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Oil and gas boom in East Africa countries promises riches

By JACKSON OKOTH

The East African region is emerging as one of the most prolific oil and gas exploration sites in the world. Analysts at Standard Bank say Kenya, Uganda, South Sudan, Ethiopia, Tanzania and Mozambique that have recently made discoveries, have the potential to fundamentally transform their economies through investments in road, rail, power and industrial infrastructure.

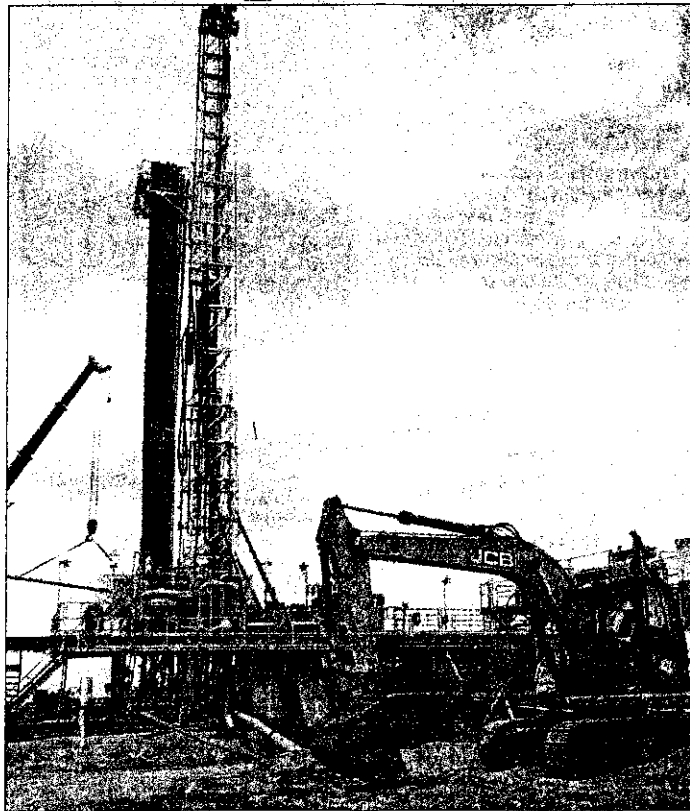
"Over and above the traditional oil and gas regions in Africa, notably West Africa, East Africa has essentially been a forgotten desert in terms of upstream oil and gas exploration over the last 40 years," said Simon Ashby-Rudd, London-based global head of oil and gas at Standard Bank.

These discoveries will establish the region as a major hydrocarbon province in the decades to come and drive wider economic growth throughout East Africa. Oil exploration in East Africa was sparked off by the discovery of between 1.5 and 2 billion barrels of commercially viable oil reserves in northern Uganda. Last year, Uganda's total known oil reserves in the country were estimated at about 3.5 billion barrels.

The discovery of oil in Uganda, coupled with the fact that exploration licences in East Africa were comparatively cheap, ushered in further exploration activity in other countries along the Rift Valley. As a result, further oil discoveries were made in Kenya and southern Ethiopia with additional gas finds in Tanzania and Mozambique. One of the biggest indicators that the region is likely to experience an oil and gas-led boom in the next half decade, is the fact that several projects in East Africa are likely to come on stream at similar times.

Mozambique and Tanzania's gas and liquefied natural gas projects are expected to come on stream in 2019.

The ones by Kenya and Ethiopia are expected to begin commercialisation of their oil deposits over the next



A general view of an oil rig used in drilling at Ngamia-1 well on Block 10BB, in the Lokichar basin, which is part of the East African Rift System, in Turkana County. [PHOTO: FILE/STANDARD]

six to seven years.

Facilitate exports

Uganda is set to begin oil production by 2018/19, while South Sudan is already producing. "Oil investment could accelerate the economic growth of several economies in the region," said Ashby-Rudd. "While the discoveries might be fairly modest in a global context, they're very significant in a regional economic context." Plans are

now underway to construct an oil pipeline linking Uganda's oil fields to the coastal port of Lamu in Kenya.

In February, Uganda signed a memorandum of understanding (MOU) with oil companies operating in Uganda to facilitate the development of an oil refinery as well as a pipeline that enables crude reserves to be exported.

"A pipeline would really kick-start economic growth in the region as it

"East Africa has essentially been a forgotten desert in terms of upstream oil and gas exploration over the last 40 years," - Simon Ashby-Rudd, head of oil and gas at Standard Bank.

would usher in additional investments, the necessary infrastructure which in turn will enable further investment in industrial operations," said Ashby-Rudd. Oil will become the catalyst for an economic transformation across the region. An oil pipeline will become the backbone on which an entire infrastructure corridor is constructed.

Ashby-Rudd says Uganda's efforts to link its oil reserves to Kenya's coast to facilitate exports could be replicated by other landlocked nations in Africa. This will allow additional infrastructure corridors to be developed as a means of harnessing the economic potential of Central and East African nations such as Tanzania and the Democratic Republic of Congo.

Burgeoning economic growth in East Africa will result in increased demand for fuel within this region. In 2012, the region collectively imported \$10 billion (Sh870 billion) worth of fuel and petroleum products.

Standard Bank expects total demand for petroleum products in East Africa to treble by 2030, with Kenya being the largest market in the region with its economy projected to grow at rates of between five per cent and seven per cent over the next five years.