The Sustainable Development of Petroleum Resources Programme: What were the achievements in FY 2021/22?

Overview

The Sustainable Development of Petroleum Resources (SDPR) Programme's goal is to attain equitable value from the country's petroleum resources and spur economic development in a timely and sustainable manner.

During the Financial Year (FY) 2021/22, the programme executed interventions which included petroleum exploration, licensing, training and development of infrastructure. These interventions were geared towards realizing the country's first oil.

This policy brief highlights the extent of achievement of outputs and outcomes under the programme interventions in the FY 2021/22.

Introduction

The Sustainable Development of Petroleum Resources (SDPR) Programme is implemented by the Ministry of Energy and Mineral Development (MEMD) as the lead agency. Other key implementing agencies are: The Petroleum Authority of Uganda (PAU), Uganda National Oil Company (UNOC), and National Environmental Management Authority (NEMA). The key private sector partners include TOTAL Energies, China National Offshore Oil Corporation (CNOOC), and M/s Albertine Graben Refinery Consortium (AGRC).

The programme is implemented through three sub-programmes: Upstream, Midstream, and Downstream.

Key Issues

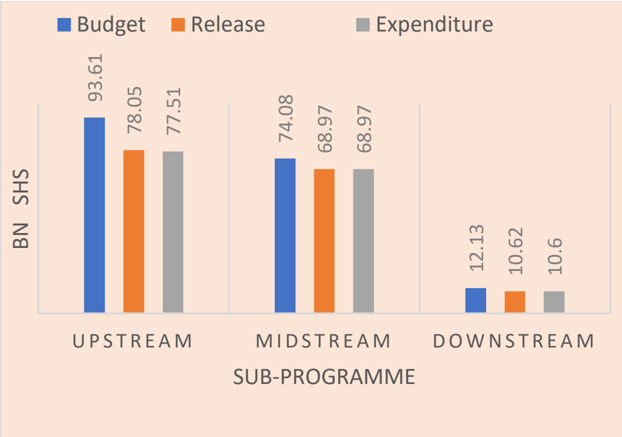
- Large funding gaps.
- Slow pace of land acquisition for the oil and gas infrastructure.

Programme Performance for FY 2021/22

a) Financial Performance

The budget for FY 2021/22 was Ug shs 179.8 billion (bn). The release was good at 87.7% (Ug shs 157.6bn) and absorption was very good at 99.6% (Ug shs 157.1bn). Detailed financial performance under each sub-programme is highlighted in figure 1. All the sub-programmes showed good absorption.

Figure 1: Financial Performance by 30th June 2022



Source: Approved Budget Estimates and Q4 Reports FY2021/22

b) Physical Performance

The overall programme performance was fair at 63.8% (table 1). The Midstream Sub-programme exhibited good performance, while that of the Downstream Sub-programme was poor.

Table 1: Overall Programme Performance for FY 2021/22

	Sub-programme	Performance (%)
1	Upstream	64.3
2	Midstream	77.5
3	Downstream	49.5
Overall Programme Performance		**63.8**

Source: Author's Compilation

The overall key achievements are discussed hereafter:

Highlights of Achievements

The overall performance of the outputs under the different interventions was fair.

1. Petroleum Exploration and Licensing

Exploration of new areas of the Moroto-Kadam basin stood at 75% with a total of 140 line kilometres of geophysical data and 297 sq. km of geological and geochemical mapping undertaken within the FY 2021/22 (74.3% of the annual target).

Further exploration was also undertaken in areas of the Albertine Graben (Buliisa, Nwoya, Hoima) and a total of five blocks (Ngaji, Turaco, Avivi, Kasurubani and Omuka were packaged for the second licensing round. Contracts for two of the five blocks (Kasurubani and Turaco) were awarded to UNOC (Uganda) and DGR Global Limited (Australia) respectively. The two companies will commence preparation for infrastructural development geared towards oil production. The promotion of the potential for the remaining three blocks to attract investment also continued.

Construction of phase-3 of the data centre, laboratories and offices for the Directorate of Petroleum (PEPD) and PAU to aid in monitoring and analysis of explored petroleum samples was also nearing completion at 99%.

2. Implementation of Resettlement Action Plans for Infrastructure Projects

The MEMD and sector partners embarked on land acquisition for the different petroleum infrastructure as a measure of mitigating the impact of the infrastructure development on the affected communities. The Resettlement Action Plan (RAP) for the oil refinery area in Kyakaboga, Hoima District was at 99.3% with a total of 2,663 of the 2,680 Project Affected Persons (PAPs) paid. Construction of the market stalls and community centre at the Kyakaboga resettlement site was also at 76%.

The RAPs for the multi-product pipelines (Hoima to Buloba) and East African Crude Oil pipeline (EACOP) commenced in the FY 2021/22 and were at different stages of completion (table 2).

Table 2: Compensation status for the pipelines as at 30th June 2022

Pipeline	MDA/Private Partner	Total PAPs	PAPs Paid	Progress (%)
EACOP	Total Energies	3,852	998	25.9
Multi Products Pipeline	MEMD	4,270	1,750	41.0

Source: Author's Compilation

The multi-products pipeline compensations showed good progress after the release of a supplementary budget of Ug shs 30bn for the activity. However, compensations under the EACOP registered slow progress with only 998 PAPs paid although a total of 2,498 had signed agreements.

Completed resettlement house in Buliisa District under the Tilenga Project

A total of 39 out of 210 resettlement houses for the vulnerable PAPs affected by the EACOP were completed. The works on houses for PAPs displaced by the multi-product pipeline were yet to commence. There is a need for the private sector partners and MEMD to fast-track the implementation of the RAP process to prevent further delay to the infrastructure projects.

3. Development of Central Processing Facilities

Development of the Central Processing Facilities (CPFs) for upstream operations is key to achieving the first oil production planned for 2025. The development of CPFs includes: well drilling, construction of flow lines connecting the fields to the CPFs, construction of pipelines from the two CPFs to the crude oil export hub in Kabaale, Hoima and resettlement of persons affected by the project infrastructure.

The development CPFs in Tilenga (Nwoya, Buliisa) and Kingfisher fields (Kikuube) showed good progress. The industrial site preparations for Tilenga CPF with a total of 31 well pads and 426 wells were at 57% against a planned progress of 68.5%. Works included the construction of base camps and the drilling of 6 out of the 7 planned wells. Works on the operations base were yet to start. On the other hand, the civil works for Kingfisher CPF development (4 well pads) were at 10% and activities on the worker's camps were ongoing.

Ongoing construction works for the housing camps at the Tilenga Central Processing Facility

The compensation and livelihood restoration of persons in the Kingfisher area was also nearing completion at 99% with a total of 57 resettlement houses constructed, whereas the Tilenga RAP was at 84% with a total of 4,106 of the 4,905 PAPs paid; 36 resettlement houses completed, and 129 of the 204 ongoing.

4. Development of Midstream and Downstream Infrastructure

The midstream infrastructure will aid transportation, refining of oil and conversion of gas. The infrastructure includes the oil refinery, multi-product and EACOP pipelines for oil transportation from the Kabaale Industrial Park (Hoima) to Buloba and Tanga ports in Tanzania.

Several commercial agreements for the development of infrastructure were concluded during the FY. The Final Investment Decision (FID) for the development of the EACOP was signed on 1st February 2022 and the Front End Engineering Design (FEED) studies for the Oil Refinery were also completed. Finalization of the FEED studies commenced, while the detailed Engineering, Procurement and Construction Management (EPCM) phase by the Joint Venture Partners and progress was at 26%. However, the FEED for the multi-product pipeline was not yet approved by the end of FY2021/22. Additionally, the funds for the capitalization of UNOC were not released and this restricted its operations as a trading arm of the Government in oil and gas.

The development of downstream infrastructure for and distribution of refined petroleum products did not progress much since UNOC had not yet acquired a joint venture partner for the development of the Kampala Storage Terminal. The Jinja Storage Terminal was operational but stock levels at the facility remained very low during the financial year and could not meet the requirement for reserves of a minimum of 12 million litres (40% of JST capacity) due to funding constraints.

5. Enhancing skills of the population in oil and gas

The programme focused on capacity building initiatives for the Ugandan population, and vocational institutions for employment since the sector requires high standards. Skills development for two vocational institutions (Uganda Petroleum Institute Kigumba (UPIK) and Uganda Technical Institute Kyema, Masindi) was undertaken. A total of 466 students (318 males, and 148 females) were trained, supported under the bursary scheme. Engagements were also held with the vulnerable (persons with disability, and women) in the districts of Lira, Gulu and Nebbi.

A total of 40 small and medium enterprises (SMEs) were also trained in International Organization for Standardization (ISO) 14001 Health, Safety and Environment (HSE) standards. Other activities planned in the FY such as operationalizing the Industry Enhancement Centre were not undertaken due to insufficient release of funds.

Impediments to Implementation

The slow pace of RAP implementation: Construction of resettlement houses for the affected persons for the multi-product pipeline had not begun. The joint venture partner also showed slackened progress in the compensation payments for the EACOP pipeline, and the process has been marred with complaints and grievances from the local communities.

Large funding gaps: The Government was yet to provide the entire counterpart fund obligations to UNOC to cater for the 15% shareholding in the EACOP. The private joint venture partners were yet to secure the loan financing needed to implement the midstream project and this will further delay the production of the first oil. There weren't adequate funds allocated for the restocking of the Jinja Storage Terminal, therefore the country risks facing challenges of petroleum products shortages if there are market shocks.

Conclusion

The programme performance was fair. The upstream infrastructure aimed at fast-tracking oil production showed good progress. Several commercial agreements and design studies to kick-start the development of the midstream infrastructure were concluded, and the land acquisition processes were ongoing. However, there is a need for the programme with support from government and sector partners to quicken the development of other midstream and downstream petroleum infrastructure required before the production of oil can commence.

Recommendations

- The MEMD and joint venture partners should prioritize the compensation process for PAPs under the Oil and Gas Sector to minimize the negative impacts of the planned infrastructure projects on the host communities.

- The MFPED and MEMD should prioritize funding for the programme activities in the oil and gas sector to minimize delays in achieving the first oil production.

- The UNOC should be capitalized to enable adequate restocking of the Jinja Storage Terminal so that an adequate buffer stock of petroleum products can be realized.

References

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- MFPED: National Budget Framework paper FY2021/22-FY2025/26.
- PAU: Quarter 1, 2, 3 & 4 FY 2021/22 Performance Reports.
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Budget Monitoring and Accountability Unit (BMAU)
Ministry of Finance, Planning and Economic Development
P.O. Box 8147, Kampala
www.finance.go.ug