Contention. Rival power producers in thermal generation claim the Electricity Regulatory Authority and the Energy ministry awarded the electricity production venture to the two oil companies out of favouritism.

Oil firms on the spot over plans to sell power to national grid

BY FREDERIC MUSISI
musisif@ug.nationmedia.com

KAMPALA. The plan to allow oil companies; France's Total E&P and China's CNOOC to sell their surplus electricity to the national power grid has sparked jitters among rival investors in the sector who are questioning why the Ministry of Energy is ring-fencing the venture.

The ring-fencing started in January 2015 with the Electricity Regulatory Authority (ERA) issuing a moratorium which was gazetted by the Ministry of Energy, awarding the development of thermal power from crude oil and gas to only oil companies.

The electricity regulatory body (ERA) indicated that power generation from associated gas in the Albertine Graben in mid-western Uganda was to be informed by outcomes of the ministry's comprehensive study on utilisation of excess petroleum reserves.

In an ideal reservoir there are two types of gas reserves; associated (located within the oil fields) and non-associated gas (independent from the fields). Most of Uganda's gas discoveries are within oil fields, currently estimated at 192 million standard cubic feet in Mputa, Waraga, Kingfisher and Nzizi.

Following completion of the study, ERA indicated that an appropriate developer would be procured to implement the selected utilisation option through competitive bidding.

Details of the study have not been made public, but ERA is currently reviewing applications from Total and Cnooc to produce their own power to run their various infrastructures during the next oil development and production stages.

Rival power producers in thermal generation say ERA and the Energy ministry awarded the electricity production venture to the two oil companies Total and Cnooc out of favouritism.

However, ERA spokesperson Julius Wandera told *Daily Monitor* that the entire plan is still undergoing review.

"The fact is Total and Cnooc put in applications, but that doesn't mean we are protecting them," Mr Wandera said.

"There is no need to worry after all, we shall even hold public hearings for anyone to raise objections," he added.

Total's corporate affairs manager Ahlem Friga-Noy said they plan to generate "approximately 150 megawatts" from associated gas alongside the production of crude oil out of which 70 megawatts will be used to run the Central Processing Facilities (CPF), well pads and electrical heating of the feeder pipelines from the oil fields to the CPFs.

Before crude oil is fed into the proposed refinery or pipeline, it will go through the CPF for stabilisation and condensation.

"The excess electricity estimated at 80 megawatts will be sold to the Uganda Electricity Transmission Company Limited (UETCL) and fed into the national grid," Ms Friga said in the email to our inquiry.

The UETCL is the licensed sole buyer of electricity from power generation companies.

Total intends to construct a $117.4m dual purpose thermal power plant in Buliisa District, which according to Ms Friga, will be "designed to generate electricity from both gas and crude oil".

The JV partners plan to construct two CPFs, one in Buliisa for stabilisation of crude oil from Total's exploration areas located south and north of the Victoria Nile. Another CPF is planned near the Kingfisher operated by Cnooc in Hoima from the same field and others nearby.

Shs12 trillion

Costs. Commercial oil production to commence awaits the Shs12 trillion ($3.5 billion) investment in the crude export pipeline. Current oil reserves stand at 6.5 billion barrels (1.7b recoverable).

Cnooc's communications manager, Amina Bukenya, told this newspaper that they will generate power from only associated gas but such "plans are still under study." She also hinted on plans to sell surplus to UETCL "but if we produce less, we shall also buy from them".

It is this idea of selling power to UETCL that is disturbing to independent thermal producers such as Jacobsen and Electromaxx. These, according to earlier reports, had similarly tendered in applications for licences.

Another player, Albatross Uganda Limited, is eyeing business in thermal generation but is in talks with the Uganda National Oil Refinery Holding Company to buy HFO that will be used to generate power.

Jacobsen and Electromaxx contend that the moratorium in picture should ostensibly apply to players submitting new application from the date it was published onwards but not to existing permit and licence holders.

On April 28, ERA gazetted a policy direction, with instructions from Energy minister Irene Muloni, published on May 5 relating to development of power plants to utilise indigenous oil resources.

The policy permits oil companies (currently the JV partners) to undertake the necessary studies with a view of utilising the indigenous petroleum resources to generate power for own requirements. But the policy also allows the JV partners to use crude oil for power generation, but states that the same crude oil will be available for independent players only after 2020.

Ms Gloria Sebikari, the senior communications officer in the ministry of Energy, said the envisaged power production is primarily to support oil and gas infrastructure.

"It is not like the oil companies are entering into power generation to compete with everyone else," Ms Sebikari told *Daily Monitor*. "They will be only producing what they need but in the likely event that there is surplus, obviously they have to sell it to the grid."

Ms Sebikari also allayed fears that the thermal generated power will be sold to the grid exorbitantly. She said the power will be bought within framework of the Feed-in Tariff, applied by the ministry.

According to the renewable energy Feed-in Tariff plan applied by ERA, thermal power costs $0.089 (Shs3,190) per kilowatt hour.

This was deemed expensive compared to hydropower, so currently UETCL buys only 7MW from each of the thermal producers.

The conceived crude to power plans are intended to create sustainability otherwise if power for oil activities is looped from the current national grid, the country risks experiencing constant outages.

Already, the power supply in the country is not steady and there is grumbling over cost of available power. Uganda has an average end-user tariff of around $0.17 per kilowatt-hour, which is higher than both Tanzania and Ethiopia.

That notwithstanding, the government is highly banking on the 600MW Karuma and 187MW Isimba dams, whose construction is ongoing, to alleviate the crisis.