

MINISTERIAL STATEMENT
ON THE
UPDATE ON STATUS OF OIL AND GAS EXPLORATION IN ZAMBIA
BY THE
HON. MINISTER OF MINES AND MINERALS DEVELOPMENT, MR YALUMA

Mr Speaker, thank you for giving me an opportunity to update the nation on the status of oil and gas exploration in Zambia.

Sir, oil and gas exploration in Zambia dates from 1971 when Romanian geologists assessed the petroleum potential in Zambia and indicated that the Barotse basin had potential for petroleum. In the same year, the geological survey department under my ministry undertook a reconnaissance geological survey over Barotse area resulting in drilling of some shallow drill holes to gather information on the underlying geology.

In the mid 1980s, the country was demarcated into five oil-gas blocks that is, A, B, C and D, following the geo-physical survey conducted across the sedimentary basins in the country between 1982 and 1984. Oil and gas exploration was conducted in Blocks A and B, located in Luangwa and Zambezi basins, which were granted to Placid Oil and Mobil. The two companies conducted geological, geochemical and geophysical exploration and acquired two dimensional seismic data in the two blocks.

The explorations conducted resulted in the drilling of two wildcat holes in the area. However, both holes were dry possibly due to the fact that the deepest parts of the Karoo which could have had potential were not reached by the drilled holes. Consequently, oil and gas exploration within the Luangwa Basin was abandoned in 1988.

Mr Speaker, oil and gas exploration resumed in the 2000s, following the discovery of oil and gas in Uganda and Kenya in the Great East African Rift Valley, which is believed to have extended to Zambia. The discovery of oil and gas in East Africa rekindled the interest by the exploration companies to explore in the basins of Zambia. The interest shown by the exploration companies,

coupled with the reports of oil seepages in North-Western Province, prompted the Government to resume oil and gas exploration.

The Ministry of Mines and Minerals Development, following the direction by the then President of the Republic of Zambia, embarked on preliminary exploration, from 2005 to 2008. These activities started in North-Western Province and involved collection of soil samples and testing using a technique called Microbial Prospecting for Oil and Gas (MPOG). This technique is based on the understanding that oil and gas fields emit hydrocarbon gases at the surface of the earth which micro organisms known as hydrocarbon Oxidizing Bacteria (HOB) depend on as their sources of energy.

Therefore, the presence of the bacteria is an indication of the presence of hydrocarbons in the ground. Laboratory results from the collected samples tested positive for this bacteria. The positive result encouraged the Government to extend prospecting activities to other provinces and to revise the legal framework. Prospecting activities were extended to Western, Eastern, Southern, Northern and Luapula provinces. The Petroleum Exploration and Production Act 1985 was repealed and replaced with Petroleum Exploration and Production Act 2008.

As the House may be aware the role of the Government is not to conduct but to facilitate exploration by the private sector. Therefore, the information generated using the MPOG was used to demarcate prospective areas into blocks in preparation for the participation of the private sector. In accordance with the law, the blocks are licenced through a competitive bidding. Three licencing rounds have so far been held in 2011, 2013 and 2016. Accordingly, seventeen licences were issued in 2011, nine in 2013 and two in 2016.

Currently, twelve out of fifty-six blocks are under licence. This is because twelve out of seventeen issued in 2011 were cancelled in 2015 due to non-compliance with the conditions of grant and four were merged into one block. Of the twelve blocks under licence, six are currently active.

Mr Speaker, in order to continue attracting credible investment in the sector, Government is reviewing the Petroleum (Exploration and Production) Act of 2008 and Regulation Act of 2011. However, the Act has been found to be inadequate in attracting meaningful investment in the sector and in ensuring an effective regulatory and institutional framework.

Sir, the process commenced with the review of the legal, regulatory and institutional frameworks by a consultant. The findings and recommendations of the consultant were discussed with various stakeholders. In addition, efforts are being made to benchmark with other countries that made oil discoveries in the recent past. The process is expected to be concluded during the course of this year.

Mr Speaker, the Government is proceeding to make the investment climate attractive because the potential of oil and gas in Zambia is quite high. Zambia has a number of geological basins, which have not been explored. The recent oil discovery in Uganda and Kenya, within the rift valley system of East Africa, which extends to Zambia, increases the possibility of discovering of oil and gas. The potential could be enhanced if the Government conducted regional seismic surveys to define the unexplored geological basins. This could attract more oil and gas exploration investment. However, the regional seismic surveys have never been undertaken in the geological basins due to none availability of funds.

Sir, in conclusion, I wish to take this opportunity to state that the Government is committed to the development of the oil and gas industry and will do everything in its mandate to ensure that there is a robust legal and regulatory as well as institutional framework in place to attract and retain investment in the oil and gas sector.

Admittedly, this sector is a new area for which we do not have much capacity as a country. There is need to develop relevant skills and build the capacity of both the Government and the private sector if we have to develop this sector in a manner that will contribute to the development of the country. This will require more resources and learning from what other countries have done. Therefore, the support from this august House is required.

I thank you, Mr Speaker.