

Uganda's slow pace towards oil production

Almost 12 years since it was confirmed that Uganda's oil discoveries were commercially viable, the journey has been a mix of highs and lows, albeit frustratingly slow. To keep hope alive, government has, over the years, pronounced itself on different production dates. It started with 2009 and now they are talking of 2020. But although the process is being fast-tracked, a new date should certainly be fixed, writes **Frederic Musisi**.

At the site of the new Hoima International Airport, construction works are in an overdrive. During my visit last week, graders and excavators were levelling grounds and turning every surrounding earth upside down to pave way for construction of the proposed amenities — a terminal, parallel runways, cargo facilities, hangars, name it.

Engineers and other technical staff, clad in all sorts of safety gear, could be seen milling around — some passing orders and others studying topography and architectural blueprints while pointing fingers in all directions.

The airport, located in Kabaale village, Buseruka Sub-county, Hoima District, about 230km Midwest of Kampala, is one of the key support infrastructure for the next course of fast paced activities leading to commercial oil production.

Few people can tell when commercial oil production will start in 2020 as government had earlier committed.

Construction of the airport at a cost of Shs1.3 trillion from Standard Chartered Bank and UK Export Finance was handed to a joint venture of Israeli-British firms, SBC/Colas Ltd, and is expected to be completed

by 2020.

The development of Hoima airport — the second international airport in the country, was conceived mainly as part of Greenfield oil refinery project whose development is another wild imagination.

But the airport makes every economic and strategic sense as it is central to the tourism industry.

Besides the airport, what is urgently needed to fast-track pumping of commercial oil, is a tarmacked road network of 600kms skirting through mid-western, northern and southern parts of Uganda.

The roads also have to be in place to facilitate different activities by the oil companies — France's Total E&P and China's Cnooc — which expect to haul in an estimated 3 million to 8 million tonnes of cargo during the Engineering Procurement and Construction (EPC) phase.

Production date

The starting of oil production in 2020, as was set earlier, was aligned to government's plans of turning the economy into 'middle income status' with oil revenues as a catalyst. The World Bank forecasted earlier that with commercial oil production at peak Uganda could rake in at least Shs7 trillion (\$2b) annually in revenues.

enues.

The Uganda National Roads Authority (UNRA)'s transport economist Davis Muhwezi told *Daily Monitor* they have so far awarded contracts for construction of three roads, out of 10 roads and procurement is ongoing for the rest.

China's EXIM Bank is providing a \$531m (Shs2 trillion) credit line for the roads project, to be supplemented by withdrawals from the Petroleum Fund.

"We finished the feasibility studies, preliminary designs, the environmental impact and social impact assessments for all the 10 roads," Mr Muhwezi said.

Some of the roads curve through eco-sensitive Uganda Wildlife Authority (UWA), National Forestry Authority (NFA) and National Environment Management Authority (NEMA) gazetted areas, Mr Muhwezi said warrants constant engagement with the stakeholders aforementioned to tie all loose ends — the process alone takes time.

Oil firms scratch heads

About 30kms from the airport site, down south at Lake Albert lies the Kingfisher oil field operated by China National Offshore Oil Corporation (Cnooc). The development of the field expected to pump first oil, is expected to cost Shs7 trillion (\$2b).

The production licence for the field was awarded first in September 2013 and since then, the company has been undertaking the requisite studies to inform construction of facilities for pumping oil while butting heads on, one front with the bureaucracy and on another with its joint venture partners — Total E&P, and Tullow Oil which is finalising process to remain in a non-operator position.

Cnooc is currently finalising the technical Front End Engineering Designs (FEED) on Kingfisher after the (FEED) contractor — China's Offshore Oil Engineering Co, identified 808 risks and further made 365 suggestions to manage them.

Besides the FEED study, Cnooc officials are shuffling back and forth in the field to commence payment of affected persons for land. Around 453 acres have been earmarked for infrastructure to pump oil from Kingfisher.

Sources familiar with the exercise say there are about 680 project affected persons and 55 homesteads.

Some of the infrastructure include a 47-km feeder pipeline through three sub-counties and 29 villages from Buhuka, where a Central Processing Facility (CPF) is planned, to the main pumping terminal at Kabaale — also the station of the main crude oil pipeline and refinery.

A CPF is where oil is separated

from other impurities before being fed into either the proposed pipeline or refinery.

Other infrastructure include pads, camps, a construction yard and flow lines connecting the four pads.

Cnooc's senior manager for public relations Aminah Bukunya said in an email that "compensation has been valued in accordance with the Ugandan legal framework and the Performance Standards."

"The Resettlement Action Plan studies proposed compensation for loss of land, structures, crops and trees, public infrastructure such as access roads and play grounds and other sources of livelihood," Mr Bukunya said.

Following the Tullow farm down the deal is being finalised to give both Cnooc and Total E&P a 30 per cent shareholding each. Cnooc will also operate other fields including part of Exploration Area (EA) and previously operated by Tullow.

Uganda's oil belt — the Albertine Graben — is split into four Exploration Areas (EAs), 1, 2, 3 and 4. It is operated by Total E&P (in the northern end of Lake Albert (in the Murchison Falls National Park).

Total E&P is likewise undertaking back-to-back resettlement action plan studies for land required for infrastructure to pump oil from Tilenga project (EA1 and northern EA2) and the technical FEED studies.

Preliminary RAP studies for Tilenga show that the Total E&P require about 790 acres for a proposed CPF and an access road.

This will likely affect about 10 households and physically displace another 28.

Cash Compensation and identification of resettlement sites undertaken by the company is currently ongoing.

Total E&P officials were not readily available for comment on matter.

Production licences for eight fields in EA1 and EA2 were issued August 2016, way behind scheduled paving way for the technical FEED studies on whose final recommendations Total E&P will have to make a Final Investment decision (FID) and eventually embark on Engineering Procurement and Construction (EPC).

Oil companies' officials say will be tentatively reached by this year. That notwithstanding [slow] progress of ongoing activities and uphill tasks that lie ahead put big question marks on when commercial production is likely to commence.

Earlier projections by Ministry of Energy showed that the process

\$3.3 billion

COMBINED INVESTMENT (APPROX. SHS12 TRILLION) BY OIL COMPANIES SINCE 2012 MAINLY ON ACQUISITION OF SEISMIC DATA AND EXPLORATION ACTIVITIES SUCH AS DRILLING OF OIL WELLS





Kabaale Airport currently under construction in Hoima district. PHOTO BY ERONIE KAMUKAMA

leading to oil production will require investments of approximately Shs24 trillion (\$6.7b) by the oil companies. This is besides \$3b (Shs11 trillion) and Shs13trillion (\$3.5b) investments in both the oil refinery and crude export pipeline to Tanzania, respectively.

Crude oil pipeline

The 1,445km crude oil export pipeline is expected to run from Hoima through the districts Kakumiro, Kyankwanzi, Mubende, Gomba, Ssembabule, Lwengo to Rakai at the border to Tanga port at the Indian Ocean in Tanzania.

The section of the Ugandan pipeline is approximated around \$700m (approximately Shs2.4trillion).

Officials say the FEED studies for the pipeline were completed last December and are currently under review before the step, likely FID, is taken. Once EPC is launched, the construction phase is expected to take an estimated 36 months.

Both Uganda and Tanzania have stakes in the pipeline through their respective national oil companies. Uganda's will be carried through National Pipeline Company, a subsidiary of the Uganda National Oil Company (Unoc), which is mandated to oversee the country's commercial interests in the petroleum sector.

Also ongoing back to back along the pipeline corridor are; the resettlement action plan study by



Oil reserves in Kampala. Below: An oil well at Kingfisher oil field in Hoima District. PHOTO BY ERONIE KAMUKAMA



consultancy firm, Strategic Friends International, to determine the number of

project affected persons and the environmental social impact assessments.

Other developments

On another front are discussions on the development of the oil refinery after government early in April signed a framework agreement with the Albertine Graben Refinery Consortium (AGRC), a special purpose vehicle of American and Italian firms, for the project.

The refinery is expected to be financed in Public Private Partnership arrangement, with AGRC taking a 60 per cent stake and government through the Uganda Refinery Holding Company, a subsidiary of UNOC, taking 40 per cent. Officials say the refinery construction will have started by 2020.

Only time will tell whether each of the projects will be realised within the stipulated time.

Reality check

The bumpy road ahead of the actual oil production start date notwithstanding, the Petroleum Authority of Uganda (PAU)'s senior manager for public affairs, Ms Gloria Sebikari, told this newspaper that significant progress has been made in taking forward the key projects leading for first oil.

PAU is the oil sector regulatory body. "This includes identification of land for required facilities, undertaking RAP to ensure adequate compensation, resettlement and livelihood restoration for the project affected persons, and undertaking of the FEED for upstream projects and crude oil export pipeline," Ms Sebikari. Ms Sebikari said UNRA is also fast tracking development of critical oil roads "through pre-financing arrangements with contractors" and construction works for the airport are underway. But still, the full equation includes the crude oil pipeline—the East African Crude Oil Pipeline (EACOP) and an oil refinery whose development



is still in the advanced stages" of development. The Government has signed a framework agreement with the consortium, that details the rights of the pipeline (Co), transfer of money

arbitration. Officials from two countries and oil companies met in Kampala early last month for progress discussions on the oil pipeline during which, according to sources, displeasure over ongoing delays was laid bare. During the meeting, it was agreed that the HGA be signed by end of this month.

DEVELOP

The money

About \$3.3b (approximately Shs12 trillion) is the core investment by oil companies since 2012 mainly on a of seismic data and exploration activities such as drilling wells.



Getting

China's EXIM Bank has approved a \$531m (Shs2.4trillion) line for the road supplemented from the PetroChina. "We finished the studies, preliminary the environmental social impact

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