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Government picks five-firm team for oil refinery project

By Mary Karugaba

The Government has selected a consortium of companies for the execution of the \$3b (sh10 trillion) refinery project located in the western district of Holma in Uganda.

After a thorough review process of over 40 companies that expressed interest to develop the much-anticipated oil refinery, the Government selected the Albertine Graben Refinery Consortium (AGRC) for the project. The Government is to hold discussions with the consortium on the core project terms.

The AGRC consortium is made up of General Electric (GE) Oil and Gas (UK), YAATRA Ventures LLC (US), Intracontinent Asset Holdings Ltd and Saipem SpA (Italy) in the role of engineering, procurement and construction partner (EPC).

In July, Uganda went back to the negotiation table over the construction of 60,000 barrels per day refinery after its preferred bidder, Russian-led consortium RT Global Resources, pulled out of the deal in July last year at the time when the Government and the multinational were about to sign agreements for developing the project.

Although no clear reasons were given for the pullout, government sources said the Russian company failed to agree on a number of critical financial and technical issues.

Immediately the Russians lost the deal, the Government invited South Korea's SK Engineering, the alternative bidder, for talks. But the talks did not even last two months before falling apart.

The Government again called for fresh bids and 40 companies showed interest.

According to the energy ministry's permanent secretary, Dr Stephen Isabalija, the agreement of the core project terms signals the start of the Government's discussions and negotiations with the consortium on the Project Framework Agreement (PFA).

The PFA is expected to be concluded and signed within the next two months. The signing of the PFA

The AGRC consortium is made up of General Electric Oil and Gas and YAATRA Ventures LLC, among others

will, in turn, pave the way for commencement of pre-Final Investment Decision (FID) activities, such as Front End Engineering and Design (FEED), Project Capital and Investment Costs Estimations (PCE) and Environmental and Social Impact Assessments (ESIA).

In a press statement issued over the weekend, Isabalija explained that if the negotiations are successful, then the consortium will be granted the rights and licences to develop and manage the refinery as lead investor in a joint venture partnership with the Government.

"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.

He said already, the consortium has proposed to the Government a financing approach and a path to establish, develop and operate a commercially viable refinery company with a strategic benefit to the country and the region.

According to energy minister Irene Muloni, the country is looking for a lead investor in the project as it races to meet the 2020 oil production deadline.

The refinery is expected to produce diesel, petrol, kerosene, jet fuel, liquefied petroleum gas and heavy fuel oil. This is expected to save the country about \$1b, the amount it spends on the petroleum products imports annually.