



OIL IN UGANDA

Everyone's talking about oil. We capture the whole conversation.

Editorial



By Arthur Larok, Country Director ActionAid International Uganda

Welcome to this first edition of the Oil in Uganda newsletter, a quarterly publication prepared as part of an Oil Governance and Transparency Initiative implemented by ActionAid International Uganda (AAIU) and supported by the Ford Foundation.

As we all are beginning to appreciate, the exploitation of oil resources in Uganda present incredible opportunities for positively transforming our economy, communities and lives of citizens if well harnessed. If mismanaged however, Uganda, like many countries around the world may suffer the double tragedy of documented vices: 'Dutch Disease' - the negative effect of depending on oil resources for other sectors of the economy, and the 'resource curse' - the failure to harness the resource for good, so that instead its exploitation foments instability, corruption and suffering for the majority.

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Rocky start for refinery

By Oil in Uganda Staff

Communities at the refinery site say they have not yet been consulted on relocation plans, while doubts about the project's size have resurfaced with news of Kenya's oil discovery.

Uganda's plans to build an oil refinery in Hoima District took a stride forward when the government signed a new agreement with Tullow Oil in February, but have since encountered two challenges—one regional, one distinctly local.

Firstly, news of a promising oil discovery in Kenya's Turkana County, announced on March 26, re-opened debate on the refinery project.

Since commercial quantities of oil were discovered in Uganda six years ago, President Museveni has insisted that the country should add value to oil production by building a refinery. The idea was to make Uganda self-sufficient in petrol, diesel and kerosene—eliminating a hefty import bill of around US\$ 500 million per year—and also to export petroleum products to other countries in the region. In 2010 a Swiss firm, Foster-Wheeler, completed a detailed feasibility study which endorsed the refinery concept.

International oil companies were less keen on the plan, preferring to export crude oil quickly and profitably.



Photo by Thomas White

These Kabaale parishioners will have to move -- but don't know where or when.

But President Museveni stood firm on the refinery, once remarking that "We should resist ferociously those parasites who want to give away this resource for 'a morsel' of food as did Esau in the Bible."

Long negotiations between the government and Tullow concluded on February 3 with the announcement of a new Production Sharing Agreement (PSA). Full details were not publicly disclosed

but, according to Energy Minister Irene Muloni, Tullow had accepted the refinery plan. The installation, she told *Oil in Uganda*, would be a "public private partnership."

The new PSA involved risks for both parties. In signing the deal, the government risked further infuriating parliament, which last year called for

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Oil boosts fisheries: too much?

By Frederick Womakuyu

Oil exploration on the shores of Lake Albert has boosted the fishing industry by improving roads—but stocks are declining as newcomers arrive in the area.

BULIISA DISTRICT: Forty five-year-old fisherman, Blazio Sempangere, smiles with satisfaction as he smears salt over his catch on a drying stall at Wanseko landing point on the shore of Lake Albert.

"For years, sun-drying, smoking and salting were the only ways we had to preserve fish," he says. "We often lost a lot of our catch due to rotting. Sometimes there is no sun and sometimes the salt is too expensive."

Primitive methods and long distances from markets meant poverty for fishing communities on the shores of Lake Albert. According to the Uganda Bureau of Statistics, 30 per cent of Ugandans live below the national poverty

line, but in Buliisa District the figure is 70 per cent.

But things are changing fast for the local fishing industry as result of oil prospecting in the area.

Formerly impassable roads from the lake shore to Masindi and Hoima have been upgraded to carry oil company trucks, according to Philip Ngongongha, the head of fisheries in Buliisa. This has opened up markets for the fishing villages.

"Since 2009, we have been receiving about ten refrigerated trucks per week coming to buy fish," says Ngongongha."

Lakeshore communities have formed associations to take advantage of the

new market opportunities. Sempangere is a member of the Wanseko Fishmongers and Traders Association, which formed last year. Members, he says, land about 8 metric tonnes of fish per day from ten local landing sites. Weekly sales are worth ten million shillings (US\$ 4,000) which is divided equally between members.

Local government is also benefitting from the increased fish trade. According to Buliisa sub-county LC3 Chairman, Alex Muzoba, the sub-county now collects about five million shillings per month in taxes from the fish trade, compared to only 200,000 shillings in 2010. "This money will help us to build

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As the tagline to the newsletter states **'Everyone is talking about oil: we capture the whole conversation.'** We want to create a platform for debate and authentic expression of diverse, but constructive voices on oil governance. We believe that; informed, honest and sober discussions on oil in Uganda presents one critical avenue through which we can achieve optimal, just and equitable returns from the blessing that a natural resource like oil can be and avert possible anarchy as a result of its mismanagement. We believe that there are many actions required from multiple actors to ensure the country gets the most out of the discovery of oil and we have identified the provision of information as our modest contribution to this effort. We have thus developed 2 important products to take this commitment forward:

The first is a quarterly newsletter, focusing on topical issues in the oil exploration process. In this maiden issue we cover analysis of the proposed petroleum legislation that is before Parliament. This is critical because if we get the legislation wrong there is a risk of institutionalising problems in the oil sector. We must be inventive and overcome past ambiguities in legislative drafting. We thus call upon Parliament and each Parliamentarian to wear a national hat and place national interests above all.

The second product is a Website **www.oilinuganda.org** which provides an extensive information source on developments in the oil industry in Uganda. We dispel myths, provide expert analysis, news and connect people and voices. We are building this into a 'one-stop-centre' on oil governance in Uganda with several informative links on local and global Frequently Asked Questions (FAQs) on oil, an online Resource Centre with studies and reports on oil and gas, an oil Timeline that traces the history of oil exploration in Uganda since 1890 and so much more.

We encourage you all to visit the website, learn from a product that will provide a good starting point to understanding oil exploration in Uganda and the politics around it. We promise to remain objective and true to our values and will rejoice when citizens take a frontline role in ensuring equitable, just and fair exploitation of our natural resources.

I say this all, For God and My Country.

Rocky start for refinery

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a moratorium on all oil contracts until new Petroleum Bills had been passed.

For Tullow, the risks were commercial. The company's share price has been riding high on the London Stock Exchange, but some investment analysts questioned the wisdom of the Anglo-Irish company, which previously specialised in 'upstream' oil exploration, getting involved in the refinery project.

The Kenyan oil discovery, combined with the recent announcement that South Sudan will pipe its oil to a refinery in Lamu, on Kenya's coast, may now be a game-changer for Uganda, by squeezing the regional market for petroleum products refined in Uganda.

"The more oil they find in this region the more difficult it will be to defend building a refinery in every country," one international expert told Oil in Uganda. "Uganda might scale back their vision" he added, pointing out that a refinery capacity of 60,000 barrels of oil per day, which could be built in 2-3 years, would suffice to meet Uganda's domestic needs. At peak production, Uganda will be producing 150-200,000 barrels a day and the

larger vision had been to refine all of it, exporting the surplus to the East Africa region.

Commissioner Ernest Rubondo, who heads Uganda's Petroleum Exploration and Production Department, insists this is still feasible. "South Africa has six refineries and a population of just 50 million," he told Oil in Uganda. "East Africa has a much bigger population. This is a big market. I don't see how these developments threaten Uganda's plans. This is an expanding market."

Communities not "sensitised"

Meanwhile, communities in the site of the proposed refinery complex, which will cover 29 square kilometres of Kabaale parish in Buseruka sub county of Hoima District, are anxious about their future.

"We are not against development," 73 year old Alice Kobusingye, told Oil in Uganda staff writers who visited in early April. "But the idea of evicting us from our land is not good. Nobody has come to tell us what is happening; we are just hearing rumours."

Jascent Irumba, the LC-2 for the parish, confirmed that the refinery had not yet

been discussed with local people, and that tensions were mounting. "Recently, people came here and told me that they will riot on the day the officials come to fix the boundaries of the land the refinery will occupy," she said.

District government officials say local communities are being "sensitised" about the refinery, but people in Kabaale deny this. "I am the local representative of people here and I can tell you nobody has carried out any sensitisation to educate and teach the people about it," Councillor Irumba stated.

She added that what the officials call "sensitisation" has amounted so far to three meetings involving central and district officials, oil company representatives, local council officials, elders and opinion leaders. Local officials were expected to pass on information to people in Kabaale's villages.

Yet, Irumba explains, the information has not been passed on because no "facilitation" expenses were offered. Kabaale covers a large area and local leaders expect transport allowances for travel to out-lying villages.

A more detailed version of this story can be found on our website--www.oilinuganda.org

Oil boosts fisheries: too much?

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roads, water and schools and also improve the fish sector," he says.

The Ministry of Agriculture, Animal Industry and Fisheries is now building a refrigerated fish processing plant at the Wanseko landing. Amos Lwamfa, the coordinator of the project, says the plant will preserve fish and add value. "We are also going to produce tinned fish for export and local consumption. Our villagers will get more cash and improve their standards of living," he adds. The project will cost 7 billion shillings (US\$ 2.8 million), which will include training of technical staff in Buliisa, Hoima and Masindi districts.

Sempangere is excited about the project. "We have suffered a lot due to poor handling of fish, poor hygiene, poor preservation methods and a low price. This plant will mean more value addition to our fish," he says.

These high hopes are threatened, however, by the spectre of declining fish stocks.

Sempangere relates that, after roads to the lakeshore opened up, fishermen from the Democratic Republic of Congo started migrating to the Ugandan side of the lake. Outsiders from other parts of Uganda have also moved in to the area, he says, hoping to benefit from the oil, and some have taken to fishing. As a result the fish stocks on the Ugandan side of the waters have reduced and are continuing to do so.



Photo by Thomas White

Satisfied fisherman -- but how long will stocks last?

According to Dr. John Balirwa, Director of Research for Uganda's National Fisheries Resources Research Institute, the total catch of fish from Lake Albert has fallen from around 120,000 tonnes per year in the 1990s to less than 60,000 tonnes now. He attributes the decline to increasing population and in-migration. "They then over-fish," he says, "Yet there is no replenishing plan to increase the fish stocks."

Over-fishing, Dr. Balirwa explains, is not just a matter of catching too many fish. Poor fishing gear and techniques mean that immature fish are caught before they have the chance to reproduce and maintain the fish population.

Buliisa fisheries head, Phillip Ngonongha, points out that there is no

Ugandan security to protect the Ugandan side of Lake Albert, so the Congolese are fishing indiscriminately without any restrictions. Before 2006, he adds, no Congolese would cross to the Ugandan side to fish. But when news of oil activity spread "Congolese came to find out how they can benefit from the oil. However, some have stayed permanently and have become fishermen."

Lwamfa acknowledges the problem but says the Ministry of Agriculture, Animal Industry and Fisheries will work with the police and immigration officials to address it. "Oil has forced us to pay attention to Buliisa. We had not done enough in the past to develop fisheries in that area because it was remote and inaccessible," he said.

OIL BILLS: The Big Debate

"We are talking about proposed laws that we drafted, posted on our website for all the stakeholders to access, and then sent to the Cabinet for scrutiny. Finally, Cabinet forwarded them to Parliament. The Parliament can pass the bills into law, amend them, or even reject them. Considering that MPs represent the views of their constituents, the outcome will be a good law, made to benefit all Ugandans. These are public matters and therefore we welcome comments, opinions, ideas and even questions. Some of these comments have been positive and fair, although some others are deliberately aimed at casting the government negatively." -- Bukonya Matovu, Head of Communications-Ministry of Energy and Mineral Development.

"The bill is detailed, well thought-out and covers a lot of bases. Oil companies will like it because it gives a legal foundation for the rights that they have to be in Uganda, it gives them predictability for their investments, and it's quite well articulated But it contains some ambiguities and tilts in favour of confidentiality rather than transparency and tilts in favour of the oil companies." -- Douglas Nordlinger, international lawyer specialising in the energy sector.

"While the bills display a number of positive aspects and some good detail, there are still big gaps Tight ministerial control, absence of parliamentary oversight and a lack of guarantees on contract transparency remain key features of both bills." -- Global Witness

"The bills are much better than previous drafts but they are still riddled with gaps and ambiguities There is too much concentration of power in cabinet-giving full control to the president as an individual. This borders on creating a state within a state: a group of individuals, politicians, people close to the first family, with total disregard to other government institutions." -- Henry Bazira, Chief Executive Officer, Water Governance Institute.

ALMOST EVERYONE WHO HAS LOOKED CLOSELY AT THE OIL BILLS TABLED IN PARLIAMENT IN FEBRUARY AGREES ON THREE POINTS. FIRSTLY, IT IS ESSENTIAL TO establish a sound legal framework, reflecting the spirit and principles of the widely acclaimed 2008 Oil and Gas Policy, for further exploration and exploitation of Uganda's oil and gas resources. (Whilst this need has long been apparent, there is in some quarters a sense of increased urgency now that Kenya seems likely also to have commercial quantities of oil, and a feeling that Uganda has dragged its feet in converting its own oil discoveries into oil production.)

Secondly, that the recently tabled oil bills are, in most respects, a significant improvement on earlier drafts.

Thirdly, that Uganda must get this legislation right. The bills, if enacted, will govern the extraction of a critical resource not just for the present but for future generations of Ugandans.

Beyond these three points, however, there is little consensus. The present government appears satisfied that it has produced draft legislation that will create a coherent framework for Uganda to move forward into oil production. Yet the bills have attracted no shortage of critical comments.

Some analysts are concerned that, despite creating new institutions—a Petroleum Authority to regulate the sector, and a National Oil Company that will enable Uganda to benefit commercially from it, over and above the receipt of royalties, taxes and profit-sharing—the bills give the Minister responsible for petroleum too much power over these institutions. They will not be independent enough to avoid 'capture' by political interests.

Various commentators note that the bills say very little about the governance of the National Oil Company. This, they feel, needs to be spelt out much more clearly. The Company, some say, should be accountable to the whole people of Uganda, not just to its shareholders.

Several stakeholders have called for more parliamentary oversight of the new institutions. Some suggest that parliament should also oversee—or at least ratify—the awarding of exploration and production licences. Others, however, warn that parliament should not get directly involved in technical details which would be better left to appropriately qualified experts.

Many critics charge that the bills fall short of 'best practice' in terms of transparency. Some add that environmental protection processes are inadequately defined and generally weak. Others say the bills fail to offer adequate protections to people directly affected by oil-related infrastructure.

Activists and public-interest NGOs, both national and international, have been prominent in advancing such arguments. By contrast, industry groups such as the Uganda Chamber of Mines and Petroleum raise a different kind of concern. Some of the provisions in the proposed legislation, they say, will serve as disincentives to international investors.

In the pages that follow, we present a summary of key points in the Petroleum (Exploration, Development and Production) Bill, accompanied by key comments that have been made upon it.

Please note: the comments on the text of the petroleum bills, interpolated above and on the pages that follow, are drawn from a wide range of sources and do not necessarily represent the views of Oil in Uganda or of ActionAid International-Uganda.

"Improvements have been made since the first version of the bill was released in 2010 However, the bill still contains many clauses that are likely to deter investment." -- Uganda Chamber of Mines and Petroleum

"There are several positive changes in this draft bill compared to previous versions. However, the draft bill, so that it can be a law for today and tomorrow, still requires significant revision before it is ready for ratification [It] fails to respect the spirit and principles set forth in the 2008 National Oil and Gas policy in that it does not adequately protect the economic and environmental principles of the people of Uganda." -- Jenik Radon, Adjunct Professor, Columbia University, and associates.

"The new draft incorporates many improvements over the earlier draft [but] continues to fall short of international best practice in key areas such as licensing, transparency and gas commercialisation." -- The World Bank; unpublished memorandum.

"This is not a bad Bill but on the scale of 100% I would rate it 60%. What will matter is implementation

"Issues of environment are inadequately addressed. [The bill] is referring to the NEMA Act which was made prior to oil discoveries. These laws are inadequate as they don't take care of the challenges in the oil industry "Having a minister that is only accountable to him or herself and with all these powers, running a sector that has revenues half the national budget, makes him or her too powerful. You need to take away some of these powers and give them to respective agencies. A minister is a politician; he can be hired today and fired by midnight. Therefore, you must give power to people who are technical." -- Shem Byakagaba, lawyer with Lantern Consult and head of Kitara Heritage Development Agency (KHEDA), speaking to The Independent (Kampala).

How much oil (and gas) does Uganda have, and where is it?

The oil fields found so far are estimated to contain deposits of around 2.5 billion barrels of oil. It is unlikely that all of this will be extracted because as an oil well empties it becomes harder—and therefore uneconomic—to pump out the remainder. The government has recently said that 1 billion barrels can be extracted from what has been discovered to date, but it is possible that more discoveries will be made in future.

The oil found to date lies in the Albertine Graben—an area about 500 kilometres long and up to 45 kilometres wide, forming Uganda’s western border with the DRC and stretching from Lake Edward in the south to the border with South Sudan in the north. The ‘Graben’—meaning a depressed crust of the earth’s surface lying between two geological fault lines—has been the most intensively surveyed and prospected of Uganda’s sedimentary basins.

But even the Graben has not yet been thoroughly explored. According to the government Petroleum Exploration and Production Department (PEPD), “The area presently tested represents less than 30% of the total area with the potential for petroleum production in the country, hence the potential for additional reserves.”

Other basins that may have oil deposits are the Hoima basin (to the east of Lake Albert), the Lake Kyoga basin (further east, in the centre of the country), and the Kadam-Moroto basin, still further east, in the Karamoja sub-region.

According to PEPD Commissioner, Ernest Rubondo, the discovery of oil in Kenya’s Turkana County, bordering the Karamoja sub-region, is likely to rekindle prospecting interest in the Kadam-Moroto basin.

“We had already undertaken a flight [aerial survey] over those areas,” he told Oil in Uganda. “It was a bit disappointing but we already had plans to look at it again and there’s no doubt that a discovery of oil nearby [in Kenya] will encourage us to look more closely at the basin.”

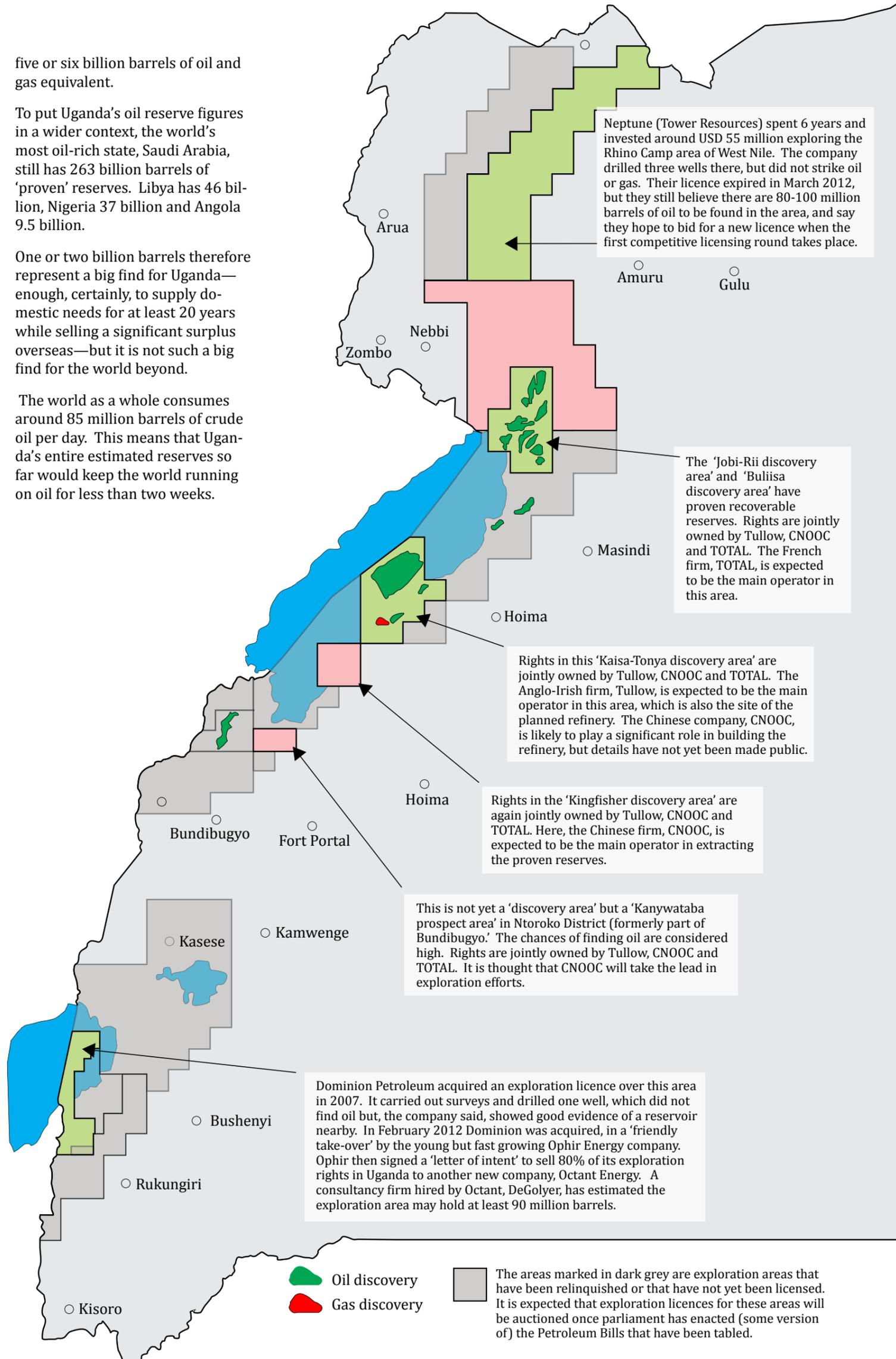
The fact that so much of Uganda remains unexplored has prompted speculation that the country’s eventual reserves may amount to

five or six billion barrels of oil and gas equivalent.

To put Uganda’s oil reserve figures in a wider context, the world’s most oil-rich state, Saudi Arabia, still has 263 billion barrels of ‘proven’ reserves. Libya has 46 billion, Nigeria 37 billion and Angola 9.5 billion.

One or two billion barrels therefore represent a big find for Uganda—enough, certainly, to supply domestic needs for at least 20 years while selling a significant surplus overseas—but it is not such a big find for the world beyond.

The world as a whole consumes around 85 million barrels of crude oil per day. This means that Uganda’s entire estimated reserves so far would keep the world running on oil for less than two weeks.



Source: adapted from PEPD ‘Status of Licensing in the Albertine Graben of Uganda,’ January 2012.

PETROLEUM (EXPLORATION, DEVELOPMENT AND PRODUCTION) BILL (2012)

Key points, key concerns

PART I – PRELIMINARY

The purpose of the legislation is stated as “creating a conducive environment for the efficient management of petroleum resources;” promotion of exploration and production; “establishing institutions to manage the petroleum resources and regulate the petroleum activities;” “providing for the optimal social and economic benefits with a long term perspective for Ugandan society as whole;” “ensuring public safety and protection of public health and the environment;” “supporting . . . state participation and national content.” (Clause 2)

Clause 3 defines words and phrases used in the bill. *Commentators have questioned some of these definitions. For example: “best petroleum practice.” Who decides what is “best practice?”*

Clause 4 deals with environmental principles. All licensees and public officials “shall take into account, and give effect to, the environmental principles prescribed by the National Environment Act and other applicable laws.” (4.1). *“Too weak,” says Columbia University professor, Jenik Radon. “National Environmental Law should have priority over all other laws.”* “The National Environment Management Authority may . . . grant a licence for the management, production, transportation, storage or treatment of waste arising from petroleum activities.” (4.3) *Some commentators have wondered why only waste management is specifically mentioned when there are many environmental monitoring and protection measures that NEMA should put in place.*

PART II – PETROLEUM RIGHTS:

“The entire property in, and the control of, petroleum in its natural condition in, on or under any land or waters in Uganda, is vested in the Government on behalf of the Republic of Uganda.” (5)

No individual or company may carry out petroleum activities of any kind without government authorisation. (6)

“The Government may enter into an agreement relating to petroleum activities and consistent with this Act” with respect to “the conditions for granting a licence . . . the conduct by a person of petroleum activities; and any other matter incidental or connected.” (7) *Some observers see this as a key ambiguity. If the Government is free to negotiate agreements (Production Sharing Agreements), without the basic terms of those agreements being defined by law or ratified by parliament, does this not in practice sideline law and parliament?*

PART III – INSTITUTIONAL ARRANGEMENTS

Clause 9 states that the Minister *(it is not clear whether this be the Minister for Energy and Mineral Development, or whether the government will establish a separate Ministry for Petroleum)* shall be responsible for: “(a) granting and revoking licences; (b) initiating, developing and implementing oil and gas policy; (c) submitting draft legislation to Parliament; (d) issuing petroleum Regulations; (e) negotiating and endorsing petroleum agreements; (f) approving field development plans; (g) promoting and sustaining transparency in the petroleum sector; (h) approving data management systems; and (i) any other function incidental or consequential to his or her functions.” *Many commentators see this as giving too much responsibility and power to the Minister. Jenik Radon: “No single person can be reasonably expected to . . . achieve all of the functions granted to the Minister, let alone balance them appropriately.”*

Clause 10 proposes that a Petroleum Authority of Uganda be established as a corporate body. It will be governed by a 7-member Board of Directors of high moral character, proven integrity and competence, appointed by the Minister with the approval of cabinet. (18.1,2). At least two members will be women (18.3). They “shall hold office for five years and [be] eligible for re-appointment for more than one term” (20). An Executive Director will be “appointed by the Minister on the recommendation of the Board.” (28) He or she will also serve for five years and may be re-appointed. (30) The Authority’s Board members and staff “shall not disclose any information which he or she may have obtained in the course of his or her employment.” (33) *This clause is “too broad and may have a chilling effect on transparency in the oil industry,” according to Revenue Watch.*

Photo: Nick Young



Young boy herding cows on the other side of the country from the Albertine Rift—in Kotido District of Karamoja. The region has been marginalised from Uganda's national development since the earliest days of colonial rule. It is now being opened for mineral prospecting, included a search for 'rare earth elements' that are so essential to modern telecoms technology. Oil prospecting may soon follow, given Tullow's discovery across the border in Kenya. (See story on page 4)

"The Authority shall . . . be independent in the performance of its functions, duties and the exercise of its powers." (15) However, "The Minister may give directions in writing to the Authority with respect to the policy to be observed and implemented . . . and the Authority shall comply with those directions." (14.1) *Many observers have noted a contradiction here. In what sense will the Authority be 'independent' if its Directors are appointed by the Minister and must comply with directions from the Minister? According to Global Witness, the Bill "puts significant power to control the relevant institutions, dictate future regulations and negotiate the terms of licences and agreements in the hands of the Minister. This risks politicising the management of the petroleum sector." However, it is worth noting that this pattern of institutional governance is in fact common to other government-created agencies in Uganda—such as the Uganda Wildlife Authority, the Uganda Revenue Authority and even the Bank of Uganda. In all of these cases, government line ministries retain the power to appoint the Chair/Governor and key Board members.*

Clause 11 describes the functions of the Authority as: "(a) monitor and regulate petroleum activities including reserve estimation and measurement of the produced oil and gas; (b) review and approve any proposed exploration operations contained in the annual work programme, appraisal programme and production forecasts submitted by a licensee; (c) review and approve budgets submitted by a licensee; (d) assess field development plans and make recommendations to the Minister for approval, amendment or rejection of the plans; (e) advise the Minister in the negotiation of petroleum agreements and in the granting and revocation of licences; (f) assess tail-end production and cessation of petroleum activities and decommissioning; (g) participate in the measurement of petroleum to allow for estimation and assessment of royalty and profit oil or gas due to the State and be responsible for the approval of the exercise; (h) ascertain the cost oil or gas due to licensees; (i) ensure that licensees uphold laws, regulations, rules and contract terms; (k) ensure optimal levels of recovery of petroleum resources; (l) promote well planned, executed and efficient operations; (m) ensure optimal utilisation of existing and planned facilities; (n) ensure the establishment of a central database of persons involve in petroleum activities, manage petroleum data and provide periodic updates and publication of the status of petroleum activities; (o) take such action as is necessary to enforce the requirements in a licence or any regulations and to protect the health of workers and the public; (p) ensure and facilitate competition, access and utilisation of facilities by third parties; (q) monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained; (r) provide information to the relevant authority for collection of taxes and fees from petroleum activities; (s) ensure compliance by the licensees with the Act and regulations made under this Act; and (t) perform any other function incidental or consequential to its functions under this Act." *These functions seem comprehensive and are doubtless all necessary. However, considering the Bill as a whole, it appears that some of*

these functions will be performed not by the Authority but by the Ministry. Others appear to overlap with functions currently performed by the Petroleum Exploration and Development Department. For this reason, many commentators find the institutional arrangements unclear. Henry Bazira, Executive Director of the Water Governance Institute, says: "A National Petroleum Authority is necessary and very important. Its powers should be extended beyond regulation to revoking licences if there's something wrong happening. But as it is now, its role is just to regulate and advise the Minister, which advice the Minister can just take or reject. It should be a requirement that the Minister should comply. A Petroleum Authority that is not directed by the Minister is what we need. Its authority should be checked by parliamentary institutions.

Clause 43 proposes to establish a National Oil Company (NOC) "incorporated under the Companies Act . . . to manage Uganda's commercial aspects of petroleum activities and the participating interests of the State in petroleum agreements." It will be "subject to and managed in accordance with the Companies Act" but "Where there is a conflict between this Act and the Companies Act, this Act shall prevail." (43)

The functions of the National Oil Company (NOC) will be: "(a) to handle the state's commercial interests in the petroleum sub-sector; (b) to manage state participation in petroleum activities; (c) to manage the marketing of the country's share of petroleum received in kind; (d) to manage the business aspects of state participation; (e) to develop in-depth expertise in the oil and gas industry; (f) to optimise values to its shareholders; (g) to administer contracts of joint ventures; (h) to participate in meetings of licensees, and (i) to investigate and propose new upstream, midstream and downstream ventures initially locally but later internationally." (44)

The NOC's Board of Directors will report to the annual general meeting of shareholders on plans and main features of the budget for the coming year, and "all matters that must be assumed to comprise principal or political aspects of significance that may entail significant socio-economic social effects." They shall also "inform the Minister of matters which are to be submitted to the annual general meeting." (45)

The Minister "may issue instructions in respect of the National Oil Company's execution of its management task, including the stipulation of rules relating to the duty of secrecy of board members and employees." (47)

The sections of the Bill dealing with the NOC are short and lacking in details. The scope of the NOC's activities and the nature of "Uganda's commercial aspects of petroleum activities" and "participating interests" are not spelt out. Revenue Watch notes that "the Bill provides no definition of these and other ambiguous terms, and provides no information on the specific tasks the Company will perform." Will it engage in joint-venture upstream exploration and production? Will it partly own and operate the oil refinery and pipelines? Will it market Uganda's oil overseas and domestically? Clarification of the scale and scope of the Company's operations would help MPs assess the governance implications.

Neither the ownership nor the governance of the Company are made clear. One Development Partner notes that "The Bill says nothing about how the CEO will be appointed and to whom he or she will report. The shareholding of the NOC is not specified. Nothing is said about the nomination and qualification of Board members. The Board reports . . . to the Annual General Meeting, but there is no requirements that the Board's submissions to the AGM or the proceedings of the AGM be made public . . . Taken together, these shortcomings create substantial risk for Uganda since inadequate governance of national oil companies has proven to be a source of problems in many oil producing countries." Global Witness, similarly, notes: "One of the most worrying aspects of the legislation is the creation of an NOC without sufficient detail on its relationship to the Government of Uganda or Parliament." Revenue Watch too considers that: "Perhaps the biggest weakness in the proposed institutional framework is a poor definition of the role of the National Oil Company."

As with the Petroleum Authority, numerous commentators have expressed concern at the Minister's powers to "issue instructions" to the NOC, seeing this as undermining its supposed independence. Clause 47's emphasis on "the duty of secrecy" also troubles many commentators.

PART IV LICENSING

Opening up areas for petroleum activities: "The Minister shall open up areas for petroleum activities" (48.1) after "evaluation of preliminary geological, geophysical and geochemical data" (48.2) and of the impact on trade, industry and the environment, and of possible risks of pollution, as well as the economic and social effects." (48.3) The Minister shall make these evaluations public (48.4) and "interested parties may, within a period of not more than ninety days after the public announcement, present to the Minister, in writing, their views." (48.5) *Various commentators say this is too little time for affected communities or interest groups to formulate objections they may have.* The Minister shall take these views into consideration (48.6) but is left to decide whether or not to open an area for exploration. (48.8)

Reconnaissance permits: The Minister may issue permits, valid for eighteen months, allowing companies to carry out surveys in a specific area. Such permits may be issued to more than one company surveying the same area, but the activities of one permit holder shall not be detrimental to those of another. (49) *The Ugandan Chamber of Mines and Petroleum says the time frame for these permits should be longer, and that permit holders should gain preferential rights to a full exploration licence.*

Exploration licences: "The Minister shall, with the approval of Cabinet, announce areas open for bidding for a petroleum exploration license" (53.1), which would last for two

Tensions have already been simmering among pastoral families in the area where Uganda's oil refinery will be built. According to the UK-based oil industry newsletter, Afroil, on February 2 a group of pastoralists "reportedly invaded the Waraga-1 well site" operated by Tullow Oil Pty. "A local official had expressed concerns about the recent increase in pastoralists settling around the well to access water and grazing lands," the March 20, 2012 issue of the newsletter reports. "This comes amid accusations from local residents of encroachment by Tullow in the area, which has aggravated existing intercommunal land disputes.

Young boy herding cows in Kabaale Parish, Buseruka sub-county, Hoima District. This is the site of the proposed oil refinery and this young lad will probably have to leave. His family is unlikely to hold titles for the land they graze, and it is not clear what the basis of compensation will be.

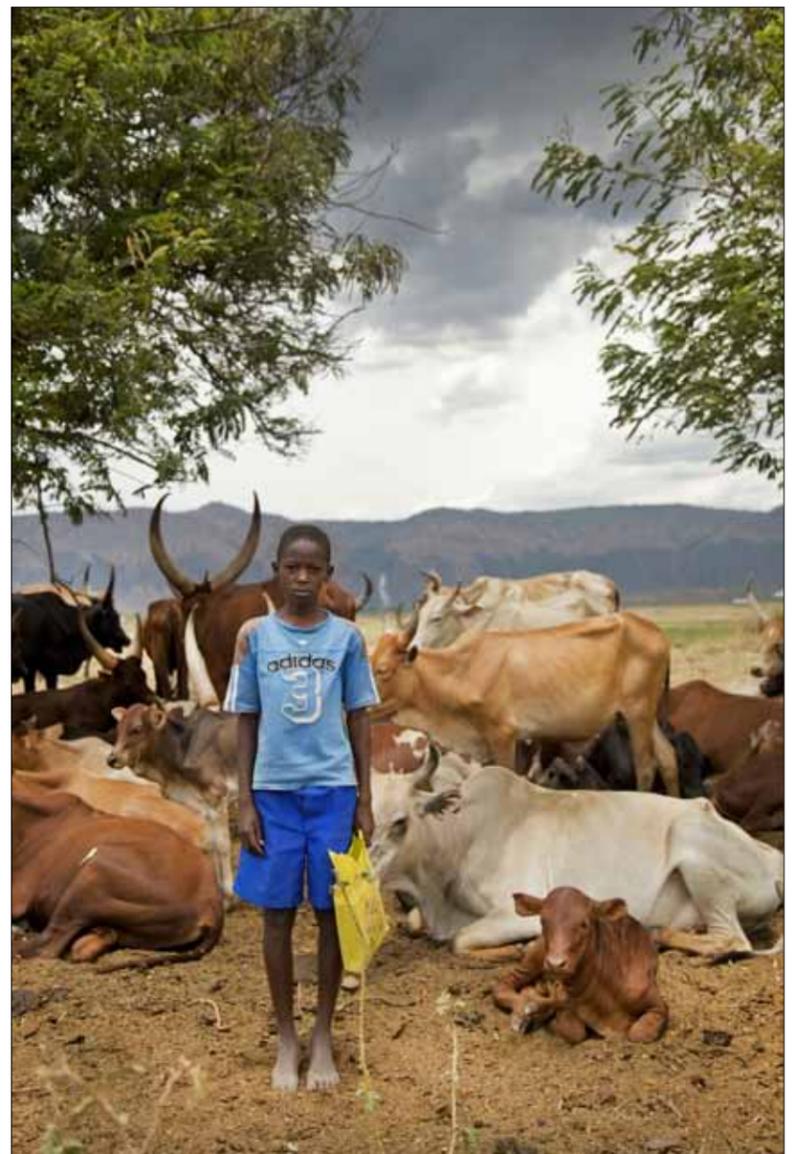


Photo: Thomas White

Before a drop of Uganda's oil has been produced for sale, the small town of Masindi, 40 kilometres from the Lake Albert oilfields, is bustling with investment and anticipation. Hopes are high, but so are rents and land prices as demand soars: plots are selling for ten times more than just a year ago. Property developers and service industries are reporting quick profits, but Oil in Uganda staff writers found losers as well as winners in this boom town in the making. Read the full story at www.oilinuganda.org

Top: Workers peg out plots for sale.

Bottom: New, up-market housing goes up close to the centre of Masindi, now set for an oil-driven boom.



Photo: Nick Young



Photo: Nick Young

years, renewable up to a maximum of six years. (62.b) *The Ugandan Chamber of Mines and Petroleum says "This period is insufficient to allow for efficient exploration. . . We would recommend a longer exploration period (eg, 10 years.)"* The bidding "shall be carried out in a fair, open and competitive manner." (53.4) However, the Minister may, "in exceptional circumstances" receive and approve "direct applications." (54.1) Such circumstances would be a) where no bids have been received, b) where an exploration area is "adjacent to an existing, licensed reservoir," or, c) for "promotion of the national interest." (54.2) *Many critics feel that this undermines the "competitive bidding" principle, and risks corruption. The World Bank says "the Bill is silent on the bidding process and on the criteria for selection," and that "the 'exceptional circumstances' are too broadly defined."*

Clauses 55 and 56 deal with publication of licence applications and the lodging of objections to them. When an application is received, notice of this must be published in a national newspaper and "directly affected parties and local authorities in areas affected by the project" may lodge objections with the Minister within "not less than thirty days from the notice." (*This is rather unclear: it may be intended to read "within not more than thirty days."*) The Minister "shall consider the objection . . . and make a decision within fourteen days." If the Minister dismisses the objection, "a person aggrieved by the decision of the Minister may appeal against the decision to the High Court within thirty days." *These clauses, which were absent from earlier drafts, have been widely welcomed. However, some commentators suggest that the time allowed for submission of objections is too short.*

Production Licences: "The holder of a petroleum exploration licence, who has made a discovery of petroleum . . . shall have exclusive right to apply for the grant of a petroleum production licence" in that area. (69.1) Applications are to be made to the Minister who, "in consultation with the Petroleum Authority and Cabinet" may award a licence for up to 20 years. Joint applications, from companies working together, are possible. A licence may be transferred after it is awarded, but only with the written consent of the Minister. *Decision making authority is again ultimately vested in the Minister; some commentators feel it should rest with the Petroleum Authority.*

Clauses 71 and 73-74 stipulate various conditions the applicants must meet. As well as demonstrating general technical competence and financial capacity, they must provide a detailed field report and development plan, including cost estimates, feasibility studies and "the necessary measures to be taken for protection of the environment." (71.3.h) Development plans must take "proper account of best petroleum industry practices and safety factors." (74.1.b) *Many critics find this kind of language – "necessary measures," "best practice" – both vague and weak in terms of safety and environmental protection.*

Several of the stipulated conditions relate to 'local content.' Prospective licensees must make "satisfactory" proposals for "the employment and training of citizens of Uganda" and for "procurement of goods and services available in Uganda." (74.1 e, f) Further, licences "may" include "a provision with respect to the duty, and the extent of the duty, of the licensee to supply petroleum or petroleum products to meet the requirements of the local market." (76.2) The licence also "may" include "conditions with respect to the refining, disposal or sale of petroleum," and it "may be granted jointly to the applicant and the National Oil Company." (75.2) *These clauses are all apparently intended to secure jobs and commercial opportunities for Ugandans. Yet, as in many areas of the Bill, the rather open language of the clauses—the lack of a definition of "satisfactory" and the repeated use of "may"—suggests that this will be largely a matter of negotiation between the Minister and the licensees. Many commentators feel that this gives the Minister too much discretion, and would prefer to see the adoption of 'model contracts' to guide the Minister. Some argue that parliament should be the body responsible for issuing licenses, but others strongly disagree, arguing that this is a technical matter in which MPs should not be directly involved. Yet others argue that parliament should at least ratify the licences negotiated by the government.*

Clause 85, on "work practices for licensees" states that they must work "in a proper and safe manner and in accordance with the requirements of the applicable law, regulations and conditions stipulated by lawful authorities" (85.1). They must also "take all reasonable steps necessary to secure the safety, health, environment and welfare of personnel engaged in petroleum activities." (85.2) This includes "prevention the pollution of any water well, spring, stream, river, lake or reservoir" and, "where pollution occurs, treating or dispersing it in an environmentally acceptable manner." (85.2 f, g) A licensee who "fails or neglects to comply" with these requirements "is liable on conviction to a fine not exceeding one hundred thousand currency points." (85.4) *Once again, the rather vague language – phrases like "proper and safe manner" and "all reasonable steps" – disturbs many commentators who would prefer to see tighter and more explicit environmental controls. Also, a fine of "one hundred thousand currency points" may be an inadequate deterrent for international oil companies, many of which have deep pockets.*

Part V: Development and Production, requires licensees to obtain annual production permits from the Minister and empowers the Minister to "stipulate that the production shall be increased or reduced." (93.4) The Minister can also order the postponement of production. (100). *The Uganda Chamber of Mines and Petroleum thinks annual production permits are "unnecessary," given that field development plans are approved during the licensing process, and is also concerned that the Minister's power to vary the rate of, or postpone, production may conflict with the field development plan.* This section also deals with gas venting or flaring, which is allowed only with Ministerial approval and only insofar as it is necessary for safety. In emergencies, companies may flare or vent without permission, but are liable to a fine of up to 100,000 currency points. *Several commentators consider these provisions adequate, but Revenue Watch calls for clearer definition of circumstances in which flaring would be allowed. Others say the fine (equivalent to a maximum of US\$ 1 million) is too low. Jenik Radon: "For large oil companies, this is the equivalent of a parking ticket."*



Part X: Liability for Pollution Damage defines pollution as caused by “discharging, emitting or depositing wastes” (126) and holds the licensee “liable for pollution damage without regard to fault.” *The Uganda Chamber of Mines and Petroleum finds this “too onerous on licensees.” Others, by contrast, call for broader definitions of pollution—it should not be limited to “wastes,” says Revenue Watch. Critics also question Clause 129, which offers exemption from liability to “any person who undertakes measures to avert or limit pollution damage.” This, says Global Witness, “could excuse the licensee from liability for environmental damage if the company took steps to clean up the pollution.”*

Part XI: Restrictions and Surface Rights states that licensees need “the written consent of the relevant authority” for operating on “any land dedicated or set apart for a public purpose, or for a place of burial . . . or [where] a right to a cultural site has been granted.” (132.1.a) In privately owned land, the licensees need the written consent of the landowner (132.1.b) but, “Where the consent of the landowner is unreasonably withheld” the Minister may permit the licensee to proceed. Clause 136 says licensees must “on demand made by a landowner, pay the landowner fair and reasonable compensation for any disturbance to his or her rights and for any damages done to the surface of the land.” Compensation will be calculated according to “the market value of the land . . . without taking into account any enhanced value due to the presence of petroleum.” *Some commentators are concerned that “the written consent of the relevant authority” will be too easy to obtain in the case of national parks and forests, etc, and see the Bill as effectively ruling out the possibility of anywhere being declared a no-go zone. This, they say, will have serious consequences for biodiversity conservation and Uganda’s tourism industry. Others point out that there is no definition of “unreasonably withheld” permission on the part of landowners: “This provision risks seriously undermining the rights of landowners,” says Global Witness. Of perhaps wider concern, Revenue Watch points out that the Bill does not make provision for communities with customary rights, rather than formal land titles, and there is no mention of compensation or assistance for individuals or communities displaced by petroleum activities.*

Part XIII – Information and Documentation, states that “all petroleum data . . . shall be owned by the State” (145) and lists reporting requirements for licensees who, essentially, must share with the government all technical data and information that they gather in surveys, as well as detailed reports on their own operations. Clause 148 states that “The Minister may, subject to confidentiality of the data and commercial interests, and in accordance with the Access to Information Act, 2005, details of all agreements, licences” and other documentation such as field development plans. This information “shall be available to any person on payment of the prescribed fee” (the amount of which is not specified).

Community activists from the oil-rich Bunyoro region gather outside the Nakawa Court in Kampala on March 28. They had travelled to the capital to hear a ruling on whether civil society organisations could present evidence at an appeal by two journalists against an earlier ruling that denied them access to Production Sharing Agreements. The application to present evidence at the appeal was denied.

The original case was filed in 2007 by Daily Monitor reporters, Charles Mwanguhya and Angelo Izama. They asked that the Attorney General be required, under the 2005 Access to Information Act, to disclose the oil agreements. The case was not heard until 2010, when it was dismissed. A date for the appeal has not yet been set.

Clause 149, however, states that “all data submitted to the Minister by a licensee shall be kept confidential.” The licensee can only disclose the information to third parties with the written consent of the Minister, and the Minister can only disclose the information to third parties with the written consent of the licensee. Clause 150 re-emphasises that information supplied by a licensee “shall not be disclosed to any person who is not a Minister or an officer in the public service except with the consent of the licensee” and adds that public servants, even after retirement, may not disclose any information . . . obtained in the course of his or her employment for a period of ten years.” *Several commentators have welcomed the mention of the Access to Information Act but have pointed to the tension, if not outright contradiction, between the pro-transparency Clause 148 and the pro-confidentiality, even pro-secrecy, Clauses 149 and 150. Revenue Watch: “Clause 150 significantly expands the scope for non-disclosure. It could be interpreted to justify withholding information which is of no commercial significance (but great public importance) simply because [it] is submitted to the Minister or included in a report.”*

Part XVII—Transitional Provisions, states that licences and permits granted before the Act is passed “shall remain in force” (188.1.b) and that, under the new Act, “the terms and conditions” of those agreements “shall not be less favourable.” *This ‘stabilisation clause’ effectively protects companies that already have contracts from changes to those agreements as a result of the Act. Given that a production sharing agreement was made between the government and Tullow Oil just days before this Bill was tabled in parliament, and given that this agreement, whose terms are not publicly known, will in effect cover production of the recoverable reserves so far discovered, some observers believe that this Bill is, in a sense, irrelevant. The major deal has already been done, and the terms cannot be changed.*

Parts of the Bill not featured here are considered in greater detail on our website, www.oilinuganda.org.



Uganda must integrate oil and climate change policy

| By David Ebong

*Strong institutions needed to deliver on policy
Policy implementation must be audited*

Oil exploitation can bring immense negative impacts on the environment. These would have a significant influence on Uganda’s development pathway because environmental sustainability is intricately linked with growth. The government has focused on oil at the expense of environment and climate change despite the Government of Uganda being a signatory to the climate change convention and Kyoto Protocol.

A low emission development pathway is the optimal option for Uganda and could help us to become a regional leader. Brazil, whose economy outpaced the UK in December 2011, is a good example of balancing green and fossil driven economies. The clean energy, petroleum, environment, and climate change sectors are strong entry points for Uganda to participate in emission reduction and tap into the carbon market where Sub-Saharan Africa is accessing only two percent of the global share of Clean Development Mechanism funding. To properly manage these complex issues, they need to be unlocked at the highest level of decision making in the country.

From a bird’s eye view, a weak implementation framework has held Ugandans hostage to poverty amidst

a forest of options for sustainable development. There is a need to move beyond policy reforms and to focus on auditing implementation compliance.

Experience from parliamentarians’ work in the region has shown that oversight mechanisms remain the weakest point of parliaments in Sub-Saharan Africa. While the oil law slowly evolves in Uganda, parliamentarians must strengthen policy auditing by focusing not only on financial factors, but also on auditing policy compliance. Benchmarks are needed for institutional linkages that will enable government at all levels to deliver in an integrated manner.

Uganda has excelled on policy reforms but, as result of dysfunctional or non-functional public institutions at all levels, has performed poorly on delivery of quality services. There is a perception of increasing corruption at all levels. Despite a strong anti-corruption legal framework, Uganda has struggled to translate its anti-corruption laws into practice. This is tarnishing Uganda’s image as well as public confidence in government’s ability to undertake reforms for a development model that can succeed in the oil and climate change challenges. The governance gap, and

the unequal relationship between government and citizens, must be addressed.

The oil discovery brings both development opportunities and challenges. Global experience demonstrates that natural resource wealth in the context of poverty and weak institutions increases the probability of corruption, patronage, instability, and conflict. Whether Uganda’s oil is a blessing or curse depends largely on the establishment of an institutional framework that ensures fair and equitable distribution of resources and appropriate consideration of economic, social, and environmental issues.

A green economy remains a viable option for Uganda but it will require getting it right from the word go. Uganda has shelved the implementation of its Renewable Energy Policy 2007 that requires all petroleum products to be blended by 20% of plant oil. This was meant to guarantee farmers’ participation in the oil sector, providing access to the market that they lack. It was seen both as a commitment to a low carbon development strategy and as empowering agro-based local communities.

Further study is needed to identify the impacts of climate change and oil in Uganda and support policy measures designed to mitigate these effects. Among the measures is an emission trading scheme which will shift demand towards lower-emissions sources, and towards clean technologies that capture and sequester emissions, and towards lower-emissions forms of transport. This is a balanced pathway for Uganda with multiple benefits-sharing in favour of local empowerment and averts the oil curse in the country.

Climate change cannot be forgotten. Uganda’s response has remained slow and frustrating in terms of integrating the national and local government processes vis-à-vis the role of NGOs and the private sector through a multi-stakeholder approach. As the oil debate progresses, the focus should be on strengthening all environmental management using oil as an example rather than as a standalone case.

David Ebong was the MP representing the constituency of Maruzi (Apac District) in Uganda’s 8th parliament (2006-2011) and the founding Chairperson of the Parliamentary Forum on Climate Change. He has also served as chair of the African Parliamentarians’ Task Force on Climate Change. He is now working in the private sector to develop renewable energy projects.

Oil in Uganda Timeline

- 1890-1891** | Captain Frederick Lugard of the Imperial British East Africa Company travels to western Uganda to inspect reported surface oil seeps. The company declares ownership over the oil deposits. (Guweddeko, 2000)
- 1900** | The newly established British colonial administration licenses the British East African Syndicate to prospect for oil. (Guweddeko, 2000)
- 1913** | A British exploration team, headed by one A. W. Brittelbank, establishes a camp at the Kibiro oil seep. The exploration efforts are abandoned with the onset of World War I. (Guweddeko, 2000)
- 1921-1925** | Britain's Crown Agents encourage three British companies—Britt & Sydney, Chijols Oil, and Grog & Tanner—to invest in oil exploration in Uganda but “there was no progress owing to financial constraints” (Guweddeko, 2000)
- 1926** | The British government and Anglo-Persian Oil Company agree a joint venture project to prospect for and produce oil. (Guweddeko, 2000)
- 1928** | In order to advance its joint-venture with Anglo-Persian Oil, Uganda's colonial government announces plans for an oil pipeline from Lake Albert to Wakiso, near Kampala. These plans are soon abandoned with the onset of the great depression. (Guweddeko, 2000)
- 1936-1940** | The Johannesburg-based African-European Investment Company drills several test wells in the Semliki basin, and finds promising prospects in, especially, the Butiaba Waki B-1 well, drilled in 1938. (Kashambuzi, 2010; PEPD)
- 1948-1951** | The colonial government drills ten shallow wells for geological correlation purposes, but finds no indication of hydrocarbons. (PEPD)
- 1957** | A Petroleum Act is passed by the colonial Legislative Council
- 1962** | Uganda becomes independent.
- 1964** | Milton Obote's government gives Shell oil exploration rights. (Guweddeko, 2000)
- 1971** | President Milton Obote is deposed by Idi Amin, who at first gives exploration rights to British companies, Kirkwall Associates and Collin Oil and Gas.
- 1980-1984** | With funds loaned by the World Bank, the Government of Uganda undertakes aerial magnetic surveys of the Albertine Graben. These identify three major sub-basins deep enough for oil. In late 1984 a meeting is held in London to attract oil exploration companies, but draws little response because the aeromagnetic surveys are supported by only “scanty data . . . [on] . . . the geology and geophysics and seismology of Uganda.” (PEPD; Kashambuzi, 2010)
- 1985** | A Petroleum (Exploration and Production) Act is passed into law and a Petroleum Unit is established within the Geological Survey and Mines Department of the Government of Uganda.
- 1986** | Yoweri Museveni comes to power in Uganda and “suspended all negotiations for licensing until some Ugandans were trained in petroleum matters to . . . negotiate agreements that were not disadvantageous to the country.” A group of government officials are sent to the UK to study petroleum geosciences. (Kashambuzi, 2010)
- 1986-1990** | The Petroleum Unit is “largely devoted recruitment, training and the procurement of equipment, and very limited field work.” (Kashambuzi, 2010). In a capacity building drive, staff are sent for specialist training in the UK, Norway, the USA and India.
- 1990** | The governments of Uganda and Zaire sign an Agreement of Cooperation for the Exploration of Hydrocarbons and the Exploitation of Common Fields. This leads to negligible cooperation in practice. (Kashambuzi, 2010)
- 1991, March** | The government and Petrofina (a Belgian company that merged with Total in 1999) sign a production sharing agreement that gives Petrofina exploration rights over the entire Albertine Graben. The license expires in March 1993, “without the company completing its work programme obligations [under the PSA.]” The license is not renewed and Petrofina leaves Uganda. (Kashambuzi, 2010)
- 1991, September** | The government establishes a Petroleum Exploration and Production Department (PEPD).
- 1994, October** | PEPD is invited to promote the Albertine Graben as a potential oil prospect at the American Association of Petroleum Geologists' convention in Denver, Colorado. PEPD becomes a regular exhibitor at future AAPG conventions.
- 1995** | PEPD is invited by the Society of Exploration Geophysics to again showcase the Albertine Graben in an international convention.
- 1995, February** | The government signs a production sharing agreement with a US company, Uganda Works and General Engineering Company, but “they could not meet any work obligations . . . the Minister was forced to cancel the licence in March, 1996.” (Kashambuzi, 2010).
- 1997, January** | The government signs a production sharing agreement with Heritage Oil & Gas Ltd., which gains exploration rights over what is now defined as Exploration Area 3—covering the Semliki basin and the southern part of Lake Albert.
- 1998** | Heritage conducts the first ever seismic survey in Uganda, in the area it is exploring. The data is “so good that it was no longer possible to ignore the potential that the Graben possessed.” (Kashambuzi, 2010)
- The Commonwealth Secretariat meanwhile supports Petroleum Exploration and Development Department efforts to develop “model” production sharing agreements.
- 1998, June** | Allied Democratic Forces rebels attack Kichwamba Technical College, within the Semliki area which Heritage is surveying. The rebels burn down dormitories and 80 students die in the conflagration.
- 2001** | The government signs production sharing agreements with Australian company, Hardman Petroleum, and the UK-based Energy Africa, given them each a 50 per cent stake in exploration rights over Exploration Area 2 (northern Lake Albert).
- 2001** | Heritage sells Energy Africa a 50 per cent stake in Exploration Area 3 (the Semliki basin and southern Lake Albert).
- 2002-2004** | *Oil and gas finds*: Heritage drills three wells in Exploration Area 3. These first of these, Turaco 1, finds methane but it is too heavily contaminated with carbon dioxide to be commercially viable. Turaco-2 and Turaco-3 show evidence of oil and gas deposits, but it is not clear whether these are viable for commercial production. (Kashambuzi, 2010; PEPD)
- 2004** | Heritage is awarded a 50 percent working interest in Exploration Areas 1 (Pakwach) & 3A (southern Lake Albert and Semliki).
- Tullow Oil PLC buys Energy Africa, taking over their 50 per cent stake in Exploration Areas 2 and 3.
- 2005** | *Oil and gas finds*: In a major exploration breakthrough, Hardman drills the Mputa-1 well, finding significant quantities of oil and gas in Exploration Area 2 (northern Lake Albert).
- 2005, September** | The government signs a production sharing agreement with Neptune Petroleum (Uganda) Ltd, a wholly owned subsidiary of UK-based Tower Resources, giving them exploration rights over Exploration Area 5 (Rhino Camp Basin, in the West Nile region at the northern end of the Albertine Graben).
- 2005, December** | The government of Norway provides US\$ 4.2 million for a Strengthening the State Administration of the Upstream Petroleum Subsector project. Its three main components support i) developing a policy and regulatory framework for petroleum, ii) institutional capacity building for PEPD, ii) support for technical and economic studies.
- 2006** | *Oil and gas finds*. This is a year of multiple finds, which finally confirm Uganda's commercial oil potential. In Exploration Area 2 (northern Lake Albert), Hardman drills an exploration well, Waraga-1, which finds oil and gas. In the same Exploration Area, Tullow's Mputa-2 well finds oil, and Nzizi-1 finds oil and gas. In Exploration Area 3, Heritage's Kingfisher-1 well discovers oil and gas.
- 2006, October 7** | President Museveni convenes a “thanksgiving ceremony” for the discovery of oil.
- 2006, November** | Tullow and the government sign a memorandum of understanding agreeing to an “early production scheme.”
- 2007** | *Oil and gas finds*: In Exploration Area 2 (northern Lake Albert), Tullow drills three appraisal wells—Nzizi-1, Nzizi-2 and Mputa-3—and confirms oil and gas discoveries in all of them. In Exploration Area 3 (Semliki and southern Lake Albert), flow tests in Heritage's Kingfisher well confirm commercially viable reserves. (PEPD)
- 2007, January** | Tullow buys Hardman Resources. This gives Tullow a 100 per cent stake in Exploration Area 2 (northern Lake Albert), together with a 50 per cent stake, through its earlier acquisition of Energy Africa, in Exploration Area 3 (southern Lake Albert and Semliki),
- 2007, July 27** | The government signs a production sharing agreement with Dominion Petroleum, giving them exploration rights over Exploration Area 4B (the northeast of Lake Edward and adjacent land to the south of the lake.)

- 2007 August 2** | Carl Nefdt, an expatriate geologist working surveying Lake Albert for Heritage, is shot dead in “a shoot-out between Ugandan and DRC forces.” (Kashambuzi, 2010). Presidents Museveni of Uganda and Kabila of DRC meet in Arusha, Tanzania, and sign a new agreement on cooperation in surveying and prospecting.
- 2008** | *Oil and gas finds*: During the year, Tullow drills five exploration wells in Exploration Area 2 (northern Lake Albert), finding oil and/or gas in all of them. The wells are Taiti-1, Ngege-1, Karuka-1, Kasamene-1, Kigogole-1. Heritage is equally successful, finding oil and/or gas in four wells—Ngiri-1, Jobi-1, Rii-1—in Exploration Area 1 (Pakwach). Heritage also sinks two appraisal wells, Kingfisher-2/2A and Kingfisher 3/3A, in Exploration Area 3 (Semliki and southern Lake Albert), confirming oil and/or gas in both. (PEPD)
- 2008** | Uganda’s Civil Society on Coalition and Oil is established.
- 2008, February** | A National Oil and Gas Policy, drafted with Norwegian financial aid and technical support, is approved by Uganda’s Cabinet and adopted by the Ministry of Energy. It pledges to ensure that oil and gas development will “contribute to early achievement of poverty eradication and create lasting value to society” and promises “high standards of transparency and accountability in licensing, procurement, exploration, development and production operations as well as management of revenues from oil and gas.”
- 2009** | *Oil and gas finds*: During the year, Tullow drills 8 exploration and appraisal wells in Exploration Area 2 (northern Lake Albert). Seven of these find oil and/or gas. These are: Mputa-5, Karuka-2, Ngassa-2, Nsoga-1, Kigogole-3, Wahrindi-1, Ngara-1. In Exploration Area 5 (Rhino Camp, West Nile), Neptune are not so lucky. Their first exploration well, Iti-1, is dry. (PEPD)
- 2009 December** | Heritage offers its 50 per cent stake in Exploration Areas 1 and 3A to Italian oil company ENI for a “cash consideration” of US\$ 1.45 billion.
- 2009, December 22** | Ugandan environmental NGO, Greenwatch, and two Daily Monitor journalists file a case with the High Court under freedom of information laws and provisions in Uganda’s constitution, to require the government to make public the details of production sharing agreements (PSAs). Earlier in the year, the UK NGO, Platform, had published a report claiming that the PSAs were bad for Uganda because they allowed excessive profit-taking on the part of the oil companies.
- 2010** | *Oil and gas finds*: During the year, Tullow completes further successful appraisal drilling in Exploration Area 2 (northern Lake Albert), confirming oil and/or gas in 8 wells: Kasamene-2, Kasamene-3, Nzizi-3, Nsoga-2, Nsoga-5, Kigogole-2, Kigogole-4, Kigogole-5. In Exploration Area 1 (Pakwach), Heritage finds oil and gas in Ngiri-2 and Mpyo-1. Neptune drills a second test well in Exploration Area 5 (Rhino Camp Basin, West Nile), but it is dry. (PEPD)
- 2010, January** | Tullow asserts its pre-emptive right to buy the Heritage stake in Exploration Areas 1 and 3A on the same terms and conditions that Heritage has agreed with ENI. Tullow proposes to buy the Heritage stake and then sell on rights in the exploration areas to Total and the Chinese National Offshore Oil Corporation. However, the Uganda Revenue Authority bills Heritage for US\$ 404 million in capital gains tax bill arising from the initial sale. Heritage disputes the amount charged, but the government refuses to approve the transactions until the account is settled.
- 2010, May** | A draft Petroleum (Exploration, Development, Production, and Value Addition) Bill is published for public review and comment. Uganda’s Civil Society Coalition on Oil (CSCO) says that the draft lacks sufficient checks and balances on ministerial control, and may lead to corruption.
- 2010, July 21** | The USA passes the Dodd-Frank Wall Street Reform and Consumer Protection Act. One of the Act’s clauses requires all companies that are listed on US stock exchanges and/or registered with the US tax authorities, and that are involved in oil and minerals exploration and extraction, to make annual reports disclosing all payments that they or their subsidiaries have made to foreign governments. Transparency activists see this as a breakthrough because it could force the world’s major oil and mineral companies—most of which have representative offices in the USA—to publish what they pay. The Act’s actual implementation and implications, however, will depend on detailed, follow-up regulations.
- 2010, August** | UK consultants, Foster Wheeler, complete and submit to the government of Uganda a feasibility study, funded by the government of Norway, on the building of an oil refinery in Uganda. According to the study, a refinery project is economically viable: an investment of some USD 2 billion would bring a high rate of economic return, enabling Uganda to become self-sufficient in petrol, diesel and kerosene, while also exporting a surplus to Rwanda, Burundi and parts of Kenya, for a period of up to 30 years. The government of Uganda welcomes the report, as it greatly prefers the refinery option to exporting crude oil. Later, President Museveni is quoted by Reuters as saying “We should resist ferociously those parasites who want to give away this resource for ‘a morsel’ of food as did Esau in the Bible.”
- 2011, February** | President Yoweri Museveni is returned to power in an election that opposition parties describe as fraudulent and that many international observers consider “flawed.”
- 2011, March/April** | Tullow and the Government of Uganda sign a memorandum of understanding to resolve the capital gains tax dispute over the sale of Heritage’s Ugandan assets to Tullow. Tullow pays the outstanding tax on Heritage’s behalf (and then sues Heritage to recover the money.) CNOOC and Total sign sale and purchase agreements with Tullow, agreeing to pay US\$ 2.9 billion for interests of one third each in blocks 1 and 3A.
- 2011, October 11** | After a stormy, two-day special sitting of parliament, in which MP Gerald Karuhanga (Western Uganda representative for Youth) accused Prime Minister Amama Mbabazi, Foreign Affairs Minister Sam Kutesa and Internal Affairs Minister Hilary Onok of taking bribes to influence the award of oil exploration contracts, members pass a resolution calling on the named ministers to resign. MPs also voted for a moratorium on signing further oil contracts until laws have been passed to give effect to the 2008 National Oil and Gas policy. They also resolved to establish an ad hoc parliamentary committee to investigate the bribery allegations. Committee members are later named as Werikhe Kafabusa (Chair), Stephen Tashobya, Julius Njijura, Freedom Kwiycwiny, Cecilia Ogwal, Hussein Kyanjo and Joseph Matte.
- 2012, February 2** | A group of pastoralists “reportedly invaded the Waraga-1 well site” operated by Tullow Oil Pty in Buseruka sub-county, Hoima District, according to the UK-based oil industry newsletter, Afroil. “A local Toonya [sic] official had expressed concerns about the recent increase in pastoralists settling around the well to access water and grazing lands,” the March 20, 2012 issue of the newsletter reports. “This comes amid accusations from local residents of encroachment by Tullow in the area, which has aggravated existing inter-communal land disputes.”
- 2012, February 3** | In defiance of the parliamentary resolutions of October 11, 2011, the government signs with two production sharing agreements with Tullow in what is seen as a green light for the company’s farm-down deal with China’s CNOOC and France’s Total. The agreements cover the 3,000 km² Exploration Area 1 in the Pakwach Basin and the 170 km² Kanywataba Prospect in Ntoroko District (which was carved out of Bundibugyo District in 2010). Tullow is also awarded a production license for the 344 km² Kingfisher field in Hoima and Kibaale Districts. According to international press reports, these agreements hinged on Tullow accepting changes to “stabilisation clauses” in earlier contracts. Reuters quotes Energy Minister, Irene Muloni, as saying that Tullow has also “agreed to the government’s policy of establishing a refinery in the country to produce petroleum products for the country and the region.”
- 2012, February 8** | Two oil bills are tabled in parliament: the Petroleum (Exploration, Development and Production Bill) 2012 and the Petroleum (Refining, Gas Processing and Conversion, Transportation and Storage) Bill 2012. According to Uganda’s parliamentary procedure, the standing Natural Resources Committee will spend 45 days examining the bills and consulting with stakeholders, will make any revisions they see fit, and will then submit the bills to parliament for a ‘second reading’ and vote.
- 2012, February 10** | President Museveni makes a two-hour speech to parliament defending the recent signing of oil contracts with Tullow, and saying that Uganda will take at least 76.2 per cent of revenues deriving from oil. Opposition MPs boycott the address. Some MPs threaten to take the government to court over the signing of the contracts, and ask the Speaker to strike the President’s address from the parliamentary records.
- 2012, February 23** | Neptune drills a third exploration well, Mvule-1, in Exploration Area 5 (Rhino Camp basin, West Nile). The well does not discover oil or gas.
- 2012, March 10** | Government officials tell community leaders in Kabaale parish, Buseruka sub-county, Hoima District, that a 29 square kilometre oil refinery complex will be sited in the parish. As well as a refinery and housing for its staff, the complex will, the officials say, include an airport, waste management facility and petro-chemical plants.
- 2012, March 26** | Tullow Oil PLC announces a promising oil discovery in the Ngamia-1 exploration well drilled in Kenya’s Turkana County, close to Kenya’s border with Uganda. A company statement says the find was “beyond our expectations” and that “many leads and prospects similar to Ngamia have been identified.” Kenya thus appears quite likely to join the ranks of oil producing countries.