Derricks in the darkness

A series of discoveries heralds a new oil province.

Tullow oil, an Anglo-Irish exploration firm, announced on August 4th that it had struck oil while drilling in Uganda near the shores of Lake Albert. It was the tenth discovery in the area. Indeed, oil firms do not seem able to drill a well in Western Uganda without hitting the stuff. That part of Africa had long been seen as something of a wasteland by oilmen. But now an oil rush is under way.

Tullow and Heritage, an Anglo-Canadian firm, own the most promising drilling rights in Uganda. The pair also hold rights on the Congolese side of Lake Albert, but these have been the subject of much dispute with the government in Kinshasa.

James Arnold of Tullow says there are 700m barrels of proven reserves on the Ugandan side. With likely additions from further exploration, he believes, the figure could eventually reach billions of barrels. Some speculate that, Congo included, the entire Albertine basin may yield even more than Sudan’s 6 billion barrels of proven reserves.

The find has been transformational for Tullow, turning it from a bit player in the North Sea into one of the largest independent exploration companies in Europe. The company has always had an interest in Africa and made a big find off the coast of Ghana in 2007. Mr Arnold says Tullow is ambitious to exploit offshore blocks in Côte d’Ivoire and Liberia as well. “Tullow holds the most exploration licences throughout Africa of any oil company,” says Thomas Pearmain, an analyst with IHS Global Insight, a research and data firm. It is now an obvious takeover target for a big Western oil company or an ambitious Asian state-owned firm.

Within a few years Uganda could be producing 100,000-150,000 barrels a day (b/d). But where will it go? Some might be used to generate electricity, of which Uganda is desperately short. That could put an end to persistent blackouts and boost local manufacturing, which has withered on unreliable and exorbitantly priced electricity. The country’s president, Yoweri Museveni, has made it clear he wants a big refinery built. The oilmen politely disagree, arguing that east Africa’s economy can absorb only a fraction of the petrol and other products a full-sized refinery would turn out. They would prefer a much smaller facility, consuming perhaps 30,000 b/d, with the balance being pumped across neighbouring Kenya to the Indian Ocean.

Mr Pearmain points out that Ugandan oil is waxy, and so likely to solidify in a pipeline unless heated. Building such a pipeline will cost at least $1.5 billion. Iran has offered to invest, and has been advising Mr Museveni’s government. America, too, says it is willing to help. But China seems the likeliest investor. Speculation is rife that Mr Museveni will sign an agreement with one of China’s acquisitive state-owned oil firms at an Africa-China summit in November. Meanwhile, in Kenya, which has long lorded it over its poorer neighbour, exploration firms keep drilling dry holes, to Ugandans’ delight.

DERRICKS in the darkness. **The Economist**, New York, Aug. 6th 2009. Disponível em: <www.economist.com>. Acesso em: 12 ago. 2009.