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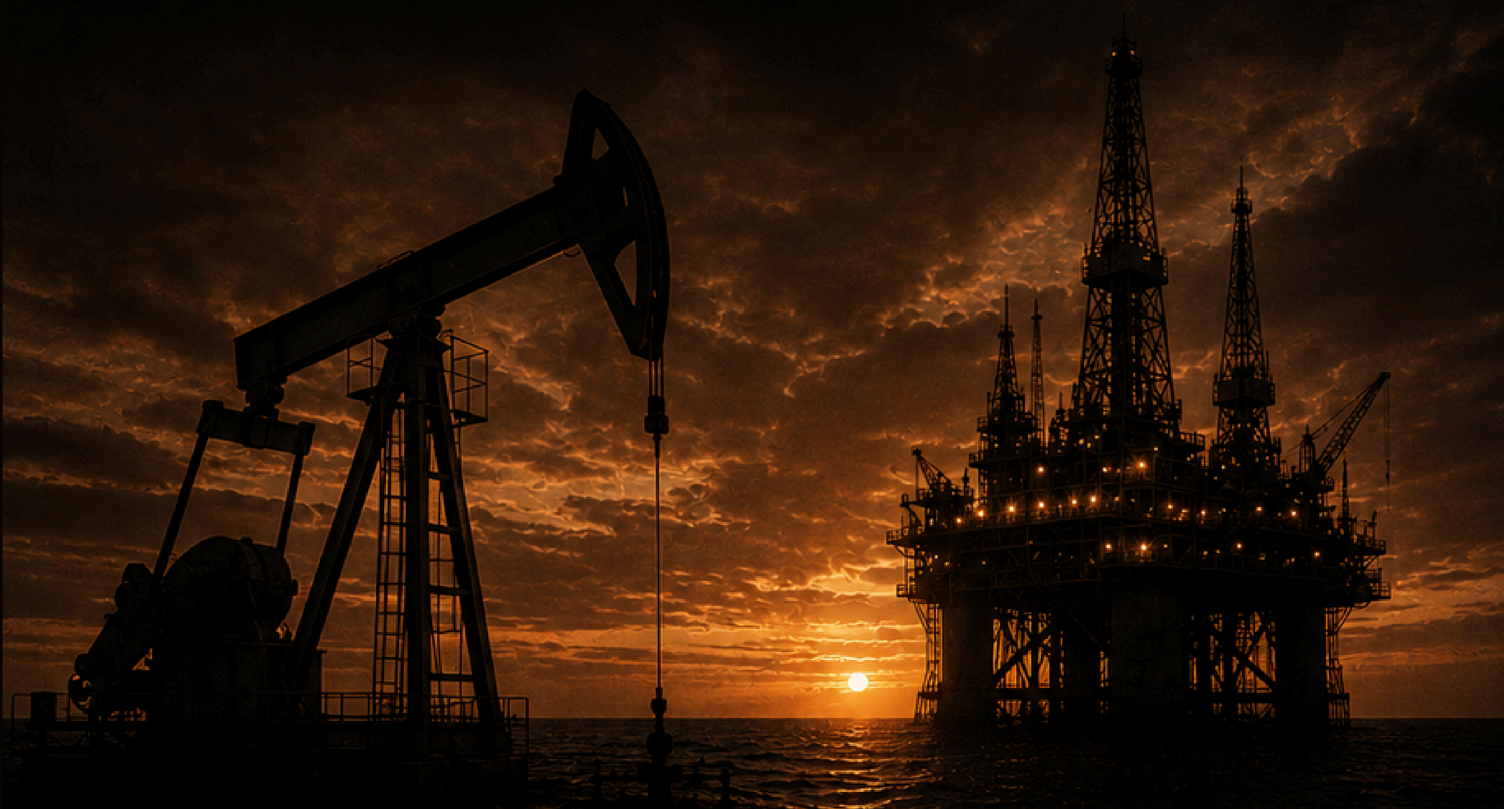
OIL AND GAS

POLICY BRIEF: SOUTH AFRICA'S PETROL PRICE PRESSURES (2026)



NEO SEFAKO

MAY 2026

Focus: Fuel price escalation and structural drivers in South Africa

Executive Summary

South Africa is experiencing a sustained surge in fuel prices in 2026, with May marking one of the most significant increases of the year. Official announcements confirm that petrol and diesel prices rose sharply from 6 May 2026, driven by international crude oil movements, import costs, and domestic pricing formula adjustments. The Department of Mineral and Petroleum Resources (DMPR) states that monthly fuel price changes are calculated using a combination of global refined product prices, freight costs, and exchange rate movements, meaning domestic fuel prices are structurally tied to external market conditions rather than local production dynamics. Recent reports further indicate that petrol increases were in the range of approximately R2.09 to R3.27 per litre depending on grade and region, reinforcing widespread cost-of-living pressures across households and transport-dependent sectors.

Current Fuel Price Conditions (May 2026)

The May 2026 fuel price adjustment reflects a continuation of upward pressure observed throughout the year. According to official government communication, petrol and diesel prices increased from 6 May 2026 following a review of international oil prices and domestic pricing inputs. The Department of Petroleum and Mineral Resources confirmed that these adjustments are based on the Basic Fuel Price mechanism, which incorporates global crude oil benchmarks, refined product costs, shipping insurance, and exchange rate movements.

Independent reporting confirms that motorists are facing substantial increases, with estimates indicating petrol rising by around R2.09 per litre in the latest cycle despite temporary fuel levy relief measures introduced earlier in 2026.

Additional reporting highlights that the pricing adjustment follows sustained increases in international crude oil prices and higher import costs, which directly feed into South Africa's fuel pricing formula.

These developments indicate that South Africa's fuel price system remains highly sensitive to global market volatility and exchange rate fluctuations, with little insulation for domestic consumers.

Structural Drivers of High Fuel Prices in South Africa

1. Import-Parity Pricing and External Exposure

South Africa's fuel pricing system is based on an import-parity model, meaning local prices are calculated as though all fuel is imported at international market rates. The DMRE confirms that this includes international crude oil prices, refined product benchmarks, freight costs, and insurance premiums.

This structure exposes the domestic market directly to global supply and demand conditions, including refinery disruptions and geopolitical instability. Because of this system, South Africa does not have internal price buffering mechanisms. Any increase in global oil prices or shipping costs is transmitted almost immediately into local fuel prices.

2. Exchange Rate Volatility and Currency Depreciation

A major structural driver of fuel price increases is the rand–US dollar exchange rate. Since oil is traded in US dollars globally, any depreciation of the rand increases the cost of imports even when global oil prices remain stable. The DMRE pricing methodology explicitly incorporates exchange rate fluctuations into monthly adjustments, making currency volatility one of the strongest amplifiers of fuel price increases in South Africa.

This means that fuel price increases are not only driven by global oil conditions but also by domestic macroeconomic stability, investor confidence, and capital flow dynamics.

3. Global Oil Price Movements and Geopolitical Pressure

Recent 2026 fuel price adjustments highlight the role of global crude oil volatility and geopolitical instability in driving price increases. Reports indicate that rising international oil prices and supply disruptions have contributed significantly to higher local fuel costs.

The Department of Mineral Resources and Energy confirms that monthly adjustments are directly influenced by global benchmark crude prices and refined product costs. Independent reporting further notes that fuel price hikes in May 2026 reflect sustained pressure from international oil markets combined with import cost increases and shipping-related premiums.

4. Taxation and Fuel Levy Structure

South Africa's fuel prices include fixed government-imposed levies such as the General Fuel Levy and the Road Accident Fund levy. While temporary relief measures were extended in 2026 to reduce pressure on consumers, these interventions are short-term and do not fundamentally alter the long-term structure of fuel pricing.

Reporting confirms that even with levy relief, fuel prices continued to rise in May 2026 due to external cost pressures outweighing domestic adjustments. This creates a structural baseline price that remains high regardless of global oil price movements.

5. Monthly Adjustment Mechanism and Domestic Pricing System

Fuel prices in South Africa are adjusted monthly by the DMRE based on the Basic Fuel Price mechanism. According to official government sources, this system ensures that changes in global crude oil prices, refined product costs, and exchange rates are reflected in domestic prices within the following pricing cycle.

This mechanism ensures transparency but also creates rapid transmission of global volatility into domestic inflation, making fuel prices highly reactive rather than stabilised.

Conclusion

South Africa’s petrol price increases in 2026 are driven by a combination of external and internal structural factors. While global oil price movements and geopolitical disruptions form the immediate trigger for price increases, domestic factors such as exchange rate weakness, import parity pricing, and fixed fuel levies significantly amplify the final cost to consumers. The May 2026 adjustment confirms that South Africa remains highly exposed to global energy market volatility with limited domestic buffering capacity. Without structural reforms in currency stability, energy infrastructure, and pricing policy, fuel prices are likely to remain high and sensitive to external shocks.

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