

Museveni, Magufuli pave way for oil pipeline construction

Infrastructure. The 1,445km pipeline is planned to run from Hoima District in mid-western Uganda to Tanzania's southern Tanga Port.

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KYOTERA. President Museveni and his Tanzanian counterpart John Magufuli yesterday laid the second foundation stone at one of the proposed corridors for the proposed East African Crude Oil Pipeline (EACOP), a gesture for political will, and to charm international lenders expected to pool 70 per cent of the project capital expenditure.

The 1,445-kilometre pipeline, planned to run from Hoima District in mid-western Uganda to Tanzania's southern Tanga Port on the Indian Ocean coast, was earlier projected to cost at least \$3.55b (about Shs12.8 trillion) but officials have since shifted gears, saying the cost will be determined by the technical Front-End Engineering Design (FEED) study.

Uganda and Tanzania are expected to shore up between 30 to 45 per cent of capital expenditure through their respective national oil companies, Tanzania Petroleum Development Corporation and Uganda National Oil Company.

The two heads of states laid the first foundation stone for the project in August at Chongoleani at Tanga. The second was laid yesterday at Luzinga village in Kyotera District at the ceremony graced by officials from both government and oil company executives.

The Tanga route was selected on basis, among other factors transit fees of \$12.2 per barrel (Shs40,321), environmental considerations, flat terrain profile, limited infrastructure constraints, Tanzania's convenient land tenure system, and Tanga port being conveniently available for use.

Tanzania also agreed to several concessions like waiving corporate tax and value-added tax (VAT) to reduce the cost of the project, depreciation tax holiday for 20 years and free (land) corridor, and acquisition

of shares in the project.

The two head of states assured that the project will not be held back by the customary bureaucracy, which in Uganda has hazarded nearly all large infrastructure projects as government officials scheme for kickbacks.

President Magufuli suggested that instead of taking two to three years for construction, the investors should employ up to 10 contractors to speedily execute the project. President Magufuli echoed the same position at the groundbreaking in August.

The technical designs (FEED) for the pipeline, whose contract was

AGREEMENT

On May 20, the two leaders signed the Heads of State Agreement, which was followed by the Intergovernmental Agreement on May 26 that binds the two governments on the project signed between Energy minister Irene Muloni and Tanzania's minister for Constitutional and Legal Affairs, Prof John Palamagamba Kabudi.

awarded last December to US-based Gulf Interstate Engineering with an eight months completion timeline, are said to be complete, according to French oil major Total E&P, the lead joint venture partner spearheading the project.

The FEED is expected to lead to Final Investment Decision (FID) early next year and subsequently the Engineering, Procurement and Construction phase. The actual start date of construction remains murky but officials say it will create an estimated 10,000 jobs.

So far the main would-be concern for the lenders is the "degree of political risk" especially in Uganda. President Magufuli said yesterday that his country is stable now and is guaranteed of stability even in the future.

President Museveni urged communities around the proposed corridor for the pipeline to take advantage of the project to acquire jobs.

Earlier in the morning the two leaders commissioned a one stop border point at Mutukula at the Uganda-Tanzania border.

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