DEVELOPMENTS AND INVESTMENT OPPORTUNITIES IN UGANDA’S PETROLEUM SECTOR

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Presented by

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1. Introduction
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Africa is home to some of the world’s fastest-growing economies, some (e.g. Ghana) of them lifted by new oil and gas finds.

The East African region is emerging as a premier destination for oil and gas exploration and development.

Petroleum discoveries have been made in South Sudan, Uganda, Tanzania, Mozambique and Kenya.

East Africa consumes about 200,000 barrels of petroleum products per day and demand is increasing at an average rate of 7% per year.

All petroleum products are currently imported into the region at over US$5 billion per year representing over 25% of the total import bill of the region.
INTRODUCTION

KEY FACTS ABOUT UGANDA

- **Location**: East Africa
- **Land area**: Approx. 241,038km²
- **Coastline**: 1,600km from coast

- **Total Population** (2012): 36.35 million
- **GDP per capita** (2012): US$ 547
- **GDP growth rate** (2013): 5.2%
- **GNI per capita, PPP** (2012): US$1,120
- **Government**: Parliamentary Democracy

- **Natural Resources**: Copper, Cobalt, Gold, Limestone, Petroleum, among others
- **Imports**: Petroleum products, machinery manufactured goods, chemicals transportation equipment
- **Exports**: Coffee, Tea, Cereals, Cotton, Flowers, fish, Gold, Tobacco and Hides among others

SOURCE: The Work Bank
2. STATUS OF THE OIL AND GAS SECTOR IN UGANDA

2.1 RESOURCES

- Commercial discovery of oil confirmed in 2006.
- 21 oil and/or gas discoveries
- 17 fields taken forward for appraisal
- 6.5 billion barrels of oil in place
- 1.4 billion barrels estimated to be recoverable
- 500 bcf of Gas
- Appraisal of 13 fields completed;
- One Production License (Kingfisher) approved during September 2013
- 40% of Albertine Graben explored; 80% of the Albertine Graben is unlicensed
- Progressing towards development and production in the fields whose appraisal has been completed.
2.2 COMMERCIALISATION PLANS

SHORT TERM
- Use of crude oil and gas for power generation

MEDIUM TERM
- Phased development of a 60,000 BOPD refinery
- Commercialization of the gas produced with oil
- Development of a crude oil export pipeline

LONG TERM
- Expansion of the refinery
- Development of petrochemical and energy-based industry
2.3 REFINERY DEVELOPMENT

- EAC strategy, 2008 recommended development of a refinery in Uganda.
- Feasibility study, 2010/11 concluded that devt of a 60,000bopd refinery was economic & profitable.
- Acquisition of 29 sq.KM of land for refinery development through implementation of a Resettlement Action Plan (RAP) is ongoing.
- Environment baseline survey completed
- Refinery to be developed on a PPP basis
- SK Group (South Korea) and RT-Global Resources (Russia) to present Final Offers and lead investor will be selected by the end of 2014.
- The first phase of the refinery (30k bopd) expected in 2017/18 and 60Kbpd two years later
b) Refined Products Pipelines from Refinery
   • Hoima to Kampala 205km long, pipeline to be developed as part of refinery project
   • Eldoret-Kampala (Buloba) Pipeline Feasibility study undertaken; a 325km long pipeline;
   • Kampala-Kigali Pipeline: Feasibility study is being undertaken.

c) Crude Export Pipeline
   • Selection of lead consultant to carry out a Feasibility Study and Preliminary Engineering Design of the crude export oil pipeline is ongoing.

d) Development and Upgrade of other infrastructure in AG: Roads, Electricity, Water, Airport, land use planning, among others
3. NATIONAL PARTICIPATION

- Government strongly encourages NATIONAL PARTICIPATION as one of the optimum ways to ensure sustainable development.
- Concluded a study on the opportunities and challenges for Ugandans’ participation in the oil and gas sector. Copy of the study is on www.petroleum.go.ug.
- Recommendations of the study are being implemented, including:
  
  a) Development of a policy and legal framework for National Participation
     - Provided for in Upstream and Midstream laws;
     - Draft regulations on National Content are under discussion
     - Draft National Content Policy through a consultative process

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3. NATIONAL PARTICIPATION

b) Establishment of a National Content Unity in the Ministry
- Continuous monitoring of Industry to ensure implementation of NC

c) Mobilization of local service providers; Association of Uganda Oil and Gas Service Providers
- Growth of value of the IOC’s spend on contracts with local service providers from 12% in 2010 to 28% in 2013.
- Training of SMEs by the Association

d) IOCs undertook an Industrial Baseline Study whose implementation is ongoing
- Dissemination of study to stakeholders
- Establishment of an industry enhancement center

d) Regulation of expatriates; requirement to develop Nationalisation Plans for expatriate positions.
- Approval of organisation structures for oil companies.
- Employment; 52% of Direct and 95% of Indirect and Induced are Ugandans.

e) Capacity building and skills development with an emphasis on Vocational Skills Development.
- Establishment of 3 vocational training institutions in Uganda
- Commencement of Petroleum Geoscience courses at undergraduate and graduate level
4. INVESTMENT OPPORTUNITIES

- Licensing of acreage through competitive bidding;
  - 80% of the AG unlicensed
  - First licensing round to cover areas with good data coverage
  - Data packages available to potential bidders

- Joint Ventures and farm-in arrangements in existing and new licences;

- Geophysical surveys, particularly nonexclusive seismic surveys in the unlicensed areas

- Oil and Gas field services including operation and maintenance of rigs and other drilling related services
INVESTMENT OPPORTUNITIES

- 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.
Government policy encourages private sector investment into the oil and gas industry.

Encourages partnerships between foreign and Uganda companies especially for service provision.

Investment Incentives include:
- favourable legal & fiscal framework,
- access to existing technical information,
- improving infrastructure in the country,
- Political and Economic Stability across the country, among others.

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5. CONCLUSION

- Uganda’s oil and gas sector is evidently growing in terms of resources, the regulatory and institutional framework to manage the resources; and the infrastructure to support their development.

- Government of Uganda welcomes investors and encourages the development of the country’s natural resources through mutual benefit and in a spirit of cooperation.

- National participation is key in ensuring sustainable development.

- Government policy encourages private sector investment into the oil and gas industry.
THANK YOU.

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