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OIL IN UGANDA

September 2018 | Issue 17

East African Crude Oil Pipeline:

The inside story

Uganda to realise economic potential of mining sector with e-mineral licensing Pg / 13

E-licensing will be a welcome development for miners especially artisanal and small scale categories

UNOC, CNOOC to begin joint oil exploration in 2019 Pg / 15

The MoU was signed by Dr. Josephine Wapakhabulo, the Chief Executive Officer (CEO) UNOC and Fang Zhi, the Chairman of CNOOC International

Relief for small scale and artisanal miners as cabinet approves new mining policy Pg / 7

The new policy looks at the need to support formalization and regulation of Artisanal and Small Scale Mining

THE CLOCK IS TICKING TOWARDS FIRST OIL

EDITORIAL

Dr George Lugalambi

The clock is ticking towards First Oil – expected after 2020 by the latest projections – and the government has already ticked off the plans for some of the critical infrastructure projects.

In May 2017, Uganda and Tanzania signed the inter-governmental agreement for the 1,445 km East African Crude Oil Pipeline (EACOP), billed as the world's longest electrically heated crude oil export pipeline from Hoima District in western Uganda to the Indian Ocean port of Tanga in eastern Tanzania. This followed the commissioning of the project's Front-End Engineering Design study in January 2017. The agreement was not only the bedrock for the EACOP, an investment of about US$ 3.5 billion, but also for others such as the host government, shareholders', and financing agreements.

Besides the pipeline, the government signed a US$ 3-4 billion agreement with the Albertine Graben Refinery Consortium in April 2018 for the construction and operation of a 60,000 barrels per day (bpd) oil refinery at Kabaale, Hoima. Production will start at 30,000 bpd.

Uganda has about 1.4 billion barrels of recoverable oil reserves. To maximize the benefits from this resource, there are other infrastructure projects in the works, notably the standard gauge railway (SGR), major roads, and a 29 square kilometre industrial park that will also include an airport to be set up in Kabaale.

Individually and collectively, the infrastructure projects the government is undertaking are complex in every respect, if the protracted nature of the process through which the agreement to invest in the pipeline was secured is anything to go by.

As a cross-border project, the interests of the various parties involved, that is, the host governments, the joint venture partners, the potential contractor, the financiers, and the affected communities will all need to align for effective and timely execution of the EACOP. This will ensure that the best economic value for the citizens of both countries is realised.

To get the EACOP off to a firm footing, the Ugandan and Tanzanian governments have offered significant tax exemptions to the joint venture partners. The oil tariff has been set at a ceiling of US$ 12.2 per barrel. So, even with a decent price per barrel of US$ 50 as projected, the jury is still out on whether the anticipated benefits will be realised given the incentives regime that the governments have offered to attract investors to the project. Yet Ugandans expect benefits at all stages of the value chain. In light of this expectation, it would be prudent to ensure that the exemptions on offer are well thought-out.

Ugandan entrepreneurs had all along banked on opportunities in road transportation as their route to national participation. It has been projected that with the EACOP, 500,000 tons of imported equipment will come into the host countries. However, there are plans to use air transport because of the bulky nature of some of the equipment and the inadequacy of the road infrastructure. This is also expected to reduce the cost of production. These infrastructure projects clearly come with significant trade-offs. Local entrepreneurs now have to return to the drawing table to figure out how else to take advantage.

It is reassuring that the EACOP joint venture partners and the host governments have engaged the services of transaction advisors to guide them on how to structure the financing for the project, as reported in this issue (see "East African Crude Oil Pipeline: The Inside Story"). Uganda is wading into uncharted waters, and working closely with experts who have the experience in designing financial transactions for projects of this magnitude will have positive outcomes in terms of the quality of investment decisions and knowledge transfer.

Dr George Lugalambi is the Editorial Advisor for this publication

EAST AFRICAN CRUDE OIL PIPELINE: THE INSIDE STORY

Details emerge of how the crude oil pipeline will be financed, managed

By Edward Ssekika

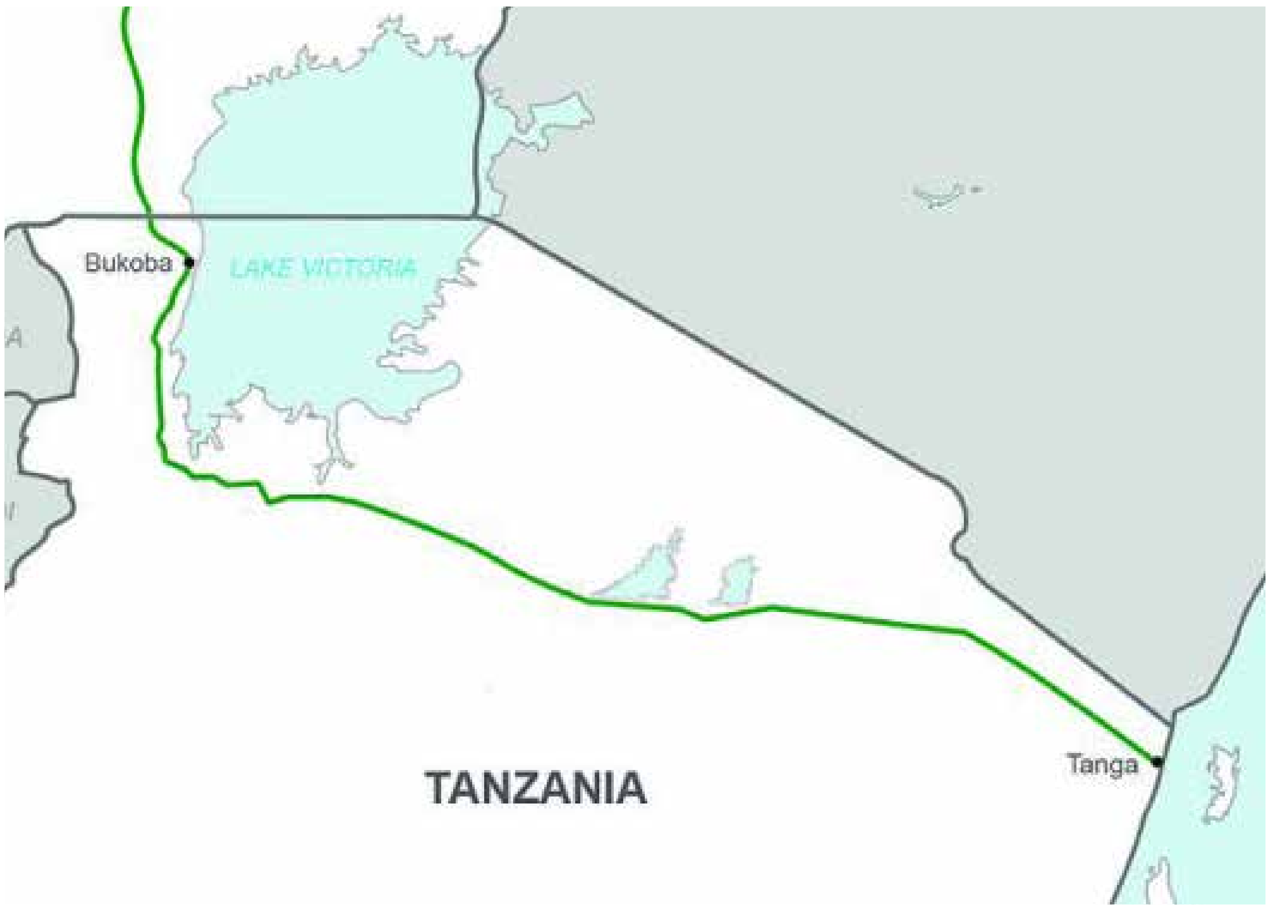
New details have emerged regarding how the East African Crude Oil Export Pipeline (EACOP) will be financed, run and managed. For starters, Uganda plans to construct an electrically heated pipeline that will transport its crude oil to the international market through the Tanzanian coastal port of Tanga. The pipeline is expected to be completed by the year 2020, when the country is scheduled to start oil production, which is an overly ambitious target.

In fact, President Yoweri Museveni and his Tanzanian counterpart commissioned the construction of the East African Crude Oil Pipeline late last year. The two leaders laid mark stones for the crude oil export pipeline in Mutukula, Kyotera district and Kabaale in Hoima district.

Total E&P Uganda, a subsidiary of French oil giant, Total S.A, is spearheading the construction of the crude oil export pipeline on behalf of the joint venture partners. Adewale Fayemi, the former general manager of Total E&P Uganda said that discussions were ongoing to hammer out the formalities of how the pipeline will be run.

Already, an agreement was reached that the East African Crude Oil Export Pipeline (EACOP) will be run and managed by a Special Purpose Vehicle (SPV) – private pipeline company. This means that a private company will be incorporated with joint venture partners – Tullow Uganda, CNOOC Uganda Ltd and Total E&P Uganda, and the governments of Uganda and Tanzania as shareholders in the company. Discussions are underway as to where the pipeline company will be incorporated. Whereas the governments of Uganda and Tanzania are pushing to have the company incorporated locally, the joint venture partners want it incorporated either in United Kingdom or Netherlands due to tax issues.

Uganda's Minister of Energy and Mineral Development, Hon. Irene Muloni, said that the National Pipeline Company (U) Ltd – a subsidiary of the Uganda National Oil Company (UNOC) will own shares in the pipeline company (Special Purpose Vehicle), on behalf of the government of Uganda.



The East African Crude oil Pipeline Route

As of now, the pipeline company (Special Purpose Vehicle) is yet to be incorporated. "Negotiations are underway for the setup and corporate structure of the proposed company, that will run the EACOP", said Samantha Muhwezi, the legal advisor on the EACOP at Total E&P Uganda explains. The pipeline company, will build, own and operate the crude oil export pipeline project.

Minister Muloni said that there is a possibility of bringing on board investors into the EACOP in addition to the governments of Uganda, Tanzania and the joint venture partners.

Once the pipeline company is incorporated, another sticky issue that will have to be ironed out is how the company will meet its tax obligations both in Uganda and Tanzania. However, at the moment there is already commitment to exempt it from tax by both governments.

"There will be no payment of transit tax, no Value Added Tax, no corporate income tax. The government of Tanzania gave us 20 years depreciation tax holiday, granted us a free corridor where the pipe line passes and promised to buy shares in the pipe line," President Museveni said, while laying a mark stone for the EACOP at Mutukula.

FINANCING

Another issue under consideration is the financing of the pipeline project. At least $ 3.5 billion is needed to finance the EACOP. According to preliminary information, the funds will be raised through debt and equity from joint venture partners and national oil companies of Uganda and Tanzania. Already, Total E&P Uganda, Tanzania and Uganda have appointed three companies as financial advisors for the pipeline.

A consortium comprising of the South Africa based Standard Bank, Imperial Bank of China (IBC) and Sumitomo Mitsui Banking Corporation Europe Ltd, was recently appointed as the financial transactional advisors for the EACOP.

"They are advising us how to structure the project to enable lenders to be able to finance it," Muhwezi said. Sources indicate that IBC is expected to advise CNOOC Uganda Ltd while SMBC will work with Total E&P Uganda, the lead joint venture partner on the crude oil export pipeline.

Continued to page 4

From page 3

The special purpose vehicle will also charge $12.2 for every barrel of oil that will be transported in the pipeline, making Uganda's crude oil profitable even at today's rate of $50 per barrel.

TECHINICAL SPECIFICATIONS

Uganda' crude oil has low sulphur content but is waxy hence easily solidifying at room temperature. This requires heating of the pipeline to at least 50 degrees Celsius to make the crude flow freely. This means it will require a lot of electricity to heat the pipeline. It will have eight main pumping stations and five heating stations. "We might use solar energy to reduce on the power costs related to heating the pipeline," Muhwezi said.

Once completed, at 1,445 kilometers, the East African Crude Oil Pipeline, will be the longest electrically – heated pipeline in the world. Uganda will host 296 kms of the pipeline, while the remaining 1,149kms will be in Tanzania.
In Uganda, the 24-inch diameter pipeline, will go through the districts of Hoima, Kikuube, Kakumiro, Kyankwanzi, Mubende, Gomba, Ssembabule, Lwengo, Rakai. In Tanzania, it will go through eight regions and 24 districts. It will be a buried pipeline, with an estimated 1-2 meters buried underground and planned to have a daily flow rate of 216,000 barrels of oil.

The pipeline is expected to have a Right of Way Corridor (ROW) of at least 30 meters wide. It will have three temporary construction camps with capacity to accommodate at least 1,000 construction workers.

"The pipeline will have a heating system designed to maintain the temperatures of the waxy crude oil above 50 degrees celsius so that the wax remains in solution form and thefore able to flow," said Mark Lamb, the EACOP Engineering Representative of Gulf Interstate Engineering. Gulf Interstate Engineering is an American firm that conducted the Front End Engineering Design (FEED) study for the pipeline. Mark explains that the pipeline shall have five electrical heat sub stations and it will be insulated for heat retention.
The pipeline is expected to encounter several crossings like rivers and roads. For instance, it will cross at least four tarmac roads, 92 murram roads, seasonal as well as permanent rivers among others.

During construction, the EACOP is expected to generate between 10,000 to 15,000 direct jobs and 30,000 temporary jobs at peak. Tanzania's President, John Magufuli recently pledged Tanzania would now buy crude oil from Uganda instead of incurring high costs of importing from the Arab world.

The Hoima-Tanga route was selected because it offered the least cost route for the transportation of crude oil from Uganda to the East African coast.

Minister Muloni says the FEED report for the EACOP and environmental and social impact assessment (ESIA) studies once completed shall lead to FID by the end of 2018.

UGANDA PETROLEUM INSTITUTE TO GET UNIVERSITY STATUS

Front view of Kigumba Petroleum Institute ***Photo by Francis Mugerwa***

By Bunyoro Correspondent

Government is in final stages of up-grading Uganda Petroleum Institute, Kigumba (UPIK) to a university status.

The revelation was made by Prime Minister Ruhakana Rugunda while representing President Museveni at the 24th coronation anniversary celebrations of the Omukama of Bunyoro Kitara Kingdom at Karuzika Palace, Hoima in June 2018.

Skilling challenges

Earlier, Bunyoro Kitara Kingdom Prime Minister, Mr. Andrew Byakutaga had told the gathering that President Museveni met with the Omukama of Bunyoro in April at State House in Kampala to discuss various development programmes.

He reported that among others, the president agreed that a public university will become operational at UPIK.
Dr Rugunda re-affirmed the President's promise.

"As Government, we have approved the operationalization of Bunyoro University at Kigumba," he said "Since we have here the minister of Finance, he should expedite a release of the funds when the matter reaches his desk."

UPIK

UPIK is a Government Tertiary institution that offers petroleum studies among other courses.
The institute is located in Kigumba Town Council in Kiryandongo district. It offers a two year diploma course in petroleum engineering.

According to UPIK Academic Registrar, James Bagaya, priority consideration is being given to students who passed science at the A'level. They should have done mathematics, physics, chemistry and technical drawing.

The students must have sat A Level not more than two years ago or having a national certificate in electrical, mechanical or any other engineering course.

He says the students who have a national certificate from a recognized technical institute will be considered under a certificate entry scheme.

The students should have at least ten points, Bagaya emphasized.
He said the institute recruits 35 students every academic year. The institute has repeatedly received a barrage of criticism of producing graduates that are not employed in Uganda's mainstream oil and gas industry.

Uganda's Finance Minister, Hon. Matia Kasaija asked the Kingdom to bring to him proposals for development projects.

"I have repeatedly asked the Kingdom to bring those proposals to me. Bring them and leave me with a duty to look for funding" he said.

Uganda has over 6.5 billion barrels of oil equivalent, with about 1.4 billion barrels being recoverable. The Government's target is to kick off commercial oil production by 2020, which is a seriously ambitious target.

Under the Public Finance Management Act, Cultural institutions are entitled to a 1% share of oil royalties.

Since last year, the Omukama Solomon Iguru I has been re-organizing his Kingdom. He instituted a seven-man Royal Commission headed by Dr. Kabagambe Kaliisa, a retired Permanent Secretary in the Ministry of Energy and Mineral Development, and currently a Senior Presidential advisor on oil and gas issues.

The commission provides oversight on all kingdom activities and it advises the Omukama,

The discussion on how Bunyoro region can tap into the opportunities linked to the petroleum industry took centre stage as the kingdom commemorated the Omukama's 24th coronation anniversary.

The kingdom covers the districts of Hoima, Kikuube, Kibaale, Kagadi, Kakumiro, Buliisa, Kiryandongo and Masindi.

MINORS, A CHALLENGE TO THE MINING INDUSTRY IN BUSIA

Women in the Gold mining field of Busia

By Robert Mwesigye

At a gold processing site in the new Tiira Town Council, Sikuda Sub-county, a group of youth and minors are huddled around water filled pans trying to extract gold particles. We ask one of them, who is 16years old, if he should not be at school.

The boy straightens up from his pan, looks at us in amusement and points to an expectant young woman, likely in her mid 20s, and proudly says: "That's my wife over there. As you can see I have responsibilities. So I must work hard"

To his satisfaction we are clearly left speechless. In the Busia district, authorities grapple with a problem for which lasting solutions are unimaginable.

The Tiira Small Scale Miners Association (TISSMA) secretary says that the gold

Continued to page 6

From page 5

trade in Busia has been handed down for generations since 1930 when mining started in the district. Children are raised with a mentality that gold mining is the family source of income so it is normal to find minors working in mines or at processing centres.

Hanging on the wall of the tiny office housing TISSMA, is a chart detailing the guidelines of operations for members to adhere to. Much as it's clearly stipulated that minors are not allowed to work, it does not deter them neither does there seem to be efforts to stop them. Resultantly, the rate of illiteracy in the district and school dropout is high.

Local Government, CSOs interventions

Nancy Lillian Akitwi, a Parish Chief of Mawero in Buteba Sub-county, says that the situation in Mawero is worse. Gold mining is in two villages.

"Here you cannot even talk of school," says Akitwi, "they will laugh at you. They will ask what you, who has gone to school, have more than them. Yet the level of financial illiteracy is equally high. When one gets money they look for another woman to marry. Young girls of course follow the money too. We really need help."

Akitwi narrates how, following her deployment as the parish chief seven years ago, became challenging when she tried to engage the mining communities on issues of child labour, HIV/AIDS and education.

"We have tried talking to the parents but whereas some are cooperative, others find it okay for the children to contribute to family income."

She says other than World Vision that has made some interventions to get children back to school, and ActionAid Uganda that emphasizes the need to get minors away from these mining pits, not much has been done by local authorities.

Success stories of the gold trade are a big motivator for the young folk to continuously flock the gold mines. In Tiira trading centre stands what is now a landmark testament of the gold proceeds; an open pit in the compound of a newly built, fairly modern house. A young man made sixty million Uganda shillings (Shs 60m) and built a house for himself.

Henry Onyango, the district community development officer admits that it is a problem they struggle to find lasting solutions to and hope more interventions by Civil Society organizations can help to combat the problem.

Charles Olowo, the Sikuda Councillor at the district, says they passed an ordinance, the Child Protection ordinance 2017, to address the challenge and that they even got some funding to sensitize people in the mines, but results are yet to be seen.

"May be we should have carried out consultations with the people first," he said at a miners meeting in June 2018.

The Assistant Chief Administrative Officer of Busia, however puts the blame on the Directorate of Geological Survey and Mines for issuing too many licenses in the district yet their regulatory input is weak.

"Every other day a mining license is being issued in Busia. Our children are not studying because of mining," he said.

HIV scourge

Tiira is known to have a high prevalence of HIV /AIDs which further complicates the problem as young people are at high risk. Mr. Olowo pointed this out during the meeting with Action Aid Uganda that was chaired by the Extractives Governance Coordinator, Didas Muhumuza.

"We have a problem of HIV in Busia. Last year we even marked the World Aids Day twice so as to emphasize the challenge. We tested 100 people and found 10 were infected," he said.

Several officials have pointed out that the lure of quick money from gold has attracted so many youth to mining. Commercial sex workers have as a result 'brought services closer to the community.'

"Most youth spend their hard earned money in the mushrooming bars and entertainment centres as you can see them," says TISSMA Secretary, Ms Josephine Aguttu. Relatedly, being a border town, Busia youth are at high risk.

Things however are taking a positive turn with the intervention of the newly formed Minerals' Protection Police which started operations following the Mubende mines evictions. Makoha Christine, the Community Development Officer of Sikuda, says the numbers of children in the mines are drastically falling because of the intervention of the mining police. "Some are still mining but at a minimal scale because of the Police. Culprits once got are jailed which has put off most young miners. But there are cases of illegal mining under the cover of darkness," she said.

The challenge of minors working in mines is a global and thorny issue being addressed at the international level under the Responsible Mineral Supply Chain Management. A prominent case in point is the Democratic Republic of Congo where children as young as ten were reported working in the cobalt mines, which sparked widespread outrage. Companies of high repute like Apple clarified that they require their suppliers to adhere to responsible sourcing guidelines for their minerals.

Though not implemented yet at the regional level, under the International Conference of the Great Lakes Region initiative towards responsible mineral production and management, gold sourced from such mines would not make it to international markets which conversely have implications on the development of the sector.

*Women Miners panning for Gold. Photo **by Josephine Nnabbaale***

Small scale and artisanal gold miners held at a law review meeting at Royal suites Bugolobi organised by ActionAid in August 2018

RELIEF FOR ARTISANAL MINERS AS CABINET APPROVES NEW MINING POLICY

By Robert Mwesigye & Josephine Nnabbale

After five years of rigorous review process, cabinet has finally approved the new Mining and Minerals Policy 2018. The policy is meant to guide developments in Uganda's minerals and mining sub-sector and address the gaps in the existing legal and regulatory framework governing mining in the country.

The new policy looks at the need to support formalization and regulation of Artisanal and Small Scale Mining so as to ensure that they optimally benefit from the mining activities, mineral wealth, protect the environment and mitigate health, safety and environmental impacts associated with mining. It also focuses on mainstreaming gender equity, human rights and inclusiveness in the mineral sector as well as the need to enhance local and national participation along the mining value chain.

In particular, the policy proposes to support formalization and regulation of Artisanal and Small Scale Mining and facilitate the miners under the former realm to access credit to be able to facilitate their activities. This will also enhance revenue generation for the government thereby increasing funds for development activities since revenue losses caused by illegal mining and trading will be checked properly going forward.

"From the current illegal mining in Mubende, Buhweju, Busia, Namayingo, Nakapiripirit, Amudat, Kaabong, Abim and Moroto Districts, its estimated that about 200 kilograms of gold equivalent to $ 8m, is illegally mined and traded per month by ASMs", the policy reads in part.

The large informal Artisanal and Small-scale Mining (ASM) segment has become a major player in the mining sub-sector, employing a large number of people (including women and youth) in many areas of the country, mainly in panning for gold, and gemstone mining among others. Although ASM is an income generating activity benefiting low income and vulnerable groups (especially women and youth), the nature of their operations remain largely informal and illegal, characterized with smuggling, tax evasion, health and safety risks, socio-cultural dislocations, conflicts among the mineral operators, loss of revenue to the government, environmental degradation and a variety of illicit activities among others.

Therefore, the policy proposes the establishment of an ASM Fund to support lending schemes and protection of artisanal and small-scale miners and facilitate access to land for artisanal and small scale mining as well as establish an enabling framework for the same.

The new policy is expected to inform the proposed amendment to Mining Act, 2003 and address the gaps existing in Uganda's legal and regulatory framework governing

Continued to page 10

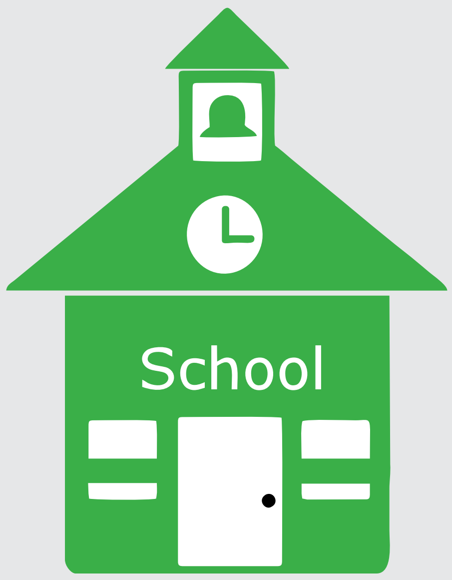
OIL IN UGANDA

Everyone is talking about oil. We capture the whole conversation.

Infrastructure

Tullow Uganda, has over the last 10 years invested morethan **$12million** in community projects that include primary schools, a health centre , an enterprise development centre and a community centre.

4 health centres revamped by Tullow Oil. **Ten community water sources** in Buliisa District rehabilitated by Total E&P Uganda.

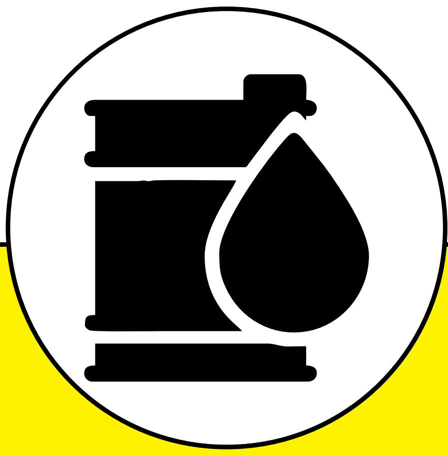


6 Schools rehabilitated. **$ 50,000** spent to train **70 young people** in metal work, welding & other vocational skills in Hoima.

Total E&P Uganda spent **Shs.240million** to construct eight latrines in Bugungu and Ngwedo secondary schools

Infographics by Donald Tafadzwa Chidoori

Socio-Economic Impacts



The
$ 3-4 billion
Refinery in Kabaale -Hoima district shall process **30,000** barrels of oil at the beginning and eventually **60,000** barrels.

7118 people
displaced from **13 Villages** in Kabaale parish to give way for the construction of the refinery, holding area for crude oil, airport among other infrastructure.

About 40 families
have not been relocated while some have not been compensated.

The 2013 Industry baseline survey indicated that between **100,000 and 150,000 jobs** will be created as Uganda moves into the development and production phases.

Infographics by Donald Tafadzwa Chidoori

From page 7

the mining sub-sector. It also commits state and non- state actors to promote transparency, accountability and public participation in management of mineral revenues for improvement of livelihoods through creation of jobs for Ugandans.
If well implemented, the Policy, shall see Uganda's mining industry jubilate, particularly Artisanal and Small Scale Mining (ASM) segment as well as women and young people in mining, who have been singled out as a group to recognize in their efforts to earn a living from the mining sub-sector in Uganda

The new policy is keen on mainstreaming gender equity because women and young people are increasingly getting involved in the extractive industry especially in artisanal and small-scale mining. Women are often overlooked by initiatives and development programs directed at transforming the mining sub-sector and child labour too is prevalent thus, the need to enforce appropriate child labor laws. The Policy calls for a liaison framework that ensures that women, youth and persons with disabilities are able to efficiently and effectively inform its decisions, policies and programmes in mining to be put in place.

The policy highlights the promotion of equitable benefit distribution to enable enhancement of livelihoods of Ugandans. "The Government will ensure equitable access to the benefits of resource development and that they are within reach to all categories of Ugandans," the policy reads in part.

The Policy also puts in place a collaborative mechanism for the ASMs: The Uganda Chamber of Mines and Petroleum (UCMP), which is the umbrella body that brings together all operators – small and large in the mining and petroleum sub-sectors. UMCP, with collective support of its members will play the role of lobbying, promoting, encouraging, protecting and fostering responsible exploration & mining, to support the growth and development of Uganda's extractive sector for the benefit of all Ugandans and investors.

What was wrong with the Mining Policy of 2001?

Prior to the current policy, there was a Mineral Policy of Uganda 2001, which lacked alignment to the national development frameworks as well as the constitutional amendment provisions. This framework neither recognized some minerals that add value to the country nor looked at women as key players in the sub-sector. It also ignored the issue of child labor as a serious challenge in the mining areas.

It primarily recognized big mining companies and investors, and negated artisanal and small scale miners. It was therefore an outdated, inadequate, ineffective and inefficient framework that was not well aligned to the national aspirations and the Constitution. It is against this background that the Government through the Ministry of Energy and Mineral Development, appointed a task force including civil society organizations among them was **Action Aid Uganda**, to steer the review process of the Mining and Mineral Policy 2001 and the Mining Act, 2003.

Key reforms in the new policy:

- It proposes the establishment of an ASM Fund to support artisanal and small scale miners;
- It proposes the establishment of the Mining Tribunal to arbitrate minerals and mining related disputes;
- It proposes the establishment of the Mineral Audit Agency to assess royalties payable, revenue distribution and management among others;
- It recommends the establishment of a Mineral Reserve Fund where revenues from minerals will be collected;
- It proposes the establishment of the Local Content Development Fund in the mining and minerals sub-sector for skills and enterprise development, and establishes a committee to review and evaluate applications for mineral rights.

All in all, the approval of the Mining and minerals policy (2018) for Uganda is yet another positive step toward proper regulation and management of the mining sub-sector. This confirms government's commitment to ensuring proper management of the mining sub-sector for the benefit of Ugandans. However, such achievement has only been possible due to collaborative efforts between government and other stakeholders like the Civil Society Organizations and the local miners among others who have tirelessly engaged in constructive discussions and debates aimed at fostering sanity in the management and governance of the mining sub-sector of Uganda.

SURVIVING BEYOND GOLD

Miners grapple with aftermath of evictions

By Robert Mwesigye

It is the high noon, the scotching sun gives off a heat wave during a bumpy ride on a dusty road in the countryside of Mubende district, littered with swathes of dry vegetation, save for the occasional eucalyptus plantations.

The road is mostly deserted as it winds through the villages, occasionally curious residents peer from their dusty compounds. By rural standards, this used to be a bubbly nook of retail businesses; vehicular traffic and boda bodas ferrying merchandise were a common sight until last year in August when the evictions were undertaken.

Kicucula and Kibongoya villages in Kisiita Kicucula and Kibongoya villages in Kisiita Sub-county are now just remote abodes for a disgruntled community whose most recent residents are evicted artisanal gold miners. Following the evictions from the mines in Kitumbi Sub-county in August last year, several miners sought refuge here. Desperate and weary, by the day, they seem to await their fate. All of them lost either livelihood, property or both and have not moved on.

Abdullah Ssekatte, 31, owned a pit in the mines before evictions. Having started out as an employee of Kisiita Mining Company, he worked hard and mobilized enough capital to start out on his own. By the time of eviction he had been in the gold trade for eight years and employed six people.

Sub-county are now just remote abodes for a disgruntled community whose most recent residents are evicted artisanal gold miners. Following the evictions from the mines in Kitumbi Sub-county in August last year, several miners sought refuge here. Desperate and weary, by the day, they seem to await their fate. All of them lost either livelihood, property or both and have not moved on.

Ssekatte Abdullah, 31, owned a pit in the mines before evictions. Having started out as an employee of Kisiita mining company, he worked hard and mobilized enough capital to start out on his own. By the time of eviction he had been in the gold trade for eight years and employed six people.
"I lost machinery worth Sh16million,

Continued to page 11

From page 10

including drillers, generators and a ball mill. On the day of eviction, we were blocked from taking anything," he says as he narrates how the events unfolded that day.

"I was on my way to town for a workshop and saw military vehicles in Mityana headed towards Mubende. Someone in the taxi said the miners were in for trouble. I called a friend in Kassanda who told me there were military and police vehicles stationed in the town but nothing was happening.

When I got back in the evening the narrative had changed. Anxiety levels were high as more deployment took place. Choosing not to go to the mines I called a police officer at Mubende Central Police Station and he tipped me to move any machinery I could out of the mines. I alerted my boys to hire a vehicle and move the machines.

However by morning it was too late. They were blocked from entering the mines as the order to vacate had already been given. Our fate was sealed," Ssekatte narrates with emptiness in his voice.

Ssekatte assumed family responsibilities in his late teens when he dropped out of school while he was in form three after his father succumbed to hypertension. He had to look after five siblings. The father of seven has two wives and also looks after one of his brother's children.

To compound it all, currently sheltered at his home are 17 former miners who opted not to return to their homes empty handed.

"All of them are my children. We used to work together so they opted to come to my place. They walked 19 kms from Kitumbi to come here," he says with a wry smile on his face.

The miners sought refuge in Kisiita because there is a gold mine there; however, the area is licensed to a company and off limits to intruders.

More evictions looming

The villages are bordered by a forest belonging to New Forest Company. For those who are not miners, this forest is the source of their problems, for they cannot venture into agriculture as a meaningful source of livelihood. Land evictions here are the talk of the day. Most settlers here were affected by the UK- based New Forest Company that made infamous international headlines in 2005 after government forcibly evicted residents without compensation for a 20,000 hectare tree planting project under a World Bank carbon trading programme.

Ssekatte has six acres of land where he and his big family cultivate. He had until June this year to pay off Sh12million to his landlord so he could get a title. He chuckles cynically as he ponders on the situation.

"Where can I get Sh12million in this situation I'm in? The land problem has affected many people here. Actually most of them lost a lot of their land to landlords but I committed myself that I would pay off mine. I deposited Sh500,000/= as a commitment fee but time is running out," he says.

Mathias Harwana, the LC 1 chairperson of the village, says the landlord, who now wants his land, was only sympathetic and let them occupy it. He has advised them to devise means to secure ownership because he's running out of patience.

Life in Kisiita cannot get harder than this. Children can only go to school at seven years because they have to walk long distances. Also, the nearest health centre II is in Kassanda, almost 25 kms away. The nearest health care givers are in Nakayiba and to access this place they require not less than Sh15,000/= for transport.

"We no longer immunise children because of the distances. The only thing government has done for us is distribute mosquito nets. There's acute lack of water; a jerrycan costs Sh1500/=," laments one resident.

With the prevailing adverse scorching temperatures, cultivation is not much of an alternative now; any visible fields are dry. The former miners however have a registered group under which they are forging on.

Ssekatte says while in the mines they formed the Kibongoya Development Group that mostly lends to members. The savings group was started to help members who could not get support from mining companies they were working for in case of unforeseen situations that required money.

"We also have a garage in Kibongoya and a piggery project. We have hired three acres of land to cultivate this coming season," Ssekatte says. He adds that new members are welcome.

From gold mining to roasting meat

Jose Luwesi is now roasting meat at the roadside in Kassanda town. Behind his smile he is suppressing painful emotions. He had started out in the mines fetching water, a very critical component of gold panning and he really made a fortune from his trade.

"Getting gold is not easy and already there were many people looking for the precious metal. I decided I would do some other business so when I made enough money, I set up the first supermarket in the mines that earned me good money," Luwesi says.

"With Sh12.5 million, I ventured into gold dealing. I had just made my first earning of Sh 270,000/= when soldiers raided the mines and gave us two hours to vacate," he says. Like many others, Luwesi took nothing from the mines; he lost equipment and the supermarket in the blink of an eye.

"I was perched atop a truck that was ferrying people from the mines; my mind was clouded, I was confused. Then it struck me that I was going back home with nothing. I alighted the truck in Kassanda town.

I started out tending to people's plantations; unfortunately, some would not pay while others paid very little but I needed the money.

I am an entrepreneur, I thought to myself. That's when I ventured into roasting meat. From the gardening I had generated some little money as capital to start roasting meat. I could afford only a kilogram at Sh10,000/= and had to borrow a stove," narrates Luwesi.

It is late in the evening and Luwesi's station at a busy taxi stage is an opportune spot for his business. The business is picking up though he still cannot afford tuition for his children and look after his family at the same time. Like many of his colleagues his prayer is government compensates them for the property they left behind.

Photo by Josephine Nnabbaale

Women in a gold mine in Mubende district before the evictions in August 2017

GOVERNMENT TO DISPOSE OF CRUDE OIL

By Hoima Correspondent

The Ugandan government plans to dispose-off crude oil stock that was accumulated during the oil exploration and appraisal phase.

Over 45,211 barrels of oil were reportedly accumulated during the extended well testing in the Albertine graben in Mid-Western

Uganda. Extended well tests (EWTs) are used to undertake further evaluation of the productivity and characteristics of reservoirs.

The tests help oil engineers and technicians in understanding the potential of reservoirs to enable better planning and definition of appropriate field development philosophies and production technologies. The exercise thus helps development engineers and production technicians to pilot future facility designs during actual oil field development and eventual production. Extended well testing also helps to obtain additional production-related data, such as water cut, sand production, and well deliverability.

The oil that was collected during the extended well testing is currently stored in bitutainers at oil well sites of Kasemene 1, Ngara 1 and Ngiri 2, all in Buliisa district. More oil is stored at Tangi Camp area in Nwoya district, Acholi sub-region.

Some locals in the oil-rich Bunyoro region have been suspicious about oil tankers that have been moving in and out of the Albertine graben. There has been speculation that the tankers could be siphoning oil out of the oil fields. Government and oil firms have repeatedly denied the accusations.

“Those speculations have been common and Government needs to come out clearly and transparently to explain what those tankers transport,” said Biira Nasser Kiwanuka, the Executive Director of Midwestern region Anti- corruption Coalition (MIRAC), a Bunyoro regional anti-corruption agency.

Oil in Uganda has learnt that Uganda National Oil Company (UNOC) Ltd is sourcing for companies that can purchase the 45,211 barrels of test crude in the Albertine graben. UNOC’s overall function is to handle the State’s commercial interests in the oil and gas sub-sector and ensure that the resource is exploited in a sustainable manner in order enable realization of benefits for the current and future generations.

UNOC, as per the Petroleum (Exploration, Development and Production) Act and the Petroleum (Refining, Conversion, Transmission and Midstream) Act, both of 2013, is mandated to operate across the petroleum value chain (upstream, midstream and downstream).

Purchase for test oil up for grabs

The application process for interested firms in the purchase of the test crude oil is on-going and the deadline was July 10th 2018, Oil in Uganda has learnt.
The applications were submitted to the office of the UNOC Head of Procurement and logistics, located at Amber house
in Kampala.

The companies were required to present a crude oil stabilization plan including technology that will be used.

According to a procurement notice reference number UNOC/Disposal/17-18/001, the companies interested in purchasing the crude should make formal applications to UNOC.

-“Buyers must demonstrate the provision of suitably insulated and certified containers for transportation of heated test crude oil”, the notice read in part.

> *-The buyers are required to provide the oil spill response plans and all vehicles being fitted with -kits and attachment of contractor personnel who will be trained on how to use them.*
>
> *The buyers must have off-loading and feed pumps plus heaters.*
>
> *-The buyers must demonstrate Quality, Health, Safety, and Environment (QHSE) management system, procedure/plans for journey management, incident management and spill response, the notice further reads.*

The UNOC Communication Officer, Ms. Angella Kariisa said test crude was initially meant to be burnt through flaring during the well-testing activities.

“Government decided that it was not good for the environment so the practice of flaring was stopped. We therefore thought it would be in the country’s best interest to sell it and make some money off it”, she said.

Asked how much money UNOC anticipates to earn from the test crude, Kariisa was non-committal.

“We are working to get the best price possible”, she said.

The Buliisa County Member of Parliament, Hon. Stephen Birahwa Mukitale welcomed the disposal of the crude oil.

“It allays fears and suspicions from people who have been alleging that the oil was already being sold off,” said Hon. Mukitale, whose home is in Kisansya cell, Buliisa Town Council, where Kasemene oil field is located.

Asked about the feeling of the locals about the sale of the crude, Mukitale said the people he represents do not have any issues with it.

“It is procedurally right for government to dispose-off public assets that they are not using. That crude was used for study purposes. The purpose has been achieved”, he said.

He however suggested that such crude could have been used by Ugandan industries as heavy fuel for running heavy duty power generators. He added that the major focus of his constituents who host more than 28 oil wells is the next phase of development and production. They are interested in being aligned with the developments so as to gain more benefits overall.

UGANDA TO REALISE ECONOMIC POTENTIAL OF MINING SECTOR WITH E-MINERAL LICENSING

By Robert Mwesigye

On July 12th the Ministry of energy and mineral development through the Directorate of Geological Surveys and Mines (DGSM) launched the registration of all mining interests via the online mining cadastre system at their offices in Entebbe.

The upgrade and maintenance of the mining cadastre and registry system to an e-government based mineral licensing system was carried out by Spatial Dimension South Africa PTY Ltd. The online licensing system will among other things improve transparency and increase accessibility of information to the general public. The e-mineral licensing system means that all applications and other statutory business processes, payments, reporting, submission of returns and renewals will be done online.

The system, according to ministry officials, will boost productivity, reduce on time taken to process mineral licenses and significantly enhance government's revenue collection abilities. The landmark development comes at a time when Uganda seeks to actualize its mineral sector potential as a key driver for economic growth and transformation of the country. The sector has hitherto lagged behind; statistics about mining companies and developers, and how much the country earns from the sector are barely known, with a Central Bank official once admitting not knowing the source of increased gold export earnings in 2016.

E-licensing will be a welcome development for miners especially artisanal and small scale miners who can process location licenses under registered associations. Miners have complained of the costly process of having to travel from the countryside to Entebbe while processing licenses only to get there and be tossed from office to office.

Speaking about the development, the Commissioner of Mines, Mrs Agnes Alaba Kuterema said: "Most of our internal processes are still paper-based and can be quite cumbersome. This sometimes leads to delays or incorrect decision making by officials. By moving our mineral licensing system online we are essentially digitising both our data and our processes."

Members of Mubende United Miners' Association attending a Mining Legislation review meeting organised by Action Aid at Royal Suites Bugolobi. ***Photo by Josephine Nnabbaale***

"Our customers will now be able to submit applications online as well as undertake all other statutory business processes such as making payments, submitting reports and production returns as well as undertaking renewals and relinquishments."

"In addition to these productivities wins, the online mineral licensing system will significantly enhance our revenue collection abilities. Not only will the online system assist in attracting additional responsible investments, but it will also enable the DGSM to close the net on non-compliance in the sector."

"This means that the cost of the e-government system will be recouped quickly through better efficiencies, compliance and revenue collection activities," concluded Alaba Kuterema.

"Uganda is joining a growing list of our customers who are embarking on e-government initiatives and launching online transactional mining cadastre systems. These systems all leverage the power of our flagship solution, Landfolio, meaning that existing customers can transition seamlessly from traditional back-office mining cadastre systems to online transactional ones," itnewsafrica.com quotes Bill Feast,President of Spatial Dimension.

"I am looking forward to working with the team from Trimble as we upgrade our processes and systems to support our transition to e-government. While we have benefited significantly from running Landfolio in the back-office for many years, the transition to online is an important one as we position Uganda as a mining destination of choice," concluded Vincent Kedi, Principal Mining Engineer at DGSM.

COMMENTARY

LAND FOR OIL INFRASTRUCTURE DEVELOPMENT

Why Government Must Learn From Refinery Land Fiasco

By Baz Waiswa

Uganda's ambition of becoming an oil producer gets momentum each passing day and night. With a bounty of so far confirmed reserves of 6.5 billion barrels of oil equivalent in the Albertine Graben, the country is belatedly moving to this target having discovered commercially viable oil and gas resources in 2006.

Ever since then, the nation has been, according to government officials, steadily planning for the extraction of these natural resources. Uganda's first priority was to put in place the necessary and right laws, policies, regulations, framework plus systems and structures to facilitate proper sector development.

Now with the legal and regulatory framework in place, government is emphasizing infrastructure development 'for both commercialization of the discovered oil and gas resources, and facilitating the developments in the sector.'

The infrastructure for commercializing the discovered oil and gas resources includes various facilities in the oil fields, in-field and feeder pipelines, crude export pipeline, and the refinery among others. While the infrastructure for facilitating the developments in the sector includes; oil roads, an industrial park and the new international airport (all being set up in Kabaale, Kikuube district). The airport construction is ongoing in Kabaale Parish, Buseruka Sub County, Kikuube District.

To implement these infrastructures for oil development, government will need to acquire land. This land, which government and oil companies will use, belongs to ordinary Ugandans. Government will have to legally acquire it from its original owners, at compensatory cost.

Governments of Uganda and Tanzania for example will need to acquire land to build the 1,445km long East African Crude Oil Export Pipeline (EACOP) infrastructure estimated to cost $4bn from Hoima/Kikuube to Tanga port in Tanzania.

Along the pipeline, land will be needed to construct coating plants, storage yards, work space, waste plants, hydro-test dams, access roads, borrow pits, fueling points and helipads. Of the 1,445km pipeline stretch, about 400km will be in Uganda - from Hoima/Kikuube to Mutukula border.

Approximately 30m wide right of way for construction (land stretch) will be acquired temporarily (or permanently) for the construction of the pipeline and related facilities. This will affect hundreds of villages and thousands of homesteads, families and their properties.

The construction of the Kampala Storage Terminal which will serve as a distribution centre for petroleum products from the refinery to market centres in East Africa is another project which will displace hundreds of families and cause destruction of a way of life and property on long term basis.

The process for acquiring such land is ongoing under the regulatory eye of Petroleum Authority of Uganda (PAU), Ministry Of Energy and Mineral Development (MEMD) and with input from Uganda National Oil Company (UNOC) among other actors.

This is a crucial stage in the development agenda of the country's oil and gas sub-sector, which is looked at as one that will deliver Uganda to category of the middle income status.

None the less, Uganda has been down this road before, in 2012, during the acquisition of 29.57 sq. km of land for development of Kabaale Industrial Park in Buseruka Sub-county, Hoima/Kikuube district, western Uganda. Kabaale Industrial Park will host the planned 60,000 barrels of oil per day refinery, upstream crude oil export hub (Delivery Point) and Uganda's second international airport, now under construction by an Israeli firm.

A Resettlement Action Plan (RAP) for project affected persons (PAPs) undertaken by Strategic Friends International (SFI) was prepared when acquisition of the land required for the refinery commenced in 2012. Acquisition of the land affected 7,118 people in Buseruka Sub County, many of them women and children. Some chose cash compensation while about 27 households chose the option of resettlement.

However realization of this compensation and relocation has not come easy. In fact a few people are still in courts of law contesting the process, the money given to them and the manner of compensation. It has been a push and pull process between government and PAPs.

As we saw in the acquisition of Kabaale land, and as was highlighted by various Non- Government Organizations, abuse of human rights and unfairness marred the compensation and relocation exercise. People were stopped from gainful use of their land and also driven off the land before being compensated. This meant that they became homeless or needed to be supported by good Samaritans.

They lost food supplies, property and a way of life. It was also noted that the compensation system had overlaps regarding values provided to the "land owners" and the "land users or occupiers" at the time. This created a strong feeling of exploitation especially among the majority of the PAPs who did not have land ownership rights due to lack of titles to the land they had been occupying for a very long time.

In Kabaale, many public and private structures like churches and mosques, cultural sites, schools, recreation grounds like sports fields were demolished to give way for the development of proposed oil infrastructures.

The closure of schools in this area as government acquired this land meant that over 1000 pupils could not access education for a long time until government would later build Nyahaira Primary School in Kyakaboga, which as of second term of 2018 was not functional.

Therefore as government ventures into more oil and gas infrastructure developments, it is prudent that they do not violent land owners' human rights while acquiring their land as case was in Kabaale. These processes should be done in a manner as described in the constitution - a manner that will make affected land owners proud of government undertakings.

Government should this time include proper financial literacy when handing over compensation money to PAPs. As witnessed in Kabaale, this money, which usually is big sums, can be disastrous when not managed well.

Situations where men abandon their wives and children because they now have millions of money from compensation of family properties are never desirable. The beneficiaries should be educated in proper handling and planning for this money.

Government should also minimize the exploitation of the land users by the speculative "land owners" who cause the former to be offered low land compensation rates because land users are normally disenfranchised and denied land ownership rights.

Compensation items should be timely and adequate, as per district land board updated crops and property rates. The land rates as determined by the Chief Government Valuer should be fair and transparently communicated.

Oil and gas development should not come at the expense of citizen's rights and liberties!

UNOC, CNOOC TO BEGIN JOINT OIL EXPLORATION IN 2019

UNOC CEO, Dr. Josephine Wapakhabulo

By Edward Ssekika

Uganda National Oil Company Ltd (UNOC) signed a Memorandum of Understanding (MoU) with China National Offshore Oil Corporation (CNOOC) to work together to start a partnership in exploration in the Albertine Graben.

The MoU was signed by Dr. Josephine Wapakabulo, the Chief Executive Officer (CEO) UNOC and Fang Zhi, the Chairman of CNOOC International today in Beijing and was witnessed by HE President Yoweri Kaguta Museveni, Hon. Sam Kuteesa, Minister of Foreign Affairs and Mr. William Byaruhanga the Attorney General.
The MoU indicates that UNOC and CNOOC will work together to develop a block in the Albertine Graben and the two entities intend to start the process of accessing the identified block as soon as possible.
The purpose of this cooperation is to ensure that more crude oil is discovered to support the projected production profile of already discovered resources that are under development as well as create an avenue for UNOC to grow its exploration and operatorship capabilities and begin its

journey towards a fully-fledged oil company able to perform operatorship roles.
It is the intention of the two companies to start the process of applying for the identified block in October and start exploration activities as soon as the Ministry of Energy and Mineral Development (MEMD) grants them a license.

It is hoped that the licensing process will not take long and it is planned that the planned activities should start early next year. “UNOC and CNOOC plan to grow their partnership into other operations in and outside of Uganda. UNOC will rely heavily on CNOOC’s experience as a national oil company to grow its capabilities and expertise,” the statement reads in part.

President Yoweri Kaguta Museveni was pleased with the step UNOC and CNOOC were taking in furthering exploration in the Albertine Graben. Dr Josephine Wapakhabulo indicated that UNOC is happy to continue building on a very firm and longstanding relationship between the People’s Republic of China and the Republic of Uganda.
She confirmed UNOC’s commitment to ensuring sustainable as well as commercial exploitation of Uganda’s Crude oil and gas resources. CNOOC, confirmed their continued commitment to Uganda and working with UNOC to ensure national participation as well as supporting UNOC on its journey to operatorship.
The MoU will be followed by further commercial agreements and it is hoped that these and all relevant approvals will be concluded before end of this year so that exploration starts in 2019.

EDITORIAL TEAM