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Designs for crude oil pipe ready by December

By John Odyek

The engineering designs for the crude oil pipe line between Hoima district and Tanga Port in Tanzania are expected to be completed by the end of this month.

A team of 85 engineers from Uganda, Tanzania and the US in January carried out the basic engineering design study also called Front End Engineering Design (FEED) for the crude oil.

The pipeline will be 1,445km long, 24 inches in diameter and will cost $3.5b (sh13 trillion).

Texas-based Gulf Interstate Engineering did the study that will cost $11.5m (about sh42b) and is expected to be completed in eight months.

"We expect the design to be ready by the end of this month. The FEED will tell us the exact cost of the project," Irene Muloni, the energy minister, said yesterday.

Tanzania's President John Magufuli is expected to arrive tomorrow for a state visit to Uganda, where he will lay the foundation stone for the pipeline in Hoima. He will also place a mark stone at the Mutukula border, where the pipeline crosses from Uganda to Tanzania.

Muloni said three offices had been set up during the study; one in Uganda, another in Tanzania and the other in Houston, Texas in the US, the headquarters of Gulf Interstate Engineering.

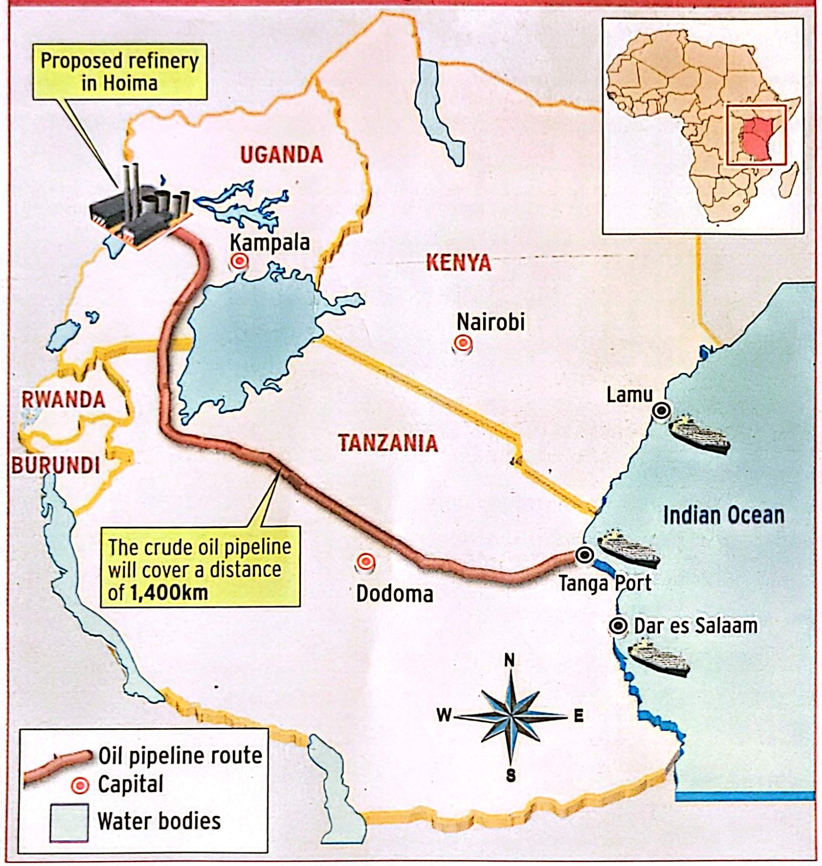
The study will come up with the actual cost of the pipeline. The minister explained that the pipeline project is to be developed by a Special Purpose Company comprising the licensed upstream oil companies in Uganda and the governments of Uganda and Tanzania.

The Special Purpose Vehicle called the East African Crude Oil Pipeline (EACOP) will be set up. It will comprise three oil companies, the governments of Uganda and Tanzania as shareholders and other interested investors.

"The amount of shares to be owned is not yet known. It will be determined after the FEED study. We need other serious people to invest in EACOP," Muloni explained.

The minister indicated that the tariff for the pipeline would be $12 per barrel of crude oil going through the pipeline. She said the corridor space for the pipeline had been reduced from

Hoima-Tanga oil route



two metres wide to 30 metres and, therefore, the demand for land would reduce.

Muloni said while the FEED study is going on, a number of activities would be fast-tracked at the same time. She said these include the resettlement action plan and environmental impact assessment so that within eight months, a final investment decision for the project is made.

The minister called on Uganda's private sector to make financial and technical preparations to participate in Uganda's oil and gas industry in the various opportunities. She said the opportunities will be created by an over $20b (sh72 trillion) investment in the next three years by the industry investors.

The Government of Uganda is in the process of commercialising the crude oil discoveries made in the country, currently estimated at 6.5 billion barrels, of which 1.2 - 1.7 billion barrels is recoverable. The commercialisation options include the development of a refinery, a crude oil export pipeline and crude for power generation.

Uganda and Tanzania agreed last year on the construction of a crude oil pipeline along the route from Kabale, Hoima district in Uganda to Tanga Port in Tanzania.

The heated pipeline is to be developed with a capacity to transport 200kbd of crude oil to access the international market. Total E&P is taking the lead in the development of the pipeline.

Muloni said the team will discuss with Maguguli the possibility of constructing a gas pipeline to tap into Tanzania's gas endowment. According to the energy minister, the gas would be used to power Uganda's iron and steel industry mainly in western Uganda, where there are large deposit prospects.