

2020
EREA TECHNICAL REPORT

**COMPARATIVE ANALYSIS OF PETROLEUM PRICING
REGULATIONS OF NRIs in EAC**

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This work is the product of the Technical Portfolio Committee of the Energy Regulators Association of East Africa. The findings and conclusions expressed in this work reflect the views of EREA Secretariat, the Executive Council and the General Assembly.

Attribution- Please cite the work as follows: EREA.2020 EREA. *Technical Report 2020: Comparative Analysis Of Petroleum Pricing Regulations of NRIs*. Arusha: EREA

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COMPARATIVE ANALYSIS OF PETROLEUM PRICING REGULATIONS OF NRIs

1. Abstract

Petroleum ranks second in the energy mix in East Africa after biomass, and the projected consumption is on the rise. The price of petroleum is thus a critical component in the economy since it directly impacts household budgets. The best practice is to allow the consumer price to be determined by market forces of demand and supply. However, past incidences have confirmed situations of market failure where the pump price did not move in tandem with changes in prices in the international markets.

2. Introduction

Petroleum price regulation is undertaken in Kenya, Rwanda, Tanzania and Zanzibar. The NRIs in the countries as mentioned earlier compute and publish petroleum prices under the guidance of gazetted Regulations/rules or through written policy directives from the Ministry responsible for petroleum.

3. Analysis of the Petroleum Pricing Regulations/Rules as applied by EREA members

The TPC undertook a detailed review of the following Petroleum Regulations/Rules:

- a. The Energy (Petroleum Pricing) Regulations, 2010 and the Energy (Petroleum Pricing)(Amendment) Regulations, 2012 as applied in Kenya;
- b. The Energy and Water Regulatory Authority (Petroleum Price Setting)Rules, 2009 as applied in Tanzania; and

c. The Petroleum Supply Regulations, 2017 as applied in Zanzibar.

The main areas of comparison in the Regulations/Rules were:

- i. Regulatory Framework; and
- ii. Pump price build-up.

The comparison is as illustrated in the table below.

4. Recommendations

It is recommended that NRIs should take note of the comparative analysis of the different pump pricing frameworks and the pump price build-up with the view to making improvements in member country petroleum pricing regulatory structures.

NRIs without pump pricing regulatory frameworks are encouraged to adopt such frameworks learning from the experience of the rest.

5. Conclusions

Regular comparative analysis of petroleum pump price frameworks and structures among NRIs will help enhance the protection of the interests of both consumers and investors.

Comparison of the Petroleum Pricing Regulations each NRI

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
Regulatory Framework	N/A	<ul style="list-style-type: none"> - The Energy (Petroleum Pricing) Regulations, 2010 - The Energy (Petroleum Pricing)(Amendment) Regulations, 2012 - Price computed and published on 14th of every calendar month and effective on the 15th. - Pump Prices set for the entire country. 	N/A	<ul style="list-style-type: none"> - Ministerial order - No pricing Regulations - Pump Prices set for Kigali only 	<ul style="list-style-type: none"> - The Energy and Water Regulatory Authority (Petroleum Price Setting)Rules, 2009. - Pricing period determined by the Regulator - Price formula may be amended upon Request by a regulated supplier or Regulator's motion. - Obligation by Petroleum Suppliers to provide import price information to the Regulator. 	<ul style="list-style-type: none"> - The Petroleum Supply Regulations, 2017. - Pricing period determined by the Regulator. - Price formula may be amended upon Request by a regulated supplier or Regulator's own motion.

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
					<ul style="list-style-type: none"> - The requirement to conspicuously display the pump price. - Pump Prices set for the entire country. 	
Pricing Structure	N/A	Cost-plus comprising: <ul style="list-style-type: none"> - Free On Board Costs - Platts - Premium and Freight – Open Tender System - Insurance (General and war risk) - Letter of Credit charge (0.8%-1.2%) - Ocean Losses (0.10% - 0.20%) - Port Handling Charges (Steve Doring, 	N/A	Cost-plus comprising: Option 1: Central Corridor- Dar Es Salaam to Kigali <ul style="list-style-type: none"> - Free On Board Costs - Platts - Premium and Freight – Open Tender System - Insurance - Financing Charge (2.5% of CIF) - Evaporation Losses (0.50% PMS, 0.30% AGO and DPK) - Port Handling 	Cost plus comprising: <ul style="list-style-type: none"> - Free On Board Costs - Platts - Premium and Freight – Bulk Procurement System - Insurance (0.10% of C&F) - Financing Charge (1%) - Evaporation Losses (0.50% PMS, 0.30% AGO and DPK) - Port Handling Charges 	Cost plus comprising: <ul style="list-style-type: none"> - Free On Board Costs - Platts - Weighted Average Premium (Freight+insurance + Premium) - Financing Charge (1%) - Evaporation Losses (0.50% PMS, 0.30% AGO and DPK) - Port Handling Charges (Wharfage – Dar Es Salaam

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
		Wharfage) - Other costs (Inspection fees, Analysis and recertification fees) - Storage and Distribution Costs (Shore tanks handling and storage, Pipeline/bridging charge, secondary storage tanks charge and local distribution charge) - Taxes and Levies (Import Declaration Fees, Railway Development Levy, Merchant Shipping Levy, Excise duty, Road Maintenance Levy, Petroleum		Charges (Wharfage – Dar Es Salaam) - Other costs (Customs Processing fee, Tanzanian Bureau of Standards fees, weights and measures fees, and surveyor's cost) - Storage and Distribution Costs (Tiper Fees, Dar Depot Handling charges, Dar Reseller margin, Transit losses, Petroleum Import Company fees, Bond fees, Dar-Kigali Transport cost, Border fee, clearing cost and local distribution cost) - Taxes and Levies (Strategic Reserve	(Wharfage – Dar Es Salaam) - Other costs (Customs Processing fee, Duty on unlanded cargo, Tanzanian Bureau of Standards fees, weights and measures fees, and surveyor's cost) - Storage and Distribution Costs (warehousing charges, secondary freight and handling, Transportation losses, Petroleum Marking Costs and local distribution	and Wharfage - Zanzibar) - Other costs (Customs Processing fee, Duty on unlanded cargo, Tanzanian Bureau of Standards fees, weights and measures fees, Zanzibar Bureau of Standards fees and surveyor's cost) - Storage and Distribution Costs (warehousing charges, secondary freight and handling, Transportation losses, Petroleum

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
		Development Levy, Petroleum Regulatory Levy and Value Added Tax) - Supplier Margins (wholesale and Retail margins)		Levy, African Union Levy, Infrastructure Development Levy, Regulatory Fees and Electronic card levy) - Supplier Margins (wholesale and Retail margins) Option 2: Northern Corridor – Mombasa to Kigali - Free On Board Costs - Platts - Premium and Freight – Open Tender System - Insurance (General and war risk) - Financing Charge (2.5% of CIF) - Ocean Losses	charge) - Taxes and Levies (Fuel Levy, Excise Duty and EWURA Levy) - Supplier Margins (wholesale and Retail margins)	Marking Costs and local distribution charge) - Taxes and Levies (Excise duty, Road License fees, Infrastructure tax, Petroleum levy, Road Development levy, Regulatory levy and Local Government charges) - Supplier Margins (wholesale and Retail margins)

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
				<p>(0.10% - 0.20%)</p> <ul style="list-style-type: none"> - Port Handling Charges (Stevedoring, Wharfage) - Other costs (Inspection fees, Analysis, recertification fees, marking costs, OTS OMC agency fees) - Storage and Distribution Costs (Shore tanks handling and storage, Pipeline/bridging charge, Eldoret – Kigali transport cost, Transit losses, KRA seals, Malaba border fees, Rwanda Border fees and clearing fees) - Taxes and Levies (Strategic Reserve Levy, 		

Aspect/NRI	Burundi	Kenya	Uganda	Rwanda	Tanzania	Zanzibar
				<p data-bbox="1068 235 1318 500">African Union Levy, Infrastructure Development Levy, Regulatory Fees and Electronic card levy)</p> <p data-bbox="1024 532 1285 641">- Supplier Margins (wholesale and Retail margins)</p>		