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Kenyan biofuel dream proves elusive for Alberta firm

Bedford Biofuels' plantation is stalled, and along with it the company's promise to provide jobs and cash for community development

By Sara Mojtehdzadeh, Edmonton Journal November 30, 2012

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The entrance to Bedford Biofuel's pilot project, Tana Delta. So far the company has planted just 19 of the 60,000 hectares of land it has earmarked for a jatropha plantation.

Photograph by: Sara-Christine Gemson , Edmonton Journal

GARSEN, Kenya — This small African town bakes under a blistering sun, clouds of dust swirling around its false-fronted buildings and sweeping across its dilapidated main road.

Though this is an arid and unforgiving area, the land surrounding Garsen should have been green with crops by now.

Alberta-based Bedford Biofuels had grand plans to plant jatropha, an oilseed crop said to thrive even on wasteland and touted as one of the most promising sources of biofuel in the world. But four years after arriving in the Tana Delta on Kenya's southeastern coast, the firm has only managed to plant 19 of the 60,000 hectares it has leased here and a disappointed CEO David McClure said his company might abort the project.

— There is a chance we're going to leave because of the economic climate. It's difficult enough raising money for Kenya. We sold the world on Kenya, Asia particularly, but with the political turmoil it's going to make it more difficult for us to convince any large-scale investors. ■

McClure said his company was drawn to the Delta out of — humanitarian — impulses, but he has been pushed to the brink of despair by various forces which, he alleged, include smear campaigns by the Kenyan media and persistent government obstruction.

— We've never had any support. You wouldn't believe what we're up against. The challenges are next to impossible to overcome — it's one thing after another.

— I looked these people in the eyes, saw the hope in their eyes and all I do is get kicked in the (expletive deleted) by the Kenyan government. What am I supposed to do? ■

Despite leasing the land since 2009, Bedford only received permission from Kenya's National Environment Management Authority (NEMA) to start planting last year. Even then, it was restricted to an initial pilot project of 10,000 hectares. McClure also claims the Kenyan government has proposed taking a 35 per cent stake in his company's Tana project.

Bedford's venture, which ultimately includes the construction of a biofuel processing plant in Kenya, would be one of the few examples of large scale investment in the area, if it succeeds. The Kenyan government has refused or revoked licenses to a number of foreign and domestic companies interested in agricultural or biofuel projects in Tana, as a result of local opposition and the area's political and environmental sensitivities.

Clement Muyesu, an assistant director at the Kenyan ministry of agriculture, said the government welcomes initiatives like Bedford's, but he is frank about the challenges foreign companies face.

— Ten thousand hectares is a lot of area by any standards. It's a massive area, especially for a new crop. It will raise a lot of eyebrows in terms of expectations. ■

Bedford, which closed its Edmonton office a month ago and is now based in Calgary, has already drawn notoriety at home. The Alberta Securities Commission issued a cease trade order (CTO) on May 25, prohibiting the company from raising funds for its Tana project in Alberta. That order remains in effect.

Company executives had been offering blocks of shares to investors for \$8,000 each, but McClure said his team stopped raising funds in Alberta in January. The commission said Bedford's offering memorandum to investors — was not completed in accordance with Alberta securities laws. ■

McClure said the matter was — purely administrative — and that the firm has decided to focus on raising capital in Asia, — because that's where the money is. ■

However, the commission states: — The implications of the CTO are that Bedford cannot promote the sale of its securities nor sell its securities in Alberta or any other jurisdiction until the CTO is revoked. ■

Meanwhile, Blouroy Summit Investments Corp. filed suit against Bedford in Edmonton Court of Queen's Bench on Sept. 25, seeking repayment of a promissory note in the amount of \$99,900. Bedford failed to submit a statement of defence and was ruled in default on Nov. 14. McClure said his lawyer is

tending to the matter.

He also said the company is restructuring and may be relocated out of Canada soon.

In many ways, Bedford's initiative typifies the challenges faced by the growing number of Canadian companies looking to invest in Africa. Fertile but environmentally fragile, inhabited by rival tribes with histories of conflict, and at the mercy of government bureaucracy, the Tana Delta is a region where people are desperate for economic growth but deeply divided about how to achieve it. As Albertans debate the net benefit of high-profile foreign investments in their own booming energy sector, Bedford's project is raising hopes and polarizing opinions in this remote but potentially lucrative corner of the world.

NEMA, the government body that approved Bedford's project but imposed the 10,000 hectare restriction, said in an email that it is "satisfied with the activities of Bedford" but that it will "take a while" before the firm is given permission to plant the full 60,000 hectares. No reason was cited for the delay.

However, Faith Odongo, head of the biofuels section at the Kenyan Ministry of Energy, says she is wary of projects like the one initiated by Bedford.

"It is untested area and I would not encourage any large scale investor to go on the field unless (they) have done local test and know (it is) viable in Kenya. This is because people have done large scale jatropha and found that jatropha is not a very good candidate for biofuel production in Kenya."

She also claims the Ministry of Energy has done its own feasibility assessment of the crop using a local consultant called Africa Harvest. The study found that it would take 15 years for a company to break even with a large scale jatropha project.

Bedford began exploring the Tana region in 2008, and a year later signed a 45-year lease with Tana's group ranches "communally owned tracts of land historically used for cattle grazing and subsistence farming. The agreement gave Bedford access to 160,000 hectares of land, 60,000 of which were earmarked for jatropha planting. According to Bedford officials, the rest will continue to be used for traditional purposes.

In exchange, Bedford loaned the languishing ranches the equivalent of \$23,000 to help offset a backlog of taxes and debt accrued after severe drought wiped out most of the ranchers' livestock. The company also agreed to pay the ranches one dollar for every acre of land planted with jatropha. The payments are made every three months and the rate will rise to \$7.50 per acre when the crop flourishes. The ranches receive an additional 50 cents per acre for land not used for crop growth.

According to Kenneth Pakia, chairman of one of six ranches now partnered with Bedford, the deal adds up to \$3,500 each quarter for his estate. He said that figure is expected to rise as more land is cultivated, but he has mixed feelings about the deal.

"I cannot say that I am really happy. But sometimes when people are criticizing this project, they should also look at the alternative. What alternative did the directors of the different ranches have?"

Most importantly for Tana residents, Bedford promised to create jobs and invest \$3.6 million into community projects such as schools and clinics for every 10,000 hectares of land. For some, that promise inspired optimism for a brighter future. Local county councillor Benjamin Maneno supported the company's venture from its outset.

"Prices will drop because we will have our own fuel," said Maneno. "There will be employment. We shall be getting revenue."

A local security guard, who is employed by Bedford but would not provide his name, is also pleased with the opportunities provided by the firm.

"People really support the project because they will get some profit. Before (the land) was idle."

For others, hope soured quickly. According to local chief Abraham Masouse, communities have yet to benefit from the social spending promised by Bedford.

"The promises and the pledges that were made, they have not been fulfilled yet. We are still waiting to conclude whether jatropha is bad or not. But all that they promised us 'until now, I can tell you that we have not seen the result.'"

Ranch shareholder Mwaka Mugatana said the jobs assured by the firm haven't materialized. Bedford has just seven full-time local employees, all working as security staff.

"They said they would employ 3,000 people, but there is nobody on site," said Mugatana. "They employed people for three months and after planting they told them to go back where they were from. There are many people who are very disappointed."

Some locals are concerned that Bedford's venture will displace them from their land and say they were not consulted about the project.

"The land has been given to biofuels and we were not given the mandate that we should live in the area, so we are very much worried about it," said John Kazungo Katana, a subsistence farmer who moved to the Tana Delta decades ago after tribal elders granted him permission to settle there. "We heard this information (about Bedford) from our neighbours 'they make the meetings, but they don't call us for the meetings so we don't know what is happening.'"

Under the terms of Bedford's agreement with the government, the firm cannot legally plant crops in the fertile portion of the Delta where Katana, or indeed most locals, live. But this is a sensitive region, where fears of land grabbing run deep, land rights are murky and suspicion is easily aroused.

Other than those with the money to buy shares in a group ranch, most people in Tana have no documents to prove land ownership. Access to land and resources has become a flash point here; many blame it for the deadly clashes between rival cattle herders and farmers in September that killed 118 people and displaced 10,000 more. It was the worst ethnic violence in Kenya since the bloody 2007 presidential elections.

"The Tana Delta as it is today is a recipe for disaster," said Serah Munguti, a spokeswoman for the conservationist group Nature Kenya. "There is already conflict over limited resources. Then you look at all the projects that have been proposed and you can imagine what we are setting ourselves up to."

Bedford insists its presence in the Delta is not inflaming ethnic tensions or jeopardizing people's homes.

"We did a lot of outreach. One thing I want you to understand is that Bedford did not come and grab land; there are no people living on our ranches," said Joel Ruhu, a Kenyan who has worked in Tana for decades and now serves as Bedford's vice-president for human resources. "These clashes may not necessarily be because of limited resources. In my view, these are clashes that are politically instigated."

Ruhu admits the violence has made it difficult for the project to progress. But he said the Kenyan government has slowed the process, putting Bedford in a position where it doesn't have the financial capacity to spend for social projects.

"We cannot spend money on corporate social responsibility if the 10,000 hectares has not taken off," said Ruhu. "You should find there an estate of jatropha by now if you count the time we have taken ... it has been a big hassle."

McClure said he is convinced that a jatropha project is worth pursuing, but it just might not be in Kenya, and he is considering other options.

"We need to position our company to fund a large-scale planting operation. We have the right science. We have proven the model. I'm going to do this. We're going to run the biggest jatropha plantation on Earth if it kills me."

with files from Dan Barnes

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Photograph by: Sara-Christine Gemson, Edmonton Journal

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