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Thinking Policy Together

Training as a Catalyst to Develop a Local Skills Base for Kenya's Oil and Gas Upstream Sector

By Kevin Goga and Josephine Cherotich

Introduction

The discovery of oil in Northern Kenya in 2012 was a monumental moment for the country. It revitalized hope to economically spur growth by Kenya potentially becoming an oil producer in the future. Seven years later, the country flagged off its very first export consignment of 200,000 barrels of crude oil, effectively joining the league of oil exporters. This was made possible through the Early Oil Pilot Scheme (EOPS) at Ngamia and Amosi fields commissioned in June 2018 (KNBS, 2020). Yet, amid these wins, the oil and gas industry is plagued with several challenges, including inadequate capacity. The upstream segment of oil and gas, which involves exploration, development, and production of crude oil is the most affected when it comes to human capacity. This is because it is characterized by specialized services that require highly specialized skills, unlike the midstream and downstream counterparts. As a result, these skills required for the upstream operations are not locally available in Kenya, therefore necessitating outsourcing of labour, which is offered by expatriates. To put it in context, in government, for instance, the technical upstream staff establishment stands at 18 as opposed to the optimal requirement of 138, leading to challenges in enforcing local content requirements that would boost the sector (Office of the Auditor General, 2021). Further, the Turkana locals in demand to be considered for employment despite not having the required skills led to a standoff witnessed between the Turkana locals and the Tullow Oil Company.

Why Specifically Build Specialized Skills in the Oil and Gas Sector?

The oil and gas sub-sector is priority in the realization of the Kenya Vision 2030, which is touted to boost the extractive sector contribution to GDP to 10% from the current 1%. As the country prepares for commercial oil production, specialized skills will be key in achieving efficient production. Promoting local capacity would lead to optimization of value retention in Kenya. Further, foreign domination in Kenya's upstream not only portends a shortage of specialized skills locally but also leads to leakages in the circular flow of revenue in the economy. By focusing on the type and scope of education and training offered by TVETs, oil companies, and other skill development institutions, this policy brief offers insights into the mechanisms that will promote local skills development for the upstream sector.

Oil and gas exploration in Kenya commenced in the 1950s, with the first license granted to BP Shell. These early exploits did not yield any find until 2012 when Tullow Oil BV and its partners discovered oil reserves in Turkana County. This gradually attracted several international oil and gas companies to set up shop in the country. The nature of oil exploration favours multinationals as they have sufficient capital, advanced technology, and agility to mobilize the necessary resources. The National Oil Corporation of Kenya is the only local company that has a licensed oil exploration block. Oil exploration, being a fledgling industry, is also yet to stimulate interest as a commercial sector. As a result, local specialized skills have not been well established. Consequently, most of the labour in oil exploration is outsourced from outside the country, leaving locals mostly in menial positions as the skills may not be readily available in the country.

The Petroleum Act 2019 has made progress that would reverse over-reliance and build a local skills base by having local content requirements to be met. For example, in their Production Sharing Contracts, oil and gas companies are obligated to employ Kenyans in the upstream petroleum operations and conduct training courses and programmes that will progressively increase the employment of Kenyans. However, monitoring and implementation of these provisions is still a challenge. A growing number of training institutions, including technical and vocational training institutes (TVETs) and a few universities also offer courses in oil and gas. However, these are more focused on midstream and downstream, with a paltry number offering upstream skills such as geoscience. The oil and gas companies also make contributions towards a training fund established to train Kenyan nationals on oil exploration. The Energy and Petroleum Acts both formulated in 2019 empower the Energy Petroleum and Regulatory Authority (EPRA) with the role of reporting enforcement of some of the local content requirements in the sector. However, this remains a challenge. In addition to the challenge of most oil and gas companies' training fees being in arrears, the Auditor General has raised concerns about under-utilization of the funds in the kitty, with only 23% spent towards courses that would enhance capacity in the petroleum sector.

Recommendations

In addressing the issue at hand, the following policy recommendations are proposed:

(i) Expand courses in the oil and gas industry to narrow into the upstream segment. This could be through establishing a go-to centre of excellence for upstream skills where technical skills such as petroleum geologists, geophysicists, geochemists, engineers, technologists, and other technical personnel are built. This centre does not need to be entirely an innovation but may be identified from a list of existing institutions (technical and vocational training institutions, or universities) that are already offering skills in oil and gas in concert with international oil companies that could offer apprenticeships for Kenyans.

(ii) Collaborate with international oil companies to transfer specialized skills to the officials and agencies manning the oil and gas space is of utmost importance to ensure compliance to local content requirements. This builds capacity for enforcement, which is a challenge ailing the sector.

(iii) The training fund needs to incorporate more Kenyans interested in the sector. This could be made possible by either disbursing it directly to the established centre of excellence on upstream oil and gas, or incorporating the Technical and Vocational Education and Training Authority (TVETA), which is the umbrella body for most institutions that are offering the courses.

(iv) Fast-track the enactment of the draft Local Content Bill 2018 to give life to research and development in the sector. This will be fundamental in modelling local oil and gas operations to global standards. Kenya may explore cooperation between the local research institutions and the oil companies to ensure that all research and development programmes are conducted within the country. In addition, contributions to R&D should be specific in terms of the amount that the oil companies are required to contribute.

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About KIPPRA Policy Briefs

KIPPRA Policy Briefs are aimed at a wide dissemination of the Institute's policy research findings. The findings are expected to stimulate discussion and also build capacity in the public policy making process in Kenya.

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For More Information Contact:

Kenya Institute for Public Policy Research and Analysis
Bishops Road, Bishops Garden Towers
P.O. Box 56445-00200, Nairobi
Tel: 2719933/4, Cell: 0736712724, 0724256078
Email:admin@kippra.or.ke
Website: http://www.kippra.org
Twitter: @kippra.kenya