



REPUBLIC OF UGANDA

**MINISTRY OF ENERGY AND MINERAL DEVELOPMENT**

PRESENTATION

BY

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AT

THE 25<sup>TH</sup> SESSION OF THE STATE OF THE NATION PLATFORM ORGANISED

BY *ACODE*

03<sup>RD</sup> NOVEMBER 2011

## **INTRODUCTION**

1. Participants at this workshop, Ladies and Gentlemen. On behalf of the Ministry of Energy and Mineral Development, I would like to thank you for inviting us to make a presentation at this meeting and also exchange ideas on the topic “*The oil question in Uganda: Implications of the Parliamentary Resolutions on Governance and Development of the Petroleum Sector.*”
2. As participants are aware, Parliament, passed resolutions concerning the oil and gas sector in a special session held during October, 2011 and some of these resolutions have already been implemented.
3. I wish to spend a few minutes to talk about where Uganda’s petroleum sector has come from, where it is and relate these to the implications of the Parliamentary resolutions.
4. I wish also to highlight how Government is addressing issues identified in the sector through the implementation of the National Oil and Gas policy for Uganda.

## **BACKGROUND TO THE OIL AND GAS SECTOR**

5. Participants will recall that the deliberate efforts which Government has undertaken to promote the petroleum potential of this country. These efforts included training of manpower, acquisition of scientific data in the areas with potential for petroleum production in the country and using the acquired data to promote and attract investment into the sector.

6. This effort has been successful as international oil companies were attracted into the country, significant investment has been made and commercial reserves of petroleum have been discovered in the country.
7. Following the discovery of petroleum at Mputa-1 well in the Kaiso Tonya during January, 2006, the business risk of exploring for petroleum in Uganda was reduced considerably and the Albertine Graben, (the area with potential for petroleum production in the country), changed from being a frontier area to an area with the potential to become a petroleum province. At this point, Government put a halt to licensing for petroleum exploration in the country with a view to introducing a new regulatory framework which would take into consideration this reduced business risk and other aspects relevant for the desirable development of the sector.
8. Government commenced the process of putting in place a new regulatory framework by formulating a National Oil and Gas Policy (NOGP) for the country through a consultative process. This process evolved from 2006 to 2008 when the Policy was approved.
9. The companies which had already been licensed in the country before halting licensing include; Heritage Oil and Gas Limited, Hardman Resources Limited (now Tullow Uganda Operations Pty), Energy Africa (now Tullow Uganda Limited), Neptune Petroleum. Negotiations with Dominion Uganda Limited had progressed significantly by that time and were continued until conclusion in July 2007.
10. The licensed companies continued implementing exploration work programmes as agreed in the PSAs. These continued exploration efforts in these licensed areas have since led to the undertaking of 20 seismic surveys and the drilling of 63 wells in the Albertine Graben to date. These efforts have also led to 20 oil and gas discoveries in the country. The resources in these 20 discoveries are estimated at

over 2.5 billion barrels of oil and the investments made to date in the sub sector of petroleum exploration are now over USD 1billion.

11. The National Oil and Gas Policy is now the key policy document under which development of the oil and gas is being taken forward and the sector is regulated under the Petroleum (Exploration and production) Act Cap 150 together with the Petroleum (Exploration and Production) (Conduct of Exploration Operations) Regulations, 1993. This policy identifies the key issues in the sector and recommends, objectives, strategies and actions to address these issues. Outlined here below are the policy objectives and how they are being implemented:

a) **Objective 1; Efficiency in licensing Areas with the Potential for oil and gas.**

As indicated above, there is currently a halt in licensing of new acreage to allow for competitive licensing rounds that will be guided by the updated Petroleum Law that will replace the current Petroleum Act. Some of the acreage previously licensed to oil companies is also being returned through relinquishment requirements and expiry of licenses.

b) **Objective 2: Establish and efficiently manage the oil and gas resource potential.**

There has been an increase in the country's resource base from 300 million barrels of oil equivalent when the policy was approved in February 2008 to over 2.5 billion barrels at present. An efficient Resource Management framework is also being put in place through the creation of a sound Institutional Framework which separates Policy Setting, Business Promotion from Regulation of the Industry and Commercial Businesses.

c) **Objective 3: Efficiently produce the country's oil and gas resources**

There has not yet been commercial production of petroleum in the country. However, Government has received and is reviewing applications for production licenses together with Field Development Plans for some of the discoveries. Appraisal drilling and Extended Well Testing are part of the on-going appraisal programme for the oil and gas discoveries made in the country. This appraisal will provide improved understanding of the volumes of oil and appropriate methods of recovery for these reservoirs as production is planned.

d) **Objective 4: Promote valuable utilization of the country's oil and gas resources.**

The policy provides for avoiding wastage of country's petroleum resources and for refining of the discovered resources in country to provide petroleum products for Uganda and the region before export options are considered. In this regard, a feasibility study on refining in the country was concluded in September, 2010. This study has defined key aspects of developing a refinery in Uganda like size, configuration, location, financing and markets for the products. Planning for the development of a refinery in the country is now being taken forward.

e) **Objective 5: Promote the development of suitable transport and storage solutions**

A petroleum transportation and storage study for the country has commenced. The first part of the study will cover both transportation and storage of crude oil from the fields to the refinery and the second part of the

study will cover transportation and storage of petroleum products from the refinery to markets.

f) **Objective 6; Collection of the right revenues and use them to create lasting value.**

The existing Revenue Management Policy is being reviewed with a view of putting in place appropriate legal framework for petroleum revenue management. In addition, Tax legislation is being updated to better handle Petroleum Revenues.

g) **Objective 7: Ensure optimum national participation in oil and gas activities.**

Government has concluded a study on the opportunities and challenges for the participation of Ugandans in the sector. This study should be available on the Ministry's website within the next few days. The study is going to form a basis for developing a strategy and plan for developing better participation of Ugandans in the sector.

h) **Objective 8: Development and maintenance of national skills and expertise.**

The initial activities under this objective have included establishment of the Uganda Petroleum Institute in Kigumba which was opened in March 2010. This institute is to offer diplomas and certificate courses in petroleum related studies. A Bachelor's degree program in Petroleum Geoscience was also established in 2009 and Makerere University. The university is also preparing to commence an Msc in Petroleum Geoscience during 2012.

As these initial capacity building efforts are taken forward, Government is preparing to commission a comprehensive study on the skills requirement for the entire petroleum value chain in the country.

**i) Objective 9: Environment protection and biodiversity conservation.**

A Multi-Institutional monitoring team is in place and Biodiversity Institutions are working together to efficiently manage the interface between petroleum and the environment. These institutions include the National Environment Management Authority, Uganda Wildlife Authority, The Directorate of Water, Fisheries Department, the Forestry Department and the Petroleum Exploration and Production Department. An Environment Sensitivity Atlas for the Albertine Graben was developed and is in place. A Strategic Environment Assessment of these areas is also due to commence later this year. Planning for the development of an oil spill contingency plan for the country has also commenced and this plan is expected to be completed during next year.

**j) Objective 10: Mutually beneficial relationships between all stakeholders.**

Government has developed and is implementing a National Communication Strategy for the oil and gas sector to bridge the communication gap between the oil and gas industry and the general public.

In addition, to these major objectives, the policy also provides for improved land use planning in the areas where petroleum activities are going to be undertaken. The Albertine Graben was declared a special planning area during 2010 and detailed planning for some towns in the Graben is being undertaken. Putting in place road infrastructure in the Albertine Graben has commenced with the Hoima to Kaiso - Tonya Roads and designing of the Hoima – Biso – Wanseko Road.

12. You will appreciate therefore that most of the resolutions of Parliament do not represent a significant departure from the general aspirations and framework of the National Oil and gas Policy. For example the requirement that the necessary bills are tabled in Parliament; following approval of the policy and in line with the policy recommendation of formulating a new petroleum law for the country, the Ministry of Energy and Mineral Development prepared and submitted principles of this bill to Cabinet. These were approved by Cabinet and forwarded to the Ministry of Justice and Constitutional Affairs to prepare the draft bill. The first draft of the petroleum bill was finalised towards the end of 2009 and it was circulated to stakeholders for review and comments. A number of comments were reviewed and the bill updated. During presentation of my ministry's policy statement for the year 2011/2012 to Parliament in August this year, it was agreed that the bill would be tabled in Parliament by December 2011.
13. Secondly in addition to copies of the PSAs that had previously been laid on the table of Parliament during 2010, my ministry submitted copies of all existing Agreements to the Natural Resources Committee of Parliament during August 2011.
14. The resolutions, as passed by Parliament therefore tend to represent bringing forward the implementation of the Policy and by implication the governance and development of the petroleum sector in the country. The two arms of Government will work together to ensure that the development of the sector remains in tandem with the aspirations of the country.
15. The petroleum sector has the potential to significantly contribute to development of the country and this will require that the respective stakeholders in the sector adequately play their roles. These roles will no doubt include supporting the sector especially at its nascent stage of development.

16. I wish to conclude by recognising the role of civil society, and in this particular case ACODE, for the advocacy role they are continuing to play in this sector. This role is also one of those articulated in the National Oil and Gas Policy and will contribute to the development of a desirable oil and gas sector for the country if played well. My ministry will continue to support your efforts by participating in these and other engagements when invited, as has indeed been the case in the past.

17. I wish everybody rewarding participation in this platform and thank you once again for inviting me to participate.

**FOR GOD AND MY COUNTRY!**