QUOTE OF THE DAY

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EDITORIAL

Govt should consider number of vehicles as it fixes fuel storage capacity

As of Thursday morning, global oil prices had surged, with the price shooting beyond the $100 per barrel on account of disruptions to the supply chains occasioned by the United States and Israel's war with Iran.

Iran's retaliatory attacks, which have included striking ships in the Strait of Hormuz, the busiest oil route after the Strait of Malacca, which lies between Malaysia and Indonesia, had until the commencement of the war been carrying just over 20 million barrels of oil per day, approximately one-fifth of the global demand.

The issue:
Fuel storage capacity.

Our view:
Whereas it is quite commendable that UNOC is working to increase the country's oil storage capacity, this is not good enough. The economic threats that have been precipitated by the war should wake up our planners to think and move faster.

The International Energy Agency (IEA) last week agreed to release 400 million barrels of oil from strategic stockpiles held by some of its member nations in order to offset shortages and a spike in prices, but most significantly, IEA warned that global oil supply will this month drop by 8 million barrels per day, which is equal to almost 8 percent of global demand due in part to the decision by several Middle East Gulf states scale back on oil production by at least 10 million barrels per day.

It is a question of how soon and not whether Uganda will feel the ripple effect. The question is, what have we done to buttress against the effects of the conflict?

The Uganda National Oil Company (UNOC) announced last month that it was going to upgrade the Jinja Storage Terminal to increase its storage capacity to 40 million litres, up from 30 million litres.

As of 2024, Uganda's average consumption was 44,015 barrels or seven million litres per day. With only 30 million stored up, the country can only run for 4.2 days.

When work on the Kampala Storage Terminal is completed, it will add a capacity of 320 million litres, bringing the national storage capacity to 360 million litres. That would mean that the country would have enough to run for only 51 days.

Whereas it is quite commendable that UNOC is working to increase the country's oil storage capacity, this is not good enough. The economic threats that have been precipitated by the war should wake up our planners to think and move faster.

Former president Idi Amin ordered the construction of the oil storage facilities in Jinja as a strategic reserve to address shortages, but its capacity was based on the number of vehicles in the country at the time.

The number of vehicles has increased by more than tenfold. That calls for upgrades based on the number of vehicles we have now. It also calls for establishing storage facilities in each of the regions of the country.

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