

ENERGIZED

Bulletin

National Oil Corporation of Kenya Official Newsletter

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Kenya now a proven opportunity in oil & gas exploration

- **National Oil** bags Africa NOC of the year award
- **National Oil** unveils mini LPG filling plant
- **National Oil** employees of the year 2011



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National Oil Rally Team



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Message from the Managing Director



Ms. Sumayya Hassan-Athmani, National Oil Managing Director

It gives me great pleasure to write to you as we come to the close of an exciting financial year 2011/12.

National Oil has witnessed immense growth in all aspects of its business in the last financial year and as we reflect on the successes of the past year and lay strategies for the coming year and beyond, I take this opportunity to thank the entire team for keeping together.

As I have mentioned to you on several occasions this past year, our success as a company and as a people largely depends on our unity of purpose and unwavering focus on our clearly outlined strategic goals.

Upstream update

In 2010, National Oil added to its traditional mandate of marketing Kenya's exploration blocks by taking up its own acreage, Block 14T. The block stretches from the Lake Magadi Basin up North to the shores of Lake Baringo.

In 2011/12, the E&P team made tremendous progress in this block. We completed gravity and gas seepage geochemistry (Gore Sorber) studies on a grid of 2km by 2km where we collected over 400 samples in the Gore Sorber study. The samples are now being analyzed at the Gore laboratories in Maryland, USA.

Currently, we are gearing up for a Full Tensor Gradiometry (FTG) to be done after receiving the results of the gas seepage analysis as well as the approval of the Environmental Impact Assessment report submitted to the National Environmental Management Authority (NEMA).

With the progress in Block 14T and with the recent oil discovery in Turkana, our objective is to be the first indigenous company to make a discovery in Kenya has become even more achievable.

Alongside our on-ground exploration activities in Block 14T, we continued with the two ambitious projects we initiated in 2010; the digitization of the exploration data and the modernization of the National Oil and Gas Laboratory. The two projects are now at an advanced stage. Data scanning for the National Data Centre (NDC) is now complete and test data is now being loaded onto the Case 360 Documents Management System.

Midstream progress

In 2011/12, we enhanced our involvement in the midstream development of petroleum infrastructure as well as in the downstream marketing of petroleum products.

In petroleum infrastructure development, we continued to work on our two flagship infrastructure projects; the establishment of the strategic national petroleum reserves and the development of a floating petroleum jetty, technically known as a Single Buoy Mooring (SBM), offshore in Mombasa. These two projects are aimed at addressing the incessant supply infrastructure constraints as well as enhancing security of petroleum supply in the country.

Downstream growth

In the downstream marketing of petroleum products, we accelerated our rapid retail network expansion in 2011/12 by setting up a dedicated retail network expansion team. We are now at 95 service

stations up from 6 stations in 2007 and are working on bringing more stations to our network. I still challenge the entire National Oil family to continue supporting the retail network expansion team in bringing more stations onboard.

Alongside the ongoing network expansion efforts, we launched a number of new products and services in 2011/2012. In June 2011, we unveiled our fuel card, SupaCard, at a colorful ceremony presided over by Hon. Kiraitu Murungi, Minister for Energy. We followed the launch ceremony with an aggressive marketing campaign. SupaCard has since become a prominent product in the market and is fast gaining prominence as a fleet management solution of choice due to its advanced features.

In September 2011, we launched Kenya's first mobile LPG filling plant and a month later in October, we introduced to the market, Supa Kadogo, which is a 3kg LPG cylinder. Supa Kadogo is targeted at the low end of the cooking gas market and is aimed at enhancing the uptake of LPG as a cleaner and greener source of domestic energy in the country.

In December 2011, we introduced into the market our Supa range of lubricants that includes motor oils, greases, battery water and acid, car engine coolants and related motor consumables. The launch of our lubricants was done in the regions through station level activations accompanied by an aggressive mass media campaign.

The year 2011/12 was not all about serious business activities; in the year we took time off the serious business to celebrate our successes. In November 2011, National Oil was named Africa's national oil company of the year at a colorful ceremony in Cape Town, South Africa. Having trounced Africa's giant oil companies including Angola's Sonangol, management organized a befitting party at the close of the year to celebrate this success.

CSR and sponsorships

In 2011/12, we continued to be actively involved in the lives of our host communities through various social responsibility and sponsorship events. In January this year, we renewed our sponsorship of rally driver Ian Dancun for the next 3 years. National Oil has been the corporate sponsor of Ian since 2008.

National Oil's biggest social responsibility engagement in 2011/12 is the multimillion shillings greenhouses for schools project. The project is fully funded by our exploration partner Anardarko. In the project, we acquired and installed 33 large-size greenhouse kits in schools across the Coast province as part of our contribution towards addressing the perennial problem of food insecurity in ASAL parts of the country.

Going forward

As we settle down into the new 2012/13 financial year, I wish to remind all of us that we have not yet arrived. The journey ahead is still long but together we will make it.

Just to remind you of what awaits us, in our current strategic plan, 2008 to 2013, we projected a retail network of 165 stations. This is the number we are aiming at by the close of this financial year in June 2013. This is a tough target to attain but we are equal to the task.

As I have mentioned to you on several occasions lately, it is not enough to have an expanded retail network. What is needed going forward is enhancing customer experience at all customer contact points. Let us all make sure customer service is a core component of our planning this year.

As I conclude, let me once again thank you all for being a wonderful team and let us keep raising standards even higher.



National Oil MD Ms. Sumayya Hassan-Athmani shows President Mwai Kibaki Kenya's exploration blocks during the 2nd National Energy Conference.

National Oil bags Africa Oil Company of the year 2011 award



By Temesi Mukani
Corporate Affairs

November 2011 will forever remain a special month for National Oil after the corporation trounced elite national oil companies in Africa among them Angola's national oil company, Sonangol to emerge the continent's best in a ranking by the highly respected Petroleum Africa magazine. Sonangol which won the 2010 crown came second.

National Oil was declared the 2011 company of the year in Africa at a colorful award ceremony held in Cape Town, South Africa and attended by Ken Mugambi of strategic planning and Francis Njuguna of exploration and production.

Published monthly since 2003, Petroleum Africa is the world's leading magazine dedicated to following the petroleum industry in Africa.

While awarding the top recognition to National Oil, Petroleum Africa Magazine cited the company's "prudent resource management, rapid retail expansion and efficiency in management of exploration and research activities as some of the reasons National Oil won the company of the year award"

"National Oil was declared 2011 company of the year in Africa at a colorful award ceremony"

"The National Oil Corporation of Kenya is an excellent example of a well run national oil corporation that makes the most of what it has even if it doesn't as yet have production. Unlike other NOC's on the continent, National Oil makes money," noted the magazine.

Petroleum Africa Magazine observed that over the years, National Oil's mandate had expanded to include enhanced marketing of petroleum products, a strategic activity that had started bearing fruit.

In the last one year, National Oil has been able to grow its overall market share from an average of 5 per cent to the current 9.3 per cent, retail market share to over 13 per cent and increased its sales volumes by 46 per cent.

The company also added 17 new service stations to its existing stable, bringing the total tally to 86. Further, National Oil enhanced its operation efficiency by investing in the latest computer hardware and software technologies, whilst leveraging on staff training, and streamlining decision making and strategic planning.

Reached for comment on the award, Ms Sumayya Hassan-Athmani, National Oil Managing Director said, "This recognition is a demonstration that our strategic efforts to position National Oil at the heart of the energy sector in Kenya and the region are bearing fruit and being recognized internationally."

"Our ambitious retail network expansion from 6 service stations in 2008 to the current 86 stations is one of our biggest achievements in the last couple of years and we are glad we are where we are," Ms. Athmani noted.

This latest recognition comes in the wake of strategic moves by National Oil to focus on petroleum infrastructure development aimed at addressing the current petroleum infrastructure constraints in the country.

At the award ceremony held on Friday, 4 November 2011, National Oil also bagged another award by Global Pacific and Partners for its contribution to excellence in Africa's petroleum sector.



National Oil MD Ms. Sumayya Hassan-Athmani receives the National Oil Company of the Year trophy from Mr. Peter Munga, National Oil Board of Directors Chairman. Looking on is Hon. Mohamud Mohamed, Asst. Minister of Energy.



Mr. Peter Munga, National Oil Board of Directors Chairman shares a light moment with Hon. Mohamud Mohamed, Asst. Minister of Energy during a staff party to celebrate the Africa NOC award.



National Oil staff follow proceedings during their party to celebrate Africa NOC award.

National Oil records rise in market share



By Ken Mugambi
Strategic Planning

The 2012 Kenya petroleum sales statistics indicate that National Oil has significantly grown its market share to reach 9.3 percent in 2012 up from 4.4 percent in 2010 making it the fifth largest petroleum marketer in Kenya.

The sales statistics are for the full year, January to December 2011, and excludes export sales where National Oil is yet to venture. The latest rise in market share comes at a time when the corporation is implementing an aggressive retail network expansion plan that has seen it raise its service station tally from a paltry six stations in 2008 to 95 outlets currently.

The impressive growth by National Oil is attributable to the ongoing network expansion as well as a keen focus on certain key segments of the fuel business including the promotion of the fuel card, SupaCard, which has helped to significantly grow the sales volumes especially from fleet accounts in the last one year.

"The latest rise in market share comes at a time when the corporation is implementing an aggressive retail network expansion plan."



At the top of the market is KenolKobil with 25 percent of the market having topped Total Kenya to second position with 23.3 percent. The two are followed by Kenya Shell (17.8%) and Oil Libya (8.8%).

Moving on National Oil aims at attaining retail market leadership by 2013 and going by the strides made in the last couple of years, the corporation is on course to attain its envisioned goals as outlined in its current strategic plan.



National Oil unveils a mini LPG filling plant



By Temesi Mukani
Corporate Affairs

National Oil is positioning itself to tap into the fast expanding low end consumer goods mass market by innovating tailored products.

In November 2011, National Oil launched a state-of-the-art mini LPG filling plant at a colorful ceremony at its Industrial Area depot. The ceremony presided over by Assistant Minister for Energy Hon. Mohamed Mohamed marked a first for National Oil as it gave the country its first ever mobile LPG filling facility.

The launch of the plant also marked a major turning point in the history of National Oil especially for its LPG business segment. Since the introduction of its SupaGas cooking gas brand in 2008, National Oil had relied on hospitality filling arrangements.

The hospitality filling arrangements had constrained the growth of the brand such that the demand had outstripped supply by far not because National Oil lacked product but because the speed of supply could not match the rate of demand. The launch of the new facility therefore liberated the brand which has since been growing tremendously.

"The Minister stressed that as a public company, National Oil was setting a good example for the rest of the marketers"



National Oil Board Members Ms. Fatuma and Mr. Gacheru follow proceedings during the launch.

The mini filling plant commonly referred to, in industry lingo, as skid is the first of its kind in Kenya and has transformed the packaging of cooking gas for the retail market especially for the low end market or what is commonly called the kadogo economy.

Unlike the conventional LPG filling facilities, skid is capable of filling gas of as little as a kilogram into existing gas cylinders just by a touch of a button. Skid is highly automated and very safe.

Speaking at the colorful launch ceremony also graced by National Oil managing director Ms. Sumayya Hassan-Athmani, the Assistant Minister hailed National Oil for being at the forefront in innovating products and services that are sensitive to the needs of the common Kenyan consumer.

The Minister stressed that as a public company, National Oil was setting a good example for the rest of the marketers to emulate. He particularly pointed out that the move by National Oil to refill affordable quantities of gas into existing cylinders would enhance the uptake of cooking gas as the preferred source of domestic energy. The move, meant to cushion the majority of Kenyans against the escalating price of cooking gas, was well received in the country as it meant many more Kenyans can now afford cooking gas.

Supa Kadogo is the first of its kind in Kenya and will be available in all the 78 National Oil service



Hon. Mohamud Mohamed, Asst. Minister of Energy cuts the tape to officially launch the new National Oil mini LPG plant.

stations across the country. A complete Supa Kadogo cylinder (including gas) will retail at Ksh 1,850.00 and will be refilled at Ksh 800.00. Currently the smallest cylinder in the market weighs 6Kgs.

National Oil Managing Director, Ms. Sumayya Hassan-Athmani said the uptake of LPG in the country was being limited by the cost of existing 6 and 13kg cylinders which are still considered unaffordable to the lower income groups. "The introduction of this economy size LPG cylinder will address the issue of affordability and is part of our strategy of availing affordable LPG to the masses," said Ms. Sumayya.

Ms. Sumayya said National Oil was committed to the promotion of LPG as a greener and cleaner alternative to wood fuel in line with the country's Vision 2030. She added that the introduction of the economy size cooking gas cylinder is part of National Oil strategy to attain downstream market leadership by 2013.



Hon. Mohamud Mohamed, Asst. Minister of Energy is shown how the mini LPG filling plant works.

National Oil recently launched a mobile mini LPG filling plant capable of filling not only full cylinders but also quantities of even 1Kilo of LPG into existing cylinders. The corporation plans to develop the mini LPG filling facilities in middle and low income areas including Nairobi's informal settlements where demand for smaller quantities of LPG is on the rise.

The high cost of acquiring LPG equipment including cylinders has been cited as a barrier to wider LPG uptake and usage in the country. The introduction of the 3kg Supa Kadogo cylinder is therefore seen as an incentive for more Kenyans especially those in the lower end of the market to start using the product. To this end, National Oil has partnered with financial institutions including Equity Bank to provide consumers and retailers of National Oil cooking gas with credit to acquire SupaGas cylinders, gas and accessories. The 3kg Supa Kadogo cylinders will be available to the consumer on the same scheme.

Retail network expansion in top gear



By Jane Njoroge
Sales & Marketing

National Oil enhanced its retail network expansion efforts in the course of 2011 by establishing a network development unit within the marketing department.

The four-member team famously known as Kanga is led by Millicent Munene and is made up of staff drawn from marketing and operations departments. Other members on the team include marketers Jack Muthomi and Kenn Chore as well as Solomon Nderitu, a civil engineer. The network development team is a rapid response unit with express responsibility to scout for property including land for service station development and existing petrol stations for acquisition.

In their every day work, the team identifies property for lease or purchase, conducts due diligence as well as a business viability analysis before engaging property owners in price negotiations and subsequent acquisitions.

The process of acquiring such properties is elaborate and is in line with established public procurement rules and procedures. Before a deal is sealed on any of the properties identified, legal department is involved in ensuring that the property in question meets all legal requirements as set out in the procurement law as well as in National Oil internal procedures.

So far, the team is making tremendous progress and has been able to add to the retail network a number of strategic service stations

in places such as Ikinu in Kiambu and on Nanyuki Road in Nairobi's industrial area.

The team is appropriately named Kanga because of the unique service station models they have adopted some of which are as beautifully shaped as the Kanga, the Kiswahili word for peacock.

In their drive to bring more stations to the network, the Kanga team is stopping at nothing to make sure that the network expands beyond the current 86 stations to over 100 stations in 2012.

Recently, the team's efforts got a boost from two full page adverts in the leading dailies detailing the expanding National Oil retail footprints and calling on potential investors to come onboard.

With the high energy and dedication shown by the team during the last year, it won't be long before National Oil attains retail market leadership as envisioned in the current strategic plan.



National Oil unveils a 3kg economy size LPG cylinder



By Jane Njoroge
Sales & Marketing

In November 2011, National Oil once again led the market by unveiling a three kilogram (3Kg) economy size LPG cylinder targeting the lower end of the cooking gas market.

The cylinder dubbed Supa Kadogo is the first of its kind in Kenya and will be available at all National Oil service stations across the country.

The move by National Oil to introduce the small cylinder was informed by the slow uptake of LPG in the country which is being limited by the cost of the existing 6 and 13kg cylinders which are considered unaffordable to the lower income groups.

In a statement to the media, the MD said that the introduction of the economy size LPG cylinder will address the issue of affordability and is part of National Oil's marketing strategy of availing affordable LPG to the masses.

Ms. Sumayya said National Oil is committed to the promotion of LPG as a greener and cleaner alternative to wood fuel in line with the country's Vision 2030 development blueprint. She added that the introduction of the economy size cooking gas cylinder is part of National Oil's strategy to attain downstream market leadership by 2013.

The introduction of the 3kg Supa Kadogo cylinder is an incentive for more Kenyans especially those in the lower end of the market to start using the LPG.



The use of LPG is variously encouraged by the Government and environmental conservationists a cleaner source of domestic energy compared to other biomass fuels including wood fuel.

National Oil has partnered with financial institutions including Equity Bank to provide consumers and retailers of National Oil cooking gas with credit to acquire SupaGas cylinders, gas and accessories. The 3kg Supa Kadogo cylinders will be available to the consumer on the same scheme.

The current consumption of LPG in the country is estimated at 90,000MT per year and is expected to reach 200,000MT once the current supply constraints are addressed.

National Oil launches fuel card



Hon. Kiraitu Murungi, Minister of Energy unveils National Oil SupaCard. Looking on is the Board Chairman Mr. Peter Munga and Managing Director Ms. Sumayya Hassan-Athmani.

A year since its launch into the Kenyan market, National Oil's advanced electronic fuel management system, SupaCard, has become the fuel card of choice in the country.

At its colorful unveiling ceremony presided over by the Minister for Energy, the Hon. Kiraitu Murungi in June 2011, many anticipated its success but not at the rate it is growing. The card renowned for its superior user controls has literally taken over the market.

In a well thought out media campaign following its launch, National Oil sought to position SupaCard as a fleet management solution with incomparable user benefits and the efforts are paying off. Today, SupaCard is the most sought after fuel card in Kenya thanks to its many benefits backed up by reliable product supply.

In the last one year, SupaCard has brought to the retail network a number of high volume accounts including Kenya Red Cross, National Water and Pipeline Corporation, Geothermal Development Corporation



Dennis Mwai
Sales & Marketing

National Oil has intensified its products diversification with the launch of a number of products and services including the SupaCard and the Supa range of lubricants.

In 2010, National Oil entered into the highly competitive Kenyan lubricants market with a growing range of products and has since positioned itself as one of the leading players. The corporation has managed to keep up with the market by continuously innovating and positioning new product brands.

Over the last two years since the introduction of its lubricants business, National Oil has implemented various market penetration initiatives including mass media campaigns as well as below the line market interaction activities. In 2011 and early this year, National Oil held station level activations in different parts of the country including Mombasa, Eldoret and Kisumu. A major activation is planned for Nairobi sometime this year.

National Oil has its focus on high end automotive lubricants market with a keen focus on growing both the commercial and retail aspects of the business. Currently, the corporation is developing its automotive lubricants range before shifting its attention to industrial blends.

Alongside its investments in motor oils and greases, National Oil is actively growing its non-oil motor consumables and has so

far unveiled its branded battery water and acid as well as a radiator coolant.

To give its lubricants a competitive edge in a crowded market, National Oil picked on its Supadel diesel engine oil as its flagship brand. Supadel is a premium lubricant that is fast gaining popularity among its users for its incomparable high performance and durability. Supadel is variously ranked among the top diesel engine oils in the country and plans are afoot to enhance its brand equity going forward.

National Oil lubricants are available to retail customers countrywide at all National Oil service stations as well as with select dealers spread across the country. Currently, National Oil operates 86 beautifully branded service stations and works with eight (8) distributors. Through its stations and distributors, National Oil has been able to service its growing market as well as gather valuable market intelligence needed to stay on top of its game. The strategy for National Oil is to keep innovating market beating lubricants. A combination of carefully thought out customer benefits including competitive pricing, attractive packaging and an expansive growing distribution network gives National Oil a competitive advantage in the market.

As it works hard to enhance its lubricants brand equity, National Oil is aggressively working on growing its commercial lubricants segment by roping in key accounts. Currently, the corporation supplies a number of key commercial clients and strategies are afoot to win more going forward. To its commercial clients, National Oil supplies lubricants in bulk using properly branded drums, jerricans and pails.

To attain its desired market leadership position, National Oil is stopping at nothing to make sure that its target market is reached and satisfactorily served. In this regard, one of the areas that National Oil has invested heavily is in the marketing of its lubricants.

During the November-December 2011 period; popular with travelling due to the festivities and holidays, National Oil carried out a major campaign aimed at educating the public and particularly motorists on the need of using the right lubricant blends for their vehicles.

In a market dominated by cheap standard products, the intensive awareness campaign was an eye-opener to many motorists. The campaign's main attraction was station level car clinics where motorists were given personalized service and guidance on how to take care of their cars.

The problem of counterfeiting lubricants is a major challenge for Kenyans and affects all actors in the business. Cases of unscrupulous business people filling low grade or recycled lubricants in packs of top brands are on the rise. This is a problem that is causing sleepless nights to brand managers.

To counter such business malpractices, National Oil has had to enhance security features of its lubricants packaging. National Oil lubricant packs are fitted with tamper proof seals complete with batch numbers to enable the monitoring of product movement. Further, National Oil carries out frequent oil analysis for its industrial customers.

Another plus point for National Oil is the presence of trained

mechanics at its service stations. Over 50 mechanics offer technical support to motorists at National Oil service stations countrywide. The corporation is looking at ways of having the mechanics to offer the service on a 24-hour working shift.

National Oil continues to seek for growth opportunities for its various products including lubricants. With the shift to the county system of government, National Oil is positioning itself to take advantage of the devolved economies by enhancing its capacity to service the expanded market.

Alongside its market growth strategies, National Oil is actively developing a number of specialty lubricants including synthetic motor and industrial lubricants as well as food grade oils and greases for its agri-business clients.

Considering the rapid growth in Kenya's commercial motor industry as well as the high uptake of new motor engine technologies, National Oil has established the viability of synthetic lubricants. The benefits of synthetic lubricants compared to mineral based blends include extended drain interval, easy starting as well as protection against tear and wear.

National Oil also sees immense business potential in food grade lubricants especially for Kenya's agro-processing sector including sugar, coffee and tea sectors. Agriculture still remains a key economic pillar for the country and as outlined in the Vision 2030 development blueprint, value addition to agricultural produce offers a real business opportunity.

Alongside the developments in its lubricants business, National Oil is actively growing its various business lines. Currently, the corporation is implementing an ambitious retail network expansion programme that has seen it grow its footprints from 6 stations in 2008 to 86 stations currently.

National Oil diversifies into lubricants marketing



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Sales & Marketing

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Hon. Kiraitu Murungi, Minister of Energy unveils National Oil SupaCard. Looking on is the Board Chairman Mr. Peter Munga and Managing Director Ms. Sumayya Hassan-Athmani. National Oil Board of Directors pose for a photo with the Minister for Energy Hon. Kiraitu Murungi during the launch of SupaCard 11



National Oil focus on petroleum infrastructure development



By Ken Mugambi
Strategic Planning

In November 2011, National Oil set its focus on the development of strategic petroleum infrastructure in a move aimed at addressing current constraints in Kenya's petroleum supply chain.

National Oil is working on a major National Petroleum Infrastructure master plan which will include the establishment of national petroleum reserves and an offshore petroleum jetty.

Ms. Sumayya Hassan-Athmani, National Oil Managing Director, told journalists at a press conference that National Oil is working on a least cost model for financing the three mega projects among them public private partnerships and infrastructure bonds as possible financing options.

"We are currently carrying out technical and financial feasibility studies for the projects and going forward, we plan to explore a mix of financing options with a focus on the least cost model for financing the projects," said Ms. Sumayya.

It is projected that by 2030, petroleum consumption in Kenya will have risen from the current 4

million metric tonnes (MT) annually to 10 million MT. National Oil has an active retail network of 86 stations and its global market share has grown significantly from 0.6 per cent in 2008 to 5.6 per cent currently. The corporation is fast expanding its retail network as it aims to position itself as the leading petroleum marketer in the country by 2013.

National Oil's strategic petroleum reserves project will entail de-velopment of nationwide storage facilities. "The facilities will have linkage to present distribution infrastructure to facilitate quick turn-around of stocks and will help ease the present constraints," Ms Sumayya said.

The proposed locations for the strategic petroleum reserves include: Konza, Mtito Andei, Mombasa, Nanyuki, Northern Kenya, Nakuru, Eldoret and Kisumu.

"We expect the strategic oil reserves to cushion the country from supply shocks by increasing oil reserves from the current 21 days to 90 days," said Ms. Sumayya.

The MD said other measures are needed for sustainable price management including a fuel stabilization fund, long term Government to Government contracts and finding our own oil. Meanwhile, National Oil plans to develop an offshore floating jetty that will accommodate very large vessels. The firm estimates the project will cost between Ksh



National Oil Managing Director Ms. Sumayya Hassan-Athmani flanked by Finance Manager Mr. Kamau Mugenda and SHEQ Manager Ms. Esther Mwangi address the press during the unveiling of the master plan.

7.9 and 9.9 billion (USD 80-100 Million.) Currently, the country relies on one main petroleum jetty located at Kipevu. The current jetty is highly constrained and is unable to handle the ever increasing volumes of petroleum products imported into the country thus occasioning long delays which in turn leads to high demurrage costs and in some cases product supply disruptions.

"In line with Vision 2030, National Oil intends to develop an offshore jetty connected to the shoreline by sea pipeline as an alternative to Kipevu Oil Terminal (KOT). Once established, National Oil expects the jetty to reduce demurrage costs incurred by oil importers. Demurrage costs con-

tribute to the pump price," revealed Ms. Sumayya. "The off shore jetty will be both an offloading and loading jetty and will improve Mombasa port competitiveness and position it as a hub for petroleum business in the region," Ms. Sumayya added. The floating jetty will allow berthing of vessels of up to 280,000 Dead Weight Tonnes (DWT) compared to the current KOT's 120,000 DWT.



Dispatch from the exploration frontline in Turkana



By Temesi Mukani
Corporate Affairs

On Tuesday, 15 May 2012, a National Oil delegation led by the Managing Director Ms. Sumayya Hassan-Athmani visited the Ngamia I drilling site in Lokichar, Turkana County. Accompanying the MD on the trip was Kamau Mugenda (Finance Manager), Francis Njuguna (Ag. Exploration and Production Team Leader), Ken Mugambi of Strategic Planning, and yours truly. We were accompanied on the trip by our hosts from Tullow Oil Kenya led by their country manager Mr. Martin Mbogo.

We left Wilson Airport for Turkana aboard a charter flight some minutes to 8am and landed at the all-murram Lokichar airstrip slightly after 10am. The flight took over one and half hours.

From Wilson Airport, we flew North-West over the spectacular Mount Longonot, Lake Naivasha and Lake Nakuru, the beautiful Kerio Valley all the way up North. It was a smooth flight all the way and the view was fantastic!

Lokichar is a small transit town on the Kapenguria-Lodwar road. It is a sleepy town with minimal human activity. On the day of the visit, the area had experienced some rains and was not as hot and dusty expected.

Even though barren in all aspects of the word, Lokichar town is inviting. The airstrip is located across a dry river valley and as you drive into the main town, you are met by a sight of mostly mud walled houses neatly lined along the road and scattered concrete buildings. It is a typical easy rural town with very little to see.

Touchdown Lokichar

We were met at the airstrip by a team of Tullow Oil security personnel accompanied by a contingent of armed administration police officers. Tullow Oil takes the security of its staff and visitors seriously. We got onto a waiting bus and the long drive to the drilling site began.

We drove in a convoy of three cars with our air-conditioned bus sandwiched between two security escort vans. To ensure that our drive out of town was smooth, local traffic marshals in Tullow Oil branded reflective jackets lined up the road to man animal traffic. Unlike in the city where the biggest challenge is vehicle traffic, here animal traffic is the biggest headache. Life can be contradiction really!

Onwards we drove away from human habitation deep into unending open land occupied only by sparsely spread acacia trees. For the 23 kilometers drive to the site, we met no vehicle except for a lone motorcyclist we met halfway through our journey. At some point during the slightly over forty minutes ride, my eyes got tired

protective wear that included safety shoes, a reflective jacket and eye safety glasses.

The Ngamia camp is an amazing installation. It is a big compound dotted with numerous container units and nomadic tents. The containers and tents are used by the over 260 workers at the camp as offices, stores and houses. Others are used as well as restaurants and washrooms.

The rig

A drilling rig is a big and imposing piece of equipment. It is a masterpiece installation. At a height of over 300 metres above the ground, the rig compares to some of the tallest buildings you know. The rig is transported to the site as parts in containers. The parts are then pieced together in an

pabilities and greater geographic diversity. Apart from Weatherford, there are over thirty other suppliers at the Ngamia providing all sorts of services. Several oil and gas exploration stakeholders including National Oil and the Ministry of Energy are also represented at the camp. At the time of our visit, geologist Anthony Oduor was the National Oil representative onsite where he doubled up for the Ministry of Energy.

For over one hour, we toured the rig. We climbed and descended ladders as Tullow Oil and Weatherford officials took us through the various processes of oil and gas drilling. It was such an empowering experience. Being close to the rig is an overwhelming experience, the kind that you live to retell.



A Tullow Oil official explains a point to the visiting National Oil team

of the unending view of open land and I dozed off. The road to Ngamia is in a motorable state thanks to efforts by Tullow Oil.

The camp

From the outside, the Ngamia campsite looks like a military outpost complete with manned watch towers and bunkers. Visitors to the site go through security checks before being allowed into the tightly protected facility. We went through the security checks before being driven into the inner enclave close to the rig. Then, we were ushered into the training room for a briefing on onsite health and safety. The briefing was short. We were taken through the safety procedures using an illustrated video clip and thereafter provided with pro-

exercise that takes months to complete. Operating an oil drilling rig is a highly specialized and technical engagement. Drilling rigs are supplied to oil and gas exploration companies by independent suppliers. For Tullow Oil, the rig at Ngamia was supplied and is operated by Weatherford International.

Weatherford is one of the largest global providers of products and services in drilling, evaluation, completion, production and intervention cycles of oil and natural gas wells. Weatherford defines itself as a new breed of service company—one that can provide the industry with extended products and services, more efficient operations, more powerful research and development ca-

It was one of those one in a lifetime experiences for some of us and to keep memory, we took photos at every corner of the drill and made sure that we sought all the clarifications. Done with the tour, it was time to sit down for a bite. For lunch, we had a sumptuous meal in a container restaurant.

The journey back to Nairobi was eventless except for a moment during the flight when our plane hit a rainstorm and got me thinking about many not-so-good things but thank heavens we made it back, safe and sound! Let's meet again on another trip to anywhere.

Kenya now a proven opportunity in oil & gas exploration



By Temesi Mukani
Corporate Affairs

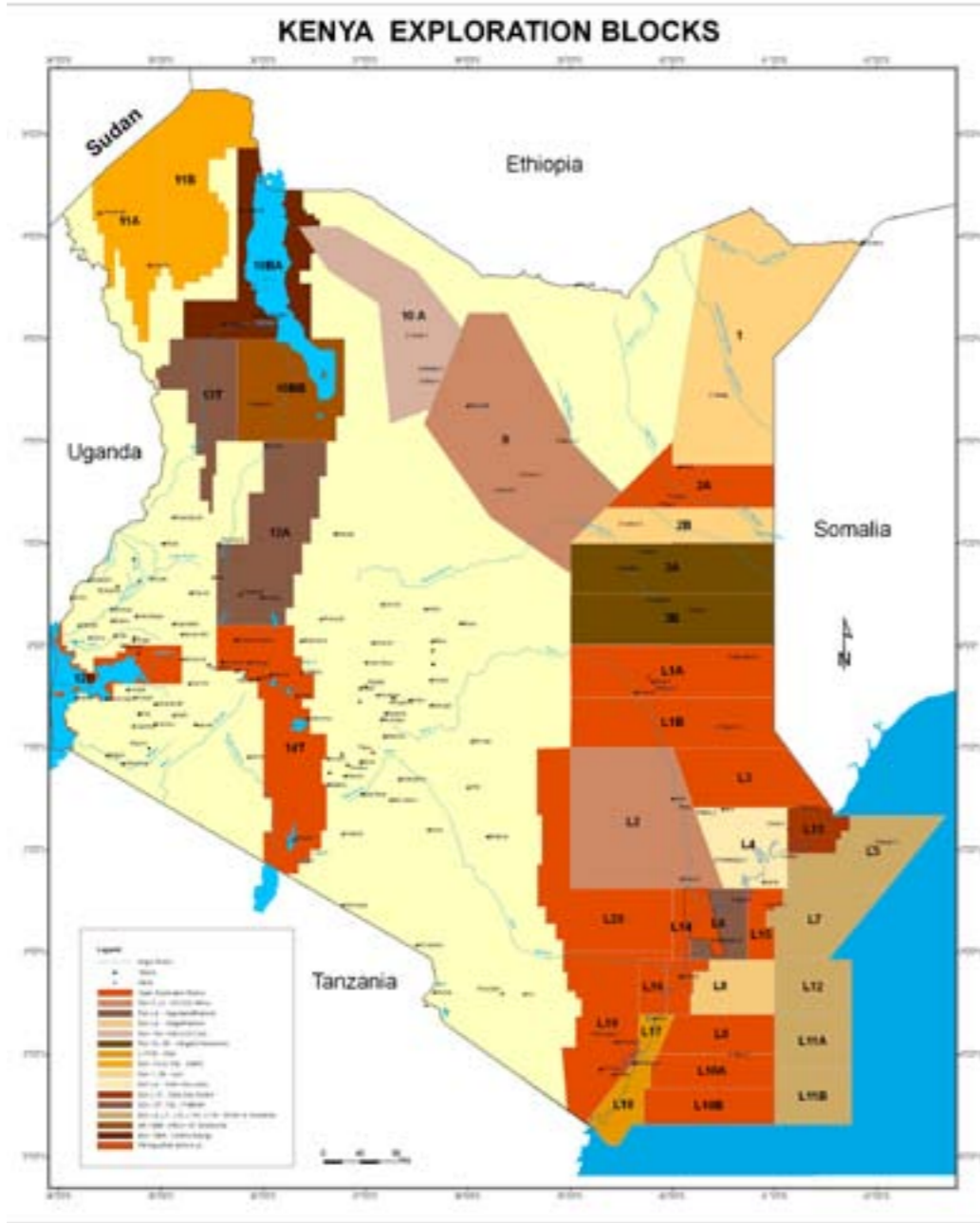
News on the morning of Monday, 26 March 2012 that Kenya had made a major oil discovery in Turkana was met with mixed reactions. For some, it was a moment of glory while for others it was just one of those announcements from the government.

For weeks following the announcement made by the President of Kenya, the Hon. Mwai Kibaki, the Turkana Oil discovery made headline news in local and international mass media. To date, debate on Kenya's oil find still rages on.

Compared to countries in East Africa, Kenya has had perhaps the longest history of oil and gas exploration dating back to sometime in the 1950's. For starters, Kenya's exploration acreage is largely divided into four sedimentary basins that straddle the country. These basins are Lamu, Anza, Mander, and Tertiary Rift. The sedimentary basins are further divided into 46 exploration blocks.

Petroleum exploration in Kenya began in the 1950's with the first well being drilled in 1960. British Petroleum (BP) and Shell were among the earliest petroleum explorers in the country. A consortium of the two oil majors began exploring in Kenya in 1954 in the Lamu embayment. The consortium drilled 10 wells out of which none was fully evaluated or completed for production. This was despite indications of oil staining and natural gas shows. Since then, exploration activities in the country have been in high gear.

In 1975, several consortia acquired acreage in upper part of Lamu Basin. Texas Pacific et al drilled Hargaso-1 in 1975 and encountered oil and gas shows in the Cretaceous rocks. In 1976 Chevron and Esso drilled Anza-1 and Bahati-1 wells in the southern part of Anza Basin. The drilling mud of both tests was suspected of having oil bearing hydrocarbons. Later, an interest in the offshore portion of the Lamu Basin resulted



in the drilling of three deep wells, Simba-1, Maridadi-1 and Kofia-1 by a consortium of Cities Services, Marathon and Union in 1982. Seismic data revealed that salt diapiric structures were present.

In 1986, Kenya's petroleum exploration and production legislation was revised. The revision was done provide incentives and contracting flexibility so as attract enhanced exploration interests in the country's acreage. The same year, the Government of Kenya entered into a joint venture exploration initiative with Petro-

Canada International Assistance Corporation. Petro-Canada conducted successful seismic work and drilled Kencan-1 well to test the depth of the strata on the structure adjacent to Garissa-1 well.

Between 1985 and 1990, a group of companies led by Amoco and Total drilled ten (10) wells, 8 of them in Anza Basin and 2 in Mander Basin. The wells were dry but with indications of oil and gas. Total exploration drilled Ndovu-1, Duma-1 and Kaisut-1 in North Anza Basin while Amoco drilled Sirius-1, Bellatrix-1 and Chalbi-3 in the Northwest of Anza Basin and Hothori-1 well in South

Anza Basin. Amoco farmed out 50% of its interest to Shell who drilled Eliye Springs-1 and Loperot-1 located west of Lake Turkana in a Tertiary Rift Basin. The Loperot-1 15 well penetrated a lacustrine source rock with high Total Organic Carbon content (TOC) and recovered water and waxy oil on a repeat formation test (RFT) from Miocene sandstone interval.

While none of these wells encountered commercial reserves, fluorescence and gas shows were reported in Hothori, Endela, and Ndovu

wells. Biostratigraphic studies suggest that these wells may not have penetrated deep to test the Neocomian-Lower Albian sediments which comprise the source reservoir, and seal within Sudan rift basins.

In 1991, National Oil initiated an in-house study of the Lamu Basin as part of a long-term strategy to re-evaluate the existing geological, geophysical and geochemical data relating to each of the sedimentary basins in Kenya. The Lamu Basin study was completed in 1995. Based on the outcome of the study, Kenya subdivided the Lamu embayment (both onshore and offshore) into ten (10) exploration blocks, each with a specific exploration play.

Enhanced exploration acreage promotion efforts by National Oil in early 2000 generated new interests in the offshore Lamu Basin, and resulted in the signing of seven (7) Production Sharing Contracts covering blocks L5, L6, L7, L8, L9, L10 & L11 between 2000 and 2002. A total of 7884 km of 2D seismic data covering Blocks L5, L6, L7, L8, L9, L10, L11 & L12 was acquired offshore Lamu Basin by Woodside between August and October 2003.

In August 2000 National Oil commissioned the Tertiary Rift Study, which was completed in March 2001. The study led to quantification of potential source and reservoir rock units in the study area as well as the petroleum system at play in the sub-basins. A lot of success has been registered since then and the discovery in block 10BB is an outcome of many years of sustained exploration work.

Block 10BB
Block 10BB in which Ngamia 1 well was drilled has a long and interesting exploration history. Initially, AMOCO was licensed to operate block 10 in 1985. The block covered the present blocks 10A, 10BA, 10BB, 11A and 11B. During this period, AMOCO acquired an aero-gravity survey in the block and the TVK seismic series survey.

In 1990 AMOCO farmed-out 50% of the license to SHELL and SHELL became the operator of the license. SHELL acquired the T-90 seismic series survey and drilled two wells, Eliye Springs-1 in mid 1992 and Loperot -1 towards end of 1992. Later SHELL pulled out of exploration activities in Kenya

and the acreage became open. In 1990, through funding from the World Bank, Western Atlas undertook a study on the Hydrocarbon Potential of Kenya. This study recommended a further subdivision of the exploration blocks including the then block 10.

In 1997, the East Africa Regional Hydrocarbon Study was undertaken by Alconsult International with funding from Canadian International Development Agency (CIDA). In this study, the potential of the



entire country was re-evaluated and this saw the formation of new blocks among them 10A, 10B and 11 as new blocks from the original block 10. These new blocks were subsequently gazetted in 2003.

In 2005, the blocks were reorganized again and this led to block 10B being sub-divided into blocks 10BA and 10BB.

On 25th October 2007, block 10BB was awarded to Turkana Drilling Consortium (Kenya) Limited who later merged with Lundin Kenya BV in April 2009 and later in July 2007, Lundin Kenya BV changed its name to Africa Oil B.V and on December 9th 2009, Africa Oil BV farmed out 20% of its stake in the block to Lion Energy Kenya. Tullow Oil has been working in the block since 2010 leading the discovery in March 2012.

The progress at Ngamia
Since commencing operations in Kenya in late 2010, Tullow Oil has undertaken various activities in Block 10BB including the drilling of Ngamia 1 and Ngamia 1A wells.

On 26 March 2012, Tullow Oil announced that it had encountered in excess of 20 metres of net oil pay. Net oil pay refers to the thickness of an oil reservoir which may be capable of producing hydrocarbons. Ngamia-1 was initially drilled to a depth of 1,041 metres and movable oil with an API greater than 30 degrees was recovered to surface.

The American Petroleum Institute (API) gravity is a measure of how heavy or light petroleum liquid is compared to water. The oil discovered at Ngamia- 1 has similar properties to the light waxy crude discovered in Uganda.

The well was further deepened from 1,041 meters to 1515 metres at which it required a side track. Following completion of logging and sampling, a total pay count greater than 100 metres was discovered over a gross oil bearing interval of 650 metres. An oil sample with an API greater than 30 degrees was recovered to the surface from the newly drilled Ngamia-1A with similar properties to the light waxy crude encountered in the upper reservoir zone.

Drilling of Ngamia-1 is still ongoing to reach the primary target of 2,700m from which results will be further analyzed and the well tested. Well testing is a rigorous process that involves flowing the well in order to assess its potential and that of the reservoir. This process is estimated to take several months to complete.

The Ngamia structure is the first prospect to be drilled as part of a multi-well drilling campaign in Kenya. More than 10 leads and prospects similar to Ngamia have been identified and following the discovery, the outlook for further success has been significantly improved. Testing and additional drilling is needed to determine the future commerciality of the prospects.

Oil is a capital intensive activity and given the vast array of players involved, it could take in excess of three years to establish the commerciality of the Ngamiadiscovery.

The rig being used at Ngamia-1 has been supplied by Weatherford International, a leading supplier of drilling rigs in the world. It is famously named Weatherford 804. On completion

of the operations at Ngamia-1, Tullow Oil is looking at moving Weatherford 804 to the second prospect located in exploration block 13T which is 31 kilometres from North East of Ngamia-1. Tullow is also in the processing of sourcing for another rig to move to block 10A in Marsabit County. Here, Tullow Oil intends to drill Papa- 1 exploration well in the second half of 2012. The well-pad onto which the rig will be placed is complete.

Significance of Ngamia-1 discovery to Kenya

The Ngamia discovery is an important milestone in Kenya's long oil and gas exploration history. The announcement by President Mwai Kibaki that Kenya had made a breakthrough in its oil and gas exploration activities means that Kenya is now considered a frontier opportunity. What this means is that the country will witness increased interest in its exploration from leading oil and gas exploration companies in the world.

The success of oil and gas exploration activities is partly due to the ongoing efforts by the Government of Kenya and its agencies including National Oil and the Ministry of Energy to position Kenya as a key oil and gas exploration destination in the world. Their efforts have continued to attract major investments in both onshore and offshore exploration. Today, some 12 companies with strong financial and technical exploration capabilities are active in the country.

With the current developments, the future of oil and gas exploration in Kenya is bright.





SupaCard launch at Crowne Plaza Hotel



2nd National Energy Conference at KICC

Greenhouses for Schools Project



Glamorous end of the year 2011 party at the Nairobi National Park



Various launches



Employees of the year 2011 awards at the Nairobi National Park

Tullow Oil: From an idea to a global oil & gas exploration giant



By Temesi Mukani
Corporate Affairs

Tullow Oil is a name associated with immense success in oil and gas exploration activities in the world.

Very little was known locally of the Irish company before an announcement sometime in 2010 that they had made a discovery of over 1 billion barrels of commercial crude deposits in the Lake Albert Basin in Uganda. That announcement made Tullow Oil an instant hit in East Africa, and soon everyone was talking about them. What they did not know is that Tullow Oil had been in East Africa long before that announcement.

Tullow Oil Kenya just like Tullow Oil Uganda is a subsidiary of Tullow Oil Plc, a leading independent oil and gas exploration and production company. Tullow Oil Plc was started in a small town called Tullow, 35 kilometres South of Dublin. Dublin is the capital city of Ireland.

From humble beginnings as a small ambitious business venture, Tullow Oil has grown in leaps to become a giant in oil and gas exploration and production. Currently, the company is present in 22 countries spread across 4 continents namely Africa, South America, Asia and Europe.

For a company that signed its first production contract in Senegal in 1986, the growth of Tullow Oil over the years has been phenomenal. In 2007, Tullow Oil made its largest discovery to date in the Jubilee field in Ghana.

Tullow Oil landed in Kenya in mid-2010 and commenced operations later that year. Over the period, Tullow Oil Kenya has quietly worked in the country preparing its blocks for drilling. The March 2012 announcement of Ngamia-1 oil find was a culmination of close to two years of work.

For the period, Tullow Oil Kenya has recorded a number of firsts in the long history of oil and gas exploration in Kenya. For instance, Tullow Oil undertook the world's largest Full Tensor Gradiometry (FTG) survey across its acreage.

Gravity gradiometry (FTG) is used by oil, gas and mining companies to measure the density of the

subsurface, effectively the rate of change of rock properties. FTG is an x-ray of the earth to establish the structure of the rocks. The information gathered from FTG is used by geoscientists to understand the subsurface anomalies which can then be used to establish accurately target oil deposits.

An FTG is acquired from a light aircraft flown at low altitudes and among other aspects measures the gradient of the earth's gravity field while recording shifts in the density of underlying rocks. FTG can deliver results on both shallow and deeper targets and can provide strong 3-dimensional image quality and a detailed dataset. The results from FTG help the exploration team to identify drilling targets which can reduce the number of wells to be drilled and associated impacts.

Tullow Oil is currently undertaking a major 2-dimensional (2D) seismic campaign. Unlike FTG, 2D seismic is a ground based activity that produces a detailed image of the geology beneath the earth surface.

Borrowing from its mother company, Tullow Oil Kenya has invested heavily in its host Turkana community. In the last two years, Tullow Oil has helped develop

infrastructure in its catchment including improvements on the road network and telecommunications. In fact, the road from Lokichar town to Ngamia-1 is as good as any all-weather road in resource endowed regions of the country.

In 2011, Tullow Oil invested over Ksh. 30 million in community initiatives including education, provision of clean water and health infrastructure. In 2012, the company enhanced its community participation and is looking at offering five fully funded public scholarships in the fields of drilling and well engineering, reservoir evaluation and management as well as energy studies specializing in oil and gas economics, environmental science and oil and gas law.

At the Ngamia camp, Tullow Oil Kenya sources most of the supplies from the local community. Food products such as meat and dry rations including cereals are all sourced from local suppliers. For a site with over 260 personnel in camp, this translates to millions of shillings.



Tullow Oil technicians at work

National Oil in a mega food security CSR project



By Temesi Mukani
Corporate Affairs

National Oil has initiated a multi-million project to address the perennial problem of food scarcity in Arid and Semi Arid (ASAL) parts of the country.

The project dubbed National Oil Greenhouses for Schools entails empowering communities in ASAL areas with the greenhouse farming technology with a view of enhancing local agricultural productivity.

So far, National Oil has spent over Ksh. 16million to procure and set up greenhouse kits in 33 schools along the Kenyan Coast. This initial phase of the project is funded by Anadarko Petroleum. Anadarko Petroleum is a National Oil exploration partner working off-shore in Lamu,

The project is the first of its kind to be undertaken by an oil company in Kenya and is expected to transform schools and their host communities. So far, some beneficiary schools have started enjoying the benefits of the initiative.

The genesis
The decision by National Oil to invest in greenhouse farming

was reached at following a protracted famine that devastated some parts of Kenya in 2011. The drought was so severe prompting National Oil and other leading corporate organizations to come together for a fundraising drive to purchase foodstuff for the starving.

In as much as the fundraising efforts realized millions of shillings for the to purchase food stuff as a mitigation measure, National Oil management felt that providing relief food was not a sustainable way of addressing the problem of food scarcity in these regions.

"The process of identifying beneficiary schools was rigorous and inclusive."

The idea of establishing greenhouses in schools was thus mooted as a sustainable way of empowering communities in ASAL areas with the technology to deal with food insecurity.

Schools were identified as entry points into communities because school children are the most vulnerable and suffer the most from hunger. In many instances, children are forced stay at home during drought periods to look after their frail relatives and livestock. Schools were also identified



National Oil Managing Director Ms. Sumayya Hassan-Athmani (in red cap) inspects a tomato crop in one the greenhouses. Inset, is a mature tomato fruit.

because of their critical role in ensuring diffusion of new technologies into their host communities. The projects seek to uses schools as centers of excellence from where the greenhouse farming technology will be diffused into adjacent communities. Children in beneficiary schools are able to influence communities to take up greenhouse farming.

The process of identifying beneficiary schools was involving. National Oil and the Kenya Red Cross Society held a consultative meeting with members of parliament from across the Coast. It is these MP's that proposed the schools. These schools were then assessed by a technical team from Amiran Kenya to establish their suitability. Amiran Kenya is an Israeli Company that deals in greenhouse farming kits.

Speaking at the consultative meeting with the parliamentarians, National Oil managing director Ms. Sumayya Hassan-Athmani informed them that through the greenhouses, National Oil is looking at a long term solution to the problem of food scarcity. She mentioned that as a state owned company, National Oil took upon itself the responsibility to ensure that Kenyans are adequately empowered to produce adequate food by use of the greenhouse farming technology. The greenhouse farming technology has been effectively in many desert

countries to produce food for domestic consumption and export. Israel and Egypt are some of the desert countries whose agriculture is mainly based on greenhouse farming technology.

The Coast MP's hailed National Oil for taking the lead in the efforts to find a lasting solution to the problem of food insecurity in Kenya. Led by Minister Amason Jeffa Kingi and Garsen MP Danson Mungatana, the legislators assured National Oil of their support for the project. They also assured the Managing Director of their support for National Oil's business activities and exploration activities.

The Greenhouse for Schools project was officially launched at Kakuyuni Secondary School in Malindi on 3 March 2012. The colorful launch ceremony was presided over the National Oil MD Ms. Sumayya Hassan-Athmani and attended by an array of stakeholders from the Coast including the Malindi MP Hon. Gideon Mng'aro, the Secretary General of the Kenya Red Cross Mr. Abbas Gullet and other dignitaries. Beneficiary schools from across the Coast also attended.

Going forward, National Oil plans to invest more in sustainable community projects across the country including greenhouse farming initiatives.



National Oil Managing Director Ms. Sumayya Hassan-Athmani and Kenya Red Cross Sec Gen. Abbas Gullet join students of Ngala Girls High School in reciting a poem during the launch of the greenhouse project in Malindi.

National Oil renews Ian Duncan rally sponsorship



By Lucy Njagi
Corporate Affairs

In January 2012, National Oil renewed its corporate sponsorship for rally ace Ian Duncan for the next three years. The Corporation has sponsored Ian since 2008 and the initial 3 year sponsorship agreement ended in December 2011.

The National Oil rally team of Ian navigated by Amar Slatch has done tremendously well and National Oil management team was convinced that rally had contributed tremendously to the growth of the National Oil corporate brand.

In 2011 for instance, the National Oil rally team emerged top in the seven leg Kenya Commercial Bank (KCB) sponsored Kenya National Rally Championship (KNRC) and the yellow colored heavily branded National Oil Mitsubishi Evolution 9 received the highest media coverage of all rally cars in the competition. This was a great performance for the team and a key consideration in the renewal of the sponsorship deal.

Ian Duncan is a highly respected sports personality in Kenya having taken up rallying in the late 1980's. He has established himself over the years as a reputable brand in the high adrenalin



National Oil Managing Director Ms. Sumayya Hassan-Athmani with rally ace Ian Duncan after signing of the new contract

sport. His endorsement of the National Oil brand has therefore lifted the profile of the Corporation among rally enthusiasts most of whom are current consumers of National Oil products.

"National Oil managing director Ms. Sumayya Hassan-Athmani assured Ian of the Corporation's continued support"

As part of the renewed contract, Ian will continue to be the National Oil corporate brand ambassador as well as the face of the newly launched National Oil Supadel diesel engine oil. For Supadel, Ian's trademark rally pickup truck is being used on its campaign materials including bumper stickers, newspaper adverts and posters.

Speaking at the signing of the new enhanced contract, the soft spoken Ian thanked National Oil for believing in him and promised to work even harder in the 2012 KNRC season so as to lift the National Oil brand even higher. He pledged his availability for National Oil marketing and brand promotion activities including product endorsements.

On her part, National Oil managing director Ms. Sumayya Hassan-Athmani assured Ian of the Corporation's continued support and urged him to keep up the good work. The MD acknowledged that by sponsoring Ian, the corporation was getting value for the sponsorship. Ms. Sumayya further urged the National Oil corporate affairs team to make maximum use of the sponsorship by enhancing the branding of the rally team.

The National Oil rally team has since started the 2012 KNRC season on a good footing by emerging second in the Nyeri, Kisumu and Kajiado rallies. The next rally in the series is scheduled for July in Mombasa.



National Oil awards top architecture students



By Lucy Njagi
Corporate Affairs

In February 2012, National Oil awarded top architecture students with cash prizes and corporate merchandise after emerging tops in an inter-university architecture competition to design modern sanitary facilities for the company's retail stations.

The top award of Ksh. 150,000 was won by David Mogikonyo and Makana Crispine of the University of Nairobi. In the competition, students were required to come up with modern and cost effective designs for female and male washroom facilities. The selection panel drawn from within and outside National Oil awarded points based on design

"In the design competition, students were required to come up with modern and cost effective designs"



National Oil MD Ms. Sumayya Hassan-Athmani in a group photo with staff and students of the University of Nairobi during the award ceremony. Below, the best student Mr. David Mugikonyo being awarded.

relevance, ease of use, creativity of designs, cost effectiveness and provisions for mass production.

In their design, the winning team of Mogikonyo and Makana made creative use of National Oil's corporate identity including its logo and colors. They also included a roof water collection system, bio-digester, and use of prefabricated plastics.

While awarding the students, National Oil Managing Director Ms. Sumayya Hassan-Athmani said that she was impressed by the high quality of designs by the students. She added that the corporation will continue involving students in undertaking some of its projects as a way of preparing them for the job market. Those in attendance during the award ceremony



held at the head office included Jane Njoroge (Marketing Manager), Charles Maina (Territory Manager-CI), Denis Mwai (Lubricants Manager), Temesi Mukani and Lucy Njagi of Corporate Affairs.

National Oil donates to Murugi Secondary School



By Lucy Njagi
Corporate Affairs

In February 2012, National Oil made a corporate donation of Ksh. 150,000 to Murugi Secondary School from Meru County.

The cash donation was awarded to the newly established school for the construction of a modern ablution block.

During a short award ceremony held at head office, the managing director Ms. Sumayya Hassan-Athmani acknowledged the need to invest more in education

supporting infrastructure including toilet facilities by communities and well-wishers as a way of enhancing education standards in the country.

Ms. Sumayya added that as a responsible Kenyan company, National Oil will continue supporting communities in their endeavors to uplift their wellbeing.

Speaking after receiving the cheque, the head teacher thanked National Oil for the kind gesture and promised to ensure that the funds were put to good use.



National Oil MD Ms. Sumayya Hassan-Athmani presents a dummy cheque to staff and students of Murugi Secondary School.

National Oil staff trained on public procurement

In February 2011, National Oil staff drawn from across the Corporation including branch offices was trained on the provisions of the public procurement law.

The main focus of the one-day training organized by the procurement department and conducted in phases was to expose non-procurement staff to the provisions of the Public Procurement and Disposal Act (PPDA).

During the intensive training, the staff were taken through the various provisions of the

Act before being helped to identify their various responsibilities in the public procurement processes including their roles in the various committees including tender, negotiation and inspection.

The question and answer sessions were the most exciting sessions of the training as staff sought to understand public procurement procedures including provisions in the law that they could use to expedite their activities.

By close of the training facilitated by officers from the Kenya Institute of Supplies Management (KISM), a total of 50 staff had undergone training. The procurement department intends to organize many more such trainings to equip staff with the requisite knowledge to enable them deal with emerging procurement issues.

The intern chronicles



By Nduta Njenga
Legal Affairs

Whenever the word 'intern' is used to refer to a lady, it is usually a fancy term interchangeable with 'tea-girl'. That was my first thought when I was informed that I had been offered an internship at National Oil Corporation of Kenya. I was very excited to be starting a new phase of my life but I was not particularly keen on the type of work I imagined that I would be doing; which in my mind was basically running the errands that nobody else wanted to do.

How wrong I was!! On my very first day, the HR staff graciously welcomed me in a very professional manner and introduced me to every member of staff. It was rather overwhelming and my first challenge became trying to remember everyone's name (I noticed however that there were many people named 'Ken'). After the introductions, I was

assigned to the Deputy Managing Director's department and to its legal officers who were to be my direct supervisors.

It is difficult to imagine that at one point I was so nervous but from day one, the members of the team immediately made me feel at home. Each member, at various points during my first week, took me through even the most basic task including photocopying and printing and made sure that I knew my way around. Whenever I was assigned a task, I was often seized of a mild case of anxiety wondering whether I would be able to do a good enough job to impress my supervisors or whether I would mess up and fall flat on my face. However, the team immediately put me at ease with their willingness to teach and an attitude of 'it's-ok-to-make-a-mistake'.

The best part of it all is that Interns also have their own set of deliverables which are to be achieved during the duration of the internship and because of this, I have been exposed to and given 'real work' which has certainly helped to boost my professional confidence in my own personal service delivery.

I am writing this as a 6 month old legal trainee and I feel the same excitement I felt when I received my letter of offer. I have learned much more than I expected and I feel that whatever little contribution I have made has been appreciated and developed. Having worked in places with very little structures or overall strategic intent, I am amazed at the level of professionalism and competence that is displayed on a daily basis at the Corporation. Every member of staff has been courteous and helpful. The thing that has impressed me most is the congenial relationship among the MD, Senior Management and other members of staff including support staff which is characterized primarily by mutual respect.

In summary, other than a computer that does not like me very much (and expresses itself explicitly on an almost daily basis), I am optimistic that a very bright future lies ahead of me at National Oil (I hope that this hint is as loud as I intend it to be).

My internship experience



By Najma Maalim
Supply Planning

I remember my first day as though it was just yesterday. Butterflies in my stomach, dreams of grandeur and armed with a killer smile...I was ready to take on National Oil. Nerves and excitement were building up as I sat at the reception - the only thoughts in my mind were on the company culture and whether I would fit in.

As I began to walk around the company for my staff introduction, I was pleasantly surprised to find the average staff member was less than 30. "Youth power!" I thought and I immediately knew I would fit in.

I found the culture of the company to be one of openness, acceptance and friendliness. The warmth and friendliness of the staff is always evident and clearly illustrated especially during tea time.

I remember countless invitations from colleagues... "Najma take tea... Najma I've brought you tea... Najma kwani hukunywi Chai?" Initially, it was somewhat strange and slightly humorous to be told by 5 people to "take tea", it highlighted to me that this was an environment which fostered friendships

and a culture which made one feel as part of a big happy family. A big glamorous family! Having graduated in Chemical Engineering from Nottingham University and not being the type to rest on my own laurels, I relished the challenge of a new role in Supply Planning. So far the experience has been brilliant! Being an intern, I felt a sense of responsibility from day one. I have thoroughly enjoyed working with my supply team. Being part of National Oil has so far been fun and insightful. Having tasted the corporate life, I now know that this is where I'm meant to be.

New Staff



Benjamin Kipruto
(Projects Engineer)

Benjamin joined National Oil on 4 July 2011 as the Projects Engineer. He holds a Bachelor of Science Degree in Civil Engineering from the University of Nairobi. Benjamin previously worked at Hass Petroleum where he had been for 4 years.



Temesi Mukani
(Corporate Affairs Executive)

Temesi joined the Corporation on 4 July 2011 as the Corporate Affairs Executive. He holds a Bachelor of Arts Degree in Journalism and Media Studies (Public Relations) from the University of Nairobi, a Diploma in Information Systems and he is currently finalizing his Master of Arts Degree in Communication Studies. Before joining National Oil, Temesi worked at KenolKobil Limited as a Public Relations Officer.



Sammy Edgar Malala
(Territory Manager)

Sammy joined the corporation on 19 September 2011 as a Territory Manager in our Lubricants Section. He holds a Bachelor of Technology in Chemical and Process Engineering from Moi University. Before joining National Oil, Malala was Lubricants Engineer at Hass Petroleum. He previously worked at Total Kenya Limited.



Cecilia Kalungu-Uvyu
(Human Resources Officer)

Cecilia joined National Oil on 27 December 2011 as a Human Resources Officer. She holds a Bachelor of International Business Administration and a Master of Business Administration (Human Resources option) from USIU. She also holds a certificate in Human Resources Practices from Cornell University in the United States of America. Prior to joining the Corporation, Cecilia worked at the Kenya Commercial Bank as an Assistant Human Resources Advisor. Cecilia is happily married with one child.



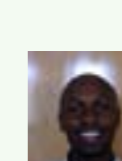
Mary Kiragu
(Risk Analyst)

Mary joined National Oil on 9 January 2012 as a Risk Analyst. She holds a Bachelor of Education (Accounting and Economics) degree from the University of Nairobi. She is a Certified Public Accountant (CPA-K) and a certified Information Systems Auditor (CISA). Prior to joining National Oil, Mary worked at SMEP-DTM Limited as a Senior Internal Auditor/Risk Analyst. Mary is married with one child.



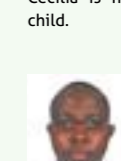
Tom Irungu Njeri
(Information Systems Auditor)

Tom joined National Oil on 6 February 2011 as an Information Systems Auditor. He holds a Bachelor of Science degree in Computer Science from Maseno University. He is a Certified Information Systems Auditor (CISA) and a certified Information Security Manager (CISM) and is an ISO 27001:2005 lead auditor. Prior to joining National Oil, Tom worked for SGS Kenya Limited as an IT Auditor. Tom is married with one child and is a staunch Arsenal supporter.



Elvis Kah
(Territory Manager)

Elvis joined National Oil in September 2012 as a Territory Manager for Kisumu. He holds a Bachelor of Technology Degree in Chemical and Process Engineering from Moi University and he is currently pursuing a Master of Business Administration degree at the University of Nairobi. Before joining National Oil, Elvis worked at KenolKobil Limited as a Lubricants Sales Representative. He enjoys music, soccer and cricket as well as reading biographies of prominent world leaders.



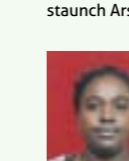
Martin Wambua
(Stocks Accountant)

Martin joined the Corporation in April 2012 as a Stocks Accountant based at Head Office. He holds a Bachelor of Commerce Degree in Finance from the University of Nairobi. Previously Martin worked for KenolKobil Limited.



Peter Kang'ethe
(Depot Accountant)

Peter joined the Corporation in April 2012 as a Depot Accountant based in Eldoret. He holds a Bachelor of Arts Degree in Economics and Political Science from the University of Nairobi. Previously Peter worked for Skylark Limited.



Carolyne Kiptarus
(Territory Manager)

Carolyne joined the Corporation in August 2011 as the Territory Manager. She holds a Bachelor of Science Degree in Chemical Engineering from the University of Russia Chemical and Technology named after Mendeleev. Before joining National Oil, Carolyne worked as a Machine Operator at James Finlay and at KenolKobil Limited as a Lubricants Blending Coordinator. She is a happy mother of two daughters.



Edwin Omari
(Clerk of Works)

Edwin joined National Oil on 6 February 2012 as a Clerk of Works based at the Head Office in Nairobi. Previously, he worked at Care International. Edwin holds a Diploma in Building Construction and Project Management from the Kenya Institute of Highways and Building Technology (KIHBT). He is happily married with a son and is a football and rugby enthusiast.



William Kamau
(Depot Accountant)

William first joined National Oil in January 2011 as an intern in the Finance Department and later employed on 1 August 2011 as a Depot Accountant. He holds a Bachelor of Commerce (Accounting) degree and is a CPA finalist. In his spare time, William is a volleyball player.



Faitz Yusuf
(Instrumentation Engineer)

Faitz joined National Oil in November 2011 as an Instrumentation Engineer based at the Nairobi National Terminal. He holds a Bachelor of Science Degree in Control and Instrumentation from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). Before joining National Oil, Faitz worked with Corrugated Sheets Limited in Mombasa. He enjoys reading scientific literature, swimming and boxing.



Samuel Ng'ang'a
(Procurement Analyst)

Samuel joined National Oil in May 2012 as a procurement analyst based at Head Office. He holds a Bachelor of Purchasing and Supplies Management from JKUAT and is currently pursuing an MBA in Supply Chain Management at the University of Nairobi. Prior to joining National Oil, Samuel worked at G4S and Glaxo Smith Kline. He is happily married with three children.



George Musukha
(Procurement Clerk)

George joined National Oil in April 2012 as a Procurement Clerk based at Head Office. He holds a Diploma in Supplies Management and previously worked at NEMA.



Rhoda A.K. Nyambori
(Procurement Analyst)

Rhoda first joined the Corporation in January 2011 as a Procurement Analyst. She was confirmed to the position in March 2012. Rhoda holds a Bachelor of Science Degree in Agriculture from the University of Nairobi and a Master of Science in Procurement and Logistics from JKUAT. She also holds a Diploma in Purchasing and Supplies from the Chartered Institute of Purchasing and Supply, UK. Prior to joining National Oil, Rhoda worked for Population Services International and Delmonte Ltd. Rhoda is happily married with two daughters.

National Oil employees of the year 2011



Anthony Gatehi
(Finance)

Anthony is an outstanding employee with an approachable demeanor, always ready to serve, is very thorough and a firm manager. In 2011, Anthony successfully cleaned up customer accounts and offered tremendous credit control support to branch offices. A warm personality and quick decision-making are his greatest assets



Thomas Mugo
(SHEQ)

Tom is an easy to work with, highly dedicated and reliable employee. He is an excellent team player. In 2011, Mugo led the internal ISO process leading to the attainment of the ISO 9001:2008 recertification. The future is bright for this young, energetic and intelligent professional whose motivation to succeed is incomparable.



Mohamed Swaleh
(Procurement)

Mohamed is a passionate worker who takes time to make sure that his output complies with the law and international best practices. He is concise and professional in his handling of procuring related matters. Swaleh's outgoing personality makes him a joy to work with.



Kennedy Luyera,
(E & P)

Ken is an approachable young professional who is always willing to help. He has a fantastic attitude towards his work and interacts easily with colleagues from across the corporation. Simply, Ken stands out as a active young employee with bright career prospects.



Simon Gitau
(ICT)

Simon is your typical computer guru who stops at nothing to get you sorted. As the officer in-charge of the ICT helpdesk, he is outstanding especially in providing user support. Simon is liked across the Corporation for his friendliness and his willingness to follow through issues.



Job Muthoka
(Operations)

Job is the employee to count on when things get thick, literally. In 2011, he distinguished himself as a reliable employee by managing two demanding dockets successfully. Overall, Job is well organized, has a positive attitude, is hardworking and is an inspiration to his team.



Kenneth Kinga
(Supply Planning)

Ken may pass as shy but to his colleagues, he is a friendly and thorough team player who leaves nothing to chance. He has an amazing command of the oil supply chain and works superbly well with industry peers in ensuring seamless operations. In 2011, Ken stood out from the pack with his ability to ensure steady supply of products even in times of product shortages.



Charles Maina,
(Sales & Marketing)

Charles is not your average petroleum marketer. He is a man with a superb understanding of the oil business. In 2011, Charles brought onboard several key commercial accounts including GDC. For Charles, nothing makes him as happy as securing a new commercial account for the corporation.



Christine Naikuni
(MD & DMD)

One word describes Christine, METICULOUS! As the bridge between staff and the Managing Director, Christine does her work with unmatched passion and ensures that the MD's busy calendar accommodates everyone. Christine is liked for her approachable and calm nature, her unique ability to facilitate activities and her friendly demeanor.



Runners-Up
Oscar Otieno
(Operations)

In 2011, Oscar distinguished himself as a dependable hard-working employee always willing to go the extra mile. His friendly demeanor and keen attention to details makes Oscar an outstanding member of the National Oil fraternity and his supervisor rates him as being one of the key resources in his Operations department.



Runners-Up
Sumayya Hassan-
Athmani (MD)

SHA is variously described by National Oil staff as a blessing. She leads the fastest growing oil company in Kenya from the front. SHA is a natural team leader who draws tremendous respect from her team. The passion and drive with which SHA handles her duties makes her an outstanding manager. With SHA in control, the future of National Oil is glamorous!



Overall
Kamau Mugenda
(Finance)

Kamau is your typical top-level career accountant motivated by numbers and the bottom-line. He is a thorough manager who despite being friendly is firm. Kamau is a natural warm individual whose people management skills make him stand-out. In 2011, Kamau oversaw several successes in Finance including a timely audit.

E&P makes impressive progress in Block 14T



By Lucy Njagi
Corporate Affairs

In 2010, National Oil added to its traditional mandate of marketing Kenya's oil and gas exploration blocks by taking up its own acreage, Block 14T.

The expansive Block 14T stretches from the Lake Magadi basin north to the shores of Lake Baringo in the rift valley.

So far, the National Oil exploration and production (E&P) team has made tremendous progress in this block. They completed gravity tests in a record time paving the way for gas seepage geochemistry (Gore Sorber) studies which they conducted on a grid of 2km by 2km.

In the Gore Sorber tests, the team under the leadership of acting E&P team leader Francis Njuguna collected over 400 samples. The samples were forwarded to Gore laboratories in Maryland, USA for analysis.

The E&P team is currently gearing up for a Full Tensor Gradiometry (FTG) test which is the next phase of tests after the results of the Gore Sorber gas seepage analysis and the approval of the Environmental Impact Assessment report submitted to the National Environmental Management Authority (NEMA).

Spurred by the recent oil find in Turkana and the progress made by the E&P team in Block 14T, several international oil companies have been knocking on National Oil doors seeking partnerships.

In April 2012, National Oil signed a joint study agreement for the evaluation of hydrocarbon bearing in offshore Kenya with the Japan Oil, Gas and Metals National Corporation (JOGMEC). With this agreement, Na-

tional Oil is now set to conduct geological and geophysical surveys including FTG, Seismic and Electromagnetic in Block 14T and in the rest of the country. The agreement with JOGMEC is for one and half years.

Alongside the work being done in Block 14T, the E&P team is doing well with the ongoing digitization of oil and gas exploration data and the modernization of the National Oil and Gas Laboratory.

The two projects commenced in 2010 and are now at an advanced stage. Data scanning for the National Data Centre (NDC) is now complete and test data is being loaded onto the Case 360 Documents Management System.

Despite their tight schedule of activities, the E&P team has not forgotten its customary mandate of marketing Kenya's exploration acreage. The team continues to project Kenya as a key frontier in oil and gas exploration.

Considering the recent oil find in Block 10BB, the team's work-plan looks crowded going into the new financial year 2012/2013.

SHEQ in an ambitious project to ISO certify stations



By Thomas Mugo,
SHEQ

The Safety, Health, Environment and Quality (SHEQ) department has initiated an ambitious project to attain ISO 9001:2008 certification for National Oil petrol stations.

The initiative is the first of its kind in Kenya and the initial plan is to have Times and West service stations in Nairobi certified before close of the current financial year in June.

The essence of seeking to certify National Oil retail stations is to enhance service delivery and make them centers of excellence in customer experience. Customer experience is attainable largely by ensuring that station staffs including pump attendants, their supervisors and the dealers are customer focused.

Currently, staff at the two petrol stations on the pilot programme, Times and West, are undergoing rigorous training and simulations to build their capacities as demanded by the certification.

The plan is to get the two pilot stations certified by June before up-scaling to thirteen stations. Ultimately, National Oil intends to have its entire network ISO 9001:2008.

As part of the certification process, the two pilot stations recently underwent major refurbishments including rebranding, civil works and mechanical repairs done by the in-house maintenance team.

The initiative to ISO certify National Oil retail network comes at an opportune for the corporation which is fast expanding its stations tally with a view of realizing downstream market leadership by 2013.

Addressing staff at the head office recently, the Managing Director Ms. Sumayya Hassan- Athmani informed that the marketing focus for the next financial year, 2012/2013, which commences in July this year, is enhancing customer service. The drive to certify the stations therefore falls right within this strategic goal.

National Oil unveils a new website



By Timothy Njoroge
ICT

In January 2011, National Oil unveiled a new website developed internally by a joint ICT and corporate affairs with direction and input from the management team.

The new website has a fresh, interactive and easy to navigate interface and is a complete departure from the old website whose de-

sign had received immense criticism from both internal and external audiences as being a difficult site to navigate.

In addition to its appealing and easy to navigate user interface, the new website has several new features including links to social networks such as Facebook, Twitter and YouTube as well as an onsite search facility to enable easy access to information by users.

Further, the new website has a new and easy to use classification of content classified under respective menus and hyperlinks. For instance, all information related to the market-

ing of petroleum products and related services is clustered under the downstream business menu thus enabling quick access to such information.

The new website has also incorporated new photography and content to showcase the ongoing growth in the corporation. For instance, the new website has a special link for careers and a dedicated menu for reporting corruption.

With the website fast becoming a key contact point for the corporation, the website management team is working to enhance it even further.

National Oil staff trained on tax

A team of over 30 staff drawn from various departments were in May 2012 trained on various aspects on taxation including value added tax (VAT), withholding tax, and customs and excise tax.

The three-day training held was held between 9th to 11th May and was conducted by KPMG. KPMG are the corporation's tax consultants and according to the finance department, the training was done so as to empower staff on tax so as to enhance compliance.

The team of finance and non-finance staff was mostly drawn from head office and plans are underway to include staff from the branches in subsequent trainings.

On the first day of the training, staff was taken through value added tax. The trainers tackled, among other areas, registration for VAT, tax point for VAT, VAT exempt supplies, zero rated supplies, exportation of good and taxable supplies. They also trained on output VAT, VAT on imported services (reverse VAT),

input VAT, and withholding VAT which was done away with by the 2011 budget.

While discussing VAT, the KPMG trainers discussed penalties for defaulting VAT payments and the regulatory requirement on electronic tax registers. Further, the KPMG team made reference to National Oil accounting processes in discussing issues often noted during VAT audits including in-tank sales, hospitality billing and exchange pool transactions.

The most interesting part of the VAT training may have been the discussion of the draft VAT law which seeks to enhance the capacity of the Kenya Revenue Authority (KRA) to raise substantial revenue at low administrative and compliance costs, sort out the current constraints in VAT administration and address the increasing huge backlog of refund claims.

On the second day, participants were taken through customs and excise taxes. Customs

duty is simply the tax levied on goods on entry or sometimes on exit from the country while excise duty is non-discriminative tax levied on locally produced or similar imported goods such as wines and spirits, bottle water, airtime et cetera.

In discussing customs and excise taxes, participants were trained on aspects such as bill of lading, bonded warehousing and certificate of origin. They were also sensitized on common external tariffs, community tariff treatment and countervailing duty.

On the final day of the training, participants were trained on withholding tax which is tax deducted at source on payments to both resident and non-resident persons on income from various sources. The trainers enumerated various sources of income that are subject to withholding tax among them interest, dividends, agency payments, royalties, management and professional fees.

National Oil to focus more on alternative business

National Oil is looking to invest more in its alternative business segment as an emerging key revenue stream in view of the shrinking fuel business margins.

Alternative business segment comprises non-fuel services offered by the company at its service stations and includes leasing of space by service providers for services such as restaurants, ATM's, pharmacies, mobile money transfer services, agency banking et cetera.

Alternative business has become a money spinner for oil marketing companies as the petrol station is turned into a one-stop shop where motorists not only fuel their cars but also access related services.

So far, National Oil has largely and successfully so, depended on its fuel, lubricants and

LPG sales to grow its bottom-line. The introduction of price controls on fuels and the increasing competition in LPG and lubricants means that the corporation has to shift its focus to the high margin alternative business segment.

As part of the new business focus, National Oil has so far signed agency banking agreements with a number of banks including Equity, KCB and Cooperative Bank. The banks will offer agency banking services at National Oil petrol stations countrywide.

The new development comes at a time when National Oil is fast expanding its retail network to cover the entire country. Currently, the company has 83 service stations and plans to attain 100 stations by close of the 2011/2012 financial year in June.

The growing retail network is having a bearing on the company's market share which jumped from 5 percent in 2010 to 9.3 percent in 2012.

In addition to traditional the leasing of rental space to service providers and provision of forecourt services including car wash, ATM's and restaurants, the corporation is exploring various other business ideas including lease of advertising space on its digital price display boards and erecting of advertising billboards in strategic locations.

With the ongoing and envisioned investments in alternative business, the future of National Oil business growth is guaranteed by its diversified product and service offerings.

National Oil seals deal with JOGMEC

In May 2012 National Oil entered into a joint geophysical survey agreement with the Japan Oil, Gas and Metals National Corporation (JOGMEC) which is the national oil company of Japan.

The agreement signed by National Oil Managing Director Ms. Sumayya Hassan-Athmani and JOGMEC President Mr. Hirobumi Kawano is for the evaluation of hydrocarbon potential of onshore Kenya by undertaking geophysical surveys.

The geophysical surveys will include Full Tensor Gravity Gradiometry (FTG), 2D Seismic, Magneto Telluric and Time Domain Electromagnetic studies. The initial contract period is 1.5 years pending the outcome of the surveys.

The signing of the joint venture comes at an important time for National Oil which is actively exploring for oil and gas in its Block 14T.

National Oil acquired Block 14T in November 2010 and has since made significant progress. So far, National Oil has completed Gravity studies by attaining 2,507 points which was above target in the Southern part of the block.

The corporation has completed the Gas Seepage Geochemistry (Gore Sorber) field work on a grid of 2KM by 2KM and over 400 samples recovered. Analysis of the samples is ongoing at the Gore laboratories in Maryland, USA.

National Oil plans to acquire FTG on Block 14T from June 2012 and this latest development is a major boost to the corporation's oil and gas exploration activities.

JOGMEC was established on February 29, 2004 pursuant to the Law Concerning the Japan Oil, Gas and Metals National Corporation, which was promulgated on July 26, 2002.

JOGMEC integrates the functions of the former Japan National Oil Corporation, which was in charge of securing a stable supply of oil and natural gas, and the former Metal Mining Agency of Japan, which was in charge of ensuring a stable supply of nonferrous metal and mineral resources and implementing mine pollution control measures. 27

Changing fortunes in petroleum dealership



By Chrinus Genga
Sales & Marketing

(OMC's) and other sectors of the Kenyan economy had the following implications on petroleum dealership:

Challenges in dealership in Kenya:

1. High dealership turnover:

The returns on invest on dealership has been eroded over the period and most dealers are either reporting very low returns or in some cases losses. It has become increasingly difficult to attract dealers to take up stations while others divesting because of reduced profitability. Some companies that do not have alternative plans to support fuel sales have had to close shop.

2. Station stock holding:

Dealers are increasingly finding it difficult to hold adequate stocks that can sustain sales without stations running dry. This is arising from the fact that the cost per litre of fuel has increased over the period. Dealers are called upon to invest more to sustain the same volume. The dealers who are not able to increase



the investment in stock holding have had the highest incidences of stock outs. This problem cuts across the industry. The small orders "Kadogo-economy" from the supplying depots also means that any supply disruption at the pipeline aggravates the situation and has been partly to blame for the sporadic/cyclical stock out across all OMC's in the country.

3. High cost of capital:

Dealers have to continuously increase their working capital in line with the increase in cost of products. From 2008 to date, the buying price has gone up by over 46%. This has forced dealers to invest additional capital to sustain the same level of turnover. Where prices sharply increase, dealers have resorted to short term financing like bank overdraft facilities to keep the business afloat. Such capital attracts between 1% to 2% interests charged on a

daily basis. Dealers who finance operations with long term bank loans secured by property are equally finding it difficult to pay interests in the region of 24% which wipe out the minimal profits earned. An analysis of some dealerships financed by bank loans confirms that some dealers are operating below the breakeven point.

The situation described above can give the impression that it is all gloom in the dealership business, far from it. While the sector is facing serious challenges, the following are some ideas on how dealers working closely with OMC's can sustain profitability in the sector

a) Diversification:

Oil Marketers must provide other alternatives that will allow dealers to sustain same level of profitability as the capital demands for the business goes up and further investment is required. This investment can be in the area of supportive businesses like car wash, tyre centre, spare part shops and motor boutiques.

Most OMC's have already realized this need and are providing it to sustain dealership. Most stations already have these extra facilities and are making higher profits in these non-fuel areas compared to fuel business. An OMC recently announced that it was going into real estate development.

The level of diversification at station level will require innovative thinking to sustain profitability and ensure that dealership is not rendered irrelevant going forward. It is projected that by the year 2030, fuel business will account for a mere 30% of the total forecourt revenue, a trend being seen in the developed economies of Europe and North America.

b) Cost leadership and pricing:

The design of the petrol station of the future will insist more on functionality and cost optimization rather than ambience, brand visibility and glamour as is the case today. Historically OMC's have designed stations to emphasize brand presence

and brand awareness with heavy investments in lighting and signage. While branding will still play a role going forward, research has shown that consumers have become more discerning and are acutely aware of the homogeneity of fuel products. Differentiation through brand in this respect to attract more customers has therefore become blurred. It is therefore no wonder that the companies which now attract more customers are the ones that reduce their operational costs and pass the benefit to consumers through favorable pricing.

c) Research and development:

OMC's need to take the role of research and development much more seriously as we move towards Vision 2030. We need more innovative ways of distribution and marketing of fuel products.

A wowing attempt I have seen at marketing innovation was a tanker fitted with a pumping unit at bus-park in Kisumu and consumers were excited about it. Proverbially, the mountain had come to Moses rather than Moses going to the mountain.

Despite challenges the many challenges facing petroleum marketing in the country, the future of the industry is without doubt bright.

Considering the various ongoing and planned initiatives to enhance petroleum handling infrastructure in the country as well as the recent oil discovery, Kenya provides an exciting oil marketing prospect in the days ahead.



The racing cockroaches of Garsen



By Chrinus Genga
Sales & Marketing

Which boat? Speed or slow, take your pick

We arrived just about mid day so we had the choice to go by the slow boats or the speed boat. I goaded John to take the speed boat; it would provide the thrill and the fun which was the silent part of the trip. He hesitated. It was not my intention to get my way or the highway so I listened to John, he had a Phobia for speed and water, he did not know how to swim. He quickly recalled the accident that had occurred two weeks ago in Lamu where a passenger boat had collided with a fuel transport boat at night between Lamu and the Main land. John had his way; we took a slower boat which meant more time in the water and less thrill for me.

Quick sand

The speed boat and the slower boat in the jetty were different, the speed boats are like the classy 'Matatus' with young men speaking sheng and sagging trousers while the slow boats are like the 33 seater old 'manyanga matatus' that ply Kariobangi and Kibera routes-tired, unattractive and really for the common 'mwanainchi'. With a bottle of water in one hand, an orange and a notebook in the other, I made the bold step forward and missed a step. The ramp was slippery with no warning signs. As I settled on my seat I noticed men sitting distinctly away from the women, not like in 'Matatus'. I was soon in conversation, with the locals eager to play our guides.

John and I had planned this trip for a long time with our boss. The night before, we spent the evening in a vibrant town with a hippy name -Mpeketoni. We retired early knowing well that the day ahead was going to be long and challenging. John had travelled to Lamu before by public bus so the four wheel drive was a wow experience!

By 10am we had passed the last human settlement driving through the Tana River delta headed towards the new Lamu port. We speed and found ourselves right at the gate of the Navy base in Lamu, with "operation Linda nchi" in progress, the officers directed us to the right road. We finalized the tour by 11am all socked in sweat temperature and humidity rising to unbearable levels. We were happy to speed off to Lamu, even stopping to pick a passenger who showed us the road to the Lamu jetty from the new port and there begun our troubles.

About two hundred meters away our four wheel drive got stuck in the sand, we were in trouble. I tried my driving



tricks this was futile. Worse, our drinking water was running low and there was no settlement in the vicinity.

Mnazi brothers

Soon some villagers we had declined to offer a ride arrived at the scene. These people were our only hope we opened conversation apologetically trying to woo them over. None of them raised an issue on our refusal to give them a ride and were very eager to help. I learnt an important lesson; offer help to whoever requires it as you will need help one day. The villagers drunk on 'Mnazi' soon got to work and after an hour or so we were out.

We thanked them and surprisingly they did not need our lift anymore. We wished them well and took off to the jetty, hoping we would have our share

of the fun too. The road ahead was not any better; I engaged the 4-wheel drive and pushed through the dunes. This was a thrilling experience.

Trim tab

Back to the slow boat, passengers determined when the boat would start the journey. They took control and distributed safety jackets, and organized sitting. The boat had an old moaning Lister engine. The boat was old and heavily leaking so crew members removed the water while others assembled the luggage.

The coxswain was unrecognizable, curiously I asked how the boat was being directed, a crew member amused pointed to his knee.

The law of the navigation

We soon got in and out of Lamu establishing the contacts we required. Our plan was to sleep in Hola as we passed an isolated forest; we came across two travelers who had veered off the dusty road following a tyre burst. I remembered the lesson learnt on helping others and screeched to a complete standstill. John looked at me and said "we can't leave them here." For one and a half hours we struggled to pull the car back to the road we succeeded and eventually left them on their way and headed to Mpeketoni. By this time we were running late, Hola was out of the question Garsen would be our stop point, we had no hotel booking.

Cockroaches of Garsen

We arrived in Garsen at night fall consoling ourselves that this was the town of "Mla mam-

ba" Our first stop was the YWCA; several cars were parked at the parking lot. We approached a tall lanky middle-aged man for direction; we needed to know where the rooms were.

"How much do you charge for the rooms," John inquired. "Two fifty sir," he replied. We had a quick check on the rooms and changed our minds. He gave us his telephone number and three names of other hotels to check. We called a catholic guest house and reserved two rooms then our attention was turned to food. We got a contact of a restaurant which specialized on 'bara' food-we were not disappointed.

Back in the rooms we shed our dust covered clothes. I noticed several cockroaches racing along the walls, others were climbing my bag, and two others were patched on my mosquito net. I tried to kill two but later chose to ignore them. I remembered Prof Imbuga's book 'The cockroach dance'.

The bathroom was communal; one drum of water, one basin and one toilet, as I scooped the water then hit the bath tub narrowly missing my vitals by a few inches. Still I was happy a feeling of rejuvenation and joy descended over me.

The night got deathly quiet, only interrupted by the chattering of the Mayondas' - local monkeys. I was still entertaining cockroaches, on my pillow. I wondered how long I would stay awake. I was interrupted by two voices approaching; I heard the door to the room next to mine swing wide open and the two voices becoming louder. I shut my eyes and prayed that the ache in my body would disappear. My other prayer was that I would sleep faster. I slept while the cockroach dance kept me company in my dreams.



Field work memoirs of a petroleum marketer



By Sammy Malala
Sales & Marketing

For official introduction, my name is Sammy Edgar Malala. However, I am cool being called SEMALALA. For National Oil, I am a Territory Manager in Lubricants Marketing Section.

My last marketing sojourn led me to the Coast region several weeks back. Notice how I am struggling to say Mombasa-the sleepy kenyan coastal town renowned for its merry-making! On this trip, the target was to enroll consumer and reseller customers.

Our National Oil Mombasa team is peculiar in many ways. First, Lorraine committed to send a troupe Digo dancers to meet me at the airport.

the day, ALWAYS LEAVE A MARK. Our hope here is that he may just change his mind and place an order.

Customer B:

Lack of brand loyalty is best epitomized by this customer. We did not talk a lot. All he wanted to find out was whether we offered free samples. Not knowing his drive, I responded in the affirmative, a fact I regretted a little while later.

"...arrange to supply us with a drum of Supadel SHP 15W-40 free of charge for testing purposes..."

For starters, Supadel SHP 15W-40 is a high premium product in our range. It is priced higher than the rest of the products in its league. For numbers sake, a drum is quantified at 208 litres and a standard truck consumes an average of 55 litres of engine oil in one change. All this for free!

is spot-on and our bright corporate colors made it easy to sell despite being relatively new in the market. That was a positive appraisal from a dear customer!

Customer D:

We went to market and sell lubes. We left as real rally aficionados. They have three rally cars in their yard! The family has produced top rally drivers over three generations. Talk of longevity of a name in rallying. Next time there is a rally, we were promised VIP treatment at their service park. Conflict of interest already noted there; National Oil has a formidable rally team led by veteran driver Ian Duncan, don't we?

Onto memorable lessons and encounters of this particular trip.

Black Rosa! This is the name of a car. To explain the etymology, the car is black and the car is female. Hence the name Black Rosa.

There is also a great food court at the office building. The only thing I found hard to comprehend was having Chinese food cooked by a Kenyan. Another observation made with regard to good food in the region was that Ugali, plain as it is, can be made sweet and very tasty.

Only in Mombasa

IT IS VERY DIFFICULT TO BE ON A WEIGHT-LOSS DIET WHILE IN MOMBASA. ALMOST IMPOSSIBLE! Elevators. Some of you call them lifts. They are synonyms anyway. In Mombasa, the design of the elevators is that they are actually very slow going. Could this be an indictment of the coastal people? Do not shoot me; I never said Coastals are slow!

Tuk Tuks

They can cause road rage and drive you mad. They are noisy. They are many. They are badly driven. In Mombasa, get prepared to encounter them all over the place.



Unapologetically, this never was! Left to my devices, I did with a cab ride. No hard feelings here Lauryne, Carol and Eric, you are an amazing team.

The Coast region has an amazing blend of customers. One's experience in the region varies from customer to customer.

Here, let us talk about some of experiences with some of my anonymous customers.

Customer A:

Customer A received us so politely at his yard. After slightly over half an hour of pitching, the customer politely declines to make any offer. We thank him for his time Deflated, we award him a branded National Oil notebook and a price list. A basic rule of marketing as taught to us back in

Here was a customer bend on reaping big without investing naught. I declined and thanked him for his time. Another lesson; IT IS A BRUTAL ECONOMIC WORLD OUT THERE! Worse, we could see that the customer had lubricants stocks of almost all known lubricant sellers in town! From experience, I suspect all these were free samples!

Customer C:

A typical reseller this one was! A ten-minute visit and we left with an order to supply lubricants. He considered our fair pricing and saw immediate sense in our proposal. Armed with an order, we made a proposal for hydraulic oils and industrial gear oils. From the exciting discussion we had, we expect further inquiries and orders from the customer. Moreover, he shared that our branding

That was my means of movement while in Mombasa. It is owned by a lady too! No prizes for guessing that. And to cap it all, Black Rosa has more than twelve pairs of female shoes! That is a lot of shoes seeing that the rainbow only has seven colors. After saying all this, I just hope that next time I am in Mombasa I am still served by Black Rosa. Only time will tell.

Food

What did I expect anyway? I am at the heart of culinary excellence in Kenya. In the morning when you report to the office, you are served cookies and a cup of tea followed by a glass of water, though at some point I ordered for juice thinking that it comes automatically. Carol and Lauryne are such good hostesses. When they come to head office, I shall make them tea.

Also notable, some people fear getting into a kibanda, even if they have great food! No names offered here.

Many thanks to the National Oil Mombasa team led by Lauryne for being wonderful hosts. For making sure that I get to point C from point A through point B and in good time. For the tea and cookies, thanks Carol. For receiving our orders on a weekend, thanks Kibara. For being accountant extraordinaire, thanks Eric.

Let us meet on my next sojourn.

Ties that bind



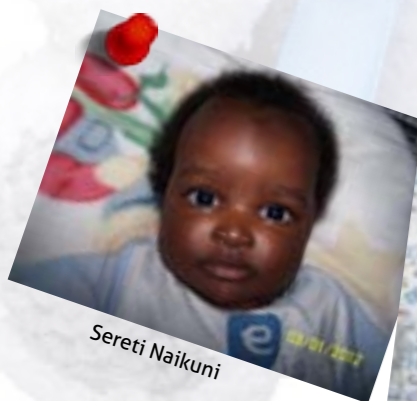
Solomon Nderitu of Network expansion with his bride Faith pose for the cameras during their wedding in Nairobi.



Christopher Syengo of Marketing and the love of his life Faith Nyambura dance during their glamorous wedding at Oak Place at Ridgeways, Kiambu.

Bundles of joy

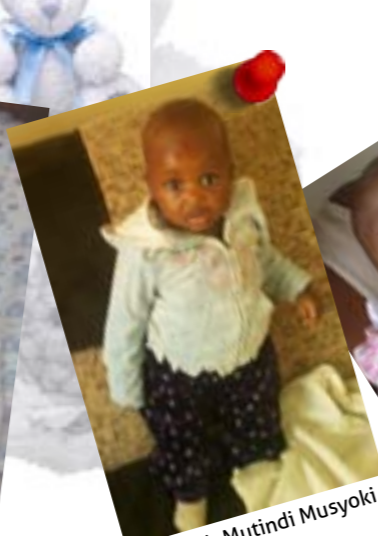
Name of Parent	Department	Name of Child	DOB	Relationship
Stephen Mutinda	ICT	Shanitah Mutindi Musyoki	11 Sept 2011	Daughter
Temesi Mukani	Corporate Affairs	Tate Allen Temesi	7 Dec 2011	Daughter
Hadija Hassan	Operations	Noor Boru	Oct 2011	Son
Kenneth Kibet Maiyo	Operations	Aamira Chemutai Maiyo	21 January 2012	Daughter
Christine Naikuni	MD Office	Sereti Naikuni	2 Dec 2011	Daughter
Martin Mungai	Finance	Tiffany Njeri Mungai	12 Feb 2012	Daughter
Dorcas Kimwetich	S & M	Moses Limo Koech	18 Apr 2012	Son
Linah Mbisi	Operations	Obedience Wekesa	11 Apr 2012	Daughter
Emma Karitu	S & M	Wangari Karitu	23 May 2012	Daughter



Sereti Naikuni



Tiffany Njeri Mungai



Shanitah Mutindi Musyoki



Tate Allen Temesi

Leisure

for laughs

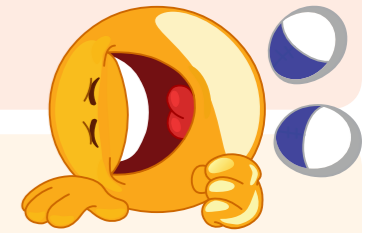


...divorce

A judge was interviewing a woman regarding her pending divorce, and asked, "What are the grounds for your divorce?"
 She replied, "About four acres and a nice little home in the middle of the property with a stream running by."
 "No," he said, "I mean what is the foundation of this case?"
 "It is made of concrete, brick and mortar," she responded.
 "I mean," he continued, "What are your relations like?"
 "I have an aunt and uncle living here in town, and so do my husband's parents."
 He said, "Do you have a real grudge?"
 "No," she replied, "We have a two-car Carport and have never really needed one."
 "Please. . ." he tried again, "is there any infidelity in your marriage?"
 "Yes, both my son and daughter have stereo sets. We don't necessarily like the music, but the answer to your question is yes."
 "Ma'am, does your husband ever beat you up?"
 "Yes," she responded, "about twice a week he gets up earlier than I do."
 Finally, in frustration, the judge asked, "Lady, why do you want a divorce?"
 "Oh, I don't want a divorce," she replied. "I've never wanted a divorce. My husband does. He says he can't communicate with me!"

...ash tray

A guy goes to a girl's house for the first time, and she shows him into the living room. She excuses herself to go to the kitchen to make them a few drinks, and as he's standing there alone, he notices a cute little vase on the mantel. He picks it up, and as he's looking at it, she walks back in. He says "What's this?"
 She says, "Oh, my father's ashes are in there."
 He goes, "Jeez...oooh....I..."
 She says, "Yeah, he's too lazy to go to the kitchen to get an ashtray."



...facebook!

The maid did not show up for work so the house wife called her in an angry voice and scolded her.
 "What is wrong with you? If you were not to come you should have told me."
 The Maid explained, "Ma'am I had already announced on my facebook page that I was taking a trip to Mexico for a week to see my family. Ma'am you should remain updated on Facebook. If you still had a question then you should have asked."
 Wife: "So you are on Facebook too?"
 Maid: "Ma'am who is not? Every time I announce on Facebook your husband sends me well wishes, sympathy and help. This time he said have a nice trip home, enjoy and comeback soon as I will miss you. He pleaded, please save me from my wife's cooking."

Ever wondered why...

- ...the sun lightens our hair, but darkens our skin?
- ...you don't ever see the headline "Psychic Wins Lottery"?
- ... "Abbreviated" is such a long word?
- ...doctors call what they do "practice"?
- ...the man who invests all your money is called a broker?
- ...they are called apartments when they are all stuck together?

...When everything is coming your way, you're in the wrong lane...





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