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EXECUTIVE SUMMARY
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Oil and Gas in the EAIOI region

Between dependence on imports and attempts at energy diversification, the EAIOI aims to exploit its oil and gas resources as a tool for economic development

Despite relatively limited resources compared to other regions**, most of the countries in the region aim at using exploitation of oil and gas exploitation as a lever for development**. Apart from the historical (and declining) production in Sudan and South Sudan, the most recent examples of these ambitions are in Tanzania (gas) and especially in Uganda (oil) where Total Energies is a major player in a recently launched large-scale development project. Despite these development ambitions, the countries in the region remain highly dependent on imports of finished products, which weighs heavily on their trade balance. In addition to occupying the exploitation segment of the value chain, French players are well positioned in the fuel distribution segments, often with significant market shares.

Exploitation of oil and gas: a regional overview

East Africa has 0.6% of the world's proven oil reserves (Appendix A), concentrated in three countries: Kenya (750 million barrels), Uganda (1.5 billion barrels), and South Sudan (3.5 billion barrels). **Gas reserves amount to 0.9% of the world's proven reserves.** Oil and gas producing countries in the region include: Sudan (crude oil, gas), South Sudan (crude oil), Tanzania (gas) and Kenya (crude oil). In the case of Sudan and South Sudan, decades of underinvestment and issues of governance, corruption and political instability have led to a steady decline in production over the past decade. **Oil reserve discoveries over the past 10 years have reinforced the wave of exploration that has swept the region.** Noteworthy discoveries include natural gas deposits off the Tanzanian coast, oil reserves near Lake Turkana (Kenya) and Lake Albert (Uganda). Projects towards exploitation of the above reserves are however mostly still at an early stage. Despite exploration efforts, no deposits have been discovered in Rwanda, Burundi, Djibouti or the Indian Ocean countries. Somalia and Mauritius have recently strengthened their regulatory frameworks to re-launch exploration activities in their territorial waters.

A part from tax revenues that that oil and gas countries obtain from the exports, third party countries benefit also from transit fees. For instance, thanks to the four pipelines that allow South Sudan to export crude oil via Port Sudan, Sudan receives approximately US$1.3 billion per year. Environmental and social concerns linked to exploitation projects are often raised by NGOs, as was the case recently with a Ugandan project. However, no government in the region has hindered exploitation of potential reserves on these grounds. On the contrary, exploitation of these resources is viewed as a way to accelerate economic development and secure resources for the state budget. The implementation of exploitation projects is often plagued by issues arising from governance and political instability (dominant in Southern Sudan or Somalia for example), prolonged negotiations on taxation and risk sharing between governments and companies (as is the case with Uganda, Tanzania), among other factors.

Pending implementation of exploitation projects: the region imports the vast majority of its oil and gas consumption

Countries in the region remain highly dependent on imports of petroleum products to meet their national demand. This is majorly due to a lack of sufficient oil refining capacity.. **From 2010 to 2019, the increase in the importation of the aforementioned products stood at 51%** (Figure 1)**.** The coastal countries in the region play an essential role in the import and distribution of these products to the import-dependent landlocked countries. The majority of imports transit through the ports of Mombasa in Kenya, Dar es Salaam, Tanga or Mwanza in Tanzania, Djibouti, or Port Sudan. The 1700 km Standard Gauge Railway (SGR) project linking Tanzania to Burundi, Rwanda and the Democratic Republic of Congo and Uganda is an example, as is the proposed extension of the pipeline carrying refined products beyond Eldoret in Kenya to Uganda and Rwanda.

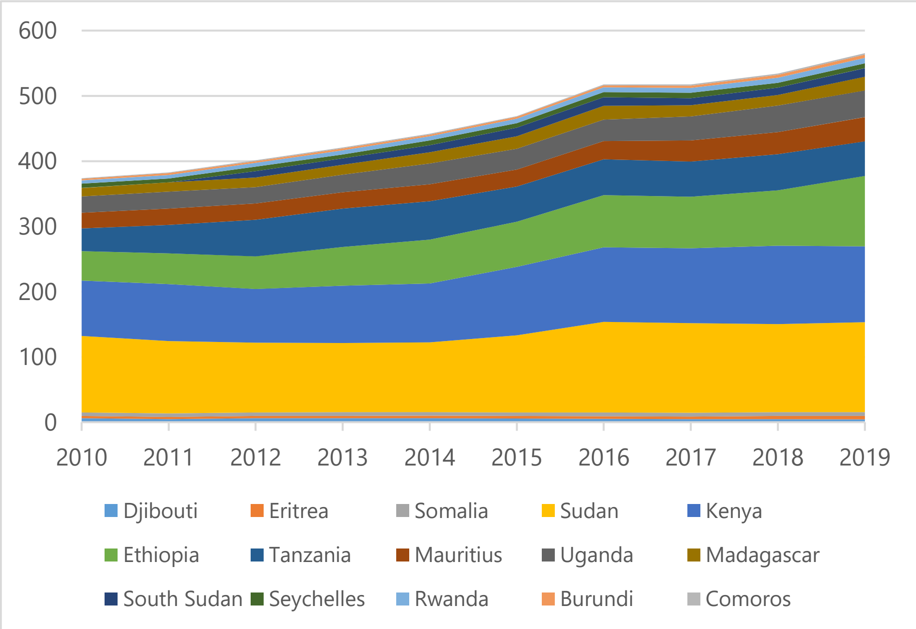

Figure 1: Evolution of oil products consumption (billion barils/day) (WITS, 2019)

Logistics of transporting petroleum products from coastal ports to landlocked countries has a cost, which trickles down to the final consumers. The role of the regulatory authorities is therefore fundamental in the retail price of fuels. Thus, all countries in the region have a system of maximum regulated prices, with a price calculated (and theoretically, regularly revised) to take into account: the cost of importing products on world markets; transport and distribution costs; taxes and distributor margins.
These regulatory systems have not prevented the countries of the region from being hit hard by the recent increase in international prices. Some countries, particularly those where prices were already relatively high, such as Kenya and Madagascar, have made the political choice to limit these increases by setting up stabilization mechanisms ("floating" taxes or the equivalent of budget subsidies). Other

countries, where prices were very low until recently, such as Ethiopia and Sudan, have seen their retail pump prices rise sharply in recent months, a development reinforced by the reduction of fuel subsidies. However, the increase of fuel prices can have important social consequences through an increase in the cost of living, directly for fuel consumers and indirectly through a repercussion on the price of many basic necessity goods.

Diversification of energy consumption in the region: modest attempts

Given the significant dependence on the importation of petroleum products, **a select number of countries have developed strategies geared towards the diversification of energy sources**, majorly through **usage of liquefied natural gas (LNG).** Even though projects on the same are being implemented in Kenya, Tanzania, and Seychelles, these diversification strategies remain partial. On the bio end of the energy diversification spectrum, projects geared towards the production of biofuels and biogas have also been conceptualized in Kenya and Burundi. These plans, unfortunately, have not translated into concrete projects with accompanying financing. Moreover, these projects may also conflict with food security priorities.

French actors: mainly positioned on the distribution segment of the value chain.

Within East Africa and the Indian Ocean islands, **French companies (Total and Rubis majorly) have historically had a strong presence in the distribution segment of the value chain**. Rubis, for example, has asserted its market presence through the acquisition of local distributors in Uganda, Djibouti and Burundi. In the same vein, Total energies and Rubis' market share in the distribution market in Kenya stands at 18% and 17.5% respectively.

Total Energies is also a player in the upper segments of the value chain (exploration and production) as evidenced by its involvement in Uganda and Kenya. The progressive acquisition of Tullow Oil's shares in the Lake Albert oil production project (Tilenga project) and the EACOP pipeline has enabled the company to position itself alongside its Chinese partner CNOOC in the production and pipeline operation segments.

Table 1: Key figures of the oil and gas sectors in AEOI
(EIA, 2021)

Country	Proven oil reserves (Billion barils)	Proven gas reserves (Tcf)	Oil products consumption (Mt/year)	Gasoline retail price (€/litre)	Diesel retail price (€/litre)	Share of oil products in total imports value in 2019 (%)
Burundi	-	-	0,23	1,07	1,05	18,6
Comoros	-	-	0,10	1,22	1,02	5,2
Djibouti	-	-	0,19	1,53	1	1,0
Eritrea	-	-	0,26	-	-	-
Ethiopia	-	0,9	5,13	0,57	0,52	10,0
Kenya	0,75	-	5,29	1,04	0,89	19,3
Madagascar	-	-	1,02	0,92	0,76	15,6
Mauritius	-	-	1,79	1,1	0,8	18,5
Uganda	1,5	0,5	1,85	1,17	1,08	19,6
Rwanda	-	-	0,38	1,09	1,01	16,8
Seychelles	-	-	0,37	1,4	1,4	16,1
Somalia	-	-	0,28	0,76 - 1,80	0,7 - 1,80	0,9
Sudan	1,5	3	6,36	0,72	0,63	13,0
South Sudan	3,5	-	0,61	-	-	-
Tanzania	0	57,6	2,41	0,97	0,9	20,8
Total	**7,3**	**62,0**	**26,3**	**-**	**-**	**-**

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