

**KENYA PIPELINE COMPANY LTD.**

**APPLICATION FOR REVIEW  
OF  
PIPELINE TRANSPORTATION AND  
SECONDARY STORAGE TARIFF  
STAKEHOLDER ENGAGEMENT**



# Content

1. KPC – An Overview
2. The Current Pipeline Tariff
3. Application for Review of Tariff
4. Impact of new Tariffs & Comparative Analysis
5. Request to EPRA/Stakeholders

1.

## KPC – An Overview

# 1.0 KPC – An Overview

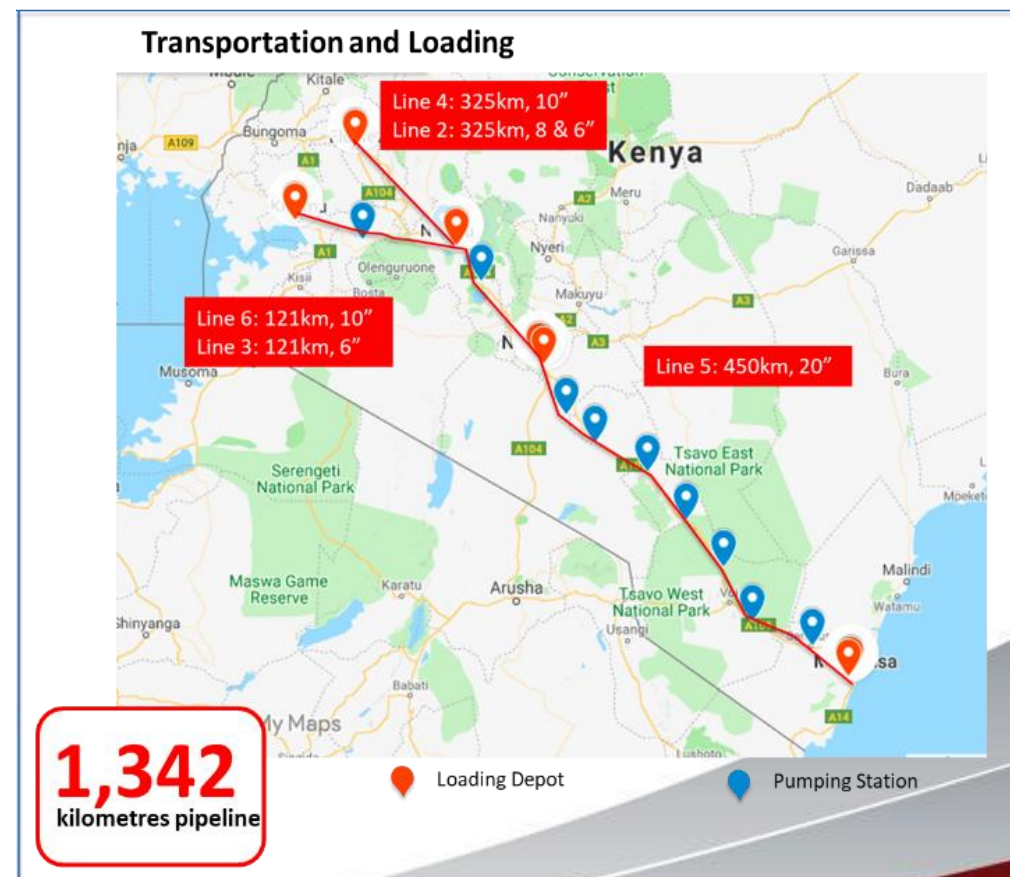
- ❑ Kenya Pipeline Company Limited (KPC) is fully owned (100%) by the Government of Kenya.
- ❑ The Company was incorporated in 1973 and commenced commercial operations in February 1978.
- ❑ In line with its mandate, KPC operates common user facilities used to carry out the following functions:
  - i. Handling of petroleum imports at Kipevu Oil Terminal 2 (KOT2) and primary storage facilities at KOSF and KPRL.
  - ii. Petroleum products transportation and secondary storage at Nairobi, Nakuru, Eldoret and Kisumu.
  - iii. Fueling of aircraft through the hydrant system at the JKIA and MIA.
  - iv. Truck loading at the terminals/depots of MIA, Embakasi, Nakuru, Eldoret, Kisumu and KPRL.
  - v. Lake vessels loading at the Kisumu Oil Jetty (KOJ).
  - vi. Backloading refined petroleum products from KOSF to ships.
  - vii. Petroleum products testing laboratory services.



# 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.
  - ✓ 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.



# KPC – An Overview...Cont'd

## Installed Pipelines Capacity

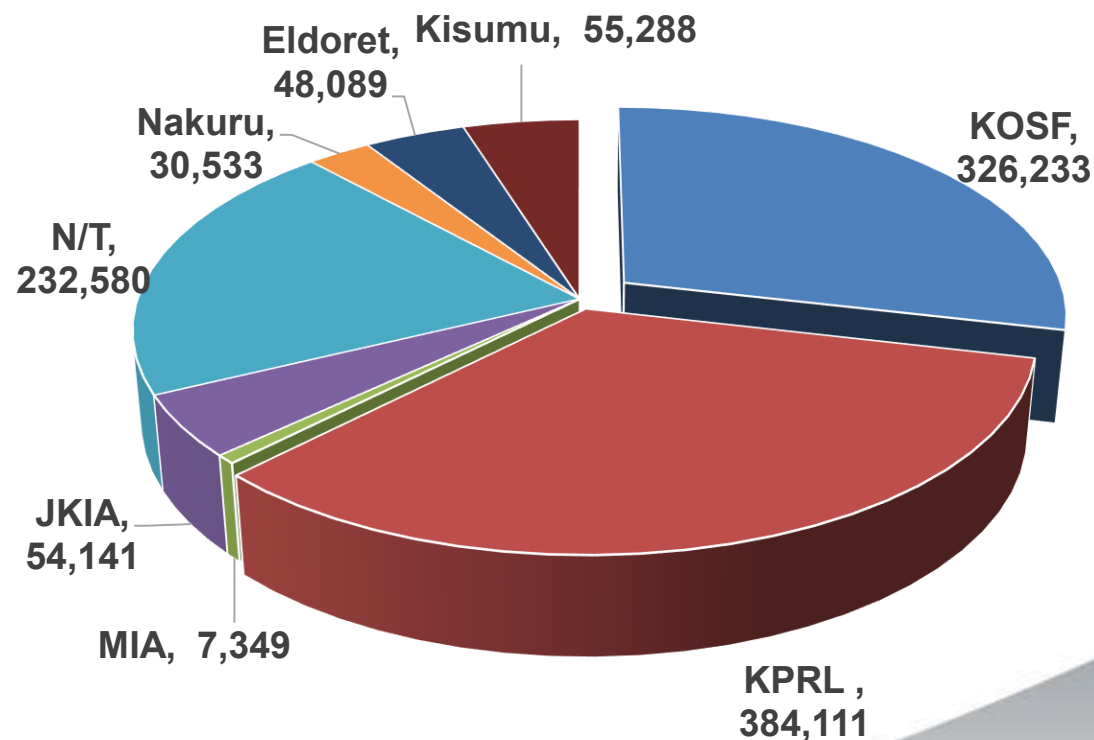
Pipeline Segments	Date completed	Distance (KM)	Diameter (Inches)	Installed Flow Rate (m <sup>3</sup> /hr)	Achievable throughput per annum (m <sup>3</sup> )
Mombasa - Nairobi (Line 5)	2018	450	20	1,000	8,322,000
Nairobi - Eldoret (Line 2)	1994	325	8 & 6	220	1,830,840
Sinendet - Kisumu (Line 3)	1994	121	6	110	915,420
Nairobi - Eldoret (Line 4)	2011	325	14	460	3,828,120
Sinendet-Kisumu (Line 6)	2016	121	10	290	2,413,380
<b>Total</b>		<b>1,342</b>			

- Capacity of the Western Kenya Pipeline increased from 350m<sup>3</sup>/hr to 460m<sup>3</sup>/hr following construction of a new pump station at PS 22 (Ngema).

# KPC – An Overview...Cont'd

## The Storage Facilities

- ❑ The gross active storage owned/managed by KPC is ~ **1,138,324 m<sup>3</sup>**.
- ❑ The storage capacity increased from 887,227m<sup>3</sup> in the last three years through:
  - ❑ Rehabilitation of crude oil tanks at KPRL – **241,000m<sup>3</sup>** additional storage capacity
  - ❑ Construction of a **10,000m<sup>3</sup>** AGO tank in Kisumu.



# KPC – An Overview...Cont'd

## 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.
  - ✓ 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.
- ❑ 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.





2.

## The Current Pipeline Tariff

## 2. The Current Pipeline Tariffs

- The prevailing pipeline tariffs were approved by the Board of the Energy and Petroleum Regulatory Authority (EPRA) on 28<sup>th</sup> September 2022 for a 3-years tariff control period 2022/23 – 2024-25.

Current tariff ending  
June 2025

		Approved Tariffs		
		2022/23	2023/24	2024/25
<b>Composite Tariff (Kshs./m<sup>3</sup>/km)</b>		<b>5.03</b>	<b>5.12</b>	<b>5.44</b>
<b>Moi Airport (USD/m<sup>3</sup>)</b>		22.89	23.40	25.29
<b>JKIA (USD/m<sup>3</sup>)</b>		22.89	23.40	25.29
<b>Nairobi Terminal (Kshs/m<sup>3</sup>)</b>		2,526.60	2,582.72	2,791.85
<b>Nakuru Terminal</b>	<i>Local Kshs/m<sup>3</sup></i>	3,149.25	3,211.26	3,467.62
	<i>Export USD/m<sup>3</sup></i>	28.53	29.09	31.42
<b>Eldoret Terminal</b>	<i>Local Kshs/m<sup>3</sup></i>	3,801.37	3,869.56	4,175.37
	<i>Export USD/m<sup>3</sup></i>	34.44	35.06	37.83
<b>Kisumu Terminal</b>	<i>Local Kshs/m<sup>3</sup></i>	3,797.69	3,865.84	4,171.37
	<i>Export USD/m<sup>3</sup></i>	34.41	35.02	37.79
<b>Konza</b>	<i>Local Kshs/m<sup>3</sup></i>	1,407.40	1,420.73	1,527.48

# 2. The Current Pipeline Tariffs

Key investments completed during the current tariff control period.

No.	Project Title
1	Acquisition of Leak Detection System for the pipeline network
2	Construction of an additional AGO tank at PS28
3	Line 4 Capacity Enhancement – Partial Phase 2 (Upgrade to 460m <sup>3</sup> /hr)
4	Construction of bottom loading facilities in PS 25, PS 27 & PS 28
5	Power supply upgrade at PS28
6	Replacement of electrical switchgear at PS 25
7	PS23 Switchboards Upgrade (MV Board Replacement)



# 2. The Current Pipeline Tariffs

Key ongoing investments

No.	Project Title
1	Construction of tanks and Inter-tank flowrate enhancement in Western Kenya Depots
2	Construction of Oil Spill Containment Dams
3	Fuelfacs upgrade PS9, PS25, PS27 & PS28
4	Master Meter Proving Systems for Konza, KOJ and Mainline
5	Supply and Commissioning of Boom Lift
6	Supply and Installation Drain tank Complete with Accessories PS 27 Line 4
7	Underground Dump tank 10m <sup>3</sup> enclosed in a chamber with controls at PS28
8	Upgrade of power supply to Kisumu Depot (PS28)
9	Replacement of SCADA System for the pipeline network



3.

## Application for Tariff Review

### 3. Application for Tariff Review - Introduction

- ❑ The control period for the tariff approved in September 2022 came to an end on 30<sup>th</sup> June 2025.
- ❑ KPC made the application for tariff review on 25<sup>th</sup> June 2025.

#### Tariff Structure and Principles

- ❑ The proposed tariffs have been derived using the **Revenue Requirements (RR) Methodology**.

$$RR = (\text{Regulated Asset Base} \times \text{Rate of Return}) + \text{Expenditure} + \text{Depreciation} + \text{Taxes}$$

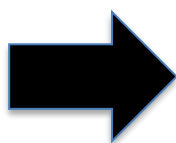
- ❑ The tariff principles applied in the proposed tariff tariff:
  - ✓ Working capital consist of cash determined as 45 days of operating and maintenance expenditure and inventory determined as 2% of fixed assets.
  - ✓ The capital structure allowed is 30% equity and 70% debt.
  - ✓ Return on equity portion of capital is 10.5% before tax.
  - ✓ Cost of debt is the average of actual existing loan interest.

# 3. Application for Tariff Review – Tariff Inputs

## Tariff Inputs

### Regulated Asset Base

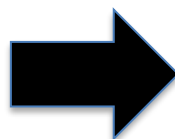
- ✓ Regulated asset based will grow from **Kshs. 75.99 billion in 2024/25** to **Kshs. 100.99 billion in 2027/28**.
- ✓ About 77% of the asset are used for product transportation.



Rate Base in Kshs. Billion	2024/25	2025/26	2026/27	2027/28
<b>Total Regulated Asset Base</b>	<b>76.99</b>	<b>75.93</b>	<b>80.22</b>	<b>100.99</b>
Transportation Assets	58.77	57.52	62.10	77.77
Storage and Loading Assets	18.22	18.42	18.12	23.22

### Operating expenses

- ✓ Annual growth rate of 7.5% (average inflation rate for 2023 and 2024) is applied.



Operating Expenses in Kshs. Billion	2024/25	2025/26	2026/27	2027/28
<b>Total Operating Expense</b>	<b>15.72</b>	<b>16.74</b>	<b>17.95</b>	<b>19.30</b>
Transportation Expenses	11.32	12.06	12.93	13.90
Storage and Loading Expenses	4.40	4.69	5.02	5.40

# 3. Application for Tariff Review – Tariff Inputs

## ❑ Demand and Throughput

- ✓ Throughput is dependent on domestic demand and transit imports through the port of Mombasa.
- ✓ Local demand assumed to grow at an average 3% and transit materials by 4%

		2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
<b>Domestic Market</b>	Total Domestic Demand	5,822,428	6,009,423	6,202,646	6,402,309
	Domestic Hinterland Demand	5,275,796	5,445,008	5,619,847	5,800,503
<b>Export Market</b>	Imports through the Port of Mbsa	4,341,066	4,272,935	4,437,833	4,609,441
<b>Size of market (Domestic Hinterland Demand + Imports Through Port of Mombasa</b>		<b>9,390,267</b>	<b>9,717,9438</b>	<b>10,057,680</b>	<b>10,409,944</b>
<b>Pipeline Throughput Projection</b>		<b>8,788,756</b>	<b>9,079,824</b>	<b>9,399,233</b>	<b>9,399,233</b>



# 3. Application for Tariff Review – Proposed Tariffs

## ❑ Proposed Tariffs for 2025/26 – 2027/28

- ✓ The derived composite tariff is a marginal increase of 2.4% above the current tariff of Kshs. 5.44/m<sup>3</sup>/km.
- ✓ The significant increase is in 2027/28 when the composite increases to Kshs. 6.61m<sup>3</sup>/km – impact of the capacity enhancement projects.

	Approved 2024/25	Applicable Depot Tariffs		
		2025/26	2026/27	2027/28
Revenue Requirement in Kshs.	28,903,048	31,695,407	33,975,382	39,007,919
Composite Tariff Kshs./m <sup>3</sup> /km	5.44	5.56	5.76	6.61
Transport Tariff Kshs/m <sup>3</sup> /km	4.00	4.10	4.26	4.93
Storage Tariff	992	1,065.61	1,068.94	1,184.94

# 3. Application for Tariff Review – Proposed Depot Rates

## □ Resultant Depot Tariffs for 2025/26 – 2027/28

		Approved Tariff 2024/25	Resultant Depot Tariffs		
			2025/26	2026/27	2027/28
Moi Airport (USD/m <sup>3</sup> )		25.29	22.46	23.04	26.23
JKIA (USD/m <sup>3</sup> )		25.29	22.46	23.04	26.23
Nairobi Terminal (Kshs./m <sup>3</sup> )		2,791.85	2,912.27	2,987.52	3,401.40
Nakuru Terminal	Local Kshs./m <sup>3</sup>	3,467.62	3,605.80	3,708.05	4,233.80
	Export USD/m <sup>3</sup>	31.42	27.81	28.60	32.65
Eldoret Terminal	Local Kshs./m <sup>3</sup>	4,175.37	4,332.15	4,462.69	5,105.61
	Export USD/m <sup>3</sup>	37.83	33.41	34.42	39.37
Kisumu Terminal	Local Kshs./m <sup>3</sup>	4,171.37	4,328.05	4,458.43	5,100.68
	Export USD/m <sup>3</sup>	37.79	33.38	34.38	39.34
Konza	Local Kshs./m <sup>3</sup>	1,527.48	1,567.61	1,628.66	1,881.52
	Export USD/m <sup>3</sup>		12.09	12.56	14.51

### Key to note:

- ✓ The decline in dollar rated products is due to the exchange rate which has increased from **Kshs. 110.38 to the dollar** for the current tariffs to **Kshs.129.67 to the dollar** applicable as of 10<sup>th</sup> April 2025.
- ✓ Introduced dollar rate on Konza exports.

4.

## Impact of new Tariffs & Comparative Analysis

# 4. Impact on Pump Price and Comparative Analysis

Impact on Pump Prices

	Approved Tariff 2024/25 Kshs./m <sup>3</sup>	Proposed Tariff 2025/26 Kshs/m <sup>3</sup>	Increase in Pump Price Kshs/litre	% Increase
Nairobi	2,791.85	2,912.27	0.12	4.3%
Nakuru	3,467.62	3,605.80	0.14	4.0%
Eldoret	4,175.37	4,332.15	0.16	3.8%
Kisumu	4,171.37	4,328.05	0.16	3.8%

Comparative Analysis

Transportation Tariff	Pipeline (Kshs/m3/km)	Road (Kshs/m3/km)	Variance (KPC - Road)
2024/25	4.00	9.12	-56%
2025/26	4.10	9.12	-55%
2026/27	4.26	9.12	-53%
2027/28	4.93	9.12	-46%
Storage/Loading Tariff	KPC Depots (Kshs./Litre)	Rates in Current Pricing Formula (Kshs./Litre)	Variance Between KPC and OMC rates
2024/25	0.99	1.57	-37%
2025/26	1.07	1.57	-32%
2026/27	1.07	1.57	-32%
2027/28	1.18	1.57	-25%



5.

Request to EPRA/Stakeholders

# 5. Request to EPRA

❑ KPC requests for consideration, the following Pipeline Tariffs for the control period 2025/26 to 2027/28.

	2024/25	2025/26	2026/27	2027/28
Transportation Tariff (Kshs/km/m <sup>3</sup> )	4.00	4.10	4.26	4.93
Storage and Loading Tariff (Kshs/m <sup>3</sup> )	992.46	1,065.61	1,068.94	1,184.94

