SPEECH DELIVERED BY THE DEPUTY MINISTER FOR ENERGY AND MINERALS, HON. ADAM K. A. MALIMA (MP) DURING THE INAUGURAL WORLD LIQUIFIED PETROLEUM GAS (LPG) ASSOCIATION EAST AFRICAN SUMMIT

6TH JULY 2011 NAIROBI, KENYA

Honourable Ministers,
Permanent Secretaries,
Directors,
Senior Governments’ officers,
LPG’s Stakeholders,
Ladies and Gentlemen:

1. Let me take this opportunity to acknowledge and commend the organisers for hosting this East Africa inaugural world LPG summit. I also wish to recognize the Petroleum Institute of East Africa and the World Liquefied Petroleum Gas Association for their efforts in making this event possible.

2. LPG is an important energy source for domestic, commercial and industrial consumption, it is a clean source its use would significantly contribute to minimizing the use of charcoal and firewood which contribute to deforestation and the use of kerosene for lighting and cooking which both have negative health effects. In Tanzania and most other African countries, LPG is accepted as the best alternative to firewood and charcoal, providing several advantages such as; minimizing cutting of trees and save our forests; reducing the adverse effects on health and in the rural areas enable the
workforce to engage in more productive activities. In deed LPG is an environmentally friendly source of energy.

The Government of Tanzania recognizes the need to encourage use of LPG as an appropriate substitute to biomass based fuels. Based on that, it is currently undertaking several steps to ensure a full alignment with all stakeholders so that consumption of LPG can grow to significant higher levels in both urban and rural areas.

3. All LPG used in Tanzania is currently imported from the Middle East, and the maximum quantity that can be imported at a time is only 1,500MT due to storage capacity constraints in Dar es Salaam. In Tanzania Bulk LPG used to be transported in land by railway line using liquid gas bogies (LGBs), trucks with specialized tanks and fittings, and filled cylinders on trucks. Currently the LPG distribution network is limited due to the poor performance of the railway system. This situation forces the LPGs’ suppliers to opt the road transport on which a bulk LPG transported by trucks for a long distance such as Dar es salaam to Mwanza and Moshi, a distance which is over 1000Km which is costly and relatively unsafe.

Other regions in the country such as Kigoma, Mbeya, Sumbawanga, Songea and Mtwara can only be reached by sending filled cylinders in trucks. This situation demonstrates the serious logistical constraints hindering ready growth of the commodity in the country.
4. The annual consumption for LPG in Tanzania has grown from around 5,500MT in 2005 to 16,000MT in 2009. The number of domestic cylinder grew from around 6,000 in 2005 to around 19,000 in 2006. It is currently estimated that there are over 100,000 domestic cylinders in Tanzania. The big increase in 2005/6 and subsequent increase can be attributed to the budget of 2006 when the Government reviewed taxes on LPG and removed VAT levied on the cylinders. However, this is still quite low when compared with Kenya whose annual consumption was estimated at 80,000MT in 2009. Thus Tanzania ranks quite low in the per capita LPG consumption in Africa compared to other countries.

5. The LPG market in Tanzania is dominated by four companies namely Oryx, Mihan, BP(Tz) and Manjis with the total storage capacity of 2067MT located in four regions. The LPG cylinders in use by the different marketing companies vary in size, from 1Kg to 50Kg for domestic use and larger cylinders for industrial and large consumers. All companies have complied with the Health Safety and Environments (HSE) standards including adequate water supply and firefighting equipments. Also some of the companies have trained their staff and signed them up, with clear commitment for compliance. However, there is a very varying degree of HSE management and operational integrity amongst the companies.

6. Challenges facing LPG Market growth in Tanzania are due to a number of factors such as;
• **Storage and Distribution Capacity:** we are facing the insufficient import and storage capacity, as well as distribution infrastructures;

• **Awareness:** Most of the people in Tanzania are not aware of LPG as a clean and health energy source for domestic cooking;

• **Non Availability:** Many people in the country, who are aware of LPG especially in urban and semi urban distant towns, do not use LPG simply because it is not readily available. Therefore they revert to the readily available sources such as fire wood and or charcoal;

• **Starter Pack Price:** The price of the starter pack (cooker, cylinder hose and regulator) is beyond the reach of most average Tanzanians. This includes middle income wage earners in urban and semi urban areas, as well the unemployed in urban and rural areas.

• **Cost of Gas:** Regular refilling is rather expensive for users due high price as well as the fluctuating price which is based on international prices and exchange rate; and

• **Fear of Safety:** Quite a number of people in Tanzania fear that LPG is highly explosive and could endanger their homes.


• The Government of Tanzania engaged the consultant to conduct the baseline study for improvement of liquefied Petroleum Gas(LPG) sector in Tanzania, the final report has been submitted for Government consideration;
• The feasibility study for the construction of LPG processing plant from the Natural gas in Dar es salaam has been finalized, the Government is currently sourcing funds for implementation of the project.
• The efforts has been undertaken by the Government to rehabilitate and improve the existing railway infrastructure; and to engage private sector in the construction of LPG storage facilities.
• The Government is working together in collaboration with the Energy and Water Utilities Regulatory Authority (EWURA) to make a study on tax adjustments on the LPG that will make the product cheaper for the common person in the country.
• The Government in collaboration with the Energy and Water Utilities Regulatory Authority (EWURA) engage players in the LPG industry to participate in the energy related strategic planning including the campaign on LPG and market penetration strategy.

8. Way forward regarding the LPG market growth
• Review the Energy Policy 2003 and the Petrol Act of 2008 In view of putting emphasis on promoting the use of LPG in the country.
• Seek to harmonize LPG valves and regulators to create flexibility on the part of the users and eliminate current practice whereby users are forced to buy cylinders from more than one company to be on a safer side in case of shortage.
• LPG to be regulated as other petroleum products
• To prepare short and medium term institutional development plan for LPG and engage private sector to invest in infrastructure and facilities for storage and distribution of LPG.
• Sensitize financial institutions particularly microfinance and other prospective investors on the importance of availing loans to LPG investment plans.
• Carry out sensitization and awareness campaign on the use of LPG and the benefits associated thereof.
• Promote safety standards and practices through industry players and consumer awareness campaign regarding the safe use of LPG.

**Ladies and Gentlemen**

With these few outlines, I once again insist on joining the efforts together aiming on the best achievement regarding the promotion of the use of LPG in East Africa as identified in this summit as Exceptional Energy for East Africa.

**Ahsanteni Sana!**