ECONOMIC AND SOCIAL RESEARCH FOUNDATION

POSITION PAPER | SPECIAL ISSUE

GLOBAL OIL PRICE VOLATILITY AND TANZANIA: IMPACTS AND POLICY OPTIONS

Authors: Rweyemamu, R. M., Kazi, V., Richard N., Simba, H., Marunda, D., and Shilinde, J.

INTRODUCTION

Globally, oil markets are becoming increasingly unstable due to geopolitical tensions and supply disruptions, and changing production decisions among major oil producing countries. A large share of global crude oil supply is highly concentrated among a few major producers, including the United States, Saudi Arabia, Russia, Canada, China, Iran, Iraq, and the United Arab Emirates (UAE).As a result, developments in these countries continue to influence global oil prices, energy supply, and market stability worldwide (Kilian, 2009; Baumeister & Hamilton, 2019; Caldara et al., 2022;). In the Middle East, countries such as Iran, Iraq, and the UAE remain strategically important because of both their production capacity and their role in global oil transport systems, particularly through the Strait of Hormuz, a corridor through which a significant share of global oil trade passes (Tagliapietra, 2019).

In Africa, major oil producing countries such as Nigeria, Angola, Algeria, and Libya continue to play an important role in regional energy supply, export earnings, and fiscal stability (Adedoyin et al., 2021; Bekun et al., 2022). Tanzania, however, remains heavily dependent on imported refined petroleum products. This dependence makes the country highly vulnerable to changes in international oil prices and disruptions in global supply chains. Increases in global fuel prices are often transmitted quickly into the domestic economy through higher fuel import costs, rising transportation and production expenses, inflationary pressure, and increased costs of doing business. The effects are felt across key sectors of the economy, including transport, agriculture, manufacturing, trade, and household consumption.

Recent geopolitical tensions and military escalations in the Middle East, particularly those involving the United State of America, Israel against Iran, have further increased uncertainty in global energy markets and raised concerns over the security of major oil supply routes. These developments have contributed to increased oil price volatility and rising fuel prices in international markets, with significant implications for fuel-importing economies (Kilian & Murphy, 2014; Caldara et al., 2022). For Tanzania, these external shocks continue to place pressure on domestic fuel markets, public finances, productive sectors, and household welfare.

The fuel price movements observed between January and March 2026 further demonstrate the extent to which Tanzania's economy remains exposed to global geopolitical developments and external supply uncertainties. Rising fuel prices continue to affect the overall cost of living, business operations, transport services, and economic productivity. These developments highlight the importance of strengthening national energy security, improving domestic market resilience, and reducing the country's vulnerability to external shocks. In light of these developments, this paper examines the implications of global oil price volatility for Tanzania's economy and energy sector. Specifically, the paper assesses how recent global developments have affected domestic fuel prices and market conditions while proposing practical policy options aimed at strengthening energy security, improving domestic market stability, supporting productive sectors, and protecting households and businesses from rising fuel costs.

TRACKING GLOBAL OIL PRICE TRENDS AND DYNAMICS

Global Price Trends

Global oil prices showed markedly different trends trends between January and March 2025 and the same period in 2026. In early 2025, Brent crude oil prices declined gradually from around USD 79 per barrel in January to approximately USD 73 per barrel in March. This reflected relatively stable market conditions, supported by adequate global supply and moderate growth in demand. In contrast, the first quarter of 2026 experienced a sharp increase in oil prices. Brent crude oil prices rose from around USD 61 per barrel in January to above USD 100 per barrel by March, r reflecting heightened market uncertainty associated with geopolitical tensions and fears of potential disruptions in global oil supply chains (Emirates NDB Research, March 2026). Rising tensions in the Middle East, particularly around key oil transport routes, contributed to growing risk premiums and heightened volatility in global energy markets. These contrasting trends suggest that while 2025 was characterised by relatively stable global oil market conditions, early 2026 marked a period of heightened uncertainty and market instability. Existing evidence shows that oil prices tend to remain relatively stable when global supply and demand conditions are balanced. However, geopolitical tensions, supply disruptions, and market uncertainty often contribute to sharp price fluctuations and increased volatility in global energy markets (Hamilton, 2011; Baffes et al., 2015; Salisu & Isah, 2017; Taghizadeh-Hesary et al., 2019; Emirates NDB Research, March 2026).

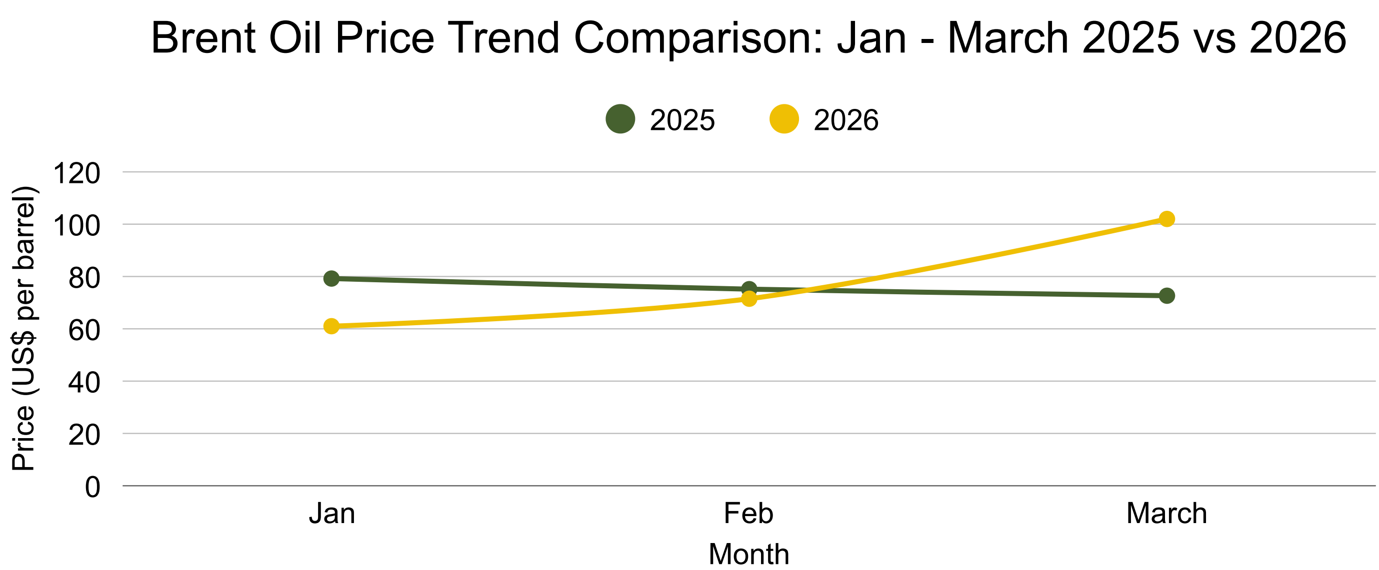
Table 1: Price Comparison of Oil for January to March 2025 and 2026

Month	2025 Price (USD/bbl)	2026 Price (USD/bbl)	Trend Comparison
January	79.21	61	2026 started lower than 2025
February	75.16	71.5	Prices converged slightly
March	72.65	102	2026 surged sharply above 2025

Source: Authors Compilation Based on Emirates NDB Research, March 2026

Table 1 and Figure 1 show a clear contrast between oil price movements in January to March 2025 and 2026.

Figure 1: Combined Oil Price Comparison for January to March 2025 and 2026



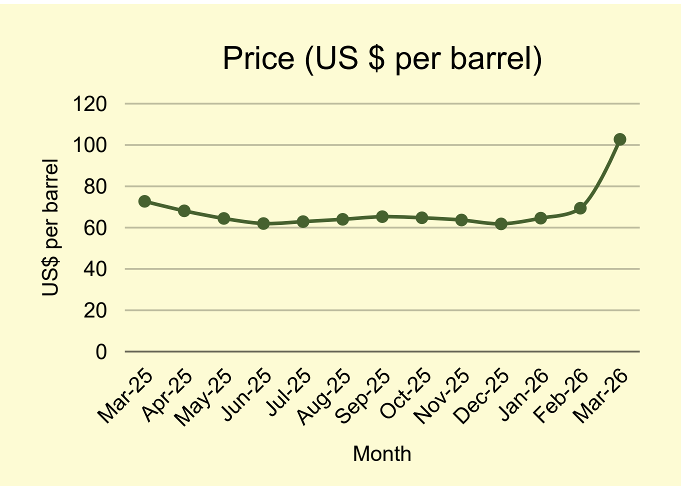
Source: Authors Compilation, March 2026

Geopolitical Drivers: Middle East Tensions and Global Oil Markets

Recent tensions and military escalations involving the United States, Israel against Iran have contributed significantly to increased volatility in global oil markets. These developments have heightened uncertainty over global oil supply, particularly following attacks on Iranian energy infrastructure and growing concerns over the security of key oil transport routes. Of particular concern is the Strait of Hormuz, through which approximately 20 percent of global crude oil exports pass. Rising tensions in this corridor have increased the risk of supply disruptions, while also contributing to higher shipping, insurance, and transaction costs in international energy markets. As a result, global oil prices have risen sharply amid growing market uncertainty and increased risk premiums.

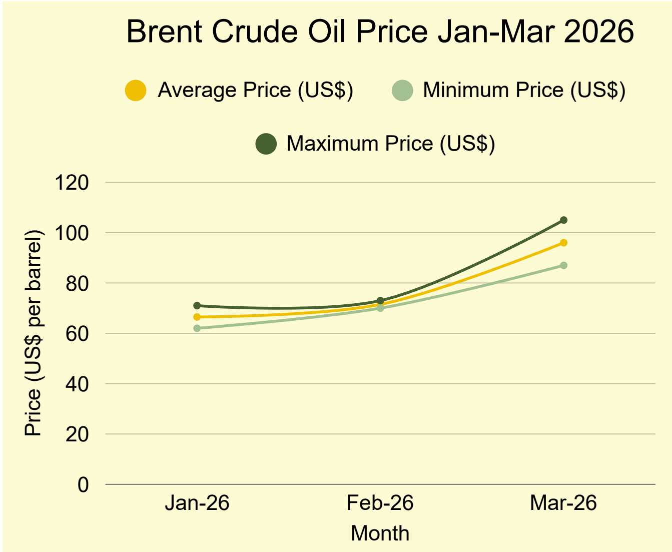
For Tanzania, which depends heavily on imported petroleum products, these developments have direct economic implications. Rising global fuel prices increase the country's import bill, place additional pressure on foreign exchange reserves, and contribute to higher domestic fuel prices. The effects are also transmitted to other sectors of the economy through increased transport, production, and operating costs. These developments highlight the importance of strengthening national energy security, improving domestic market resilience, and enhancing mechanisms for managing fuel price shocks.

Figure 2: Average oil price fluctuations snapshot from March 2025 to 2026 (USD)



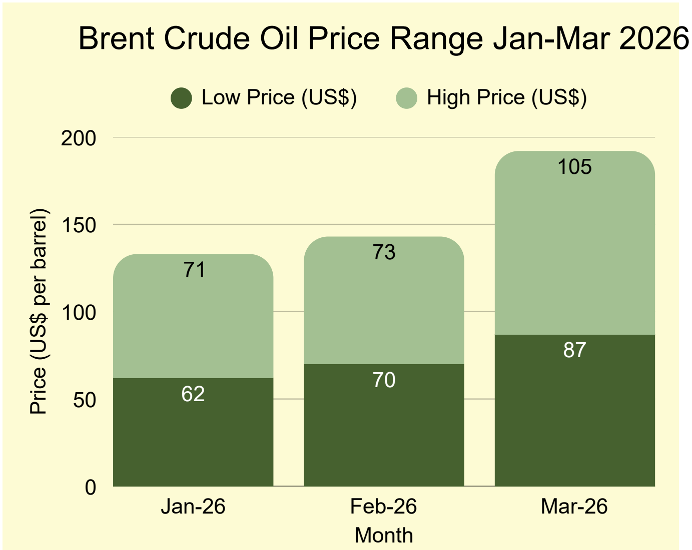
Source: Emirates NDB Research, March 2026

Figure 3: Trends of the oil prices in early 2026



Source: Authors Compilation, March 2026

Figure 4: Comparison of oil price fluctuations in early 2026



Source: Authors' Compilation, March 2026

The trends presented in Figures 2, 3, and 4 show a clear increase in global oil price volatility during the first quarter of 2026. March 2026 recorded the highest price levels since March 2025, reflecting the growing impact of geopolitical tensions on global energy markets. Figure 3 illustrated the sharp upward movement in Brent crude prices between January and March 2026, while Figure 4 further highlights the widening range of price fluctuations during the same period.

Although February recorded relatively higher prices than January, price movements remained comparatively stable. In contrast, March experienced both higher prices and greater volatility, indicating growing uncertainty in global oil markets. Overall, the figures demonstrate the increasing unpredictability of oil prices during periods of geopolitical conflict and supply uncertainty. Prolonged disruptions in major oil-producing regions or strategic transport routes could therefore continue to place significant pressure on global energy supply and fuel prices.

The Strategic Importance of the Strait of Hormuz

The Strait of Hormuz is one of the world's most strategic oil transport corridors. Located between Iran and Oman, the strait handles a substantial share of global crude oil flows and remains central to international energy trade. Consequently, any military escalation or security threat affecting this corridor rapidly influences global oil markets. Recent tensions in the Middle East, including military operations, retaliatory threats, and temporary disruptions to commercial shipping, have heightened concerns over the security of tanker movements through the strait. These developments have increased risk aversion among traders and shipping companies, resulting in higher transport and insurance costs and contributing to rising global oil prices. During periods of intensified geopolitical tension, global oil prices have, at times, exceeded USD 100 per barrel due to fears of potential supply disruptions.

For Tanzania, which imports a large share of its refined petroleum products from international markets, including the Middle East, disruptions along the Strait of Hormuz have direct implications for fuel supply and domestic prices. Any reduction or delay in tanker traffic through this corridor can tighten global fuel supply, increase import costs, and raise domestic pump prices. The stability of the Strait of Hormuz therefore remains critically important not only for global energy markets, but also for Tanzania's energy security and economic stability.

GLOBAL OIL MARKET SHOCKS & TANZANIA'S ECONOMY

Between January and March 2026, global oil prices were heavily influenced by geopolitical tensions in the Middle East and growing uncertainty surrounding major oil supply routes, particularly the Strait of Hormuz. These developments increased concerns over future supply availability, prompting markets to factor in higher risk premiums and contributing to oil prices rising above USD 100 per barrel during peak periods.

Current Fuel Prices in Tanzania (Early 2026)

According to the Energy and Water Utilities Regulatory Authority (EWURA), retail fuel prices in Tanzania increased notably during 2026 following disruptions in global oil markets linked to geopolitical tensions in the Middle East. Using Dar es Salaam fuel prices as a benchmark, given the city's role as the country's main petroleum import and distribution hub, petrol prices increased from about TZS 2,864 per litre in March 2026 to approximately TZS 3,820 per litre in April 2026, while diesel prices increased from around TZS 2,858 to TZS 3,806 per litre during the same period. Further increases were recorded in May 2026, with petrol prices reaching approximately TZS 4,115 per litre, diesel rising to about TZS 4,248 per litre, and kerosene increasing to around TZS 4,677 per litre.

EWURA attributed these increases to continued disruptions in global fuel supply systems, rising international oil prices, higher freight costs, and exchange rate pressures. The sharp increases observed during this period demonstrate how global geopolitical developments can quickly affect domestic fuel markets and increase economic pressures on households and businesses. Fuel prices in inland and remote regions were generally higher than those recorded in Dar es Salaam due to additional transport and distribution costs (EWURA, March 2026).

Direct Impacts on Tanzanian Citizens

The effects of rising fuel prices are significant because transport systems, production activities, and household consumption patterns in Tanzania remain heavily dependent on petroleum products. In the short term, households and businesses have limited alternatives to fuel consumption, meaning that increases in global oil prices are quickly transmitted into daily living costs and business operations.

Rising Transportation Costs

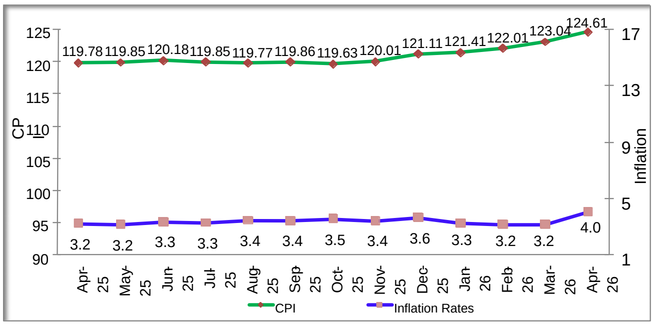
Higher global oil prices continue to increase the cost of imported petroleum products, leading to higher domestic fuel prices. In this paper, the analysis focuses primarily on petrol and diesel prices because these products have the strongest direct effects on transportation, logistics, freight movement, and mobility costs across the economy. Official statistics from the Energy and Water Utilities Regulatory Authority (EWURA) show that fuel prices in Tanzania increased significantly during 2026 following disruptions in global oil markets, rising freight charges, and exchange rate pressures. Dar es Salaam fuel prices are used in this analysis as a proxy for broader national fuel market trends because the city serves as Tanzania's principal petroleum importation, storage, and distribution hub. As a result, fuel price movements in Dar es Salaam often reflect wider national market conditions and transportation cost pressures across the country. Petrol prices in the city increased to approximately TZS 3,820 per litre in April 2026 before rising further to around TZS 4,115 per litre in May 2026, while diesel prices also increased substantially during the same period.

The increase in fuel prices contributed to rising public transport fares, freight charges, and private travel costs as transport operators increasingly passed higher fuel costs to consumers. According to National Bureau of Statistics (NBS) data, transport inflation increased to 9.2 percent in April 2026, while bus fares increased by 3.9 percent, taxi fares by 7.8 percent, and motorcycle transport fares by 14.6 percent during the same period. These developments reflect growing transportation and mobility costs for households, while also increasing logistics and distribution expenses for businesses across the economy.

Increased Cost of Goods and Services

Rising fuel prices continue to increase transportation, logistics, and operating costs across the economy. As shown in Figure 5, the movement of the National Consumer Price Index (NCPI) and inflation rates between April 2025 and April 2026 indicates that prices remained relatively stable during much of 2025 before gradually rising toward early 2026. According to the National Bureau of Statistics (NBS), headline inflation increased from 3.2 percent in March 2026 to 4.0 percent in April 2026, while the overall CPI rose from 119.78 in April 2025 to 124.61 in April 2026, reflecting growing price pressures within the economy. These pressures became more visible during the first quarter of 2026, particularly in transportation, fuel, and related services. NBS data further show that transport inflation reached 9.2 percent in April 2026, while the Energy, Fuel and Utilities Index increased by 5.3 percent during the same period. The report also indicates that diesel prices increased by 29.3 percent, petrol prices by 29.6 percent, and kerosene prices by 13.4 percent between March and April 2026. These developments contributed to higher transportation and distribution costs, which in turn increased the prices of food, public transport, and other essential goods and services across the economy.

Figure 5: Movement of National Consumer Price Indices (NCPI) and Inflation Rates from April 2025 to April 2026



Source: National Bureau of Statistics (2026)

The increase in fuel-related costs also affected household expenditure and business operations across multiple sectors. NBS data indicate increases in bus fares (3.9 percent), taxi fares (7.8 percent), and motorcycle transport fares (14.6 percent), reflecting growing transportation and mobility costs. At the same time, prices for several food items and basic consumer goods also increased, including bread products, vegetables, fruits, cooking oil, dried beans, and meat products.

These developments suggest that rising fuel prices during the first quarter of 2026 contributed to higher household living costs and increased operating expenses for businesses across the economy.

Increased Business Operating Costs

Many sectors of the economy, including agriculture, manufacturing, transport, trade, and logistics, rely heavily on fuel for production and distribution activities. Rising fuel prices increase operating and input costs for businesses, reducing profitability and placing pressure on firms to adjust prices, scale down operations, or delay planned investments and expansion activities. Small businesses and transport operators are often among the most affected because of their limited capacity to absorb sudden cost increases.

Market Anxiety and Supply Pressures

Periods of sharp fuel price increases and global supply uncertainty can create anxiety within domestic fuel markets. Concerns over future price increases or possible supply shortages may place additional pressure on fuel distribution systems and contribute to temporary supply imbalances in some areas. These developments highlight the importance of effective market monitoring, timely public communication, and coordinated response measures to maintain market stability and public confidence during periods of global energy uncertainty. Beyond the pressures on fuel markets, rising fuel prices also have wider economic and social effects. Higher fuel and transportation costs reduce household purchasing power, increase the cost of doing business, and place additional pressure on low- and middle-income groups. Even where official inflation rates remain relatively stable, the day-to-day cost of living for many Tanzanians becomes increasingly difficult during periods of sustained fuel price increases.

Broader Economic Impact

Inflationary Pressure

Even where official inflation levels remain relatively stable, rising fuel prices can quickly increase the cost of goods and services across the economy through higher transportation, distribution, and production expenses. This reduces household purchasing power and places additional pressure on low-income groups, who are often the most affected by increases in the prices of basic goods and services. In response, the government may face growing pressure to introduce measures such as fuel subsidies, tax relief, or other support mechanisms to cushion households and businesses from rising fuel costs. While such measures may help ease short-term economic pressures, they can also place additional strain on government revenues and public expenditure. These developments highlight the broader policy challenge of maintaining economic stability, protecting livelihoods, and supporting long-term fiscal sustainability during periods of global fuel market uncertainty.

Monetary and Fiscal Policy Pressure

Rising global oil prices place additional pressure on foreign exchange reserves because Tanzania's fuel imports are largely paid for in US dollars. At the same time, higher fuel and transportation costs contribute to inflationary pressures that may influence monetary policy decisions, including interest rate adjustments aimed at maintaining price and economic stability. Fiscal authorities also face important policy choices during periods of rising fuel prices, as measures intended to protect households and businesses, such as subsidies, tax relief, or other support mechanisms, may help ease short-term economic pressures while also placing additional strain on government revenues and public expenditure. These developments highlight the broader challenge of maintaining economic stability, protecting livelihoods, and supporting long-term development priorities during periods of global fuel market uncertainty.

INTERNAL FACTORS AND TANZANIA'S STRATEGIC RESPONSE

Tanzania's response to global oil price volatility requires both immediate stabilization measures and longer-term structural reforms. In the short term, policy efforts are focused on maintaining reliable fuel supply, managing inflationary pressures, and reducing disruptions to households and businesses. Over the longer term, strengthening national energy resilience will depend on broader measures such as expanding domestic infrastructure, diversifying energy sources, and increasing investment in alternative and renewable energy systems.

Energy Security Initiatives

In March 2026, the President of the United Republic of Tanzania, Dr. Samia Suluhu Hassan, launched the construction of new oil reception and storage facilities at the Dar es Salaam port in Kigamboni.

Photo 1: President Samia launching the oil Storage Facilities at Kigamboni

Source: The March 04, 2026, Citizen

Relevance to Policy Solutions and Expected Impact

The construction of the new oil reception and storage facilities in Kigamboni represents an important step toward strengthening Tanzania's energy security and improving national preparedness during periods of global fuel market uncertainty. The project includes 15 storage tanks with a combined capacity of about 378,000 cubic meters for diesel, petrol, and aviation fuel, supporting the development of a Strategic Petroleum Reserve to help maintain adequate fuel stocks during supply disruptions and periods of rising global fuel prices. The initiative is expected to improve fuel supply reliability, reduce the risk of shortages, strengthen fuel handling and distribution systems, and enhance national readiness during emergencies. Improving fuel supply stability, the project may also help ease pressure on domestic fuel markets, support transportation and industrial activities, and strengthen Tanzania's ability to respond to external economic shocks.

Expected Benefits of the Kigamboni Strategic Petroleum Reserve

The Kigamboni reserve represents both a major infrastructure investment and an important strategic tool for strengthening national energy security. The expected benefits include:

- Approximately 378,000 cubic meters (about 378 million liters) of additional fuel storage capacity;
- An estimated 7–14 days of additional national fuel supply coverage;
- Potential reduction in fuel offloading delays at petroleums termina to around 10–30 percent;
- Reduced risk of fuel shortages and emergency supply disruptions
- Improved fuel supply stability and market supply dirsuptions;
- Enhanced national emergency preparedness and economic resilience during periods of global energy uncertainty.

President Samia Suluhu Hassan emphasized the importance of maintaining strategic fuel reserves to help protect Tanzania from external fuel supply disruptions and sudden increases in global oil prices (*The Citizen, 04 March 2026*).

Domestic Oil Infrastructure and Policy

Beyond the expansion of fuel storage facilities, Tanzania is also strengthening its position as a regional energy and logistics hub in East Africa. The East African Crude Oil Pipeline (EACOP), which connects Uganda's oil fields to Tanzanian ports, is nearing completion, with crude oil transportation expected to commence in the near future (TPDC, 2025; EWURA, 2025). At the same time, ongoing improvements in transport networks and port infrastructure are increasing the country's capacity to handle larger fuel shipments and support regional trade and logistics activities. While these investments strengthen short-term preparedness and improve fuel handling capacity, important challenges remain. For example, additional storage capacity equivalent to one or two weeks of national fuel coverage may help cushion temporary disruptions, but prolonged global supply shocks could still create pressure on domestic fuel supply and prices. This suggests that storage expansion alone may not be sufficient and should therefore form part of a broader long-term energy security strategy.

Regional projects such as the EACOP also present both opportunities and risks. On one hand, the pipeline could increase regional oil flows, strengthen logistics activities, and generate additional transit revenues for Tanzania. On the other hand, the long-term benefits will depend on stable regional production, sustained market demand, and continued operational stability along the pipeline corridor. External disruptions, environmental incidents, or delays in upstream production could affect expected economic gains and regional energy operations.

At the same time, these investments strengthen Tanzania's strategic role within regional energy supply chains and support the country's broader economic ambitions. Tanzania's participation through the Tanzania Petroleum Development Corporation (TPDC), which holds a 15 percent equity share in the EACOP project, creates opportunities to strengthen national capacity in petroleum logistics, infrastructure management, and regional energy trade (TPDC, 2025; EWURA, 2025). Revenue generated through transit services, logistics operations, and related investments could also contribute to foreign exchange earnings and economic activity.

In addition, plans to develop domestic oil refining capacity could further strengthen Tanzania's energy security by reducing dependence on imported refined petroleum products. A functioning refinery would support local processing, improve supply stability, promote industrial development, create employment opportunities, and support value addition within the domestic economy.

At the policy level, broader energy diversification measures will also remain important. Increased use of domestic natural gas, whose production is already underway in Tanzania, could help reduce pressure from rising global oil prices while supporting energy diversification. Similarly, investments in renewable energy sources such as solar and wind, together with gradual adoption of alternative transport technologies including hybrid and electric vehicles, could help reduce long-term dependence on imported petroleum products. These measures would strengthen Tanzania's ability to manage external energy shocks while supporting broader goals related to industrialization, economic resilience, and sustainable development.

POLICY RECOMMENDATIONS

The findings of this position paper show that Tanzania remains highly exposed to global oil price volatility due to its dependence on imported petroleum products, sensitivity to geopolitical disruptions, and growing pressure on domestic fuel markets. The analysis further demonstrates that rising fuel prices continue to affect transportation costs, business operations, household welfare, inflation management, and broader economic stability. In addition, the paper shows that disruptions in global supply chains, uncertainty in international oil markets, and instability along strategic transport corridors such as the Strait of Hormuz can quickly transmit shocks into the domestic economy.

The findings also indicate that Tanzania's current policy responses, including investments in strategic fuel storage infrastructure, regional energy integration, and domestic energy development, provide important opportunities for strengthening national preparedness and reducing vulnerability to future external shocks. At the same time, the paper highlights the importance of improving fuel market coordination, strengthening supply management systems, and accelerating long-term energy diversification efforts. In light of these findings, Table 2 presents policy recommendations aimed at strengthening energy security, improving market preparedness, enhancing domestic resilience, and reducing long-term exposure to global fuel market volatility.

Table 2: Policy Recommendations Summary

Policy Recommendation	Rationale (Why – Evidence from the Findings)	Implementation Steps (How)	Responsible Party (Who)	Outcome / KPI	Timeline (When)
Strengthen Strategic Fuel Reserves	The paper finds that Tanzania remains highly vulnerable to external fuel supply disruptions and rising global oil prices due to limited strategic reserve capacity and dependence on imported petroleum products.	-Expand national fuel storage capacity -Establish minimum strategic stockholding requirements -Develop a national strategic reserve management framework	Ministry of Energy, TPDC, EWURA	-Increased strategic fuel reserve coverage -Reduced fuel shortage incidents -Improved emergency fuel preparedness	Medium Term (2026–2028)
Diversify Fuel Import Sources and Supply Arrangements	The findings show that heavy dependence on limited supply routes and international suppliers increases exposure to geopolitical tensions, transport disruptions, and external market instability.	-Expand fuel procurement partnerships -Strengthen regional fuel supply arrangements -Improve port and fuel logistics systems	Ministry of Energy, TPDC, Ministry of Foreign Affairs, Private Sector Importers	-Increased diversity of fuel supply sources -Improved supply reliability -Reduced exposure to supply disruptions	Short–Medium Term (2025–2027)
Enhance Fuel Price Stabilization Measures	The paper demonstrates that rising fuel prices directly affect transport costs, household welfare, business operations, and inflationary pressures across the economy.	-Review fuel pricing mechanisms to improve market stability during periods of global volatility -Strengthen fuel price stabilization arrangements -Consider temporary targeted support measures during extreme fuel price shocks	Ministry of Finance, EWURA, Bank of Tanzania	-Reduced domestic fuel price volatility -Improved protection for households and businesses -Better management of inflationary pressures	Medium Term (2026–2028)
Strengthen Fuel Market Monitoring and Supply Coordination	The findings identify risks of market anxiety, temporary supply imbalances, speculative behaviour, and pressure on domestic fuel distribution systems during periods of global uncertainty.	-Develop real-time fuel supply and distribution monitoring systems -Strengthen fuel market inspection and coordination mechanisms -Enhance enforcement against market malpractice and artificial shortages	EWURA, Ministry of Energy, Fair Competition Authorities	-Improved fuel market stability -Reduced supply disruptions -Increased public confidence in fuel markets	Short Term (2025–2026)

Policy Recommendation	Rationale (Why – Evidence from the Findings)	Implementation Steps (How)	Responsible Party (Who)	Outcome / KPI	Timeline (When)
Strengthen Domestic Energy Infrastructure and Regional Logistics Integration	The paper shows that investments in fuel storage infrastructure, regional logistics systems, EACOP, and future refinery development can improve national preparedness and strengthen Tanzania's regional energy role.	-Continue investment in strategic fuel infrastructure -Support refinery and logistics development -Strengthen integration between energy infrastructure and regional transport systems	Ministry of Energy, TPDC, Ministry of Works and Transport	-Improved domestic fuel handling capacity -Enhanced regional energy and logistics role -Increased economic resilience and supply preparedness	Medium–Long Term (2026–2032)
Promote Alternative and Renewable Energy Sources	The findings highlight that continued dependence on imported fossil fuels increases long-term exposure to global oil price shocks and external energy market uncertainty.	- Expand investment in renewable energy projects (solar, wind, hydro) -Promote clean cooking energy and bioenergy -Encourage private investment in green energy technologies -Support gradual adoption of electric and hybrid transport technologies	Ministry of Energy, REA, Private Sector, Development Partners	-Increased share of renewable energy in the national energy mix -Reduced dependence on imported petroleum products -Improved long-term energy resilience	Long Term (2026–2035)
Expand Domestic Gas Utilization and Energy Diversification	The paper identifies domestic gas resources and alternative energy systems as important options for reducing exposure to imported fuel costs and global supply disruptions.	- Expand domestic gas distribution and utilization systems -Promote investment in solar and wind energy -Encourage diversification toward alternative energy technologies	Ministry of Energy, TPDC, REA, Private Sector	-Reduced pressure from imported fuel costs -Improved energy diversification -Increased long-term energy sustainability	Long Term (2026–2035)

Source: Authors' Compilation

Global oil price volatility in early 2026 has reaffirmed Tanzania's continued exposure to external energy shocks and demonstrated how rapidly geopolitical developments can affect domestic economic conditions. The findings presented in this paper show that disruptions in global oil supply chains and international energy markets have direct implications for transportation costs, business operations, inflationary pressures, household welfare, and broader macroeconomic stability.

The analysis further demonstrates that Tanzania's heavy dependence on imported petroleum products continues to expose the country to external risks linked to geopolitical tensions, supply disruptions, and rising global fuel prices. Although recent investments in fuel storage infrastructure, regional logistics systems, and domestic energy development represent important progress, long-term preparedness will depend not only on infrastructure expansion but also on effective coordination, strategic planning, market management, and sustained policy implementation. At the same time, Tanzania's expanding regional connectivity, growing energy infrastructure, and strategic geographic position present important opportunities to strengthen the country's role as a regional energy and logistics hub in East Africa. Initiatives such as the Kigamboni fuel storage facilities, EACOP, and future domestic refinery development could contribute to improved energy preparedness, increased regional trade, and broader economic opportunities if effectively integrated into a long-term national energy strategy.

Looking ahead, improving Tanzania's energy security will require a balanced approach that combines immediate stabilization measures with longer-term structural reforms. Continued investment in strategic fuel reserves, domestic infrastructure, alternative energy sources, renewable technologies, and domestic gas utilization will remain important for reducing exposure to future global energy shocks. At the same time, improving fuel market monitoring, supply coordination, and market preparedness will be essential for protecting households and businesses from rising fuel costs and global market uncertainty. Ultimately, Tanzania's ability to manage future energy shocks will depend on how effectively short-term responses are aligned with broader energy transformation efforts. Expanding energy diversification, improving preparedness, and developing resilient market and infrastructure systems will remain central to sustaining economic stability and supporting the country's long-term development goals.

REFERENCES

Adedoyin, F.F., Satrovic, E. & Kehinde, M.N. (2021). The anthropogenic consequences of energy consumption in the presence of uncertainties and complexities: evidence from World Bank income clusters. Environ Sci Pollut Res, 29, 23264–23279.

Apergis, N., & Payne, J. E. (2014). The oil price–macroeconomy relationship: Evidence from oil-importing and oil-exporting countries. Energy Economics, 46, 305–313.

Baffes, J., Kose, M. A., Ohnsorge, F., & Stocker, M. (2015). The great plunge in oil prices: Causes, consequences, and policy responses. World Bank Policy Research Working Paper.

Baumeister, C., & Hamilton, J. D. (2019). Structural interpretation of vector autoregressions with incomplete identification. Journal of Econometrics.

Bekun, F. V., Adedoyin, F. F., & Lorente, D. B. (2022). Oil price shocks and macroeconomic dynamics: Evidence from African economies. Resources Policy, 74, 102291.

Caldara, D., Cavallo, M., & Iacoviello, M. (2022). Oil price elasticities and oil price fluctuations. Journal of Monetary Economics.

Emirates New Development Bank Research. (2026). Regional PMIs – March 2026. Emirates NBD Research, Dubai, United Arab Emirates.

Energy and Water Utilities Regulatory Authority. (2025). EACOP project reaches 60% completion. EWURA Publications. Dodoma, Tanzania.

Energy and Water Utilities Regulatory Authority. (2026, February 4). Public notice on cap prices for petroleum products effective from 4th February 2026. EWURA.

Energy and Water Utilities Regulatory Authority. (2026, March). Monthly petroleum products price bulletin: EWURA.

Hamilton, J. D. (2011). Nonlinearities and the macroeconomic effects of oil prices. Macroeconomic Dynamics, 15(S3), 364–378.

Kilian, L. (2009). Not all oil price shocks are alike: Disentangling demand and supply shocks in the crude oil market. American Economic Review.

Kilian, L., & Murphy, D. P. (2014). The role of inventories and speculative trading in the global market for crude oil. Journal of Applied Econometrics.

National Bureau of Statistics. (2026). Consumer Price Index (CPI) Summary, April 2026. Dodoma, Tanzania: National Bureau of Statistics.

Salisu, A. A., & Isah, K. O. (2017). Revisiting the oil price and stock market nexus: A nonlinear approach. Energy Economics, 66, 258–271.

Taghizadeh-Hesary, F., Yoshino, N., Rasoulinezhad, E., & Chang, Y. (2019). Trade linkages and transmission of oil price fluctuations. Energy Policy, 133, 110872.

Tagliapietra, S. (2019). The impact of the global energy transition on MENA oil and gas producers. Energy Strategy Reviews, 26, 100397.

Tanzania Petroleum Development Corporation. (2025). National interests prioritized in the implementation of the EACOP project. TPDC Corporate Communications. Dar es Salaam, Tanzania.

The Citizen. (2026, March 4). Transporters seek safeguards amid fears of fuel shock. Mwananchi Communications.

World Bank. (2021). Pathways to electric mobility in the Sahel: Two- and three-wheelers in Bamako and Ouagadougou. World Bank Publications. Washington, DC.