OPINION

The glory days for oil are over

Thirty or even 15 years ago, the discovery of oil was a magic bullet to middle income status. Petroleum and gas were largely responsible for the rapid growth of most of the Arab world including countries such as Nigeria, Libya and Angola in Africa. In Latin America, it elevated Venezuela to a very wealthy and influential nation.

The last few years have, however, seen oil prices plummet and with them the fortunes of many countries especially those that were just begging to find their footing. Global oil prices dropped from slightly over $120 per barrel in 2003 to about $40 two years ago before recovering to about $50-55 currently.

The economies of Nigeria and Ghana have been slowed partly because of the drop in global oil prices. Worst hit was South Sudan that got independence looking to oil, and then the prices dropped.

As Uganda prepares to join the oil-producing club, we ought to be cautions that the hey days for the black gold may be over.

This week Swedish car-maker Volvo announced that it plans to phase out production of conventional petrol-only cars from 2019. All new models from the European car-maker will be either electric or hybrids.

France has also announced that it will end sales of petrol and diesel vehicles by 2040. This is part of an ambitious plan to meet its targets under the Paris climate accord.

The transition from petrol/diesel cars to electrics has been slow. But the decisions made by Volvo and France are likely to be followed by other countries and manufacturers.

Oil will, of course, remain a very key energy resource for many years to come. But with emphasis moving to renewable energy, it's unlikely get back to the $100 plus, per barrel, that producing countries enjoyed in the 1990s.

At moderate prices, Uganda will, therefore, have to be extra frugal with the revenue from oil if it's to benefit from it significantly. We should now not think oil (alone) will deliver us to middle income status. The country needs to focus on sectors that have been the backbone of the economy in the past – agriculture, tourism, mining and manufacturing.

New Vision

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