

# Severe fuel shortage in Ethiopia

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You can see it in the long queues that form in front of service stations as soon as word gets around that they're about to be refueled. Drivers are quick to position themselves in order to benefit from a fuel distribution.

Faced with this situation, we asked a young *bajaj* (local cab) driver in Dire Dawa last week about these supply difficulties: “First of all, I have to say that competition is very tough in this business, especially as there are 17,000 *bajaj* in operation in Dire Dawa. To exercise this profession, you have to pay an annual professional cab license fee of 2,000 birrs, as well as two other annual taxes, one regional at around 500 birrs, and the second federal, which varies between 4,800 and 5,000 birrs. Life is getting more and more expensive, more and more difficult. For example, under Meles Zenawi or Haile Mariam Dessalegn, you could buy a *bajaj* for 90,000 or even 100,000 birr. Today, it's impossible to buy one for less than 350,000 birr. Everything is becoming exorbitantly expensive! Just over two years ago, a liter of petrol for my *bajaj* cost 28 birr. Since then, the government has abolished fuel subsidies. At present, it's just under 100 birr a liter, and even at that price, it's very difficult to get petrol from Dire Dawa's 70 petrol stations. Each is supplied only once a week, on a rotating basis. That's why you have to keep an eye out for information on which ones will be delivered each day. I have to confess that I buy most of my petrol on the black market, where a liter costs me 150 birr. The scarcity of petrol has encouraged the growth of a vast smuggling market, a parallel market where petrol can be obtained without limit but at a high price, in more or less hidden places. At service stations, *bajajs* with an eight-liter tank can take no more than that, in order to satisfy as many customers as possible. However, it is always possible to make an arrangement with the attendant who, for a tip of two or three hundred birr, discreetly fills one or two 25-litre yellow cans at the normal price, which remains more competitive than the illegal market. For me, getting fuel is a necessity. Without fuel, I can't work to feed my household, nor can I pay the 300 birr daily rent that I pay at the end of the evening to the owner of the vehicle I use”.

## **How does the Ethiopian government explain these shortages?**

As *Addis Fortune* reports, on July 13, 2024, the government announced a further increase in fuel prices. This adjustment in pump prices was justified primarily by the rise in oil prices on the world market, due to geopolitical tensions and their impact on the oil market. The other reason cited is the logistical shortcomings of Djibouti's oil port.

“Motorists will face higher costs at the pump after the Ministry of Trade and Regional Integration announced adjustments to fuel prices. The changes, which took effect last week, reflect the increase in fuel prices worldwide, according to the authorities. The price of benzene has risen by four birr to 82.6 birr per liter. The price of diesel has also risen by the same amount to 83.74 birr a liter, while kerosene and heating oil are sold at 83.74 and 70.83 birr a liter. This represents a seven-month price adjustment. However, this news comes against a backdrop of recent fuel shortages in Ethiopia, caused by multiple factors, including

technical failures and flooding at the Djibouti terminal. Ethiopia relies heavily on imports to meet its fuel needs, spending around \$3.89 billion to import 2.4 million tons of fuel via the Djibouti terminal. A fire at this terminal five months ago also impacted the daily supply of 10 million liters of diesel.”<sup>1</sup>.

We are surprised by this mention of a fire at the Horizon terminal in the early months of 2024, which no one in Djibouti has heard of. Yet this is an extremely sensitive site, where a fire could not go unnoticed. Its location on the seafront, between the DMP and the SGTD container terminal, means that any outbreak of fire would be visible both to the PAID and to the houses in Balbala overlooking the various terminals. As for any disruption caused by the rains<sup>2</sup>, they are not known to cause any lasting disruption to city life or port activities. These rainy inconveniences, though rare, can only last a few hours at most. The fuel problem undoubtedly lies elsewhere.

### **Let's take a look at**

The Ethiopian currency crisis is a reality that no one - including the Ethiopian population - is unaware of, and in the current context of multiple crises that have led to much criticism of the Abiy government, isn't the latter trying to designate a scapegoat to explain the difficulties it is encountering?

How much fuel was imported between June 2023 and June 2024? According to official data from the Ethiopian Petroleum and Energy Authority (EPA), “3.2 million tons of fuel were imported into the country during the last fiscal year. This figure includes 2.04 million tons of diesel and 767,672 tons of benzene.”<sup>3</sup>.

Based on these 3.2 million tonnes, we looked for import data from previous years to see whether the cause of these fuel shortages might not be imports below the country's real needs. Indeed, a briefing note on the Ethiopian oil sector published by the French Treasury tells us that “the supply of refined petroleum products has been a state monopoly since 1997. Initially established in 1951 to manage the Assab refinery, now in Eritrea, the state-owned Ethiopian Petroleum Supply Enterprise (EPSE) is solely responsible for the country's refined oil imports. In fiscal year 2020/21, EPSE imported 3.7 M tm3 of petroleum products worth USD 1.8 billion. While oil imports had reached USD 2.2 bn (3.8 M tm3) in 2017/18, in a context of growing demand, since the pandemic oil imports have seen a slight (probably temporary) decline due to lower international prices and the marginal 0.6% drop in the volume of oil imports.”<sup>4</sup>.

Fuel imports were therefore much higher in fiscal 2017/2018, with 3.8 million tonnes, and 2021/2022, with 3.7 million tonnes, than in 2023/2024, with a difference of five to six hundred thousand tonnes. How is it that, while its energy needs are growing, the quantities imported by Ethiopia are falling? This is all the more astonishing given the country's crying need for energy, as evidenced by the queues of cars around petrol stations stormed by desperate drivers in search of a few liters to keep their cars running.

According to an analysis by the French Treasury, the distribution sector is fragmented, marked by shortages and rising prices. “Forty distributors share oil distribution in Ethiopia,

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1. Fuel Prices Rise as Shortages Linger, *Addis Fortune*, 13 July 2024.

2. « Floods in Djibouti exacerbate fuel shortages in Ethiopia », *Abren*, 1 April 2024.

3. « Authority Reports Fuel Import Stats », *Addis Fortune*, 21 juillet 2024.

4. « Pétrole : Des ressources en hydrocarbures limitées, qui obligent le pays à recourir aux importations », *Trésor Français*, 5 April 2024.

with the top five accounting for 85% of the market (NOC, Oil Libya, TotalEnergies, Yetebaberut, TAF). The latter purchase oil from EPSE under a fixed margin structure established by the government, and distribute it regionally. The distributors believe that the existing infrastructure (storage, transport, distribution) is insufficient, and that the transport tariff is 22% below the break-even point (40% - 50% below the tariffs in Uganda and Kenya). In fact, despite a population of over 100 million, Ethiopia has just 930 service stations, while neighboring Kenya (population 55 million) has over 2,000.”

In this context, why would the private sector invest in tanker trucks whose remuneration is set by state regulations that offer little incentive, rather than in container trucks where prices are free? Not to mention the fact that Ethiopia's years of civil war have considerably damaged, if not drastically reduced, the available fleet of tanker trucks. Is it not possible that the tanker fleet has melted like snow in the sun as a result of the war? We're already seeing this with the Ethiopian Shipping and Logistics Service Enterprise (ESLSE) fleet, which is reportedly insufficient to meet Ethiopia's needs. “More than 600 trucks belonging to the company have been unable to leave the regional state of Amhara because of the ongoing armed conflict, after having transported goods there. According to ESLSE executives, the trucks were on their way to the conflict zone until two weeks ago. This setback leaves the company with a reduced fleet of 570 active trucks.”<sup>5</sup>.

The speed with which hydrocarbons are loaded onto tanker trucks is also cited as a reason for the slowdown in the fuel supply chain to the country's 1,590 service stations: “Esmelalem Mehretu, CEO of the Ethiopian Petroleum Supply Company (EPSE), says that loading fuel in Djibouti has become a long and tedious process for Ethiopia-bound trucks over the past six months. He says drivers are waiting for hours because it now takes three times as long to fill a single truck, compared with just 20 minutes a few months ago. Mr. Esmelalem explains that port operators have reduced nozzle power as part of fire safety measures.

“There are several problems in Djibouti,” the CEO told *Fortune*.

According to Esmelalem, the 200 trucks filled in a single day are far less than the amount needed to meet Ethiopia's daily demand”<sup>6</sup>.

Although Esmelalem Mehretu reports only 200 trucks loaded daily at the Horizon oil terminal over the past six months, data consulted on vehicles loaded at the Horizon compound and leaving for Ethiopia, indicate an average of 282 daily tanker trucks, with almost similar figures for 2023, with 293 daily tanker trucks at the Horizon terminal.

	2023	2024		2023	2024
January	8 632	8 656	July	9 310	
February	8 248	8 308	August	8 968	
March	9 824	8 810	September	7 823	
April	8 369	8 438	October	8 917	
May	9 435	8 272	November	8 584	
June	8 822	8 296	December	8 672	

*Table: Number of tickets issued by Horizon Terminal to tankers bound for Ethiopia.*

5. Tsion Tadesse, « Shipping Lines reports 57 bln revenues, discloses trucking problems in Amhara region », *Reporter Ethiopia*, 27 July 2024.

6. « Fuel Supply Clogs Leaves Gas Pumps Dry in Addis », *Addis Fortune*, 29 June 2024.

The difficulties in the Ethiopian fuel sector are structural and deep-rooted, and the causes of its malfunctioning are manifold. In short, once again, Djibouti has the upper hand when it comes to the discontent of the Ethiopian population! Should our country take a public stand and denounce the excesses of Addis Ababa's communication to justify the deterioration of its hydrocarbon supply?

These constant accusations are bound to irritate in the long run, yet our authorities have preferred not to defend themselves publicly. Yet such manipulation of public opinion is particularly serious and dangerous. It is extremely damaging to the image of Djibouti as a logistics hub. It would be a political mistake to react, particularly in order not to further complicate the very fragile Ethiopian political situation, according to a leading figure who, when asked about this point, expressed surprise at the claims made by several media outlets about the difficulties Djibouti was encountering. The latter, he believes, should be better informed. On several occasions in recent years, tankers loaded with crude oil for Ethiopia have been stuck off the coast of Djibouti awaiting payment from the Ethiopian Petroleum Supply Enterprise (EPSE), unable to honor its invoices.

The cause of these difficulties is well known: a severe currency crisis. It affects not only the energy, pharmaceutical<sup>7</sup> and automotive<sup>8</sup> sectors, but the entire Ethiopian economy, which is completely out of breath<sup>9</sup>. One might even wonder whether what is *ultimately* at stake in this recurrent diatribe is not simply to fuel Ethiopia's argument in support of its claim to access to the sea? It's also about gaining diplomatic leverage...

***Mahdi A.***

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7. Aksah Italo, « Substandard drugs fractured pharma market bitter pills patients swallow », *Addis Fortune*, 11 August 2024.

8. « The Ethiopian car market paradox : an importer's view », *Reporter Ethiopia*, 17 August 2024.

9. Duncan Miriri, « Key issues on Ethiopia's road to debt restructuring », *Reuters*, 19 August 2024.