

REPUBLIC OF SOMALILAND
Ministry of Trade, Industry and Tourism

Gasoline and Diesel Fuel Report
Three-year Evolution Report
2018 - 2021

Table of Contents

1. Background	4
1.1. Role of Ministry of Trade, Industry and Tourism in fuel	4
1.2. Report Objective	4
1.3. Structure of the report	5
2. Fuel sulfur levels in Somaliland	5
2.1. Global Outlook	6
2.2. Fuel Sulfur levels in East African Countries	7
2.2. Effect of high fuel Sulfur levels	8
2.3. Effect of low-sulfur levels	8
3. Measures against the Importation of Oxygenated fuel additives	8
3.1. Findings of the assessment on Importation of Oxygenated fuel additives	9
3.2. Ministry's action against the importation of the oxygenated fuel additives	9
4. Action against fuel smuggling across borders	10
4.1. Risks of fuel smuggling across borders	10
4.2. Action taken against fuel smuggled against the cross border	11
5. Mitigating risks associated with fuel importation and storage accessibility	11
6. Evolution of fuel prices, May and June 2021	12

List of Figures and Tables

Figures

Figure 1. World sulphur levels in diesel 6
Figure 2. Fuel Sulfur levels in East African Countries..... 7
Figure 3. BOT process of determining capacity availability 11
Figure 4. OPEC Basket Price evolution (September 2020 - July 2021)..... 12
Figure 5. Petrol and diesel average daily price (1L, SLSH) (May - July 2021) 13
Figure 6. Petrol (1) and Diesel (2) mode daily prices by region (1L, SLSH) (May - July 2021) 14
Figure 7. Petrol (1) and diesel (2) mode daily prices by region, Somaliland map (1L, SLSH) (May - July 2021) 15

Tables

Table 1. Sulphur levels in East African countries 7
Table 2. Regions by petrol price (mode) (May – July 2021), from highest to lowest..... 16
Table 3. Regions by diesel price (mode) (May – July 2021), from highest to lowest 16

1. Background

The Ministry of Trade, Industry and Tourism provides oversight and supervision over the quality and quantity levels of fuel imported into the country. Fuel imports are stored at Berbera Oil Terminals and the Ministry persistently screens the volume and quality levels of imported fuel. In this regard, the Minister issues a letter of consent for any company importing fuel into the nation. This helps ensure all fuel imports are aligned with the standards set for the fuel. Additionally, that sufficient space is allocated for the imported fuel.

1.1. Role of Ministry of Trade, Industry and Tourism in fuel

- Ensures reduced of sulfur levels of the fuel imported into the country
- Issues Fuel Importation License
- Ensures measures against the importation of oxygenated fuel
- Prevents fuel smuggling across borders
- Ensures stringent fuel prices regulation, and
- Issues a letter of consent for any company importing fuel into the nation

1.2. Report Objective

This report's broad aim is to display progress made on having a quality and low-priced fuel in the country. To begin with, it analyzes the impacts of higher sulfur substances within the fuel and activities taken to diminish the level of sulfur in fuel; this has been portrayed utilizing illustrations of neighboring nations level of sulfur fuel and comparing them with Somaliland to see the arrangement. Finally, majorly it centers on guaranteeing rigid fuel prices that are reasonable for the community; typically done through Ministerial decree issued on a month-to-month basis.

1.3. Structure of the report

The current report about gasoline and diesel fuel depicts information regarding progress made in improving the fuel importation in Somaliland. The report is structured as follows:

- a. Part 1. Brief information and background about fuel importation and role of MoTIT.
- b. Part 2. Fuel sulfur levels in Somaliland.
- c. Part 3. Measures against the Importation of Oxygenated fuel.
- d. Part 4. Action against fuel smuggling across borders.
- e. Part 5. Mitigating vulnerability to risks associated with fuel importation and storage accessibility
- f. Part 6. Stringent fuel prices regulation in all regions

2. Fuel sulfur levels in Somaliland

Sulfur is a natural component in crude oil that is present in gasoline and diesel unless removed. Sulfur in gasoline impairs the effectiveness of emission control systems and contributes to air pollution. Reducing the sulfur content in gasoline enables advanced emission controls and reduces air pollution.

Over the past three years, there has been a trend towards lower sulfur automotive fuels and cleaner, more efficient vehicles and vehicle emission standards in the country. This was the result of a ministerial degree issued by the Minister of Trade, Industry and Tourism to stop the dispersion of fuel with sulfur levels higher than 500 ppm. This move took an effect on 27th April 2019. High sulfur fuels prevent the introduction of cleaner, more efficient vehicles by limiting emission control technologies. On the other hand, advancing fuel quality could be a basic component in an effective and long-term strategy that will offer help to the country get to fuel with lower-sulfur and reduced costs levels.

Reinforcing efforts regarding access to good quality fuels within the country reduces pollution from transportation sources as low-sulfur fuels ensure effectiveness of emission control technologies in vehicles and reduce harmful air pollution.

Concerning such endeavor to reduce fuel prices and access to lower-sulfur fuel, the Ministry of Trade, Industry and Tourism has undertaken several interventions that include as follows:

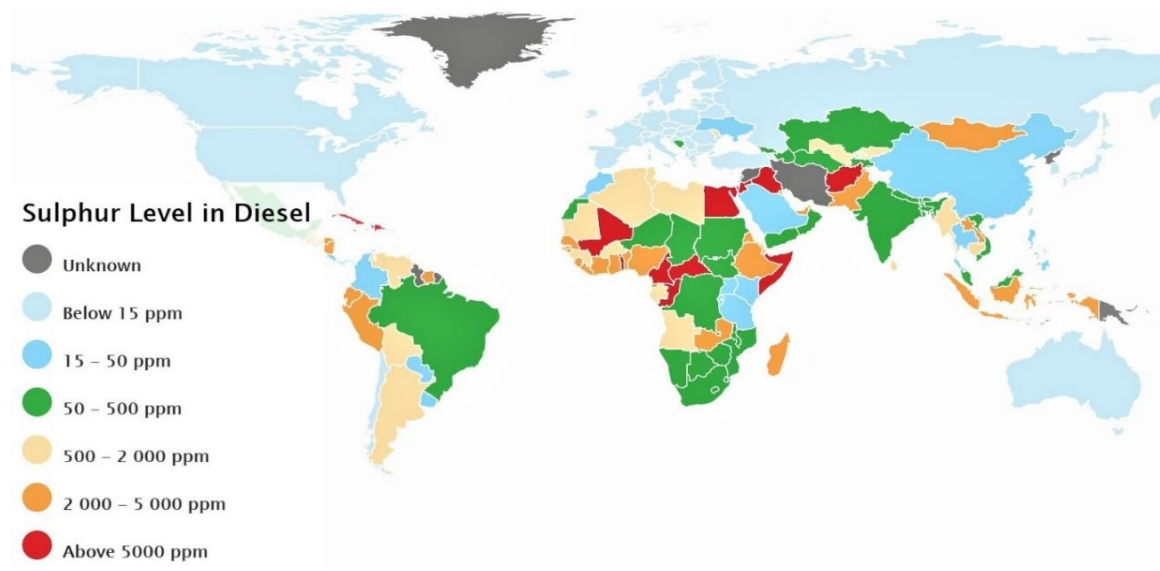
- Reduction of fuel sulfur levels
- Measures against the Importation of Oxygenated fuel
- Action against fuel smuggling across borders, and
- Stringent fuel prices regulation

This report is intended to outline developments made in the aspect of fuel market for the past four years (2018 -2021). It's the remit of the Ministry of Trade, Industry and Tourism to regulate the fuel standards and ensure that the sulfur levels are lower.

2.1. Global Outlook

Figure 1 shows sulfur levels in diesel worldwide. North America, Europe (including Russia), and Oceania are the regions where sulphur levels are the lowest. This is followed by countries like Saudi Arabia, Colombia, China, Morocco, or Australia. In the African continent, sulphur levels in diesel are relatively high compared to other regions.

Figure 1. World sulphur levels in diesel



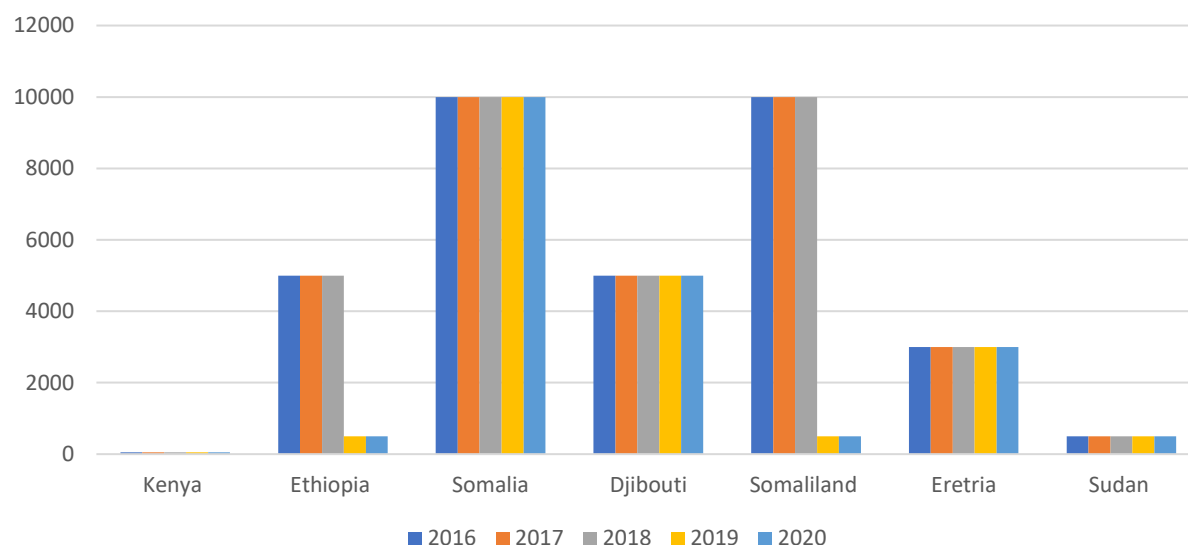
2.2. Fuel Sulfur levels in East African Countries

Table 1. Sulphur levels in East African countries

SN	Countries	2016	2017	2018	2019	2020
1	Kenya	50 ppm	50 ppm	50 ppm	50 ppm	50 ppm
2	Ethiopia	5000 ppm	5000 ppm	5000 ppm	500 ppm	500 ppm
3	Somalia	10000 ppm	10000 ppm	10000 ppm	10000 ppm	10000 ppm
4	Djibouti	5000 ppm	5000 ppm	5000 ppm	5000 ppm	5000 ppm
5	Somaliland	10000 ppm	10000 ppm	10000 ppm	500 ppm	500 ppm
6	Eretria	3000 ppm	3000 ppm	3000 ppm	3000 ppm	3000 ppm
7	Sudan	500 ppm	500 ppm	500 ppm	500 ppm	500 ppm

Source: UNEP, MoTIT

Figure 2. Fuel Sulfur levels in East African Countries



Source: UNEP, MoTIT

Following an in-depth study about the sulfur levels in the fuel imported into the country, it was found that the sulfur levels run between 5000 ppm to 8000 ppm. In this respect, the Ministry of Trade, Industry and Tourism has on 27th April 2019 ceased all fuel importations surpassing with sulfur level of 500 ppm. With immediate effect, the Berbera Oil Terminals had no laboratory equipment that would help them detect the level of sulfur contents in the fuel. Hence, it was made binding while the Testing equipment to arrive in

the country any fuel imported to be sent to the SGS lab in Djibouti. However, at present there is sulfur compound testing equipment from SGS and available the Laboratory section in the BOT which detects the level of sulfur in the fuel.

This move has been successful attempt to reduce the level of fuel sulfur contents imported in to the country. From this date no fuel with sulfur exceeding 500 ppm has been imported into the country.

2.2. Effect of high fuel Sulfur levels

Diesel fuel contains sulfur which derives from the original crude oil source and can still be present after refining. After combustion in the engine, the sulfur in fuel forms particulates that are a primary contributor to air pollution and the cause of harmful corrosion in the engine. After such process, sulfur from diesel fuel creates sulfuric acid that causes caused corrosive wear on the metal surfaces of an engine. Corrosion of a surface within in a dynamic system such as the cylinder wall/liner can lead to corrosive wear; surface corrosion layers are removed through sliding or abrasion.

2.3. Effect of low-sulfur levels

- Protect and improve the health and safety of consumers
- Facilitate regional and international trade
- Protect animal or plant life or health
- Protect the environment
- Align with East African Standards Committee (EASC) – policy guidance

3. Measures against the Importation of Oxygenated fuel additives

In April 2018, there has been a more extensive spread of oxygenated petrol imported into the nation which adversely affected vehicles. One of the fuel merchants has imported exceedingly oxygenated fuel by which the Lab in charge of the examination of the level of Oxygen within the fuel has not ceased. This driven to numerous vehicles inside the nation have been adversely affected with their motors where numerous of the vehicles that utilized this sort of fuel have halted operation.

In reaction to this impact, the Ministry of Trade, Industry and Tourism has doled out a fact-finding committee comprising of MOTIT and Quality Control Commission. The committee set out on an appraisal mission to Berbera Oil Group (BOG) which was under the administration of the Private sector primarily fuel merchants.

The committee had a few gatherings with the BOG board of directors, fuel lab authorities run by a private company namely Interstate, Testing and Support Administrations (ITSS). Following the evaluation, the assessing commission has released a report enumerating the causes of the profoundly oxygenated petrol and the company which has imported it.

3.1. Findings of the assessment on Importation of Oxygenated fuel additives

- No government role in regulating the fuel storage facility and fuel lab as both of them have been privatized by the former government.
- The quality of fuel testing is done while the fuel ship is at the dock side. No fuel quality testing was made after fuel storage at the facility. This is due to the need of the BOG that the fuel should not be tested with quality after transferred to the facility.
- No sulfur level is monitored. i.e. sulfur level ranges between 5000 ppm -8000 ppm.
- Need review and improvement of fuel standards.
- Need Government's strong role in overseeing the work of the two private companies (BOG and ITSS).
- Government to take an action against the importation of the oxygenated fuel additives and fine companies imported the oxygenated fuel.

3.2. Ministry's action against the importation of the oxygenated fuel additives

The Ministry has shared the report detailing the causes the oxygenated fuel to the cabinet whereas it was decided that the administration of fuel storage facility to be handed over back to the government under the administration of the Ministry of Trade, Industry and Tourism. To take an action against the economic loss resulted from the oxygenated fuel, the Ministry has performed following tasks:

- Fined with USD 355,500 (Three hundred, fifty-five thousand and five hundred USD) for the company imported the oxygenated fuel.
- Fined with USD 355,500 (Three hundred, fifty-five thousand and five hundred USD) for the Lab company.
- MOTIT takes over the management of the Berbera Oil Terminal and the lab.

4. Action against fuel smuggling across borders

In response to the failure of the fuel private fuel merchants to adhere to the directives of the Ministry on the fuel sulfur level standardizations (*no sulfur levels lower than 500 ppm*), some of the fuel importers have started to smuggle fuel through across borders particularly the borderline between Somaliland and Ethiopian. This move has impacted the local fuel price structure as certain fuel merchants have increased the price of the fuel. However, on 11th May 2019, the Ministry has taken a cautionary action to stop any fuel illegally imported into the country. The Minister has issued a ministerial decision to stop any fuel that comes in within the country across borders.

This move has been successful as the fuel smuggling into the country has stopped through establishment of a coordinated efforts amongst the Ministry of finance, border security patrols and Ministry of Trade, Industry and Tourism.

4.1. Risks of fuel smuggling across borders

- Fuel price structure remains unstable whereas certain fuel retailers sell higher price, others lower price.
- No sulfur levels could be maintained. High chance of importing contaminated fuel which is not aligned with the local fuel quality standards
- Economic down turn. Fuel importers used the proper channel of fuel importations face economic downturn as the fuel smuggled through the borders remains lower price.

4.2. Action taken against fuel smuggled against the cross border

The Ministry has issued a ministerial decision which entails following areas of action;

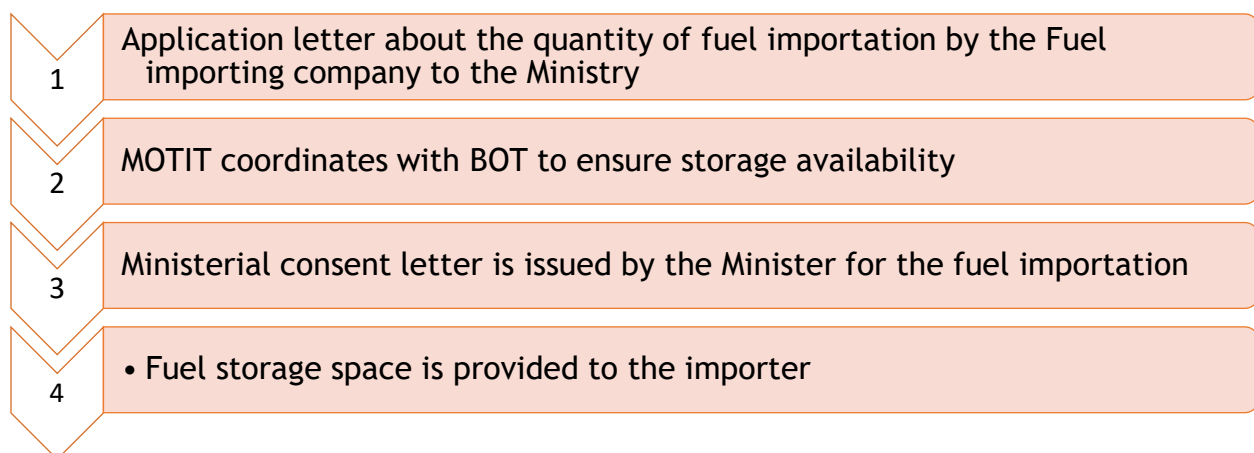
- Receiving heavy fines from traffickers who, individually and collectively, is a deterrent.
- Severe and quick punishment to deal with smugglers.

Additionally, the Ministry has ensured steps to monitor the fuel price and exchange rates that would have a negative effect on fuel, and strengthening the coordination of all the various executive agencies, including the MOTIT, police, customs, border guards to combat the scourge of illegal fuel.

5. Mitigating risks associated with fuel importation and storage accessibility

The Ministry coordinates with the BOT management to keep track of the capacity accessible for any new fuel imports. In response to this, the BOT provides a report about capacity accessibility. This helps the Ministry to decide the amount of fuel that can be imported into the country by any fuel merchant. These courses of action help in importing only fuel amount levels that are required and are with accessible capacity at the BOT storage. The process takes places as following;

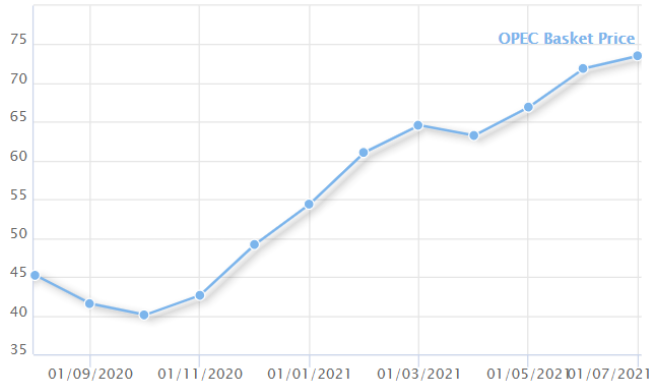
Figure 3. BOT process of determining capacity availability



6. Evolution of fuel prices, May and June 2021

Global fuel prices plummeted in 2020 as a consequence of the COVID-19 pandemic. The halt to economic activity and lockdown restrictions decimated the demand for fuel, causing a severe reduction in price. However, as fuel demand recovered worldwide in September 2020, prices started rising again and have steadily increased until July 2021. The graph below shows the evolution of the OPEC Basket Price and depicts an increase from \$40 per barrel of oil to \$73 in July, an almost 100% increase. The trend shows two separate periods of increase, from November to March, and from April to July.

Figure 4. OPEC Basket Price evolution (September 2020 - July 2021)

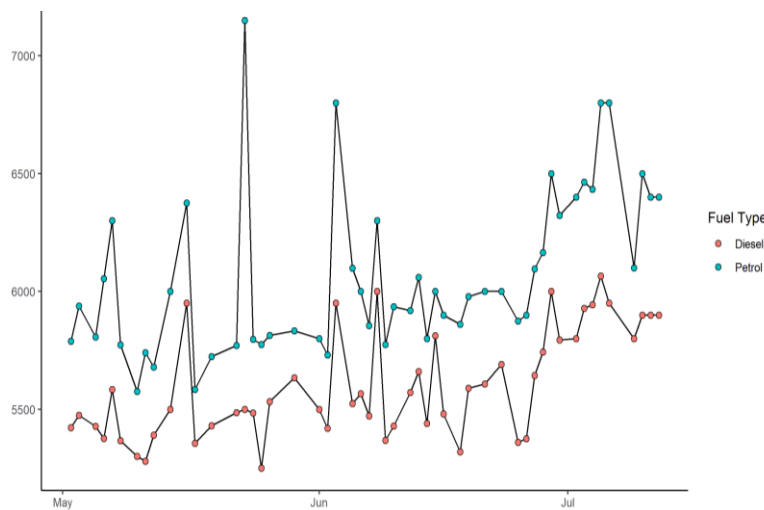


Source: OPEC

This increase in fuel prices has been replicated in Somaliland. In light of this trend, starting from March 2021, the MoTIT decided to undertake weekly survey rounds in all Somaliland regions with the objective of monitoring fuel retail price fluctuations. The survey target were fuel stations in Somaliland’s main cities: Berbera, Boroma, Hargeisa, Burco, Ceerigavo, and Laascaanod. Data were compiled relatively regularly, although capacity to collect information from regions far from the MoTIT’s Headquarters in Hargeisa was limited.

As shown in Figure 5, the average price of diesel increased from 5500 SLS/L to almost 6000 SLS/L, while the average price of petrol increased from approximately 5800 SLS/L to 6500 SLS/L (from march-2021 to July-2021). Generally speaking, the price of petrol tends to be 500 SLS more expensive than that of diesel. It is worth noting, first, that the increase in fuel prices was more prominent in July-21 than in the preceding months. Second, these trends mask important regional differences. Although prices fluctuated in most regions.

Figure 5. Petrol and diesel average daily price (1L, SLSH) (May - July 2021)

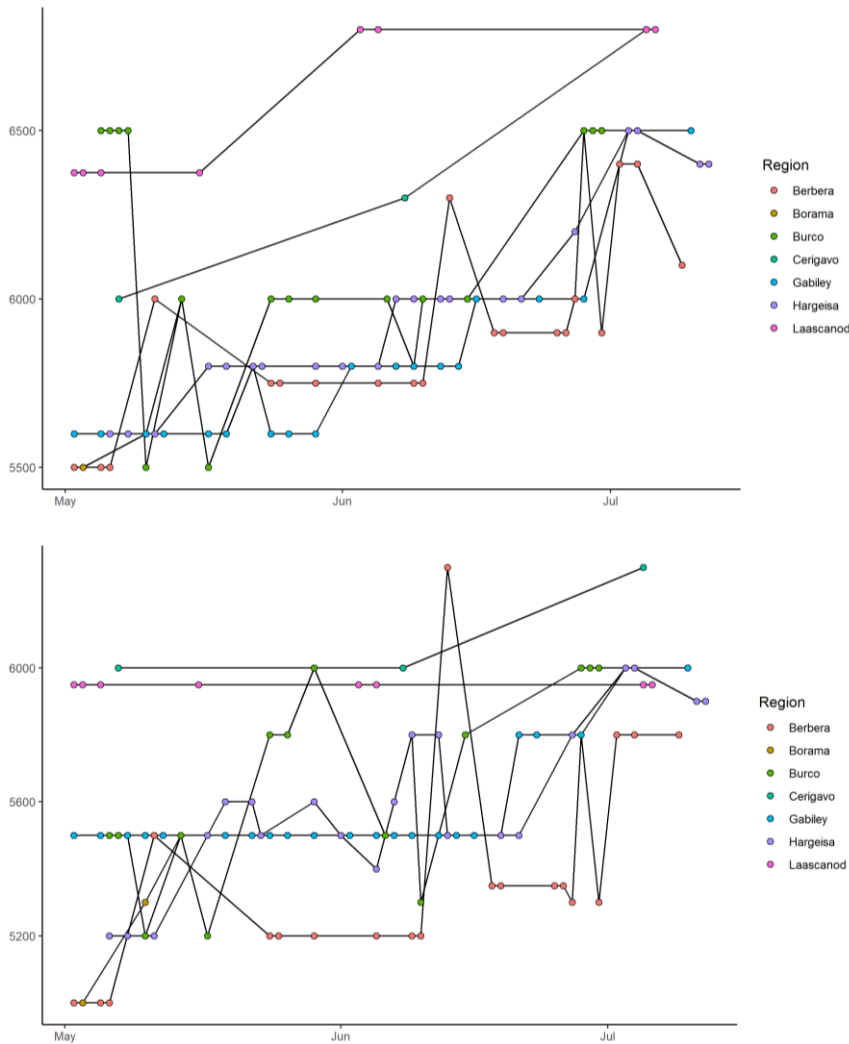


Source: MoTIT

Ceerigavo and Laascaanod already had higher fuel prices than other Somaliland cities at the beginning of May 2021. This contrast with fluctuations in other regions, most notably Hargeisa, Gabiley and Berbera. Looking at the mode of daily price information for each

region, the trend shows a three-stage price structure, with low prices until mid-May, a first increase until late June, and a second increase thereafter (Figure 6)¹.

Figure 6. Petrol (1) and Diesel (2) mode daily prices by region (1L, SLSH) (May - July 2021)



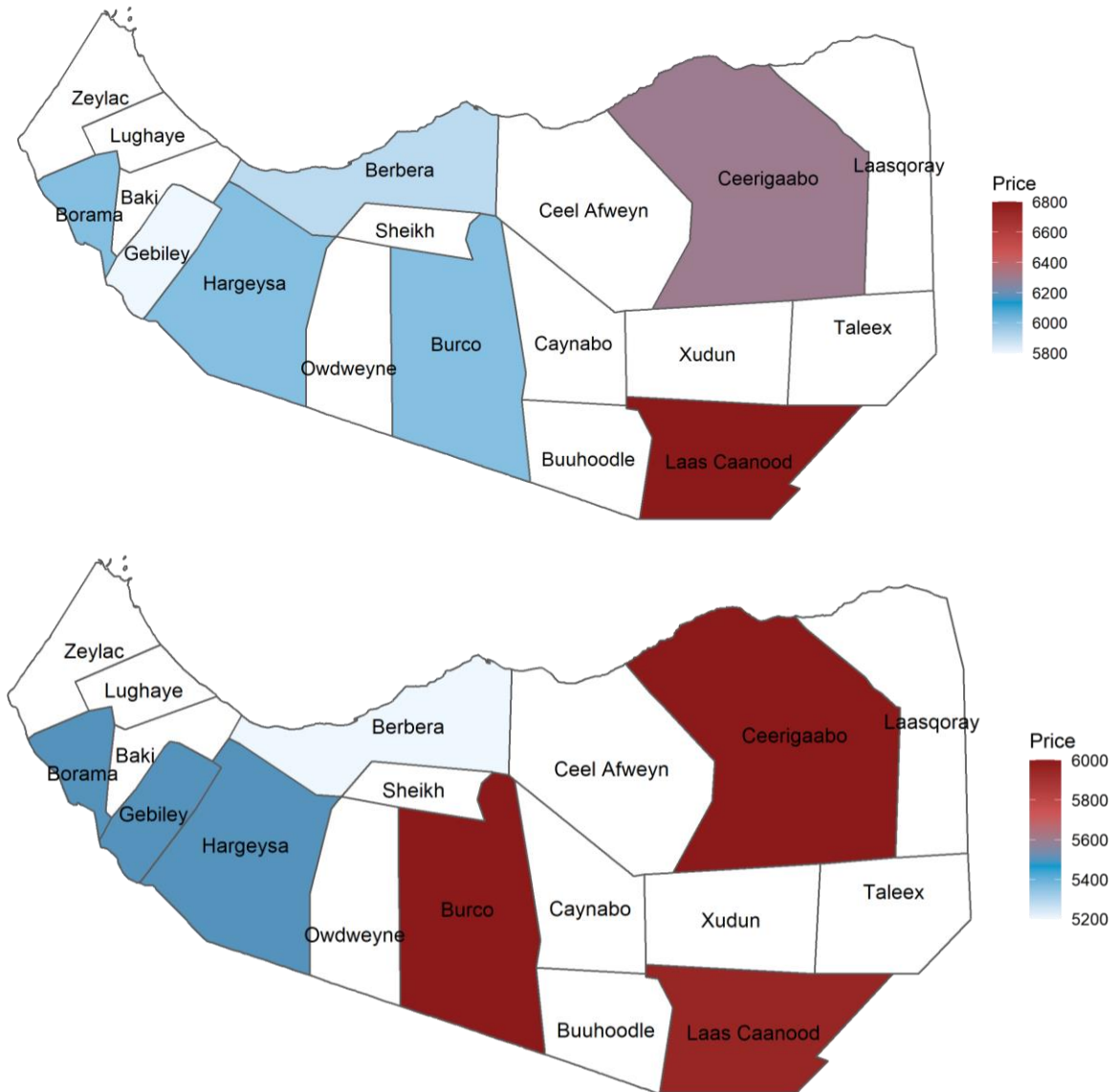
Source: MoTIT

Finally, Figure 7 shows the difference between regions for both petrol and diesel using the mode of daily prices for each region from May to July 2021. With respect to petrol, Berbera and Gabiley are the regions with the lowest petrol prices, followed by Hargeisa, Borama and Burco. Ceerigavo and Laascaanod have the highest fuel retail prices. The same follows for diesel prices, although in this case the difference between Berbera and other inland cities in Maroodijex, Awdal and Toghddeer regions is greater. Laascaanod

¹ Using other statistical metrics such as the mean and the median results in a similar pattern and results have not been included for simplicity.

and Cerigavo continue to be the regions with the highest prices, and Burco also reported higher diesel prices. Notwithstanding, it is important to highlight that these graphs mask the variation in fuel prices experienced at the end of June and early July 2021.

Figure 7. Petrol (1) and diesel (2) mode daily prices by region, Somaliland map (1L, SLSH) (May - July 2021)



Source: MoTIT

Table 2. Regions by petrol price (mode) (May – July 2021), from highest to lowest

Region	Price
Laas Caanod	6800
Ceerigavo	6300
Borama	6200
Hargeisa	6000
Burco	6000
Berbera	5900
Gabiley	5800

Source: MoTIT

Table 3. Regions by diesel price (mode) (May – July 2021), from highest to lowest

Region	Price
Ceerigavo	6000
Burco	6000
Laas Caanod	5950
Hargeisa	5500
Borama	5500
Gabiley	5500
Berbera	5200

Source: MoTIT

In addition to increase monitoring efforts, the Ministry issued a fuel price structure to be complied with by fuel stations and other stakeholders taking part in economic activities related to fuel trade and distribution. The objective was to limit fuel price fluctuations and reduce price increases. Such price structured dictated prices of petrol and diesel of 5711 and 5369 SLS in May, 5790 and 5560 in June, 6209 and 5863 in July. In each case, prices in Ceerigavo and Laascaanod were given a higher cap. To some extent, the price structure achieved to keep price growth and volatility under control.