

# LPG/Propane Price Mechanism Methodology



# Steps Involved in Workings

- Request for price revision
- Analysis by MRA Consultants (Deloitte)
  - Discussions with Liquigas (Malta) Ltd and Enemalta involving information requests and verifications
- Determination of revised costs
- Approval of revised costs

# Pricing Mechanism

The full cost recovery mechanism identifies the total variable retail LPG price as the sum of:

The cost of raw material

Excise Duty

Bottling and Storage charges

Distributors' commissions

Operating expenses

Allowable mark-up

VAT

# Conditions

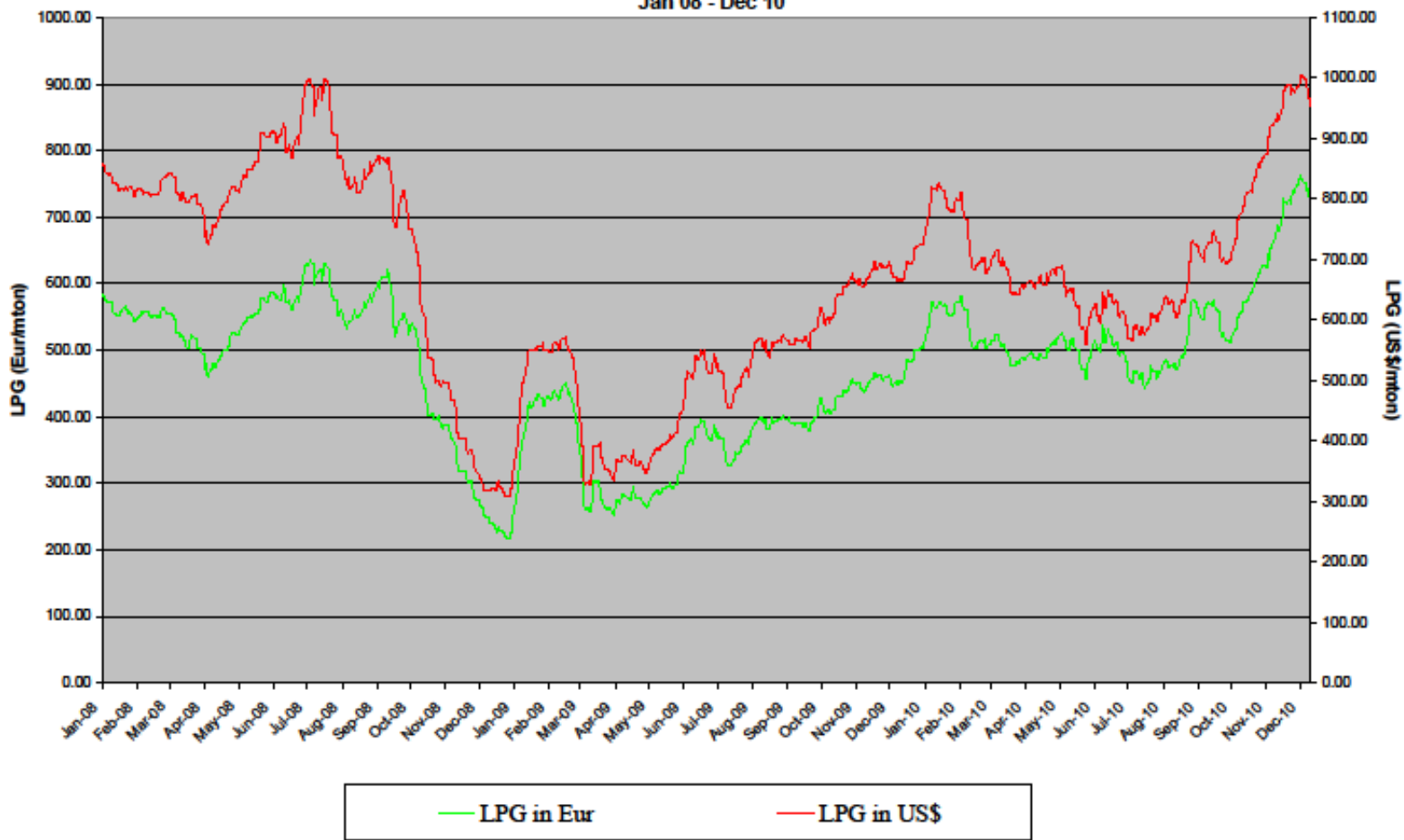
- Monthly Adjustments
- Price variations will apply only if and when the variation in the product cost is +/- 2% when compared to the previous month's price
- Under or over recoveries arising from +/- 2 % will be included in the price adjustment made in the following month. Under-recoveries over 2% will not be recovered.
- Over-recoveries will be taken into account during the annual price.
- Liquigas and Enemalta will be requested to submit a plan of how they are going to improve efficiency that would result in a yearly reduction of 5% of the eligible costs for 2011 and 2012.
- The final price as approved by MRA will be the maximum price of LPG/propane. Distributors are not authorized to charge additional prices over and above this price.



# Calculations

	<b>12kg</b>	<b>25kg</b>
The Cost of raw material	66.83%	69.94%
Bottling and Storage charges	14.35%	15.02%
Depreciation	2.91%	3.04%
Distributors' commissions	9.23%	5.01%
Operating expenses	3.40%	3.56%
Allowable mark-up	3.28%	3.43%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Med CIF  
Daily Price Movements  
Jan 08 - Dec 10



Med CIF  
Daily Price Movements  
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Thank you



MALTA RESOURCES AUTHORITY