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KTB Managing Director Dr Ongong'a Achieng.

# Mombasa oil refinery to be refurbished

BY STANDARD REPORTER

THE Cabinet has approved the refurbishment of the Kenya Petroleum Refineries Limited in Mombasa.

This follows a discussion of the proposals on the way forward for the oil refinery, which is currently facing critical commercial challenges.

A study on modernisation of the refinery had established that it was facing serious constraints due to its current design limitations and old technological infrastructure, a statement from the Presidential Press Service said last night.

The study, which was conducted by a group of consultants and was debated by Cabinet, says that the simple technical configuration of the refinery does not produce unleaded gasoline at a cost effective manner hence making its product price uncompetitive.

The study established that building a new refinery would cost at least Sh70 billion (\$1 billion), while modernising the existing refinery would cost Sh22.5 billion (\$322 million).

Meeting at a routine Cabinet meeting at State House Nairobi under the chairmanship of President Mwai Kibaki, the Cabinet resolved that the modernisation option was more cost effective.

The modernisation would entail, upgrading and clean fuels

investments of \$203 million;

LPG importation, storage and rail and road loading facilities at a cost of \$45 million;

first phase of the terminal facilities at \$22 million; and financing and interest charges during construction of \$52 million.

The study also established that the refinery modernisation would be an attractive and viable investment with a good return.

The Cabinet resolved that the modernisation financing would be undertaken with other partners who will be selected through a process of competitive bidding, while the Government would retain its 50 per cent shareholding.

After modernisation the refinery will also be capable of making more high value products like low sulphur diesel and better quality unleaded gasoline.

It will also produce 160,000 metric tonnes of LPG to cater for increased domestic production relative to the current annual production capacity of 36,000 metric tonnes.

The modern facility is also expected to process heavy and waxy crudes' which hitherto were uneconomical to refine. It will further generate 30 MW of electricity from lighter gases that are currently burnt off because they cannot be harnessed economically.

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