copper mines.

Other small trucking companies are evenly distributed across the remaining provinces in Zambia.

The liberalisation of the Zambian economy in the early 1990s created a conducive business environment for foreign investors and led to the dominance of foreign companies in almost all sectors of the economy

Foreign transport and logistics service





providers are estimated at 70 percent of the freight transportation market.

As a result of this liberalized regime, foreign transporters can bring trucks and tankers into the country and establish a

domestic presence as long as the company is formally registered within Zambia.

Foreign transporters are required to register with the Patents and Companies Registration Agency (PACRA), Zambia

Revenue Authority (ZRA) and Road Transport and Safety Agency (RTSA).

The liberalization of imports of finished products is expected to reduce costs both by promoting competition from road tankers and railways and by allowing different provinces to obtain supplies from the cheapest port.

Instead of just buying products from Indeni for internal distribution, OMCs will now be free to procure fuel on the world market and transport it to Zambia by road or rail. This is how most landlocked African countries import fuel.

This has a number of potential advantages relative to the previous arrangements, with the most obvious one being the introduction of competition into the sector both between OMCs and between different ports and transport routes.

So, suppliers to, say, Eastern province, using Durban might be competing against suppliers using Nacala or Beira ports. Costs should also come down as a result of both the need to compete and survive and because of the transport savings from serving different provinces from the nearest ports.

This has a number of potential advantages relative to previous arrangements. The most obvious one is the introduction of competition into the sector. There will bring competition both between OMCs themselves and between different ports and transport routes.

Top Energy is already involved in fuel procurement through its reliable road transportation from the ports of Beira, Walvis Bay and Dar-es-Salam and is expected to enhance its participation with the liberalization of fuel imports.





Thank you!

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