

ENERGY COUNTRY REVIEW

# Djibouti

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# Country Review Djibouti

## History

The area was inhabited by migrants from the Nile Valley and Arabia for thousands of years. It became part of the Land of Punt (including parts of Somalia, Eritrea and Sudan) administered by sultanates in Zeila (now in Somalia). The Afars (from Ethiopia) and Somalis (including Issas) were the first in Africa to embrace Islam. Ruled by various Afar and Somali sultanates for hundreds of years, France began to take control of north Djibouti, known as Obock, in 1883.

In 1894 a French administration was established, called French Somaliland, whose railroad allowed it to usurp Zeila as the regional port. The country voted not to merge with Somalia on its independence in 1960 and it was renamed the French Territory of the Afars and the Issas in 1967 after it again rejected union with Somalia. A 3rd referendum supported independence and Djibouti was established in 1977. The country is strategically located near the world's busiest shipping lanes, controlling access to the Red Sea and it now serves as a commercial hub. It is also the site of several foreign military bases.

## Geography

Most of Djibouti overlies the southernmost part of the Arabian Plate where the Red Sea and Gulf of Aden sutures meet. It has a varied terrain of highlands in the north and level plains in the south. The low-lying Grand Bara desert covers part of southern Djibouti while the tallest mountain is on the border with Ethiopia and Eritrea at 2,028m.

Mostly comprising volcanics and metasediments of the uplifted margins of the Arabian Shield on the edge of the Afar Depression, the country has no identified indigenous oil or gas resources, either onshore or offshore and GlobalShift believes it is unlikely to achieve any production in the future. There has been some exploratory activity in the south and west where basins extend into Djibouti from Ethiopia.

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## Country Key Facts

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Official name:	The Republic of Djibouti
Capital:	Djibouti
Population:	893 740 (2016)
Land area:	23,200 sq km (8,950 sq miles)
Form of government:	Semi-Presidential Republic
Languages:	French, Arabic, Somali, Afar
Major Religion:	Islam
Currency:	1 Djiboutian franc = 100 centimes
Calling code:	+253

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The country does intend to export gas that will be imported from the Ogaden Basin of land-locked Ethiopia by pipeline. Initially it plans a single liquefaction train allowing for the production of 3 mm tonnes of LNG per year with an expansion option to 10 mm tonnes per year.

Djibouti's main economic asset is its strategic location. The city of Djibouti, capital and home to nearly two-thirds of the country's population, is a major transshipment port and bunkering facility. Good transportation infrastructure within the country and links to neighboring African states earn Djibouti much-needed transit taxes and harbor fees. Trade through Djibouti increased significantly during the Ethiopian-Eritrean war, when Djibouti became the only significant port for landlocked Ethiopia.

Djibouti has significantly expanded the capacity of its ports by building a new oil jetty to accommodate oil products, Liquefied petroleum gas (LPG), edible oils, and bitumen on vessels up to 120,000 deadweight tons (DWT). The new system has the capacity to handle three million cubic feet of petroleum products. Having completed the oil jetty, the next phase of the project adds a \$300 million, 6,000 foot long, mega container port. The new additions to Djibouti's ports, supported by Emirates National Oil and Dubai Ports International, will enable the port of Djibouti to meet growing cargo requirements over the next 20 years.

## Oil

Although there is currently no upstream (exploration or production) oil activity in Djibouti, the government has tried to generate interest in offshore oil exploration without success. The downstream oil sector, however, is an important aspect of Djibouti's economy, given the role the capital city plays as a significant regional bunkering and refueling facility. Three companies - ExxonMobil, Shell and Total - handle refueling at Djibouti's port

Djibouti is at an early stage in terms of exploration activities for hydrocarbons. There is a limited amount of data and although exploration activity has picked up elsewhere in East Africa and Yemen during the last 25 years, Djibouti remains very much underexplored.

*Source: The Encyclopedia of Earth, Oyster Oil and Gas, GlobalShift*

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