KENYA LPG OVERVIEW

PRESENTATION TO WLPGA SUMMIT
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LPG OVERVIEW

• Government Policy
  – Conservation of forests by discouraging use of biomass (wood and charcoal)
  – Deliver modern energy for Cooking, Heating & Lighting to rural locations

• Affordability
  – Removal of all taxes on LPG products
  – Remove taxes on cylinders and appliances

• Availability
  – Imports & storage capacity
  – Distribution facilities

• Accessibility
  – Unified valve and regulator for all marketers
  – Harmonized cylinder sizes (1, 3, 6 & 13 kg’s)

• Regulation and Enforcement
  – Development & implementation of Legislation to regulate LPG segment
GOVERNMENT INITIATIVES

– Supported by World Bank Commissioned M/s Petroleum Development Consultants (PDC) Undertake:
  • Study on “Liquefied Petroleum Gas (LPG) Demand in Kenya & East African Region
  • Preliminary Design of Needed Infrastructure within Kenya to Meet Demand”.

– Report Adopted as Working Document
  • MOE Actualizing Recommendations of PDC Report

• Primary Objective:
  – Enhance Capacity for Importation & Distribution of LPG
  – Supplement Existing LPG Production & Supply Chain Facilities
    • Enhance Evacuation of LPG from Mombasa Storage Facilities by Creating Ullage
    • Enhance Distribution Network
    • Encourage Competition
    • Encourage Wider Adoption & Use
INFRASTRUCTURE

• LPG from KPRL (42%) pumped to Mombasa depots and then loaded to upcountry by road or rail
• Also imports (58%) into Mombasa (Libya Oil, Shell, Total)
• Filling plants
  – Mombasa (Total, Joint Depot, Libya Oil/Shell joint)
  – Nairobi (Total, Libya Oil/Shell, Oilcom, Kobil, BOC)
  – Eldoret (Libya Oil)
• Supply can not cater for market potential.
• Investment in Import & Storage Facilities of 14,000 M.T. in Mombasa on-going by private investor
• Planned Investment in LPG common user Receiving, Storage & Filling Plant in Nairobi-Storage Capacity 2,000 M.T & Bottling Plant of 1800 Cylinders per Hour
INFRASTRUCTURE

– Other Infrastructure Projects:
  • Filling Plants @ Nakuru, Kisumu, Eldoret & Sagana
  • Sufficient Storage & Filling Capacities
    – Eldoret - 200 M.T.
    – Kisumu - 300 M.T.
    – Nakuru - 150 M.T.
    – Sagana - 50 M.T.

– Rail Concession
  • Invest in Sufficient & Efficient LPG Rail Haulage Wagons
  • To distribute LPG In & Out of Kenya
  • Preferred Mode of LPG Transshipment due to Safety Considerations
REGULATION

• Legal Notice No. 121 Regulates:
  – Importation
  – Bulk storage
  – Filling
  – Transportation

• All persons engaged in importation, exportation or wholesale trades of LPG in cylinders are required to be Members of the LPG Cylinder Exchange Pool as per Legal Notice 121.

• The Cylinders Exchange Pool regulates the exchange of LPG cylinders among LPG Marketers.
MARKET SIZE AND DISTRIBUTION

• Market Size
  – Market size in 2010 was 103,889 MT (from 32000 mt in 1996)
  – Retail (Domestic) is 60% and Commercial is 40%
  – Domestic consumption planned increase is 300,000MT by 2012

• Distribution Structure
  – Company- Retailer-Consumer
  – Company- Consumer
  – Company- Distributor-Retailer-Consumer
  – Company- Distributor- Wholesaler-Retailer-Consumer
  – Structure will be based on distribution costs of handling many small customers versus margins given to the chain
MARKET STRUCTURE

• Market Players
  – There are 71 LPG business (various categories) Licensed Companies

• Market Share