

Stanbic to raise sh10 trillion for oil pipeline

By Faridah Kulabako

Stanbic Bank has been appointed to raise \$3b (about sh10.8 trillion) as part of the capital expenditure for the crude oil pipeline by the second half of next year.

The announcement comes at a time when Uganda is preparing to start production of its estimated 6.5 billion barrels of oil in the Albertine Graben, according to the bank's chief executive officer, Patrick Mweheire.

"A lot of activities are going on, many tenders are being made" and expectations are that the final investment decision for the project will be made in the first quarter of next year, Mweheire said.

He added: "Fundraising for the project will not cause any 'currency mismatch' because borrowing can be done in dollars."

The bank was appointed alongside Japan's Sumitomo Mitsui Banking Corporation (SMBC), as the joint financial adviser for the 1,445km pipeline planned to run from Hoima in mid-western Uganda to northern Tanzania's seaport of Tanga.

Mweheire said the companies will explore raising bank debt or loans from export credit agencies among the options.

SMBC is the second largest bank in Japan by assets and will advise on sourcing of financing and assessing anticipated costs and benefits of funding options, including valuation of debt tenors such as the length of time to maturity or debt repayment.

While releasing the bank's



President Yoweri Museveni shakes hands with his Tanzania counterpart, Pombe Magufuli after laying the foundation stone of the East African crude oil pipe



Mweheire

2017 half year results on Tuesday, Mweheire said the bank will over the second half of the year ruthlessly execute the oil pipeline project, which it expects to boost its revenue stream going forward.

Oil and gas exploration company Tullow Oil, is jointly developing Uganda's oil finds with French company Total and Chinese company CNOOC.

European lenders

It has earlier been reported that Uganda, Tanzania and French Oil Company Total E&P, the lead joint venture partner on the Greenfield crude oil export pipeline, were considering European lenders as first option for the \$3.55b (sh12.6 trillion) capital for the project.

The basis of the speculation was that European lenders are more flexible to circumstance, efficient and do not usually impose tough terms on borrowers compared to international financial institutions such as World Bank or export credit agencies such as China's EXIM Bank.

The plan is to raise 70% of \$3.5b capital development financing from international lenders while the remaining 30% capital would be

through equity by Total and its joint venture partners, the Anglo-Irish Tullow and China National Offshore Oil Corporation (Cnooc) and national oil companies of both countries; Tanzania Petroleum Development Corporation and Uganda National Oil Company.

Construction

Pipeline construction and detailed engineering is expected to start after the completion of the Final Investment Decision at the end of this year, according to head of corporate communications for Total's Africa business, Ahlem Friga-Noy.

President Yoweri Museveni and his Tanzanian counterpart John Magufuli commissioned the construction of the \$3.55b pipeline earlier this month.