

**PROPOSED CHANGES TO BPS TENDERS AND
REVIEW OF THE EWURA (PETROLEUM
PRODUCTS PRICE SETTING) RULES**

DISCUSSION PAPER

DAR ES SALAAM – MARCH 2019

BACKGROUND

1. On various occasions during the past twelve months, wholesale prices of petroleum products in Dar es Salaam differed significantly from those in Tanga and Mtwara. These differences resulted in uncompetitive behaviour in the petroleum downstream market. EWURA has established that the pricing differences arise mainly due to difference in timing of procurement of petroleum products between the three ports as well as differences between Bulk Procurement System (BPS) premiums obtained for petroleum products discharged at Dar es Salaam port with those obtained for products discharged at Tanga and Mtwara ports.

OBJECTIVE

2. This Discussion Paper aims at involving stakeholders in reviewing and commenting on the recommended changes to BPS tenders and review of the EWURA (Petroleum Products Price Setting) Rules.

CAUSE OF DIFFERENCES IN PETROLEUM PRODUCTS PRICES BETWEEN PORTS

Timing for Importation of Petroleum Products at each Port

3. Petroleum products are imported into the country every month based on the quantity requirements specified by the Oil Marketing Companies (OMCs). After the products have been offloaded in a given month, EWURA determines local prices of petroleum products to be applicable in the following month based on the cost of the offloaded products.

4. As OMCs with depots at Tanga and Mtwara ports tend to procure products that are sufficient to meet the demand of two or more months, local petroleum prices for the two regions do not change on a monthly basis. According to the pricing rules, a change of price is effected only when petroleum products are offloaded at a particular port. Thus, if there are no products offloaded at Tanga or Mtwara port, then prices in the Northern and Southern regions would remain unchanged for up to two or more months. On the other hand, OMCs with depots at Dar es Salaam port procure products on a monthly basis. As a result, local prices of petroleum products in all regions supplied by Dar es Salaam depots change on a monthly basis reflecting monthly changes of petroleum products prices in the world oil market.

5. As Dar es Salaam wholesale petroleum prices change on a monthly basis while those of Tanga and Mtwara change every two or so months, there tends to be differences in the cost of the available products in any given month which ultimately results in uncompetitive behaviour in the market.

6. During the months of continued decline in world oil market prices when Tanga or Mtwara depots have products procured in previous months, products imported through Dar es Salaam Port end up being cheaper compared to those at Tanga or Mtwara resulting in an influx of retailers from the Northern and Southern regions purchasing products from Dar es Salaam. This behaviour causes losses to efficient OMCs in Tanga and Mtwara while the consumers in the Northern and Southern regions also do not benefit immediately from decreases in the world oil market prices. *This situation has been observed on several occasions in the Northern regions including a recent occurrence in February 2019. A similar situation was also observed in the Southern regions between July and September 2018 where products in the Southern regions were expensive compared to other regions as Mtwara storage terminals had products procured during the month of high petroleum prices in the world oil market.*

7. On the other hand, when the world oil market prices assume an increasing trend, whilst Tanga and Mtwara depots have products that were procured in previous months, products in Dar es Salaam tend to be expensive compared to those at Tanga or Mtwara. This results in an influx of retailers, from regions that source their products from Dar es Salaam, purchasing products from Tanga or Mtwara. This behaviour causes losses to efficient OMCs in Dar es Salaam as it results in slow movement of petroleum products which in turn creates ullage constraints and hence increasing the cost of business to OMCs in Dar es Salaam. *This situation was recently observed between June and August 2018 where products in the Northern regions were quite cheap compared to other regions. This is because Tanga storage terminal had products whose world oil market prices were those of March 2018 while from April 2018, the world oil market prices were increasing month after month.* Moreover, as more and more retailers purchase products at Tanga or Mtwara due to lower prices as compared to Dar es Salaam, this tends to bring along another challenge of depletion in stock in the two ports before end of the month when new prices are required to be set. With this situation, EWURA has been compelled to review prices in the middle of the month to allow retailers purchase products from Dar es Salaam. The trend of local wholesale prices for the three ports is shown in **Annex 1**.

Quoted Premiums:

8. Currently, there is a cargo-by-cargo tender on a monthly basis with an average of seven (7) tenders per month comprising of three tenders for petrol cargoes, two tenders for diesel cargoes, one tender for Jet A1 cargo and one tender for Tanga cargo. This type of BPS tender was introduced in September 2016 with the main objective being to promote participation of local companies in BPS tenders. However, since the introduction of cargo-by-cargo tenders, there has been very limited almost no participation of local companies. In addition, the cargo-by-cargo tender has resulted into different premiums between products delivered at the same port as shown in **Annex 2** and different premiums between ports for the same product as shown in **Annex 3**.

9. In most cases, premiums of products received through Tanga and Mtwara ports are higher than those received through Dar es Salaam port. As a result, the same product delivered or received at the three ports for a given month/period, tends to have different landed costs i.e Cost Insurance and Freight (CIF) resulting in different ex-Terminal/Depot costs and prices. Even with the same FOB prices for petroleum products procured in the same month, higher premiums for products delivered at Tanga and Mtwara ports result in high landed costs for products received at the two ports.

10. Once the wholesale prices are higher in Tanga and Mtwara as compared to the prices of Dar es Salaam, Retailers of petroleum products are enticed to source products from Dar es Salaam as they tend to offer products at a price that is cheaper than that of Tanga or Mtwara. In such events, products at Tanga and Mtwara depots move at a slow pace causing losses to OMCs who have products in Tanga and Mtwara. For Mtwara, there have also been incidences of ullage constraints due to limited storage capacity in Mtwara.

11. In an effort to reduce premiums, GBP, who is the only depot owner at Tanga port, has been purchasing petroleum products that will fill up one vessel with the quantity being sufficient to cover GBP's market share for more than two months. Nonetheless, placing an order for petroleum products to be delivered through Tanga port in one full vessel has not resulted in discounted premiums for Tanga deliveries to match premiums quoted for Dar es Salaam deliveries. This can be clearly observed in premiums quoted in the year 2018 for importation of petroleum products through Tanga port as shown in **Annex 3**.

Variations in Wharfage Charges

12. All local charges in importation of petroleum products at each port is the same except for wharfage charges whereby, at DSM and Mtwara ports, there is a wharfage charge of US\$ 10/MT while at Tanga port instead of a wharfage charge there is a wayleave charge of US\$ 3/MT. If premiums and timing of importation is going to be harmonised, the difference in wharfage charges will later create imbalances in landed cost at the ports.

RECOMMENDATIONS

13. In order to ensure that in any given month, the wholesale prices in Dar es Salaam, Tanga and Mtwara are the same, and in consideration of promoting participation of local companies in BPS tenders, EWURA is recommending the following:

- a) A change from cargo-by-cargo tenders to product tenders which will consist of three tenders, one tender for petrol, a second tender for diesel and the third tender for Jet A1 and kerosene. The tenders will be irrespective of the port of delivery. This type of tender will ensure that the premium for petroleum products delivered in the country is equal at each port of delivery.
- b) Review of the EWURA (Petroleum Products Price Setting) Rules (appended as **Annex 4**) to specify that petroleum products prices will be reviewed on a monthly basis regardless of whether products have been imported or not. The review of prices will be based on the new FOB prices and BPS premiums. This will be a change from the current practice where the review of prices is done only when products are offloaded at a given port.

CONCLUSION

14. Stakeholders are invited to go through the proposed recommendations and provide comments with suggested solutions before EWURA concludes and makes a decision on the matter. Comments should be sent to EWURA offices or by email no later than **12th April 2019 4:00pm.**

Annex 1: Wholesale Petroleum Product Prices at Dar es Salaam, Tanga and Mtwara Ports

Petrol

Month of Delivery	DSM	Tanga	Mtwara
Jan-18	2,056.41	2,095.46	-
Feb-18	2,114.99	2,110.83	-
Mar-18	2,116.34	2,110.83	-
Apr-18	2,204.38	2,110.83	-
May-18	2,103.47	2,101.01	-
Jun-18	2,158.32	2,109.92	-
Jul-18	2,284.13	2,109.92	2,262.35
Aug-18	2,259.15	2,109.92	2,262.35
Sep-18	2,249.05	2,223.62	2,262.35
Oct-18	2,243.27	2,223.62	2,243.18
Nov-18	2,272.01	2,310.79	2,243.18
Dec-18	2,311.69	2,310.79	-
Jan-19	2,170.88	2,074.48	-
Feb-19	1,996.85	2,074.48	1,972.49
Mar-19	1,974.16	2,010.62	2,003.80

Diesel

Month of Delivery	DSM	Tanga	Mtwara
Jan-18	1,907.12	1,947.93	-
Feb-18	1,953.60	1,995.12	-
Mar-18	2,023.10	1,995.12	-
Apr-18	2,094.37	2,002.92	-
May-18	2,020.66	2,004.89	-
Jun-18	2,039.48	2,043.63	-
Jul-18	2,204.67	2,043.69	2,235.07
Aug-18	2,166.99	2,043.69	2,235.07
Sep-18	2,148.04	2,145.19	2,235.07
Oct-18	2,179.55	2,145.19	2,218.87
Nov-18	2,260.45	2,255.77	2,218.87
Dec-18	2,310.69	2,255.77	2,218.87
Jan-19	2,099.55	2,118.21	-
Feb-19	1,955.90	2,118.21	1,951.12
Mar-19	2,006.58	2,014.38	2,097.85

Kerosene

Month of Delivery	DSM	Tanga	Mtwara
Jan-18	1,920.00	1,827.17	-
Feb-18	1,943.75	1,827.17	-
Mar-18	1,947.92	1,827.17	-
Apr-18	2,042.94	1,827.17	-
May-18	2,032.45	-	-
Jun-18	2,068.52	-	-
Jul-18	2,068.52	-	-
Aug-18	2,146.78	-	-
Sep-18	2,123.00	2,101.39	-
Oct-18	2,123.00	2,101.39	-
Nov-18	2,156.58	2,101.39	-
Dec-18	2,244.06	2,101.39	-
Jan-19	2,078.05	2,105.56	-
Feb-19	1,922.73	2,105.56	-
Mar-19	1,973.03	2,105.56	-

Annex 2: Tender Results for Cargo-by-Cargo Tenders for 2018

Petrol Tenders

Month of Delivery	Tender No.	USD/MT	MT
Jan-18	PBPA/PPP/PMS/C1-KOJ1/01/2018	50.19	38,471
	PBPA/PPP/PMS/C2-KOJ1/01/2018	48.18	38,469
	PBPA/PPP/PMS/C3-KOJ1/01/2018	48.18	38,420
	PBPA/PPP/COMBI/TG1/01/2018	61.12	12,000
Feb-18	PBPA/PPP/PMS/C1-KOJ1/02/2018	50.25	38,278
	PBPA/PPP/PMS/C2-KOJ1/02/2018	50.76	38,278
	PBPA/PPP/PMS/C3-KOJ1/02/2018	49.78	38,278
Mar-18	PBPA/PPP/PMS/C1-KOJ1/03/2018	22.00	38,026
	PBPA/PPP/PMS/C2-KOJ1/03/2018	21.00	38,026
	PBPA/PPP/PMS/C3-KOJ1/03/2018	20.00	38,027
	PBPA/PPP/COMBI/TG1/03/2018	41.96	1,500
Apr-18	PBPA/PPP/PMS/C1-KOJ1/04/2018	26.93	34,691
	PBPA/PPP/PMS/C2-KOJ1/04/2018	28.01	34,691
	PBPA/PPP/PMS/C3-KOJ1/04/2018	27.60	34,726
	PBPA/PPP/PMS/C4-KOJ1/04/2018	27.60	34,726
	PBPA/PPP/COMBI/TG1/04/2018	35.52	28,500
May-18	PBPA/PPP/PMS/C1-KOJ1/05/2018	9.34	38,506
	PBPA/PPP/PMS/C2-KOJ1/05/2018	10.84	38,506
	PBPA/PPP/PMS/C3-KOJ1/05/2018	10.84	38,506
Jun-18	PBPA/PPP/PMS/C1-KOJ1/06/2018	4.35	38,240
	PBPA/PPP/PMS/C2-KOJ1/06/2018	4.35	38,240
	PBPA/PPP/COMBI/MT1&KOJ1/06/2018	10.00	25,000
Jul-18	PBPA/PPP/PMS/C1-KOJ1/07/2018	15.13	37,169
	PBPA/PPP/PMS/C2-KOJ1/07/2018	13.71	37,139
	PBPA/PPP/PMS/C3-KOJ1/07/2018	11.25	37,251
Aug-18	PBPA/PPP/PMS/C1-KOJ1/08/2018	0.92	37,000
	PBPA/PPP/PMS/C2-KOJ1/08/2018	1.10	37,000
	PBPA/PPP/PMS/C3-KOJ1/08/2018	1.20	36,953
	PBPA/PPP/COMBI/TG1/08/2018	2.22	16,000
Sep-18	PBPA/PPP/PMS/C1-KOJ1/09/2018	5.00	30,703
	PBPA/PPP/PMS/C2-KOJ1/09/2018	5.00	30,703
	PBPA/PPP/COMBI/MT1&KOJ1/09/2018	12.00	27,000
Oct-18	PBPA/PPP/PMS/C1-KOJ1/10/2018	41.49	27,589
	PBPA/PPP/PMS/C2-KOJ1/10/2018	38.10	27,589
	PBPA/PPP/PMS/C3-KOJ1/10/2018	36.45	27,589
	PBPA/PPP/COMBI/TG1/10/2018	41.02	16,500
Nov-18	PBPA/PPP/PMS/C1-KOJ1/11/2018	38.90	34,425

Month of Delivery	Tender No.	USD/MT	MT
	PBPA/PPP/PMS/C2-KOJ1/11/2018	37.25	34,425
	PBPA/PPP/PMS/C3-KOJ1/11/2018	35.23	34,425
Dec-18	PBPA/PPP/PMS/C1-KOJ1/12/2018	33.84	35,207
	PBPA/PPP/PMS/C2-KOJ1/12/2018	33.09	35,206
	PBPA/PPP/PMS/C3-KOJ1/12/2018	32.89	35,206
	PBPA/PPP/COMBI/TG1/12/2018	54.00	16,500

Diesel Tenders

Month of Delivery	Tender No.	USD/MT	MT
Jan-18	PBPA/PPP/AGO/C1-SPM/01/2018	22.00	72,000
	PBPA/PPP/AGO/C2-SPM/01/2018	19.92	72,000
	PBPA/PPP/AGO/C3-SPM/01/2018	18.93	72,620
	PBPA/PPP/COMBI/TG1/01/2018	40.44	12,500
Feb-18	PBPA/PPP/AGO/C1-SPM/02/2018	22.65	71,556
	PBPA/PPP/AGO/C2-SPM/02/2018	23.95	71,556
	PBPA/PPP/AGO/C3-SPM/02/2018	23.79	71,556
Mar-18	PBPA/PPP/AGO/C1-SPM/03/2018	19.58	103,817
	PBPA/PPP/AGO/C2-SPM/03/2018	19.21	103,817
	PBPA/PPP/COMBI/TG1/03/2018	30.28	32,100
Apr-18	PBPA/PPP/AGO/C1-SPM/04/2018	20.39	81,078
	PBPA/PPP/AGO/C2-SPM/04/2018	20.39	80,811
	PBPA/PPP/AGO/C3-SPM/04/2018	20.39	80,811
	PBPA/PPP/COMBI/TG1/04/2018	39.22	1,800
May-18	PBPA/PPP/AGO/C1-SPM/05/2018	22.20	96,533
	PBPA/PPP/AGO/C2-SPM/05/2018	21.20	96,532
Jun-18	PBPA/PPP/AGO/C1-SPM/06/2018	21.70	84,288
	PBPA/PPP/AGO/C2-SPM/06/2018	21.70	84,288
	PBPA/PPP/COMBI/MT1&KOJ1/06/2018	39.00	2,000
Jul-18	PBPA/PPP/AGO/C1-SPM/07/2018	21.37	68,190
	PBPA/PPP/AGO/C2-SPM/07/2018	21.17	68,190
Aug-18	PBPA/PPP/AGO/C1-SPM/08/2018	22.20	102,071
	PBPA/PPP/AGO/C2-SPM/08/2018	23.27	102,071
	PBPA/PPP/COMBI/TG1/08/2018	31.75	21,400
Sep-18	PBPA/PPP/AGO/C1-SPM/09/2018	23.58	89,969
	PBPA/PPP/AGO/C2-SPM/09/2018	24.44	89,969
	PBPA/PPP/COMBI/MT1&KOJ1/09/2018	45.00	1,000
Oct-18	PBPA/PPP/AGO/C1-SPM/10/2018	26.22	73,538
	PBPA/PPP/AGO/C2-SPM/10/2018	23.43	73,538
	PBPA/PPP/COMBI/TG1/10/2018	31.68	21,500

Month of Delivery	Tender No.	USD/MT	MT
Nov-18	PBPA/CPP/AGO/C1-SPM/11/2018	23.90	86,610
	PBPA/CPP/AGO/C2-SPM/11/2018	23.61	86,610
Dec-18	PBPA/CPP/AGO/C1-SPM/12/2018	26.37	86,881
	PBPA/CPP/AGO/C2-SPM/12/2018	24.50	85,186
	PBPA/CPP/COMBI/TG1/12/2018	42.40	22,000

Jet A1/ Kerosene Tenders

Month of Delivery	Tender No.	USD/MT	MT
Jan-18	PBPA/CPP/JET A1-IK/C-KOJ1/01/2018	36.66	31,890
Feb-18	PBPA/CPP/JET A1-IK/C-KOJ1/02/2018	38.89	23,370
Mar-18	PBPA/CPP/JET A1-IK/C-KOJ1/03/2018	37.80	29,659
Apr-18	PBPA/CPP/JET A1-IK/C-KOJ1/04/2018	40.87	29,440
May-18	PBPA/CPP/JET A1-IK/C-KOJ1/05/2018	35.45	25,520
Jun-18	PBPA/CPP/JET A1-IK/C-KOJ1/06/2018	28.85	31,660
Jul-18	PBPA/CPP/JET A1-IK/C-KOJ1/07/2018	38.05	26,680
Aug-18	PBPA/CPP/JET A1-IK/C-KOJ1/08/2018	41.90	21,320
Aug-18	PBPA/CPP/COMBI/TG1/08/2018	34.00	2,000
Sep-18	PBPA/CPP/JET A1-IK/C-KOJ1/09/2018	33.90	34,383
Oct-18	PBPA/CPP/JET A1-IK/C-KOJ1/10/2018	36.39	28,130
Oct-18	PBPA/CPP/COMBI/TG1/10/2018	31.69	2,000
Nov-18	PBPA/CPP/JET A1-IK/C-KOJ1/11/2018	35.70	24,721
Dec-18	PBPA/CPP/JET A1-IK/C-KOJ1/12/2018	37.50	27,281
Dec-18	PBPA/CPP/COMBI/TG1/12/2018	60.00	2,000

Annex 3: Weighted Average Premium as per the Tender Results

Month of Delivery	Petrol		
	DSM	Tanga	Mtwara
Nov-16	6.49	-	-
Dec-16	8.16	-	-
Jan-17	28.66	-	-
Feb-17	29.98	47.19	-
Mar-17	36.86	-	-
Apr-17	44.87	32.00	-
May-17	24.32	-	-
Jun-17	19.30	25.00	-
Jul-17	8.36	-	-
Aug-17	30.42	-	-
Sep-17	23.67	-	-
Oct-17	14.53	20.00	-
Nov-17	54.71	-	-
Dec-17	46.62	-	-
Jan-18	48.85	61.12	-
Feb-18	50.26	-	-
Mar-18	21.00	41.96	-
Apr-18	27.54	35.52	-
May-18	10.34	-	-
Jun-18	5.74	-	10.00
Jul-18	13.36	-	-

Month of Delivery	Diesel		
	DSM	Tanga	Mtwara
Nov-16	16.98	-	-
Dec-16	4.42	-	-
Jan-17	21.60	-	-
Feb-17	24.01	41.29	-
Mar-17	21.00	-	-
Apr-17	16.35	29.50	-
May-17	20.30	-	-
Jun-17	16.49	17.80	-
Jul-17	20.50	-	-
Aug-17	23.70	-	-
Sep-17	16.20	-	-
Oct-17	14.07	35.00	-
Nov-17	22.58	-	-
Dec-17	16.55	-	-
Jan-18	20.28	40.44	-
Feb-18	23.46	-	-
Mar-18	19.40	30.28	-
Apr-18	20.39	39.22	-
May-18	21.70	-	-
Jun-18	5.78	-	39.00
Jul-18	21.27	-	-

Month of Delivery	Kerosene		
	DSM	Tanga	Mtwara
Nov-16	21.12	-	-
Dec-16	36.00	-	-
Jan-17	43.33	-	-
Feb-17	46.97	-	-
Mar-17	42.60	-	-
Apr-17	56.70	-	-
May-17	27.91	-	-
Jun-17	18.80	-	-
Jul-17	59.45	-	-
Aug-17	32.40	-	-
Sep-17	30.03	-	-
Oct-17	34.89	40.00	-
Nov-17	35.70	-	-
Dec-17	38.76	-	-
Jan-18	36.66	-	-
Feb-18	38.89	-	-
Mar-18	37.80	-	-
Apr-18	40.87	-	-
May-18	35.45	-	-
Jun-18	28.85	-	-
Jul-18	38.05	-	-

Month of Delivery	Petrol		
	DSM	Tanga	Mtwara
Aug-18	1.07	2.22	-
Sep-18	7.14	-	12.00
Oct-18	38.68	41.02	-
Nov-18	37.13	-	-
Dec-18	33.27	54.00	-

Month of Delivery	Diesel		
	DSM	Tanga	Mtwara
Aug-18	22.74	31.75	-
Sep-18	24.13	-	45.00
Oct-18	24.83	31.68	-
Nov-18	23.76	-	-
Dec-18	25.44	42.40	-

Month of Delivery	Kerosene		
	DSM	Tanga	Mtwara
Aug-18	41.90	34.00	-
Sep-18	33.90	-	-
Oct-18	36.39	31.69	-
Nov-18	35.70	-	-
Dec-18	37.50	60.00	-

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