

gains for a fourth consecutive session.

stocks (.SX86F) dropped 3.1 percent. Lufthansa (LHAG.DE) was down 3.9

German industrial orders fell more than expected in January. Investors

now pricing

The illusion of immunity: Uganda's exposure to global oil shocks

BY SANDRA NAMUKAYA

KAMPALA. The aftermath of the February 28 attacks on Iranian leadership has immediately transcended regional geopolitics to become a systemic threat to the global energy economy. Reported strikes on Kharg Island and the subsequent disruptions along the Strait of Hormuz to tanker traffic have severed a maritime artery responsible for more than 20 percent of the world's daily oil demand. This disruption has placed global energy security under an unprecedented microscope, exposing the fragility of a supply chain that billions of people and landlocked nations like Uganda depend upon for survival.

While the Ministry of Energy and the Uganda National Oil Company (UNOC) have moved swiftly to reassure the public that scheduled March cargoes remain on track, physical supply risk is only half the story. Even if our tankers are secure, we cannot hide from the market contagion.

For Uganda, this conflict is not a distant geopolitical headline; it represents a \$2.1 billion exposure to global maritime chokepoints. Some observers have pointed to our negligible

direct trade with Iran as a reason for calm, yet this is a dangerous illusion of immunity. Critically, Uganda's vulnerability is not about where our oil comes from, but how the global market sets its price.

Hence, any disruption at a major chokepoint triggers a chain reaction that ignores borders. Under its current monopoly model, UNOC sources fuel through its five-year agreement with Vitol Bahrain, utilizing supply networks in the UAE, Kuwait, Oman, and India. While these are currently stable partners, their reliability depends entirely on stable global markets and secure maritime routes. Yet the Brent crude benchmark to which our fuel prices are tethered has surged 17 percent in seven days, touching \$94 per barrel by early March 2026. For a nation with a \$2.1 billion annual fuel import bill, this represents an immediate and aggressive drain on our foreign exchange reserves.

The paradox is absolute: our entire economy runs on refined petroleum products that must transit a 21-mile-wide waterway currently paralyzed by conflict. As shipping giants halt transits and insurance premiums skyrocket, an "Emergency Freight Increase"

will effectively be levied on every Ugandan motorist.

The current instability transcends the energy sector, triggering a systemic shock to global trade as both the Suez Canal and the Strait of Hormuz face simultaneous disruptions. While OECD nations and Middle Eastern producers brace for market fragmentation by activating contingency pipelines and triggering Strategic Petroleum Reserves, these reactive measures offer little protection for a landlocked consumer like Uganda. We are witnessing a fundamental shift in the cost of global commerce that threatens to drain our sovereign value.



The reality.

"This [oil] crisis has reinforced a harsh reality: supply diversification is no longer a policy preference; it is a fiscal imperative. As long as our energy strategy remains anchored to imported fossil fuels, we will remain exposed to shocks thousands of miles away," – Sandra Namukaya, an economic policy and energy professional

The consequences of this escalation differ fundamentally from the 2022 Russia-Ukraine disruption. While that conflict focused on the volume of direct pipeline supply, the current crisis is a systemic stress test of a global energy architecture already stretched thin. Following 2022, the global oil market underwent a massive reorientation to decouple from Russian energy, pivoting heavily toward Middle Eastern and North American sources.

By successfully reducing one dependency, we inadvertently deepened our vulnerability to the maritime chokepoints of the Persian Gulf. As a result, whether it is the risk of infrastructure attacks or the sudden refusal of insurers to provide "war-risk" coverage, the global market is pricing in the probability of disruption long before a single tanker is hit.

For Uganda, the price we pay at the pump is locked into the Brent crude benchmark, which has already climbed to \$94/bbl due to the risk premium. While our physical supply chains remain technically open for now, with prolonged escalation uncertainties, we will end up paying a "geopolitical surcharge" on every barrel, driven by a global market terrified of a

total transit shutdown.

This crisis has reinforced a harsh reality: supply diversification is no longer a policy preference; it is a fiscal imperative. As long as our energy strategy remains anchored to imported fossil fuels, we will remain exposed to shocks thousands of miles away, regardless of whether physical supply lines remain open.

Rather than waiting for global market stabilisation and international diplomatic efforts, we must recognise this continued threat as a catalyst for strategic insulation. We must shift our mindset from importing stability to generating it by aggressively reducing our \$2.1 billion exposure to the global procurement chain, accelerating investment in homegrown renewables and deepening regional energy integration. Uganda can transform from a passive recipient of global shocks into the architect of its own stable, sustainable future. The time to pivot is now, when crisis reaches our borders, but now while we still have the capacity to secure our own energy independence.

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