

PETROLEUM IN KENYA 2004

1. NEW PETROLEUM EXPLORATION PROJECTS BY SMALL COMPANIES

Kenya is a country that still does not produce oil, nevertheless its exploration projects are greater and greater in number. As in Tanzania, the best prospects in Kenya are offshore.

The two main exploration areas, offshore and onshore, are in the Lamu bay along the Southern coast of the country. Exploration work started in the 60s and 70s. Around 30 exploratory wells have been drilled, the largest number by the BP-Shell consortium. From this time onwards, new projects and exploration work are being carried out by other smaller companies.

In 1997, the Canadian company Tornado obtained licences to explore in the Eastern region of the country, in the Mandera block, previously property of Shell, and where results were already obtained in 1993.

More recently, in August 2002, the government handed concessions to Afrex (a company registered in the Virgin islands) and others to the Australian PanContinental Oil and Gas for onshore and offshore operations in the Kwale and Kilifi districts on the country's coast.

In May 2003, Woodside bought 40% of the operations of Dana Petroleum and Star (20%) in deep water in the Lamu marine basin (Blocks L5, L7, L10 and L11), just to the north of the Shell 9-12 blocks in neighbouring Tanzania. In July of last year, Woodside started seismic exploration in a portion of these blocks, but results are not expected until 2005.

The limited exploration in this region of Africa contrasts with the Western coasts of the continent, which continue to attract the biggest oil companies of the world. Nevertheless, since the election of Mwai Kibaki as President of Kenya at the end of 2002 it is hoped that new investments will be made in this country.

Although it seems that the country does not have abundant reserves, the Community of East African States has been set up, in which Kenya, Uganda and Tanzania are present. This association has revived a lively interest in promoting private investment in energy, after having once been dissolved in 1977.

This is confirmed by the fact that the Kenyan government has invested nearly \$1.6

million in exploration to attract more investors, and that the State National Oil Company of Kenya (NOCK) has put 17 blocks out to tender. These blocks are in Nakuru, Anza Graben, Mandera basin and the Lamu Bay. The blocks are mainly onshore with the exception of South Lamu, which offers offshore blocks.

Kenya has a refinery with a processing capacity of 90,000 barrels per day, and the demand for fuels amounts to 54,000 bpd. The distribution system consists of roads, train and an oil pipeline system whose main route is Mombasa-Nairobi, in terrible conditions. There is a second oil pipeline from Eldoret to Kisumu in the west of the country.

The Kenyan and Ugandan governments have also announced that they will carry out works to increase the capacity to transport fuels, from Eldoret in Kenya to Kampala in Uganda, under the auspices of the EAC.

Sources: OILWATCH .- RESISTANCE Number 44 .- March 2004