

Abstract

Governments are on the edge to make the economy more conducive to both investors and its citizens in oil and petroleum businesses. Some challenges are however still hindering the provision of fuel at stable prices. The study's independent variables were: inflation rate shocks, world oil price shocks, pipeline cost shocks, and currency exchange rate shocks. The population of the study was identified to be Kenya's economy while the unit of analysis was the Energy and Petroleum Regulatory Authority (EPRA). The study adopted a time series data design for 8 years from 2015 to 2022 in monthly intervals to make 96 observations. Stata version 13 was used to assist in data analysis and presentation after the data went through a diagnostic test. VECM model was employed to analyse the relationship between the variables after which conclusions and recommendations were made. The study established that the rate of inflation rate shocks, world oil price shocks, and pipeline cost shocks have a significant effect on fuel price fluctuation while currency exchange rate shocks have a significant negative effect on fuel price fluctuation. The study recommends that the government should establish tax subsidies to control the impact of tax proportions on fuel prices and also that the government of Kenya needs to enter into a contractual agreement with the Organization of Petroleum Exporting Countries (OPEC) nations on oil deals for a steady supply of crude oil at a favourable price.