

Italian, USA firms win refinery deal

Teamwork. According to the ministry of Energy, the firms teamed up and formed a special purpose vehicle in which each will undertake a specific role during Engineering, Procurement and Construction of the refinery.

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KAMPALA. Government has turned to a consortium of American and Italian firms for financing and construction of the \$4 billion (about Shs14 trillion) Greenfield oil refinery in Hoima, in mid-western Uganda.

General Electric (GE) and Yatra Ventures LLC/Intra-continental Asset Holdings of the United States and Saipem SpA of Italy, were initially competing against each other for the refinery venture following the abrupt departure of RT Global Resources, a consortium led by Rosstec of Russia, late last year.

However, according to the ministry of Energy, the firms teamed up and formed a special purpose vehicle, the Albertine Graben Refinery Consortium (AGRC), in which each will undertake a specific role during Engineering, Procurement and Construction (EPC) of the refinery.

The joint initiative was reinforced by the intense lobbying by top government officials and diplomats.

General Electric, is an American multinational conglomerate with a chain of businesses including oil and gas. It boasts an estimated turnover of \$300b.

Since last year, the company has been scouting for investment opportunities in East Africa, which climaxed in a meeting between President Museveni and the company's CEO for Africa Jay Ireland on November 10 last year.

On the other hand, Saipem, an affiliate of the Italian oil giant ENI, has designed and built more than 37 oil refineries across the world.

In East Africa, Saipem, was involved in the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET), a transport corridor from Lamu in Kenya through South Sudan to Ethiopia, whose development has since hit snag.

The Energy ministry's Permanent Secretary, Dr Stephen Isabalija, said in a statement that the consortium has already proposed to government "a financing approach and a path to establish, develop and operate a commercially viable refinery company."

"The agreement of the core project terms signals the start of government discussions and negotiations with the Consortium on the Project Framework Agreement (PFA) The PFA will detail the proposed solutions, validation of the solutions, risk mitigation measures, and additional due diligence necessary for accelerating investments and financing for the project," the statement reads in part.

Mr Isabalija said the project framework agreement is expected to be signed within the next two months and the consortium "will have the benefit of exclusivity during this period of negotiations and should the parties agree on all terms, they will be granted the rights and licences to develop and manage the refinery as lead investor in a joint venture partnership with government."

He separately told *Daily Monitor* yesterday that it was the will of the three companies to form a consortium to work together.

"We have letters of agreement from them to that effect," he added.

The conclusion of the Project Framework Agreement is expected to pave way to pre-Final Investment Decision (FID) activities such as Front End Engineering and Design (FEED), look at the technical aspects of the refinery, Project Capital and Investment Costs Estimations (PCE), Environmental and Social Impact Assessments (ESIA),



At work. An expert watches a flaring experiment at one of the wells in the Albertine Graben. Government has turned to a consortium of American and Italian firms for financing and construction of the Shs14 trillion Greenfield oil refinery in Hoima.

and eventually to EPC.

The decision to turn to the American-led consortium comes two months after the government's preferred bidder, China Petroleum Engineering & Construction Corporation (CPECC), withdrew from the race.

CPECC was linked to China National Petroleum Corporation (CNPC), one of the world's largest oil companies, and had already been appraised as the best bidder.

CPECC was part of the consortium led by Guangzhou Dongsong Energy Group, which was in 2014 awarded the tender to develop the Sukulu Hills phosphate reserves in Tororo district including investing

at least \$620m, but has since been struggling.

Others in the consortium included EXIM Bank of China, and Industrial and Commercial Bank of China (ICBC), Guangzhou Silk Road, East China Design and Engineering Institute, and China Africa Fund for Industrial Cooperation (CAFIC).

However the Chinese consortium

Shs27 trillion

Cost. Estimated investments leading to production

collapsed, according to sources, after CPECC departure from the race as a result of disagreements.

According to the ministry of Energy, the second search process attracted 40 companies, but eight companies were selected for talks with government.

They are: SNC Lavalin of Canada, Yatra Ventures LLC and Apro, both from the US and IESCO of Turkey. Others included, Chinese firm Guangzhou Dongsong Energy Group, Spain's Profundo, Bantu Energy, a Canadian and Ugandan consortium as well as Italy's Maire Tecnimot.

The refinery will be financed/owned in Public-Private- Partnership (PPP) arrangement with the Uganda government in a 60:40 equity ratio.

Early this year, TOTAL offered to buy a 10 percent (investing close to \$400m) stake in the project. Kenya and Tanzania have also made public pronouncements to buy 2.5 percent and 8 percent stakes in the project respectively.

Construction of the first phase of the refinery for 30,000 barrels per day (bpd) is expected to be com-

pleted by 2020.

Another phase 30,000 bpd will be subsequently added in about 2022.

The government targets a refinery capacity of 60,000 bpd, which the Russians were opposed to and, according to sources, has similarly been a sticking issue, during the fresh negotiations.

The collapse of the refinery discussions on both fronts hit the government's plan to start commercial oil production by 2020.

According to preliminary estimates, the cost of the refinery includes expenses for construction of the 205km product pipeline and a distribution terminal in Buloba, Wakiso district. In 2015 Uganda hired a Danish engineering firm Ramboll Group A/S, a consultant, to conduct "an early phase" detailed route study for the project.

Already, 29-square kilometre land to accommodate the refinery and its attendant infrastructure such as staff quarters, chemical treating plants, and other amenities has already been secured.

The government and joint venture partners, France's TOTAL E&P, Anglo-Irish Tullow Oil and China's Cnooc, in 2014 signed a framework for commercialisation in which they agreed to develop both a crude oil export pipeline and an oil refinery.

The first search for refinery investor started in in 2013.

More than 60 companies responded to a government announcement seeking a potential investor to build the \$4b refinery.

RT Global Resources was selected as best preferred bidder and a South Korean consortium led by SK Energy as the alternative, but all walked away last year leaving government stranded.

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