Mining Projects May Spur Fuel Oil Demand in East Africa

Mining projects in several countries in East Africa (namely, Ethiopia, Djibouti, Zambia, and Tanzania) could lead to increased demand for fuel oil in the region. While fuel oil demand has been on the rise in Sudan (up 25 percent to 580 kt in 2015), it has fallen in South Africa (down 20 percent to 400 kt in 2015). Fuel oil demand runs about 300 kt a year in Mauritius, 270 kt in Kenya, and 125 kt in Zambia. Total inland fuel oil demand in East Africa (including South Africa and Angola) runs some 2.5-3.0 million mt a year, according to a presentation by Charles Thiemele of Astra Transcor Energy at the World Fuel Oil Summit in Athens on May 20, 2016. The summit was hosted by the Public Power Corporation of Greece and organized by Axelrod Energy Projects.

Reflecting the general lack of sophisticated refining processes, fuel oil accounts for about 20 percent of total product output (as compared to 6-7 percent in the OECD). South Africa produces about 8.3 million mt a year of HSFO. South Africa's refineries, which operate in various parts of the country, have a diverse crude slate and a sizable fuel oil production that serves the local bunker market and East African power generation. Other producers of fuel oil in East Africa include Angola (LSFO) and Zambia (HSFO). Kenya Petroleum Refineries ceased operation in September 2013 and the outlook for this refinery remains uncertain.

Ethiopia and Kenya import HSFO for power generation while Tanzania and Kenya import medium sulfur fuel oil for power plants. Imports of fuel oil to East Africa commonly originate in India and the Mideast Gulf. In contrast to West Africa, the ports in East Africa generally have deeper draft (e.g., Port Sudan, Dar es Salaam, Durban, Beira, and Maputo) and better-quality storage facilities. Given that the products markets in East Africa are largely driven by demand for gasoil and gasoline, fuel oil consumption (inland and bunker) accounts for only about 5 percent of overall product demand. ■