

REMARKS BY DEPUTY PRIME MINISTER AND MINISTER FOR FINANCE, HON. UHURU KENYATTA, EGH, MP, ON THE OCCASION OF USHERING IN ESSAR ENERGY OVERSEAS LIMITED AS INCOMING SHAREHOLDER OF KENYA PETROLEUM REFINERIES LIMITED, ON 31ST JULY 2009 AT TREASURY BUILDING, NAIROBI.

The Rt Hon Prime Minister, Hon Raila Odinga, EGH, MP
Hon Minister for Energy, Hon Kiraitu Murungi
Permanent Secretaries Mr Joseph Kinyua & Mr Patrick Nyoike
Ladies and Gentlemen,

1. It is a great pleasure for me to witness this important event when the Essar Energy Overseas Limited formally takes up the entire 50% shareholding hitherto held by the

industry shareholders in the Kenya Petroleum Refineries Limited (KPRL). I join the Rt. Hon Prime Minister in welcoming Essar to participate alongside the Government in the ownership of KPRL, I would like to register, on behalf of the Government of Kenya, my appreciation for the role that the outgoing shareholders namely, Shell Petroleum Company Limited, the British Petroleum Company Limited and Chevron Global Energy Inc. have played over the years in KPRL. Indeed we are grateful to them for founding the company in 1959.

2. Let me state at the outset that this is a share sale and purchase transaction between private sector entities: Essar as the in-coming shareholder and the three

international oil companies, as the out-going shareholders. The transaction we are witnessing today marks the end of negotiations between these parties, over the last several months, which has resulted in the signing of a Share Sale and Purchase Agreement between them.

3. In support of this process, the Government has waived its preemption rights in KPRL. Indeed the Government had the option to purchase the shares held by the IOCs but chose not to do so, in order to maintain our shareholding at the current level of 50%. At this level of shareholding, the public-private partnership that has existed between the Government and the three oil companies will be

maintained with Essar. In addition to the foreign direct investment that will result from this transaction, this collaboration with Essar is expected to bring on board Essar's management and technical skills that have made Essar Oil one of the major oil companies in India.

4. In consideration for waiving its preemption rights, the Government has received a consideration of US\$ 2 million from Essar. This amount of money will be added to the Ksh.1.6 billion that the Government has so far set aside as GOK equity to fund the modernization of the refinery.
5. One of the key objectives of both GoK and Essar as shareholders of KPRL is to upgrade and modernise the

refinery so that it can be efficient in serving the needs of our economy and our neighbouring economies. This will also enhance Kenya's position as a regional hub

6. It is estimated that some US\$400 million will be required to finance the modernization of the refinery. The modernization of the refinery is expected to result, among others, in:
 - Improved processing efficiency, enabling KPRL to compete with other refineries;
 - Production of products that meet changing international specifications and environmental standards; and,
 - Enhanced LPG storage and handling facilities.

7. The obligations of the shareholders in respect of the refinery modernization have been set out in the Shareholders' Agreement that has been negotiated between Government and Essar as part of this transaction.

8. Globally, returns on investments in petroleum refinery projects are known to be relatively low, with long gestation periods. In support of this large infrastructure investment, as is common in PPP projects, the Government will continue to provide various forms of support to KPRL. In return for this support, the Government has received assurance that Essar is

committed to fast-tracking the modernization of the refinery.

9. Once again while thanking the outgoing shareholders, I welcome Essar on board and look forward to the realization of the benefits that the modernization of the refinery promises. Let me also take this opportunity to thank the many teams that worked on the various aspects of this transaction.

Thank you.