



OIL IN UGANDA

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

Editorial

What a year!

Next month, the *Oil in Uganda* website will celebrate its first anniversary. Similarly, this newsletter is the fourth of our quarterly, print product. It has been an interesting year, a great and richly rewarding learning period for us.



From the start, our cardinal objective has been to provide information. Accurate, objective, well-researched all-round information. We hoped that by doing so, we would play a role in influencing the sustainable management of oil and gas resources in Uganda.

Some people had doubts, and understandably so. They questioned our credibility, suspected 'ulterior' motives or thought we were just jumping onto the oil bandwagon.

But, as time went by, an increasing number of readers began accepting us as a legitimate source of information on the oil industry in Uganda. These people gave us useful feedback which we used to improve our product—and we still do.

Our mission has always been to fill the information gap between the citizenry and all the other stakeholders on matters relating to

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Uganda is not an island

| By Oil in Uganda staff

Uganda's 2006 oil discovery helped stimulate new exploration efforts across East Africa.

Now, it turns out, the whole region is rich in petroleum resources, with some countries notching up huge finds that dwarf Uganda's.

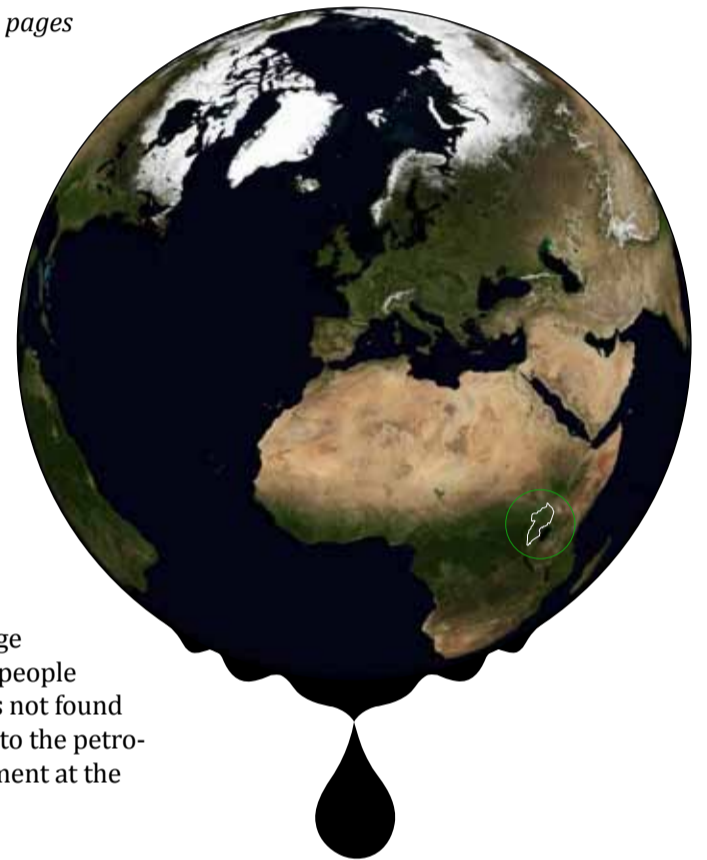
Beyond any shadow of doubt, oil and gas will have a major impact on the region's future development.

But what kind of impact? Will the states of the East African Community and the countries neighbouring the regional bloc manage to harmonise their production, infrastructure and market development strategies to extract most value for the future from resources that have lain under the ground for many millions of years? Or will we see a new era of white elephant projects and waste? Or, worse, growing militarization as rival petro-states arm themselves to advance their claims in cross-boundary disputes?

These are the central questions we address in this issue. (See pages 7-13)

They are critically important questions for landlocked Uganda which, far from being an island 'entire of itself' cannot develop its fields or export a single drop of oil—whether crude or refined—without the cooperation of its neighbours.

Elsewhere in this issue, we report on Uganda's new oil exploration frontier-Nebbi district (page 3); on the disappointed of people in West Nile, where oil was not found (page 5), and on reactions to the petroleum bill passed by parliament at the end of last year (page 15).



Oil training gears up

| By Flavia Nalubega and Beatrice Ongode

From basic to postgraduate skills, training opportunities are multiplying for Ugandans - but don't yet always lead to jobs.

KIGUMBA, KIRYANDONGO DISTRICT: A foundation stone laid last October by President Museveni on a 200 acre piece of land outside Kigumba town is all there is so far to mark a permanent home for the Uganda Petroleum Institute, Kigumba.

But construction is going on nearby, with several sturdy blocks of temporary classrooms, dormitories and laboratories erected in record time by CJIC, a contractor from China's Jiangxi Province. The facilities are expected to be ready for a new intake of students in March. Work will then begin on a permanent structure.

"The existing blocks have been constructed in three months," according to the institute's administrator, Harmony Asimwe. "We hope to have permanent structures ready in about two years. The government is dedicated towards this because the need for trained personnel in Uganda's oil industry is big."

Although it has not had a physical home before, the institute has already



Foundation stone at Kigumba

taken in two sets of students on courses designed to qualify them as skilled workers in the oil industry. The classes were mainly held at a vocational training institute in Nakawa, Kampala, and the Uganda Technical Institute, Kyema, close to Masindi.

The two year diploma course teaches

skills such as structural welding, oil and gas electrical maintenance and pipe fitting. This is followed by a further six months training in Trinidad and Tobago, on courses offered free of charge by the Caribbean island's government.

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Photo: Nick Young

...Oil training gears up

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Thirty students graduated last year and 60 more will do so in 2013, while a third intake of 68 will enrol at the premises in Kigumba in March.

Yet this effort to ensure 'local content' in the supply of skilled, oil industry workers may not be enough to qualify the graduates for jobs.

Disagreements between oil companies and the government have delayed the oilfield development phase, when demand for skilled workers will be highest.

Moreover, according to Kigumba vice chancellor, Professor Charles Kwesiga, the institute's graduates need yet more training before they can land jobs. "They are not ready for the industry and the industry is not ready for them," he says.

However, Professor Kwesiga revealed plans to lobby oil companies to find jobs for Kigumba graduates.

"We want to meet oil companies to ask their employment plans. We hope our graduates shall receive positive feedback."

He said a meeting is planned for early this year and will be chaired by President Museveni.

Editorial

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Uganda's oil resource. We felt that lack of information leads to mistrust between the leadership, the industry and the majority of Ugandans. The end result of is inevitably destructive, as several countries in Africa have so frequently demonstrated.

Entering our second year, we do not intend to change this focus. We shall continue to 'capture the whole conversation' in Uganda's oil industry and present fair, balanced, accurate and complete information.

It is with great admiration that I must commend my predecessor, Mr. Nicholas Young, who did this with remarkable dedication. Not many people could achieve what he did in the one year he was Managing Editor and I feel like a relay runner who receives the baton ahead of the pack in the final exchange. The more difficult work has already been done, mine is to simply get to the finish line.

Finally, I would like to thank the Ford Foundation, the Democratic Governance Facility and ActionAid International Uganda for believing in this endeavour and funding our operations.

For God and my country.

Chris Musiime
Managing Editor, *Oil in Uganda*

Higher education

Several Ugandan universities are also rolling out oil courses.

Uganda Christian University (UCU) has established an Oil and Gas Leadership Institute that offers elective courses—in areas such as oil law, oil accounting and oil and environment—to students majoring in other subjects.

According to institute coordinator, Peter Davis Mutesasira, 85 percent of students in the law, business and environment faculties have opted to take the oil courses. He says this is just the beginning. The institute expects over time to grow into a fully fledged department.

In 2011 Nkumba, a private, chartered university, began a two-year diploma and three year Bachelor of Science in Petroleum and Mineral Management and Technology. Professor Orach-Meza, Dean of Sciences, says the BSc. can be upgraded to a Masters by adding further course units.

He notes that the university has benefitted from curriculum advice and guest lectures by staff from the government's Petroleum Exploration and Production Department and Geology Directorate—both based in Entebbe, close to the Nkumba campus.

With support from Total E & P Uganda, Makerere University has expanded its long-established geology department to offer Bachelor degrees in Petroleum Studies. This year, for the first time, it will offer a Masters in Petroleum Geosciences.

In addition, the Makerere University Business School is offering short, oil and gas management courses, spread over six week-ends and intended mainly as in-service training. The courses are delivered in partnership with Quest Energy, a private consulting and training company.

UCU, which is based in Mukono, is also planning to start short training courses at its satellite Kampala campus.

Overseas study

Forward-looking Ugandans have meanwhile studied overseas to boost their chances of landing oil-related jobs.

Daphne Okama recently completed a Masters in Petroleum Management at the University of Dundee, in Scotland. The programme included courses on comparative oil law and policy, petroleum taxation and economics, project finance and commercial arbitration. "Nine months is rather short for such an intense programme, and thoroughly exhausting," she comments.

Ms. Okama has quickly put her expertise to work back home. She served as a consultant to the Advocates Coalition on Development and Environment (ACODE), analysing the petroleum bills tabled before parliament last year and writing a background paper on national oil companies to help MPs better understand the issue.

She has now taken a job in the legal department of Stanbic Bank's corporate investment arm—which, as Uganda moves towards oil production, will have critical, oil-related investment decisions to make.

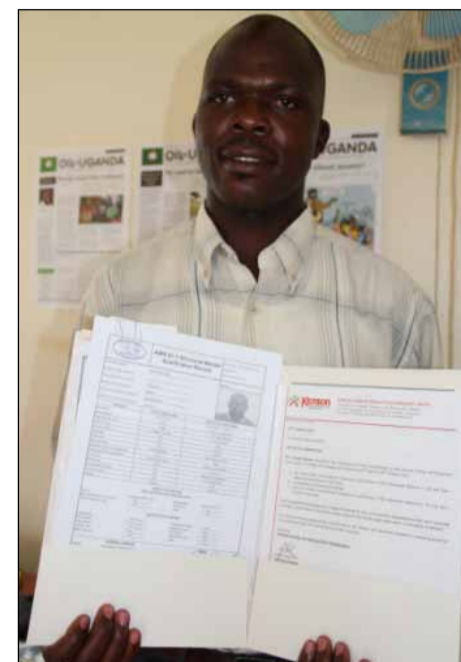
One of Ms. Okama's Dundee classmates was John Tamale, son of President Museveni's press secretary, Tamale Mirundi. John now works in the legal department of Uganda's parliament and, he says, was part of the team that scrutinized the petroleum bills.

Scholarships

Tuition fees for overseas students at Dundee are more than 70 million shillings (GBP 16,800), putting such opportunities beyond the reach of the vast majority of Ugandans.

However, scholarship schemes are now coming on-stream, giving less well-off students a chance to compete.

Aggrey Ntakimanye is one beneficiary. A Makerere graduate in community forestry, he is now majoring



Moses Arupe, one of the first Kigumba graduates, told Oil in Uganda that only one of his classmates has so far managed to find work.

in ecosystems science and policy on a joint Masters programme at University College Dublin, in Ireland, and Justus Liebig University Giessen, in Germany.

He chose the course, he says, because he wants to make sure that Uganda's environment does not suffer from oil.

Mr. Ntakimanye is one of 20 Ugandans taking oil-related courses at top universities across Europe thanks to a scholarship scheme funded by Tullow Oil and managed by the British Council.

"Three students from Buliisa and three from Hoima [both oil bearing districts] are among the 20 sponsored by Tullow," says Patricia Okello, a British Council communications officer. She adds that the Council is hoping to encourage more women applicants in what is traditionally a male-dominated field.

Each scholarship costs Tullow about US\$ 60,000, according to Ms. Okello.

The scheme has been running for two years. It has so far placed students in "centres of excellence in the UK and Ireland," says Ms. Okello, but she adds that it may in future fund students to study at African universities.

She stresses, however, that Tullow does not guarantee jobs for students who complete the courses.

Tullow's partner in Uganda, Total E & P, is now also starting an overseas scholarship programme, and will this year fund four Ugandans to study for Masters degrees in Petroleum Engineering or Health and Safety.

They may have to fight hard for jobs when they get home, but graduates of such schemes should boost 'local content' in Uganda's oil industry beyond jobs as cooks, drivers or laundrymen for seasoned oil workers.



These pre-fab units at Kigumba will serve until a permanent campus is built

Photo: Nick Young

Photo: Nick Young

Hope and frustration in Nebbi, new oil frontier

| By Chris Musiime, Flavia Nalubega, Beatrice Ongode and Nick Young

PANYIMUR SUB-COUNTY, NEBBI DISTRICT: "It came around Christmas time" says Sylvester Odongo, LC-1 chairman of Abok village, referring to the red and white drilling rig that towers over the bush a few hundred metres from his compound of four, grass-thatched huts.

It doesn't trouble them much in the day, he adds—except that when villagers get close to the fenced-off rig, to tend their gardens of cassava and cotton, security guards order them away. Then, at dusk, extra generators kick in to light up the 24-7 drilling operation. "The noise is terrible and it's really hard to sleep" the tired chairman complains.

This is the Ondiek - 'hyena' in the local, Alur language - exploration well. A French contractor, Caroil, is drilling the well on behalf of the oil major, Total S.A.

Total is the operator of Uganda's Exploration Area 1, which covers Murchison Falls National Park and adjoining parts of Nwoya and Nebbi districts.

As well as assessing previous discoveries in the area and preparing the oilfields for production, Total is sinking new exploration wells in the hope of adding to the estimated 1.8 billion barrels of recoverable oil that have already been discovered in Uganda.

Ondiek, located a kilometre or so inland from the north-western shore of Lake Albert, across the water from Buliisa and only half a dozen kilometres from the border with the DRC, is the first target in the Nebbi drilling campaign. Other sites, chosen after extensive—and expensive—seismic surveys, lie close by within Panyimur sub-county and are being prepared for drilling later this year.

Great expectations

Walter Aceronga, the busy and businesslike town clerk of lakeshore Panyimur town, is pleased by these developments. "We are all praying they find oil," he says.

Panyimur already seems bustling. By the shore, a group of young men stand waist-deep in the water, loading sound equipment from the Sky Blue Discotheque onto a boat for ferrying across the lake to Wanseko, in Buliisa. Labourers are pouring concrete for the floor of a new, sheltered market. Traders pile raw cotton onto trucks. Pick-ups are piling people, and their goods, aboard.

But, according to Mr. Aceronga, the appearance is deceptive. This is a market day, he points out. People have come from the northern reaches of West Nile region, from the DRC, and from as far afield as South Sudan to buy fish.



Photo: Nick Young

This is as close as one can approach Ondiek well without attracting the attention of security guards.

Yet the catches are way down because of overfishing, and there is a desperate shortage of other work, leaving youth prey to idleness and waragi—the potent liquor that is sold in small, plastic sachets—or home-brewed spirits.

The town has no electricity and is connected to district centres only by gruelling, murrum roads.

Mr. Aceronga hopes oil will raise the town's fortunes. He notes that State Minister for Minerals, Peter Lokeris, promised in a recent speech that the government will pave the 38 kilometres of road from Panyimur to Pakwach as soon as any discovery is made. The town clerk's eyes gleam with satisfaction at the prospect.

In the town of Nebbi, 61 kilometres by very rough road from Panyimur, people seem well aware of the quest for oil in their district and have significant—if not always realistic—expectations.

Boda drivers at the Satellite 1 stage in Nebbi town expect an oil find would lead to a cheap supply of petrol.

Donald Jakuma, the chairman of a group of boda boda drivers who operate out of the town's Satellite 1 stage, says he expects an oil discovery to be followed by a drop in fuel prices at local petrol stations.

Joyce Alemondo, who keeps a small shop near the stage, agrees. She also thinks that Nebbi and Zombo (a district that was carved out of Nebbi in 2009) should receive at least half of the revenues from any oil discovery. Yet she doesn't believe this will happen—because, she says, government is "very secretive" about oil revenues.

Job dissatisfaction

Another widespread hope is that oil will bring jobs. But this hope is rapidly souring.

"They bring people from Kampala [to work in Panyimur] yet we also want to be part of the establishment and

improve our livelihood," complains Mr. Aceronga, the Panyimur town clerk.

Nebbi shopkeeper, Joyce Alemondo, says the district should keep most of the oil revenues.

Abok village LC-1 chairman, Sylvester Odongo, insists there is no shortage of local youngsters who, he argues, should be trained to do the jobs that now go to "foreigners." He complains that only five people in his community have received any work from oil exploration—and they were taken on only as casual day-labourers.

Higher levels of local government share these concerns. According to Benson Okumu, LC-3 chair of Pakwach town, the lack of opportunities from the oil companies has so frustrated local youths that he recently had to talk a group of them out of a protest demonstration. "They had planned to block the road to the oil camp until they were given jobs," he says.

His concerns are shared by the LC-5 chairman of the district as a whole, Robert Okumu [no relation to Benson], who is himself a native of Panyimur, and whose family home is only a few hundred metres from the Ondiek well. Locals, he complains, qualify only for the least skilled and lowest paid jobs.

Oil industry insiders often emphasise that it is essentially capital-intensive rather than labour-intensive, and that the technical jobs require years of specialised training. But this mes-



Photo: Nick Young

LC-3 chairman for Pakwach, Benson Okumu, hopes the area will gain status as a district in its own right.

sage is evidently not getting through in Nebbi.

And with rural youth unemployment in Uganda widely estimated to run as high as 80 percent, it is not a message that many people want to hear.

A difficult role

Moses Ogamdhogwa, Total's community liaison officer in Nebbi, has the tough job of trying to manage local expectations. He at least has the benefit of previous experience in community work, having earlier served for two years as coordinator of the Nebbi District NGO Forum.

In rather more than a year with Total, he says, he has helped recruit around 800 people in Nebbi, mainly for short-term, casual labour at a rate of 17,000 shillings (USD 6) per day.

The industry's main needs, he explains, are for labourers to work on improving roads and making new access roads to the oil well sites so that equipment can be brought in, and on clearing land where surveys and other 'oil activities' take place. The Pakwach-Panyimur road, although still made of murrum, has been widened and levelled to improve access for oil industry trucks. In a curious development, instead of speed bumps in the villages and trading centres scattered sparsely along the route, people have been hired to sit in the shade of a tree, jump up when a vehicle approaches, and wave red and green flags to encourage drivers to slow down.

It's not the kind of job you'd need much training for, and it doesn't promise much in the way of a future career.

The other, main oil-related job opportunity for locals is slashing away vegetation, including crops, to clear the way for technical experts.



Photo: Nick Young

Women queue for transport home after a day at Panyimur market.



Photo: Nick Young

Oil in Uganda staff writer captures the perspective of a small trader in Nebbi town.

Photo: Nick Young



Moses Ogamdhogwa, Total's community liaison officer in Nebbi, formerly ran the district NGO forum

To conduct a seismic survey, Mr. Ogamdhogwa explains, straight lines about a metre wide must be cut over distances of up to a kilometre. Then, along these paths, technicians lay cables rigged up at regular intervals with hammer-like devices. Heavy equipment is then used to pound the earth to cause vibrations and the emerging sound wave echoes are picked up by sophisticated equipment, giving a kind of 'ultrasound' picture of what lies beneath the surface.

This technique is fundamental to modern oil exploration.

Yet, the community liaison officer points out, it can hardly be done by locals who have only basic education. They just supply the muscle to clear the route.

To hire day-labourers, Total has developed a lottery system of which Mr. Ogamdhogwa seems proud. According to him, Heritage Oil—which used to work in Exploration Area 1, before selling on its exploration rights at a profit of around a billion dollars—recruited labourers through local chiefs and notables. Total felt this wasn't fair. Better to have a list of hopefuls, and draw their names out of a hat.

But, whatever the selection system, occasional labour at a few dollars a day seems unlikely to earn much gratitude to a company that might walk away with a billion.

Sex and the town

The development of oil infrastructure may, however, stimulate another industry: commercial sex. This is a serious concern in a country where HIV infections are reportedly on the rise after initially impressive efforts to contain the virus.

Across the world, oilmen often work on an alternating, one-month-on, one-month-off basis, living in self-contained 'oil camps' during the month of work.

According to Moses Ogamdhogwa, Total's Tangi camp, located a few kilometres from Pakwach on the West Nile-Karuma tarmac highway, is as strict as a boarding school. The oilmen must respect a nightly curfew, and any worker found to be having sex with a local woman is summarily dismissed. The guilty party's supervisor or line manager is also liable to dismissal.

However, Mr. Ogamdhogwa acknowledges, some of the sub-contractors and their labourers do not live in the same camps and are not bound by the same rules.

"These [oil industry] people behave like tycoons" according to Collins Komakech, who works with a community-based

organisation, Panyimur Aids Awareness Control Support for Vulnerable Children and Orphans (PACASO).

"They flash their money and our girls are attracted. Village girls today move around almost half naked to attract the rich men in town!"

He also claims that the price of commercial sex in Panyimur, and the price of the by-the-hour rooms where it takes place, has almost doubled.

Higher-up district officials consulted by Oil in Uganda share these concerns, and are worried by what they say is a noticeable in-migration of commercial sex workers.

Compensation wrangles

Local leaders are also dissatisfied with the compensation system for land, crops or other property forfeited in the exploration process.

Land may be taken for access roads, oil camps and storage facilities, and each drilling site occupies a 100 metre by 100 metre area. In addition, farmers are entitled to compensation for crops lost during seismic surveys.

According to Moses Ogamdhogwa, acquiring land for long-term use has not involved significant disputes. When Total needs land, he says, they hold several meetings with communities to determine exactly who owns it, and this has succeeded in avoiding later conflicts.

However, he acknowledges that there have been complaints over delays in payments of rent for land that Total leases. These arise, he says, partly because the company requires the owners to open a bank account, so they can receive regular payments in a convenient and easily accountable way. Also, the company does not start paying rent until it has built the facility for which it acquires land, because only then can the amount actually used be assessed accurately. These measures are meant, Ogamdhogwa says, to be fair to landowners; but, he reports, some lose patience with the process.

The view from Abok village is more critical. LC-1 Chairman Odongo reports that land belonging to a neighbour of his is being used as a vehicle park for the Ondiek well, but that the neighbour has received no payment. The landowner in question

was not available for interview, so Oil in Uganda was unable to establish whether this might be a case of 'delay' of the kind outlined by the community liaison officer.

LC-5 chair, Robert Okumu, believes that the compensation matrix—the tool used to determine what to pay out—is unfair in any case. This matrix, updated annually, is supposed to be developed by the local government and certified by the chief government valuer.

Yet, Mr. Okumu claims, "The matrix that Total uses is the same one used in Buliisa [where Tullow made earlier oil discoveries] and an old version at that." The Nebbi district government played no part in developing it, he says. "Total has been shutting out local government."

"Crops which are destroyed when marking out the land are not always fairly compensated, yet the law calls for collaboration between the local government and oil companies to achieve fairness."

Only recently, according to Okumu, did Total approach him to discuss compensation: and that, he claims, was after they had begun to encounter problems with communities, and needed him to intercede. A meeting has been scheduled for February to discuss the matter.

Don't neglect us!

The district chairman will have other grievances to present.

"Because of the increased air pollution [from road construction], cough and influenza are common among the residents," he claims. "In fact, the community wrote a letter to the district commissioner complaining about the dust."

He also faults Total for failing to keep promises they made to the community. "Total agreed with the local government to drill a borehole for locals in Panyimur. This they did, but then diverted it to their own camp in Nyamutagana, leaving our people disheartened."

Mr. Okumu's complaints are not confined to Total. He also accuses the central government, including the Ministry of Energy and Mineral Development, of keeping his district out of loop.

Nebbi is not invited to important workshops called by the Ministry to discuss oil and gas issues, he says. "We are in the dark . . . We are not considered when oil opportunities come up, unlike people from Hoima, Buliisa and Masindi, who are always given the first priority when it comes to delicate oil decisions."

District ambitions

In Pakwach, LC-3 Chairman Benson Okumu has a similar list of complaints. He showed Oil in Uganda a letter he wrote to Total, late last year,

"to bring to your attention the dismay and the concerns of Pawkwach Town Council and the Community in regard to various companies that Total E & P Uganda have sub-contracted to work in the industry."

The letter names Civicon, Pearl, Excel and MSL Logistics, who it accuses of "shortcomings" in "issues of . . . bribery, unskilled (casual labourers) being employed from outside the area of operations, HIV/AIDS components, corporate social responsibilities" and more.

It summons these companies to a meeting, adding in a postscript that "issues of facilitation of this meeting remains your responsibility as this concern is created by you and your team."

The LC-3 chairman's apparent determination to assert authority over the oil industry is perhaps connected to political ambitions. He openly admits that he wants Jonam—the area comprising the sub-counties of Pakwach, Panyimur and Alwi—to split from Nebbi and gain administrative status as a district in its own right, and is confident that this will happen next year. That way, local government's eventual share of any oil revenue will fall within his patch.

Slightly better news

Altogether, this does not seem a promising start to Total's community relations strategy.

On a brighter note, however, *Oil in Uganda* found no evidence, and heard no reports, of the 'land grabbing' speculation that has notoriously marred the oil exploration process in Bunyoro, where Uganda's first commercially viable oil discoveries were made.

Perhaps this is because, as Moses Ogamdhogwa claims, the local government has done a thorough job of 'sensitising' local people on this issue, warning them against speculators.

Or it could be because *Oil in Uganda* did not stay in the area long enough, or dig deep enough, to uncover cases.

Or it may simply be that Nebbi has been so overlooked in the national oil conversation that speculators didn't know it had petroleum prospects. With Total's new discovery of oil in neighbouring Nwoya district—first revealed to the world by *Oil in Uganda*—that's likely to change quite soon. And then things in Nebbi may get even more complicated.

In February 2013, Total E&P Uganda reported that it had not found oil in Ondiek-1 and Riwu-1 wells in Panyimur and Alwi sub-counties, respectively.

Disappointed West Nile locals still hope for oil

| By Beatrice Ongode

People in a poor and marginalised region hoped that oil would restore their fortunes. They've had no such luck. Now, locals are not sure what's going on. But they're still hoping.

OYO VILLAGE, RHINO CAMP SUB-COUNTY, ARUA DISTRICT: Three years ago, Neptune Petroleum drilled the 780 metre deep Avivi-1 exploration well on the outskirts of this village, in search of oil. The well did not find any. This was the second disappointment for Neptune, which held the exploration licence for the Rhino Camp basin, and had already sunk a dry well, Iti-1, in nearby Rigbo sub-county. After a third well, drilled last year, also proved dry, the company's licence ran out, leaving it with nothing to show for an estimated US\$ 50 million spent on the exploration effort.

Today, nothing marks the site of Avivi-1 except a simple, concrete post. The surrounding area appears to have been restored to its original condition. Acacia trees, bushes and rough grasses make the site indistinguishable from the surrounding countryside. A short way off stands a different kind of well—a water borehole that the company left behind as a farewell gesture to the community.

Local people seem as sorry as Neptune that the company did not strike oil. "We are frustrated that no oil was found," says Candia Hassan Mubarak, a senior six vacist who works as a butcher. "We cannot bear another disappointment because it will now be a curse," he adds.

Located on the western banks of the Nile, Rhino Camp is a sparsely populated, semi-arid area whose 21 villages are home to 12,000 people, many of them Muslims.

The main administrative and trading centre has only a handful of shops. Young men sit in the shade playing Ludo. Those who have no money to gamble simply look on as the day passes by.

Once a major cotton growing area, the sub-county has been depressed since the closure of riverside ginneries that now stand idle.

"Fishing is now the only thing we depend on as our source of livelihood," Mr. Mubarak says. Pointing to some fishermen who have just returned from a trip, he adds that locals cannot afford to buy the catch. "That mess of fish is being taken to Arua town because people here will not buy it."

Early hopes

When Neptune first came, local people hoped that oil would replace cotton as a source of jobs and income. "We were happy when Neptune announced that they would drill. We expected them to find oil," says Mr. Abdu Nassa Dudu, LC-1 Chairman of Ewuyu village, adding that people

had high expectations of a dramatic boost to the local economy.

According to Neptune's General Manager in Uganda, Marilyn Hill, the company carried out extensive consultations with local leaders and communities throughout their operations in Rhino Camp.

But young men idling away the morning in the small town of Rhino Camp had a different story to tell when *Oil in Uganda* visited.

There were some big meetings at first, they said. But the company's attention soon focused on the Eramva clan, the major landowners in the area. Much of the local population, the young men explained, moved in from neighbouring areas two or three generations ago, in cotton's heyday, renting land from the clan leaders.

Mr. Mubarak sums up what seems a widely held view: "Neptune would consult with the LC-3 chairman, Uthman Aduvuku, and the leaders of the communal land where Neptune was drilling. This made us feel there was no transparency in their dealings. When it came to recruiting youths for employment, it was the LC-3 who chose who to send to the camp."

"Neptune people changed their attitude and character towards us the moment they told us they did not find oil," he further complains.

Marginal gains

As well as the borehole in Oyo village, Neptune's direct contributions to the community included constructing latrines for Rhino Camp primary school and building a fence around the health centre.

Community members did not seem especially grateful for these gestures, but did appreciate improvements the company made to the 40 kilometre murrum road to Arua. "The roads are still treacherous and dusty, but they are better than what we had," Walter Aniku, an LC-2 councillor, grudgingly admits.

At the site of the Avivi-1 well, Mr. Aniku reveals another unexpected benefit of the drilling. "The [land-owning] clan harvested four sacks of maize and simsim [sesame] from this portion of land" he notes, indicating a patch of slightly green-tinted earth where, he says, the drilling waste was spread. That was a good yield in this semi-arid area, Mr. Aniku explains, leading locals to conclude that the waste is useful as a fertiliser.

Mr. Aniku points out where the drilling rig and other equipment once stood, saying that the operational

area stretched for about a hundred metres. There is no sign of it now. To the untrained eye, at least, the site merges seamlessly into the surrounding bush.

"Oil companies know that they have to restore land once they are done with their activities," Naomi Karekaho, a communications officer with the National Environment Management Authority, said in a telephone interview. "Since Neptune did not find any oil, we are supervising the process of land restoration that is ongoing."

Oil in Uganda invited Neptune to share information on the restoration programme but the company declined to respond.

Misunderstanding

An elderly guard who still watches over the site was, however, ready to share what he described as a "secret."

"The company found oil and are just looking for money to go back and drill it," he claimed.

This certainly mistaken belief shows a lack of knowledge about oil that was also evident in the wider community.

Walter Aniku and several of the young men interviewed in Rhino Camp mentioned that a tree species, known locally as 'Tiika' and relatively abundant in the area, is a sign of oil lying beneath the surface.

They are convinced that Rhino Camp does have oil, and eager to know when renewed efforts will be made to find it.

Future prospects

The Tiika tree is no indicator of whether petroleum may lie hundred of metres below the ground, but the

geological evidence suggests that Rhino Camp does have quite high oil potential. Neptune's failure was probably a 'near miss.'

The company itself appears to believe so. Despite local press reports that Neptune has left Uganda, it retains a skeleton staff in the country and has said that it will apply for a new exploration licence in Rhino Camp when the government announces a new bidding round.

With Total's recent, new discovery in Nwoya District [see story on page 6], which lies just across the Nile from Rhino camp but hundreds of kilometres away by road, interest in the Rhino Camp block is likely to be high, and Neptune will have to compete with other bidders for the block.

But whatever company the license goes to, it will have to work hard to win back the goodwill of a community that feels badly used.



A concrete post marks the site of the dry Avivi-1 well. The site appears to have been adequately restored to its previous condition.

Photo: Nick Young



These articulate, thoughtful, but unemployed and cash-strapped young residents of Rhino Camp were keen for independent and objective information about oil.

Photo: Nick Young

FOR THE RECORD: A ROUND-UP OF MAJOR DEVELOPMENTS IN THE LAST THREE MONTHS

Oil bill debate ends in bitter division

Uganda's Petroleum (Exploration, Development and Production) Bill completed its stormy passage through parliament last December 7, but waves of recrimination continued to ripple outwards, threatening to engulf the country in political crisis.

Parliamentary debate had mainly centred on extensive powers vested in the minister responsible for oil by Clause 9 of the bill. Many MPs wanted these powers reduced, greater responsibility to be given to the Petroleum Authority that the Bill creates, and greater parliamentary oversight.

MPs who favoured this position came under intense pressure, in a series of caucus meetings and behind-the-scenes negotiations, to back down. President Museveni himself met or telephoned numerous dissenting MPs, urging them to vote in favour of Clause 9.

The executive got its way. The bill, as passed in a final sitting from which over 100 NRM MPs chose to absent themselves, gives the minister sweeping powers, including full control over the award of exploration licences. (See page 15 for a range of

reactions to the passing of the oil bill.)

On December 13, President Museveni made a fiery speech to parliament which showed no trace of magnanimity in victory. Instead, he lambasted MPs who had dared to oppose the government's position, singling out Theodore Ssekikubo (NRM, Lwemiyaga County), Wilfred Niwagaba (NRM, Ndoorwa County East) and Abdu Katuntu (FDC, Bugweri County) for personal mention and attack. They, and civic activists, the president claimed, were "acting on behalf of foreign interests" and "trying to cripple and disorient the development of Uganda's oil sector."

Fuel was added to the fire the next day when 24 year old MP, Cerenah Nebanda (NRM, Butaleja), died in suspicious circumstances from toxic shock—possibly induced by recreational drugs, possibly by poison.

Although a member of the ruling party, Ms. Nebanda had opposed



Photo: Nick Young

Community activists from oil-bearing regions wait outside parliament for permission to sit in the public gallery and hear the oil debate. Police direct them to another gate to await a decision. Finally, after the intercession of sympathetic MPs, they were allowed to file into the chamber.

Clause 9, and had also been a vocal critic of government health and social policies.

Dissenting MPs were quick to suspect and allege political assassination. Prominent NRM leaders, including first lady, Janet Museveni, were quick—too quick, some said—to deny it.

In the ensuing fracas of accusations and counter-accusations, what had started out as a skirmish over oil threatened to become an all out war between MPs who want to reign in the ageing president's powers and the president himself.

Total makes new discovery in Nwoya

French explorer, Total E & P, discovered new oil in Nwoya District in January, just weeks before the licence to explore the area was due to expire.

The company has confirmed the discovery, news of which was first broken on the *Oil in Uganda* website, but has not yet disclosed details of the size of the find.

However, the government has confirmed that the licence for Exploration Area 1A, which was to expire on February 3, will now be extended to allow Total to appraise and develop the new oilfield. Last year, an exploration licence in Kanywataba, Ntoroko District, expired and reverted to the government after oil companies

had failed to find petroleum in the exploration block.

According to a Dow Jones report, Total had drilled three dry wells in Nwoya before the Lye-1 well struck oil. Total is also exploring for new oil in Nebbi District, adjacent to Nwoya.

Licences to explore and develop the fields that Total operates are jointly

owned by Total, Tullow and CNOOC, who will share eventual profits equally. However, under the partnership arrangement, Total is charged with operations in licensed areas at the northern end of Lake Albert, encompassing Murchison Falls National Park and parts of Buliisa, Nwoya and Nebbi districts.

New leadership for civic oil coalition

Transparency and access to information will be the key demands and objectives of the Civil Society Coalition on Oil and Gas (CISCO) under its newly elected Chair, Irene Sekyana.

"We want to see how the coalition can be broadened out to reach grass roots people in the oil producing areas because they are vulnerable and they will be impacted most by oil and gas development" Ms. Sekyana told *Oil in Uganda*.

"We want to reach these people and give them information and then see how they can use that to advocate for having their rights respected—prop-

erty rights, land rights, environmental rights and social rights."

Ms. Sekyana, who is also National Coordinator of the environmental rights NGO, Greenwatch, was elected Chair of CISCO during its Annual General Meeting in December. The coalition was founded in 2008 and has more than 20 member organisations.

"The coalition has been going through a tumultuous period," Ms. Sekyana commented. "There's been a lot of internal confusion and members had lost confidence. We are looking at confidence building and building a credible and reputable coalition."

She will be assisted in that task by a national coordinator, the coalition's first full-time employee, who has been taken on thanks to a grant from the Democratic Governance Facility. The coordinator will work out of the offices of Advocates Coalition for Development and Environment (ACODE), which has served as 'host institution' for CISCO, and was unanimously re-confirmed in that position at the AGM.

Enock Nimpamya, who works full time with Action Coalition on Climate Change, will serve as Alternate Chair.



Photo: Nick Young

Reports by Nick Young

Will oil fuel cooperation or conflict?

| By Nick Young

A 'landlocked curse' shapes Uganda's options, and provides a powerful argument for cooperation, but a regional arms race remains an uncomfortable possibility

As Kenya's general elections draw near, Ugandans are remembering the violence that followed the 2007 polls and praying that the same won't happen this time round.

This is not just out of concern for fellow East Africans. In 2007, Uganda endured months of disruption to the supply of fuel and other essential imports.

Here was a stark reminder of the disadvantages of being landlocked. Not only does Uganda suffer a hefty fuel import bill, running to hundreds of millions of dollars each year (and high prices for other imports besides); it also depends on transport corridors whose security it cannot guarantee.

No wonder, then, that Uganda's oil discovery sparked hopes that the country could become self-sufficient in transport fuels—with the added, inviting prospect of oil revenues funding electricity generation projects to overcome chronic power deficits. A new era beckoned.

But oil cannot unlock a landlocked country so easily.

At minimum, in order to bring the oil on-stream and build the refinery that the government is so strongly committed to, Uganda will have to rely on those very transport corridors it cannot control. What's more, it will need the cooperation of its eastern neighbours in upgrading them.

If any of Uganda's crude oil is exported—and the international oil companies seem to think that is the best bet for recovering their investments—an export pipeline will be needed, raising tough issues of finance, ownership and transit fees.

And if Uganda's refinery is going to "supply regional markets," as the government hopes, the government needs to be sure that those regional markets really exist.

Yet the East Africa oil and gas picture has changed dramatically since 2006.

Stimulating the region

Uganda's oil discovery triggered exploration efforts across the region.

Firm proof of oil lying deep below the Rift Valley 'de-risked' the region and drew new prospectors in.

At the same time, advances in deep-sea drilling technologies made it possible for oil companies to explore in coastal waters previously considered beyond reach.

According to Ernest Rubondo, Uganda's commissioner for oil, the num-



Sukhoi Su-30 fighters can carry air-to-air and air-to-surface missiles, guided bombs and rockets. Is this the best way to spend Uganda's oil wealth?

ber of exploration wells drilled in the East African Community (EAC) rose steadily from just three in 2006 (all of them in Uganda) to 23 in 2012. Over the same period, foreign investment in exploration rose tenfold, from US\$ 150 million to US\$ 1,500 million.

The results have been spectacular. Tanzania has turned out to have very substantial reserves of offshore natural gas (although not yet as much as her southern neighbour, Mozambique, which is now set to become one of the world's foremost producers). Not content with this, Tanzania is now prospecting onshore too. Kenya has found onshore oil and is re-joining the hunt for offshore gas with renewed vigour. Rwanda and Burundi are also prospecting.

Just beyond the EAC (and not counted in Mr. Rubondo's figures), hopes are also high. There is every chance that Uganda's oil finds will in time be matched by discoveries just across the border in the DRC.

Prospecting is also under way in Ethiopia and Somalia.

Some experts believe that Somalia may turn out to be the biggest 'prize,' with estimates of its oil potential running as high as 100 billion barrels. Major oil companies were prospecting there in the 1980s and, thanks in no small part to the pacification efforts of Ugandan troops, the country is now firmly back on the prospecting map.

Thus, from being a lone success story in 2006, Uganda has become just one part of a regional oil rush story.

Petro-rivalry?

This has disappointed some Ugandans who feel that, having started the race well ahead, Uganda now risks being 'beaten' by others.

"A petro-rivalry appears to be lurking in the horizons," claimed a typical commentary published in *The Observer* last September. "Many observers believe that Kenya will put Uganda in the shade on the fossil fuels front thanks to its geographical advantages."

On one level, this is nonsense. The world remains hooked on oil and gas, with demand continuing to rise, especially in booming Asia. Big finds in East Africa might perhaps very slightly lower world prices, but this is not a 'zero sum' game in which only some can win. The success of one country in finding petroleum need not undermine or diminish the success of any other.

But in harnessing the resources, the investment decisions each country makes will certainly impact on others—and here there is potential not only for competition but also for quarrels.

Uganda needs to be particularly careful because of the 'landlocked curse.'

The government has often boasted that the nation's oil was cheap to

find. US\$ 5 per barrel is the widely quoted figure. This is calculated on the basis that exploration wells drilled in Uganda have had an unusually high success rate: the great majority have found oil.

Yet this conceals the uncomfortable fact that, because it lies so far inland, Uganda's oil will be decidedly expensive to get out of the ground. The country therefore needs cost-effective strategies, and these will in part be shaped by what other countries in the region do.

Courting South Sudan

For example, South Sudan's decision to pipe oil to Kenya effectively cut Uganda out of a possible three-way deal.

South Sudan, determined to become fully independent of the northern neighbour from which it had just seceded, needed a quick and simple solution. Probably now the poorest country in the world, it has almost no businesses to tax, and no manufacturing. The government lives almost entirely on aid and oil—and Khartoum, which had just lost two-thirds of its oil resources, was charging a hefty transit fee. A bilateral deal with Kenya (or Ethiopia) was almost inevitable.

But President Yoweri Museveni, a long time ally of the South Sudan liberation movement, was likely none too pleased by this development.

....Continued on Page 10

East Africa and some of her neighbours: oil a

DR CONGO

Currently produces around 27,000 barrels per day from offshore fields along the country's very short strip of coastline (between Angola and Congo-Brazzaville), but is believed by some to have as much as 4 billion barrels. However, all the likely fields lie in areas of potential dispute. DRC has for years claimed that fields harvested by Angola lie in DRC waters, and has been demanding a share of the revenues. Onshore, one large basin straddles the border with Congo-Brazzaville and the Central African Republic. The major current prospect, though, is the Rift valley—the DRC waters and lakeshore areas of lakes Albert, Edward, Kivu and Tanganyika. Ill defined boundaries create the risk of disputes with Uganda, Rwanda, Burundi and Tanzania. Exploration licensing has been extremely murky. (See main story)



73.5	190	168	239 (2011)	3.25
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ETHIOPIA

Confirmed finds are limited to a small gas field but the country is thought to have considerable potential. More than thirty exploration licences have been awarded. Tullow (UK) and Africa Oil (Canada) are beginning a drilling campaign. Petronas (Malaysia), Pexco (Mexico), South West Energy (Ethiopia) and Ethiopia E & P (Ethiopia) also have licences. Petrobras (Brazil), Chevron (USA), Itochu (Japan) and an unnamed Chinese company are also reported to be bidding for exploration rights.



93.8	370	77	328 (2011)	3.4
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KENYA

A latecomer to the East African oil bonanza, it was only in March 2012 that oil was found in Kenya—near Lake Turkana, in a block licensed to Tullow (UK) and Africa Oil (Canada). Later in the year, gas was discovered in an offshore block where exploration rights are shared between Apache (USA), Pancontinental (Australia), Tullow and Origin (Australia). The size of the fields is not yet known, but it is now widely supposed that Kenya will prove to have substantial resources. Big players with exploration interests include Chevron (USA), Statoil (Norway), BG (UK), Anadarko (USA) and Total (France)



43	810	73	516 (2011)	12
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MALAWI

No confirmed reserves yet, but exploration is starting. In 2011, UK-based Surestream obtained a licence for a 20,000 km² area covering more than half of Lake Malawi and land along its shoreline—but work has been hampered by a dispute between Malawi and Tanzania over where the national boundary lies. In December, 2012, South African explorer, SacOil, was awarded a 4 year licence, renewable for a further 6 years, to explore a 12 265 km² onshore area bordering Tanzania to the north and Zambia to the west.



16.3	350	83	49 (2007)	3
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MOZAMBIQUE

Offshore gas resources currently estimated at around 100 trillion cubic feet, equivalent (in energy terms) to 17 billion barrels of oil, and exploration is still going on, mainly offshore but also onshore in the north and south of the country. Anadarko (USA) and ENI (Italy) have made the biggest finds to date; Petronas (Malaysia) and Statoil (Norway) are also exploring, and six new exploration blocks will be offered for licensing this year. Billions of dollars will be needed to liquefy and export the gas (mainly, it is expected, to Asia), but the huge scale of the recently discovered reserves seems certain to transform the economy of Mozambique, which has for several decades ranked as one of the world's poorest countries.



23.5	470	103	76.9 (2009)	3.27
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UGANDA

Discovered oil stands at 3.5 billion barrels, according to the government. Oil companies estimate that around 1.8 billion barrels of this will be recoverable. But, with large areas still to be explored, the former CEO of Tullow in Uganda has stated that the total amount of recoverable oil 'may double.' A recent, new discovery by Total seems to underline this possibility. Exploration and production licences are currently held jointly by Tullow (UK), Total (France) and CNOOC (China), each company taking a lead in developing a different area, but sharing eventual profits equally. A new licensing round, opening additional areas for exploration, is expected in late 2013 or early 2014. Progress towards production has been delayed by disagreements between companies and government over tax issues and over how much oil should be exported and how much refined in Uganda. Production seems unlikely to start before late 2017 at the earliest.



35.8	500	90	253 (2011)	7.06
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RWANDA

No confirmed reserves but a Canadian company, Vanoil, has been exploring a 1,600 km² area, covering the Rwandan side of Lake Kivu and adjacent shoreline. The company is close to completing a 2D seismic survey, and government officials are upbeat about the preliminary results. Rwanda is also beginning to harvest methane gas which is dissolved in the waters of Lake Kivu at depths of 300 metres.



11.7	520	54	75.4 (2011)	6.4
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SOMALIA

No confirmed reserves, but the country is thought to have huge potential, both offshore and inland: some estimates run as high as 100 billion barrels. Major companies, including Chevron (USA), Shell (Netherlands) and BP (UK) were exploring in the 1980s before the outbreak of prolonged civil war and lawlessness. Now the race is on again, with Genel (Turkey), Ophir (UK) and Jakka Resources (Australia) exploring in the break-away province of Somaliland, Horn Petroleum (Canada) exploring Puntland, and bigger companies are reported to be watching closely . . . despite the facts that the peace may be fragile, that relations between Mogadishu and the breakaway provinces remain uncertain, and that there is a tangle of overlapping exploration licences issued over the past few decades by the former federal government and the semi-autonomous regions.



10	No data	180	No data	No data
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SOUTH SUDAN

South Sudan took over reserves of around 4 billion barrels when it seceded from Sudan in 2011 (leaving its northern neighbour with about 2.5 billion), but the two countries hotly dispute ownership of the Heglig fields, lying along the new international border, which has not yet been finally agreed. This, combined with arguments over high fees that Sudan was charging for piping oil from South Sudan to Port Sudan for export, brought the countries to the brink of war. South Sudan halted production for most of 2012, and entered agreements with both Ethiopia and Kenya to export its oil through new pipelines that would be laid to, respectively, Djibouti and Lamu. Both options appear to remain open; but, for the time being, South Sudan and Sudan have come to terms, allowing oil exports to resume through the northern route. The South Sudan government has also announced plans to build two, small (10,000 barrels per day) refineries.

Oil fields in both Sudan and South Sudan were developed mainly by Asian companies—Petronas (Malaysia), ONGC (India) and CNPC (China)—and most Sudanese oil is exported to Asia.

According to the US Geological Survey, there is much more oil to find in South Sudan. Some 7 billion barrels plus 13 trillion cubic feet of gas (equivalent in energy to 2 billion barrels of oil) are thought to lie undiscovered in a series of basins that straddle much of country and also parts of neighbouring Chad and Central African Republic.



10.6	No data	121	597 (2011)	56.3
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TANZANIA

Gas reserves in Tanzanian waters now stand at 33 trillion cubic feet (equivalent in energy to 5.6 billion barrels of oil), according to the government. Major operators of the gas fields are Ophir (UK) in joint venture with BG (UK), Statoil (Norway) in joint venture with Exxon (USA). Petrobras (Brazil) and Shell (Netherlands) also have exploration rights. Inland, several basins have been opened for prospecting. Heritage (UK) has a licence to explore around Rukwa Lake area in the south west and the Kyela basins at the north of Lake Nyasa/Malawi. Beach Petroleum (Australia) is exploring the south of Lake Tanganyika, and Total (France) is exploring the north of the lake. Swala (Tanzania) and Otto (Australia) are exploring the Kilosa-Kilombero basin in the east and the Pangani basin in the northeast. The Eyasi-Wembere basin in the north, including the Ngorongoro crater and part of the Serengeti plains, is also being opened for exploration.



43.6	530	68	255 (2011)	5.84
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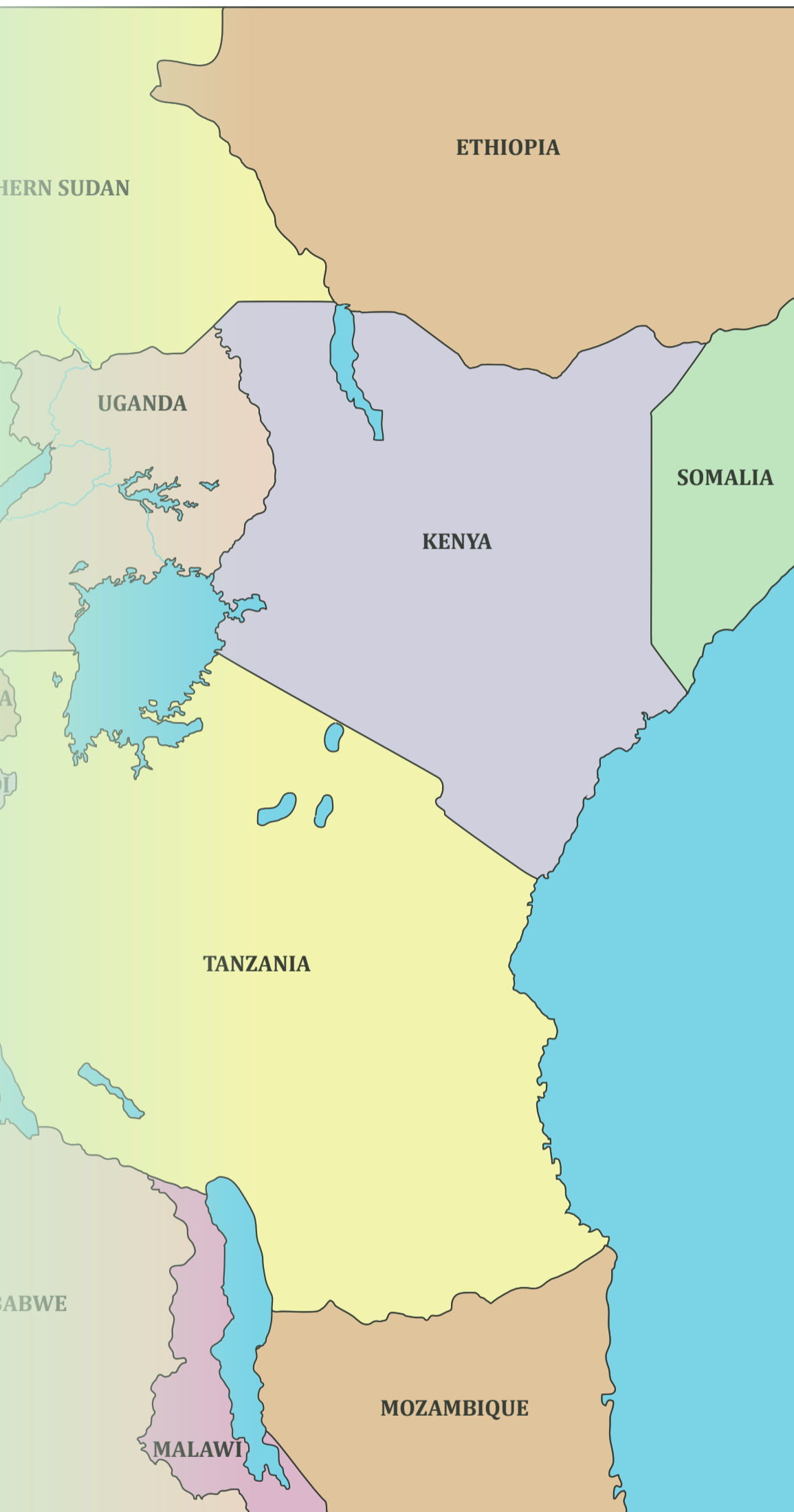
BURUNDI

No confirmed reserves but exploration has been going on for several years in and around the part of Lake Tanganyika that lies within Burundi's territory. Exploration licenses are held by Signet Petroleum (Virgin Islands), Surestream (UK) A-Z Petroleum (Nigeria) and Total (France). Signet and Surestream are about to commission a 2D seismic survey.



10.5	250	139	49.9 (2008)	4.75
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Oil and gas, money and guns



Key

	Population (millions)
	Gross National Income per capita (US dollars, 2011)
	Child deaths (Deaths, from all causes, per 1,000 children under five in 2011)
	Military spending (US dollars, millions)
	Military spending per citizen (US dollars)

Sources: Data for population, income per capita and child deaths from Index Mundi (which sources data from the CIA Factbook and World Bank); data for military expenditure from the Stockholm International Peace Research Institute. Data on oil and gas reserves and prospects in Africa drawn from a wide range of company and media reports and oil industry publications. Oil and gas figures for the non-East African countries are drawn from the 2012 BP Statistical Review of World Energy.

AND OUTSIDE AFRICA...

VENEZUELA



With reserves of 296 billion barrels, Venezuela has now surpassed Saudi Arabia as the world's most oil-rich state—although it lags slightly behind the Saudi kingdom in gas reserves, having a mere 195 trillion cubic feet. The resulting wealth enabled a socialist government to spend the first decade of the 21st century funding massive welfare programmes. But the charismatic and controversial President Hugo Chavez is now dying of cancer—political change, and quite possibly upheaval—seems likely.

29.3	12,700	18.3	2,385	81.4
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USA



Proven reserves of 31 billion barrels of oil and 300 trillion cubic feet of gas. This sounds like a lot, but Americans consume far more energy per capita than any other people on the planet and have suffered four decades of anxiety over 'energy security.' That may now be changing.

Estimates of recoverable oil and gas reserves in the USA have in fact been rising fast in recent years, owing to the rapid uptake of new, 'hydraulic fracking' technologies that extract petroleum (especially gas) from rocks rather than from conventional reservoirs. Recent US media reports have trumpeted that America is now well on the way to energy self-sufficiency.

313.8	49,000	7.5	711,421	2,267
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NORWAY



Reserves of 7 billion barrels of oil and 73 trillion cubic feet of gas make a cosy nest egg for this small and prosperous European country which once lived largely from farming, fishing and whaling. Norway has already stashed away huge revenues from its North Sea fields, and is thus able to offer its citizens what is probably the world's most comprehensive and generous social welfare system.

4.7	54,200	3.4	7,744	1,647
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SAUDI ARABIA



265.4 billion barrels of oil and 287 trillion cubic feet of gas have long underpinned the fabulous wealth of the Saudi royal family which oversees one of the world's least democratic states and is armed to the teeth. That didn't trouble the West much while America and Europe needed the oil, and Saudi Arabia has also been a great customer for arms manufacturers. Might the advance of 'fracking' technology now begin to prompt a shift in the geopolitics?

28.08	24,870	17.5	48,531	1,728
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CHINA



14.8 billion barrels of oil and 107 trillion cubic feet of gas will not power the world's most populous country and fastest growing economy for ever—hence the quest to secure energy supplies elsewhere.

1,343	8,500	18.4	142,859	106.4
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DRC moves to clean up oil contract mess

An oil law requiring competitive bids for exploration contracts will be adopted by the DRC in April, according to oil minister, Crispin Atama Tabe, after years of contracting that ranked among the least transparent and most corrupt in the world.

In 2007, Tullow Oil and Heritage Oil and Gas both lost out when licences they had acquired were mysteriously taken back by the government, which claimed they had been signed by the wrong minister.

The exploration blocks were eventually handed to two previously unheard-of companies, Caprikat and Foxwhelp.

Registered in the British Virgin Islands, a tax haven, these companies appeared to belong at least in part to Khulubuse Zuma, son of the South African president, Jacob Zuma.

Tullow started legal action, but soon gave up on the blocks as a lost cause.

"In a context of massive poverty, weak state, poor governance and regional insecurity, an oil rush [in DRC] will have a strong, destabilising effect unless the government adopts significant steps to avert such a devastating scenario," noted the International Crisis Group in a July, 2012 report.

The proposed law is perhaps on such "significant step," but many observers suspect it will not be worth the paper it is written on.

....Will oil fuel cooperation or conflict?

....Continued from Page 7

South Sudan represents valuable investment and market opportunities for both Uganda and Kenya. Kenya's greater financial muscle positions it for the juicier deals, while Uganda largely makes do with smaller titbits of cross-border trade.

In some lights, the South Sudan-Kenya pipeline looks like confirmation of Uganda's second-class neighbour status; and that can rankle.

The elephant in the region

Uganda's neighbour to the west—the great, shambling mess of the Democratic Republic of Congo—presents a different kind of quandary.

For one thing, as recently demonstrated by the rapid advance of M-23 rebels, the Kinshasa government remains incapable of guaranteeing security and stability within its own borders. Eastern Congo remains a fairly safe haven for dozens of warlords and rebel groups.

This underlines the possibility, which Ugandan security services have recently emphasised, of a terrorist attack on Uganda's oil installations by the so-called Allied Democratic Forces (ADF). They are thought to have been re-grouping in the DRC since 2010, when their leader, Jamilu Mukulu, narrowly escaped capture in Kenya. Anger at Uganda's role in inflicting military defeats on Al-Shabaab in Somalia may swell ADF ranks with international Salafist extremists.

After the devastating terrorist assault on a gas plant in Algeria last month, no-one should doubt that oil and gas facilities provide an attractive target for extremists.

At the same time, the high likelihood that oil lies waiting to be discovered along DRC's eastern borders introduces the risk of border

disputes.

The boundaries left behind by colonial governments were ill-defined and often contradictory, complicated by rival treaties as chunks of Africa were traded between European powers. When oil arrives, this all too easily leads to conflict.

Already, peaceable Tanzania and Malaŵi have almost come to blows over who owns Lake Malaŵi/Nyasa, since Malaŵi started prospecting for oil there. The Ilemi Triangle, straddling the borders of South Sudan, Ethiopia and Kenya and thought likely to be rich in oil, is also subject to rival ownership claims.

Similar disputes may erupt along DRC's eastern borders, which cut through Lakes Albert, Edward and Tanganyika.

In 2007, violence flared on Lake Albert, when a geologist working for Heritage Oil and Gas was shot dead by DRC soldiers. The following month, six DRC citizens were shot dead when Ugandan soldiers, for reasons that remain unclear, opened fire on a passenger ferry on the lake.

Presidents Museveni and Kabila met in Arusha to calm the situation, signing agreements on joint prospecting, but little has been done to implement these.

Militarisation

It was likely at least in part with a view to impressing the DRC government that, at the end of 2011, President Museveni, bypassing budgetary procedure and parliament, spent US\$ 744 million buying six Russian fighter jets. Recent reports suggest that six more may soon be ordered.

On a 'realist' view of international relations, this is a predictable and rational move. With so many disadvantages, Uganda cannot 'go naked

into the negotiating chamber,' but needs instead to show it is a force to be reckoned with.

Yet there is a clear and present danger that this will precipitate a regional arms race.

The Middle East presents a sorry precedent of oil-rich states splashing out on weaponry. Western countries colluded with this development pattern because they wanted the oil and they also wanted customers for their own arms manufacturers.

But the sparsely populated oil producers of the Middle East could, in a sense, afford such an indulgence. If nothing else, it created top jobs as fighter pilots for the sons of sheikhs.

African states spend far less on weapons than either the Middle East or the 'developed' countries (see table on pages 8-9).

But, with so many other development needs, militarism is not a promising road to go down.

Uganda, in particular, already suspected of being a provocateur in Eastern Congo, risks being seen as a would-be regional bully, ready to intimidate and plunder its big, disorganised neighbour.

And, unfortunately, the bad guy image is reinforced by President Museveni's recent hints that the country may revert to military rule if elected politicians don't do as he says.

Such talk inevitably conjures the possibility of future instability, and thus diminishes Uganda's attractiveness as a serious partner in long-term business investments. As he gets older but no less obstinate, Mr. Museveni may be leading his country out into the cold.

Mr. Young writes in a personal capacity and his views do not necessarily reflect those of Oil in Uganda or ActionAid



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Working together: great idea but hard to do

| By Chris Musiime

With the recent oil discoveries in Kenya, confirmed commercial quantities in Uganda and prospecting under way in Somalia and Ethiopia (as well as huge gas discoveries in Tanzania, which is also prospecting for oil), some estimates indicate that East Africa could soon be producing upwards of a million barrels of oil per day.

As the region comes to terms with its new 'resource rich' status, an increasing number of personalities in the sector are calling on regional governments to cooperate in setting up joint oil and gas infrastructure, including pipelines, refineries and storage depots. This, they argue, will be the best way to invest their citizens' money and prevent loss-making 'white elephants.'

In theory, at least, the region's politicians and technocrats agree. Article 114 of the treaty establishing the East African Community mandates member states to foster co-operation in joint and efficient management and sustainable use of natural resources. In 2010, the East African Community (EAC) finalised two energy master plans: one to develop renewable energy, energy conservation and energy efficiency; the other to develop fossil fuels.

Earlier, in 2008, the EAC Sectoral Council on Energy had approved a Regional Refineries Development Strategy to plan for petroleum refining, storage and distribution. This endorsed the idea of building a refinery near Uganda's newly discovered oil fields, and also outlined other possible future projects, including an oil pipeline from South Sudan to the east coast and a railway line from Kampala to Juba.

In reality, however, little has so far been done to advance these plans. It is perhaps inevitable that regional planners should find it hard to keep pace with the rapidly changing picture of discovered resources. But political and commercial competition also appears to complicate the cooperation prospects—and the issues will become even more complex if more players join the regional petroleum club.

Cooperation calls

Oil industry experts continue, nevertheless, to appeal for inter-governmental cooperation.

Speaking at a regional oil and gas summit in Nairobi last November, the Managing Director of Kenya's National Oil Corporation, Ms. Summaya Hassan Athmani, urged the region's governments to think be-

yond their national boundaries and harmonise their plans for oil processing and transport infrastructure.

"This is our time as a continent," she proclaimed. "There needs to be a regional approach, ideally under the auspices of a regional model, with infrastructure jointly owned by East African governments," she told delegates.

At the same conference, Elly Karuhanga, President of Tullow Oil's Ugandan subsidiary and Chair of the Uganda Chamber of Mines and Petroleum, was quick to call for "an immediate East African infrastructure conference."

During a similar forum held in Kampala in January, several delegates also voiced support for a regional plan to harness oil and gas.

Paul Adong, who heads South Sudan's national oil company, made a passionate plea for the region's leaders to invest in joint infrastructure. "We need to be part of this move towards a single community. For this to happen, we must begin thinking of ventures like a regional pipeline that can serve Uganda and [South] Sudan, connecting us to the coast of Mombassa," he said. He proposed the establishment of a "single mega refinery".

'Mega refinery'

The 'single mega refinery' idea has been gaining momentum, with some experts suggesting that a shared facility should be located inland, to minimise the expense and difficulty of piping crude from the oilfields.

The oil that has been discovered in Uganda and Kenya is 'waxy,' with a 'pouring point' of 40 degrees celsius. This is "a difficult blessing," as one expert has put it, because oil of this kind is difficult to transport. In order to carry the oil, a pipeline needs to be heated, which is a complicated and expensive operation.

Therefore, some experts believe it may be more practical for Uganda and Kenya to establish a joint refinery inland, close to their oil fields, rather than piping crude all the way to a coastal refinery.

In an exclusive interview with *Oil in Uganda* in Nairobi, Patrick Obath, the Chairman of Kenya's Private Sector Alliance, made a strong case for such a refinery, which he referred to as a "petro chemical complex."

"We are looking for size. We need to have one big refinery of about 300-400,000 barrels a day sitting in an optimal location," said Mr. Obath, who is also on the board of AFREN,

A regional deal on oil infrastructure would likely be in the best interests of all East Africa's players - but it doesn't seem likely to happen.



Summaya Athmani, Managing Director of Kenya's national oil company: "This is our time as a continent."

an international oil company exploring three blocks in Kenya.

He argues against setting up several refineries in the region because these would be unlikely to add as much value as a combined, more sophisticated complex. "We want to start producing pharmaceuticals in East Africa. Africa (internal) trade is only ten percent, if we could increase that to forty percent, we could actually do a lot of value addition in Africa rather than looking to the West," he noted.

But, he observes, regional joint ventures are normally long term and hence face political challenges because the politicians expect immediate returns for their electorate. "The politician is expecting that in my term, I will have built a refinery and given my people fuel," he said.

Nyaga Mwendia, former Managing Director of the National Oil Company Kenya, agrees, but notes that regional ventures would require integrating the policy and legal framework of the

member countries in the region, an uphill task in his view.

So does Engineer Pierre Sinarinzi from Burundi's Ministry of Finance and Economic Development Planning. "We cannot attain this overnight, we need to accept that to become one community, we [shall] take time," he says.

Pipeline first

However, many experts agree that the refinery cannot be the starting point for a new oil producer, mainly because of the huge investment required to set it up and the difficulty of finding investors willing to carry such a risk. Many instead recommend a model that integrates crude oil production in the short term, and refining capability in the medium to long term.

Referring to Uganda, Mr. Obath points out the need to start earning from the crude oil as soon as possible. "You need a revenue stream immediately. You can export some re-



Repairs to the railway network operated by RVR in Kenya and Uganda: a modest start to getting the region ready for oil production.

Photo: Nick Young

Photo: WMC Africa

...Working together: great idea but hard to do

source to reward the investor and to give you a certain amount of money to put aside as seed money for this [refinery] investment," he advises. After a while, the country would have saved enough to enter partnerships, both with other countries in the region and with international investors,

to set up a refinery.

Martin Mwaisakenyi Heya, the Commissioner for Petroleum Energy at Kenya's Ministry of Energy, also recognises the importance of getting the ball rolling by exporting some crude. "I have seen in other countries

there is a mix: produce for domestic consumption and then you export the remaining crude. Crude has a proven market," he says.

Mr. Nyaga, a seasoned downstream expert, voices the same sentiments. "For Uganda, I think that oil should

be flowing right now, going to the market. Let the guy who found the oil start recovering his money," he notes. "We should look for the low hanging fruits. A refinery is not a low hanging fruit. Let us do pipelines first," he says. However, he strongly supports setting up a refinery once the oil starts to flow.

Oil spurs rail revival

After decades of neglect, colonial railways built to extract East Africa's resources are beginning to be revamped to facilitate oil extraction.

Oil production brings huge, freight transport needs. Tullow Uganda's General Manager, Jimmy Mugerwa, caused a stir at a January conference in Kampala when he revealed that close to a million tonnes of cargo will be moved into the region from the coast to kick start oil production.

"For development to take place, we will need 850,000 tonnes coming through Mombasa port," he said. He added that this weight will be extremely arduous for the roads from the port to the oil fields.

"We need to think about the trucks

that will pass on our roads. That volume is so much. This calls for more serious infrastructure. We are going to need airports, roads, railways. It will need heavy investment," he said.

He noted that such heavy financing is only possible if "government joins hands with the private players."

Micah Cheserem, the Chairman of Kenya's Commission of Revenue Allocation, agrees.

"The existing railway is narrow with a small gauge. It is outdated, only found in India. For us to have a good modern railway like South Africa's, we need to join hands and resources," he says.

Rift Valley Railways, which in 2006 was awarded the concession to

operate the formerly state-run railways network in Kenya and Tanzania, has already begun to rehabilitate the network. A US\$ 164 million loan package from private investors, the African Development Bank and the International Finance Corporation is financing improvements to track and rolling stock across the whole RVR network in Kenya and Uganda.

Reportedly at the personal insistence of President Museveni, Uganda People's Defence Forces engineers have been involved in the assessment and rehabilitation work in Uganda. **US military engineers have also advised on the project.**

Work began last November on restoring the Tororo-Gulu-Pakwach line, which has been out of operation for the last 18 years. US\$ 2 million will be spent, and the company says the line will re-open later this year.

In a press release, the General Manager of RVR Uganda, Mark Rumanyika, related the development to "hydrocarbons that have been discovered in the Albertine Graben."

However, while US\$ 2 million may be enough to re-open the line, it seems unlikely that such modest investment will suffice to meet the needs of oil production. The volume of freight that RVR carries has been rising substantially with the improvements already made to sections of track in Kenya, but last year amounted to no more than 500,000 tonnes across the whole network.

Energy ministry spokesman, Bukonya Matovu, told *Oil in Uganda* last month that the government had calculated it would cost "about US\$ 500 million" to fully modernise rail infrastructure to standards needed by the oil industry.

The British colonial government built the railway line from Mombasa port to Uganda at the end of the 19th century. Thousands of Indian labourers were imported to labour on the project, which cost many hundreds of lives and was at one time dubbed "the lunatic line" by British opposition MPs. Indian survivors formed the nucleus of East Africa's south Asian population.

Where to put it?

The location of any joint refinery would likely prove contentious, however.

The decision would be political as much as financial, according to Dr. John Page, a senior fellow at the Brookings Institution in Washington DC.

"The difficult issue could be getting the degree of confidence from partner countries that wherever the refinery is located does not cause a political risk," he notes. "I can see very legitimate concerns on the part of the Government of Uganda—saying, do we really want to be part of a refinery that is going to be located, let's say, in Kenya?"

He agrees, however, that a regional refinery could make better financial sense. "There might be more economies of scale with a larger refinery," he said. "A regional complex might be larger, will take in different types of crude oil and could probably produce a wider range of oils."

Although Kenya seems the obvious choice, given its direct route to the sea and proximity to South Sudan, Somalia and Ethiopia, it is natural for South Sudan and Uganda to want to have such an investment on their territory.

Mr. Obath argues that the markets for refined products should be the main driver of such a decision. "The markets in East Africa are inland, so to put a refinery at the coast is questionable," he says.

He observes that Kenya "is the most natural place to have it" and even suggests possible locations as Kitale, Eldoret, Isiolo or Lokichogio.

Uganda wants its own

However, the government of Uganda appears to remain determined to construct a refinery of its own. This has long been the objective of President Yoweri Museveni, who has called critics of the project "parasites who want to give away this resource for a morsel of food."

A 29 km² site for the refinery has been selected, in Buseruka sub-county of Hoima District, where residents are in the process of being resettled.

Last October, the Ministry of Energy and Mineral Development took a further step by inviting bids to conduct a design study for the refinery.

East Africa's rail routes

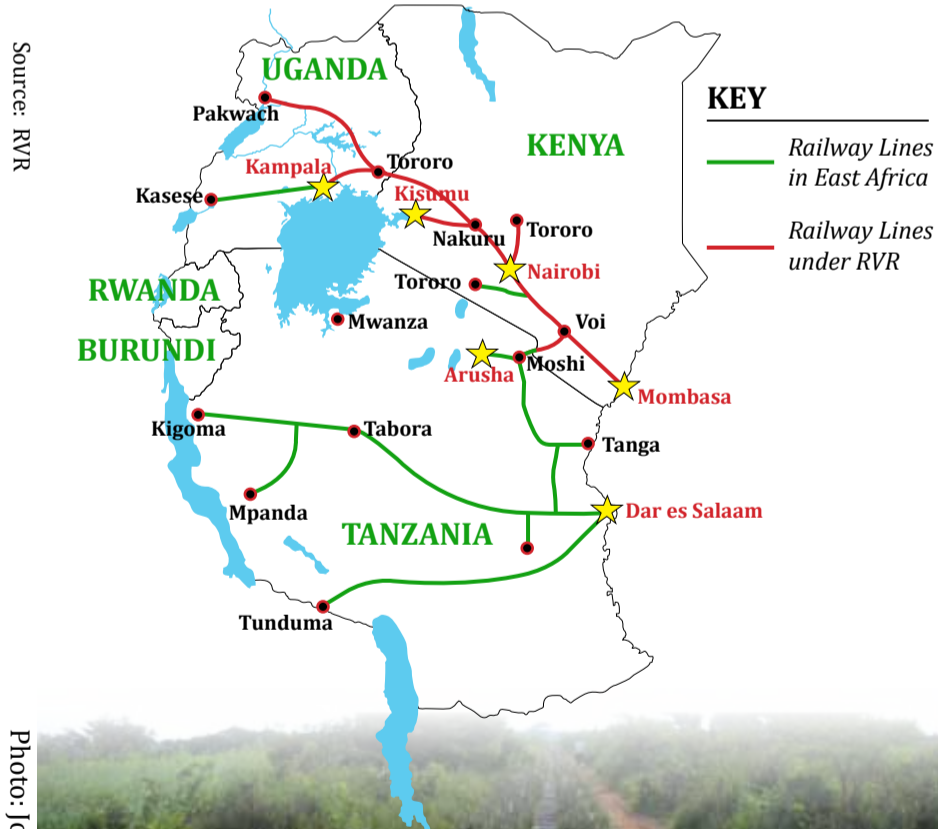


Photo: John Otim



Part of the disused Tororo-Pakwach line as it passes near Gulu.

Photo: Nick Young



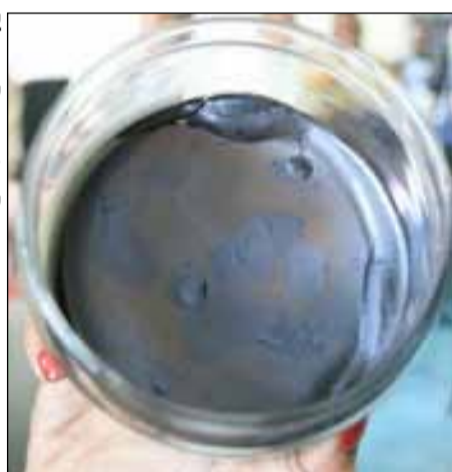
Elly Karuhanga, President of Tullow Oil's Ugandan subsidiary, calls for "an immediate regional infrastructure conference."

Speaking to *Oil in Uganda* by telephone, State Minister for Minerals Peter Lokeris confirmed that plans for the refinery are now at an advanced stage, but said the government will welcome neighbouring countries investing in the venture. "Since we already have plans to set up our own refinery, government has offered 10 percent to these other countries. So if they want to join they are free to do so—because you cannot force them into agreeing in what they do not want," he said.

It remains unclear whether Uganda will be able to raise the money to go it alone—which is one reason for inviting other countries to invest in the project. But forging ahead with its own plans, rather than trying to negotiate a regional deal, certainly appears to be the government's chosen course.

Uganda and Kenya have, however, now embarked on a fresh process to construct a \$300 million pipeline connecting the two neighbours after terminating a contract awarded in

Photo: Devapriyo Das



A sample of 'waxy' oil from Uganda's Albertine Graben. To become liquid enough to flow along a pipeline it needs to be heated to 40 degrees celsius.

2006 to Tamoil, a Libyan company.

The 352 kilometre pipeline will connect with an existing 14 inch diameter pipe running from Nairobi to Eldoret in eastern Kenya, extending this to Kampala via Malaba. Originally planned to bring imported fuels into Uganda, the pipeline specifications will now be two-way, according to Ugandan energy ministry spokesman, Bukenya Matovu.

But it is not yet entirely clear how this project fits into the Ugandan government's broader plans—not least because the messages from government leaders and officials are mixed, and silent on key issues.

According to some announcements, the Hoima refinery will start with a relatively modest capacity of 20,000 barrels per day, gradually building up to 200,000 barrels per day. Other statements say it will open, as early as 2016 (which seems highly optimistic), with a 60,000 barrel per day capacity.

Even if the project does eventually reach a 200,000 bpd capacity, it seems highly probable that some crude oil will meanwhile be exported—to generate government revenue and to meet the oil companies' need to start recouping their investment. Although two-way, the new Eldoret-Kampala pipeline appears to be designed only for refined products.



Photo: Nation Media

Kenya's energy minister, Kiraitu Murungi, shows a sample of his country's oil.

Some form of additional, crude export infrastructure therefore seems inevitable. The government of Uganda is largely silent on this. But all the signs are that Uganda and Kenya—or, perhaps, Uganda and Tanzania, if a southern route to the coast is decided upon—will have to work together on this.

Additional reporting by Nick Young

LAPSSET: a dream not yet come true

The potential—and yet also the complexity—of regional cooperation is illustrated by what is billed as 'Africa's biggest business project,' the LAPSSET (Lamu Port – South Sudan – Ethiopia) Transport Corridor.

At an estimated cost of more than US\$ 20 billion, the project aims to build a port at **Manda Bay**, standard gauge railway lines from the Kenyan coast to **Juba** and Addis Ababa, new road networks, oil pipelines, an oil refinery at **Bargoni**, three airports and three resort cities in **Lamu, Isiolo** and on the shore of **Lake Turkana**.

Yet this project has been discussed, shelved, re-discussed and re-designed since as far back as 1975 when, in its original conception, it was seen as creating a 'great equatorial land bridge' to connect the east coast of Africa to the West, in Cameroon.

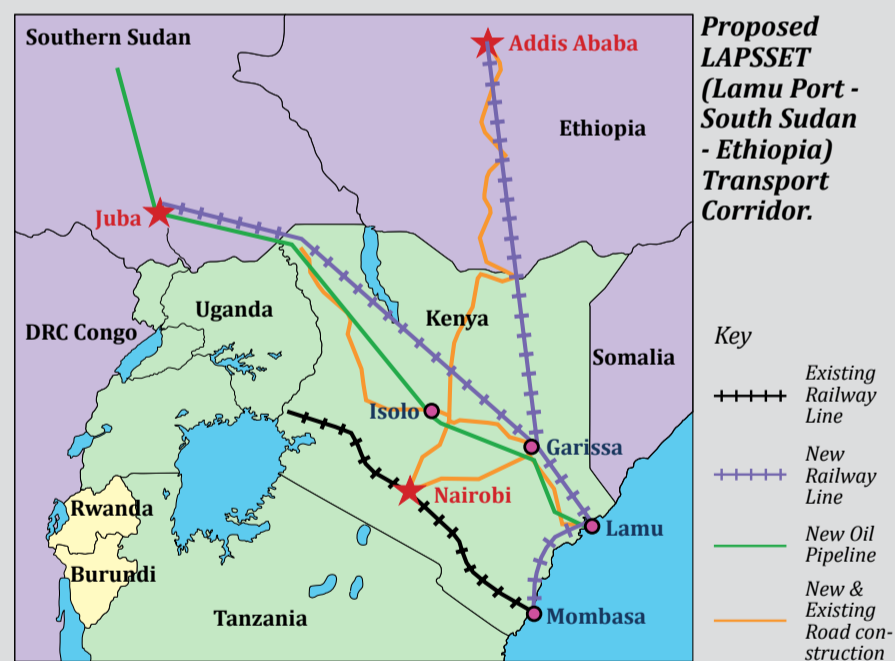
New impetus was given to the project by South Sudan's secession in 2011, when the new country inherited more than two thirds of the oilfields that lay within the original borders of post-colonial Sudan. Because of

tensions with its northern neighbour, South Sudan was desperate to find new routes to export its oil, which contributes more than 90 percent the government's income, and which used to flow northwards to Port Sudan.

In March, 2012, the presidents of all three countries attended a ground breaking ceremony for the new Lamu port, which is expected to be five times bigger than the port at Mombasa. One airport (at Isiolo) has been completed. Work has started on the Sudan-Kenya pipeline and the Kenya-Ethiopia road projects are well advanced.

However, full financing has not been secured for other components and there has already been one change to the plan. The refinery, which was going to be sited in Lamu, is now slated to go up in Bargoni instead.

Might the site and planned size of the refinery change again? Uganda's plans, further discoveries in Kenya or discoveries in Ethiopia might yet send the planners from each country back to their own national drawing boards.



Can East Africa avoid a 'race to the bottom'?

When Kenya discovered oil a year ago, some pessimistic observers feared a 'race to the bottom' between Uganda and its businesslike neighbour.

In a competition to attract investors, the argument went, the two countries might vie to offer international oil companies ever more generous terms for finding and extracting oil. As a result, both countries might end up selling exploration and production rights for a pittance.

Recent statements by Kenya's oil commissioner, Martin Mwaisakenyi Heya, help to allay such fears.

Mr. Heya told *Oil in Uganda* that companies wanting exploration licences in Kenya will in future have to meet tough requirements. They will have to prove they have a cash balance of at least US\$ 100 million, pay a signature bonus of US\$ 1 million, spend at least US\$ 500,000 per year on community development projects, and a further minimum of

US\$ 200,000 per year on training Kenyans to work in the oil industry.

If Kenya sticks to this policy it could raise, rather than lower, the bar for what Uganda can expect from companies bidding for new licences.

Meanwhile, international organizations, including Revenue Watch Institute and the National Democratic Institute, have worked with members of the East African Legislative Assembly to encourage

harmonisation and transparency of oil contracts.

Following a 2008 workshop on transparency and accountability of extractive industry revenues, the EALA published a resolution calling for a review of extractive industry laws and contracts across the region, and strengthened parliamentary oversight of the sector.

“New institutions won’t fall from heaven”

Last December, Uganda’s parliament passed a bill creating new institutions to manage oil. We asked energy ministry spokesman, Bukenya Matovu, how the new set-up will work.

How far advanced are preparations for establishing the Petroleum Authority and National Oil Company?

We’ve been ready even before the petroleum bill was discussed in parliament. The ministry had started setting up units as a forerunner for the institutions that are expected to be created in the new law. These units are running as we are speaking now. What we are waiting for now is to go full blast after the president has assented to the bill that parliament passed.

There is also talk of a ‘Petroleum Directorate’ within the energy ministry. Is that one of the units you’re referring to?

Yes.

Is that a transitional arrangement, or will it be part of the new oil management bureaucracy?

These new institutions are not going to fall from heaven. Groundwork has already been done for them to start off, by the creation of those units that I have referred to. Now, these units are not directorates, they are just groups of people who have been tasked with certain responsibilities to make sure that they lay ground for the new institutions. So the directorate is not yet in place but will be established through the law. It can’t just begin from nowhere. There are people in the ministry who have been handling these assignments, with work programmes for petroleum exploration, planning and development, and these are the same guys that are preparing the ground for the new institutions.

So there will be: the Authority; the National Oil Company; and the Petroleum Directorate, and the PEPD [Petroleum Exploration and Production Department] will

continue be in place?

Yes. You know some of these institutions are going to be semi-autonomous—like the National Oil Company, the Petroleum Authority, these are going to be autonomous institutions. And there should be bridging institutions in the ministry. These are the Department [PEPD] and the Directorate. These are going to be ministry institutions.

How will the Petroleum Directorate and the PEPD, as it’s now constituted, differ?

One is policy, the other is technical. The PEPD is technical but the Directorate is going to work on policy issues.

In that case it seems that the Petroleum Directorate is coming closer to the Authority, because I thought the Authority would have overall responsibility for . . .

The Authority are regulators.

So could you define—just to make it clear—the difference between ‘policy’ and ‘regulation’?

Policy is the responsibility of government. Regulation is the police institution that takes care of how well entities in the oil and gas value chain play their roles. That’s the distinction.

So the Authority will presumably work quite closely with the PEPD because they have the technical expertise to say whether companies are complying with what they’re supposed to be doing.

The Authority is a bridge, an institution between government and the National Oil Company. Its role over-arches both areas to try to ensure that there is fair play.

Now, the people in the Petroleum Directorate will be senior civil servants?

Yes.

Roughly how many people are you thinking of?

I have not looked at the structure because it is still being discussed with the Ministry of Public Service to agree on the final composition. The numbers will be determined by the responsibilities they have to discharge. But it’s a small number, it might be not more than about 30 people.

For the leading positions—the chief executive of the National Oil Company or the chief executive of the Petroleum Authority—you’re drawing on a fairly small pool of senior people with lots of experience. So are we likely to see, perhaps, Ernest Rubondo [who currently heads the PEPD] moving over to head the Petroleum Authority or the National Oil Company? Or Robert Kasande, one of the senior [PEPD] staff?

[Laughs] If they so wish, if they apply! Because these jobs are going to be advertised, they are not going to be through direct appointments. They will be advertised and people are going to apply. And people at that level don’t have to be strictly speaking technical people. They have to be proven managers and economists and lawyers, because that is a managerial position, it’s not technical: the technical work is done by people below those.

Will there be human resource problems at the lower levels? People are going out for training constantly, but they’re coming back perhaps a bit raw, with Masters degree or whatever. How many years will it be before the PEPD, the Petroleum Directorate, the Petroleum Authority and the National Oil Company are all fully staffed with fully qualified people?

We only need a few trained, especially trained people, at the top. The lower echelons of these institutions will continue to receive training on the job. You should know that this ministry has very, very highly trained people. They are serving in other areas but they could quite easily be moved from wherever they are to come and provide support to the new institutions.

From the minerals side, or hydropower?

These people have been trained in the same institutions, the same courses, only they are in different departments: the Supply Department has them, the Petroleum Exploration Department has them, and at the

ministry headquarters the Finance Department has them. And me! (Laughs)

You said that the executive positions for the Authority and Oil Company will be advertised. What about the boards [of governors]? The boards’ appointments are in the power of the minister. Will this be by invitation, or will it also be a competitive process?

The boards can’t be advertised. They will be selected by the government using the basis of good people, qualified people, people with a track record and then recommended through Cabinet. Names are floated. Then, out of that basket of names, if you are picked you form a board.

Have names already been floated?

Not at all. You have to have the Authority in place before you can think of the board.

Well, it’s a bit ‘chicken-and-egg’ isn’t it? Surely you start by constituting a board?

No, no. The board will come along after the Authority has been instituted.

So the priority is to select the [chief] executive and the staff?

Yes. And then the board will come later. Because these are new institutions. We have to have a point where they take off from. A good rationale might be: ‘Why don’t you think of the board first?’ And then the board would hire the staff. But, you see, the board will itself also be new. Nobody knows what to do. They are all going to learn on the job. So, in other words, the ministry is going to keep playing that role, from a remote angle, to ensure that things take off with these new institutions.

Questions put by Nick Young

A longer version of this interview, also touching on other matters, can be found on our website, www.oilinuganda.org, in the ‘Interviews’ section.

Photo: Nick Young



Bukenya Matovu, Senior Assistant Secretary in the Ministry of Energy and Mineral Development.

Oil bill: some love it, others hate it

MPs and civic activists comment on the bill, passed by parliament last December, that creates the basic framework for managing Uganda's oil sector



Sophie Kyagulanyi,
Governance Coordinator, ActionAid International Uganda

"Our position as civil society remains that it would be better to establish an institution providing checks and balances. One of parliament's functions is to provide an oversight role, but in this case it won't be able to do this because the minister has discretionary powers to take on the contracts with the oil companies.

"The other challenge is corruption. Our argument for having the [Petroleum] Authority [award contracts] was to guard against corruption, because the involvement of different people [would] safeguard against the corrupt tendencies of some of the people there.

"Besides that, we think that ministers at most times are not held for cases of corruption. Even when they are, they get off the hook. The precedent has been set, and the actions now indicate that it's the technical people that are arrested."



Lubega Medard Segona,
MP (DP, Busiuro County East, Wakiso District)

"That bill does not give any adequate framework on how the oil sector will be managed. It actually proposes that power be given to the executive. Politicians lack technical power to manage the sector. This will therefore jeopardise the economy of the nation and the oil sector itself.

Most of these politicians are also inefficient and corrupt and lack the technical capacity to do authentic, quality work. They should give these powers to an Authority that will be questioned if anything goes amiss. If it is given to these politicians, who are corrupt, then be sure that the oil sector will be mismanaged."



Ken Lukyamuzi,
MP (CP, Lubaga South), shadow environment minister

"Oil is a natural resource and, under article 237 2(b) of the Constitution, Government holds it in public trust. This means the public has a say on the matters of natural resources.

"The provision under Clause 9 [of the petroleum bill], which makes the minister the overall controller, is not only unnecessary but unconstitutional. You cannot be the person controlling the resources and also the manager!

"Article 244 22 of the Constitution and Article 188 and 189 of the Penal Code state that a person who exterminates the life of another commits a murder offence which is punishable by hanging. The activities of oil production are as deadly as extermination of life. That is why for us to control oil production we must have a provision in the Constitution to direct oil and gas activities."

Photo: in2eastfrica.net



Henry Banyenzaki,
MP (NRM, Rubanda County West, Kabale District), former chair of the Parliamentary Forum on Oil and Gas, current Minister of State for Economic Monitoring

"Only one [of three key laws on oil—the first on 'upstream' exploration and development; the second on 'downstream' processing, storage and transport; the third on revenue management] was passed. The other two need local content participation which is still lacking.

"The legal framework of South Africa and Norway is better than ours since they already have fully activated legislation—unlike Uganda's, which has been dominated by multinational companies. What we need now is joint venture arbitration and strong legislation on downstream management and environment because that is what affects common Ugandans mostly."



Lynn Turyatema,
Senior Programme Officer, International Alert

"Once again we have allowed as a country, through our parliamentarians, to legislate authoritarianism instead of democracy. In the end there is only one person in control. Once power is in the hands of the minister, it is really under the president. He will be the implementer and that is a really bad precedent.

"For the first time, however, we saw some legislators begin to do things across bi-partisan lines, with national interest in mind.

"It was not the usual coercion using money [that forced the bill through], it was straight up intimidation. We are told the president warned to fight whoever votes against the clause [9] and when the president says he will fight you, it is obvious your general life is interfered with.

"The passing of clause 9 isn't the end of the road. It was the wrong thing to do but if parliament can continue this level of engagement, shining the light in dark corners that have become the preserve of the executive, then the public will continue to hold in contempt the practices of corruption."



Peter Lokeris,
MP (NRM, Chekwii County, Nakapiripirit District), Minister of State for Minerals

"The petroleum bill will facilitate the oil sector because it specifies what exactly the different institutions that have been created will be doing. It even shows how the local content is going to be evenly distributed. I think this bill is going to be a win-win for all parties concerned and people should stop grumbling."

Comments collected by Allan Ssempebwa, Beatrice Ongode and Flavia Nalubega.

Africa's oil refineries



Only around 50 of the world's nearly 700 oil refineries are located on the African continent.

Apart from some large facilities in Egypt, Algeria and South Africa, most African refineries are relatively simple. They can distil petrol and other fuels from crude oil, but lack the capacity for more advanced 'cracking' and chemical processes that are more common in Europe, the Americas, Middle East and Asia.

The more modern processes produce heavier fuel oils and lubricants and residues (such as coke, asphalt and tar) that are themselves raw materials for many other industrial applications.

Advanced, complex refineries thus have two major attractions for African political leaders, technocrats and industrialists: they can produce higher value products and also to help kick-start broader industrialisation.

President Museveni's vision for Uganda clearly includes such a refinery. But the investments are high and, in the past, many African refineries have failed to show a profit. A case in point is the Tiper refinery in Dar es Salaam, which was closed in the mid 1990s because it turned out to be uneconomical. Tanzania, however, is now working on a new refinery project.

Meanwhile, as the map shows, the vast land mass of East Africa now has just one refinery—of the rather simple sort—in Mombasa. Jointly owned (50-50) by the Government of Kenya and Essar Energy, an Indian company, the refinery currently processes around 70,000 barrels of crude a day, supplying the region with petrol and diesel.

This is way below the region's ambitions. And, with East Africa now easily outstripping global economic growth figures for many years in succession, it is way below the region's needs.

But that is just the start of a complicated story of regional possibilities. For more on that, turn to page 11.

Source: Adapted from the East African Community Secretariat's report, 'Strategy for the Development of regional refineries.' (2007)

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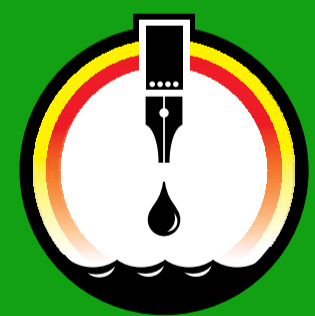
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