Delayed FID for Uganda’s Oil & Gas projects creates anxiety
What portends for Ugandans following the “elusive FID” for the oil projects?

**FID and its significance**

Final Investment Decision (FID) means a decision by the board of directors (or equivalent body in the case other than a company) of the Capacity Provider, and (where relevant) of each other Joint Owner, to fully proceed with the investment for the project, including the decision that sufficient financial resources are available to meet the Total Project Spend. This key step is what has eluded Uganda for quite some time, for good reasons anyways, but is a fundamental aspect for project sanctioning.

FID for Uganda’s oil projects has remained a moving target, though not well comprehended by many stakeholders, and for a long time. None the less, Ugandans have remained hopeful all through, but their hopes have started waning for a lot is at stake, and at various levels. Overall, the delay to reach FID had been more of a blessing in disguise for Uganda since a lot was yet to be done so as to ensure establishment of the necessary systems and structures for better governance and management of the petroleum sub-sector.

To-date, the legal and regulatory framework is better set with good laws for the up-stream, mid-stream and down stream segments. The key institutions like the Petroleum Authority, the National Oil Company, the Directorate of Petroleum, and the lead ministry among others are all in place. Of course, they also require serious capacity building and buttressing so as to match the strength and capacity of international players (mainly the IOCs). They must read themselves for the highly competitive arena of the oil and gas industry.

With 21 discoveries to-date and confirmed hydro-carbon potential of about 6.5 billion barrels of oil in place, and about 1.5 billion barrels of recoverable resources, Uganda’s oil industry offers great hope overall. However, this remains monumental until the potential is transformed into tangible value through transitioning the industry from the exploration and appraisal phase to development (and eventually production) phases. This has been the key focus of the industry (in Uganda) since 2012 (or there about) following the issuance of the first production licence to CNOC Uganda (and partners) in the same year. All said and done, the realization of the much-awaited transition is heavily dependent on definition of the FID for Uganda’s oil and gas projects.

Why the delayed FID and its implications?

The oil and gas industry is mainly run on market feelers as defined at the stock exchange. Therefore, the sudden collapse of oil prices from their peak since 2015 greatly impacted decision making on oil matters in Uganda (and all over the world). It marked serious turning point for most projects and more so for the up-coming ones like that of Uganda. The FID for the latter was definitely impacted. More so, the project is made of various parts including up-stream (oil fields’ developments) and mid-stream (refinery and pipeline projects), that have to move together. The FID thus requires a joint approach as was confirmed by the executive director of the PAU during the public hearings for the EACOP ESIA report held in November 2019. He specifically shared that, “there is no way they (developers and government) can sign an FID for the two projects of Tilenga and Kingfisher oilfields without concluding on the pipeline and the refinery because they affect each other.”

The above implies that the FID for the projects is still some way ahead and for good reasons. A lot is yet to be done including having the necessary infrastructure in place. Ugandans (and other players) ought to appreciate the fact that many important but also inevitable steps have to be followed and fulfilled to the letter. As this happens, of course the hopes of many stakeholders are also dashed for they happen, of course the hopes of many stakeholders are also dashed for they do not anticipate such delays and did not have prior knowledge and information on how the oil and gas industry behaves, and what trajectory the Ugandan projects would follow any ways.

Recently, one of the key players in Uganda’s oil arena, Tullow Oil, experienced a down-side of their business, causing the resignations of the chief executive (Paul McDade) and the exploration director (Angus McCoss). The company’s share price tumbled, shedding half of their stock value in a single day. This alone has implications to Uganda’s oil industry and will also impact the FID timeline. One would also be right to call this double tragedy for the industry following the collapse of the Sale and Purchase Agreement (SPA) for Tullow’s farm down in Uganda that was supposed to witness transfer of 21.57% value to Total E&P Uganda and CNOC Uganda, retaining 71.8% for Tullow. The collapse was due to disagreement (with the Uganda Revenue Authority) over tax issues. This alone caused closure of operations on the pipeline project and the up-stream fields (of Kingfisher and Tilenga projects) thus disorganizing a number of vital processes towards definition of FID for the projects.

With FID for Uganda’s projects not yet in clear sight, there is some light at the end of the tunnel given the efforts being put in. Despite the tough times faced by the industry (overall) owing to fluctuating oil prices (remaining in the range of an average $ 60 per barrel), Uganda’s industry has high hopes owing to the high stakes and magnitude of investment anticipated. This does not take away the fact that there is equally increasing competition with renewable sources of energy whose race is on with strong feeling of them being the answer to the prevailing climate change dilemma. However, hydro-carbon resources (oil and gas) will remain prominent in the global energy mix for some good years to come given their strong foundation established for the last over three decades.

With all the fore-going aspects, it is very natural that many stakeholders across the board and region (of East Africa) would require urgent clarity on what the future holds for their ever-unwavering expectations from the much-touted industry benefits. All stakeholders remain speculating for the FID outcome going forward, but only time will tell the real moment for the final delivery of the FID for Uganda’s oil and gas projects.

Muhumuza Didas is the Extractives Governance Coordinator of Action Aid Uganda.
Uganda’s oil and gas sector has entered into a phase of skepticism and optimism at the same time based on the level of information and appreciation of what is happening. Every sector player is either expecting or planning for the Final Investment Decision – FID. Indeed, the FID is anticipated to trigger practical transition into development and serious project execution through the Engineering, Procurement and Construction (EPC) phase of oil and gas for Uganda. Whereas all this is happening, stakeholders need to position themselves so as to beneficially engage in the developments. If we all see the FID as a critical influencer and game changer for Capital Investment Decision (CID), the primary actors who will host all these investments must be at the epicenter of knowledge, participation and influence. This has direct implications on land access, cost of living and lifestyle of our communities. For example, the cost of living for the local and vulnerable communities in both Hoima and Buliisa has never been the same following the advent of oil and gas developments in the region. The same communities are buying from the same market where oil and gas gurus are purchasing some of their supplies. Rent has also shot up in the sub-urban areas such as Kiziramfumbi in Kikuube district. Land has virtually increased in value and price. We should therefore anticipate a boom as a result of the FID hence project sanctioning and eventual execution. Host communities in the oil and gas operational areas will most likely sell most of their assets to get what they want and or cope with the unprecedented change in lifestyle. These changes have serious stakes on community livelihoods overall and every community must know the social-economic implications of FID going forward. There shall equally be positive benefit streams for the local population like the employment opportunities, local content (supply chain) linkages, infrastructure development benefits, and increased market for products owing to the influx of many people among others. Government and all other stakeholders should prepare for the FID with special focus on preparing communities to effectively respond to it. Otherwise, there is a risk of having unpleasant outcomes especially when communities feel disenfranchised if they end up being spectators with minimal benefit linkages. The value chain benefits are immense and communities should be saved the burden of complexities posed by various aspects like stringent standards to be fulfilled, limited capital and limited capacities among others. Therefore, their preparation requires deliberate and deep-diving efforts that can enable compliance and ability to tap into the numerous opportunities. Time has come to digest the key investment phases of oil and gas in the perspectives of the common man such that they position themselves and prepare to live with them and participate meaningfully going forward. Communities need to understand the risks associated with the projects and how to overcome the same. It is a common fact that FID is informed by calculated risks on investments. Both government and International Oil Companies do undertake proper risk analysis and devise remediations to that effect. These are investment benchmarks for the FID for Uganda irrespective of when it will be reached. However, there is no clear communication plan for the risks to communities. There is need to share key community related issues/risks tagged to the specific projects. It should be noted that the FID is based on “YES” and “NO” possibilities and other risk assessments. This implies that communities also need to consume the opportunities that come with yes and no decisions. Of course, the investment decisions as part of the Capital Investment Decisions (CID) that will inform the FID are in the offing. Communities should rather be helped to comprehend these issues and ensure appropriate response to any outcome regarding FID. The Final Investment Decision as a consent mechanism and policy in itself

Are local communities prepared for the Final Investment Decision of the oil and gas projects?
Hefty fines await miners

Unlike in the Mining Act, 2003 where fines ranged from Shs 500,000 to 10 million, the Mining and Minerals Bill 2019 proposals range from Shs 40 million – 2 billion.

EDWARD SEEKIKI

Hefty monetary fines await artisanal, small- and large-scale miners in the country, should the Mining and Minerals Bill, 2019 be enacted into law. Oil in Uganda analyses the penalties the bill proposes and whether the hefty fines will enhance compliance or hurt the sector.

In its current form, the bill proposes fines ranging from Shs 40 million to 2 billion for individuals and companies that fail to comply with their provisions or commit offenses. One of the criticisms of the Mining Act, 2003, was that the penalties and sanctions for non-compliance were not deterrent enough. “Importantly, the bill provides for very strong fines, penalties and sanctions regime.” Vincent Kedi, the Principal Engineer (Mining) in the Ministry of Energy and Mineral Development said.

Under the Mining Act 2003, the maximum penalty in terms of fines is Shs 10 million the lowest is Shs 500,000. The maximum custodial sentence was five years. Since the law provides for maximum, the actual fines were too low to deter offenders. This is set to change, should the Mining and Minerals Bill be enacted into law.

For instance, under the current law, the fine for conducting mining activities without a licence is Shs 500,000 for individuals and Shs 1 million for companies. In comparison, the bill proposes a fine of Shs 200 million for individuals who are Ugandan citizens, Shs 1 billion for individuals who are non-citizens and Shs 2 million for companies that will be found mining without a licence, lease or permit.

The bill proposes a ban on the formation of cartels or monopolies and unfair competition in processing, smelting and refinery operations. It also proposes a fine of Shs 100 million for any person who engages in the formation of cartels or monopolies or 10 years imprisonment. It further proposes a maximum fine of Shs 2 billion for smelting or refining any mineral without a licence.

Under clause 100 (2) of the bill, a person who mines building substances for commercial purposes without a licence shall be liable to pay a maximum fine of Shs 200 million (for an individual citizen), and Shs 1 billion for non-citizen individual and Shs 2 billion for a company or any other corporate body. The bill further proposes a maximum fine of Shs 200 million for any person who employs children below the age of 16 years or undocumented migrants among other hefty fines.

However, during a consultative meeting on the Bill at Oxford Hotel in Mbarara held in August 2019, stakeholders advised that the proposed fines should not be uniformly applied. They want the fines to be set according to the level of production and the type of mineral mined.

“You will not expect artisanal miners who have not complied with a certain provision in the bill to pay a fine of Shs 200 million,” John Asiimwe, the Buhweju district Chairman said.
Local leaders in gold-rich Busia District asked the Ministry of Education and Sports and the National Curriculum Development Centre to introduce mining courses in Business, Technical and Vocational training institutions in the country.

Wangado Namwamba, the District Education Officer (DEO) of Busia says there is need to skill the youth to fully participate in the sector. “In Busia, we have very many youths involved in mining activities without any skill, which limits their productivity,” he explained.

The National Development Plan (NDP II) prioritizes mining as one of the sectors with potential to enable Uganda attain middle income status, but little has been done to prepare the youth for the sector through professional training.

Wangado was speaking at the inter-tertiary institutions debating competitions that hinged on the topic, “Is Uganda’s education system preparing the youth for the mining sector?” at Butebo Sub-county headquarters, Busia district on Friday, November 15, 2019.

“In Uganda today, I know government has been trying to skill our young generation. However, the mining sector has been neglected in government youth skills initiatives. In our technical and vocational institutions, mining does not feature anywhere,” he said.

He noted that the education system has not done much to prepare the young people for the mining sector. “The Ministry of Education and National Curriculum Development Centre should consider introducing mining as a course or at least a subject in Business, Technical and Vocational training level,” he emphasized. The Business, Technical, Vocational Education and Training (BTVET) Strategic Plan, 2011 – 2020 is silent on mining.

The only training courses related to mining such as geology and geosciences are at degree level which locks out many youth especially those from disadvantaged backgrounds. Such courses, Wangado says should be introduced at certificate or diploma levels.

Following the discovery of oil and gas in Uganda, many training institutions introduced specific training courses aimed at skilling Ugandans for the sector. Government established the Uganda Petroleum Institute, Kigumba (UPIK) among other initiatives that Wangado wants replicated in the mining sector.

Though the Business, Technical, Vocational Education and Training ACT, 2008 provides that training institutions shall have specialized courses including mining, this has not been fully implemented.

Wandera Geoffrey, the District Chairperson of Busia concurred with Wangado. “As a country, we need to abandon some traditional theoretical courses and subjects and embrace practical ones such as mining. Therefore, a review of the curriculum for technical and vocational tertiary institutions to incorporate mining is very critical,” he emphasized.

He explained that Uganda is very endowed with minerals and yet remains poor due to lack of relevant skills and capital to fully exploit the mineral potential. “In Busia, you find people sleeping in leaking mud and wattle grass-thatched houses but seated on tons of gold worth billion of shillings. We need to change this,” he explained.

The Inter – Tertiary institutions debating competitions were organized by ActionAid Uganda as part of their empowerment strategy for young people in extractive governance. The overall aim was to interest students in issues of sustainable mining. A total of 8 tertiary institutions in Busia and Tororo districts participated in the debating competition. Nalwire Technical Institute emerged as the overall best tertiary institution followed by Busia School of Business and Management.

The Extractives Governance officer of ActionAid Uganda shared that the organisation is committed to building the capacity of young people to be in good position of making positive contribution to sustainable exploitation of natural resources coupled with equitable distribution of benefits.
Tilenga ESIA certificate: CSOs want court to strike out NEMA’s evidence

Civil Society Organizations want the High Court to strike out evidence by National Environment Management Authority (NEMA), on grounds that it is full of falsehoods.

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CSOs including African Institute for Energy Governance (AFIEGO) and Guild President's Forum on Oil and Gas (GPFOG) sued NEMA, the Petroleum Authority of Uganda (PAU) and oil companies seeking cancelation of the Environmental and Social Impact Assessment (ESIA) certificate for Tilenga project.

The CSOs argue that the process of conducting public hearings for the Environmental Impact Assessment was marred by irregularities and illegibilities. However, through the affidavit sworn by Isaac Ntujju, the authority’s Principal Environmental Officer in charge of oil and gas denies any wrongdoing.

During the hearing of the case on November 5 2019, Allan Bariyo, the plaintiff’s lawyer moved court to grant him to cross-examine NEMA’s only witness, Isaac Ntujju on grounds that his affidavit was based on falsehoods. As such, the plaintiff’s want court to strike out Ntujju’s affidavit evidence.

Justice Henrietta Walayo, the presiding judge, ruled in favour of the plaintiff’s lawyer and ordered for cross-examination of Isaac Ntujju. He swore an affidavit on NEMA’s behalf through which he denied that NEMA violated laws and committed procedural irregularities during the public hearings on the Environmental and Social Impact Assessment (ESIA) report for the Tilenga project.

"NEMA’s affidavit is couched in untruths and we are going to use the cross-examination of Ntujju to disqualify it. We strongly believe that after the cross-examination, Ntujju’s affidavit will be considered baseless and will be rejected by Court,” Bariyo said after the court session.

CSOs argue that the ESIA approval certificate is not canceled, the public shall suffer irreparable damage as oil activities in sensitive ecosystems including Murchison Falls National Park, Lake Albert, Budongo Central Forest Reserve and others will be allowed to continue in the absence of mitigation plans to avoid or at least mitigate the oil risks.

In addition, the CSOs argue that if the oil activities are allowed to continue amidst violation of laws, the environment will be degraded, and livelihoods will be lost. For instance, tourism will be negatively affected, and jobs will be lost.

Over and above the court battles, there is increased need for continuous engagement and sharing of information regarding all developments in the sector with all stakeholders. This shall always go a long way in ensuring balanced appreciation of the different dynamics in the oil and gas sector.
Government postpones formal application to join EITI

Government of Uganda postponed its formal application to join the Extractive Industry Transparency Initiative (EITI). In July 2019, government had indicated that it would submit a formal application to join the global transparency initiative during the international EITI board meeting in Ethiopia.

“As government, we intend to have all the requirements for candidate status as a country ready for submission in the next EITI international board meeting scheduled for October 2019,” Saul Ongaria, a senior economist in the Ministry of Finance, Planning and Economic Development said.

However, speaking during the Citizen’s Convention on Mining in September 2019, Ongaria noted the application will now be presented before the end of the 2019/2020 financial year. “Uganda shall formally submit the EITI application before the end of this financial year,” he said. He explained that once implemented, EITI will plug the gaps in the extractives sector.

“EITI is a standard that will help us track and streamline the sector,” Ongaria explained.

He added, “With an open environment, we shall minimize mismanagement, generate more revenues and improve the investment climate overall. EITI engagements with extractive companies, civil society and other stakeholders, will help us improve our policies, laws and regulations,” Ongaria further shared.

However, some stakeholders want Uganda to sign up to EITI as soon as possible. “This promise of joining EITI has always been there, but when will the country stop this talk of we are going to apply? Does it require the signature of the Pope?” Francis Kibuuka Amooti, the Chairperson LCV of Mubende wondered.

Extractive Industries Transparency Initiative (EITI) is a global initiative that fosters transparency, accountability and good governance in the extractives sector. Under the initiative, extractive companies and governments declare payments and receipts respectively regarding transactions in the extractives sector.

This in turn minimizes fiscal indiscipline associated with revenue windfalls from the sector. Countries around the world have utilized EITI as a tool for contracts and revenue plus enhancing good governance for the sector.

Speaking at the same conference, Ian Mwiinga, the Coordinator, Extractive Industries Transparency Initiative (EITI), Zambia said information generated from implementation of EITI will dispel rumors and trigger meaningful public debates. “Knowing how much money changes hands is not enough. Most countries still face daunting governance challenges even when EITI is in operation, and wealth is not a precondition for good governance,” he said. Therefore, in order for EITI to contribute to good governance, government must be willing to turn recommendations into reforms, he added.

To become an EITI implementing country, Uganda must complete five sign-up steps. These steps relate to the commitment of the government, companies and civil society engagement, the establishment of a multi-stakeholder group and agreement on an EITI work plan. When a country has completed the above steps, the government, with the support of the multi-stakeholder group submits an EITI candidate application to the EITI Board. The Board targets to process applications in eight weeks.

After a cabinet approval, government is formally required to notify the international EITI secretariat of the resolution. At national level, a National Multi-Stakeholder Group consisting of government, industry, and civil society representatives has to be established, and for Uganda this was concluded.
Government to borrow Shs 1.7 trillion for oil roads

Government is set to borrow $456.37 million dollars (approximately Shs 1.7 trillion) to finance the construction of crucial oil roads as the country races up to the time of starting oil production. The loan, according to government, will be secured from China Export and Import Bank.

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Presenting the loan request approval, Committee Chairperson Syda Bbumba noted that the loan was approved on grounds that after visiting the oil region and seen the progress of the works, when the roads get done, they will have a greater impact on the economy.

“The expedited approval of the loan is critical because the pre-financing ended in April 2019 and was extended to July 2019 which also expired and the outstanding certificate from July 2019 will start attracting interest.” Bbumba notes in a committee report.

Bbumba implored government to ensure proper compensation of land owners and tenants, which are supposed to be completed before embarking on road construction.

“Since land acquisition lies on the critical path for the construction of oil roads, Government should ensure that funds are ring-fenced and always available before contracts are signed, to make timely payments to the Contractors and project affected persons accordingly so that project deliverables are not delayed.” She explained.

This was preceded by an approval by Parliament’s National Economy Committee of a loan request presented by the Minister of State for Finance in charge of planning, David Bahati in May 2019. According to the loan request, China Exim Bank will cover 85 percent of the commercial contract and government of Uganda will finance the remaining 15 percent.

“Government of Uganda and partners through the Lake Albert Basin Development Committee set a target to achieve First Oil by 2020 (though such a target is overly ambitious). In order to achieve this target, key enabling infrastructure, such as the road network must be in place,” Bahati told parliament then. The loan’s maturity is 15 years including 5 years grace period.

“Government of Uganda and partners through the Lake Albert Basin Development Committee set a target to achieve First Oil by 2020 (though such a target is overly ambitious). In order to achieve this target, key enabling infrastructure, such as the road network must be in place,” Bahati told parliament then. The loan’s maturity is 15 years including 5 years grace period.

The loan is expected to finance the construction of the following roads: Masindi - park junction and Tangi junction; Parak - Buliisa; Hoima - Butababa - Wanseko; and Buhimba - Bulamagi - Igayaza - Kakumiro. The three roads are already under construction.

The existing roads are predominantly gravel, narrow, swampy, and are structurally non-compliant to the kind of traffic envisaged that the oil sector will be adding during their operations. This poses huge logistics challenges to the oil production timelines. These project roads are earmarked as key access roads required for constructing upstream infrastructure plus the East African Oil Pipeline and the Refinery in Hoima,” Bahati added.

Bahati noted that Uganda National Roads Authority (UNRA), has entered into contracts with Chinese contractors for these 3 roads at a total contract sum of $536.9 million (approximately Shs 1.98 trillion).

These are part of the 12 roads government plans to upgrade and construct to pave way for oil development (and eventual production). Other oil roads to be constructed according to Bahati include: Masindi – Biso (54 Km), Hohwa – Nyarongi – Kyanushesha road in Kikuube district (25km), Wanseko – Bugungu road (23 km), Lusala – Niorige – Sembabule (97), Bulissa – Bugungu gate road (29), Kabale – Kiziranfumbi road (30 kms), Kabwoya – Buhuka road (43 km) and Karugutu – Ntorooko road (55 km).

Government is set to borrow $456.37 million dollars (approximately Shs 1.7 trillion) to finance the construction of crucial oil roads as the country races up to the time of starting oil production. The loan, according to government, will be secured from China Export and Import Bank.
How the Hoima Agri-business Incubation Centre plans to support farmers

In a bid to build capacities of local farmers in the oil rich Bunyoro sub-region, Stanbic bank opened an Agricultural Enterprise Development centre in Hoima district. Located in Bujumbura division, Hoima Municipality, the centre targets to empower farmers to tap the agricultural market in the oil and gas sector.

The centre will empower, train farmers and expose them to capital and partnerships that will enable them meet the standards required to supply food to the oil market. The centre is meant to expand the bank’s incubation programme that is aimed at empowering and improving on Small and Medium Enterprises (SMEs) in the country, bank officials said.

The centre was launched in partnership with Tullow Uganda Operations Pty Ltd in November 2019 and it will train farmers in business management, expose them to financial resources and markets, says Tony Otto, Stanbic bank’s head of Enterprise Development.

“The centre will help in addressing agric-business challenges in the Albertine graben districts. We have partnered with Tullow Uganda to amplify our SME training programme in the Albertine region” he says.

According to Otto, the bank and its partners have so far invested over Shs 500 million in setting up and operationalizing the centre. He also said in partnership with CNOC Uganda Ltd, Total E&P Uganda working in collaboration with Self Help Africa and the Petroleum Authority of Uganda, Stanbic bank undertook a study in Hoima, Kikuyue, Nwoya and Bulisasa to assess the capacities of farmers to supply the oil and gas industry.

According to the study, many farmers were found to be engaged in subsistence agriculture, producing quantities of food that are not sufficient for consumption and meeting the commercial demands and standards of the oil industry.

The Stanbic bank Chief Executive (in Uganda), Patrick Mweheire says the bank will continue empowering SMEs to grow since they play a key role in economic development. “As part of our commitment to growing SMEs in Uganda, particularly in the agriculture value chain, we have taken the business incubator programme to regions starting with the Agriculture centre in Hoima. We shall also launch regional business incubation centres in Gulu, Mbale and Mbarara in the coming year” Mweheire shared.

He said the bank has so far trained over 1,000 SMEs and it will continue undertaking trainings that support small and medium scale enterprises.

“We cannot achieve sustainable development without empowering and improving on SMEs which are playing a vital role in Uganda’s economy. Since we are interested in inclusive growth, we are spending and training them so that we touch the lives of many people who are engaged in such enterprises” he says.

According to Jimmy Mugerwa, the outgoing General Manager of Tullow Uganda Operations Pty Ltd, during the oil exploration phase, Tullow partnered with Traidlinks (an Ireland-based enterprise organisation) to start an agriculture supply chain programme that improved on the capacities of farmers to be able to supply goods and services to oil operations. He says the centre had over 2,500 farmers supplying food to oil camps, Kampala and other markets.

“We are hoping that people will take advantage of this agriculture development programme to improve on their productivity, agronomy practices, post-harvest handling and marketing” Mugerwa hinted. He further said as the country prepares for commercial oil production, people should improve on their business operations and tap the opportunities in the oil industry, agriculture, tourism and business sectors.

Locals in the oil-rich Bunyoro region have been accusing oil companies of side-lining them in accessing opportunities in supplying goods and services in the oil and gas industry.

The Petroleum Authority of Uganda (PAU) which regulates oil developments is conducting registration of suppliers under the national supplier data base where oil firms and contractors source for suppliers. PAU’s Corporate Affairs and Public Relations Manager, Gloria Ssebikari says all farmers, business firms and contractors who want to tap into businesses in the oil and gas industry should enrol on the National Supplier Database (NSD). Created in 2017, the database has over 1,500 registered businesses.

Estimated cumulative value retention worth $ 900 million (28%) is reported to have remained in the Ugandan economy arising from the initial oil and gas exploration phase. More than $ 20 billion are expected to be invested in the upcoming phase of development (of the up-stream and mid-stream segments). This value is phenomenal and definitely calls for greater involvement of local businesses and stakeholders so as to enable real-economic transformation with a “human face.”

FRANCIS MUGERWA
Early Oil Pilot Scheme amidst a hungry, disgruntled Turkana community

Weary, hungry faces of the locals are telling of the extremely arid region characterized by dry, hot and windy weather, and swathes of sand that cannot support agriculture on any sort of scale.

Even when the dismal and erratically distributed rains fall, it’s only relief from the abnormal heat. The people are emaciated, their lanky-bony structures only pigmented with stretched pale, scarred skin.

Pastoralism is their major livelihood source supplemented by the sale of charcoal in the peri-urban centers. This is the Lomokamar community in Southern Turkana where Tullow Oil, piloting an Early Oil Production Scheme (EOPS) in the Lokichar basin, has three exploration wells.

“Here adults eat twice a week while children can have just a meal a day,” a woman elder tells a visiting team of young people from Uganda on an exposure visit.

“We buy food after selling charcoal,” she says. A common sentiment among the locals is that Turkana, tucked away in the northwestern tip, is not part of Kenya. “We have been neglected by government for too long,” Jekani Kitoi, a community mobiliser with Friends of Lake Turkana, a grassroots Non-Governmental Organisation, says.

Tullow Oil has three exploration wells in Lomokamar including Twiga I, II and III. The test oil comes from Ngamia I. The locals, at some point, blocked trucks ferrying oil because they did not know what was going on and yet oil was leaving their lands. It was not until Tullow Oil, the County Government of Turkana and Central Government officials devised means to resolve the impasse and forged networks with the elders and a grievance handling committee was formed at the County level.

Tullow Oil’s Operations Manager, Gordon Snow says they now work with 16 members of the community. He also set the record straight that they have sponsored the studies for and employed ‘sons and daughters of the soil’. This has somehow enhanced the relations with the local communities.

Snow also shares an intriguing version of events. “The locals once blocked our operations and we had to pull out all our staff. But it was they who later begged us to resume operations.”

Unlike Nakukulas, Lomokamar still grapples with a water problem.

Along the way to Nakukulas, gas flaring at different sites (the Ngamia wells) is visible from a distance. In the community, Tullow Oil’s corporate social responsibility ‘monuments’ are visible; a modern latrine and a water source. In Lomokamar, a modern structure standing out seemingly out of place is a four-block set of classrooms. However, despite the developments the locals still express bitterness.

“These people don’t give us jobs and even when they do it is for only a few days,” says a local.

Additionally, they have mastered all sorts of perceptions.

“All our beautiful and educated women have been taken because we do not have money to look after them,” said another.

Searing temperatures, long stretches of dry scattered vegetation visible over a distance due to mostly flat terrain render an eye soaring spectacle of a region long marginalized and underdeveloped over decades and has remained remote, and economically insignificant.
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There however seems to be a loophole in the feedback mechanism between the community, company and government authorities. Whereas the community claims they had no idea of Tullow Oil’s entry into their area, the chairman of the elders’ council, Benjamin Ebenyo, says otherwise.

“I was contacted by Tullow Oil to get my blessings but I told them the community had to be aware. We then organized and met them as elders,” says Ebenyo during an interaction with a group of community elders.

Ika Angelei, the brain behind Friends of Lake Turkana, says the community wields enough power and “with just a phone call Tullow operations can stop.”

“Several times they have chartered planes to extract their staff from there,” she says, a clear indication Tullow is still treading on hostile ground.

Oil and gas extraction in Turkana commenced in the absence of community land law that would regulate negotiations with communities for compensation mechanisms for lands curved off their territories, securing of important seasonal grazing areas, migratory routes for animals, ceremonial sites, important livestock resource sites (salt licks, water) and negotiated or participatory planning for operations of extractive activities such as oil exploration, drilling, storage, transportation and waste disposal.


According to the report, the Environmental and Social Impact Assessment (ESIA) by Tullow Oil raised concerns regarding the establishment of a hazardous waste dump site at Kang’ipetan, a strategic grazing zone with good pasture and springs that form an important dry season refuge for the pastoralists.

Of major concern, among others, is the level of participation by the local communities as Tullow Oil embarks on full development of the oil fields. During an interaction with Kenya Civil Society Coalition on Oil and Gas, Angella Mutoto, a researcher, noted that the legal framework of the country’s oil and gas sector is only being developed hence the loopholes in how these issues are being addressed.

Ugandan, French CSOs sue Total over corporate negligence

Six environmental civil society organizations (CSOs) in France and Uganda sued the French multinational oil company – Total over its failure to elaborate and implement its human rights and environmental vigilance plan in Uganda.

EDWARD SSEKIKA

The six CSOs are Friends of the Earth France, Survie, Africa Institute for Energy and Governance (APIEGO), Civic Response on Environment and Development (CRED), National Association of Professional Environmentalists (NAPE), Friends of the Earth Uganda and NAVODA.

According to a statement issued by Friends of the Earth France, the suit is the first legal action under the 2017 French Duty of Vigilance Law, which aims to address corporate negligence. The CSOs are seeking emergency proceedings against Total for non-compliance with its legal obligations under the new law.

Total E&P Uganda – a subsidiary of a French oil giant Total, is the main operator for Tilenga project that encompasses Lake Albert and Murchison Falls, a protected national park in Uganda.

Murchison Falls, also called Kabalega Falls, is a waterfall between Lake Kyoga and Lake Albert on the Victoria Nile River in Uganda.

Total plans to drill over 400 wells some of which in the park, extracting around 200,000 barrels of oil per day. A 1,445 km long pipeline is planned to transport the oil from Hoima in Uganda to Tanga in Tanzania, impacting communities and the environment in both countries.

France’s new Duty of Vigilance law compels Total to meet its human rights obligations concerning this project. Under the law, Total is charged with violating human rights and endangering the environment.

In their response, Total denies any wrongdoing. The company argues that their vigilance plan clearly identifies the risks to human rights, fundamental freedoms, human health and safety, and the environment that could result from their activities.

“The French Law on Corporate Duty of Care takes a general approach by type of risk. It does not require disclosure of risks specific to individual projects,” Total argues.

The company added, “Total E&P Uganda and its partners have conducted detailed environmental and social impact assessments (ESIAs) that in particular cover access to land and water and potential environmental impacts. These assessments led to measures being devised to prevent or mitigate such impacts.”

Total emphasizes that the vigilance plan does not cover management of the risks related to our operations. That management is provided through action plans and procedures in force within Total and other measures taken for individual projects, notably in response to impact assessments.

Total E&P Uganda and its partners have proposed measures to prevent the risks identified for the EACOP and Tilenga projects, the company notes.

“The impact assessments were conducted in line with national provisions and international standards, notably those of the International Finance Corporation (IFC), which are among the most stringent in the areas of environmental and social impacts. Nearly 70,000 people in Uganda and Tanzania were consulted during the assessments,” the company argues.

The case will be decided in the Nanterre High Court, where a hearing is scheduled to take place in early 2020. Court is expected to decide whether Total should be forced, with potential financial penalties, to review its vigilance plan, acknowledging the true impact of its oil activities on local communities and the environment.

However, the most sustainable way would be to ensure respectful stakeholder engagement processes with proactive and participatory handling of grievances in the operational areas. This should definitely guarantee local community acceptance and the social license to operate on a durable basis.
The demand for oil jobs and environment protection dominated the public hearings of the Environmental and Social Impact Assessment (ESIA) report for the proposed East African Crude Oil Export Pipeline (EACOP).

From Kakumiro through Mubende to Rakai, local leaders seized the opportunity to warn of the danger of excluding local people from the affected districts from EACOP related oil jobs.

Speaking at Kasana grounds, Francis Kibuuka Amooti, the L.C V Chairman of Mubende said, “It is our prayer that that local people from the affected districts should be considered for jobs and supplies under the EACOP project. Employing foreigners (including people from other districts) against our local people will be a curse. You should avoid that curse,” he said drawing applause from the audience.

Kibuuka emphasized, “On local content, we are very serious, in my district I only know one person who has been employed by the project, yet we have many people who are skilled and can take up these jobs”.

Similar demands were made by Robert Benon Mugabi, the L.C V Chairman of Rakai District. Speaking at Lwanda public grounds, Mugabi pressed government for oil jobs and supplies for local people. “Since the oil will be passing through Rakai, we request that schools, hospitals and roads be constructed such that people from Rakai can benefit from the oil project,” Mugabi said.

Weighing in on the demand for oil jobs, Robert Lwanga from Total said residents from EACOP districts will be considered as long as they qualify for the jobs. “Local people will be given the first preference on jobs, especially jobs that either require unskilled or semi-skilled personnel,” he assured the audience.

At least 4,600 people have been identified to be affected by the oil pipeline in the districts of Hoima, Kikuube, Kikyusa, Mubende, Gomba, Sembabule, Lwengo, Kyotera and Rakai. Of these, about 200 primary residents will be physically displaced and relocated.

Social and Environmental Concerns

Participants at the public hearings also called on government to ensure protection of the environment and mitigate the potential social impacts from the pipeline.

“We are here to advise NEMA and other government entities involved in EACOP to be cautious of the environment, trees have to be replanted, wetlands and their inhabitants have to be protected,” Kibuuka Amooti explained.

He said the construction of the pipeline will require a lot of water and yet the districts it traverses are already water stressed. “The quality and quantity of water should be taken care of given the fact that these areas are water stressed. You need to put in place mitigation measures including construction of alternative sources of water like boreholes,” he emphasized.

He also called for consideration of EACOP impacted districts to be given the first priority to utilize EACOP project property such as land at the decommissioning stage.

Nabawesi Jane, one of the affected residents, requested for more corporate social responsibility projects as one way of benefiting from the pipeline project. “They [EACOP] should construct for us more boreholes, access roads and health centers,” she demanded.

In Rakai, Namuli Rosette faulted the ESIA report on grounds that it lacks mitigation measures for potential family conflicts. “We are going to have many families and marriages breaking down. I know when compensation money comes in, men are likely to abandon their families and marry other wives, but also some women will run away and go with pipeline construction workers who have money. I listened to the report submission, but it does not address such issues,” she said.

Another participant wondered, “Our daughters are likely to have relationships with pipeline construction workers. However, after the construction, some workers will go back to their countries, what plan does government have to look after children from such relationships after the workers have gone back to their respective countries,” he wondered.

Local people expressed concern that compensation money is likely to trigger crimes such as thefts and defilements among others and called for mitigation measures in that regard.

Mitigation measures

Presenting the ESIA report, EACOP team explained that several measures have been put in place to mitigate the environment and social impacts. For instance, the pipeline will not cross major forest reserves, water sources and other ecologically fragile areas.

Where the pipeline crosses a river or stream, block valves will be installed so that in case of any unlikely event of oil spills, the valves will be switched on to prevent oil from spilling into the water sources.

“Optic fiber will be installed along the entire pipeline to detect any potential leakages for prompt response to prevent oil spillage especially in underground water,” Robert Lwanga from Total said. During the construction phase, where the roads are murram, the construction team will water the roads to prevent dust pollution. However, locals expressed concern over where the water will come from given some of the districts are water stressed.

“Relocation of all graves and shrines will be done in consultation with the family members and the community and appropriate speed limits will be adhered to so to minimize road accidents,” Lwanga said.

Habiraha Benjamin, one of the affected residents expressed concern over the implementation of the Environmental and Social Impact Assessment report. “The way it has been presented, the report is good, but I wonder whether it will be fully implemented,” he explained.

A public hearing is a forum through which all relevant stakeholders review and express their concerns on the Environmental and Social Impact Assessment report in order to enable local understanding of issues and strengthen mitigation measures.

Peter Lokoris, the then Minister of State for Mineral Development reiterated government’s commitment towards expediting oil production.

“Public hearings are one of the milestones towards first oil and full commercialization of Uganda’s oil,” he explained.
A cross section of artisanal and small-scale miners and other stakeholders have accused the minerals protection unit of the Uganda Police Force of harassing miners, extortion and conducting illegal mining activities. The accusations were made at the Citizen’s Convention on Mining in Uganda 2019 at Hotel Africana on Thursday September 19, 2019. The Convention was organised by Global Rights Alert, Action Aid International Uganda (AAIU), Advocates Coalition for Development and Environment (ACODE), Uganda Association of Artisanal and Small-Scale Miners (UGAASM) and the Ministry of Energy and Mineral Development.

Jane Kwoba Nabulindo, the Busia Woman Member of Parliament explained that police officers in the unit have resorted to mining and are chasing genuine miners from the mines. “In Busia we even have the army. They do not listen to anyone. They have been chasing our people from the mines within their land,” Nabulindo said angrily.

Deusdedit Beinomugisha, an artisanal miner from Buhweju accused police of evicting them from the mines and instead resorting to mining. “The minerals protection unit has become a mining police. They are the ones now doing the mining,” he said.

Josephine Agutu an artisanal miner from Busia district said police was even confiscating their mining machines. “I have a location licence but why should the minerals’ protection unit (of the Uganda police force) confiscate my machines,” she wondered.

One of the participants from Kisoro district noted that police was mining and selling wolfram to the Democratic Republic of Congo.

Responding to the accusations, Assistant Inspector of Police, Moses Karakire Musinguzi, the unit head of operations denied the allegations that the unit is engaged in illegal mining activities. “If there is a police officer involved in mining, then report him or her to Professional Standards Unit [PSU]. You can also take them to court and prosecute them individually if you have evidence,” Musinguzi said. He added, “Some of these mistakes are individual but not institutionalised,” he added.

“Some miners use machines that are not supposed to be used. Many of those equipment and machines are not fit for the location licences, so they must stop it and strictly conform to the terms of the licences,” he explained.

According to the Mining Act of 2003, artisanal miners are entitled to location licences. However, in order to fall into the ambit of artisanal miners, they should not use sophisticated technology and their capital investment should not exceed Shillings 10 million.

However, Emmanuel Kibirige, the National Coordinator, Uganda Association of Artisanal and Small-Scale Miners (UGAASM) the Shs 10 million cap has since been affected by inflation and should be reviewed.

Buhweju Evictions
Recently police evicted all artisanal miners in Buhweju district on grounds that their activities were illegal. The evicted miners have since petitioned President Yoweri Museveni and the Speaker of Parliament for their intervention.

However, Musinguzi denied that the minerals protection unit evicted artisanal gold miners in Buhweju district. He explained that though the unit found illegal mining activities by artisanal miners, it did not evict them. “I was in Buhweju myself, we [police] went there to sensitise miners. However, when they heard on radio that we were heading there [Buhweju], they [artisanal and small-scale miners] just ran away since they were already aware of their illegalities. By the time police reached the mines, the miners had fled.” However, the contradicting accounts point to unfriendly relations between the mineral protection police and the ASMs which is recipe for continuous disharmony and potential for serious conflict. This needs to be addressed before it gets out of hand.
Members of Parliament on the Natural Resources Committee have asked government to increase its funding to Uganda National Oil Company Limited (UNOC) to enable the Company execute its mandate.

“The Committee noted that the Uganda National Oil Company is not adequately financed to realize its equity contribution to the development of the refinery, pipeline and petroleum storage terminal,” the Committee noted in the report.

It adds, “The budget ceiling for UNOC for the financial year 2019/20 is Uganda Shs 31.48 billion against the initial budget requirement of Shs 102.3 billion leaving a funding gap of Uganda Shs 70 bn.”

Due to the funding gap, MPs noted, “UNOC cannot fully participate in key activities with joint venture partners – Tullow Uganda, CNOOC Uganda and Total E&P Uganda, which are fully funded thus failing to protect government’s commercial interests in development of the oil and gas sector.”

MPs emphasised that UNOC’s inability to respond to cash calls in time attracts compound interest costs and dilution of rights when in default.

UNOC is established by section 42 (I) of the Petroleum (Exploration, Production and Development) Act, 2013 as a private company, wholly owned by the state to manage the country’s commercial interests and state participation in the petroleum sub-sector.

Under section 43 of the same Act, among other functions of the national oil company is to manage business aspects of state participation, develop deep expertise in the oil and gas industry and participate in accordance with the terms of petroleum agreements, in joint ventures in which the company holds an interest on behalf of the state.

“UNOC should adequately be financed to ensure good management of Uganda’s commercial interests within the oil and gas sub-sector,” the Committee recommended in the report.

Equity contribution of Shs 2.8 trillion

According to the Budget Performance Report by the Ministry of Energy and Mineral Development 2018/2019, UNOC has to cash in its equity requirements with joint venture partners in the oil refinery, crude oil pipeline, storage terminal among other oil projects.

“UNOC requires USD $ 795.4 million (Approximately Shs 2.8 trillion) to cater for government’s share in the investment projects. As we draw closer to the FID for each of the projects, UNOC needs to firm up its equity participation and must be in position to settle it when it is called,” budget performance report reads in part.

UNOC has a participating interest of 15% in each of the oil blocks and therefore is equally obliged to financially contribute towards the development of the oil fields.

“Unfortunately, all revenues from the petroleum sector go to the Petroleum Fund which is inaccessible by UNOC. The Joint Operating Agreement (JOA) to which UNOC is a party requires parties to answer cash calls within a period of 5 days failure to do so attracts heavy penalties,” the report reads in part.

In 2017, the then Chief Operations Officer, UNOC Proscovia Nabbanja noted that financing was one of the key challenges facing the company.

“Financing is our biggest challenge. Currently, we are being treated like a Ministry, yet we are private limited company, we cannot respond to cash calls for investment. We are dreaming big, but without financing, it is a big problem,” Nabbanja who is now the Company’s Chief Executive Officer (CEO) shared.

Overall, the oil and gas industry is a capital intensive undertaking that requires prompt availability of investment capital to enable fulfilment of time-bound targets. This comes with high level competitiveness and call for serious precision in decision making if one has to be in business.

So, these basic principles should always be adhered to by operators and regulators alike.

We cannot respond to cash calls for investment. We are dreaming big, but without financing, it is a big problem.

NABBANJA – UNOC’S CHIEF EXECUTIVE OFFICER

The Uganda National Oil Company Ltd needs at least $ 759.4 million (approximately Shs 2.8 trillion) to cater for government’s equity in oil projects.

MPs call for increased funding to UNOC

EDWARD SSEEKIKA
Young people agitate for inclusivity in extractives sector

Young people have voiced concerns for inclusivity in the nascent oil and gas sector through local capacity building and policies that directly benefit them.

ROBERT MWESIGYE

The call was made during a youth dialogue held late September 2019 with a cross section of youth including students and businesspeople drawn from the Albertine districts and the national level.

Making opening remarks, Bernard Baruhagahara - the Buliisa district community development officer however noted that youth have the most opportunities in the oil and gas industry but are not organized to tap into them. He cited the youth livelihood programme whose absorption rate in Buliisa is still wanting.

“We have the Youth livelihood programme in Buliisa that the young people have failed to take advantage of. 12.5 million shillings is not little money and this can do a lot for you. I urge you to come together and form business groups and access this money.

“Young women can also take advantage of the Uganda Women Entrepreneurship Programme and access credit for business,” he said.

Nicholas Tumwesigye, oil security officer in the Office of the President based in Hoima noted when the oil and gas sector started serious work, many young people were sent for further studies abroad. Even today, more are being sent to study oil and gas courses as a strategy to build capacity.

“We want you to become part of Uganda’s oil and gas story,” he affirmed.

Case of Kitara Development Initiative (KITADI)

Vaitah Isingoma Amooti, executive director of KITADI, shared his story of how the non-governmental organisation based in Hoima, became part of the country’s oil story in the region.

“The organisation was started as a local initiative to benefit from the oil and gas industry. We have worked with oil companies over time to mobilise, organize and sensitise communities on issues of land, business enterprises, HIV/AIDS awareness,” he said.

“We took part in the sensitisation of communities on the land acquisition for the East Africa Crude Oil Pipeline (EACOP).

“We have also had engagements with the business community on standards of goods and services on behalf of Oranto Petroleum Uganda,” he said.

Muhumuza Didas (of AAIU) noted that KITADI was a local non-technical risk initiative meant to sensitise local communities about the sector.

Speaking on a discussion panel, Baruhagahara shared some milestones that organised youth groups have made in benefitting from oil and gas as testimony that the prepared ones are taking advantage of opportunities.

“There are 41 project proposals on oil and gas in my office. A group of youth got sub-contracted to work on the drainage of Kigorobya – Wanseko Road. We told the contractors not to bring outsiders to do that work. These young people did not have machinery and equipment but had the brains and they got the contract,” he said.

“We also have local business people supplying oil companies like Nyansio & Sons. Opportunities are there but the challenge is lack of trust and unpreparedness,” Baruhagahara said.

Didas Muhumuza, the extractives governance coordinator (of AAIU) told participants that Uganda is venturing into territory where the big players have dominated for long.

“Oil and gas sector is a very high risk sector, but also great benefits and involves big monies with big players,” he shared.

Uganda has the advantage to learn from the good and bad experiences of other countries in the oil industry, but this can only be shaped by the youth who should pick great interest in learning how the sector operates.

Aboneka Michael, the coordinator of the African Governance Architecture Project (at AAIU) and activist told the youth that the inclusive development they are agitating for is about planning.

“We can only engage leaders if we can engage ourselves such as in a space like this one. This is part of a planning process,” he said.
Karamoja is believed to be highly mineralized hence attracting hordes of interest from investors and speculators alike. The sub-region, only recovering from a long stretch of civil strife, is embracing urbanization and opening-up for development, notably in the mining sub-sector.

The local leadership is waking up to the reality of the developments taking place and getting smarter in dealing with investors having gone through a couple of bad experiences dealing with mining companies.

The trend of mining companies like Jan Mangal, Dao Marble and a host of others venturing into the region, getting minerals and disappearing into thin air is however being checked as the leadership there begins to negotiate better deals to benefit the host communities and the local governments.

Uganda Development Corporation (UDC) has recently negotiated an equity stake in a limestone mining company venturing in Moroto. David Pulkol, the director of African Leadership Institute, revealed that as Moroto district local government, they valued the acreage of their land where the mineral is to be mined at Shs. 5.5billion as capital contribution to the company.

Additionally, of the 45% stake that will go to UDC, they are entitled to 5% of it, “however, we are still negotiating for a bigger percentage on that 45%,” said Pulkol at the Citizens’ Convention on Mining, 2019.

Pulkol made reference to neighbouring Turkana County in Kenya that stands to benefit 20% from the oil production while the community would be entitled to 5%. “However, when you look at Uganda’s case, Bunyoro Kingdom as a beneficiary host community will get just about 1%. As Moroto district local government we have said we have to benefit from these resources,” he said.

He explained that the local people of Karamoja must benefit from the mineral resources by taking into account complimentary growth.

“Foreign investors, influence peddlers and those with political power and authority are depriving mineral host communities of their livelihoods,” said Pulkol.

“In the aftermath of the second world war in 1945, Egyptians came to Nadunget and established irrigation systems to solve an acute water problem. The locals that owned these lands were profiled and even compensated instead of just chasing them away,” he explained.

The principal private secretary to the chief administrative officer Moroto, noted that as Karamoja experiences an influx of investors they must prepare and sieve the serious ones from the speculators that the sub-region has experienced over time.

Pulkol urged other local government authorities to learn from their model and ensure their people benefit from mineral resources by engaging mining companies more beneficially.