

American, Italian firms get refinery deal

By John Odyek and Apollo Mubiru

The Government has signed an initial project framework agreement with a consortium of American and Italian firms to finance and construct the \$4b (sh14.4trillion) refinery in Hoima district. A framework agreement sets the terms and conditions for a project. The signing ceremony is expected in the next two weeks. The energy and finance ministry officials and the attorney general signed the agreement on behalf of the Government last week. Frank Tumwebaze, the information, communication and technology minister, said last week that Cabinet directed the signing of an

agreement with the consortium noting that time was running fast towards oil production. "Cabinet extensively discussed the proposed investment consortium agreement. The Minister of Energy and the Attorney General were instructed to conclude negotiations with the investment consortium by Wednesday March 28, 2018," Tumwebaze said. The first oil barrel is expected in 2020 and the refinery is key in the production of oil. Part of the oil will be exported using the pipeline through Tanzania while the rest will be refined locally. The Government last August selected the consortium and signed an agreement on the core project terms. The Albertine Graben Refinery Consortium

BETWEEN THE LINES:

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is made up of General Electric Oil and Gas, YAATRA Ventures LLC, Intracontinent Asset Holdings Ltd, and Saipem SpA. Tumwebaze disclosed that when all parties to the refinery investment agreement agree, signing of the agreement is expected this week. Details of the agreement will be made public after negotiations have been concluded, he added. "We are about to sign the agreement. We shall get back to you," Robert Kasande, the

energy ministry permanent secretary told the *New Vision* in a telephone interview. Uganda plans to develop 60,000 barrels of oil per day refinery compared to Nigeria's 300,000 barrels of oil per day. Twenty nine square kilometres of land have been acquired for the refinery project, an airport and an industrial park in Buseruka sub-county, Hoima district. Commercially viable hydrocarbon deposits were discovered in 2006, but production has been slowed down by protracted negotiations over development strategy.

Background

The agreement of the core project terms signalled the start of negotiations with the consortium on the Project

Framework Agreement (PFA). The PFA detailed the proposed solutions, validation of the solutions, risk mitigation measures, and additional due diligence necessary for accelerating investment and financing for the project. "The Government's technical team went through the different proposals and zeroed down on eight companies that were proposing something related to Government plans," the Uganda National Oil Company (UNOC) chief legal and corporate affairs manager, Peter Muliisa, said recently. UNOC are stakeholders in the process and will hold the Government's shares in the refinery. The signing of the Project Framework Agreement will in turn pave way for the

commencement of pre-Final Investment Decision activities such as Front End Engineering and Design, Project Capital and Investment Costs Estimations as well as Environmental and Social Impact Assessments. The decision to turn to the American-led consortium came after the Government's preferred bidder, China Petroleum Engineering & Construction Corporation from China (CPECC), withdrew from the race. CPECC was linked to China National Petroleum Corporation, one of the world's largest oil companies, and had already been appraised as the best bidder. The consortium, however, fell apart after CPECC exited due to disagreements, according to insiders.

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