



STATEMENT ON THE SUPPLY AND ESCALATING PRICES OF PETROLEUM PRODUCTS IN THE COUNTRY.

INTRODUCTION

- 1) Rt. Hon. Speaker, concerns were raised over the petrol scarcity and escalating pump prices for Petrol and the need for Parliament to be informed about the causes for the scarcity and rising prices.
- 2) Rt. Hon. Speaker, the purpose of this Statement is to explain the current fuel supply situation, high pump prices for petrol in the country, causes for the Petroleum Product scarcity and options available to stabilize supply and pump prices.
- 3) Uganda is a net importer of Petroleum Products and operates a liberalized market, where prices are determined by forces of demand and supply. The subsector is guided by the Petroleum Supply Act of 2003 and the attendant regulations and guidelines. Local pump prices have been competitive until January 2022 when petrol prices increased due to scarcity.
- 4) About 95% of the country's Petroleum Product requirements are supplied through the Kenya route using the Open Tender System (OTS) which Uganda joined in 2011 after a series of engagements with the Kenyan Government. The OTS stabilized supply to Uganda and the supply



interruptions that used to occur during the Christmas and Easter travel festivals were addressed. The remaining 5% of Uganda's product requirements are supplied through Tanzania which has not been popular due to the long distance and logistical associated challenges resulting into high landed prices per litre.

FUEL SUPPLY SHORTAGES

- 5) Rt. Hon. Speaker, in the week commencing 1st January 2022, the country experienced sharp supply drop of petroleum imports in which the 10-day stock requirement reduced to 7 days for diesel, 4 days for Jet A-1 and 0 days for petrol by 10th January 2022. Reduction in stock levels and the resultant stock out of Petrol in the country was caused by the Covid -19 spread control measures the Ministry of Health introduced that required all truck drivers to be tested. The decision resulted in a riot by truck drivers which even blocked Petroleum trucks that had been given priority lanes to secure supply of Petroleum Products.
- 6) To secure supply to the airport, My Ministry had earlier got no objection from Kenya Pipeline Company (KPC) to work during Christmas holidays and load Jet A-1 transit trucks to Uganda. However, during the driver strike even Jet A-1 trucks to Entebbe were blocked.
- 7) The issues were escalated by the breakdown of the scanners operated by Uganda Revenue Authority (URA) and Kenya Revenue Authority to



clear the goods at the entry points. I have been reliably informed that one of the scanners again broke down last week.

- 8) Rt. Hon. Speaker, as of 24th January 2022, the vehicle queue on Malaba and Busia side were of a distance of 35km and 40km, respectively. Honourable members, we all know that petroleum products are highly flammable and this is being worsened by mixing the trucks ferrying the products with dry cargo. This calls for the need to beef up safety and security measures to avoid fire related accidents.

FUEL SUPPLY LOGISTICS

- 9) Rt. Hon. Speaker, prior to 2016 when the KPC infrastructure was constrained, my Ministry used to allocate storage space in the Kenya system to Uganda's active Oil Marketing Companies (OMCs) that were importing products to Uganda. Even with this constrained storage space, Uganda was well supplied and Uganda's pump prices were and remained competitive in the region.
- 10) KPC has improved its infrastructure with a new line from Mombasa to Nairobi, improved storage space in Nairobi and completed the Jetty at Kisumu which are in position to keep the region well supplied with no need for allocating storage space.



- 11) The low stocks in Western Kenya has necessitated Oil Marketing Companies to pick products from Nairobi which requires additional two days to deliver the product into the country.
- 12) Since taxes are paid at the loading terminals, Uganda's OMCs can load petroleum products from Mombasa, Konza, Nairobi, Nakuru, Eldoret and Kisumu. So even when there are low stocks in Western Kenya, my Ministry usually collaborates with the Kenyan authorities to load products in other terminals including Jomo Kenyatta International Airport for Jet A-1 to Entebbe. Irrespective of the current delayed clearance at Malaba and Busia, Entebbe International Airport has remained active and has not given a notice to airmen (NOTAM). However, with the current delays that have adversely affected the turnaround time for trucks, we continue to critically monitor supply of Jet A-1.
- 13) From the pipeline, road transport is used for almost all products since the existing Wagon Ferries on Lake Victoria can only bring in a maximum of 8 million litres of Diesel per month yet the current normal monthly total consumption is 195 million litres. Currently, the wagon Ferries cannot lift Petrol because the loading facilities for Petrol at Kisumu have not been commissioned. In addition, the Private facility owned by Mahathi Infra Uganda Ltd scheduled for commissioning in June 2022 will improve utilization of Lake Transport by the oil marketing companies.



- 14) Some OMCs still import 5% of the industry requirements through Tanzania although the route is still more expensive by US\$ 60 per 1,000 litres. The road which used to be pose challenges was improved by the United Republic of Tanzania. In this respect, some companies are using the route.
- 15) The oil marketing companies have also been obligated to keep the 10 days' operational stock as required by the Petroleum Supply Act of 2003. This move is partly responsible for the current stock levels for diesel and Jet A-1 which remained in stock irrespective of a long impasse at Malaba and Busia.
- 16) Rt. Hon. Speaker, Uganda's OMCs have private storage capacity at their active depots excluding storage at service stations of 62,673,596 litres. When combined with the Government storage facility at Jinja of 30 million litres now operated by Uganda National Oil Company (UNOC) in a joint venture with One Petroleum limited, this results in a total national storage capacity of 92,673,596 litres. My Ministry has continuously requested for funds amounting to 30 million USD to restock the reserves but this remained unfunded. The Jinja Storage facility can store 20 million litres of diesel and 10 million litres of petrol. The facility can be served by both road and railway transport and there are plans of connecting a pipeline that will supply product to the terminal from a barge on Lake Victoria.



- 17) Plans are underway to develop the Kampala Storage Terminal at Namwabula, Mpigi with a first phase of 140 million liters expected in 2024. The facility will consequently be expanded to its full capacity of 340 million liters after two years, in line with the refinery completion.

FUEL PRICES

- 18) Rt. Hon. Speaker, Uganda's pump prices have been stable and would move with the global trends until January 2022 when Petrol prices increased due to scarcity. The price for petrol has increased by UShs 550 (12.4%) from UShs 4,450 per litre as of 17th December 2021 to UShs 5,000 per litre in January 2022. Over the same period, the price for diesel has remained stable at 4,130 per litre
- 19) Due to the fact that pump prices are determined by the market, the price of Diesel which is available has remained stable while Petrol that is scarce forced some retailers to buy from other retailers that have petrol to resell at pump prices and consequently those secondary retailers sell at high prices to recover the money that is invested in buying at pump prices together with the associated handling costs. With supply anticipated to return to normal at the end of the month, prices are expected to be competitive again.



- 20) You will recall that in September 2021, Kenya's motorists were travelling to Eastern Uganda to refuel their vehicles and transit trucks were all buying Petroleum Products from Uganda.
- 21) In view of the above, therefore, the high petrol pump prices of Petroleum Products are caused by product scarcity and once supply returns to normal prices will become competitive again.
- 22) On the one hand, margins of the oil marketing companies have stagnated in their efforts to keep competitive. In addition, their Return on Capital employed has lowered as a result of using more money to trade in the same volumes.
- 23) On the other hand, consumers have increased expenditure on petrol in conducting their daily businesses. This has in turn increased private transportation costs which further impact negatively on private transport and Boda-bodas.
- 24) Rt. Hon. Speaker, pump prices per litre for Eldoret and Kisumu in Kenya are Kshs. 130.13 for petrol and Kshs. 111.32 for diesel. At the exchange rate of US\$ 34 per one KShs, it comes to US\$ 4,424 and US\$ 3,785 for the two products respectively. This implies that on average, the prevailing petrol prices in Uganda are US\$ 576 above those in Kenya



due to scarcity. Eldoret and Kisumu have been used because they are the main loading terminals for Uganda's products.

- 25) From this analysis, it is evident that competition when supply is normal in the downstream petroleum subsector in Uganda has taken root and thereby rendering the intended benefits to the population. Once supply constraints at the border are addressed, prices for all products will return to normal and competitive for the benefit of customers.

OTHER CONSTRAINTS

- 26) Rt. Hon. Speaker, we still have challenges of supply as a result of constraints at border clearance thereby forcing some oil marketing companies to buy at retail prices and further retail. It has resulted in increased pump prices and declining margins for both companies and dealers. The increase in pump prices ultimately increases the cost of living.
- 27) Once the clearance at the borders is addressed, supply together with pump prices should return to normal by 10th February 2022. As of 26th January 2022, there was a noticeable reduction in the length of the queue at both Busia and Malaba which is a good sign towards reduction of the backlog. My Ministry continues to engage Uganda Revenue Authority on this matter.



ACTIONS TAKEN

- 28) Rt. Hon. Speaker, in order to expedite the clearing processes at both the Busia and Malaba border entry points: -
- a. Testing for COVID-19 for truck drivers has been halted until further notice.
 - b. I have directed SICPA SA, the company undertaking fuel marking at entry points to have their services available on a 24-hour basis at the two border points with effect from 24th January, 2022;
 - c. As government, we plan to put in place a priority route with one special clearance point at the border and working with URA and have trucks use the newly constructed road from the Busia border to Lumino – Musita - Jinja road.
 - d. Even with existing collaboration with the Government of Kenya, we shall continue to monitor the supply chain and keep them engaged as the need arises.
 - e. We shall continue to monitor the supply routes since supply to the country hinges on the effectiveness of the import routes and the in-country storage facilities. In this case, both Mombasa and Dar-es-Salaam ports together with other terminals in Kenya will always be closely monitored within the existing collaboration in place.



- f. In the event that, the pump prices go beyond the acceptable levels, the Petroleum Supply Act under Section 30 empowers me to take action on the errant operators. The action can constitute closure of petrol stations, issuance of penalties or revocation of licenses in extreme cases.
- g. There is need to introduce a tax rebate for products from the Southern Route through Tanzania in order to diversify the supply routes.
- 29) The medium and long-term solutions is to invest in fuel strategic reserves to enable the country deal with such occurrences in a sustainable way.
- 30) Rt. Honourable Speaker and Members of Parliament as I conclude, I once again take this opportunity to thank you and the august House for raising the concern on the current fuel situation in the country on behalf of our citizenry. My Ministry and the Government at large, will continue to fulfill its objectives of sustainable development and economic transformation by providing the petroleum products at competitive prices in the region using the systems already in place.

For God and My Country!

A handwritten signature in black ink, appearing to read 'Ruth Nankabirwa Ssentamu'.

Hon. Dr. Ruth Nankabirwa Ssentamu

Minister of Energy and Mineral Development

27th January 2022