

PETROLEUM INSTITUTE OF EAST AFRICA

Q1 2023 STATE OF THE PETROLEUM INDUSTRY BRIEFING

**THEME: GOVERNMENT AGENDA FOR THE PETROLEUM ENERGY
SECTOR**

26TH APRIL 2023 - SAROVA STANLEY HOTEL NAIROBI

INSIGHTS ON TRADE ISSUES

Key Highlights

Geo political: Impact of the Russia Ukraine war have deflated post pandemic recovery

Petroleum Development Levy Subsidy Fund: Inability to **access refunds in a timely manner**



High and rising domestic Inflation / Strengthening US Dollar has impacted cash flows resulting in missed business opportunities and undermined market access

US\$ Dollar shortage mainly due to increasing Federal rates (by 30%, that is from 3.78% in November 2022 to 5% in March 2023)

Key Comments

- The global economy is going through a turbulence due to high inflation rates not seen in decades, tightening financial conditions, Russia-Ukraine crisis and risks associated with COVID-19 pandemic.
- Additionally, there has been a 35% increase in the average Murban crude oil prices (Barrel reached highs of 133\$/bbl in 2022 compared to 71\$/BBL average of 2021) arising from the Russia-Ukraine geo-political tensions.
- There was increased demand for oil products in 2022, which experienced a 2% growth in the consumption of petroleum products despite a 35% increase in the average Murban crude oil prices during the same period
- Since November 2021, the Kenya market has experienced a crippling US Dollar (USD) shortage mainly due to increasing Federal rates (by 30%, that is from 3.78% in November 2022 to 5% in March 2023) and the increase in international oil prices following the Russia-Ukraine war (Barrel reached highs of 133\$/bbl in 2022 compared to 71\$/BBL average of 2021)



Business confidence however picked up in the wake of a smooth transition of power following a largely peaceful presidential election. Kenya's growth prospects remain bright; however, emerging shocks are challenging the broad-based rebound. It is anticipated that Industry will bounce back with policy that will promote a stable business environment and therefore increase local consumption and export business as is being witnessed with the Government (G2G) Petroleum Importation Model.

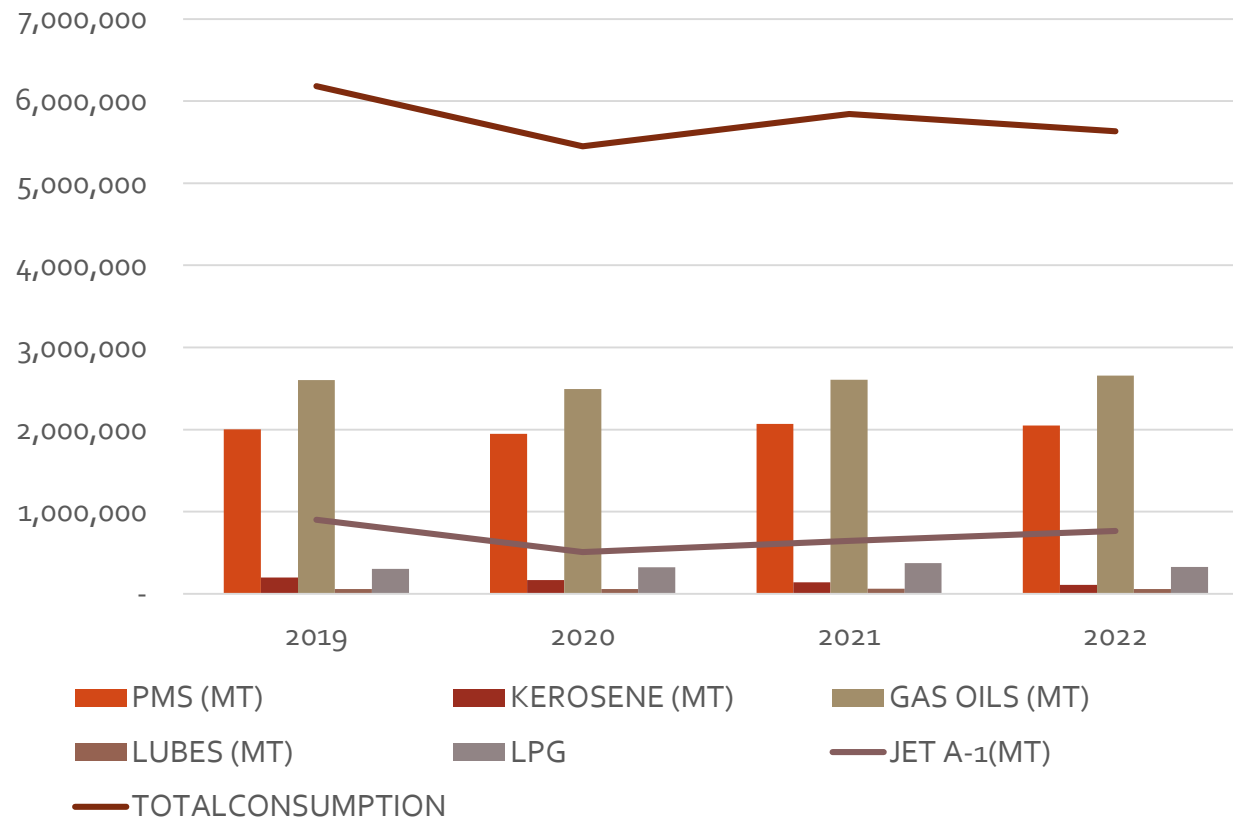
OVERALL ECONOMIC REVIEW

Kenya's Economic Outlook - Continued Rebound, but Storms Cloud the Horizon - Policies to Accelerate the Productive Economy for Inclusive Growth

1. The outlook is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID. The April 2023 IMF global growth baseline is projected to fall from 3.4% in 2022 to 2.8 percent in 2023, before settling and improving to 3.0% in 2024.
2. The world's 3.4% GDP growth rate realized in 2022 is the weakest GDP growth rate since 2001. This is excluding the global financial crisis (2008-2009) and economic downturn in 2020 due to the impact of COVID-19 pandemic. The global economy is going through a turbulence due to high inflation rates not seen in decades, tightening financial conditions, Russia-Ukraine crisis and risks associated with COVID-19 pandemic (IMF, 2022).
3. In 2020, Sub-Saharan Africa (SSA) registered a negative GDP growth rate of 2% in 2020 but reverted in 2021 to record a growth rate of 4.14% which went down to 3.9% in 2022. It is projected that this growth will further decelerate to 2.6 percent due to tighter global financial conditions and a dramatic rise in global inflation spill into the region already wearied by an ongoing series of shocks. The region's resilience is being severely tested. Rising food and energy prices are striking at the SSA region's most vulnerable, and public debt and inflation are at levels not seen in decades.
4. The Kenyan economy is recovering from the effects of COVID-19 pandemic which caused a contraction of the real GDP by 0.3% in 2020. In 2021, the economy recorded a growth rate of about 7.52% and is projected to have grown by 6% in 2022. Economic growth is projected to decline to 5.30% on average in 2023-24.
5. Private investments are expected to drive economic growth in the medium term amid sluggish growth in households' consumption. The ongoing favorable trends in the underlying drivers of Kenya's recent consumption growth are expected to continue including the recovery in employment in the services sector (especially in tourism), resilient diaspora remittances, and increase in minimum monthly wage. However, consumption growth is likely to be dampened in the near term due to below average agricultural harvest, high inflation affecting real incomes, and tighter monetary policy.

Petroleum consumption bounced back post the pandemic with 2% growth in 2021 and 2022

Kenya's Petroleum Consumption (2019 -2022)

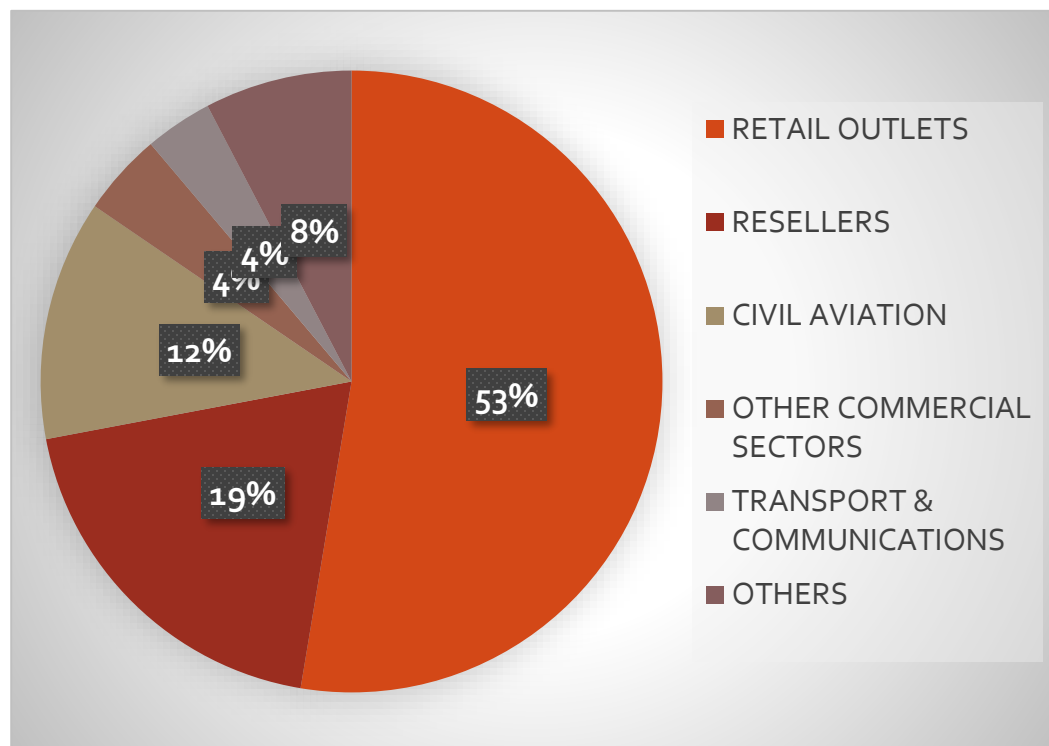


Key Comments

- In the 2022 period Jet fuel use jump 19% on increased flights, and political events as high prices choked demand for super, diesel and kerosene.
- Consumption of PMS and AGO however have remained constant with a marginal drop in volumes of PMS by 1% and a growth in AGO of 2%.
- LPG consumption has been on an upward trend from 93,600mt in 2012 to 373,865 mt in 2021 and was the only product whose volumes were not negatively impacted by the Covid-19 pandemic (however the growth trajectory was impacted as compared to previous years - 36% growth in 2019 as compared to 5% growth in 2020 with a 13% drop experienced in 2022 (324,245 MT). It is also worthy to note the there has been a 16% increase in consumption in 2021 however this trajectory is not in tandem with the LPG demand projections forecasted for 2021 at 466,819MT as a result of the reintroduction of the 16% VAT in 2021 and 8% VAT in 2022.
- Petrol growing by an average of 13% percent between 2008 and 2022 from a growth in the number of motor vehicles from 250,000 to 2.5million. **However, in the lubricant sector, growth has averaged 5% between 2008 and 2022 with a 9% drop in 2022 a performance not in tandem with the population growth and growth in other sectors, indicating declining volumes per capita**

Retail outlets, Resellers and Civil Aviation continue to dominate the petroleum consumption

Petroleum Industry Top Industry Consumers (2022)



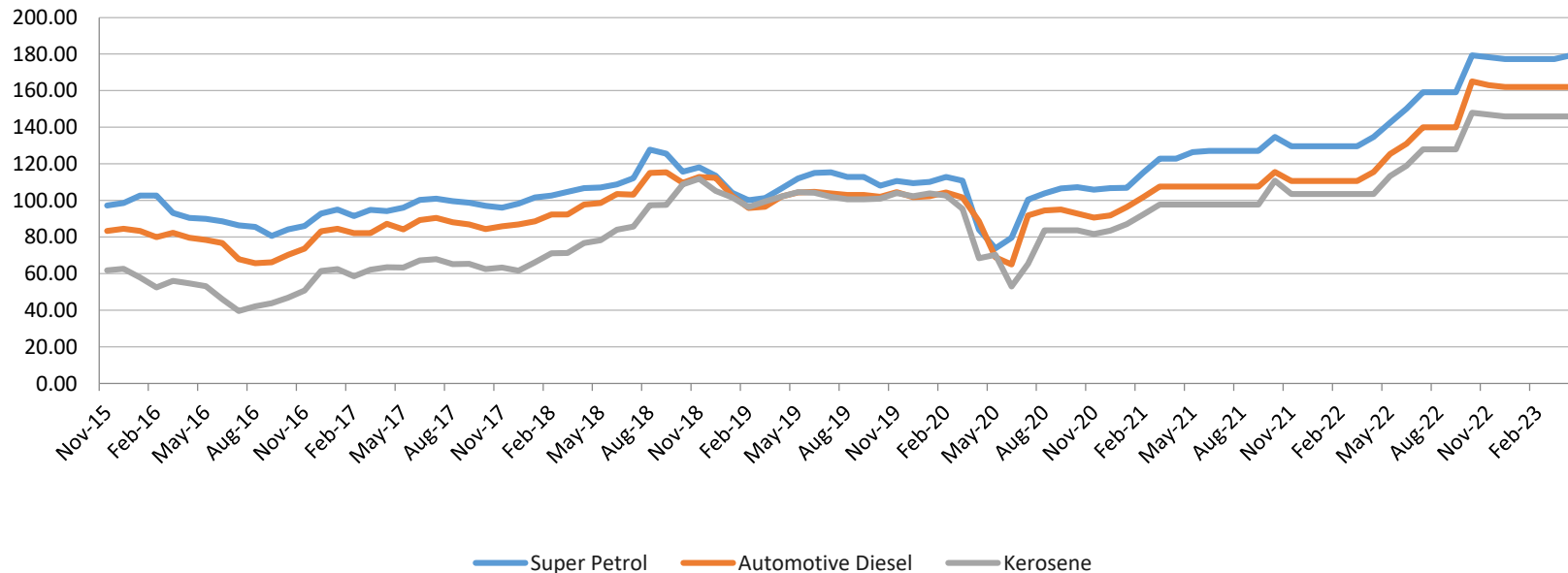
Key comments

- Despite the geo political impacts of the Ukraine – Russia war and the pandemic the economy remained resilient with growth noted in the civil aviation, energy production, agriculture, military, mining and other natural resources and government services sectors. Resellers, Other commercial sectors, transport and communications, manufacturing and building and construction segments experienced marginal drops mirroring the economic activity to a near-stagnated demand in the economy amid record high prices.
- Retail outlets grew from 49% in 2021 to 43% in 2022 however the Resellers segment dropped from 23% in 2021 to 19.4% in 2022 indicating declining consumption volumes in the region impacted by the high crude oil prices.
- **Others:** Energy Production 3.42%, Manufacturing Industries 1.74%, Building & Construction 0.81%, Agriculture 0.60%, Mining & Other Natural Resources 0.52%, Government Services 0.47%, Military 0.06%, Tourism 0.04%

Petroleum consumption bounced back post the pandemic with 2% growth in 2021 and 2022

Petroleum Products Price Trend (2015 -2022)

Nairobi Pump Prices Trend



Key Comments

- In the period March 15th 2023 – April 14th 2023 pricing cycle, the maximum allowed pump prices for Super Petrol increased by KShs. 2/-, while that for Diesel and Kerosene remain unchanged from the previous cycle.
- The price of Diesel was cross-subsidized with that of Super Petrol while a subsidy of Kshs. 23.49/litre was maintained for Kerosene in order to cushion consumers from the otherwise high prices.
- The Government will utilize the Petroleum Development Levy to compensate oil marketing companies for the difference in cost.
- In the period April 15th 2023 – May 14th 2023 pricing cycle prices have remained unchanged.

Kenya Petroleum Market Share Q4 2021 and Full Year 2022: Top 10 companies

OVERALL MARKET SHARE (INCLUDING EXPORTS) OCTOBER - DECEMBER 2022	
VIVO ENERGY	16.45%
TOTALENERGIES	12.01%
RUBIS	10.01%
OLA	5.80%
ORYX	4.39%
STABEX	3.90%
GALANA	3.78%
BE ENERGY	3.52%
HASS	2.98%
RH DEVANI	2.95%
LAKEOIL	1.96%
TEXAS	1.89%
COSTALINA	1.77%
TOSHA	1.70%
PETRO	1.65%
LUQMAN	1.35%
EAGOL	1.31%
OCEAN ENERGY	1.22%
FOSSIL	1.20%
TRISTAR	1.18%
GAPCO	1.14%
GEHL	1.09%

OVERALL 2022 MARKET SHARE (INCLUDING EXPORTS)	
VIVO ENERGY	18.21%
TOTALENERGIES	13.40%
RUBIS	9.55%
OLA	5.57%
ORYX	4.74%
BE ENERGY	3.44%
STABEX	3.25%
GALANA	3.10%
HASS	2.98%
RH DEVANI	2.00%
LAKEOIL	1.99%
PETRO	1.92%
DALBIT	1.76%
TEXAS	1.72%
TOSHA	1.69%
FOSSIL	1.50%
COSTALINA	1.47%
EAGOL	1.29%
GAPCO	1.27%
LUQMAN	1.17%
GEHL	1.15%
TRISTAR	1.10%

KENYA PETROLEUM SALES MARKET SHARE OCTOBER - DECEMBER 2022	
VIVO ENERGY	22.12%
TOTALENERGIES	15.32%
RUBIS	12.12%
OLA	7.72%
ORYX	4.22%
RH DEVANI	3.75%
BE ENERGY	3.56%
STABEX	3.46%
GALANA	2.77%
LAKEOIL	1.91%
HASS	1.88%
TOSHA	1.77%
GAPCO	1.55%
GEHL	1.47%
PETRO	1.35%
ONE PETROL	1.30%
TEXAS	1.27%
FOSSIL	1.06%
LEXO	0.87%
RIVAPET	0.73%
LUQMAN	0.70%
NOCK	0.67%

KENYA PETROLEUM SALES 2022 CONSOLIDATED MARKET SHARE	
VIVO ENERGY	23.97%
TOTALENERGIES	16.88%
RUBIS	10.91%
OLA	7.32%
ORYX	4.46%
BE ENERGY	3.36%
STABEX	3.12%
RH DEVANI	2.54%
GALANA	2.40%
HASS	1.90%
TOSHA	1.80%
LAKEOIL	1.73%
GAPCO	1.69%
DALBIT	1.68%
GEHL	1.53%
PETRO	1.51%
FOSSIL	1.05%
ONE PETROL	0.93%
TEXAS	0.91%
LEXO	0.81%
RIVAPET	0.69%
NOCK	0.68%

Key Comments

1. The top 10 companies had a combined overall market share of 62.97% in 2021. The figure rose to 66.24% in 2022, indicating waning growth in mid-tier companies.

Retail Outlets and Resellers Volumes Q4 2021 and Full Year 2022: Top 10 companies

RETAIL OUTLETS MARKET SHARE OCTOBER - DECEMBER 2022	
VIVO ENERGY	32.7%
TOTALENERGIES	21.2%
RUBIS	13.6%
OLA	6.4%
BE ENERGY	3.5%
HASS	2.3%
GEHL	2.3%
GALANA	2.2%
LAKEOIL	2.1%
LEXO	1.7%
LUQMAN	1.3%
ASTROL	1.1%
NOCK	1.0%
TEXAS	1.0%
RIVAPET	1.0%
AFTAH	0.9%
TOSHA	0.91%
PETRO	0.76%
AINUSHAMSI	0.44%
ORYX	0.4%

RETAIL OUTLETS 2022 CONSOLIDATED MARKET SHARE	
VIVO ENERGY	33.1%
TOTALENERGIES	22.1%
RUBIS	13.0%
OLA	6.5%
HASS	2.4%
GEHL	2.3%
GALANA	2.2%
LAKEOIL	2.0%
BE ENERGY	1.5%
LEXO	1.4%
TOSHA	1.3%
LUQMAN	1.2%
AFTAH	1.1%
PETRO	1.1%
NOCK	1.0%
RIVAPET	1.0%
ASTROL	0.96%
TEXAS	0.79%
AINUSHAMSI	0.66%
ORYX	0.62%

RESELLERS MARKET SHARE OCTOBER - DECEMBER 2022	
ORYX	20.01%
GAPCO	6.72%
TOSHA	6.37%
TOTALENERGIES	5.82%
FOSSIL	5.31%
GALANA	4.77%
PETRO	4.75%
BE ENERGY	4.58%
LAKEOIL	3.97%
TEXAS	3.83%
VIVO	3.59%
TOWBA	2.64%
TRINITY	2.60%
RUBIS	1.92%
EAGOL	1.87%
ZACOSIA	1.73%
SAHARA	1.73%
DALBIT	1.66%
E3 ENERGY	1.46%
KENCOR	1.40%

RESELLERS 2022 CONSOLIDATED MARKET SHARE	
ORYX	21.25%
GAPCO	7.68%
VIVO	7.30%
TOTALENERGIES	7.10%
TOSHA	5.71%
PETRO	4.85%
FOSSIL	4.61%
BE ENERGY	4.14%
GALANA	3.81%
DALBIT	3.73%
LAKEOIL	3.01%
TOWBA	2.69%
TEXAS	2.54%
RUBIS	2.10%
MARVIS	1.56%
E3 ENERGY	1.55%
EAGOL	1.54%
TRINITY	1.54%
OLA	1.32%
ZACOSIA	1.16%

Key Comments

In 2022:

- Retail segment controlled 53% of the market share
- Resellers controls 19.4%
- There has been marked Increase in retail station network

Thank You!

CONTACT DETAILS

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