

# Financial institutions ready to fund refinery, says govt

**Willing.** According to Uganda Refinery Holding Company, financial institutions are willing to fund the refinery because the project is financially attractive.

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**KAMPALA.** Uganda Refinery Holding Company (URHC) has said the prospects of raising money for financing the refinery "look good," adding that funders are willing to sink in the money.

Speaking in Hoima District, Mr Michael Mugerwa, URHC general manager, said: "We are seeing a lot of interest from the equity (financial institution) markets. We have also seen a lot of interest from export credit agencies, development partners and World Bank. We might be actually oversubscribed," he said.

The refinery project financing amounts to about shs11 trillion and 40 per cent will be from equity financing. Out of this Shs4.5 trillion, government is expected to raise Shs1.8 trillion.

Mr Mugerwa said the Shs1.8 trillion has been put in the budget framework while it seeks cheap credit.

Government anticipates to reach the final investment decision (FID) within the next two years.

However, as part of reaching the FID, the refinery investor must be assured of crude oil supply for refining in five years, URHC said.

"It will not be a simultaneous development that crude oil comes and we immediately have a refinery. Once the crude oil supply is assured, we will be working on constructing the refinery and that process takes at least three years. The time frame from today is five years from when the refinery starts manufacturing products," Mr Mugerwa said.

The remarks come almost two months after Uganda signed the project framework agreement.

Activities planned over the next two include deciding on refinery configuration which, based on the type of crude oil Uganda produces, will allow the manufacturing of a number of products such as gas, petrol, diesel and gasoline.

The process units that will make that decision will be made by end of October this year.

The refinery holding company is also working on commercial marketing studies to justify what extent government should focus on diesel, petrol or gasoline.

"Within 15 months from today, we should be in position to have a final approved FEED (Front End and Engineering Design) document with a lump sum 10pc price from the engineering, procurement and construction contractor with which we can complete our financing," Mr Mugerwa said.

Government plans to export up to 212,000 barrels a day to Tanga and finally to the world market.

However, as the first priority, the



Tanks containing crude oil at Kasemene 1 Oil Well site. PHOTO BY ERONIE KAMUKAMA

refinery will get 60,000 barrels a day because of the immense benefit to the economy.

Uganda consumes 33,000 barrels of fuel products a day

but once the oil refinery is set up, the country is projected to save about Shs6.3 trillion in fuel products annually, Mr Mugerwa said.

## CRUDE OIL SALE DELAYS

As much as 15,400 barrels of crude oil sit in cream containers at Kasemene 1 oil well site, one of the oil wells drilled during the exploration and appraisal campaign.

Another 29,600 barrels of crude oil are stored at other five sites according to oil producing firm Tullow Oil. Of the 45,000 barrels, about 30,600 barrels are stored by Tullow Oil while the rest is held by Total.

More than two months after companies submitted their bids to buy the 45,000 barrels of test crude oil, Uganda National Oil Company

(UNOC), the company tasked to sell the test crude oil is yet zero in on a buyer.

"Disposing of crude oil is not as easy as selling charcoal. There are intricacies you have to take care of. One of them is to make sure that whoever is going to utilize it, is going to use it sustainably. You must have an environment management plan wherever you are taking it and how you are going to take it there," Richard Nuwagaba, the UNOC drilling and completion manager, said last week in Bullisa District.

Without disclosing the minimum price

expected from the test crude oil, Mr Nuwagaba said government will pronounce the highest bidder one month from now.

Kabaale Airport, meanwhile, now under construction is set for completion at the end of 2021 but Uganda's first oil is expected to flow in 2020.

SBC's senior project manager Mikhail Gorachinor, the company charged with constructing the airport said it plans to provisionally open a runway to allow airplanes to land instead of stalling oil activities once production begins.