



**FINANCING OF NATURAL GAS DISTRIBUTION
PROJETS IN TANZANIA**

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1. BACKGROUND

Following the huge discovery of the natural gas in Tanzania which is current amounting to 57.25 TCF, Tanzania Petroleum Development Corporation (TPDC) completed construction of the National Natural Gas Infrastructure Project (NNGIP) in September 2015. The project comprises; construction of a processing plant in Madimba – Mtwara that can process up to 210 mmscfd, a processing plant that can process up to 140 mmscfd in Songo Songo Kilwa, and a transportation pipeline with a total length of 542 km which connects regions where gas will be utilized for economic development.

The NNGIP pipeline passes through (4) four main regions; Mtwara, Lindi, Pwani and Dar es Salaam in which TPDC plans to connect various customers through distribution networks. Financing is required to accomplish establishment of distribution networks. TPDC is now seeking of various financing solution including loans from financing institutions to implement the engineering procurement and construction (EPC) work.

Feasibility studies to develop these networks have been conducted and submitted to the government for soliciting financing. The existing studies includes natural gas distribution networks for Dar es Salaam, Lindi, Mtwara and a transportation pipeline to Bagamoyo. The description of each project is detailed below:

2. DAR ES SALAAM RING MAIN (DRM)

2.1. Project Description

This project will involve construction of a network for the distribution of natural gas as Piped Natural Gas (PNG) and Compressed Natural Gas (CNG) in the city of Dar es Salaam. The aim of the project is to bring natural gas close to users such as households, hotels, motor vehicles and industries in order to reduce dependency on the popular traditional fuels (wood/charcoal), imported LPG, petroleum and Fuel Oil.

The project will involve construction of a pipeline network of 65Km trunk line, three (3) CNG mother stations, 12 CNG daughter

stations and pipeline network to distribute natural gas to vehicles, households, institutions and several industries. The total investment cost for the entire project is estimated to be USD 118 million.

2.2. Project Status

The project is at the detailed engineering design (DED) stage. Feasibility study documents and engineering designs are available. A Consultant for engineering and supervision has been procured. The project now requires capital for construction work. The project is envisioned as a build own and operate project with loan financing and TPDC ownership of the infrastructure.

2.3. Financing Plan

Current financing plan is through loans from banks.

3. MTWARA AND LINDI NATURAL GAS DISTRIBUTION NETWORK

3.1. Project Description

The Mtwara and Lindi Natural Gas Distribution Network project aims at the construction of a network for the distribution of natural gas as Piped Natural Gas (PNG) and Compressed Natural Gas (CNG) at Mtwara and Lindi Municipalities. The project proposal is to construct a pipeline network (trunk line) of 31 km and 4 CNG stations in Mtwara, 17 Km and 3 CNG stations in Lindi. The project intends to bring gas near to the users in order to reduce dependency on wood/charcoal, imported LPG and petroleum. The project benefits include reduction of deforestation, environmental pollution and savings of foreign currency used to import liquid fuels. The total investment cost for the entire project is estimated to be USD 8.75 million.

3.2. Project Status

The Consultant M/s Fabcast Technologies Tanzania Ltd is nearly completing the Feasibility study, and the next stage will be detailed engineering design.

3.3. Financing Plan

The project will be funded by the Government budget or through loans from banks.

4. NATURAL GAS PIPELINE TO BAGAMOYO AND BEYOND

4.1. Project Description

The natural gas pipeline to Bagamoyo and beyond project aims to construct a natural gas pipeline from Tegeta to Zinga then Bagamoyo and beyond. Initially, the project will supply gas to Kamal Alloys Complex, along the route, the EPZ and Bagamoyo district and in future extend to other regions.

The pipeline will have transportation capacity of 110mmscfd. The project costs to Zinga is estimated at USD 11.03 million.

4.2. Project Status

The project has feasibility study conducted in 2013. Review and update of this study will be conducted on consideration that time has elapsed before implementation of the project followed by detailed engineering design. Currently, TPDC is negotiating with Kamal Alloys Limited on gas sale agreement (GSA) terms and commercial terms.