

Govt, dealers explain six-year high fuel prices

By Ali Twaha and John Odyek

John Habumugisha, general manager National Pipeline Company (U) has explained that fuel pump prices have largely risen due to factors arising from the international, regional and local markets.

The National Pipeline Company is a subsidiary of the Uganda National Oil Company (UNOC), holding the mandate to develop and operate storage terminals and other petroleum infrastructure in Uganda.

Habumugisha explained that Brent crude oil prices, where refined products such as petrol come from, had gone up over the last few months from \$52 to \$68. "When refineries buy crude oil at high prices, their gate prices move up," Habumugisha told journalists at a press conference yesterday.

Leading fuel distributors in the market were quoting petrol pump prices at sh3,950 and sh3,250 for a litre for Total and Shell respectively by midday yesterday.

A litre of diesel was being sold at between sh3,360 and sh3,250. At other locations, especially in the western parts of the country, petrol prices have touched the sh4,000 mark according to reports.

In early December, average pump prices were at sh3,250 for petrol and sh3,100 for diesel. However, the current increase in pump prices represent, on average, a sh250 to sh300 increase since the beginning of the year.

The prevailing market prices are the highest the country has seen in the last six years, thanks to swings in oil supply versus demand.

A raise in fuel prices normally leads to an increase in commodity and transportation prices, which then triggers inflation. This is because farmers or manufacturers may find it hard to transport their commodities.

Efforts to contact Vivo Energy were futile as phone calls and e-mails were not responded to by press time. However, while appearing on a local television last week, Gilbert Assi, Vivo Energy managing director blamed the current price increment on global oil prices.

"If you look at the statistics from October to January, the international prices have moved up," Assi explained. "If you do these calculations in Uganda, petrol has moved up by sh200 more and diesel by around sh280."

Vivo Energy are the distributors of all Shell-branded products and controls

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between 28%-30% of the market share. When determining pump prices, companies such as Total and Shell factor in the transportation costs (from Nairobi to Kampala), global oil prices, exchange rate and taxes by the Government.

GLOBAL FORCES

According to Florentin de Loppinot, the managing director at Total E&P Uganda, the Government did a great job in managing the shocks that came

INCREASE

Sh3,950

The pump price of a litre of petrol at Shell

Sh3,250

The pump price of a litre of petrol in December

from the Kenyan elections. He said: "The good planning that was done in Uganda both by the oil companies and the energy ministry enabled no shortage to be felt despite the turbulence that was Kenya."

He added: "Crude prices have increased by over 50%. We did not feel it immediately because of the long process to get fuel into the country."

In the last six years, the average price of petrol and diesel averaged sh3,200 and sh2,500 per litre. This was the period when global crude oil prices were on a downward trend, dipping to as low as \$36 for a barrel from \$110 in 2014.

Many of the fuel station have been selling old stock fuel, according to Loppinot, which was purchased when the international crude prices were still at a lower price.

In 2017, crude oil prices traded between roughly \$45 and \$67 a barrel. In January 2018, oil prices briefly hit \$70 mark per barrel mark according to www.oilprices.com.

Although petrol is a byproduct of crude oil, changes in the prices of crude take a while to be reflected on the pump prices due to the long transportation process.

Global industrial experts are predicting that oil prices are likely to continue climbing in 2018 on the back of Organisation of the Petroleum Exporting Countries (OPEC) led production cut and a growing global economy.

Habumugisha said the supplies of petroleum products in the region have been stabilised and prices were not expected to rise due to supply challenges.

On Uganda's national strategic reserve in Jinja, he said UNOC had entered into a partnership with One Petroleum Ltd, a Kenya-based company to operate the Jinja storage terminal.

He explained that the Government was considering developing more storage terminals in the country to improve the availability and stability of prices of petroleum products.

He said the company has been able to stock the terminal with fuel which are supplied to the market. He said fuel companies are required by regulations to hold reserves in their depots.

Meanwhile, according the 2018/19 National Budget Framework paper, the Government has proposed a sh100 tax increment on fuel with an aim of raising about sh202b for road

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