

# POTENTIAL FOR REGIONAL USE OF EAST AFRICA'S NATURAL GAS

Prof. Vijay Modi  
Columbia University

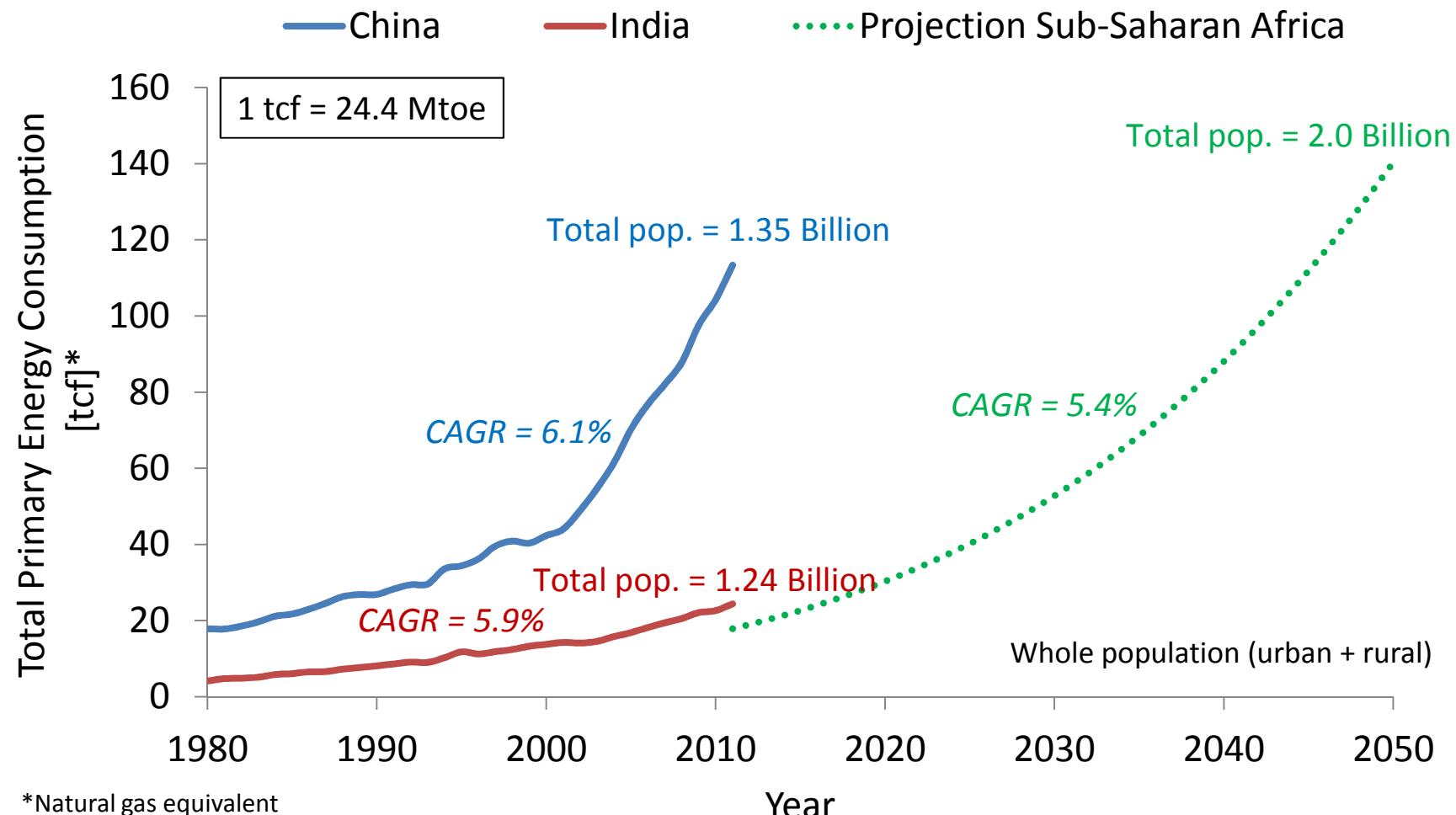
Addis Ababa, June 2<sup>nd</sup>, 2014

Authors: Jonathan Demierre, Morgan Bazilian, Jonathan Carbajal, Shaky Sherpa, Vijay Modi

# MOTIVATION

- Longer term view
- Substantial fuel needs in cooking, transport, fertilizer prod, industry, power
- Same time, large gas finds
- Also working on synergy with renewables
- Benefits from similar integration in power
- Shared prosperity: meeting domestic needs in parallel with export incomes

# Projection of Primary Energy Demand



\*Natural gas equivalent

Sources:

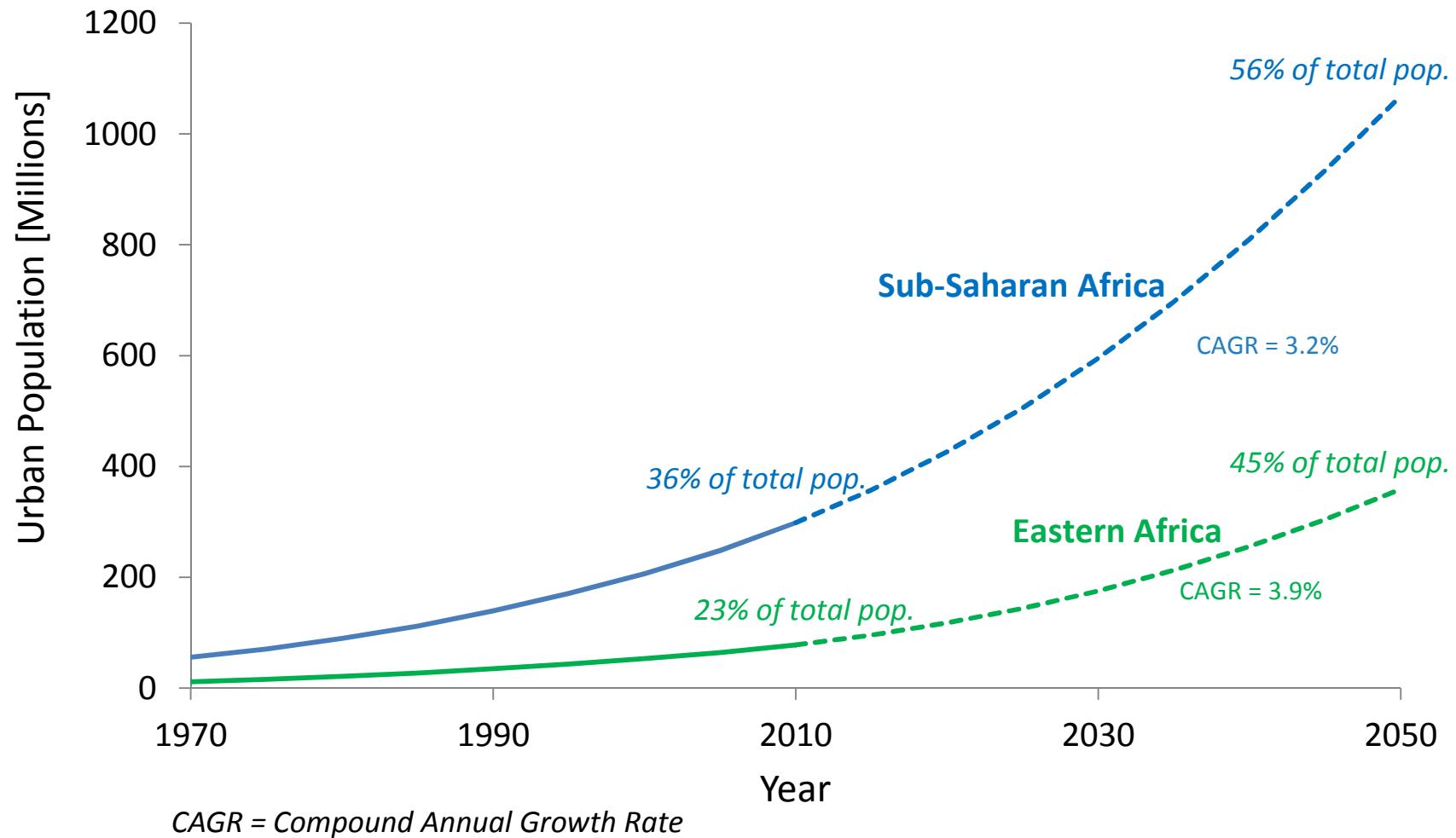
China's and India's consumption: EIA 2014

Sub-Saharan Africa's projection: own calculations

CAGR = Compound Annual Growth Rate

# Urbanizing World: 45% of total by 2050

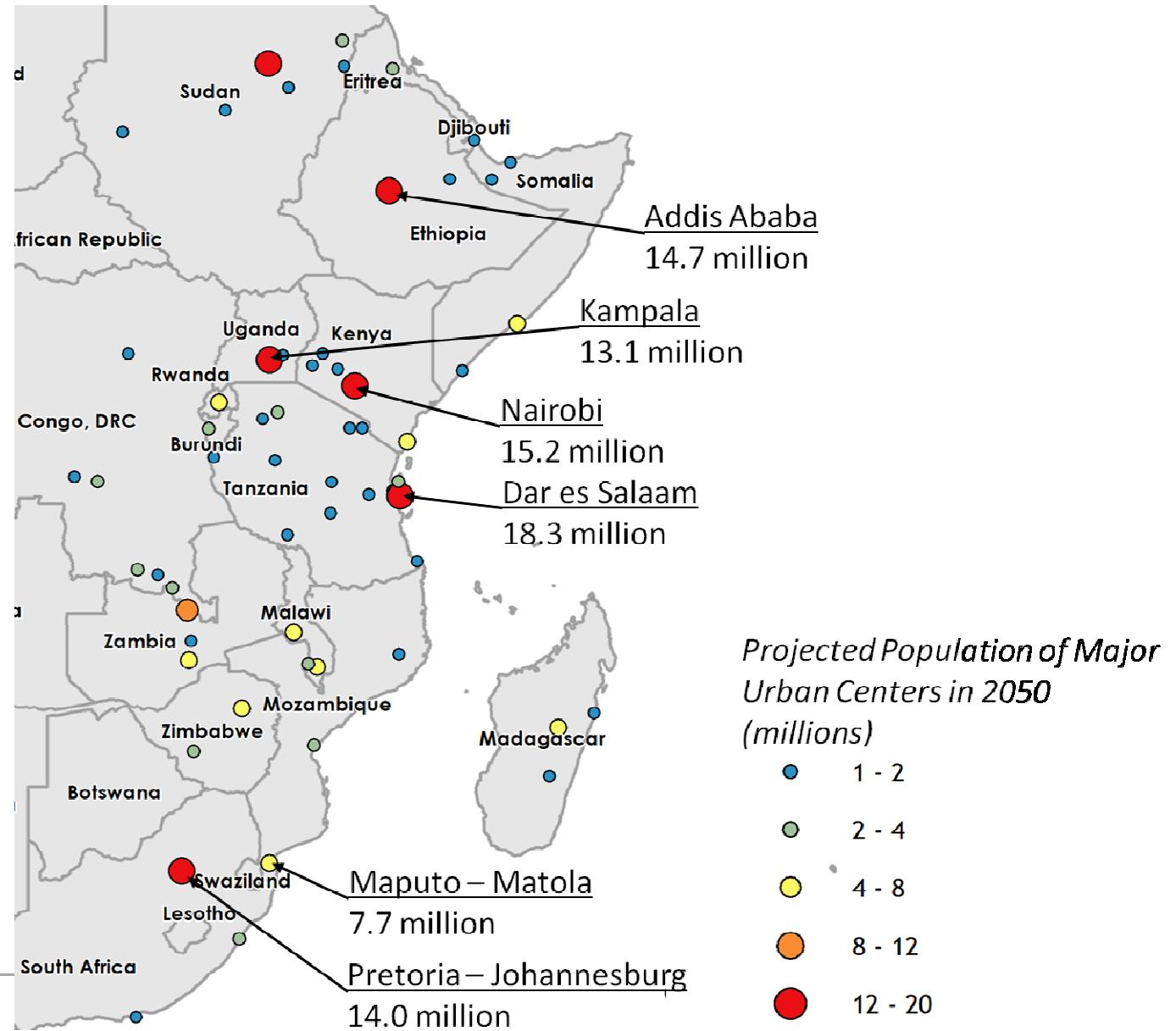
## Eastern Africa (UN DESA definition)



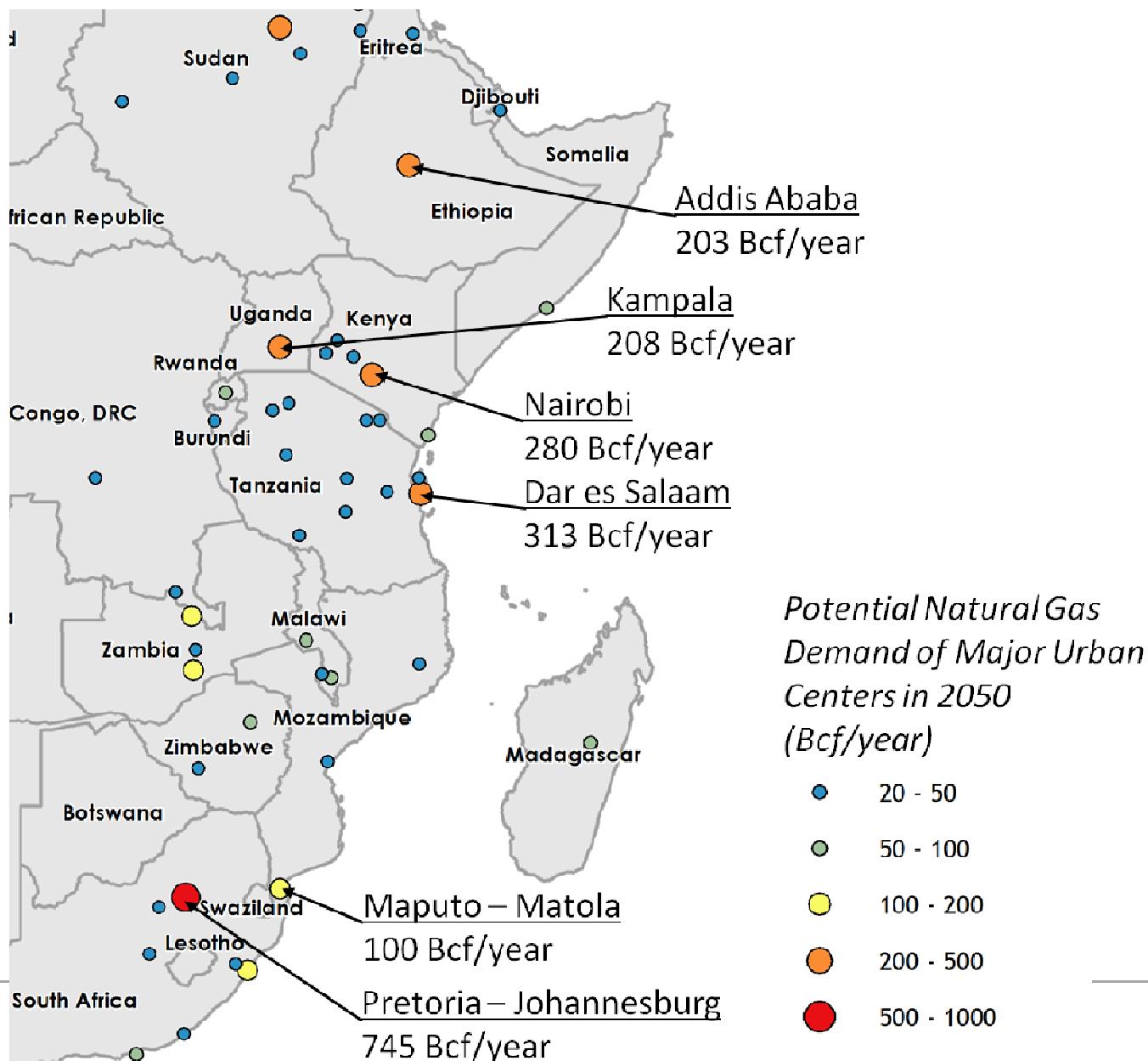
# Major Urban Centers of the Region

In 2050

- 6 Cities with more than 12 million
- 16 Cities with more than 4 million



# Potential City Gas Demand in the Region



# Natural Gas: Which Uses and at What Price?

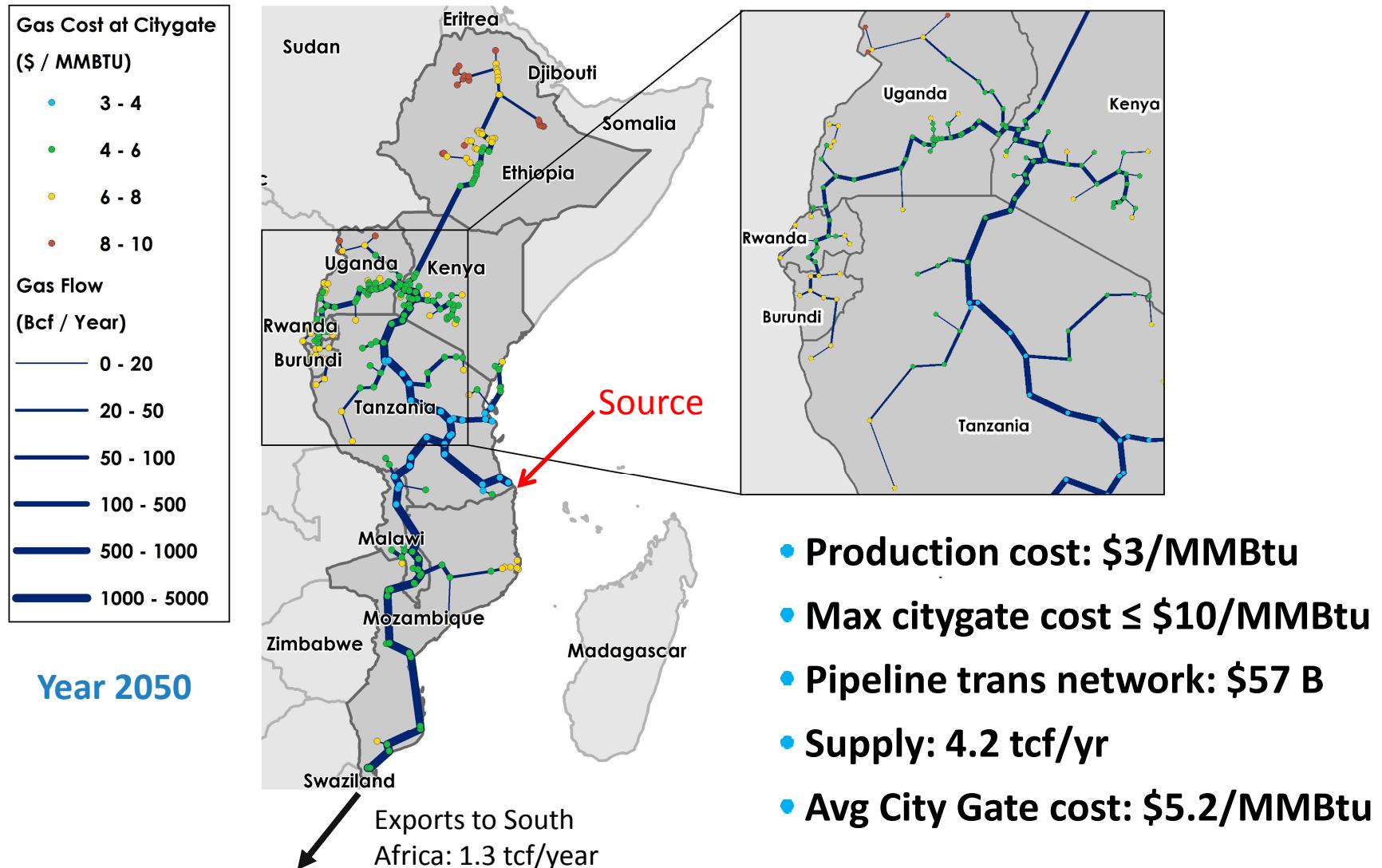
	Est. Max Price at City Gate* [\$/MMBtu]	Alternatives
Cooking	10 - 20	Retail Wood, Charcoal, Kerosene, LPG
Power generation	12 - 48	Existing dispatchable generation (from gas to diesel)
Transportation	25 - 52	Diesel, Gasoline
Fertilizer Production	14 - 24	Retail imported Price

\* Maximum natural gas price at city gate to compete with existing alternatives. An additional \$5/MMBtu is taken into account for distribution within the city (cooking) and an additional 25% is considered for CNG at refueling stations (transportation).

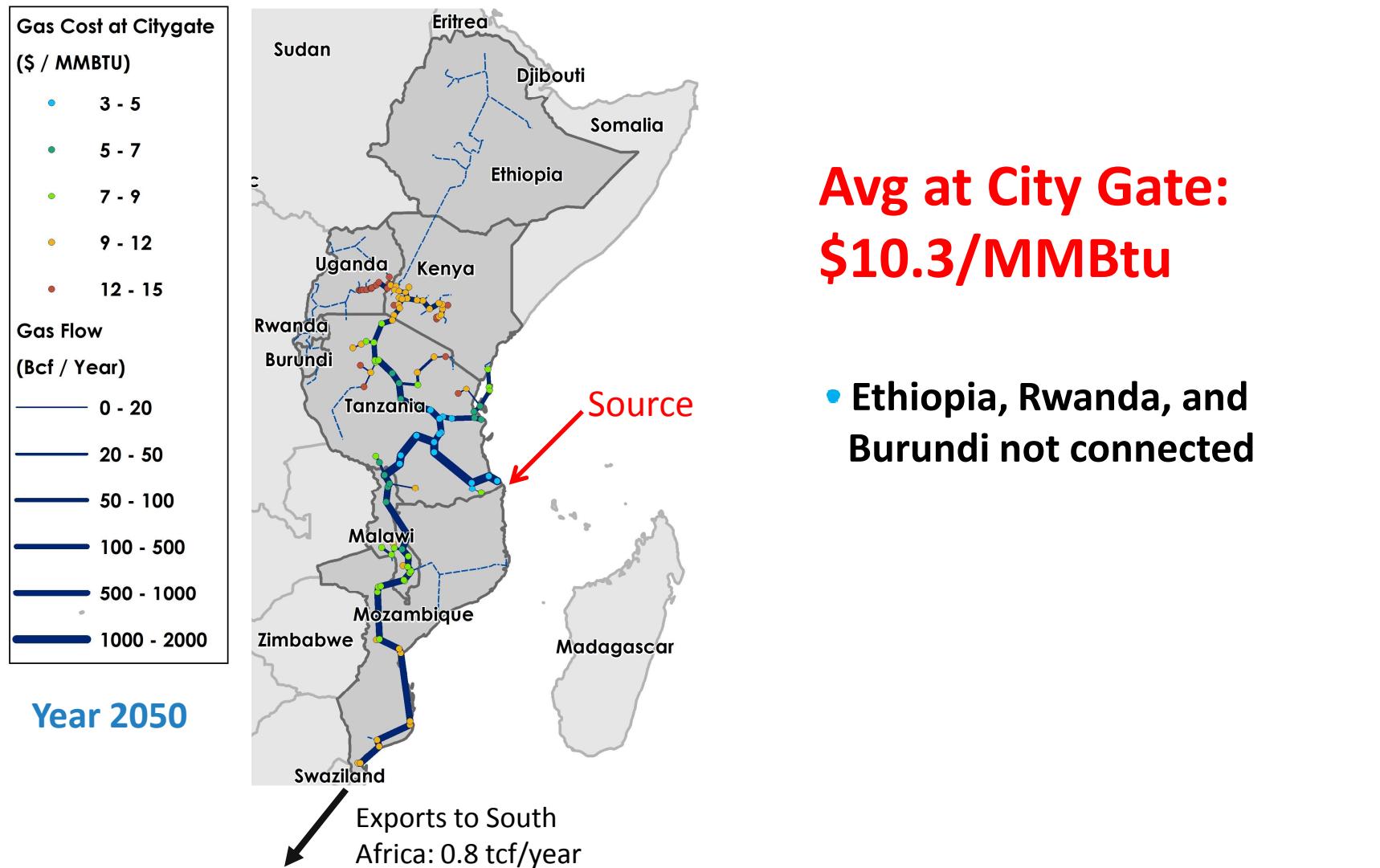


A price at city gate < \$10-15/MMBtu may allow a large penetration of natural gas

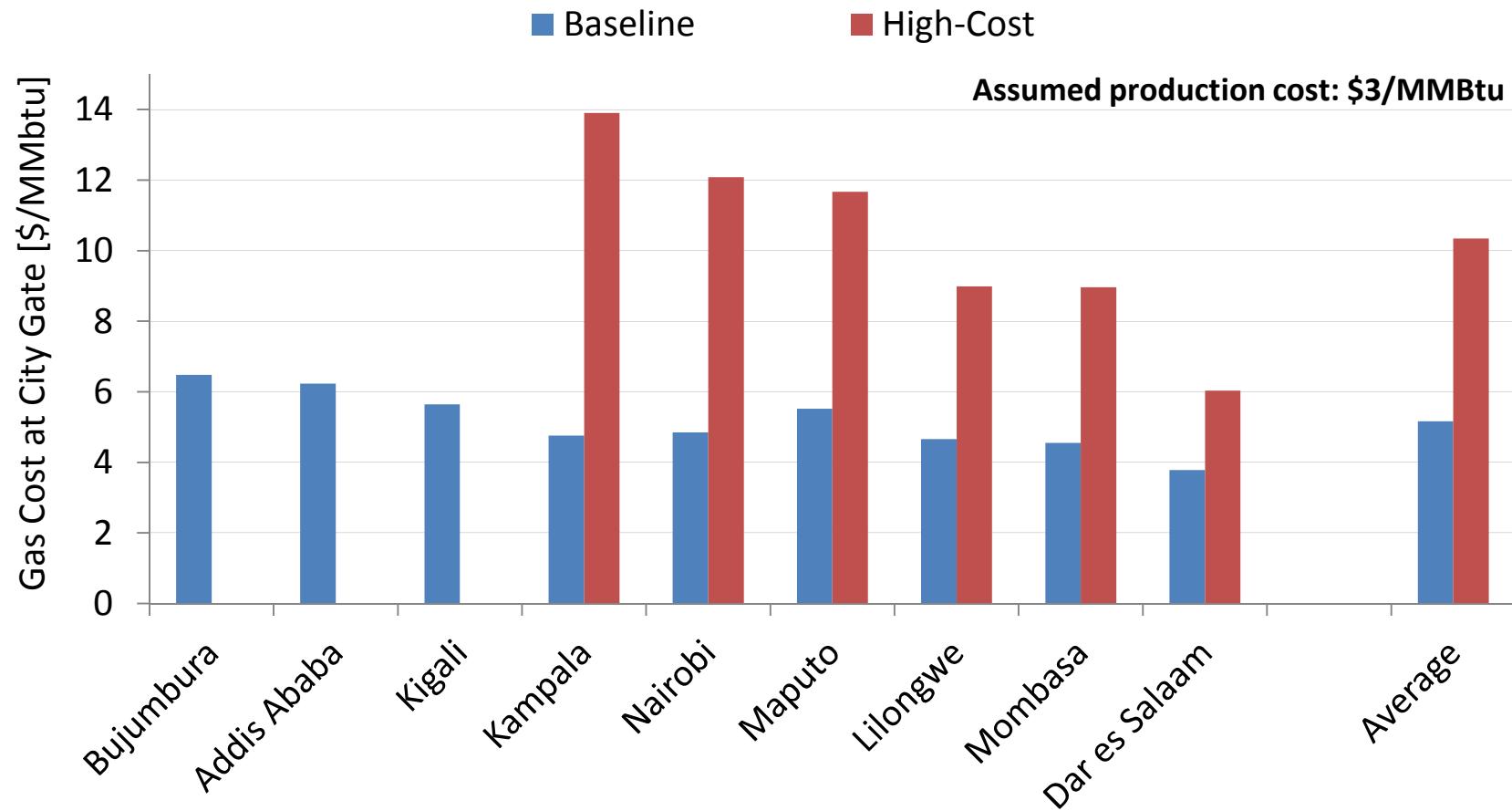
# Transmission Network: Baseline Scenario



# Transmission Network: High-Cost Scenario



# Delivered Gas Cost for the Major Cities



Bujumbura, Addis Ababa, and Kigali not connected in the high-cost scenario (delivered cost > \$15/MMBtu)

# Population Benefitting in 2050 (baseline scenario)

## National-level population: 614 Million (urban+rural)

**Countries:** Mozambique, Malawi, Tanzania, Kenya, Uganda, Burundi, Rwanda and Ethiopia

	Population Impacted	Assumptions
Power	461 million	75% access to electric grid 25% of electricity from gas
N Fertilizer needs	614 million	100% of urban + rural needs

# **Population Benefitting in 2050 (baseline scenario)**

## **Urban population supplied by gas: 185 Million**

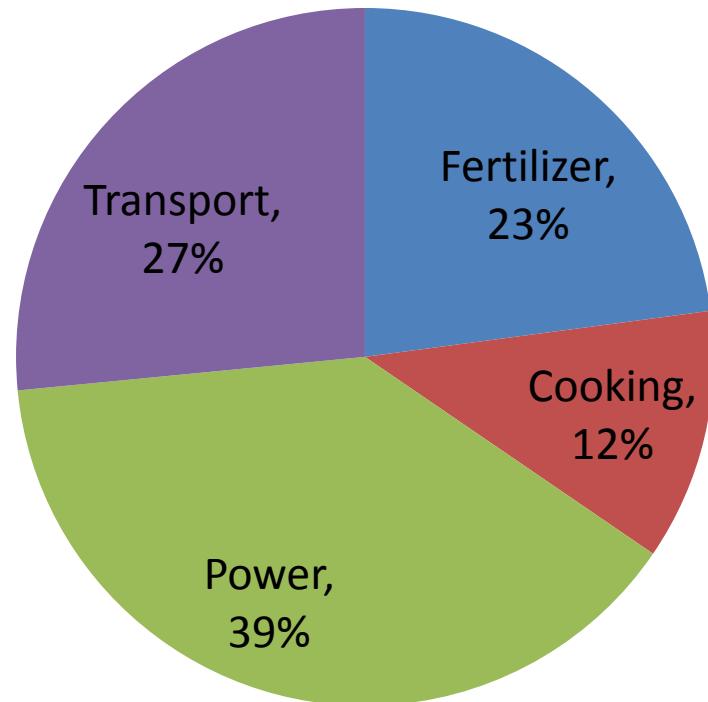
**Countries:** Mozambique, Malawi, Tanzania, Kenya, Uganda, Burundi, Rwanda and Ethiopia

	<b>Population Impacted</b>	<b>Assumptions</b>
Cooking	185 million	100% of the population in connected cities
URBAN Passenger transport	185 million	85% of LDV and Public transport in connected cities

# Consumption by Sector in 2050

## Baseline Scenario

Countries: Mozambique, Malawi, Tanzania, Kenya, Uganda, Burundi, Rwanda and Ethiopia

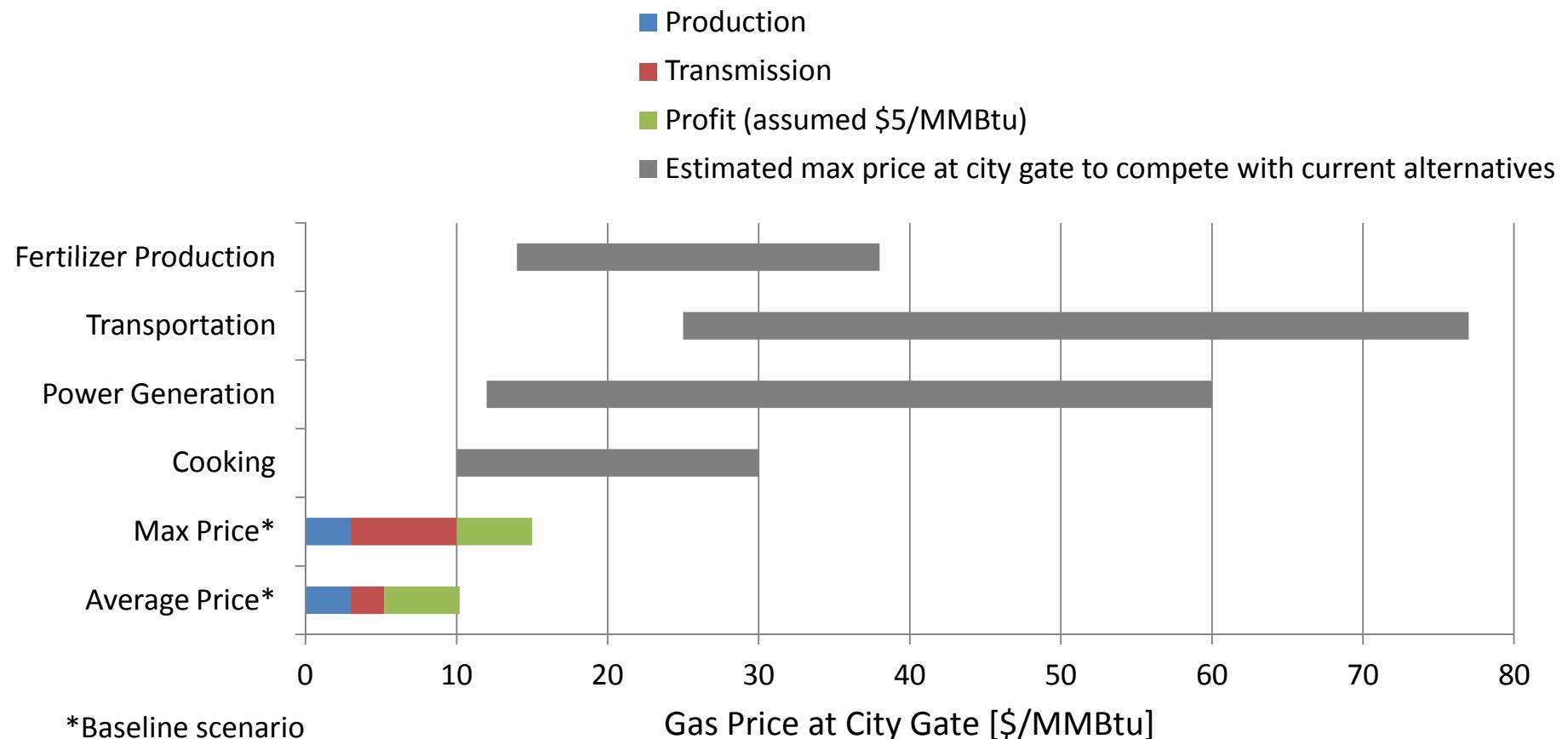


Pie Chart: 2.4 tcf  
Other indus/commercial: 0.5 tcf  
Exports to South Africa 1.3 tcf

**TOTAL: 4.2 tcf/yr**

# Similar Profits than with LNG exports

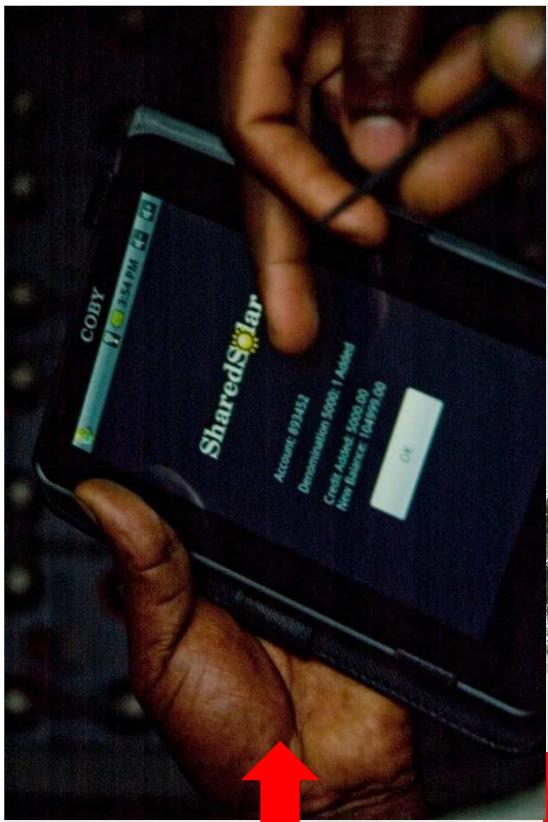
- Estimated profit for LNG exports to Japan (medium term): \$1-7/MMBtu
- Assuming \$5/MMBtu profit for the domestic market, natural gas would still be a very affordable alternative



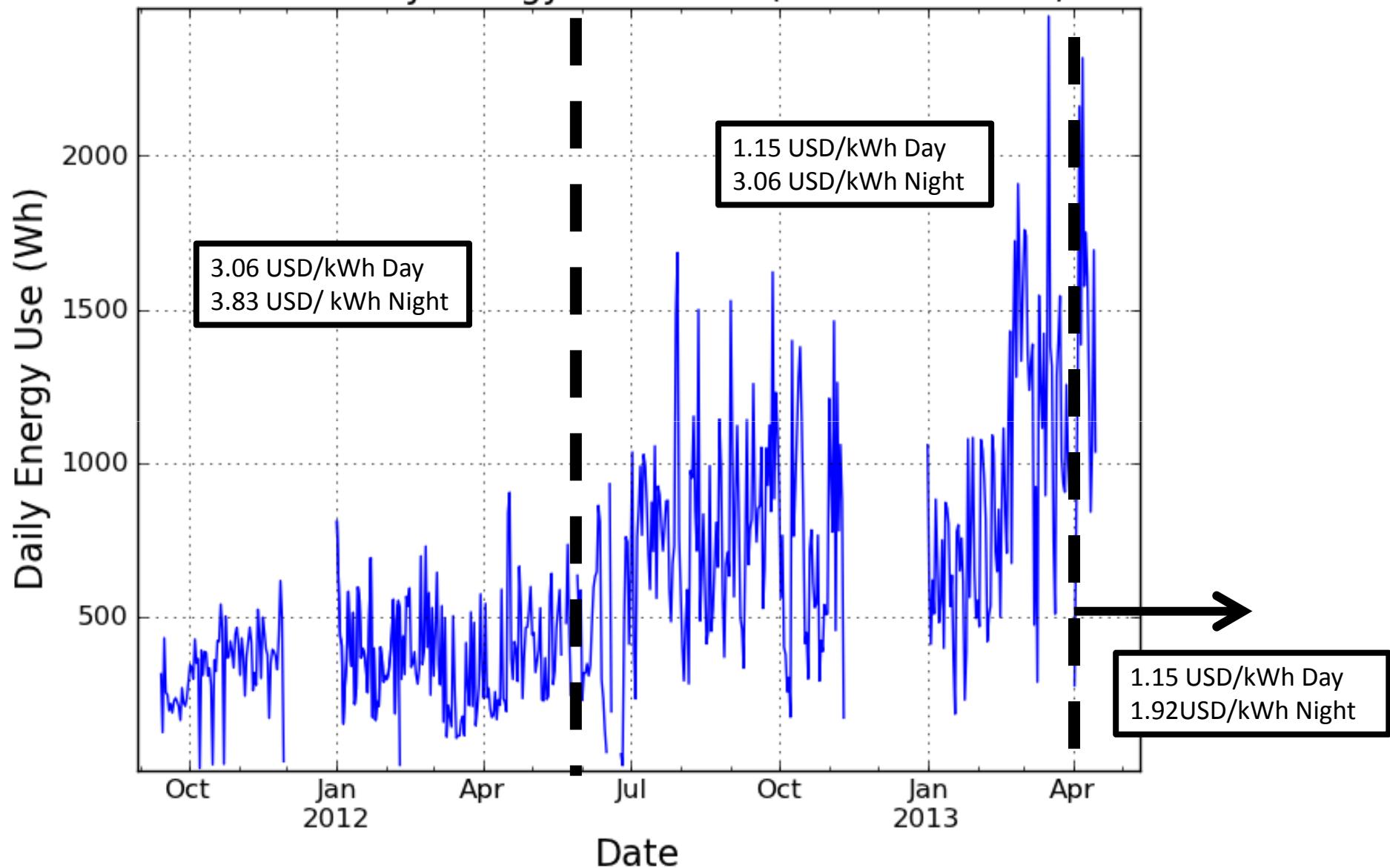
# **CAN THE POOR PAY FOR ENERGY SERVICES?**

# **SOLAR MINIGRID DEPLOYMENTS IN UGANDA AND MALI. PAY-AS-YOU-GO SMART MODULAR MINIGRIDS**





## UG01: Daily Energy Use in Wh (Sum of Circuits)



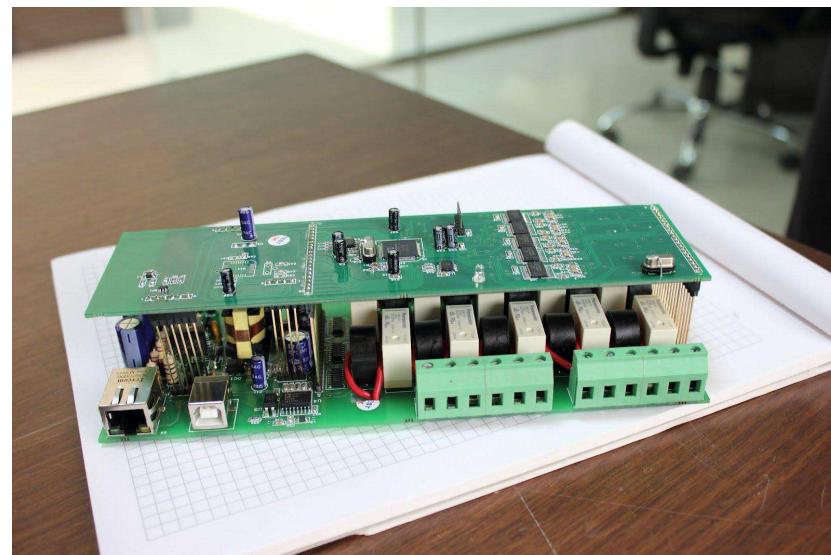
## **10 Consumer System: Metering + Communications**

Meter Enclosure



**Version 1: 40 cm x 30 cm x 20 cm**

**Version 2: 15 cm x 7 cm x 7 cm**



# Needed Investment by Sector by 2050

## Baseline Scenario

Countries: Mozambique, Malawi, Tanzania, Kenya, Uganda, Burundi, Rwanda and Ethiopia

Needed investments in the 4 main sector to develop the demand in addition to the \$57 Billion for the transmission system

	Investments [Billion \$]
Distribution Networks within Urban Centers	13.9
Power Plants	43.9
CNG Refueling Stations	9.3
Fertilizer Plants	33.2
<b>Total</b>	<b>100</b>

# **GUJARAT, INDIA: A CASE STUDY IN GAS AND GAS INFRASTRUCTURE FOR DOMESTIC GROWTH**

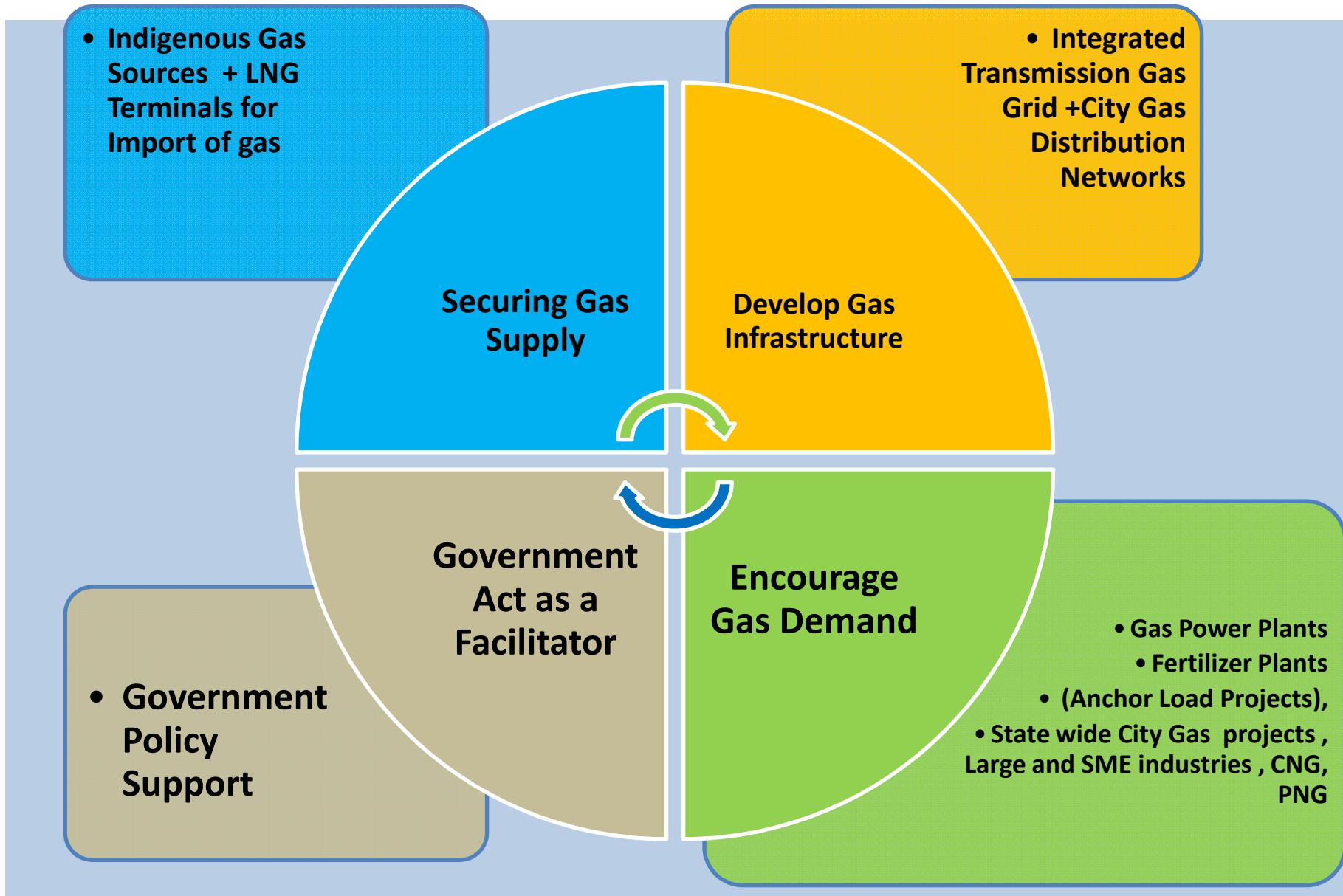
Mr. Pandian  
Additional Chief Secretary  
Sec, Energy and Petrochemicals



# CHICKEN AND EGG PROBLEM

- No market demand without infrastructure
- No infrastructure without market demand
- Infrastructure and Market demand useless without assured gas supply!
- Gujarat had domestic gas so a study was carried out to use domestic gas
- Even with R-LNG it is viable today in Gujarat
- Of course with domestic piped gas is much better

# STATE GOVT. GROWTH STRATEGY FOR GAS



# **IN WHAT ORDER WAS IT DONE? WITHIN A DECADE**

## **Anchor Loads**

- Power (State and Private)
- Fertilizer (State actors to support agriculture)
- Industry (Private, eg ceramic industry)

## **City Gas Distribution**

- Started with CSR demo. near LNG terminal
- Domestic cooking (state and Private)
- Public Transport (state)

# GSPL GAS GRID



# CGD COVERAGE IN GUJARAT

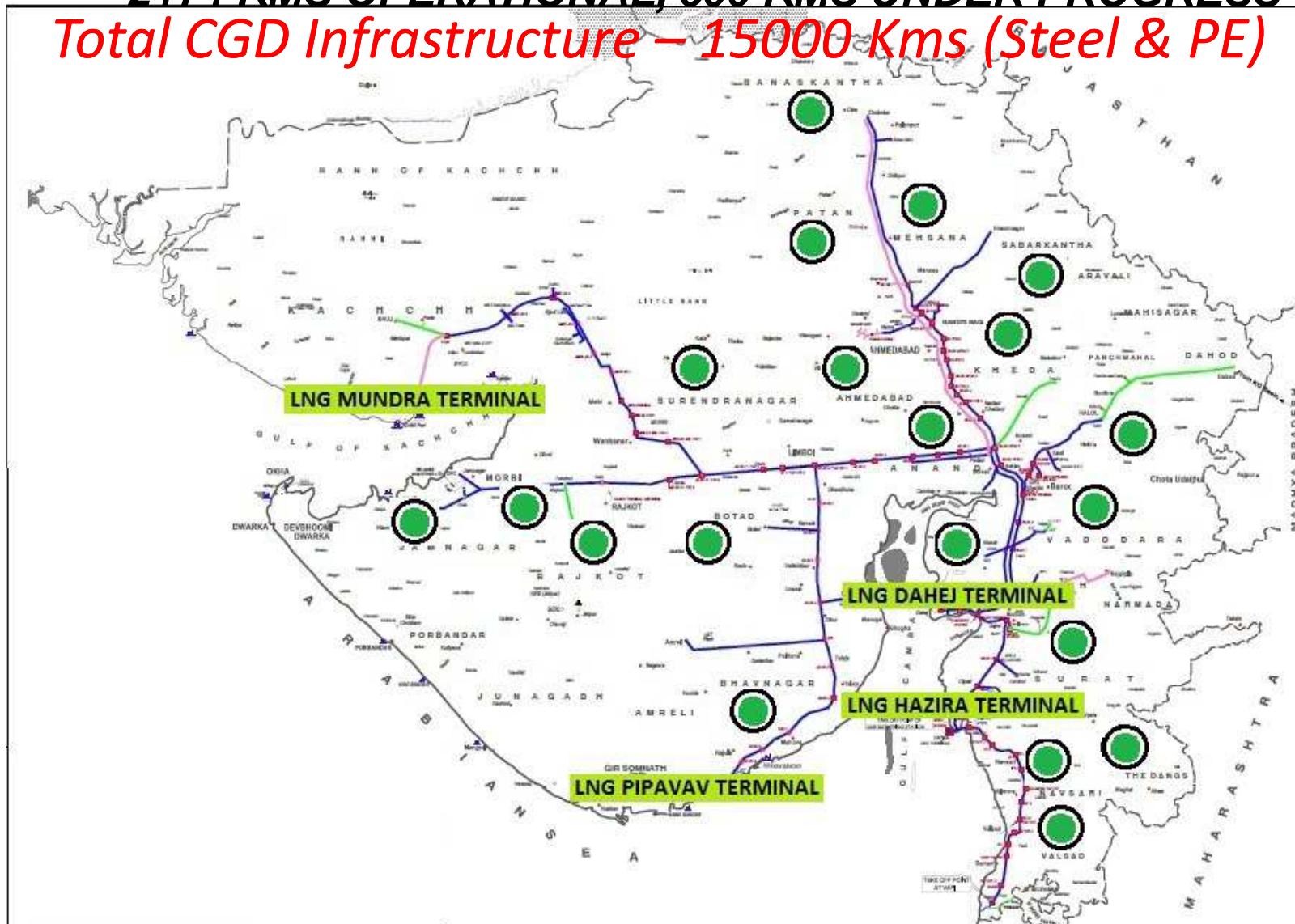
Sr. No.	Name of CGD	No of Ind. Cust.	No of Domestic Cust.	No of Com. Non-Com. Cust.	No of CNG Stations	CNG Sales tons/Day	No of CNG Vehicle/Day	Daily Gas* Sales (MMSCMD)
1	GSPC Gas	1,892	490,000	1,893	159	445	90,000	5.00
3	GGCL	794	440,000	8,951	57	275	64,000	2.60
5	Adani Gas	760	190,000	1,460	52	320	62,300	0.88
Total		3,789	1.3 Million	15K	331	1200	254K	9.90

STATE URBAN POPULATION 3 Million HH  
 Done in 10 years  
 HOW?

# GAS TRANSMISSION NETWORK IN GUJARAT

**2174 KMS OPERATIONAL, 500 KMS UNDER PROGRESS**

**Total CGD Infrastructure – 15000 Kms (Steel & PE)**



# CITY DISTRIBUTION

- Typical CNG+PNG city network
- Cost Rupees 250-300 crores (\$50 million) to supply 1.5 MMSCMD of gas
- \$5M/yr for 15 Million MMBTU/yr
- With O&M and profit: \$4/MMBTU
- Large cities could be \$3.50



# ADDED NEW PUBLIC TRANSPORT CAPACITY

CNG BUSES and RICKSHAWS  
ANCHOR PUBLIC DEMAND





TODAY:  
HH of 5 spends \$6/month on cooking  
  
CAN BE DONE  
Took Political Will and Administrative skill

*Thank you*