With the Strait of Hormuz blocked, Kampala's talks with Vitol are seen as a vital lifeline for the country's energy supply.

Uganda, fuel supplier set for talks amid Iran crisis

BY FREDERIC MUSISI

Senior executives of Vitol Bahrain EC, the anchor company for the Uganda National Oil Company (Unoc)'s petroleum products sole importation business, are expected in Kampala this week to hold high-level discussions with government officials amid growing disruptions in the global oil supply chain.

Vitol Bahrain EC, a Bahrain-based subsidiary of Vitol, the world's largest independent oil trading company, is among several major energy and commodity traders, including Mercuria Energy Trading, Gunvor Group Ltd, Trafigura Group, and Glencore, facing significant operational challenges after Iran restricted access through the Strait of Hormuz. The move came in response to joint US-Israel military operations that began on February 28.

According to sources familiar with the matter, Vitol executives will meet officials from Unoc, the Ministry of Energy, and, tentatively, President Museveni, to provide assurances about continued fuel supplies, even as shipping costs rise amid heightened geopolitical tensions.

The *Financial Times* (FT) reported last Thursday that Vitol and most of its competitors were severely affected by the war. Iran's retaliatory attacks on Gulf nations, including Bahrain, prompted Vitol to relocate staff and "deal with disruptions" at the oil-exporting port of Fujairah in the United Arab Emirates (UAE), where it owns a refinery and storage facilities.

Since March 16, attacks on oil infrastructure in Fujairah, the UAE's seventh-largest city, have escalated, threatening vessels that pass through the Strait of Hormuz, a critical maritime chokepoint carrying roughly a quarter of global seaborne oil trade, according to the UN Conference on Trade and Development (UNCTAD).

While global energy crises often boost profits for oil traders, the FT reported that the recent US/Israel-Iran conflict "wrongfooted" many companies in the early days. Both Vitol and its competitors struggled to capitalise on market volatility after Iran choked access through the strait.

According to analysts, the impact of restricted passage goes beyond the Gulf region, affecting energy markets, shipping logistics, and global supply chains. International Energy Agency (IEA) Chief Fatih Birol described the Strait of Hormuz blockade as "the largest supply disruption in the history of the global oil market."

Vitol reportedly had more than 10 consignments stuck in the Gulf at the time of the US/Israel attacks, while Trafigura Group had 10 vessels leased to other companies. Two of Vitol's tankers trapped in the Gulf were bombed on March 12, resulting in one crew fatality. Insurance and operating costs for the remaining vessels have skyrocketed since the conflict began.

"The wild swings in commodity prices and closure of Hormuz have prompted trading houses to secure additional lines of credit to cover margins," the FT reported. Analysts note that even if the strait reopens immediately, disruptions could persist for up to three months due to travel times for tankers, typically 25 to 30 days.

A section of fuel reserve tanks operated by the Uganda National Oil Company in Jinja City. PHOTO/FILE

Uganda seeks assurance

In Kampala, Ministry of Energy Permanent Secretary Irene Batebe told *Daily Monitor* that discussions with Vitol are ongoing to assess the implications of rising shipping costs on local fuel prices. "The ongoing discussions provide assurance of continued petroleum product supply. We have coverage for the next two months while placing new orders," Ms Batebe said.

"Vitol has a robust global network and is able to continue sourcing for product and supplying through alternative routes away from the Strait of Hormuz," she added.

UNOC's Chief Corporate Affairs Officer Tony Otoa confirmed that Vitol Bahrain EC had reassured the company of uninterrupted supply.

"I don't speak for Vitol per se, but there is no indication that what is happening, whatever has happened as you describe, has bearing on our supplies. First, we have supplies for the entire months of April and May, while another consignment is well within schedule," Mr Otoa said.

"As a trading company Vitol Bahrain also has many shipping containers and sources for product from all around the world," he added.

KEY FACTS

- **Fuel supplier:** Vitol Bahrain EC, a subsidiary of the world's largest independent oil trading company, Vitol.
- **Partnership:** Unoc has a five-year exclusive deal with Vitol for petroleum products, including petrol (PMS), diesel (AGO), kerosene, and aviation fuel (ATK).
- **Delivery route:** Products shipped from UAE to Mombasa, Kenya, then distributed across Uganda via Kenya Pipeline Company terminals.

Following the Petroleum Supply (Amendment) Act of November 2023, UNOC entered a five-year exclusive petroleum supply partnership with Vitol Bahrain for the haulage of Premium Motor Spirit (PMS), Automotive Gas Oil (AGO), Household Kerosene, and Aviation Turbine Kerosene (ATK - Jet A-1) from the UAE to Mombasa, bypassing more than 120 middlemen.

In Mombasa, the cargo is processed by Kenya Pipeline Company (KPC) at Kipevu Oil Terminal (KOT) and transported to Nairobi, Eldoret, and Kisumu, where Oil Marketing Companies (OMCs) collect supplies according to pre-approved demand requests. Vitol Bahrain manages the scheduling of tankers and delivery in line with Unoc specifications.

Despite assurances of supply, rising global shipping costs and insurance premiums are likely to affect pump prices in Uganda.

The government is reportedly considering levies of Shs200 per litre on diesel and petrol to raise revenue, a measure that could further pressure consumers as governments elsewhere seek to shield citizens from the fallout of global oil shocks.

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