

UNCTAD

17th Africa OILGASMINE, Khartoum, 23-26 November 2015

Extractive Industries and Sustainable Job Creation

Investing in Africa's extractive industries: Challenges and opportunities in Uganda's extractive industry

By

**Eng. Irene Nafuna Muloni (MP)
Minister of Energy and Mineral Development
Republic of Uganda**

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.



INVESTING IN AFRICA'S EXTRACTIVE INDUSTRIES: CHALLENGES AND OPPORTUNITIES IN UGANDA'S EXTRACTIVE INDUSTRY

A paper presented to the 17th African OILGASMINE Conference
and Exhibition
23 – 26 November 2015, Khartoum

By

ENG. IRENE NAFUNA MULONI (MP)

MINISTER OF ENERGY AND MINERAL DEVELOPMENT

Introduction

1. It is with great honor that I stand before you to deliver a speech focusing on **“Investing in Africa’s extractives industries - challenges and opportunities in Uganda's extractive industry”**.

2. I wish to commend the hard work done by the organizers of this event and your kindness to invite Uganda to speak` at this honorable event.

Status of Uganda's oil, gas and minerals sector

3. Uganda's confirmation of the existence of commercial Oil and Gas resources was in 2006. To date the country has (6.5) billion barrels of oil equivalent out of which 1.4bbl are recoverable and 500 billion cubic feet of gas in the Albertine Graben.
4. Uganda's oil and gas industry has transitioned from exploration to the development phase having completed most of the appraisal activities for the various discoveries. Whereas total investments in the exploration phase was approximately USD 3 Billion in a period of about ten years, the planned investments in the development phase will be in excess of about USD 20 Billion in the next five years.
5. As the country progresses to the development phase, various projects are proposed to be undertaken that include: construction of a 60,000 BBL/day refinery in two phases starting a 30,000 BBL/day ; drilling of over 700 wells (production and injector wells), construction CPFs (central processing facilities), construction of pipelines (Crude export, products, and infield), construction of temporary and permanent camps; construction of a new airport; upgrading of various roads and infrastructure to support petroleum activities ; among others. The construction of the refinery will also lead to the development of a petro-chemical and energy industries within the country.
6. In addition to development phase, Uganda has commenced on the 1st round of competitive licensing for six block within

the Albertine graben. Most of the acreage up for the first round of licensing was relinquished to government.

7. Minerals have a great potential of contributing to economic growth and poverty alleviation through exports and are expected to be a major driver in employment creation over the medium term through value addition. Sustainable Exploitation of minerals will provide vital resources needed to fund the backlog of infrastructure investments. Arising out of the airborne geophysical surveys carried out covering 80% of the country, government has been able to target and quantify commercial mineral deposits. New geological maps have been produced and a number of mineral commodities have been explored in sufficient detail and as a result, there has been a significant increase in the mineral resources base known in the country.
8. **Iron ore:** In addition to the previously known iron ore deposits of Muko (30 million tonnes), Bukusa (23 million tonnes), and Sukulu (45 million tonnes), new ore reserves were discovered at Buhara in Kabale (48 million tonnes), Nangara Kisoro (8 million tonnes) Rugando, Butogota in Kanungu (55 million tonnes), bringing the total reserves to 116 million tonnes of iron ore with a gross value of US\$ 15.6 billion.
9. **Gold:** a total of 7.8 million ounces of gold have been proven as follows: at Tiira in Busia (500,000 ounces), Kamalenge in Mubende (5 million ounces), Mashonga in Bushenyi (1 million ounces), Kampano in Ibanda (500 ounces) and at Alupe in Busia (800,000 ounces) with a total gross value of US\$ 10.9 billion.
10. **Vermiculite** reserves have increased from 5 million tonnes to 54.9 million tonnes at Namekhara in Manafa district and the reserves have a gross value of US\$ 11.5 billion.
11. **Limestone/marble** reserves in the country have increased from the known 30 million tonnes in Hima, Dura Muhokya

and Tororo to over 300 million tonnes after quantifying reserves in Karamoja.

12. **Nickel (Ni)-Platinum Group Elements (PGE):** Ground magnetic and Transient Electromagnetic (TEM) surveys were undertaken in Karuma, Kiryandongo District. Ground geochemical surveys were undertaken and confirmed nickel, copper, and cobalt anomaly. The established anomaly was followed by ground geophysical surveys that included magnetics and electromagnetic methods. The studies confirmed conductive bodies that were later drilled. A total of seven (7) drill holes totaling 1,500 metres were accomplished. The drill core samples indicated occurrence of sulphides and on analysis the samples showed good grades of nickel, copper and cobalt.
13. Other minerals whose commercial reserves have been established include **Copper** (6 Million tonnes), **Cobalt** (5.5 Million tonnes), **Columbite -Tantalite** (3.5 Million tonnes) , **Niobium** (130 Million tonnes), **Tin** (3.5 Million tonnes), **Tungsten /wolfram** (2.155 Million tonnes), **Rare Earth Elements** (73.6 Million tonnes), **Phosphates** (280 Million tonnes), **Kaolin** (3.8 Million tonnes), **Gypsum** (2 Million tonnes), **Salt** (22 Million tonnes), **Glass sand** (2 Million tonnes), **Dimension stone** (2 Million tonnes) and **Aluminous clays** (3 billion tonnes).
14. **Geological Mapping:** Nineteen (19) updated geological maps with new mineral potential zones at a scale of 1:250000 have been produced. The maps can be accessed through a geological and mineral information system portal at www.uganda-mining-go.ug:81/ugandaGMIS.
15. In the remaining 20% of Uganda's area in the Karamoja region, geological mapping have been completed in two map sheets namely; Panyangara and Muruariam in Kotido District. Geochemical sampling continues in Abim District. Government also continues to sensitize stakeholders in the Karamoja region about the planned airborne geophysical

surveys of Karamoja mineral resources and Mining Policy and Legislation.

16. **Training of local artisanal and small scale miners (both men and women)** to improve livelihood, health and safety of the citizens involved in mining for social and economic transformation continues to be done.
17. As we strive to process the raw minerals and add value, we have invited Private investors to come and participate in this sector.
18. Investors in Kilembe copper and cobalt mine will setup copper and cobalt refining plants in order to produce pure metals (cathodes) which can be used to manufacture finished products like copper wire and steel.
19. Investors in Sukuru Phosphates will set up a Comprehensive Industrial complex planned to produce 300,000 tonnes per year of superphosphate fertilizers, 300,000 tonnes per year of iron steel products, 400,000 tonnes per year of sulphuric acid and generation of 12 MW of electricity.
20. These activities pose both **challenges and opportunities** for government and the investors.

Challenges and Opportunities

Distinguished Ladies and Gentlemen

In order to keep in line with the theme of this session which is on “investing in Africa’s extractives industries - challenges and opportunities”. Allow me highlight some challenges related to investing in Africa’s Extractives Industries:

Challenges

21. The planned development of extractives and their related activities have raised the expectations of many Africans including Ugandans about the potential for; increased employment opportunities, industrial development, energy supply, tax revenue and overall economic development.

22. Ladies and gentlemen, as you are aware most of the extractive industries are located within frontier areas within Africa. Therefore in addition to the challenge of managing expectations by the locals other challenges the governments and investors may face include:
- Inadequate specialized skills relevant to the extractive in Africa.
 - Inadequate competitiveness at international level for most of the enterprises to support the extractive industries.
 - Limited financial capacity of African or indigenous enterprises to support the extractive industries.
 - High cost of available local finance
 - Low level of technology within Africa.
 - Inadequate infrastructure
 - Acquiring surface rights for mining by investors
 - Sustainable Environmental management of the affected areas involved in resource harnessing
23. I wish to note from my perspective that “**Challenges**” are not “**problems**” but they are merely “**opportunities**”. I wish to add that Investors are known to swiftly turn these challenges in opportunities. Therefore the most the challenges in the extractive industries are in fact opportunities for both African and foreign investors.

Opportunities

24. Ladies and gentlemen before are share with you how Uganda has addressed or managed these challenges allow me to highlight the various opportunities that are available in the Uganda’s oil and gas industry.

25. The opportunities include:

- Joint Ventures and farm-in arrangements in existing and new licenses;
- Geophysical surveys, particularly multi-client seismic surveys in the unlicensed areas.
- Oil and Gas field services including operation and maintenance of rigs and other drilling related services.
- Capital for the emerging infrastructure such as refining and transportation of petroleum commodities and products;
- Service provision and contracts in the fields of Engineering, Procurement & Construction to take forward the development of this infrastructure;
- Development of a Petrochemical Industry;
- Logistical services;
- Construction and Fabrication;
- Waste management and Treatment;
- Power generation using gas and some crude oil by Independent Power Producers;
- Mining and minerals processing industry

Uganda's case

Ladies and gentlemen, in order to manage the highlighted challenges below are some of the steps the government has undertaken

Infrastructure

26. A National Strategy and Plan for Petroleum Transportation and Storage facilities in Uganda was developed. This will guide in the development of petroleum transportation and storage facilities in Uganda.
27. Key Infrastructure for the development of the to support the oil and sector include:

- Crude Export pipeline
- Hoima – kampala products pipe line
- Eldoret- Kampala products pipeline
- Roads (Upgrading and construction)
- Airport development
- Power generation facilities among others

Legal, Regulatory and Institutional Frameworks

The Government has put in place various legal, regulatory and institutional frame work to ensure efficient and effective management of the petroleum activities in Uganda.

28. The development of Uganda’s oil and Gas sector is guided by the National Oil and Gas Policy for Uganda, the Petroleum (Exploration, Development and Production) Act, 2013, the Petroleum (Refining, Conversion, Storage and Transportation) Act, 2013, and the Public Finance Management Act , 2014 for the management of petroleum revenues.
29. New Institutions (Petroleum Authority of Uganda and the National Oil Company) developed and Boards of Directors have been put in place to undertake the regulation and commercial interests of the country.

CAPACITY BUILDING OF THE WORKFORCE AND BUSSINESS

Ladies and Gentlemen, Government of Uganda prioritize the capacity building of Ugandans and business. Below are some key government initiatives in capacity building:

Workforce Development

30. The initial effort were to build the capacity of government personnel and accordingly the first government personnel to receive specialized training in 1986. To date a total of 186 Government officers have acquired Masters level training in the areas of Petroleum Geosciences, Engineering, Law, Economics, Finance, Taxation, Accounting and management among others. These government efforts enabled its personnel to build their capacity and subsequently spear head the process of petroleum exploration that resulted in the discovery of commercial quantities of petroleum resources in 2006.

31. With the discovery of commercial quantities of petroleum, government's efforts were to develop the skills of the Ugandan workforce to enable them participate in petroleum activities and other related activities. Various institutions have been established to train the required workforce that include: Uganda Petroleum Institute Kigumba (UPIK) in 2010 to offer specialized training for oil and gas at level 2 (craft) & 3 (technician), Makerere University for Bachelor and masters programs of petroleum geoscience and production. At the same time various private universities and other private sector training providers introduced course related to petroleum studies.

32. In 2014, government developed the Workforce Skills Strategy and Plan for the petroleum sub-sector. The Works force Skills Development Strategy and Plan outlines the required actions for training providers to produce oil and gas Industry ready graduates with the required acceptable international certifications to meet the demands of the Industry.

33. Distinguished ladies and gentlemen, in taking forward the capacity building of enterprises and business the Government and the licensed oil companies are in the initial stages of setting up an Industrial Enhancement center (IEC). This center will be a one stop center for supplier development. Enterprises will be able to get relevant training regarding the requirements for the petroleum industry and at the same time have access to upcoming tenders or opportunities within the industry.

WHY INVEST IN UGANDA

Distinguished Ladies and Gentlemen, before I conclude allow me share with you the reasons why you should invest in Africa and Uganda in particular.

34. The policy of our Government is to encourage private sector investment into the country. There are various incentives such as;
- a. Excellent geological promise; the confirmation of a working petroleum system in the Albertine Graben has de-risked investment in the upstream sector.
 - b. Predictable environment as evidenced by the stable economic growth in the country averaging over 5% since 2000 together with a competitive real exchange rate that supports export growth.
 - c. Political stability and a recognised justice system that promotes social justice and international dialogue.
 - d. Dialogue in policy formulation through business an investment associations (e.g. Private Sector Foundation,

Uganda Chamber of Mines and Petroleum, among others)

- e. Uganda has one of the youngest populations in the world that provide skilled and trainable labour. Over 15,000 quality university graduates produced per year.
- f. Investments are guaranteed under the Constitution and the Investment Code 1991. In addition, Uganda is a signatory to major international investment related institutions and agreements.
- g. There is also access to a growing market including; the East African Community has a population of over 150 million people with oil products consumption of over 5million tonnes, growing at 7% per year.
- h. Good and Improving physical infrastructure such as road and railway networks, airports, Pipelines for petroleum products, Utilities - water, electricity, telecom that reduce the cost of doing business.
- i. A fully liberalized economy and foreign exchange market that allows free inflow and outflow of capital. Uganda was ranked the 8th freest economy out of the 46 Sub-Saharan Africa countries by the 2013 Index of Economic Freedom.

Conclusion

Ladies and Gentlemen

35. The challenges in the Africa's extractives industries are not problems but are opportunities for both government and the private sector to leverage on to ensure the potential of Africa's extractive industry is realised.

36. It is important to ensure that there is a robust regulatory, legal and institutional framework to support the development and growth of the extractives industry in Africa.

37. Ladies and gentle, I wish to note that the responsibility of ensuring that challenges in Africa's extractive are addresses is a shared responsibility between government and the companies that operate within the country. Therefore collaboration are very crucial.

38. As I conclude, ladies and gentlemen, I encourage and invite you all to invest in Africa and particularly in Uganda considering the progress we have made to ensuring that most of the challenges in the extractive industry are addressed in order to ensure the investments made are mutually beneficial to the country and at same time create value for the investors.

THANK YOU VERY MUCH FOR YOUR AUDIENCE

FOR GOD AND MY COUNTRY