Fuel Imports & Consumption

Sri Lanka — Trends, Market Structure & Future Outlook

SenFin Research

Executive Summary

FUEL IMPORT BILL - H1 2026

USD 3,168 Mn

+58.8% YoY (H1 2025: 1,995)

MONTHLY BILL - JUNE 2026

USD 465 Mn

+40.2% YoY eased from Apr. peak

SHARE OF IMPORT BILL (FY2025)

Approx. 20%

Single largest import category

TOP IMPORT SOURCE (2025)

UAE

Approx. USD 1.15 Bn petroleum

PETROLEUM SALES - FY2025

6.45 Mn MT

Diesel 35% • Petrol 35% • Other 30%

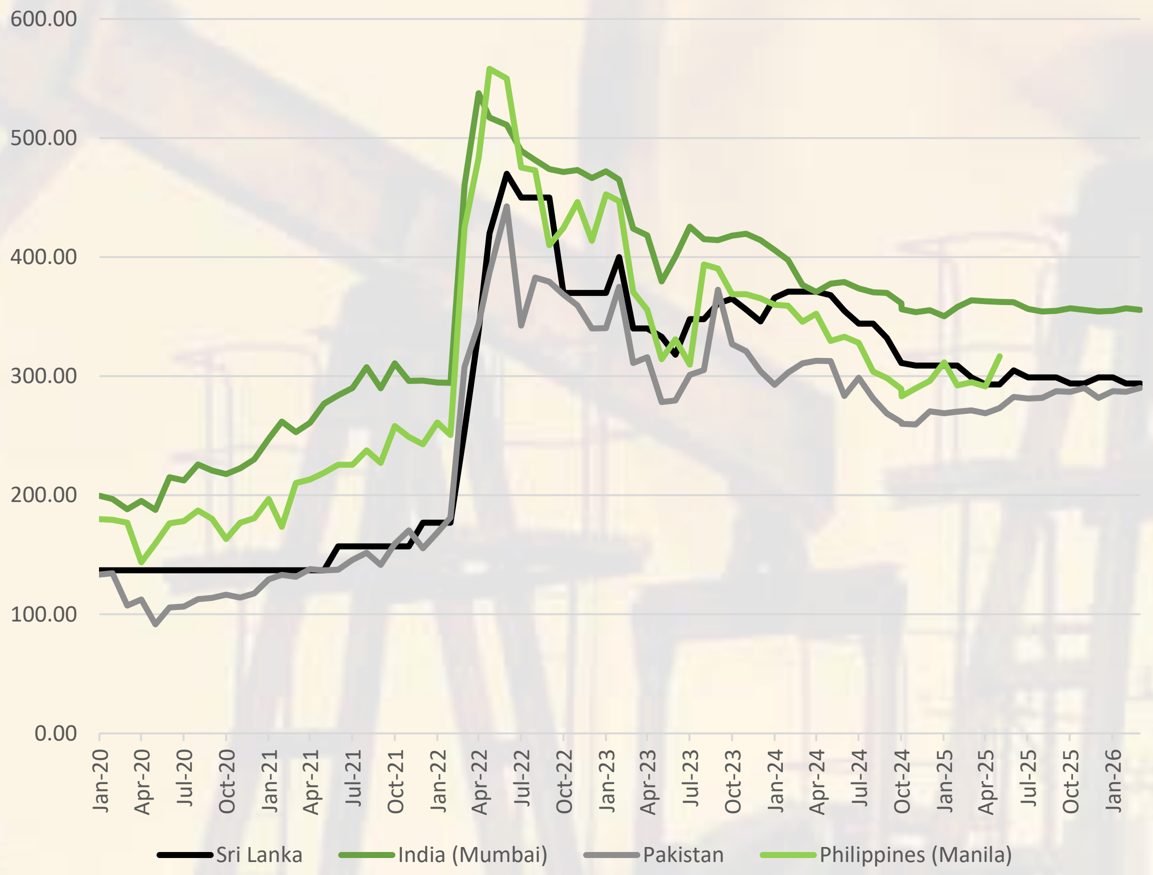
LANDMARK INVESTMENT

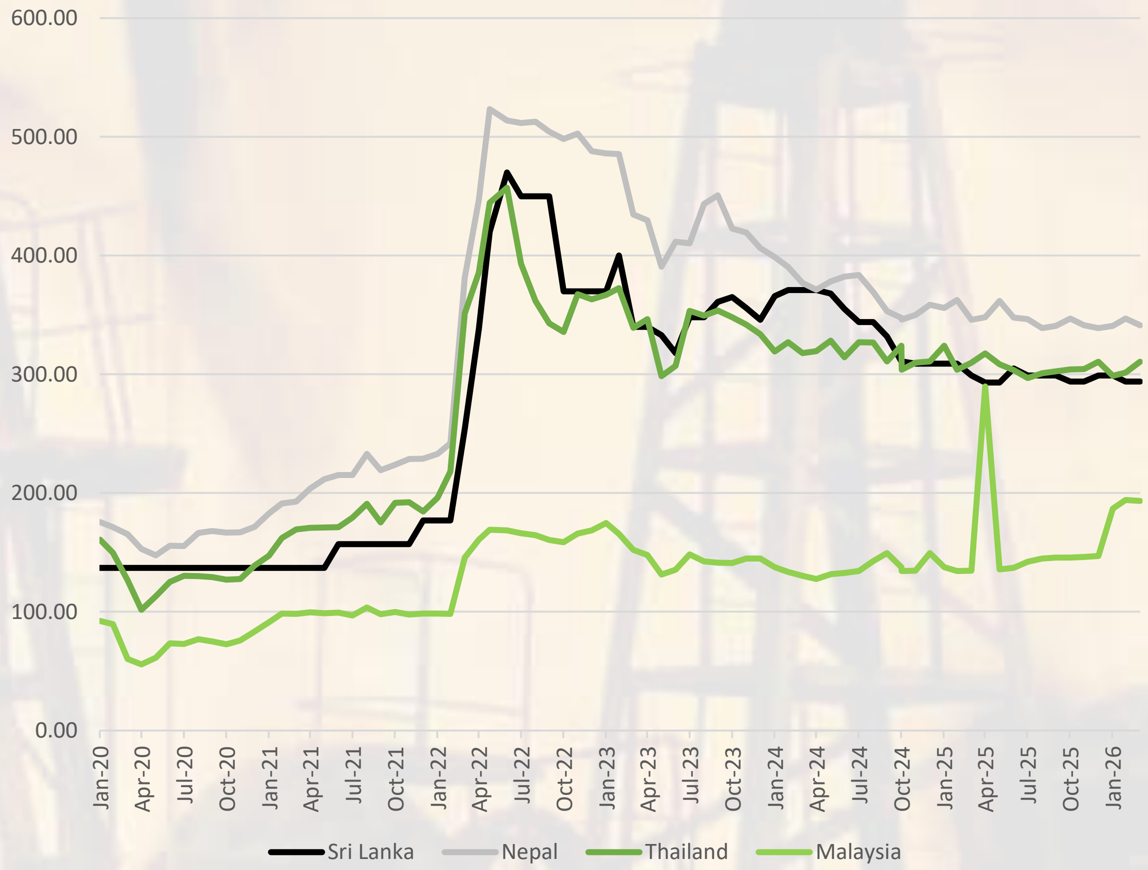
USD 3.7 Bn

Hambantota - talks in final stage

Sri Lanka Market Fuel Price vs Fuel Prices of Selected Countries

Price Comparison - Petrol

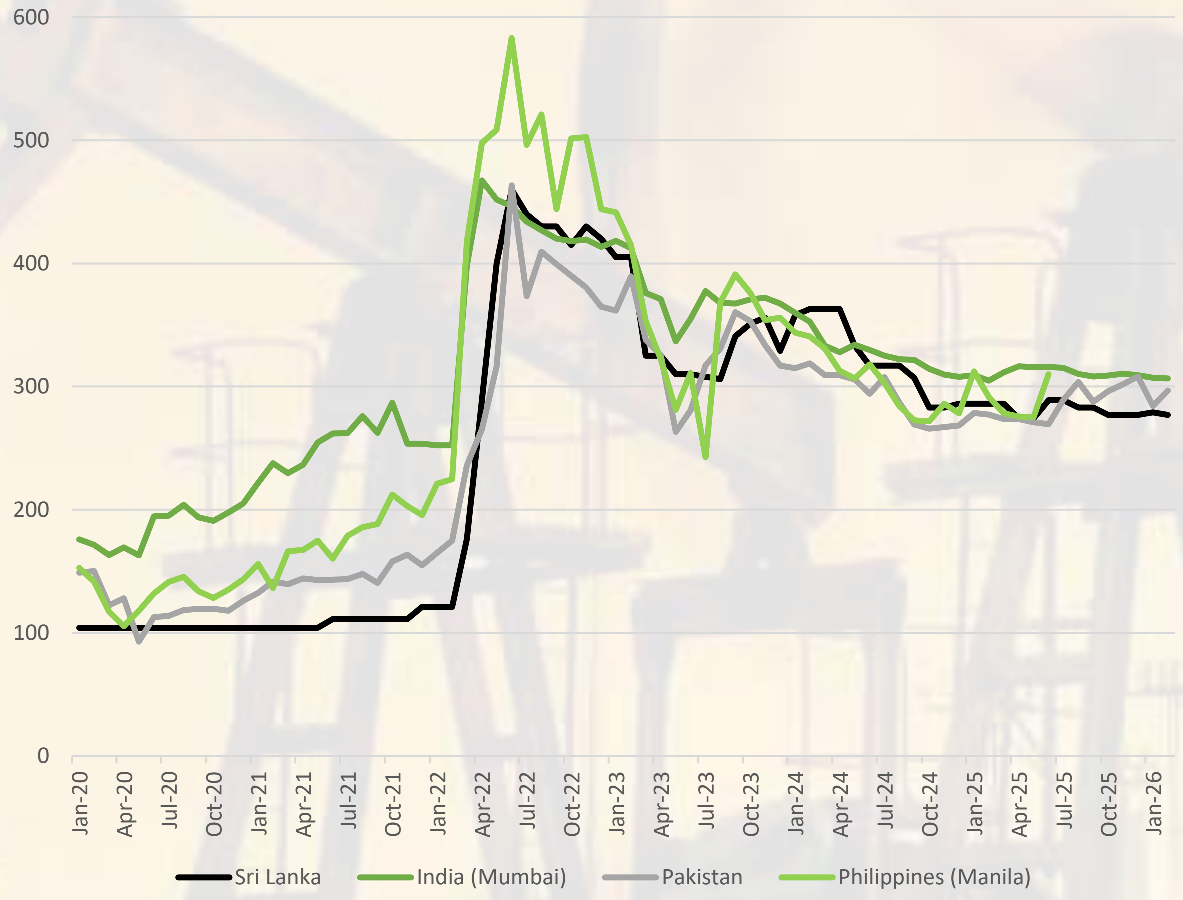


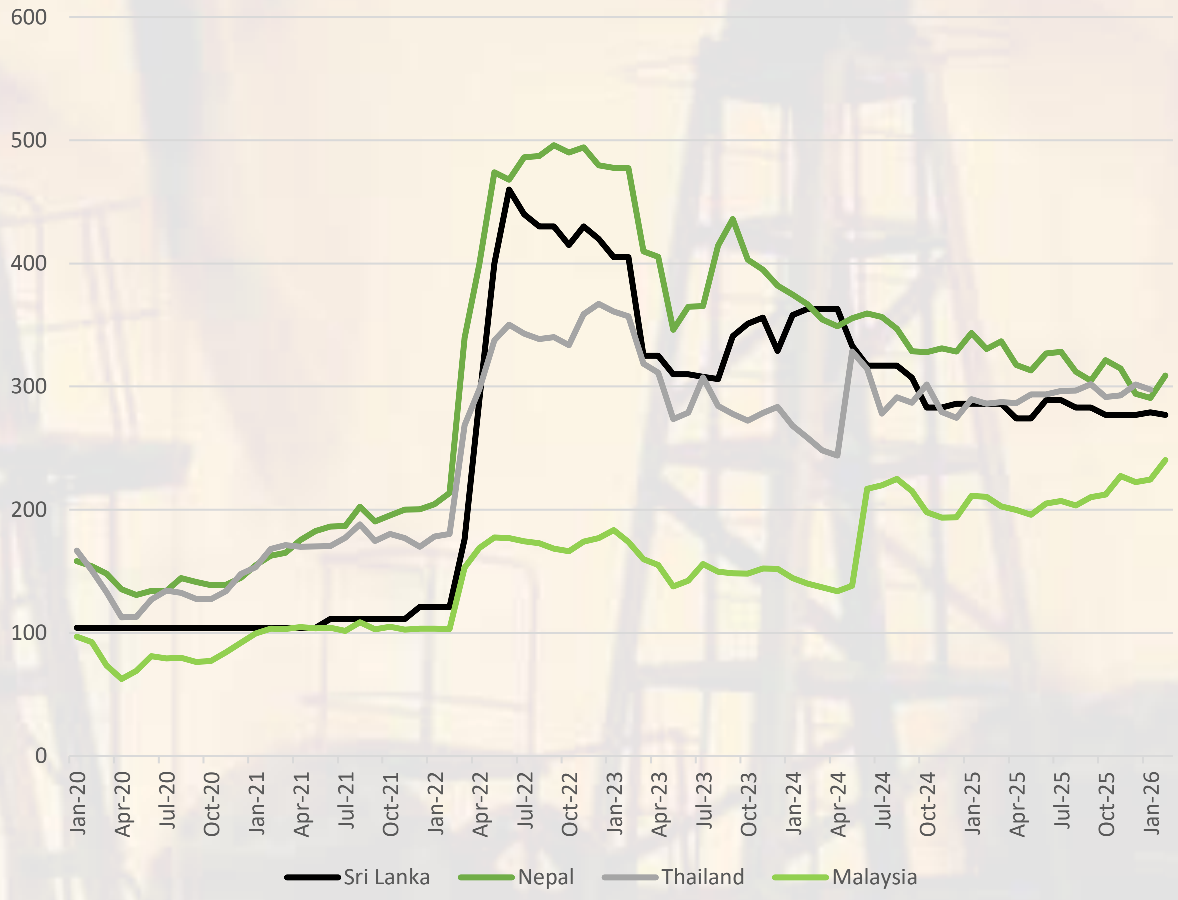


Source: Public Finance

Sri Lanka Market Fuel Price vs Fuel Prices of Selected Countries

Price Comparison – Auto Diesel

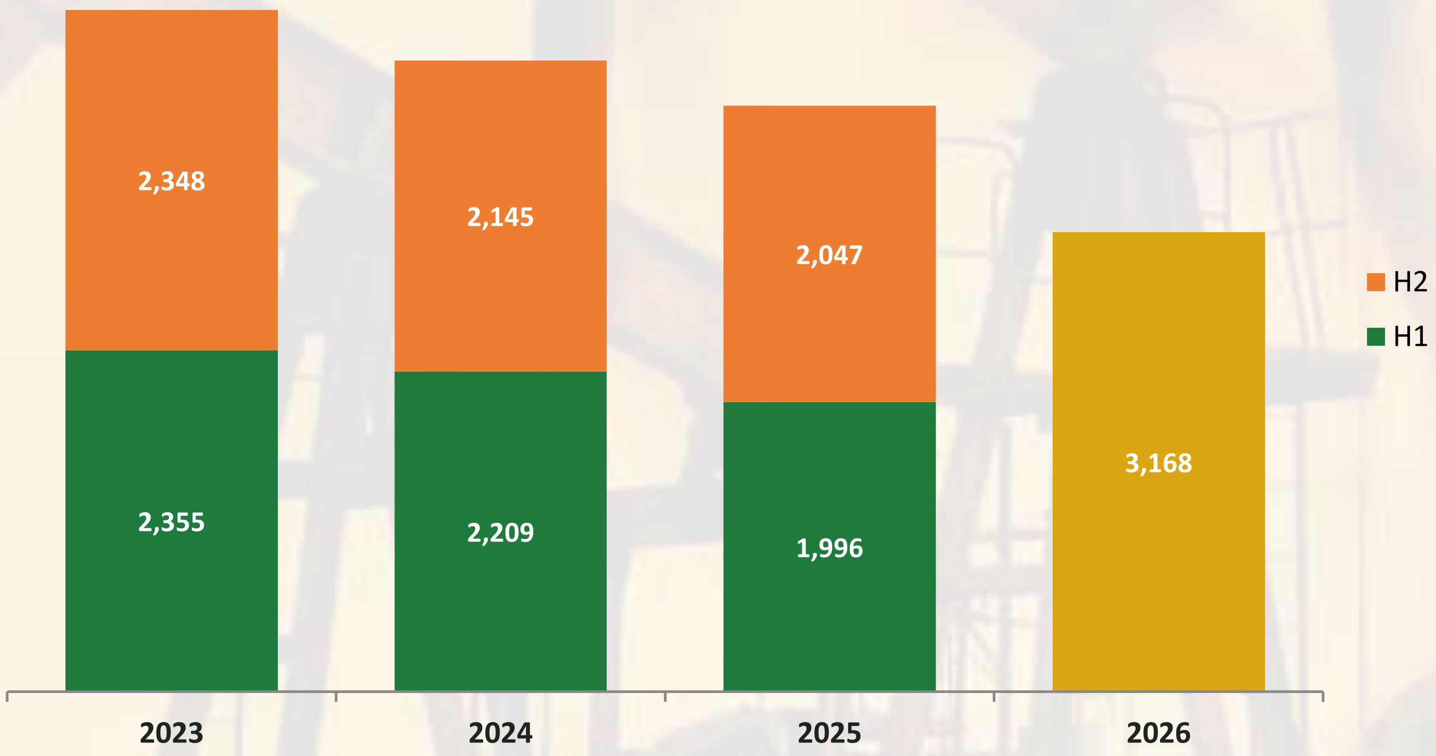




Source: Public Finance

Fuel Import Bill Is Climbing Again

Fuel Import Expenditure (USD Mn) – full years vs 2026 part-year



CBSL basis: gold 2026 bar is Jan - Jun only. Ministry of Energy: FY2025 petroleum imports USD 3,256.16 Mn (5.01 Mn MT incl. crude oil), supplier basis: USD 787 Mn ((2047 + 1996) – 3256) gap to CBSL is coal, LPG and non-supplier imports plus valuation differences.

First-Half Comparison (Jan - Jun, USD Mn)

H1 2025	1,996
H1 2026	**3,168**

▲ **+58.8% year-on-year**

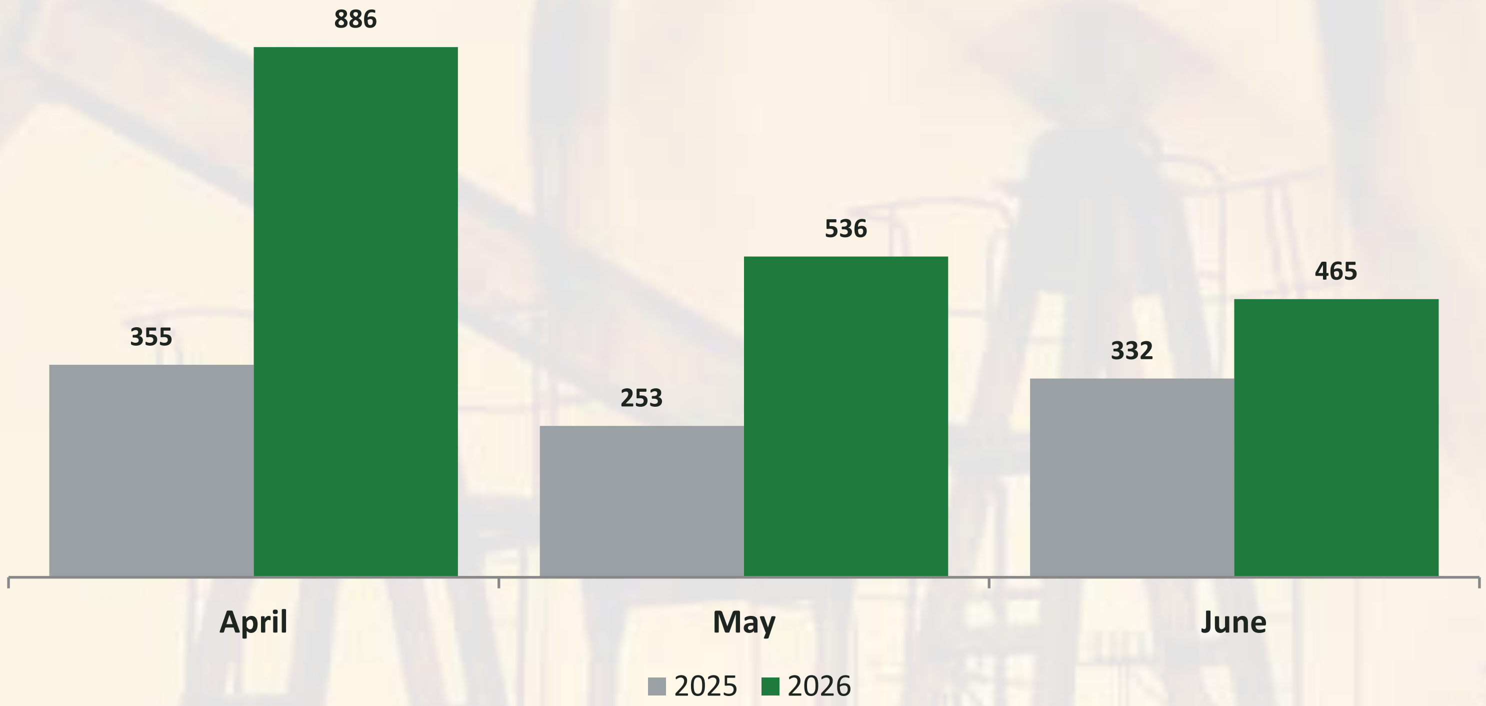
What's driving it

- Middle East conflict since late Feb 2026 lifted Brent above USD 100/bbl.
- Strait of Hormuz disruption squeezed supply routes
- Higher import volumes with recovering domestic demand
- Rupee down approx. 7.9% YTD lifts the local currency cost

Source: CBSL, Sri Lanka Customs, CPC, UN Comtrade & news reports

2026 Monthly Bill: Spike, Then Moderation

Monthly Fuel Import Expenditure - 2025 vs 2026 (USD Mn)



April 2026

USD 886 Mn

+149.6% YoY

May 2026

USD 536 Mn

+112% YoY

June 2026

USD 465 Mn

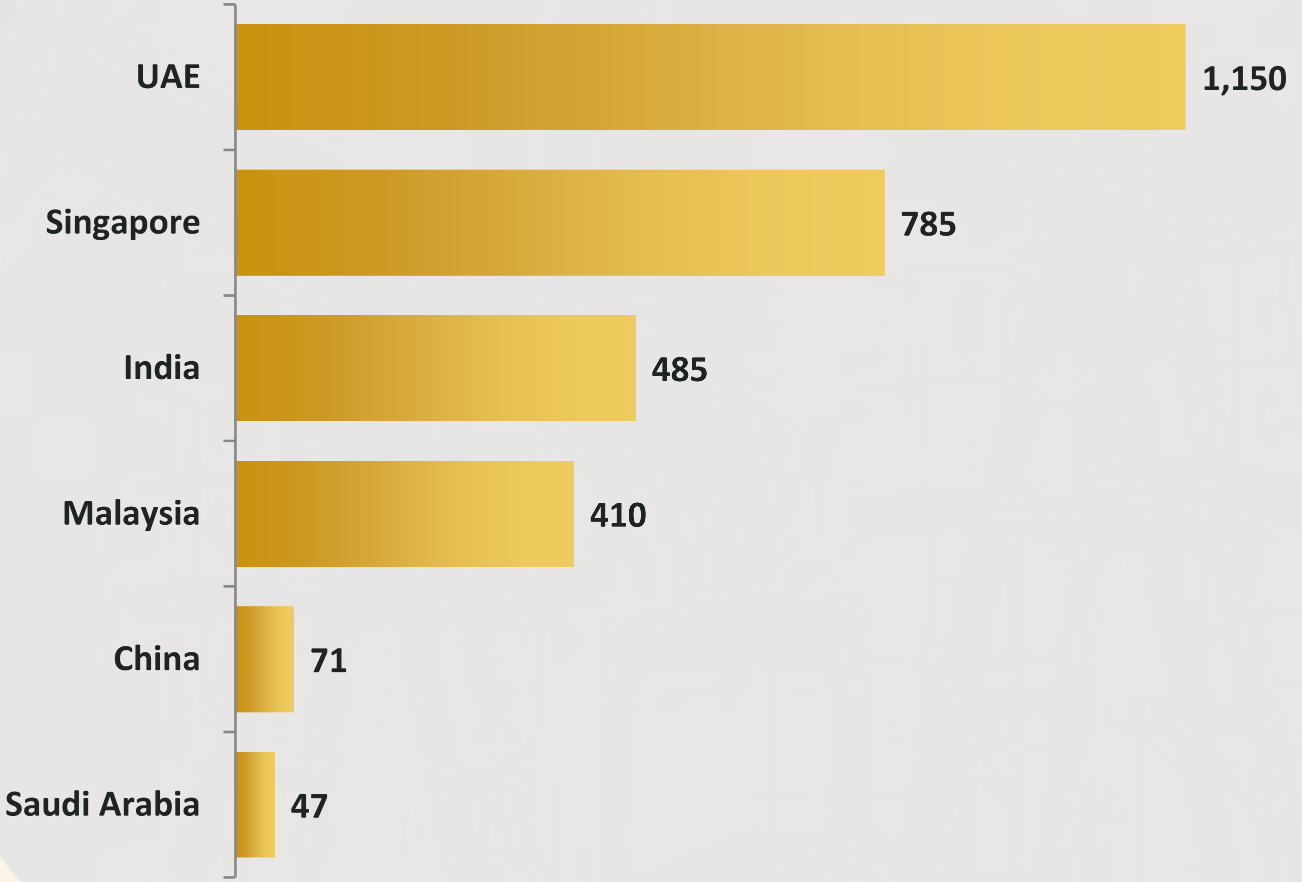
+40.1% YoY

- The bill peaked at USD 886 Mn in April 2026 then eased for two straight months as prices came off their post-conflict highs. Even so, June was still 40% above a year earlier. The CPC alone spent approx. USD 1 Bn in the first four months.

Source: CBSL, Sri Lanka Customs, CPC, UN Comtrade & news reports

UAE, Singapore & India Lead 2025 Supply

Mineral Fuel & Oil Imports by Partner - 2025 (USD Mn)



Crude vs refined split

Crude oil: CPC is the sole importer, handling 1.68 Mn MT in 2025, refined at Sapugaskanda.

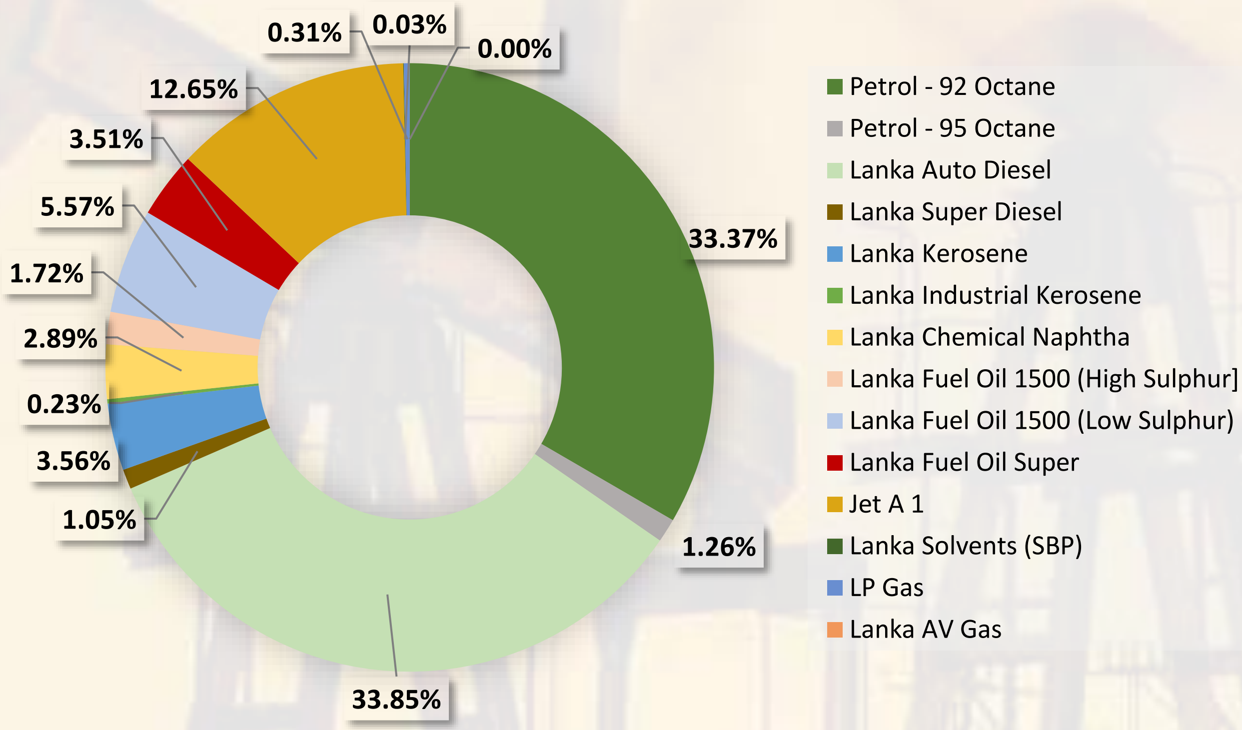
Refined products: Singapore (USD 785 Mn), India (USD 485 Mn) & Malaysia (USD 410 Mn) lead refined supply

- **Top three partners - UAE, Singapore and India.**
- **UAE is the largest supplier at USD 1.15 Bn, followed by Singapore at USD 785 Mn and India at USD 485 Mn.**

Source: Tradingeconomics, Sri Lanka Customs

Diesel & Petrol Dominate Consumption

Refined Product Mix (share of consumption)



OIL CONSUMPTION

6,450,811 MT of products sold (2025)

LARGEST END-USE

Transport road, rail, aviation & shipping

SECOND

Power generation 568 Mn litres supplied in 2025

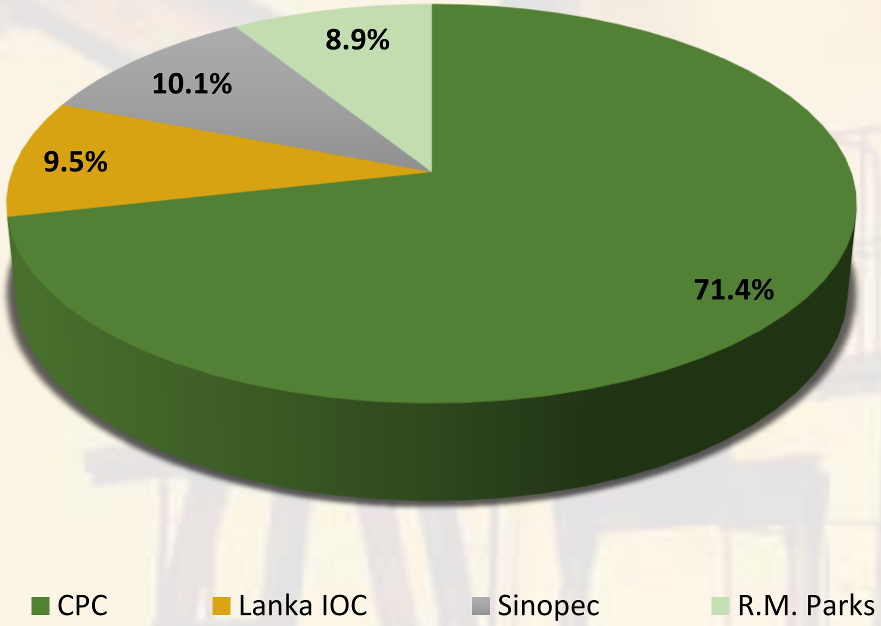
REFINING CAPACITY

50,000 bpd Sapugaskanda (1969), approx. 26% of demand

Sri Lanka imports 100% of its crude oil. Sapugaskanda processed approx. 1.7 Mn MT in 2025 - about 26% of the 6.45 Mn MT of products sold and roughly 37% of CPC's product supply; the balance was imported as finished product. Demand is inelastic, so most of the import-bill swing comes from price, not volume.

Retail Market Is Opening Up

Fuel Deliveries by Supplier — 2025 (share of volume)



The incumbents

CPC: 71.4% of 2025 fuel deliveries and 886 of the 1,436 filling stations. It refines roughly 37% of its own product volume at Sapugaskanda and imports the balance.

Lanka IOC: 9.5%, 270 stations. **Sinopec:** 10.1%, 150. **R.M. Parks:** 8.9%, 130.

Western Province alone holds 408 stations - 28% of the national network.

New entrants & market structure

- Sinopec took 150 and R.M. Parks 130 CPC dealer stations plus up to 50 new sites; United Petroleum Lanka has withdrawn.
- Bulk supply regularised approx. 3,385 consumer service centers in Oct-2023, cut to 713 approved (CPC 521, LIOC 178, Sinopec 14).
- Adjacent markets already competitive: 12 bunkering licensees sold 1.32 Mn MT, 34 importers supply, 45 lubricant brands.

Source: Ministry of Energy, Ada Derana, The Morning

Future Outlook: From Importer to Refiner?

Sinopec Hambantota Refinery

USD 3.7 Bn - the largest FDI in Sri Lanka's history. 200,000 bpd, export-oriented.

Cabinet approval obtained to contract China Petroleum & Chemical Corporation. Six rounds of negotiations are complete, and talks are in the final stage, with a Cabinet memorandum to follow.

Sapugaskanda Expansion

Sapugaskanda currently meets only about 26% of national product demand; the balance is imported as finished product.

Plan is to modernize the existing refinery and build a new 100,000 bpd plant. Expressions of interest were invited internationally and 20 responses received; investor selection targeted for 2026.

Upstream Exploration

New agreements and preparatory work for natural gas and other fossil-fuel resources in the Mannar and Cauvery basins.

Intended to lift long-term energy self-sufficiency and cut import dependence - long-dated, high-uncertainty upside.

Diversifying the Energy Mix

Accelerated renewables & EV adoption to blunt oil dependence.

Installed capacity reached 6,749 MW at end-2025, 67% renewable; 17,812 GWh generated, 60% renewable. Seven EV charging hubs operate, three more under construction.

Source: EconomyNext, Daily FT, The Morning, ITA/Trade.gov

Future Outlook 2026: Storage, Pipelines & Regulation

Fuel Storage Expansion

Three CPSTL tank projects add 126,000 m³ of capacity.

Kolonnawa 6 tanks / 64,000 m³ (LKR 3,374 Mn) awarded Sep-2025 and 8.5% built. Kolonnawa 2 tanks / 22,000 m³ and Muthurajawela 3 tanks / 40,000 m³ are in procurement.

Fuel Pipeline Network

One pipeline approved, one awaiting Cabinet; the aviation line was terminated.

18-inch Colombo Port-Kolonnawa (LKR 2,853 Mn) awaits Cabinet approval; 12-inch Kolonnawa-Kelanitissa (LKR 1,444 Mn) approved Dec-2025. The Katunayake jet-fuel line was terminated.

Trincomalee Energy Hub

India-Sri Lanka-UAE MoU signed Apr-2025; 99 tanks on a 50-year lease, of which 85 are currently in play.

The 24 CPC tanks are under rehabilitation, with jetty pipelines approved Dec-2025. Seven EOIs for the 61 TPTL tanks are being evaluated.

Regulatory Framework

An Energy Transition Act will consolidate downstream petroleum regulation.

Lubricant and bunkering policy frameworks are in final formulation, with committees appointed for Jet A-1 and bitumen imports.

Source: Ministry of Energy, Annual Performance Report 2025

Key Takeaways & Risks to Watch

Key Takeaways

- The fuel bill has re-inflated to USD 3.17 Bn in H1 2026 (+58.8% YoY), driven by price, not volume.
- Monthly costs peaked in April and have since moderated but remain well above 2025.
- FY2025 baseline: the four licensed suppliers imported 5.01 Mn MT (USD 3,256 Mn), while total product sales were 6.45 Mn MT - a gap of 1.44 Mn MT, of which 1.32 Mn MT is bunkering fuel traded outside those four suppliers.
- Sourcing is concentrated: UAE, Singapore and India carry approximately 82% of 2025 partner value.
- Local refining is a real buffer: Sapugaskanda supplied approx. 1.7 Mn MT, roughly 37% of CPC's product volume.
- Retail is opening, but slowly: CPC still took 71% of 2025 fuel deliveries and runs 886 of 1,436 stations.
- Near-term capex is storage and pipelines - 126,000 m^3 of new tankage plus one approved pipeline - while refinery investor selection stays pending.

Risks to Watch

- Middle East conflict & Strait of Hormuz disruption keeping oil prices elevated.
- At sustained approx. USD 120/bbl, annualising the H1 2026 run-rate points to a full-year bill of USD 6.0-6.5 Bn - a balance-of-payments strain.
- Rupee depreciation (approx. 7.9% YTD) magnifies local-currency fuel costs.
- Sapugaskanda covers only approx. 26% of product demand; the 74% import share pressures FX reserves.
- CPSTL storage of 474,404 MT is barely one month of cover against 6.45 Mn MT of annual sales.
- Execution risk is proven: the LKR 18 Bn Katunayake jet-fuel pipeline was terminated and referred to the Attorney General.
- Cyclone Ditwah caused LKR 23.9 Bn of infrastructure damage; no permanent downstream regulator yet.

Source: CBSL, EconomyNext, Daily Mirror, Ministry of Energy

Disclaimer

This is solely for SenFin Securities Limited (SSL) clients' information and is not construed as investment advice. It is also not intended as an offer or solicitation to purchase and sell any financial instruments. This document/report is prepared based on publicly available information, internally developed data, and other sources believed to be reliable. The information and opinions contained in this document/report are based upon information obtained from sources believed to be reliable and made in good faith. Such information has not been independently verified and no guarantee, representation, or warranty, express or implied is made as to their accuracy, completeness, or correctness. All such information and opinions are subject to change without notice. This document/report is for information purposes only, and the description of any company or its securities mentioned herein is not intended to be complete. This document/report is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments, and SenFin Securities Limited or its employees or associates cannot be held responsible for any losses or gains. The recipient of this report must make their own independent decision regarding any securities, investments, or financial instruments mentioned herein. SenFin Securities Limited (SSL) its directors, officers, consultants, employees, and associates, will not be responsible, for any claims of damages, compensation, suits, damages, loss, costs, charges, expenses, outgoing or payments including attorney's fees which recipients of the reports suffers or incurs directly or indirectly arising out of actions taken as a result of this report. The contents herein should not be construed as investment, legal, or tax advice. Investors should seek independent professional advice to ascertain (a) the possible tax consequences, (b) the legal requirements, and (c) any foreign exchange restrictions or exchange control requirements that may be encountered under the laws of the countries of citizenship, residence, or domicile. Past performance does not guarantee future returns; there can be no assurance that investments will achieve any targeted price levels or rate of return. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of SSL.

Investment involves risk and securities, financial instruments and investment strategies mentioned may not be suitable for all investors. Please ensure that you fully understand the risks involved. As a general rule, you should only trade in financial products that you are familiar with and understand their risk. You should carefully consider your investment experience, financial situation, investment objective, and risk tolerance level and consult your independent financial adviser as to the suitability of your situation before making any investments.

Contact

RESEARCH TEAM

Bhashini Hewawitharana
+94 112 359 162 / +94 72 186 4893
bashini.hewawitharana@senfinsecurities.com

Mayakrishnan Jagatheeswar
+94 112 359 104 / +94 72 949 9419
jagatheeswar@senfinsecurities.com

Dulani Jayarathna
+94 112 359 103 / +94 72 949 9422
dulani@senfinsecurities.com

Himaya Wanigasuriya
+94 112 359 142 / +94 72 949 9421
himaya@senfinsecurities.com

Vindya Gunathilake
+94 74 064 6457
vindya@senfinsecurities.com

Thathsarani Bandara
+94 76 612 7910
thathsarani@senfinsecurities.com

Dinuvi Samintha
+94 74 193 5582
Dinuvi@senfinsecurities.com

Suraj Perera
+94 76 355 7422
Suraj@senfinsecurities.com

SALES TEAM

Maniesh Rodrigo
Senior Vice President – Equities
+94 112 359 173/ +94 729 499 325
maniesh@senfinsecurities.com

Eranga Z. Siriwardhana
Vice President - Equities
+94 729 499 480
eranga.siriwardhana@senfinsecurities.com

Sudam Hasantha
Associate Vice President - Equities
+94 112 359 171/ +94 729 499 222
sudam@senfinsecurities.com

Janak Kulananda
Associate Vice President – Equities
+94 714909656
Janak@senfinsecurities.com

Mohammedu Illiyas Zahir sha
Senior Investment Advisor - Equities
+94729374678/+94729499433
email-zahir.shah@senfinsecurities.com

Oshada Waduge
Investment Advisor
+94 76 251 2766
Oshada@senfinsecurities.com

Bishen Mendis
Vice President- Equities
+94 112 359 121/ +94 729 499 477
bishen.mendis@senfinsecurities.com

Madawalage Damayanthi
Assistant Vice President – Equities
+94 112 269 519/ +94 729 499 114
damayanthi.madawalage@senfinsecurities.com

Ajith Kumarasinghe
Associate Vice President-Equities
+94 773252333
Ajith@senfinsecurities.com

Bandula Lansakara
Senior Manager - Equities
+94 704 724 932
bandula.lansakara@senfinsecurities.com

Himash Fernando
Investment Advisor
+94 76 542 5203
himash@senfinsecurities.com

SOCIAL MEDIA

https://tinyurl.com/cvwvnf4x

https://tinyurl.com/4r9nej6s

https://tinyurl.com/4rrfuh6n

https://tinyurl.com/yc2mu9cf

https://tinyurl.com/38smbn5f

https://rb.gy/sn4rmt