

Fuel.

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Fuel prices across Uganda are edging upward, even as government insists the increments are premature and not backed by prevailing fundamentals.

For more than a year, pump prices among major dealers remained relatively stable, with petrol averaging Shs5,080 and diesel at Shs4,950.

That stability began to weaken in January, when petrol prices ticked up to about Shs5,120. Since then, prices have continued on a gradual climb.

Over the past weekend, several Shell stations were selling petrol at Shs5,280, a 3.94 percent increase from December levels, while Total Energies stations posted slightly higher prices at Shs5,299. City Oil, another key player, sold petrol at Shs5,100, up from Shs4,990 in January.

The steady rise comes despite earlier government assurances that there would be no immediate impact on pump prices from Middle East tensions resulting from the Israel-US-Iran war.

Increase not justified

The Ministry of Energy maintains that the current price hikes are not justified, given that much of the fuel on the market today was procured before escalation of the Middle East conflict.

Energy Ministry director of communications Patricia Litho says government is closely monitoring the situation and engaging dealers.

"We are engaging OMCs that hiked prices prematurely based on the knowledge that these are stocks acquired before the conflict," she says, adding, "We, however, request the public to bring these pumps to our attention. We could have missed them in our monitoring processes."

Earlier, Energy Minister Ruth Nankabirwa had reassured the country that Uganda National Oil Company (UNOC) held sufficient fuel stocks to maintain price stability in the short term.

UNOC distances itself

UNOC, which plays a central role in fuel importation, has distanced itself from the pricing decisions currently being seen at the pump. UNOC chief cor-

Fuel prices are rising: Govt says increase not justified



Key data

3.94%

At the weekend, several Shell stations were selling petrol at Shs5,280, a 3.94 percent increase from December levels.

Fuel prices climb despite government assurances, with officials calling hikes premature as global uncertainty, a weakening shilling, and market forces signal possible sustained increases ahead. PHOTO / EDGAR R BATTE

porate affairs officer Tony Otoa says pricing is determined by pump stations and not centrally by oil marketing companies (OMCs).

"It's not OMCs. It is the physical stations that are individually playing out their prices. Our commitment as UNOC

still stands. All other stations had been normal till now," he says.

Market realities and uncertainty

Peter Ochieng, a regional fuel marketer, says rising global uncertainties, particularly around crude oil supply, could

be influencing pricing decisions. "The cost of crude has doubled. With every one trying to source and uncertain about where the next litre will come from, this [has] definitely led to higher pump prices," he notes.

However, Ochieng also explains that Uganda's fuel pricing regime allows dealers to set prices freely, given that "there is no price control, which means you can post any price on the board, but you have to make sure it's the same as what you charged at the pump."

"OMCs are allowed to charge the price they want based on market intelligence and competitive advantages," he says.

Fuel prices typically rise when global crude oil prices increase, when supply chains are disrupted, and when import costs go up. One key factor is currency depreciation, which raises the cost of bringing fuel into the country.

In recent weeks, the shilling has weakened against major international currencies, particularly the dollar, the currency used in global oil trade.

This depreciation means importers now need more shillings to purchase the same volume of fuel, thereby exerting upward pressure on pump prices.

At the same time, higher shipping, insurance, and logistics costs, combined with uncertainty in the global supply chain, often trigger anticipatory price adjustments.

But government says these factors have not yet fully filtered into existing fuel stock, suggesting the current increases are speculative.

Much of the fuel currently being sold, government says, was procured before the latest escalation in Middle East tensions, meaning the direct cost impact has not fully filtered through.

However, underlying fundamentals are shifting. Rising crude oil prices, a weakening shilling, and growing uncertainty about future supply are beginning to align in a way that supports higher prices ahead.

Thus, sustained increases in fuel prices risk driving broader inflation, raising the cost of doing business, and potentially slowing economic growth.

Sectors such as manufacturing, agriculture, and logistics could face higher operational costs, and with market signals suggesting that pressure due to escalation in global uncertainties, rise in crude prices, and continued weakening of the shilling.