



REPUBLIC OF KENYA
THE NATIONAL TREASURY & PLANNING

PRESS STATEMENT

15th June, 2022.

FOR IMMEDIATE RELEASE

STATEMENT ON FUEL PRICES PUBLISHED BY EPRA

The Energy & Petroleum Regulatory Authority (EPRA) published new fuel price on 14th June, 2022. Following is the National Treasury's statement on the same:

From the onset of the Russia-Ukraine War, there has been elevated **volatility and uncertainty** in the international oil markets given that Russia is the third-largest oil exporter in the world, commanding 11 percent of the global market share. This has resulted in significant increases in fuel prices in recent months to levels not seen since 2008, with an increase of more than 50 percent between December 2021 and May 2022, thus gravely impacting the cost of living.

Fuel accounts for **20 percent of Kenya's import bill**. The volatile international oil prices thus expose Kenya's open economy to the risk of imported inflation.

For this reason, **the Government has been subsidizing fuel prices** so as to ensure that the rising fuel prices do not push the prices of most basic commodities and services beyond the reach of most citizens.



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Towards this end, the Government has allocated over KES 100 billion, in the Financial Year 2021/22 and 2022/23 to subsidize fuel prices.

However, **fuel subsidies are inefficient and often lead to misallocation of resources and crowding out of public spending** on productive sectors, resulting in unintended consequences such as disproportionately benefiting the well-off. Additionally, scenario analysis suggests that fuel prices could increase further, but even if they do not, they are not expected to revert to levels experienced prior to the Russia-Ukraine War.

The cost of the fuel subsidy could eventually surpass its allocation in the National Budget, thus potentially escalating public debt to unsustainable levels and disrupting the Government's plans to reduce the rate of debt accumulation. For this reason, a gradual adjustment in domestic fuel prices will be necessary in order to progressively eliminate the need for the fuel subsidy, possibly within the next Financial Year.

This will then create the fiscal space necessary for the Government to support targeted public spending on productive sectors that support the most vulnerable, such as fertiliser subsidies, universal health coverage, and subsidized primary and secondary education, among others.



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Accordingly, the KES 9.0 per litre fuel increase published by the Energy & Petroleum Regulatory Agency (EPRA) on 14th June, 2022, will **help contain the cost of the fuel subsidy**. This notwithstanding, the published fuel prices of KES 159.12, KES 140.00 and KES 127.94 per litre of petrol, diesel and kerosene, respectively (in Nairobi), are **still significantly lower than prevailing prices in other countries** in the region, such as, Uganda, South Africa, Zambia and Rwanda. Without the fuel subsidy, fuel prices would have retailed at KES 184.68, KES 188.19 and KES 170.37 per litre of petrol, diesel and kerosene, respectively.

The National Treasury will continue to monitor these prices with a view to **taking measures to cushion the most vulnerable** to enable them adapt in the face of these global shocks.

Hon. (Amb.) Ukur Yatani, EGH
Cabinet Secretary, National Treasury & Planning

NAIROBI, 15th June, 2022.

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