KENYA, UGANDA EYE SH1.4 TRILLION PIPELINE DEAL

BY MARTIN KITUBI

As Uganda moves to ensure security for its petroleum supplies, the country is set to become the largest shareholder in the Kenya Pipeline Company (KPC), the entity whose facilities are used to pump fuel from Mombasa to Eldoret and Kisumu.

As part of the move, the Uganda National Oil Company (UNOC), which represents state commercial interests in the petroleum industry, is preparing to acquire a controlling stake in the KPC, with a minimum of 35%, which could go up to 50%.

The development follows a recent revelation by President William Ruto indicating that his government had okayed the move for Uganda to acquire a stake in the facility.

"The ministers were in Nairobi last week and I have given the necessary guidance on the need for Uganda and Kenya, both public and private, to jointly own the KPC," Ruto said on Sunday, while speaking at the breaking of the ground ceremony for Devki Steel Project at Osukuru in Tororo district.

It should be noted that the Kenyan government is divesting 65% of its shareholding in the KPC, which will allow other countries and major oil sector players to buy stakes in the KPC.

KPC has up to March 31, 2026 to be listed on the Nairobi Securities Exchange, to open up the company to other shareholders other than the Kenyan government.

INSIDE THE DEAL

In its October 22, 2025 report, the Standard Investment Bank of Kenya valued the Kenya Pipeline Company at Ksh102b (about sh2.8 trillion).

Going by the projected shareholding, sources said, it means Uganda plans to spend about sh1.4 trillion to acquire up to 50% of the facility.

A source who is involved in the ongoing discussions told *The Weekend Vision* that the country is ready to have a controlling stake.

"As a country, we must have a controlling stake and we are ready for it. We have the money. If we don't, it means the decisions made by other parties can hurt our supplies. This includes pump prices," the source said.

The source added: "If we have a controlling stake, it means we will also actively determine how much we pay to transport fuel products destined for Uganda. We will also ensure that the supplies are delivered on time."

UNOC staff led by Tony Otoa, the chief corporate affairs officer (left), with a crew member of the QI LIN ZUO ship, one of the vessels that delivered UNOC's imported fuel at Mombasa Port in September

Currently, KPC operates a total of five main pipelines, running at least 1,300km from Mombasa through Nairobi up to the western parts of Kenya in Eldoret and Kisumu depots, where the Ugandan bulk traders pick products.

Relatedly, KPC has at least a storage capacity of up to 800,000 cubic metres spread across its storage depots from Mombasa to Eldoret and Kisumu.

According to Standard Investment Bank, the company also holds a total of 370 acres of prime land, acquired from the defunct Kenya Oil Refinery.

This implies that within the next four months, Uganda could hold a significant stake in KPC. The Kenya government is expected to keep a 35% stake of the KPC.

MAGIC DEAL

While the KPC infrastructure serves the largest part of the East African countries, Uganda is by far its largest client, accounting for almost 80% of the fuel products that go to either Eldoret and Kisumu.

Since the sole importation deal last year in July, UNOC imports about 220.6 million litres of different petroleum products a month through KPC.

Within UNOC's first year of operation as a sole importer, the fuel imports increased by 16% from 2.4 billion litres to 2.8 billion litres in 2023/2024 and 2024/2025 financial years, respectively.

Every month, UNOC pays KPC $7.5m (about sh27b) for transporting its fuel products from Mombasa to Eldoret and Kisumu depots, where the Ugandan oil marketing companies pick the products from.

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GOVT TAKE

The energy ministry permanent secretary, Irene Batebe, described the move as "strategic" and that UNOC, as sole importer of petroleum products, owns a stake in one of the logistical infrastructure's supply chain.

This, she said, will enhance the company's ability to participate in the planning of movement of its share of petroleum products through the KPC.

"Of course, the company will also earn revenue from its shareholding interest. The negotiations are in their initial stage," Batebe said.

In a separate interview, Moses Kaggwa, the commissioner economic monitoring at the finance ministry, said: "If UNOC acquires a stake in KPC, the country benefits. We have largely stabilised pump prices since UNOC took over importation. We are already making some savings."

"But that is not all. If we have a say in the KPC through UNOC, we will definitely have a say in the cost of transporting these products to Uganda," he added.

PIPELINE PROJECT

As part of the plan, Uganda, Kenya and Rwanda seek to expand the pipeline network connecting Eldoret to Kampala and Kigali, in what is known as the EKK pipeline.

Once completed, the facility will not only be used by the three countries, but also DR Congo.

Instead of using trucks traversing all that distance, the petroleum products will be pumped through the EKK to major storage terminals in both Uganda and Rwanda.

Currently, the three countries have established a joint technical team to fast-track this huge investment expected to cost billions of shillings.

Sources familiar with the works explained that the technical teams have since conducted the EKK route mapping and that they are advancing plans for the Resettlement Action Plans and the Environmental and Social Impact Assessments.

As part of the proposed pipeline, it will have a reverse facility where Uganda's refined products from the Kampala Storage Terminal at Namwabula in Mpigi, will be exported to Kenya or Kigali.

This implies that the proposed EKK pipeline will be interconnected to the Kampala Storage Terminal at Mpigi, to export Uganda's refined petroleum products to Mombasa.

Relatedly, *The Weekend Vision* has also learnt that the Government has since cleared UNOC to establish permanent fuel storage facilities at Mombasa Port.

As part of the move, UNOC will acquire a storage terminal belonging to VTTI Kenya in Mombasa, the company whose facilities are currently rented by UNOC to store the imported fuel products.

The storage facility has a capacity to store up to 111,000 cubic metres (about 111 million litres) of different fuel products.

With 10 huge tanks, the VTTI Kenya facilities are directly connected to both Kenya's Kipevu Oil Terminal and have modern truck loading facilities.

VTTI is owned by three shareholders, including Vitol (45%) the company which supplies UNOC with finished products for the Ugandan market. The other shareholders are IFM Investors (45%) and ADNOC (10%).

WHAT SECTOR PLAYERS SAY

Industry analysts and players have welcomed the plan, indicating that it will not only bring revenue for UNOC, but also ensure energy security.

Nick Mugira, the managing director of Inspecta Africa, said the investments between Uganda and Kenya will provide opportunities for local companies.

"The expansion of UNOC into Kenya comes with many opportunities beyond just revenues for the company. But think about how much will be spent in the construction of additional infrastructure. This creates greater value for the local companies," he said.

Dr Paul Bagabo, a development economist working with Natural Resource Governance Institute, said UNOC's stake in the KPC will provide the country an opportunity to sit on a decision-making table for the infrastructure we rely on for fuel imports.

"As a country, our biggest problem is the security of our fuel supplies. For UNOC to have a large stake there, it will help us ensure that the decisions made do not go against the country," he said.

However, Bagabo cautioned the country against borrowing, noting that it will erode the expected benefits.

Instead, he suggested that the Government utilise petroleum funds to invest in this pipeline deal.