

The East African Crude Oil Pipeline project



The East African Crude Oil Pipeline project and expectations during the national budget

On 11 April 2021, the Governments of Tanzania and Uganda and oil Companies TOTAL and China National Offshore Oil Corporation (CNOOC) signed the East African Crude Oil Pipeline (EACOP) tripartite project agreement at State House, Entebbe in Uganda to start investment in the construction of the USD 3.5 Billion crude oil pipeline from the Uganda oil fields to the Tanga port.

This pipeline will be constructed and operated through a Pipeline Company called EACOP with shareholding from the Uganda National Oil Company, the Tanzania Petroleum Development Corporation and the two oil companies France's TOTAL and China's CNOOC. The EACOP tripartite project agreement involved the signing of three accords that included the Host Government Agreement (HGA), the Tariff and Transportation Agreement (TTA) and the Shareholding Agreement (SHA).

The EACOP is a proposed 1,445 kilometre pipeline that will transport crude oil from Kabaale-Hoima in Uganda to the Chongoleani peninsula near the port of Tanga in Tanzania. Due to the viscous and waxy nature of the Uganda's crude oil, the pipeline will need to be heated along the entire route so that the crude oil can easily and smoothly be transported in its raw form. Upon completion of the project, it is believed that the EACOP could be the longest electronically heated crude oil pipeline in the world.

Undoubtedly, the EACOP project will bring about vast benefits for Tanzania. To begin with, upon execution of the construction project, there are employment opportunities that will be created for skilled, semi-skilled and unskilled labourers, which will improve the standard of living of Tanzanian citizens. The project will unlock diverse potential business opportunities in various sectors such as manufacturing, services, and consumer business.

Additionally, the construction process will enhance the development of new infrastructure in Tanzania such as construction of access and service roads to the pipeline, development of a terminal at Tanga port for storing the produced crude oil and deployment and upgrading of railways to transport equipment and materials, which will contribute to economic development in Tanzania. The produced oil will be partly supplied locally and partly exported to international markets. As such, Tanzania will earn a percentage share of the revenue from oil sales and thus, generate a source of income to the Government. Other sources of income such as oil tariff and port charges will also be generated.

The project signals an expected increase in foreign direct investment (FDI) with foreign investors resuming



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interest in investing in Tanzania and thus contribute to the economic development of Tanzania. One can expect that there will be transfer of knowledge from foreign experts to our local professionals such as engineers, due to influx of foreign specialists coming for the EACOP project in Tanzania. The transfer of knowledge will improve technical skills and future competitiveness of our local professionals.

From a bird's eye view, the EACOP project will benefit the Tanzania economy and hence, should be facilitated, fast-tracked and given priority. Given the new impetus given by the new president, H.E Samia Suluhu, we would be expecting this budget to provide fiscally accommodative measures to begin the project with a bang.

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