



THE KENYA PIPELINE COMPANY LIMITED

APPLICATION FOR REVIEW OF THE IMPORTS HANDLING & PRIMARY STORAGE TARIFF

Presentation to

STAKEHOLDERS FORUM

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KPC – An Overview

1.0 KPC – An Overview

- ❑ Kenya Pipeline Company Limited (KPC) is fully owned (100%) by the Government of Kenya.
- ❑ It was incorporated on 6th September 1973.
- ❑ Commenced commercial operations in February 1978.
- ❑ KPC acquired the Kenya Petroleum Refineries Ltd. in October 2023.
- ❑ Core mandate is to **transport, store** and **deliver** bulk petroleum products.
- ❑ KPC's market is the Kenyan economy and the neighboring countries of Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo, Northern Tanzania and South Sudan.

Our Vision

Africa's Premier Oil And Gas Company

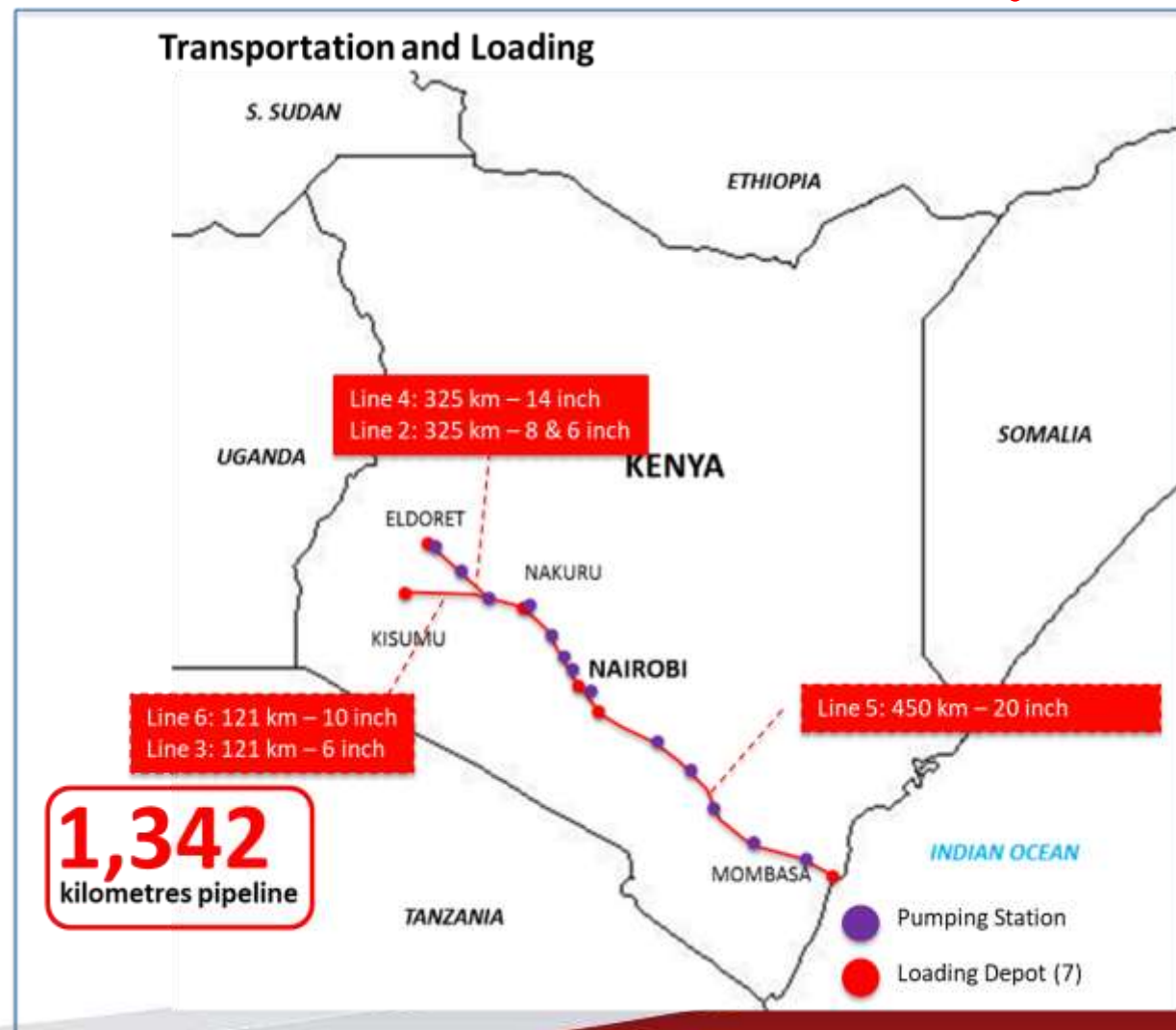
Our Mission

Transforming lives through safe and efficient delivery of quality oil and gas from source to customer

1.0 KPC – An Overview ... Cont'd

The Pipeline Network System

- ❑ Kenya's pipeline network currently consists of:
 - ✓ Pipelines loop of 1,342 km running from Mombasa through Nairobi to the Western Kenya towns of Nakuru, Eldoret and Kisumu.
 - The Mombasa Nairobi Pipeline constructed in 1978 (Line 1) has been decommissioned as it had outlived its design life and was no longer safe to operate.
 - ✓ Storage depots situated in Mombasa (KPRL, KOSF, MIA), Nairobi (JKIA, PS10), Nakuru, Eldoret and Kisumu.
 - ✓ Truck/rail loading facilities at the depots
 - ✓ Airport hydrant system at JKIA and Moi International Airport.
 - ✓ Oil Jetty in Kisumu.



1.0 KPC – An Overview

Current Installed Pipelines Capacity

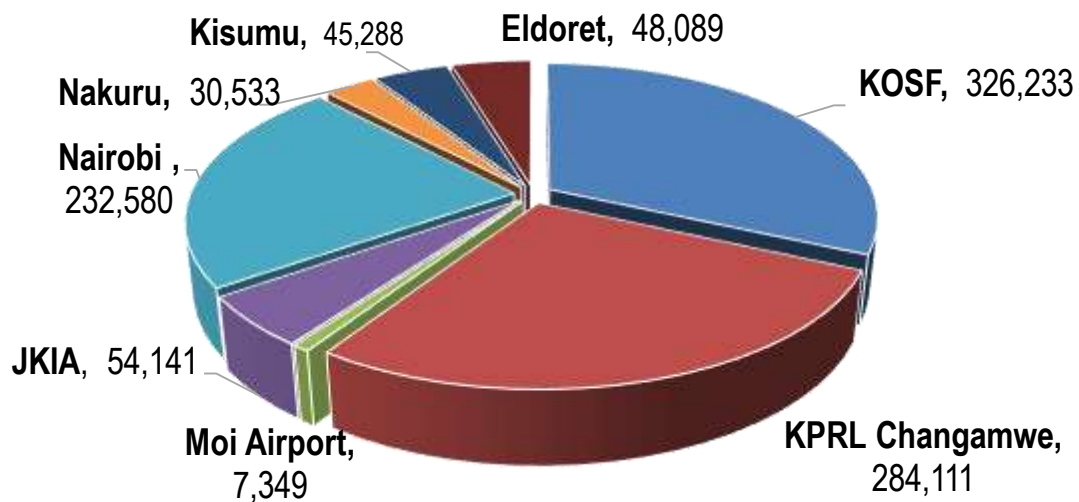
Pipeline Segments	Date completed	Distance (KM)	Diameter (Inches)	Installed Flow Rate (m ³ /hr)	Achievable throughput per annum (m ³)
Mombasa - Nairobi (Line 5)	2018	450	20	1,300	10,818,600
Nairobi - Eldoret (Line 2)	1994	325	8 & 6	220	1,830,840
Sinendet - Kisumu (Line 3)	1994	121	6	110	915,420
Nairobi - Eldoret (Line 4)	2011	325	14	350	2,912,700
Sinendet-Kisumu (Line 6)	2016	121	10	290	2,413,380
Total		1,342			

1.0 KPC – An Overview

Storage Capacity

□ The pipeline system is linked to various storage depots with a gross active storage of ~1,028,324 m³.

Storage Capacity in Depots (in m³)



□ The idle storage capacity of 100,000 m³ at KPRL Port Reitz has been converted to AGO storage, utilization awaits completion of interconnectivity project currently at 90%.

1.0 KPC – An Overview

Product Delivery

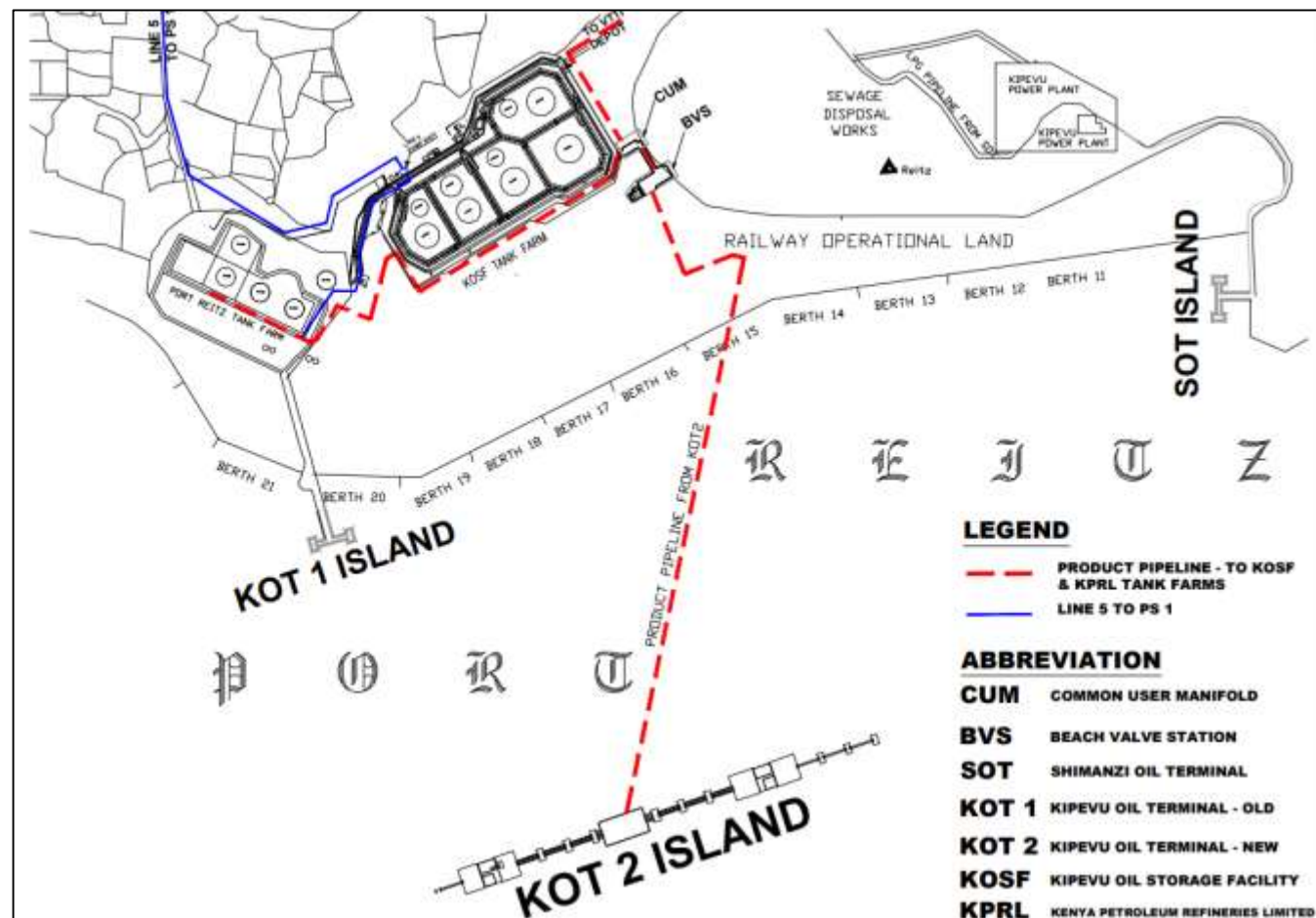
- ❑ Product delivery is mainly through:
 - ✓ Transfers to the Oil Marketers' depots in Nairobi through interconnecting pipelines.
 - ✓ Truck loading facilities at the Western Kenya Depots and KPRL.
 - ✓ Airport hydrant system for direct fuelling into-plane.
- ❑ KPC's clients are the licenced oil marketing companies who have signed a Transport and Storage Agreement with KPC.



1.0 KPC – An Overview

Scope of tariff under review:

- ❑ Handling of imports from the Kipevu Oil Terminal (*Kipevu Oil Terminal is owned by KPA but operated by KPC*)
- ❑ Storage and handling at Kipevu Oil Facility
- ❑ Storage and handling at KPRL Changamwe & in the near future Port Reitz tanks
- ❑ Truck loading at KPRL Changamwe



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The Current Tariff

2. Current Tariff

- ❑ The prevailing tariff was approved by EPRA in July 2021, with some adjustment done in October 2022.
- ❑ It covered the control period 2021/22 – 2023/24 with an extension of the 2023/24 rate to end of November 2024.

Service	2021/22 Tariff		2022/23 Tariff		2023/24 Tariff	
	In Kshs/m ³	In US\$/m ³	In Kshs/m ³	In US\$/m ³	In Kshs/m ³	In US\$/m ³
Import Handling	29.77	0.28	20.45	0.19	20.69	0.19
Primary Storage	356.96	3.31	353.24	3.28	382.93	3.55
Total Import Handling & Storage	386.73	3.59	373.69	3.47	403.62	3.74
Truck Loading - KPRL		2.55		2.77		2.62

2. Current Tariff...Cont'd

Major investments undertaken during the ended tariff control period:

1. Upgrade of the petroleum fuels Truck Loading Facility at KPRL.
2. Construction of LPG truck loading facility.
3. Rehabilitation of the crude oil tanks at Port Reitz to handle AGO. Project completed in June 2024 providing an additional **100,000m³** storage.
4. Connectivity of Port Reitz tanks to KOT2, KOSF, KPRL Changamwe and Line 5 – Project 90% complete target commissioning in December 2024.
5. Connectivity of KPRL Changamwe tanks to Line 5.



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Application for Tariff Review

3. Application for Tariff Review

- ❑ Following the end of the 3-year tariff control period, KPC was required to make an application to EPRA for review of the tariffs.
- ❑ KPC submitted the application in March 2024.
- ❑ KPC and EPRA have had discussion on the application by KPC, majorly to clarify on the proposed tariff parameters.
- ❑ KPC is collaborating with EPRA in the stakeholder engagements as required by the Constitution of Kenya 2010.
- ❑ Final determination of the tariff will be made by EPRA, after the stakeholder engagements and review as per their internal processes.

3. Application for Tariff Review ... Cont'd

Tariff Structure

- ❑ This tariff application is guided by KPC's Tariff Policy, which is aligned to EPRA's guidelines, and provides that the tariff be derived from Revenue Requirements methodology.
- ❑ The formula is:

$$RR = (RAB \times RoR) + E + D + T$$

RR: Revenue Requirement

RAB: Regulated Asset Base

ROR: Rate of Return

E: Operating and Maintenance Expenditure

D: Depreciation

T: Tax

3. Application for Tariff Review ... Cont'd

Tariff Principles

The tariff review is further guided by the principles set by EPRA and are detailed below:

1. **Working Capital:** The RAB to consist of the following two items:
 - a. Cash determined as 45 days of Operations and Maintenance expenditure.
 - b. Inventory determined as 1% - 2% of the Regulated Asset Base (RAB). The current approved tariff model factored 2%.
2. **Capital Structure:** 80% equity and 20% debt.
3. **Return on Equity Portion of the Assets:** Given as 10.5% pre-tax being the approved return for regulated entities under EPRA.
4. **Weighted Average Cost of Capital.** Given as the prevailing weighted average cost of capital and applied on the debt portion of the assets.

3. Application for Tariff Review ... Cont'd

Tariff Inputs

Regulated Asset Base

- ✓ KOSF assets (Net Present Value) projected to be **Kshs. 5.81 billion** as at end of **FY 2024/25** reducing to **Kshs. 4.66 billion** in **2026/27**. **No major investments planned.**
- ✓ KPRL assets projected to be **Kshs. 6.15 billion** as at end of **FY 2024/25** and **Kshs. 7.94 billion** in **2026/27**. **Main addition to assets being:**
 - Proposed rehabilitation and upgrade of Changamwe facility and its connectivity to KOT 2 & KOSF.

Rate base in Kshs. Billion	2023/24 - provisional	Projected 2024/25	Projected 2025/26	Projected 2026/27
KOSF Assets	5.95	5.81	5.28	4.66
KPRL Assets	4.82	6.15	8.16	7.94
Total Import Handling & Storage Assets	10.77	11.96	13.44	12.60
KPRL Truck Loading Asset	0.048	0.45	0.52	0.50

The KPRL rehabilitation and connectivity projects are aimed at providing operational flexibility for imports handling, enhance discharge efficiency and reduce demurrage expenses which for 2024 YTD is about **US\$17 million** for all imports (US\$ 12 million allocated to domestic products).

3. Application for Tariff Review ... Cont'd

Tariff Inputs

Operating expenses

- ✓ KPC places emphasis on efficiency and cost control and has only allowed for a **10%** growth OPEX;
- ✓ OPEX impacted by requirement for rehabilitation/maintenance of 4No. tanks at KOSF and 2No. at KPRL.
- ✓ KPRL truck loading OPEX is estimated at 6.8% of total KPRL OPEX.

Operating Expenses in Kshs. Billion	2022/23	2023/24 (provisional)	2024/25	2025/26	2026/27
KOSF expenses (less depreciation)	1.20	1.47	1.36	1.64	1.83
KPRL expenses (less depreciation)	1.36	1.47	1.61	1.77	1.95
Total Import Handling & Storage Expenses	2.56	2.83	2.97	3.41	3.78

Planned Tank Maintenance - KOSF

- ✓ Rehabilitation of 14TK 201
- ✓ Rehabilitation of 14TK 501 (ongoing)
- ✓ Rehabilitation of 14TK 301
- ✓ Installation of Aluminum dome roof 14TK502
- ✓ At KPRL – T304 and T 108.

3. Application for Tariff Review ... Cont'd

Tariff Inputs

□ Throughput Projections

- ✓ Throughput is based on estimated domestic demand and transit imports through the port of Mombasa.
- ✓ In 2023/24, the total domestic demand and transit imports was **9.6 million m³**.
- ✓ Provision in the model assumes a 5% growth in 2024/25 and 4% thereafter.
- ✓ Model assumes KOSF & KPRL will handle 92% of total imports with balance 8% received through VTTI facility.

	Actual 2023/24	Projected 2024/25	Projected 2025/26	Projected 2026/27
Local Demand	5,514,170	5,845,999	6,037,312	6,235,122
Transit Imports	4,084,123	4,231,483	4,418,952	4,614,996
Total Size of Market	9,598,293	10,077,482	10,456,264	10,850,118
KOSF&KPRL throughput (92%)	8,830,430	9,271,283	9,619,763	9,982,109
Truck loading throughput	429,282	413,553	460,301	509,706

3. Application for Tariff Review ... Cont'd

Proposed Tariffs

- ❑ The resultant proposed tariffs are as follows:
 - ✓ Import handling and storage tariff **US\$ 4.62/m³** up from US\$ 3.74m³ in 2024/25; and **US\$ 5.01/m³** and **US\$ 5.07/m³** in 2025/26 and 2026/27 respectively.
 - ✓ Truck loading at KPRL is **US\$3.28/m³** in 2024/25 up from US\$ 2.62/m³, **US\$3.46/m³** in 2025/26 and **US\$3.30/m³** in 2026/27.

	Proposed 2024/25		Proposed 2025/26		Proposed 2026/27	
	In Kshs/m ³	In US\$/m ³	In Kshs/m ³	In US\$/m ³	In Kshs/m ³	In US\$/m ³
Imports Handling	42.62	0.32	44.48	0.33	46.45	0.35
Storage	573.31	4.30	623.67	4.68	628.67	4.72
Total Import Handling & Storage Tariff	615.92	4.62	668.15	5.01	675.13	5.07
% Change		23%		8%		1%
Truck loading	437.41	3.28	461.32	3.46	439.61	3.30
% Change		25%		5%		-5%

3. Application for Tariff Review ... Cont'd

Impact on Pump Prices

- ❑ The contribution of the import handling and storage tariff to the pump price is **Kshs. 0.62/litre (Current is Kshs. 0.403/litre)**
- ❑ Contribution to the pump prices is 0.0033% (Nairobi Petrol).

Comparative analysis

- ❑ The storage tariffs at KOSF/KPRL are lower than private depot rates at the coast by over 50%.
- ❑ Loading at KPRL is the cheapest by over 15%.

	KOSF/KPRL Rates in US\$/m ³	VTTI Rates in US\$/m ³	SOT Rates in US\$/m ³	Variance KOSF/KPRL Vs VTTI (%)	Variance KOSF/KPRL Vs SOT(%)
Products receipt (Import Handling/Line Lease) and Storage					
2024/25	4.62	12	10	-61%	-54%
2025/26	5.01	12	10	-58%	-50%
2026/27	5.07	12	10	-58%	-49%
Truck Loading ex KPRL (Import Handling+ Storage +Truck Loading)					
2024/25	7.90	12	10	-34%	-21%
2025/26	8.48	12	10	-29%	-15%
2026/27	8.36	12	10	-30%	-16%

The End.... Thank You