NEW MOMBASA-NAIROBI PIPELINE SET TO BE OPERATIONAL BY END OF JULY

Friday 29th June 2018…The new Mombasa-Nairobi Pipeline is 99.9% complete and set to be fully operational by the end of July this year. Speaking while appearing before the Public Investments Committee, Kenya Pipeline Company Managing Director Joe Sang indicated that the line is already filled with petroleum products with over 370 Km worth of fuel already within the 450 km pipeline.

"As of this week we have already pumped in material as far as Konza area a distance of about 370km from Mombasa and are expected to cover the remaining 80Km by the end of July allowing for operationalization of the new line" Mr. Sang said.

According to the MD, KPC has already made 97.4% of payments for work done amounting to Ksh. 47.2 Billion to the contractor going by the terms of the contract.

"The contract we entered into with the contractor Zakhem International Construction Limited (ZIC) is a measured contract. This simply means we only make payments once works are done and assessed by our engineers." Mr. Sang added.

The PIC which is querying claims for additional costs by Zakhem however sought additional information on 5 Extensions of Time Claims (EOT) made by the contractor and the cost to the taxpayer. According to KPC, the contractor had initially made 4 claims amounting to Ksh. 18.92 Billion a matter that KPC disputed based on their technical assessments. The company then sought arbitration and assessment by an independent party a bid that was awarded to Nyara Consult who are claims experts.

"After their review, they reassessed the claim and revised the sum payable to Ksh. 4.4 Billion inclusive of taxes down from the initial Ksh. 18.92 Billion. The process of procuring the consultancy services was set out as a restricted tender basis on the nature of the services required and based on advice from the Chartered Institute of Arbitrators. There was a total of 12 approved bidders out of which 3 shortlisted namely; Nyara Consult, De Souza Maurice and Bhundia B.B." Sang said.

Once an agreement is reached, the contractor will be paid Ksh. 2.8 billion after deducting exempted taxes and variations from previous payments. The MD informed the committee that KPC is yet to make any payments as far as this claim is concerned.

KPC Chairman John Ngumi indicated to the committee that the project had delayed for about two years because of unavoidable challenges comprising legal, design and community related.

"The Board took additional measures to ensure the timely completion of this critical project by holding bi-weekly inspection tours of the Line and we are proud to announce that the product is 40 Km away from Nairobi and will be at our Nairobi Depot by tomorrow." Mr. Ngumi added.

With regard to the economic cost of the delays in completion of the line, KPC indicated that the Energy Regulatory Commission (ERC) allows oil marketers to truck 20% of Diesel and Super Petrol from Mombasa to Nairobi, which is compensated in the pump price.

"The pump price build-up has an element of bridging by trucks at a rate of Kshs. 1.03 per litre at Nairobi for Diesel and Super Petrol, which would be eliminated by transportation of all products via the cheaper pipeline mode once Line 5 comes into operation." KPC's MD said.

Once operationalized, the pipeline will ensure sustained, reliable and efficient transportation of petroleum products in the region and meet demand in the next 30 years with an installed flow rate for phase one of 1 million litres per hour upon commissioning, 1.9 million litres per hour for phase two in 2023 and 2.6 million litres per hour for phase three in 2044.