

# UGANDA'S SHARE IN ITS OIL & GAS

As Uganda moves closer to first oil, questions have emerged about whether the country negotiated a good deal under the Production Sharing Agreements (PSAs).

Some concerns have centred on Uganda National Oil Company (UNOC)'s 15% participating interest held on behalf of the Government of Uganda, compared to the larger shares held by their international partners TotalEnergies and China National Offshore Oil Corporation (CNOOC).

To some observers, this percentage has been interpreted as indicating that Uganda receives too little from its own resources.

### THE ANALYSIS

To address these concerns, it is important to understand what this 15% stake represents.

The participating interest gives Uganda a direct commercial ownership stake in the oil projects, alongside international partners who finance and bear the larger upfront development costs and technical risks associated with oil and gas projects.

In other words, UNOC participates as a co-venturer, sharing in both decision-making and long-term value, while its partners shoulder all the geological, financial and operational risks, until commercial production.

It would naturally be expected that the entity that bears the most risk should receive the biggest benefit, i.e., more barrels. In oil and gas industry however, this logic is defied.

It is generally an agreed principle that the owner of the resource (host government), such as Uganda, should receive more from its finite resource.

With this in mind, is a 15% participating interest enough for Uganda? On its own, 15% is not sufficient.

### 70% FOR UGANDA

It is only one part of the total benefits Uganda receives from its oil resources. The Government has put in place other fiscal instruments in the Production Sharing Agreements that together give Uganda about 70% of the oil produced.

These include royalties, profit oil, taxes, signature and production bonuses. In addition, oil companies are required to fund training for Ugandans and support local skills and capacity development.

While the Government of Uganda will take the lion's share of the barrels, the national content law has enabled a reasonable portion of the investment in the sector to go to Ugandan companies, thereby ensuring the private sector equally benefits from oil and gas.

With many Ugandans trained through funds under the PSAs, in-country expertise has been boosted and is the reason for the fact that more than 80% of employees of oil companies and their contractors are Ugandans.

It should be clear from the foregoing, therefore, that the legal regime governing oil and gas, including the negotiated PSAs have been structured and negotiated to retain value for the State in terms of direct revenues to government.



Uganda's crude oil storage terminal under construction in Tanga, Tanzania. Many Ugandans have been trained through funds under the Production Sharing Agreements, which has boosted in-country oil and gas expertise for the sector to employ more skilled locals



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Uganda's "lion's share" goes beyond UNOC's 15% participating interest held on behalf of the Government.

taking on technical, commercial, and managerial roles, ensuring that expertise is retained locally.

This transfer of knowledge and experience is laying the groundwork for a stronger, more capable national oil company that will, in due time, manage and operate the oil and gas sector for the country.

### EXPECTATIONS AND THE GAINS AT HAND

As first oil approaches, Uganda's success will be measured not by a single percentage, but by the full range of benefits the country begins to realise.

These include direct revenues from profit oil, royalties, taxes, and UNOC's equity participation; improved energy security; major investments in infrastructure; thousands of new jobs; stronger local enterprises and a growing pool of Ugandan professionals gaining hands-on experience in a complex global industry. These gains are already taking shape.

In addition to this, it is also structured to ensure that the economy benefits from the investment by retaining part of the capital invested through Ugandan companies and citizens participating in the provision of goods and services.

### UNOC GAINING GLOBAL EXPOSURE

An important, but often overlooked benefit of the oil and gas structure is that UNOC, which is a wholly state owned company, works with experienced international oil companies and is gaining knowledge, skills and institutional capacity.

UNOC has gained exposure to world-class project development, reservoir management, health, safety, and environmental systems, supply chain management and large-scale infrastructure execution. Ugandan professionals are increasingly

## SAFEGUARDING OIL REVENUES

There is a concern that needs to be put to rest. This is whether revenues from Uganda's oil resources will be used for their intended purpose. To safeguard this, Parliament enacted the Public Finance Management Act (PFMA), which provides a clear legal framework for the mobilisation, collection, storage, expenditure, and reporting of public funds and national resources. Under this law, all petroleum revenues are paid into the Petroleum Fund, which is managed by the Bank of Uganda in line with strict transparency and accountability requirements.

The Fund is ring-fenced for two clear purposes: Financing national infrastructure and saving for future generations.

Following amendments in 2021, UNOC is permitted to retain certain revenues for approved investments, enhancing its operational flexibility and ability to deliver on strategic priorities. At the same time, this PFMA underscores the importance of strong governance and oversight to sustain public confidence.

Oversight of the Fund is exercised through multiple independent institutions, including Parliament, the Accountant General and the Auditor General, each with a clearly defined mandate.

This layered system of checks and balances is designed to minimise misuse and ensure that petroleum revenues are managed transparently and in accordance with the law. Taken together, these safeguards point to a future grounded in accountability, discipline and public trust, in which petroleum wealth is protected, responsibly invested and converted into lasting national value for present and future generations.

A report by the Petroleum Authority of Uganda (PAU) indicates: of the \$7b in contracts submitted by licensed oil and gas companies to date, more than \$2.2b has been awarded to Ugandan firms and more than 20,000 Ugandans are directly employed in the sector, with a further 180,000 engaged indirectly or through induced economic activity.

Uganda's "lion's share" is not defined by one number. It is secured through ownership, regulation,

taxation and long-term investment structures that place national interest at the centre of development.

As first oil approaches, the real measure of success will be a combination of the percentage share Uganda holds, the strength of its institutions, the expertise of its people and the opportunities that oil leaves behind for future generations.

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