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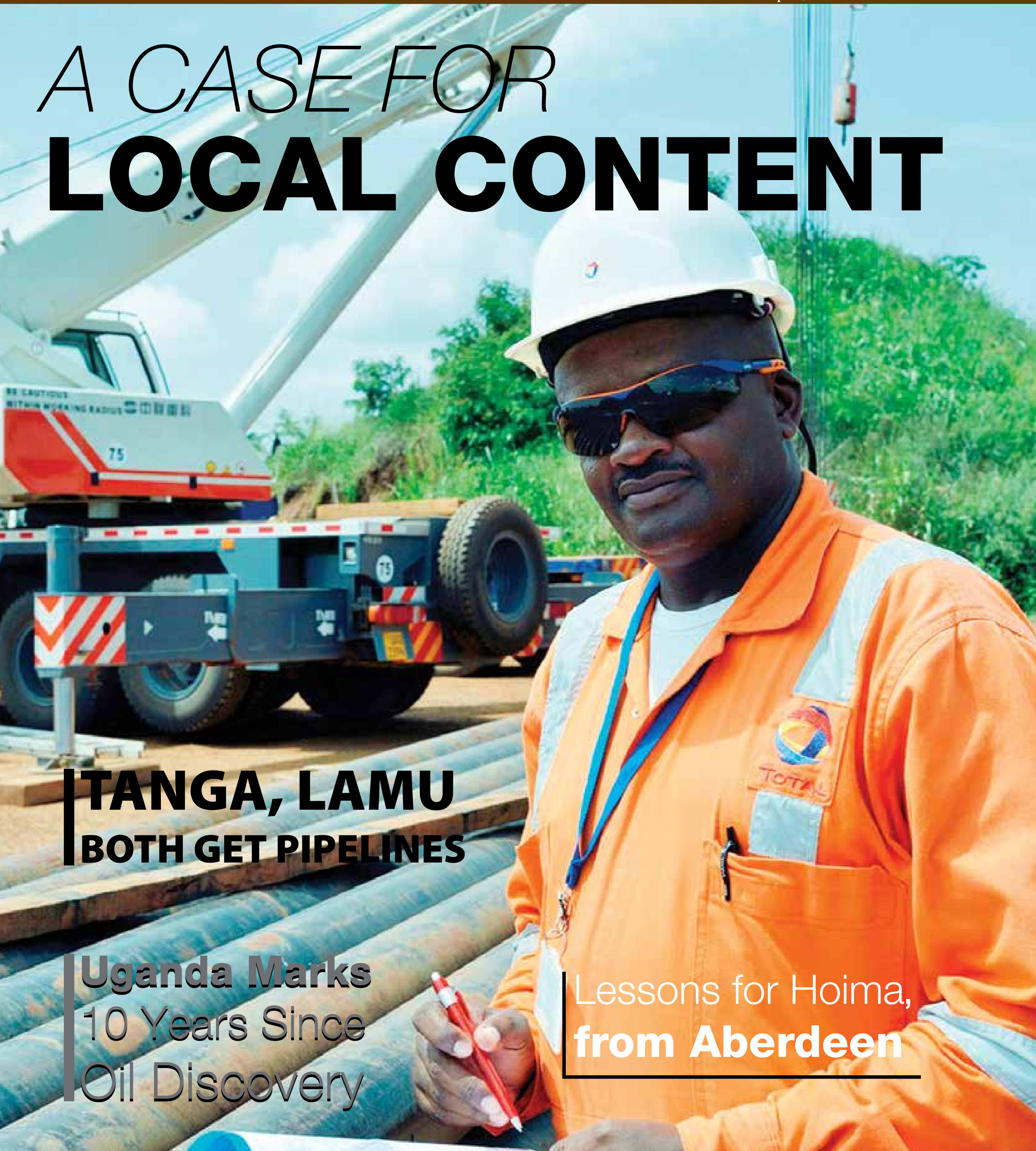

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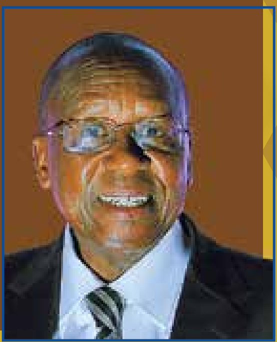

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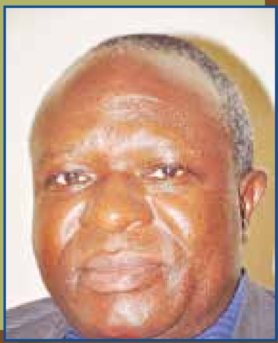

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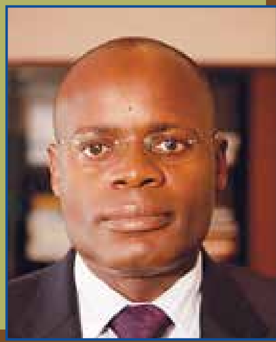

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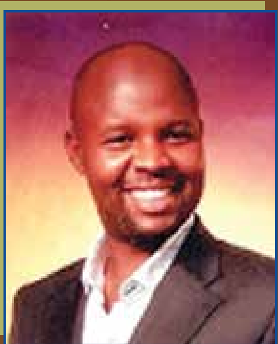

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Chairman's Note

Awakening the Shattered Dreams of Suppliers

The second oil and gas convention organized by the Uganda Chamber of Mines and Petroleum comes at a great time. To be held at the Kampala Serena Hotel, from April 27-28, 2016 it is one not to be missed because of a number of reasons.

A giant step has been taken by our East African leaders where Uganda has decided to export its crude oil through a pipeline to Tanga Port in Tanzania, while Kenya has also agreed to export its oil through a pipeline to Lamu Port.

These are win-win positions for the people in the oil and gas sector because vast opportunities for investment in various fields are going to be opened up as two crude oil export ports are developed in tandem on the East African coastline.

As the industry starts taking shape, this convention will help sensitize and prepare our people to be ready to take on the challenges and prospects without missing a step. These opportunities fall in the areas of logistics, food and catering, construction, legal services, accounting, ICT amongst many others which will be highlighted at the conference.

In the last baseline survey, which was carried out on 420 companies only 25 were ready to meet the oil and gas standards. Local companies can team up with international companies with experience and capital in joint ventures to meet the criteria of local content as determined by our policies and laws.

These significant pipeline decisions taken at the recent Northern Corridor Infrastructure meetings in Kampala by the regional leaders are likely to see even more doors open in the petroleum industry. We are likely to see a decision on the refinery finalized within the next month or so and the grant of Production Licenses following suit immediately.

It also means that we will now see a finalization of the licensing of new upstream companies participating in Uganda's first ever competitive bidding round in addition to the appointment of the National Oil Company Executive Director.

These are immense openings for Uganda and the entire East Africa region.

Although the oil price had crushed, the good news is that it has started picking up and so to the share prices of the companies.

Therefore, as our leaders make these mammoth decisions, I am appealing to the entire business community, members of the UCMP and all industry players including our newly elected leaders to come and attend this convention and listen to professional presentations about an industry that will see between 100,000 – 150,000 jobs created in due course.

The Ministry of Energy and other authorities will be participating in this conference as well.

I believe, we can now confidently proclaim that work in the industry is unleashed.

Ugandans, especially this generation, cannot afford to look on as bystanders in the midst of these great opportunities.

I hope to see you at the conference.

I thank you.

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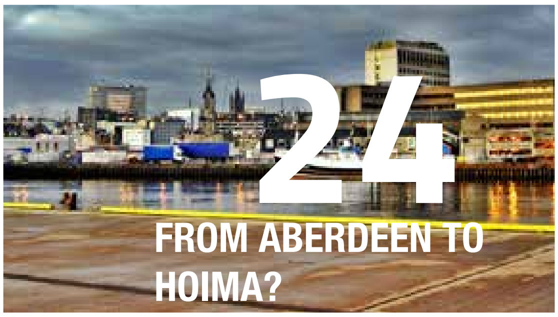

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Local Content Discussions Take Front Seat

The second annual oil and gas convention to run from April 27-28, 2016 at the Kampala Serena Hotel is one of the ways Uganda seeks to spark renewed interest in the sector.

Running under the theme, ***"Suppliers' Roadmap to Operational Excellence"***, the conference, organized by the Uganda Chamber of Mines and Petroleum (UCMP) is is largely intended to reassure suppliers and subcontractors about the opportunities in the oil and gas sector amidst the tough industry challenges.

Irene Nakalyango, CEO, Uganda Chamber of Mines and Petroleum, says the conference is aimed at bolstering the industry and highlighting the salient opportunities available.

"It is important that anyone involved in the supply of goods and services in the oil and gas sector attends this summit," noted Nakalyango.

Irene Nakalyango.
CEO, Uganda Chamber of Mines and Petroleum

Uganda's oil industry has been in a lull for almost three years mainly due to protracted negotiations between the Government of Uganda and the international oil companies (IOCs) revolving around the two critical projects of the refinery and the pipeline required for the future development of the natural resource.

This delay happening amidst falling global oil prices slowly dampened the expectations of subcontractors and suppliers many of whom have had to lay off workers.

But there still exists vast opportunities in logistics, foods and beverages, security, finance, human resource, waste management, crane services and in joint ventures with more experienced foreign firms. To date, government has put emphasis on helping Ugandans get the requisite skills so they are competitive in the industry. Major infrastructure is also being built to boost the industry.

According to the IOCs' baseline survey of June 2014 titled, *"A survey to foster opportunities for Ugandans in the Oil and Gas sector",* Uganda's petroleum sector will generate 100,000 to 150,000, direct and indirect jobs. However, the survey identified some barriers that would obstruct people from joining the sector including limited information, lack of skills, poor infrastructures, and administrative bureaucracy among others. It also revealed that only 25 industries of the 420 surveyed in Uganda had high potential to supply the oil and gas sector.

Nakalyango said the convention will thus emphasize local service providers' critical needs, improvement and enhancement, mainly because they are the catalyst for national economic empowerment in the years to come.

The convention will also feature breakout workshops on the sidelines, to directly address these industry opportunities and challenges and how best the suppliers can prepare themselves to serve the interests of the IOCs and benefit from the national policies.

Logistics and transport firms, foods and beverages suppliers, legal service providers amongst many others are expected to attend.

Local Businesses Are Struggling To Stay Afloat In Oil Sector

Jeff Baitwa

Activity in Uganda's nascent Oil and Gas sector has been on ice for more than 24 months now. At the height of the activity and discoveries, able Ugandan companies were supplying goods and services to the lucrative sector. Following the delay in the resumption of activities, which is still ongoing, these companies have been forced to cut staff, suspend operations indefinitely, or shut down completely. We spoke to **Jeff Baitwa (R),** *the Group Managing Director, Threeways Shipping Services Ltd* and below are excerpts:

In light of the delays that have happened in the oil and gas sector over the last 18-24 months, what is the situation of local service providers to the sector?

The delays of course were not envisaged for many of us while we were plotting to invest whatever we had to invest. Because of the delays, a big number of players have been affected in terms of business continuity. I know of companies that have folded their activities, people who have lost their jobs and those that have so far braved the situation are struggling. And things are not about to return to normal because even if there was an approval tomorrow say on the refinery, the pipeline or a production license is granted, it will take another two years before business returns to normal. So the oil and gas sector on the side of the service providers is dead and many of us will continue to lay off any aspect to do with oil and gas. The irony is we are disengaging yet when all the boardroom processes are finished, we will need to re-engage. The unfortunate thing is when the time comes to re-engage, because many local suppliers are losing credit worthiness, there will not be any basis to go back to the bank because the bank will say, "You previously failed". So I see participation of Ugandan companies being minimal than what we have been craving for. Once the processes that are holding back the sector are finished, the oil companies will want to move quickly because of the lost time to First Oil and so it will be a good opportunity for them to tell you that they will not wait and will simply go ahead with those who will be ready – and those who will be ready are the big boys with big money – and these will mostly be foreign suppliers. So if you work it out logically, I fear there will not be as much local content participation as was the case had these processes to First Oil moved on without any interruptions. When I look around, many Ugandan companies that had set themselves up to supply services to the oil majors are folding, many are out of debt in terms of certification because no one can spend money to certify equipment, an operator and generally the interest in the sector is declining. So when things begin moving again, Ugandan indigenous companies will be disadvantaged because there will be a lot to cover and many of us will have lost credit worthiness.

Do you see any solution to a dire situation?

The solution I see is for Government to set up some kind of Fund as a way of saving these companies that have been players in the young sector. For me, it is important that some of the pioneers who have been in this business in whatever fields they have been operating are buoyed and it is only Government that can do that otherwise on their own, very few can survive or redeem themselves. And you have got to remember that you might underestimate the role of the local players who went in early but if people like ourselves and the others had not come in and a foreign company was doing what we did, Uganda's exploration costs could have been 50% more than what they are. I will give you an example, a truck rent was priced at $1000 per day in the beginning, today it is $350 and that is because we are around – we have many trucks, we have local costs, we don't have expatriates – so that is already a good sign. So I made money, was able to employ more Ugandans and as well my tax contribution went up. Suppose there were no local players? In many countries these guys lock out the local companies and then they bill whatever they want.

This is largely private business though. Why would public funds be given to the private sector?

We need local content as a country because there is a lot of money to be invested both in the oil fields and the infrastructure that will be needed to produce the oil. And how do we maximise on local content to ensure that Ugandans are not left out? When we have that 30%-40% it is going to be 30% or 40% of $10bn or $15bn – money that can kick-start a lot of things, create the linkages that you are looking for in the economy.

There is talk in other countries of some sort of indigenisation; where at least 48% of any industry supplier is locally owned. Wouldn't this work here?

Government needs to look for a strategy to do this and the strategy will be what areas Ugandan companies are targeting to provide goods and services. Because these guys are saying they have identified the areas where local companies can provide goods and services such as accommodation, security etc. but the question is, has there been an engagement by Government with the players to map out a clear strategy to see that indeed there are Ugandan companies ready to provide these services. For me, rather than telling me that a foreign company is 48% Ugandan-owned, I would rather a Uganda-owned company is given a contract to supply goods and services to the oil and gas companies. I would rather we say guys we have been at it and the following services, which will constitute 40% of your spend must be procured from Uganda than telling me that Ugandans own 48% of a foreign company. That is diversionary, we need to say to the IOCs that we need to see evidence of a 40% spend in Uganda, once that is the percentage agreed to remain in the local economy.

Once we agree to that, then as Ugandans we mobilise and raise this money for these opportunities. We are not mobilising for these opportunities. Government needs to avail cheap loans of about $100m to $300m to be accessed by local companies in the oil and gas supply chain. That is what we need to be talking about. The mobilisation should run parallel to the other developments taking into account the regulatory management of that 40%.

If we are borrowing money to put into NAADS, the Youth Fund etc why don't we borrow money to create an Oil and Gas fund for the local investor?

Beyond such a fund to benefit local players in the oil and gas sector, what more can government do?

Well, Government cannot reverse some of the delays. The delays have occurred. I think Government has tried to approach this cautiously to avoid certain mistakes that we have seen in other countries that have discovered and produce oil. To an extent, Government has done well but remember there is a cost for caution. When you take less risk, there is a cost so good and bad. As a country, overall the delay has been a good in terms of having the infrastructure in place, but in terms of maximising the opportunity, as a country we are already behind. And whether we will maximise on the opportunity, the answer is likely no. You see, there are two ends to this – there is the investment opportunity and the opportunities arising out of the investment and there is money you will be getting out of the investment. In terms of what we will be getting out of this, Government has done very well. However, to an extent, in terms of maximising on the opportunities that were available as Tullow Oil and the other explorers made the oil discoveries, Government could have done better in paving way for the private sector to participate more. I know there is local content policy and you might have laws safeguarding you as a local supplier but when you have nothing, you are nothing. So my question here is; will the local businesses have the means to participate? The means to participate as local suppliers to the oil companies has been greatly undermined or affected by the delays that have happened. Many who are hanging on are struggling and may not make a rebound for future business.

Even when the activities were vibrant, according to the Auditor General's report, Ugandan service providers were able to procure goods worth $329.9 million at 28% of total spend between 2010 and 2013 and the foreignors did the rest, does that mean the capacity to do more has been lacking?

Those statistics can be explained because the exploration stage is short term and there are a lot of specialised services which is rigging, drilling, testing and other associated services. Now, drilling alone, testing and directional management and the other technical processes to determine and find the oil can constitute 50% or more of the oil company's expenditure and really as Ugandans, no local company can play in that space so we are not yet there. That 28% out of a spend of $1.4 billion is a fair view and maybe we could have done more and gone up to 40% but like I said the exploration stage is more specialised and local Ugandan companies do not have that capacity or expertise. However, going forward, what we are fighting for in

Threeways Shippings Trucks

the next stage of the oil and gas development is for the oil companies to spend 40% of their goods and services locally. Now what would 40% of $10 billion mean? That is $4bn that will be coming into the Uganda economy. If we can meet 40%, it's still good enough.

Do you think the capacity is there to absorb the 40%?

If we had maintained that pace that we had and there had been lesser delays or shorter turn-around times in terms of the processes to get things moving on the ground, I think people had geared up to do the 40%. My worry now is many people have burned their fingers, they may not be keen. The other thing those people have is that they already qualified technically, they understand the technical requirements and so any new entrant to replace the space vacated by those that have shut down will be required to work on their technical competence. The challenge is the oil companies might not be as patient for the new entrants to develop their technical side of the business because they too have been affected by the delays. Before there was a patience to accommodate the less technical local suppliers, however when activities resume, it will be crunch time and I doubt these guys will wait for you because time is money; they have to invest and recover their money; their shareholders will not entertain any extra delays.

There is a mood of apathy towards the sector. Won't there be extra caution on the side of suppliers going forward even after production dates are announced?

Having the cash right now should not mislead you to invest. You must have the contract first before spending anything.

For those who have attained education in oil related courses, the situation is not as bad, as employment and a business investment are two different things. My certificate will not rot and the chances of me getting a job when things normalise are high.

Investing in a business on the other hand is different because whereas you may have the money the chances of getting a deal are slimmer so the only way you can overcome that is by being more certain that you will get the deal – and that is by getting contract. If you buy 300 trucks today, and don't get the contract, what are you going to do with them? Caution means having the contract first and then understanding where the sector is going.

How can confidence be restored for you and other industry suppliers that are struggling?

We are confidence that the international oil companies will invest going forward. But the confidence that a local supplier will have a chance to participate once things pick up again or the confidence that I should maintain the oil and gas sector as my line of trade, is low. And it can only be driven by a number of factors like what is happening on the ground – seeing is believing. The announcements that Governments make will come but they are part of the process that is on-going. Confidence restoration I can tell you can only be gained by something on the ground. However there are no guarantees for the local players because by the time you see things happening on the ground, you will have been left behind or maybe you will have failed in the bidding process. The challenge for local suppliers will be both financial and technical. Am very certain if a Ugandan supplier has the financing, they might not meet the technical requirements and vice versa. Joint ventures with foreign companies might be the way to go.

Barclays Bank's Mark Muyobo (L) chats with Threeways Shipping officials at the MWC2015. Banks have a key role to play in propping local businesses involved in the oil sector

The picture seems bleak but are there any positives?

The positives are the oil companies are determined to invest. The other positive is in terms of the legal, regulatory environment and I think we tried to put up a good law as a country from what I have seen. These two are key and fundamental.

How about positives from a local suppliers' perspective? Say have you used the lull to improve your understanding of the sector through staff training and the like?

No. Everyone has shutdown, no one is improving because to improve you have to spend money. The oil sector is a very expensive sector. Any trainings and certifications associated with it are costly. Rationally why would you want to spend your money on oil and gas when you have no income coming in from that division of your business?

You talked of the determination of the IOCs to invest; doesn't the current oil price deter them?

They see an opportunity given the current price. When the price is down, then the cost of services and goods for infrastructure is down. So they know the price will recover. In four years' time, Uganda's oil and gas industry will reach First Oil. There are other factors affecting the price right now but you have to believe that it will have picked up so that is how they look at it and it makes sense. However for the exploration companies, no one wants to take a risk right now to gamble on finding oil when the price is down. People want to match the two; when price is good they will invest.

In light of what has happened, for people like you who supply services to this sector, and generally Ugandans, how can expectations be managed?

All of us – Government, the private business people and the man on the street did not manage expectations because oil was new in Uganda and East Africa. Indeed, managing expectations is something we have underperformed on. It's something we have to work on because even when oil production starts, there will be a plateau of 30,000 workers on the sites but that number will drop down to 1000 or 500 people in three to four years' time and that is a short time. So how do you re-absorb those guys in other jobs so it is critical that we manage expectations because there will be different charges at different times.

How about lessons learned as the local private sector playing in the oil and gas sector?

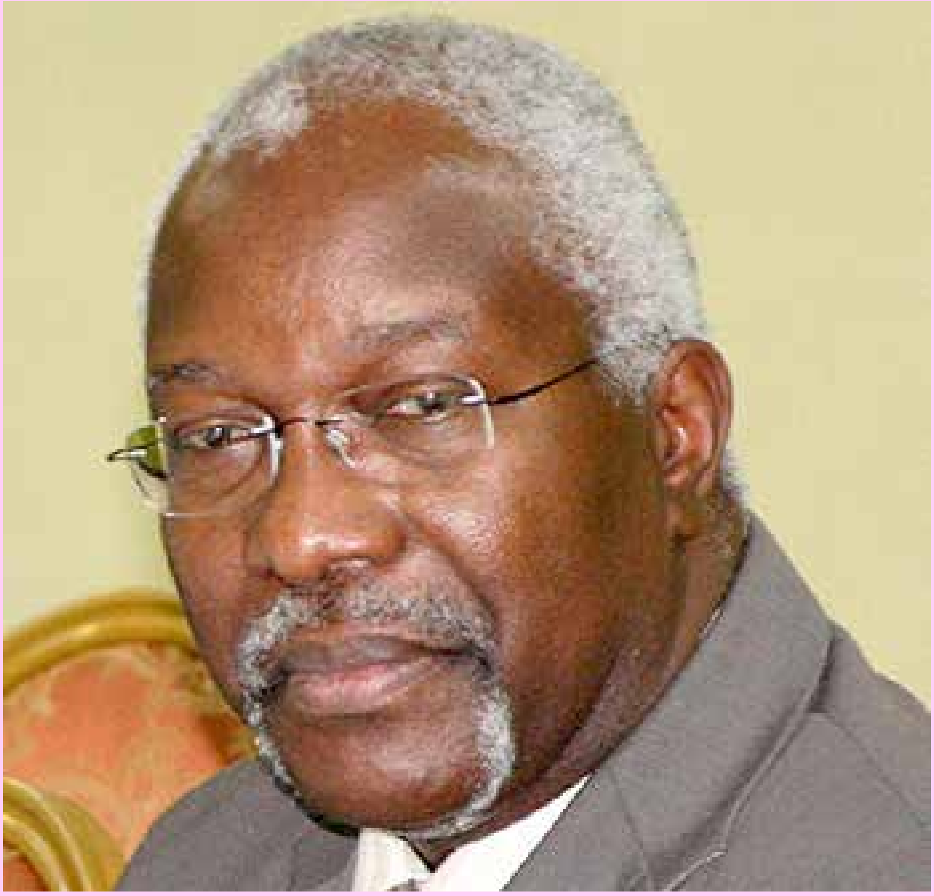
The lesson learnt is to remain cautious but you see life is interesting. Once I burn my fingers at something, another person will be ready to go in. People cannot learn from others – they will go and try it until everyone has got his/her experience. I don't see lessons being cut across. As am pulling out of business, another guy wants to buy trucks. So the lessons will be for those who have burnt their fingers. You may know that I have burnt my fingers, but it doesn't stop you from investing. The same applies to the individual who has gone back to school to learn a skill that will get him a job in the oil and gas sector. As you skill yourself, you might want to know the relevance of your skill and for how much time your skill will be required in the lifetime of the oil and gas sector. You may skill yourself as a welder but you need to ask yourself; will the welding job be required for the duration of the oil extraction. Your skills might be required for the first three years. And there will be many of those – they need to be managed whereby a guy is told his skills will be needed for three years and after that, they need to do something else.

In the region where Uganda leads in terms of exploration knowledge, isn't there the option of transferring these skills and expertise across the borders?

Remember those same countries also have their citizens who they have to look after. Competition will be stiffer but there will be those possibilities. Yes there will still be those opportunities but it will depend on how good you are. As soon as this thing begins to settle down, everyone in the region will begin saying, "local content".

In light of the upcoming investments, are the standards real or Ugandan businesses have really been low on them?

I think the standards are real – they benefit you the Ugandan company to run your business. For those of us who took up those QHSE (Quality, Health, Safety & Environment) standards, we reduced the number of incidents in our fleet significantly on the road. But equally the standards are required because this is risky business that is seen by the public as big money so any claim arising out of these activities is not small – that is why the buy-in is not small so I understand where they are coming from. Equally if you meet that bar, it also softens a lot on your side. People have reduced the debate on standards as a tool by the foreign oil companies to kick them out of business but we are just being lazy because those who understand and have met the required standards cannot be kicked out. Those who don't want to bother themselves will be snubbed of course. Ultimately they push standards not to kick you out; they push standards to manage their risk.



The Auditor General, John Muwanga.jpg

Auditor General Report Shows UGANDAN PARTICIPATION CAN IMPROVE

One thing that the discovery of oil in Uganda has done is to raise Ugandans' hopes for a better future. Look, oil is associated with huge money not just to the international companies – the hope is that the resource would touch host communities, local service providers among others.

Uganda has confirmed reserves totaling to 6.5bn barrels, with between 1.2 to 1.7bn barrels commercially viable, according to government figures.

But a decade later – from 2006 when the country officially announced oil finds – how have Ugandans fared?

A March 2015 Auditor General's report on implementation of national content in the sector, assessing value for money, gives the clearest hint so far of how Ugandans have benefited.

The report says the value of procurements from Ugandan service providers in the oil and gas sector for the period 2010-2013 amounted to $329.9 million, representing 28% of the total spend for all the companies (total spend was $1.2bn).

Good progress! The problem, though, is that while local companies are the majority, they have failed to match international firms.

The auditor general says Ugandan companies comprised almost 73% of approved suppliers.

And that's not the bigger problem. "Hardly any purchases were made from host communities," the report said, indicating the anticipated benefit to the locals could be passing over their shoulders.

To be fair to the host communities, they could have offered hotel services, water and even food but it was literally negligible. It brings in another issue: have the local people been prepared to tap the opportunities in the sector.

"How much have we invested to enable host communities to offer something?" wonders Jeff Baitwa, the managing director of Threeways Shipping Group, "What lessons can we learn as a country? We need local content even if we are able to offer at least 40% of the procurements – it would be big. Government needs to look for a strategy to do this."

The auditor general report says "without national content targets, standardized procurement procedures and clear definitions of Ugandan companies/goods, such levels of local procurements companies were difficult to monitor and evaluate."

It adds that there was noticeable inadequate supplier development to enhance the capacity of local service providers to participate in the sector.

The report also looked at the employment of the locals in the sector.

Overall, the proportion of Ugandans employed in the oil and gas sector directly by the oil companies rose from 69% in 2012 to 80% in 2014, although absolute numbers dropped over the same period.

There is no special consideration given to host communities or women during the recruitment of skilled personnel.

As at December 2014, women accounted for 30%, 37% and 23% of the staff at China National Offshore Oil Corporation (CNOOC) Uganda Ltd., Total E&P Uganda, and Tullow Uganda Operations Pty (TUOP) Ltd respectively.

Wages & Training

There is still a wide range in the wage differentials between the nationals and expatriate staff, the report said.

In some cases expatriates, on average, earned between 5 to 10 times more than nationals at Cnooc and Total. Tullow has more Ugandan nationals in managerial positions than Total and Cnooc.

"Some expatriates were recruited without proper justification, some overstayed past the due date for nationalization of their positions while

Multilines trucks. Logistics accounted for the bulk of the services offered by local businesses during oil exploration in Uganda.jpg

others were working without work permits," the auditor general says.

So much lax and disorganization was noted on the side of government. For instance, whereas all the oil companies had made efforts to train their Ugandan staff, "none had fully utilized its training budgets and they had also deviated from planned trainings."

"Thus the objective of involving more Ugandan nationals in the oil and gas sector may be delayed as identified training gaps are not addressed," the auditor general observed.

There was no consolidated plan for training government officials, the auditor general found.

In addition, although the oil companies had, over the period, deposited $4.1m towards the training fund in the Central Bank, this money had not been utilised for the intended objectives since they were being transferred as Non-tax Revenue (NTR) to the consolidated fund, the auditor general noted.

Uganda has developed a National Content Policy, which has been awaiting approval by Cabinet. The Petroleum (Exploration, Development and Production) (National Content), Regulations 2014, were released last year by the Ministry of Energy and Minerals.

The regulations provide that Ugandans should be lead participants in service provision in the sector. And oil firms should not import services and goods that would otherwise be provided by Ugandans.

Regulation 31 provides: "Where possible, the licensee, contractor or any other entity engaged in petroleum activities in Uganda shall carry out fabrication and welding activities in the country. The authority shall determine and advise on the capacity of welding industry in Uganda."

The regulations are meant to ensure that all metal welding and fabrication services are done within the country to offer Ugandans jobs and ensure skills transfer.

The regulations define certain goods and services to be provided by Ugandans.

They are: personnel, transportation, security, foods and beverages, hotel services, human resources management, office supplies, customs clearance, fuel supply, land surveying, clearing and forwarding, crane hire, and locally available construction materials.

On paper, the draft regulations are a big deal for Ugandans. The question is whether they will be enforced.

As government looks to finalize the development of the national content policy and regulations, it is clear a lot still needs to be done. As for Ugandans, the hope is that the country puts its act together when it is still early for the resource to have a significant impact in their lives.

Skilling Ugandans to work in Oil and Gas supply chains

The Oil and Gas sector needs craftsmen and technicians.

During the Oil and Gas Investments many qualified people in construction trades will be needed.

By Christopher Smith

Recently, diploma courses in Oil and Gas have become very popular, mostly because people hoped to boost their CVs and get jobs in the industry. However, sector analysis has shown that the demand for people with technical skills and vocational training in a specific trade is much higher than for diploma holders. This is because during exploration and production most jobs will be created at technician and craftsmen levels. Taking this into account, a new development programme called *"Skills for Oil and Gas Africa"* (SOGA, 2015-2019) aims to upgrade vocational training provision in Uganda to industry-accepted levels. The project is jointly financed by the UK government, the Norwegian Government and the German Government and is implemented by the German Development Agency GIZ.

In fact, Uganda is not alone with its struggle to produce adequately skilled professionals to work in the industry. Mozambique, Tanzania and Kenya face very similar challenges. Therefore, the approach of the SOGA programme is regional. Its focus is on enhancing employability of people and involving the private sector wherever possible. This is important, as only through engagement of private players, we can make sure skilling is done according to industry needs. The programme is to build on Public-Private-Partnership models, so that all partners can learn from each other and increase their benefits through a common approach.

Companies often complain about the low level of practical expertise of graduates, while schools do not have access to the newest market know-how in the industry, nor do they always have the newest equipment to offer practical training. As a consequence the training often remains at a theoretical level. This can be remedied through industry buy-in into skilling. The German Dual System provides just that, where students spend as much time in the workshop at a private company, as they do in the classroom of the vocational school.

Key to preparing Ugandans to work for the Oil and Gas Sector is the right level of training. It is known that international certificates are needed to access employment, especially in technical vocations. To reach a point where Ugandans can show this level of qualification, professional technical training at vocational training institutes needs to be improved. SOGA does that by upgrading selected vocational schools to international levels, in this case City & Guilds. Students will be able to achieve high-level, internationally accepted skills in sector-relevant trades, such as welding, BCP or electrical.

Besides support to skilling, SOGA also supports local supplier companies to be ready to win tenders once the construction projects around the Oil and Gas investments are launched. SOGA is partnering with the Association of Oil and Gas Service Providers (AUGOS) to enhance HSE standards at company level. It was found that the lack of HSE standards had been a major bottleneck of firms wishing to supply the industry in the past.

If you want to learn more about SOGA in Uganda or the region contact the Team Leader Christopher Smith under christopher.smith@giz.de

We have no choice but to meet industry standards - Thakkar

Sam Thakkar (pictured), Advisor UHY Thakkar & Associates Certified Public Accountants CEO *and an advisor on the Uganda Chamber of Mines and Petroleum believes there is more Ugandan businesses can do to ensure they are taken seriously in the highly competitive petroleum industry. He share his thoughts here:*

There is a feeling that there is inadequate supplier development to enhance the capacity of local service providers to participate in the oil and gas sector! Are the IOCs or government guiding them in any way to better their craft?

As a local service provider, we must try harder to understand and get noticed by the International Oil Companies with regards to the services we can provide. We must go through dramatic changes in the way we think, work and act in order to make sense of how to work with the 'big boys'. Our firm decided to take matters into its own hands and to learn about this sector through various resources available free of charge on the internet as well as seeking advice and opinions from the foreign companies that received some of the work in Uganda. We felt that in order to gain work in this sector we must first learn how this sector operates.

When IOCs utilize local services, they don't face the dilemma of sourcing internationally which in end has them incurring higher costs in order to operate in this country. IN my opinion, I would state that whilst all of us are waiting for the IOCs and Government to show us how to develop, what have we in our own capacities done to develop our businesses to meet their requirements? In Uganda, we have become used to sub-standard quality of goods and businesses have never been restricted on bringing such items, even counterfeit ones, to sell to the local buyers. Yet, we are looking at a Global Industry in the Oil and Gas sector where the ultimate liability for low quality output and unsafe work rests with these huge Oil Companies that are in the country to help us increase our economies. If they use local suppliers who do not meet the International Standards for supplies, and if anything goes wrong in that contract, it is their name and their reputations that are at stake and not ours. This is a vital aspect of working in this sector that every local supplier must accept so that they understand why IOCs are stubborn about meeting their requirements. So it always amuses me when someone says that others are not doing enough for them to develop and achieve yet they are willing to sit back and not be bothered to generate enough discipline to actually learn it themselves! This is because we as a people have become too used to second and third class of products. We cannot imagine a road without potholes, it will seem unnatural. We cannot imagine enhancing the power of the internet to learn new techniques of farming because we eat what we grow and are not worried about quality and standards of the crops we sell (as long as we get paid in cash!).

The IOCs and Government have been working tirelessly to push to develop our nation and to ensure that we are putting our own to work before we allow others to enter our country and take our jobs. Yet, when we lose a

UCMP members being taken through a training on Innovation in Oil & Gas organised in collaboration with the ESLSCA institute

tender, for whatever reason, we blame the IOCs and the Government for our own negligence. We should instead sit back and try and understand what our mistakes were in that tender and ensure we correct them so that the next tender will be won by us. Currently, the Government and IOCs have been developing new standards and policies which will ensure that local suppliers have a clear statement on what they expect of you and what you should expect of them.

These standards should not be seen as a cost to the individual or supplier but a way to enhance your companies to provide better quality of service and therefore increase your ability to expand your business even beyond our own borders.

The suppliers claim some standards set by the IOCs are meant to lock them out. Is this the case?

There are no standards which are created to block people out. It is absurd to suggest that this would be the case. It sounds more on the lines of what I suggested above that when a company loses a tender, they start to cry foul and point fingers at everyone else but themselves. It also goes back to what I believe has been happening in Uganda for the past 10 years or so wherein we are too used to low class of goods and services and hence we feel that if we can accept this then so should the IOCs. But the IOCs are global corporations with a lot of legal issues to handle and cannot afford to provide low class of services otherwise they risk losing a lot more than just a contract. They lose billions and millions of dollars under the International Regulations. Try and refer back to the case of BP in Mexico where an oil leak became headline news overnight and cost the company millions of dollars. Imagine if the IOC handed a contract to build the pipelines to a local supplier who did not understand the requirements nor was he too concerned with Health and Safety at work? Do you think we could use the same people that come and fix the potholes on our roads only for us to find that after 2 months we need to call them back again? Can you imagine if this was done with the pipelines? And why all this fuss about Health and Safety? I

> Our country is still a weak sector in that information is too readily available about what is happening or going to happen.

I also believe that IOCs themselves do not want to have international suppliers working directly with them as it does not benefit them in any way. For those of you in business ask yourself whether you would pay an Ex-pat the same amount as you would a Ugandan with the same skills? Of course you would not. So why would the IOCs pay more if we can provide the same services for less?

mean, we all have taken a Boda Boda without wearing a helmet and even when we pass the Traffic Police who knows we are breaking the law, he still does not stop us right? So if we want to walk around the oil rigs and work barefoot and without helmets or goggles we should be allowed. After all, it is our lives. WRONG. If anything happens to you on the worksites, it is the IOCs who will be blamed for not training you correctly. Indeed, the company contracted to do this will be the first ones to blame them for any mishaps. So Standards are necessary to protect everyone but more importantly the local suppliers because you are not working in Uganda but in a Global market and therefore we have to learn and follow global standards. This is the cost of our generation being the pioneers in Oil & gas in Uganda. We have to unlearn the bad ways we have adopted and learn the right ways of working. Future generations will only need to mimic what we have done so they will not be as affected as we are.

What can suppliers do to ensure they are not ignored by the IOCs?

In order for us not to be ignored, we must show a willingness to be a part of this process with them. We must understand their needs and requirements and in turn we must learn to develop ourselves to fit in with the rest of the world in this sector. UCMP is a perfect example of how to gather more information on this sector as well as on renewable energies and mineral exploration and mining. From there we must start looking within our own companies to say how can we improve ourselves to provide better goods and services not only for the purpose of working in this sector but generally to ensure better living and working standards for our own people! ASK NOT WHAT THE IOCs CAN DO FOR YOU, ASK WHAT YOU CAN DO FOR THE IOCs.

How can mistakes be avoided by local players going forward so that they dont get their fingers burnt again?

The risks in the first phase of exploration work with local suppliers was that when the contracts were given few bothered to understand the implications and prepare their cash flows accordingly. How do you borrow more money on asset leases when you only have 6 months of a valid contract left? How do you not plan ahead to make sure you have up to date information on the movements in this sector in Uganda. Our country is still a weak sector in that information is too readily available about what is happening or going to happen. Everyone knows everyone else! Therefore, information is readily available. The only thing I can suggest here is that local companies should now ensure that they start their planning early and ensure that they are matching their capabilities to the works available. It is no use trying to bite off more than you can chew and then complaining about debts and losses. And if your business model is dependent entirely on just one sector, then I am afraid you are risking a lot more than you think.

Suppliers feel they were misled by not only the government but the IOCs too about the opportunities & timelines in the sector. How can the IOCs help these suppliers catch up again once the more critical production stage kicks in?

There has been a lot of debate on the expiry of contracts in the first phase and then this long delay in releasing the next set of licenses. Indeed, it can be argued that a lot of the companies that went through the struggle to develop their people and businesses to meet the high standards of this sector suffered directly because of these delays. Looking backwards, we can always provide insight to say that we should not focus our entire business to one sector, we should have been prepared for such a slowdown, etc etc. But it is not easy to predict what these giants and our Government are planning. Also it is worthwhile noting that issues in these global markets do not rest entirely with our Government or the IOCs but with what the rest of the world demands. Could we have predicted the dramatic fall in prices of crude? Once again, we must try to first develop ourselves in this sector and then we are better placed to criticise Government and IOCs with regards to what they have done for us or not. I do not believe that either of the two parties had any intention to mislead the suppliers. Nor do I believe that everything that could have been done to limit the amount of damage it would cause local suppliers was necessarily undertaken by the two parties.

The infrastructure projects that the Government has embarked on are huge projects and will have even bigger benefits for all of us. The works that the IOCs are doing to enhance our knowledge and understanding of Oil & Gas is even more as even our Government officials have had a very uphill task in learning all about it. Ask yourself whether you have more knowledge about this sector now than you did 8 years ago and then you will see how far we have come in this sector. Also understand that whilst we are still learning about this sector, so is the Government. We are all in this together and the way forward will ensure, with full participation from all of us, that we will produce barrels of oil which will be proudly marked 'Made in Uganda by Ugandans'.

Local service providers want Govt Aid to boost capacity

An official from Lloyds tests an SWS welding student's work in Muyenga, Kampala.

Ugandan service providers in the oil industry want government to set up a fund that would boost local companies' capacity to fully participate in the oil sector.

Jeff Baitwa, the Managing Director, Threeways Shipping, says such a fund can be anywhere "between $200m and $300m". This would then help facilitate local suppliers to meet industry standards or invest in their capacity through access to affordable credit.

"We need our own fund where money can be [put] to help local service providers," Baitwa said.

For some time now, the Uganda Association of Oil and Gas Service Providers and other bodies have been imploring government to consider the issue of oil fund.

Presenting a paper recently on the challenges that local enterprises face in the oil sector, Emmanuel Mugarura, the association's head of secretariat, said that such a fund would help local companies to borrow money at affordable rates to participate in the sector.

"We need a fund to boost local enterprises. This sector needs a lot of money; our interest rates are too high, yet we need affordable finance to be able to fully provide goods and services in the oil sector," he said.

In some oil producing countries, such funds are common specifically to provide a soft landing for local businesses in case they are cash strapped.

Many local firms say due to lack of the required capacity that international companies demand for them to win the contracts, they have failed to gain a controlling stake in the industry.

Meanwhile, the situation for the suppliers has been worsened by the delay to kick-start production. There are many suppliers that had borrowed money on the premise that the industry would progress uninterrupted. Many can't pay back; others have folded and some may not return.

Government says it has used the time to make the necessary preparations, including putting in place firm legislation to govern the sector.

According to Baitwa, the laws are important but there needs to be a strategy to keep some local service providers engaged – perhaps developing their capacity further.

"You may have laws safeguarding you but you have nothing to offer," he said. "There can't be local content. You must have the means to participate. That's what we are saying – the means to participate have been undermined by the fact that those who have been participating, many of them are struggling. And they may not make a rebound for future work."

"On the side of the service providers, the oil and gas sector now is a dead end," said Baitwa. "And the irony now is that we are dis-engaging [and] when the time really comes we need to engage again. There will be a lot to cover and many of us would have lost credit worthiness."

There are worries local players may fail to participate fully in the sector.

"I see Ugandan participation is going to be very minimal than even what we have been craving for," Baitwa said, "I fear there won't be as much local content as it would have been had this thing gone on smoothly without any interruptions."

Baitwa said local service providers had played a big role in reducing exploration costs. For instance, he said, the exploration cost would have been 50% more than it is today.

"A truck rent was $1,000 per day at the start. Today, it is $350 because there are now more local service providers. Because we have many trucks, we have local costs and we don't have expatriates – that's already the good sign of how important the local service providers are," Baitwa said.

Besides, studies have shown that buying local has a multiplier effect on the home economy since independent locally-owned businesses recirculate a far greater percentage of revenue locally compared to absentee-owned businesses (or locally-owned franchises). In other words, going local creates more local wealth and jobs, directly, indirectly and induced spending in the wider national economy.

FROM ABERDEEN TO HOIMA?

Lessons Bunyoro Town can Learn from Scotland

My name is Gordon McIntosh and I am a director of Aberdeen City Council in the North East of Scotland. I was asked to speak at the 2015, Mineral Wealth Conference in Kampala on the subject of how Aberdeen has developed over the past 50 years into being Europe`s Oil and Gas capital. It was a particular honour to be asked to make my presentation in the presence of the Prime Minister and to follow up through this article.

The focus of my presentation related to the lessons that we in Aberdeen have learned along the way to becoming the centre of a world class supply chain and how some of that experience, good and bad might help Uganda maximise the benefits which will arise from developing its own valuable oil and gas resources.

I am 59 years old and was born and brought up in the North East of Scotland and so have been fortunate enough to experience the beginnings, growth and development of the North Sea Oil and Gas industry through my education and working career

Having graduated from Glasgow and Aberdeen Universities I joined Thomson McLintock (Chartered Accountants now KPMG) in their Aberdeen office in 1979 and one of my first jobs was to audit the British National Oil Corporation (BNOC) and I also spent time seconded to Sovereign Oil and Gas drilling north of the 62^{nd} parallel in the North Sea.

In 1984 I joined NESDA (the North East Scotland Development Authority) which had been established to encourage local businesses and new start- ups get into the oil and gas industry and for which I was Assistant Director .In 1995 I was appointed to be the Director of Economic Development for the City of Aberdeen and have been a Director there since then with specific responsibilities including Economic Development, Planning and Infrastructure. Writing this article allows me to briefly reflect on some of the highlights of the **"Aberdeen Story"** and

how that might help provide some pointers for further discussion in Uganda

Aberdeen is a very old city dating back to the early 13th century as a Royal Burgh with its own Mayor or lord Provost as the office is termed in Scotland. It is an important seat of learning with the oldest of its two Universities dating back over 500 years with no less than 5 Nobel prize winners emanating from the City.

Much of Aberdeen`s history is focussed on the ability of its people to develop new products and trade around the world. People are often surprised to find however for example that the founder of banking giant HSBC, Sir Thomas Sutherland and Japans Mitsubishi Shipbuilding company Thomas Blake Glover, both came from the city as did the makers of Chivas Regal whisky, the Aberdeen Angus cattle breed and the Thermopolae the fastest sailing clipper ever built. Just prior to oil being discovered off Aberdeen in 1969 our economy was dependant on fishing, farming, textiles ,paper and the granite extraction industry. The economy was not in good health however and outward migration, particularly of educated and skilful people was the order of the day. There was understandably some considerable concern over this and a well-respected economist Professor Gaskin was asked to review the situation and develop a report recommending a way forward for the economy. The report was published in the summer of 1969 and strangely did not mention the possibility of the oil and gas industry and this despite there having been companies based in the city carrying out exploration activities for the previous 4 years. Two months later the Arbroath field 120 miles off Aberdeen was discovered and the city`s economy was set to be tied to the fortunes of the energy industry for at least the next 70 years.

In the early days most of the people working in the industry were American with very few locals. All of the equipment was brought in from overseas and gradually and gradually the Dutch, French, Italian and other international oil companies came to base themselves in Aberdeen with 6 international schools being established to teach the children of these people in their own education systems.

The local authorities quickly realised that there was a need to plan for this increasing influx of people and NESJPC a joint planning committee was established to help manage this huge growth that was happening. Many of the towns and villages in a 20 mile radius of the city were to double and triple in size over the next few years and the Scottish Special Housing Association constructed new houses for “key workers” moving into the area.

Aberdeen City Council Director, Gordon Mcintosh

Of course it was not a forgone conclusion that Aberdeen would continue to develop as the centre for the growing oil and gas industry in the UK and many other cities tried to win away the business from the city. Aberdeen was fortunate however in that it had a long established harbour, an airport a railway line going south to London and the south as .well as reasonably good road links .It was also closest geographically to most of the earliest field discoveries. It also had other important pieces of infrastructure in place including good hospitals, shops, banks, professional services and hotels which could provide the necessities required for the international oil and gas community.

The City Fathers also bought a large amount of agricultural land at this time and started to develop industrial estates including "advance industrial units" which could be easily rented by incoming businesses.

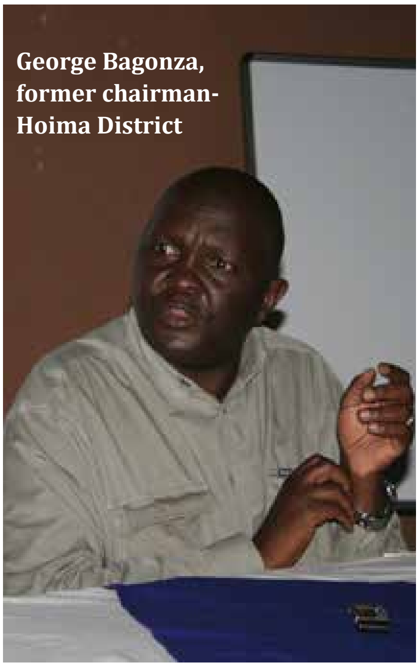
In 1984 I joined NESDA and it was my responsibility to help local people and local businesses get into the oil and gas industry as well as providing support to companies moving into the area. Local content was important and over the next 10 years we helped nearly 1000 companies establish themselves in and around Aberdeen,

We provided support by helping to develop business plans and through a mixture of loans and grants to help them purchase plant and equipment, working capital, marketing and perhaps most important of all training. We also provided support for the construction of specialist industrial buildings particularly for the sub-sea sector. A further important aspect of the support related to advice and training on quality standards and the procurement requirements of the oil and gas operators.

Aberdeen had being growing rapidly through the early 1980s and many were revelling in their new found wealth. In the summer of 1986 however we suffered one of our biggest catastrophes when we experienced the cyclical nature of the oil and gas industry for the first time. The price of Brent crude fell dramatically to under $10 a barrel and within a few months companies were being closed everywhere and whole streets of houses were up for sale as people abandoned the city. It is estimated that 5000 Americans left Aberdeen in 3 months. It was a sharp reminder that we should not become over dependant on this industry and perhaps the best lesson that we could have possibly received at that point. The public and private sectors combined their forces and developed an initiative to re-establish confidence and ensure that we be the masters of our own destiny as far as possible in the future. The oil price rose eventually and gradually Aberdeen recovered and then continued to grow and expand.

Today Aberdeen is a global centre of excellence for the sub-sea industry with Aberdonian oil and gas workers being found in every oil and gas province in the world .The City is looking forward to another 30 years of oil and gas extraction from the North Sea and a growing global trade for its businesses including internationally recognised locally established companies such as the Wood Group, Balmoral and the Craig Group to name but a few.

The price of Brent crude fell dramatically to under $10 a barrel and within a few months companies were being closed everywhere and whole streets of houses were up for sale as people abandoned the city. It is estimated that 5000 Americans left Aberdeen in 3 months. It was a sharp reminder that we should not become over dependant on this industry



George Bagonza, former chairman-Hoima District

As I sit writing this we are experiencing the fifth significant downturn in the industry in my working life. Businesses are closing others are merging and people are losing their jobs. We have been here before however and we have our "heads down" planning on how we can reduce costs, be more efficient and be more innovative so when the price of oil eventually recovers, and it will, we will be ready to move forward again.

All good things usually come to an end eventually however and part of our strategy for several years has been to diversify our economy further into areas such as businesses tourism, biopharmaceuticals and renewable energy.

When I visited Kampala in October 2015, I was lucky enough to meet the Mayor of Hoima after an introduction from Eric Olanya the British High Commissions Head of Trade and Investment for Uganda when we had a good discussion around the challenges facing growing oil cities. I was delighted to be invited to visit Hoima when I next visit Uganda to discuss how we might work together in the future and I look forward with great anticipation to returning to the beautiful country of Uganda.

Swala Energy's Local Content model viable?

Cross-listing Australian company leads the way with unique model

As debate on participation of local enterprises (national content) in the lucrative oil and gas sector rages, Swala Energy of Australia has presented an ownership model Ugandans can look at as a way to participate in the sector.

While companies that are locally owned want a share of the oil pie – and they are justified, Swala Energy, which has applied to explore for oil in two blocks in the Albertine Graben believes cross-listing its shares from the Australian stock exchange to the Uganda Stock Exchange is a good model.

Swala has already done this in Tanzania where it has operations in Tanzania's oil and gas sector. The company is cross-listed onto the Dar es Salaam Stock Exchange (DSE) with 58.25% of their Tanzania subsidiary Swala Tanzania owned by Tanzanians.

According to Swala Energy, early ownership and participation in Uganda's oil and gas sector by local companies brings the best value to local investors and is the way to go to prevent the absence of 'local content' on the sector's supply chain.

Ugandans can either play directly in the oil and gas sector by founding companies they run to provide goods and services in the lucrative sector or indirectly by buying equity stakes in the oil companies when they cross-list on the Uganda Securities Exchange.

Speaking at the Mineral Wealth Conference 2015 last October, **Dr David Mestres Ridge CEO & Managing Director, Swala Energy Ltd** said cross-listing their shares onto the local stock exchanges is the way they include local participation in their business.

Ridge noted that cross-listing provided a means for nationals of Tanzania and East Africa to participate in the development of local oil and gas resources.

He said there are long-term and 'peripheral' advantages to ownership of economic activity that encourages additional industrial and economic development.

In the presentation, Swala Energy answers the question why local ownership matters.

They give an example of the Basque Country of Spain that developed a global shipping industry which has been a cornerstone of Spain's economy for centuries given the other industries that have grown as a result of the shipping industry.

While the Petroleum Exploration, Development and Production (National Content) Regulations 2014 are quiet on whether a cross-listed company where Ugandans have acquires equity qualifies as local content, the regulations point out the areas where local enterprises should provide the services.

Dr David Mestres Ridge

The regulations provide that Ugandans should be lead participants in service provision in the sector. And that oil firms should not import services and goods that would otherwise be provided by Ugandans.

Regulation 31 provides: "Where possible, the licensee, contractor or any other entity engaged in petroleum activities in Uganda shall carry out fabrication and welding activities in the country. The authority shall determine and advise on the capacity of welding industry in Uganda."

The regulations are meant to ensure that all metal welding and fabrication services are done within the country to offer Ugandans jobs and ensure skills transfer.

The regulations define certain goods and services to be provided by Ugandans.

They include: personnel, transportation, security, foods and beverages, hotel services, human resources management, office supplies, customs clearance, fuel supply, land surveying, clearing and forwarding, crane hire, and locally available construction materials.

On paper, the draft regulations are a big deal for Ugandans. The question is whether they will be enforced.

Swala Energy has made it to the final shortlist of the seven companies that qualified to bid for licenses within Uganda's oil industry. The company has made applications for two licenses in Uganda – the Karuka-Taitai and the Kanywataba. Ends ……/1

UNBS approves petroleum, gas standards

The Uganda National Bureau of Standards has approved a list of standards, some of which are critical in setting up crucial infrastructure in the oil upstream industry.

The Uganda Chamber of Mines and Petroleum played a crucial part in gathering comments from some of its members over the specification of standards for the equipment.

UNBS announced it had approved external coatings for buried or submerged pipelines used in pipeline transportation systems, field joint coatings, among others, that are found in the petroleum and natural gas industries.

In July last year, the UNBS put up a list of 14 different sections of equipment to use within the petroleum and gas industries, and called on the public to make comments regarding their standards.

Some of the equipment that the UNBS was keen on were the axial compressors, which pressurises the gas. UNBS looked at whether the equipment's international standards could be applicable in Uganda's local environment.

The approval of the standards is an important stage as Uganda looks to embark in setting up a $10 billion infrastructure programme, which will require building a refinery, central processing facilities, and different pipelines to develop the oil industry.

Uganda to appoint head of Petroleum Authority

Government is already looking at a number of candidates that can fill up the position of the executive director of the Petroleum Authority.

Among the minimum qualifications that the government put out for potential candidates was a Masters in Petroleum Engineering and Geoscience and 10 years-experience in managing a busy and well-structured institution.

While the Authority already has a board, which President Yoweri Museveni inaugurated in October 2015, the delay to operationalize it has raised some questions on how Uganda's oil bidding round would be handled. The Authority is mandated to advise the Minister in the negotiation of petroleum agreements and in the granting and revocation of licenses.

The government is currently holding negotiations with the seven companies that qualified to bid for the oil blocks, and that production sharing agreements could be signed as early as late June.

'Internship Would Be of Great Help Us'

Dan Gonza (pictured) is growing frustrated by the lack of internship opportunities in the oil and gas industry. Gonza is one on several Ugandans that got drawn to the nascent sector and opted to

pursue a course aligned to the industry – Bachelors in Oil and Gas Management, from the Uganda Technology and Management University.

However, just like everyone in the sector, students like Gonza, have also had to shelve some of their well laid plans as the international dynamics shape the direction of this largely global industry.

"I chose to pursue an oil related course so that I can be in position to get employed in this interesting sector. The slowdown in activities however has affected mine and my fellow students' progress, seeing that even internship opportunities are limited if any," says Gonza, while admitting that the lull caught him and his peers by surprise.

He is all too aware that the knowledge attained is not the be-all- and-end- all and as such hopes that the international oil companies and their associates can occasionally offer trainings to his ilk. He also feels the state can enter student exchange programs with experienced oil producing countries, where Ugandan students can get more exposure.

"Oil courses are worth pursuing for all Ugandans as we have the resource right here in our midst. But to do this well, we need all the necessary support from the state through the Ministry of Energy and Mineral Development and the private sector. We need practical experience to supplement the theory we have studied so far," Gonza notes.

Tracing Uganda's 10-year oil journey

PEPD Director, Ernst Rubondo

Uganda will this year mark 10 years since it made its first discovery of oil, celebrating a journey of an industry that has shaped the country like no other resource, and learn lessons from the pitfalls that the sector has had to overcome to become a ray of hope for many its citizens.

In celebrating a decade of oil exploration and discoveries, Uganda will validate its decision for taking caution in managing its oil resource well, and building the expertise and institutions that have managed to stay the course of action despite grumblings of delays and wasted opportunities.

With Uganda constantly compared to Ghana, which made an oil discovery and then raced to produce First Oil within 18 months, the country has been accused of frustrating the efforts of both local and international investors by delaying paperwork and failing to dismantle the bureaucratic processes that have dragged the industry. And yet, looking back over the last 10 years, the country has achieved so much in placing the oil industry on a strong pedestal, by putting in place the legal frameworks to govern the industry, and also attract the right oil firms to take the country to oil production.

GENESIS FROM 2006

When Hardman Resources struck the first oil well at Mputa in January 2006, and discovered that the well could produce 19 million barrels of recoverable stock tank oil in place, there were still doubts whether the country had enough resource in place to attract international oil majors. Other wells such as Waraga and Nzizi were drilled within the same year, although Mputa and Nzizi encountered more of gas than oil.

Things turned around in late 2006, when Heritage Oil struck a giant oil well – giant by Uganda's standards – at Kingfisher mid that year, flowing at about 13,000 barrels of oil per day. In October, samples of the oil were taken to President Yoweri Museveni to confirm what Uganda held beneath. Then it was announced that Uganda had commercial oil. The Kingfisher alone, after more appraisals over the years, now holds more than 500 million barrels of oil.

With 2006 seen as a breakthrough year, the investors' thirst for the country's oil was further whetted. Tullow Oil, which had entered into Uganda in 2004 after buying Energy Africa, entered into another deal in 2006 by buying Hardman Resources in December 2006 for a reported $1.1 billion.

By early 2007, Tamoil East Africa, a Libyan firm, was awarded a tender to build a petroleum pipeline from Eldoret in western Kenya to Kampala. The Libyans would alter their plans for the pipeline after Uganda had discovered oil. They decided to change the design of the pipeline from a single carriage to a dual carriage to take care of Uganda's oil interest.

Debate would later rage between the Libyan firm, Uganda and Kenya over this pipeline, over the cost and design, which ultimately led to the failure to sign a Final Investment Decision.

Still in 2007, Uganda licensed another company, Dominion, a wild cat company that dared to venture in block 4B, where others feared. Dominion had the task of exploring for oil in the Ngaji, formerly known as the Silverback, which was located along Lake Edward.

With no guiding blue print for the industry, Uganda embarked on designing its national oil and gas policy, drawing insight from countries such as Norway. The National Oil and Gas Policy was finally in place in 2008. The policy recommended, among other things, that oil revenues will be spent on developmental sectors and that issues of local content needed to be respected.

In the oil fields, the companies, Tullow Oil especially, ramped up exploration activities as investor confidence shot up. Of all the oil exploration activities of 2008, perhaps the most significant was the opening up and de-risking of the Victoria Nile Delta play, where Kasamene in Butiaba was drilled and discovered in August 2008. One of the other wells discovered in this play was the Ngege, which was discovered in June 2008. In total, seven discoveries were made in 2008, making it one of the most active years in Uganda's exploration activities. And the icing on the cake of those discoveries took place in November 2008, when results of the Jobi-Rii came out. The Jobi-Rii, it was announced, had at least 311 million barrels of recoverable oil, making it the second largest after the Kingfisher.

If there was any doubt that Uganda did not have enough oil to attract millions of dollars from top investors, that debate was settled in 2009. Although companies such as Dominion drilled the Ngaji in 2009 and hit a dry well, while Neptune also hit blanks at its first well, Iti, in the Rhino Camp in West Nile, Tullow Oil made the kind of discoveries that confirmed that Uganda had commercial oil resources in place. By the end of 2009, Tullow announced that it had drilled 27 wells, and 26 of those came out with discoveries, a world-class achievement that defied all sorts of odds.

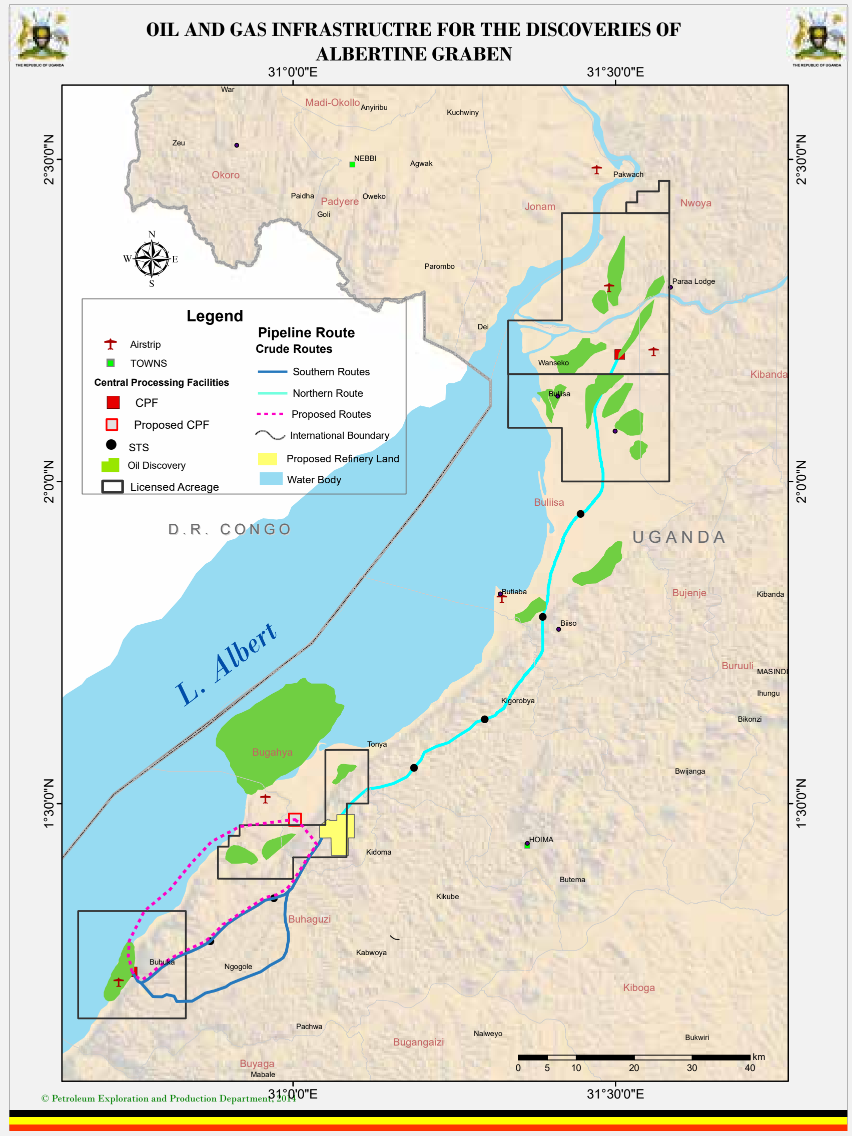
Discussions on how Uganda would develop its oil had already started. The government had already stated that it would refine its oil. The companies thought otherwise, and instead wanted an export pipeline.

And yet 2009 was the year that the seeds of conflict between some oil companies and government were sowed, which would lead to slowing down the pace of the industry. In late 2009, Heritage Oil started making headway over its plans to exit Uganda. The company got a suitor in Italian oil firm, Eni. A gentleman's agreement was signed; Eni would buy Heritage Oil's assets in Uganda for just over a billion dollars.

However, Tullow pre-empted its right to buy Heritage's assets in blocks 1 and 3A in January 2010, as the company was its partner in those blocks. Heritage pulled the plug on the Eni deal and went with Tullow.

For the Tullow-Heritage deal to get approval, government made a number of conditions. Tullow would have to bring in partners because government did not want one company holding as many licenses as the Irish firm did. Another condition was that Heritage had to pay capital gains tax on the deal, which was valued at $1.45 billion.

Away from the financial transactions, the government, in early 2010, signed an agreement with Foster Wheeler, an international company, to compile a report which showed the commercial viability of an oil refinery. The company, later that year, issued government with



the report that showed that indeed the refinery would be a commercial venture.

It is not clear what Heritage thought of government's condition to pay tax. However, when the company finally concluded negotiations, which took place in the Jersey in the Channel Islands, London and with the deal finally signed in Netherlands, to sell its Uganda assets to Tullow, the company declined to pay tax, which had been assessed to be $434 million. Heritage argued strongly that it had simply sold its rights and interest in the oil blocks, and not assets; that the sale had taken place outside Uganda's jurisdiction; and that it was domiciled in Mauritius, a territory known to be a tax haven which has a double taxation treaty with Uganda.

Government declined to approve the deal, setting off a number of tax disputes. With the Heritage preferring to run to a London court to appeal the Uganda government decision, the country woke up to the shock over the loopholes in its tax loopholes.

In August 2010, Hilary Onek, then the Minister of Energy, wrote to Tullow Oil and said that the deadline to apply for a petroleum production licence for the Kingfisher field in exploration area 3A had expired. Therefore, the Kingfisher license, which formed a crucial part of the transaction, had been reverted back to government.

Elsewhere, away from the drama playing out between Heritage, Tullow, and the government, Neptune drilled its second well, Avivi, in West Nile. Like the first, that well, too, turned out to be dry.

Uganda was still not ready to let Heritage get away with it. In March 2011, the government, through Uganda Revenue Authority, slapped Tullow Oil with an agency notice. This meant that Tullow would act as an agent of Heritage Oil, effectively making it liable for the tax money.

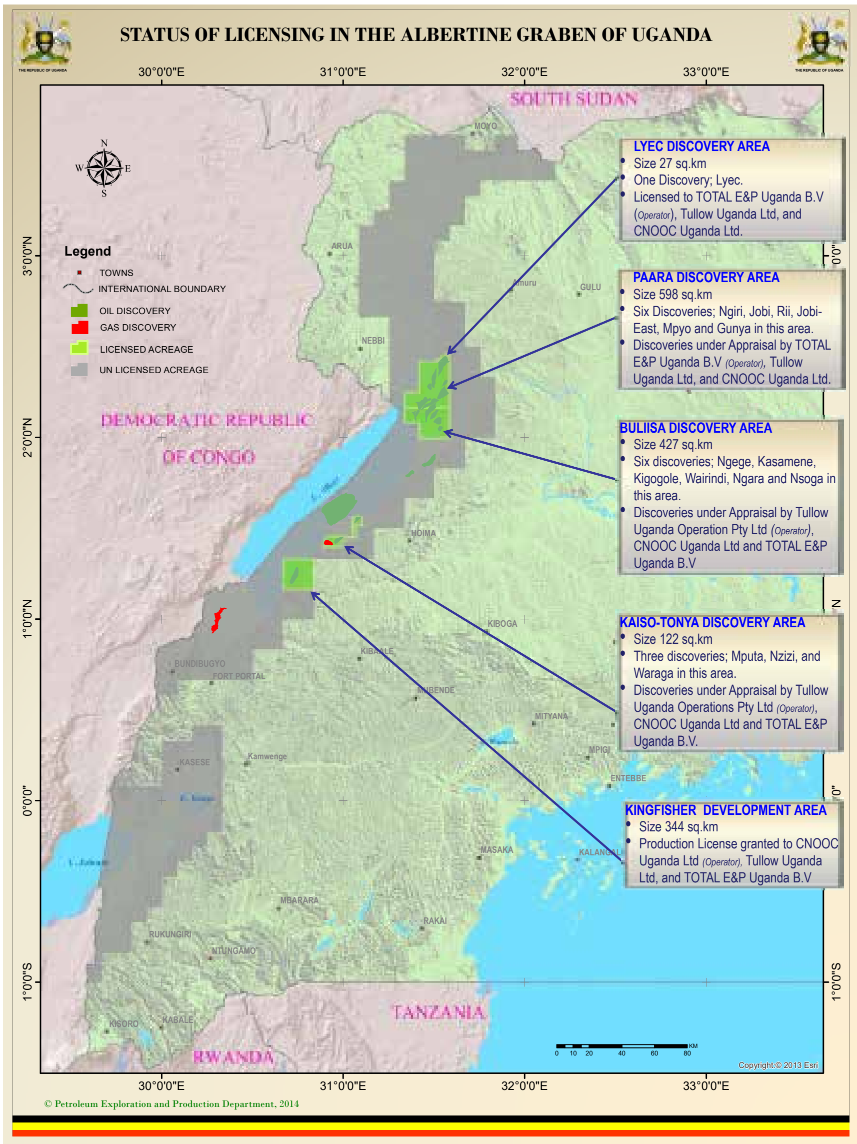
It was then after Tullow was handed an agency notice that it agreed to pay the government Heritage Oil's liability, and decided it would pursue the company in a London court.

Tullow's payment of Heritage's tax liability paved the way for the Irish firm to continue negotiations with two oil firms, France's Total E&P and China's Cnooc.

Uganda had learnt a bitter lesson on tax from the Heritage ordeal. In July 2011, the country put in place transfer pricing rules, which basically separated transactions among related companies. As if that was not enough, around the same time, the country also passed an amended income tax bill, which introduced a definition of immovable property, in what was thought to counter any attempt by companies to describe their transactions as sale of interests and not assets.

While Tullow was in the middle of negotiations to bring in new partners in Uganda, on October 10 and 11, 2011, Gerald Karuhanga, a youth member of Parliament for Western Uganda, tabled documents in the House, which purported to show that Tullow transferred money to a number of government ministers and East Africa Development Ltd, via the Bank of Valletta, as bribes. The documents purported to show that Aidan Heavey, Tullow Oil's Chief Executive, authorised Brian Glover of Tullow Uganda Limited, to make cash payments of up to 500,000 Euros to Sam Kutesa, the minister of foreign affairs, who also allegedly acted as a representative of East Africa Development Ltd. Other ministers named in the oil-bribery claims included then Prime Minister Amama Mbabazi and then Energy Minister Hilary Onek.

The oil-bribery issue became a heated debate in Parliament, and aroused public interest, so much so that the



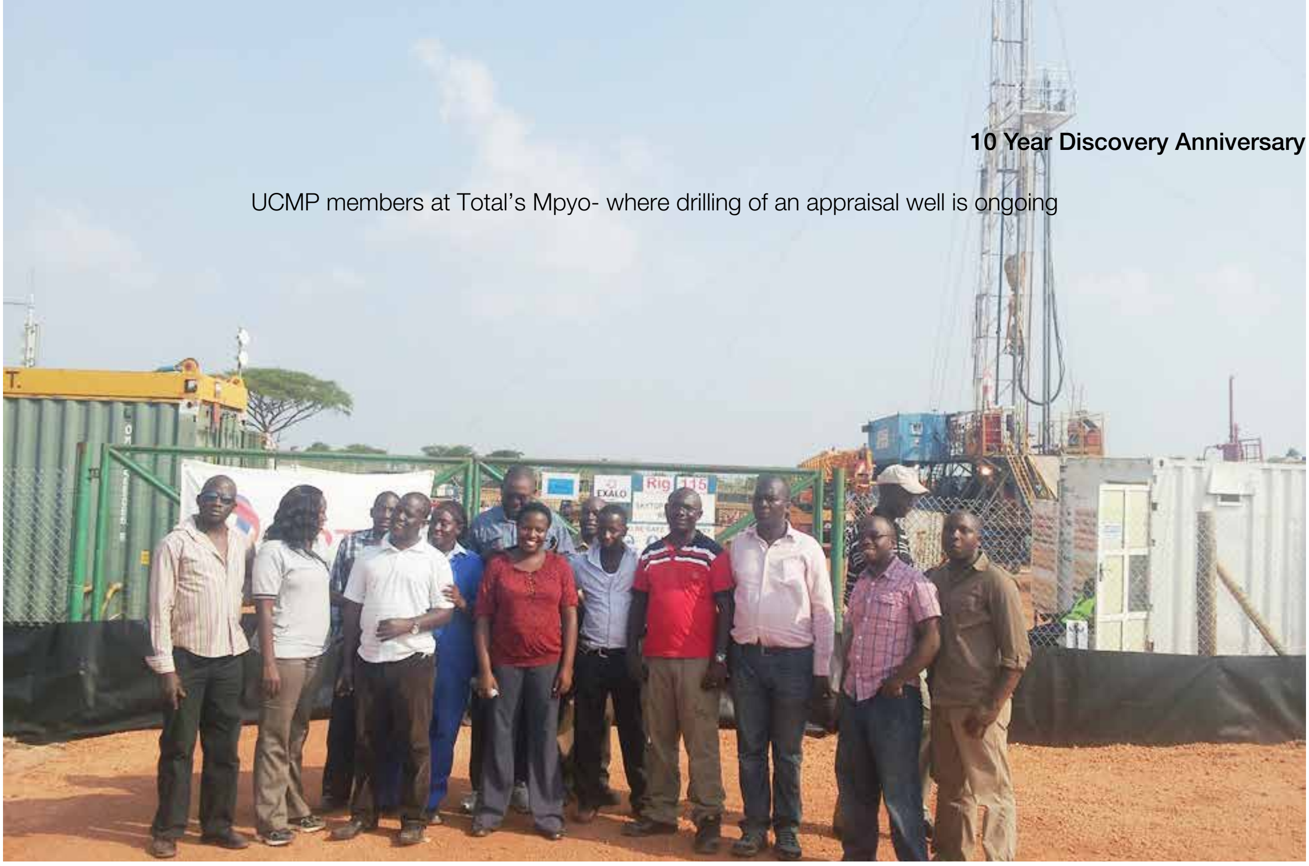
legislators asked government to place a suspension of issuing any licenses in the oil sector. A special committee was instituted to investigate the matter.

Two years after the oil industry literary came to a standstill, things looked up in February 2012 – a month that remains the busiest in Uganda's 10-year oil history. In that month, Tullow sold 66.67 per cent of its interests in the Lake Albert Basin to Cnooc and Total for $2.9bn. Under the terms of the deal, Total was to take the license covering exploration area one, Tullow would be in charge of exploration area two, while Cnooc would be in charge of the Kanywataba prospect in Ntoroko district and the Kingfisher, which government handed back to the oil companies after more than a year.

However, Tullow disputed Uganda's tax assessment on the transaction, and questioned whether it attracted capital gains tax. On February 22, Tullow paid $141.8 million to Uganda's Tax Appeals Tribunal as a mandatory 30 per cent of the total tax assessed before court can hear the case.

Earlier, however, on February 8, the cabinet tabled oil bills for the upstream and midstream in Parliament. The upstream bill was crucial in that it detailed how much power a government minister had on the sector, while the midstream touched on the regulation to protect the environment, considering some of the pristine areas the oil companies were operating.

Dominion, which had not done any substantial despite drilling the dry Ngaji well in 2009, got someone to buy its Uganda interest. UK firm Orphir Energy concluded the acquisition of Dominion in February 2012 for a



UCMP members at Total's Mpyo- where drilling of an appraisal well is ongoing

reported £118 million.

For Neptune, however, things were not going well. The company drilled its third well in the Rhino camp basin, the Mvule, in the same month, hoping it would be the one asset that would bring it fortune. Instead, Mvule had more water than oil, the last straw that broke the camel's back. A few weeks later, Neptune announced it was quitting Uganda.

Still in February 2012, government released its oil and gas revenue management policy, a document that would guide the way the country would integrate the oil cash into the government system without disrupting other sectors.

Moving ahead, while Tullow was busy settling matters in regards to its interest in Uganda, the issue of the oil bribery claims still hanged over its head. On April 11 2012, Tullow submitted its position over the claims to Uganda's parliament. The company detailed the responses it had received from the investigations it had carried out over the bribery allegations and how it had found out that the documents presented in Parliament were "so crudely forged."

Two days later, on April 13, Total E&P also went to Parliament, where it explained the kind of activities it had carried out in Uganda, and what its plans were.

Later on the MPs would not find any evidence to justify claims over allegations that Tullow tried to bribe some government ministers.

On the government side, land was being acquired to make way for the construction of the refinery. Still in 2012, a Resettlement Action Plan for

Project-affected persons had been completed within the same year. Some people opted for cash compensation while others preferred relocation.

The upstream bill, which grabbed the public's attention over the minister's power, was finally passed in Parliament in December 2012.

In the fields, both Total E&P and Cnooc embarked on an aggressive work programme. Cnooc drilled the Kanywataba prospect in the middle of 2012. However, the company hit a dry well and relinquished the license back to government.

Total was not making any positive headway too. By January 2013, the company had drilled five wells. However, only one well came up with positive results, the Lyec.

In March 2013, Cnooc started making preparations to drill the Kingfisher-4 well, where 2D seismic testing survey was conducted, forming the Chinese company's main work throughout 2013.

Tullow Oil, on the other hand, issued field development plans for Kigogole-Ngege-Nsoga-Ngara, Kasamene-Wairindhi and Waraga, Mputa and Nzizi to government, seeking production licenses.

On the legal front, Museveni assented to the midstream bill in June, signing it into law.

However, it was Cnooc that got the first production license for the Kingfisher field on September 16, 2013.

In the end, 2013 registered the highest number of appraisal wells drilled in Uganda, according to the Ministry of Energy, which totalled 25. Also, the largest investment in Uganda's oil sector took place in 2013, attracting $2.4 billion, coming mainly from Total and Tullow.

Taylor DeJongh, a Washington-based firm that government contracted to provide transaction advisory services on the refinery, started work in 2013.

By 2014, the government was making strong preparations for attracting investors for the refinery. The government issued a Request for Proposal to six firms/consortia in January 2014, who had shown interest in the refinery.

However, only four of the companies had submitted detailed proposals by the end of May 2014.

In June, the three joint venture oil companies – Tullow, Total and Cnooc –

released a joint study on local content, which detailed the opportunities available in Uganda's oil sector. One of the defining findings from that study was that the sector could induce at least 150,000 jobs.

By October, only two consortia were left in the running for Uganda's oil refinery. Government issued a Request for Final Offers to RT – Global Resources from Russia and SK Engineering and Construction from South Korea.

In 2014, the National Environment Management Authority authorised six firms to set up petroleum waste treatment and disposal facilities in the country.

For at least two one year to 2015, there was interest in the number of people vying for licenses to produce energy from Uganda's oil and gas resources. Some of these companies planned to produce power for the oil companies. Companies such as Albatros Energy, Lake Albert Infrastructure Services had earlier written to the Electricity Regulatory Authority seeking licenses to produce power from the Albertine grabben. Other companies like Jacobsen had also shown interest. Uganda's oil and gas sector was bound to spark off its first offshoot industry.

But in January 2015, the ministry of Energy wrote to ERA and directed it not to receive any license applications until a study was done to guide government on how to go about power projects from crude oil and gas.

In a first for Uganda, government's cabinet, in early February 2015, approved plans to open up six blocks in the Albertine Graben for licensing in the country's first competitive bidding round. The six blocks are: Semiliki and Kanywataba blocks, Ngassa block in Hoima district, Taitai and Karuka block in Buliisa district, Mvule block in Yumbe and Moyo districts and Ngaji block in Kanungu and Rukungiri districts.

Uganda finally made its decision over the refinery, handing it to Russia's RT Global Resources later in February. The deal was announced amid sanctions slapped against Russia for its involvement in the Crimea war.

In March 2015, the Office of the Auditor General released a report on the status of local content in Uganda's oil and gas sector. The report offered a sobering reflection on Uganda's local content structure.

A giraffe near an exploration area in the Murchison park

For example, the Auditor General questioned the 15 per cent state participation that government signed within the Production Sharing Agreements.

"There are no criteria set in the law, agreement or regulations on how and when state participation will be decided. It is also not clear how the 15% interest was arrived at and its adequacy in ensuring national participation," the report noted.

It added that while the oil companies were training more Ugandans, there was no special consideration given to host communities or women during recruitment.

The company that would take care of Uganda's commercial interest through state participation, the National Oil Company, was incorporated in early August 2015. The company, however, does not have staff.

A week later, around August 10-11, President Uhuru Kenyatta, while on a state visit to Uganda, managed to convince his Ugandan counterpart, Yoweri Museveni to consider routing the crude oil pipeline to the Kenyan port of Lamu. The two presidents issued a joint communiqué that noted that they had signed an agreement agreeing to consider the Lamu route.

Exactly two months after the Kenyatta-Museveni meeting, Tanzanian officials signed a memorandum of understanding with Ugandan officials in October to consider the crude export pipeline to be routed from Hoima to the Tanzanian port of Tanga. The signing of that MOU blew the race for Uganda's oil pipeline wide open.

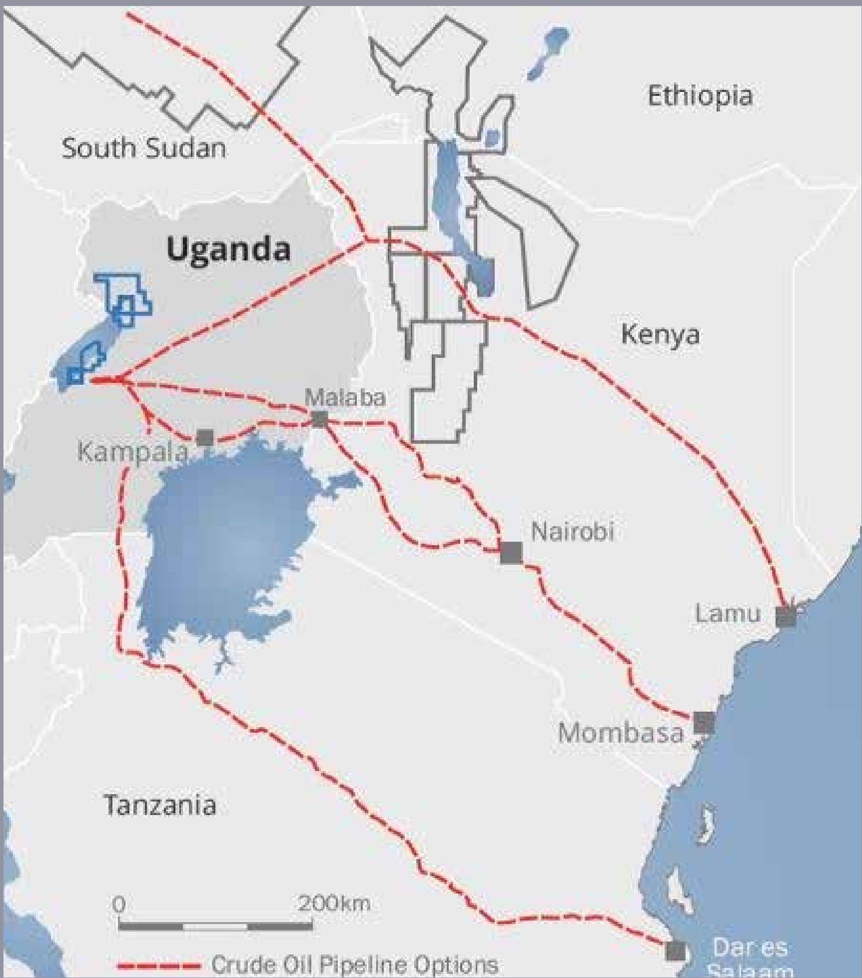
In late October, President Yoweri Museveni commissioned the board of the Petroleum Authority, a crucial institution needed for Uganda's licensing round, with Dr Jane Mulemwa as its new head. Museveni also commissioned the board of the National oil company.

On November 14, three days after Parliament had passed the Public Finance Management Bill, which created the Petroleum Fund and offered rules on how it would be managed, President Yoweri Museveni assented to it, officially making it law.

And in December, a few days before Christmas, Patrick Pouyanne, the chief executive officer of France's Total Group, held a meeting with President Yoweri Museveni in Jinja, in what was seen as a last ditch attempt to get a pipeline that would offer one of the world's largest oil majors to make a mark on East Africa's extractives sector.

The oil pipeline is one of the key projects that are expected to catapult Uganda as the main oil frontier for East Africa in the coming years.

When Hoima-Tanga route came into picture



When Uganda set out to build the crude oil pipeline to export its resource to the east African coast, the preferred route was northern Kenya to Lamu port. In August 2015, Presidents Uhuru Kenyatta of Kenya and Uganda's Yoweri Museveni agreed on a proposed pipeline on this route.

But in October 2015, came an unprecedented announcement. "The Governments of the Republic of Uganda and the United Republic of Tanzania signed a memorandum of understanding to identify and assess the least-cost crude oil export pipeline to the East African coast. The agreement creates a working framework for the potential development of a crude export pipeline project option from Hoima to Tanga port of Tanzania," a statement from Uganda's Ministry of Energy and Mineral Development noted.

This subsequently meant a return to the negotiating table for East Africa's three biggest economies.

In March 2016, Uganda and Tanzania signed an agreement to start construction of this pipeline by August 2016. A statement from the Tanzanian presidency said "they hoped the project would create at least 15,000 jobs." Tanzania does not have oil yet, but it hopes to tap opportunities that come with hosting the pipeline, including the fees for doing so.

But what is the secret to Tanga?

In a government of Uganda draft report dated April 11, 2016, Uganda details why it thinks Tanga would be a better route for oil exportation.

"The Kabaale-Tanga route is the only option to secure First Oil export by mid-2020, with pipeline availability of 99%," said the report by the Ugandan technocrats.

The report says that on the Kabaale-Lamu route, the first oil export could only happen in mid-2022, with the pipeline availability at 80%.

"GOU firmly concludes that Kabaale-Tanga (Tanzania) route is the least cost route for the transportation of crude oil from the region to the East African coast."

Two major players in Uganda's oil sector have a different route they favour. UK's Tullow Oil favours the route through Kenya to Lamu for its interests in the Turkana area, where Kenya has discovered about 600m barrels of oil.

Uganda has confirmed reserves equal to 6.5 billion barrels of oil, with between 1.2 and 1.7bn barrels recoverable. France's Total E&P favours the Tanzania route. It argues that it is cost-effective and does not have the security threat that the Kenyan route poses.

A meeting in March in Nairobi, attended by President Museveni and Kenya's Uhuru Kenyatta, and representatives of the oil firms, resolved to set up a group of technocrats to assess both routes and report in two weeks' time with their findings being the basis of

Adewale Fayemi, General Manager, Total E&P, Uganda

final discussion at the 13th Northern Corridor Integration Projects Summit in Kampala in April, 2016.

The presidents said they would go with "a least-cost option for a regional pipeline" and address the "constructability issues along the route to be chosen."

The experts report says the Tanga route is the least cost option for transporting crude oil to the East African coast; it presents the highest availability; presents the lowest environmental foot print and that it is the shortest schedule to deliver first oil export by mid-2020.

Highs and lows

According to the report, the Lamu port still has a lot of challenges and the attendant costs would be enormous for the parties involved. First, the port is exposed to the south east waves over the banks, with the surrounding islands of Lamu, Manda, Mwamba, Chongoi and Pate unable to shelter it.

On the other side, Pemba Island shelters Tanga bay from the South East monsoon, reducing the wave heights to less than 1 meter. The wave heights reach 3.5 meters off Lamu during the monsoon season, the report says.

There are also strong winds at Lamu, averaging about 380 hours (16 days) annually between 1999 and 2010. This means the countries would incur an annual average export shutdown due to wind estimated at 4.5per cent.

"Additional crude storage volume will be required to avoid upstream production shutdown," the report reads further.

In Tanga, assessment of the same period showed that it has only 12 hours (0.5 days) of wind annually, with export shutdown estimated at just 0.15%, requiring no mitigation measures.

Kenya also has land issues. Assessing from past experiences, technocrats found that it took Kenya more than two years to compensate people and pave way for a particular development project.

It took Tanzania only nine months to have land free for development, giving Dar es Salaam an upper hand over Nairobi.

Cleaning

Uganda and Kenya need millions of dollars of to clean Lamu port if it is to be used. The outer channel has a dredging thickness of 2-6m; the berthing area has 6-12m; and the material to be dredged in the channel is pure rock.

"Based on the Mombasa experience, dredging schedule in Lamu is not compatible with the Ugandan crude oil pipeline project schedule," technocrats report, putting the cleaning cost at between $800m and $1bn. "There are no dredging needed in Tanga and no cost needed."

On environment, Lamu port is described as having "major environmental constraints, with rich ecological and cultural diversity".

Some of them are recognized by Unesco. It has coral reefs in the heart of Manda bay; endemic and unique mangrove trees; also important for fish breeding. On the one hand, Tanga route avoids the Coelacanth marine park and has minor impact on biodiversity area, the report concludes.

Importantly, the report says, the Lamu port development schedule is not compatible with the pipeline project time frame. The contract for its construction was signed in 2013, but as of March 2016, after two years, only the construction camp is partially built, the report says.

For Tanga, there will be no delays to start importing materials for the pipeline and upstream projects as the port is already operational. There are existing roads and railways and available land for marine terminal and yards.

Early this year, Total announced that it had already secured about $4bn to construct the route through Tanzania. There is no certain source of finance for the route through Kenya.

But there is an issue of Uganda putting all its eggs in one basket, according to analysts. That's depending on one country – Kenya – for port services if she chooses to go with Lamu. Uganda is land locked and already depends on Mombasa for its imports. In case of a shutdown in Kenya, with Tanga on her side, analysts say Kampala is safe.

Win-Win

Having said that, East African leaders at the 13th Northern Corridor Integration Projects Summit in Kampala, expressed their support for Kenya's plans to build another pipeline on the from Lokichar in Turkana County and onwards to the Port of Lamu on the Kenyan coast.

These are win-win positions for the people in the oil and gas sector because vast opportunities for investment in various fields are going to be opened up as two crude oil export ports are developed in tandem on the East African coastline.

Presidents: Uhuru, Museveni, Magufuli, and Kagame

Why the pipeline decision will not damage relations

Uganda's tough decision to choose the southern route through the Tanzanian port of Tanga for its crude oil export pipeline is likely to change the dynamics of the region, and open up opportunities for companies that build infrastructure.

With Kenya going ahead to build another pipeline on the northern route albeit from Lokichar in Turkana County to the Port of Lamu it can only mean more jobs and tender opportunities in the region. Kenya is confident that it has more than the 600 million barrels of oil resources it has discovered so far, which would still make the construction of an oil pipeline a commercial venture.

And in true East African Community spirit, the 13th Northern Corridor Integration Projects summit in Kampala, in April, 2016, saw all the regional leaders pledging their support for this move by Kenya.

These are win-win positions for investors in the oil and gas sector because vast opportunities for investment in various fields are going to be opened up as two crude oil export ports are developed in tandem on the East African coastline.

The crude oil pipeline on the Kenyan side is a crucial component of the LAPSSET project, a regional initiative by the Kenyan government to improve the transport network within the country.

The LAPSSET project offers Kenya to intensify its negotiations with South Sudan over the construction of a joint pipeline, which would bring one of the world's newest states closer to the high table of negotiators on matters East African. South Sudan's influence on East African issues is likely to be strengthened with the execution of an oil pipeline with Kenya.

More than anything, however, a pipeline with Kenya could have boosted confidence in Tullow Oil, the oil exploration firm that is, by all accounts, credited for de-risking the potential of hydrocarbons within the two states.

On August 12, 2015 Aidan Heavey, the chief executive officer of Tullow Oil Plc, said: "We plan to further deleverage the business as we look at non-core assets and our retained equity in our major developments. The decision by the Governments of Uganda and Kenya with regard to the pipeline route [to Lamu] will allow this significant project to move into a new technical and commercial phase."

In July 2012, before, Tullow Oil put out a statement which noted how crucial the pipeline was to its Kenyan discoveries. The statement noted: "The companies are currently studying the potential routes and design for an export pipeline, which is a critical element of the overall project." And just to protect its interest, the statement added: "The implications of Tullow's Kenyan oil discovery are being considered as part of this work."

The company is expected to clarify on its regional plans in the coming months, probably when it releases its trading and operational update in late June.

And yet, even without Uganda's oil going through Kenya, there are still far more infrastructure deals that the two countries have to collaborate on.

For example, Kenya agreed to take a 2.5 per cent stake in Uganda's refinery, and was the first East African country to show support.

Also, the two countries still need to build a pipeline from Eldoret to Kampala for petroleum products.

Already, the two countries are building a standard gauge railway, which is still an import project for the oil industry in terms of transporting equipment.

Uganda remains a key trading partner for Kenya, with a number of Kenyan service companies already in the country.

The entry of Tanzania opens a new gateway for the two countries to deepen their trade ties, and possibly widen the commercial regional influence outside Nairobi. More Tanzanian companies are likely to venture into Uganda as trade ties deepen.

James Mataragio, the managing director of Tanzania Petroleum Development Corporation, said at the signing of the memorandum of understanding with the Uganda government to consider the Tanga route that: "this is a great project." He added: "If executed, it will create great opportunities for the people of Tanzania… This project is going to open new investment opportunities, and create jobs. We have that experience required to build and manage pipelines. I want to assure Ugandans that they have got all the support from TPDC and the Government of United Republic of Tanzania."

Already, Tanzania has agreed to hold a significant stake in Uganda's refinery.

Tanzania remains East Africa's main extractives industry, with its value of its gas reserves far outweighing any sector within the region. Tanzania is also trying to discover oil while its mining sector has also attracted large international firms such as Acacia, whose exploration work have transformed the fortunes of the country.

However, there have been few synergies between Uganda and Tanzania over the years despite the strong historical ties – the Tanzania army helped end the Idi Amin reign in Uganda.

Until recently, Tanzania had taken a backseat in discussions involving regional infrastructure, where Uganda, Kenya and Rwanda were taking the lead on 14 key regional projects.

Nonetheless, the country now says it is very much on board on whatever regional project comes up since at the end of the day the countries are interrelated.

Also attending the 13th Northern Corridor Integration Projects summit in Kampala was DR Congo which is interested in being part of the Standard Gauge Railway project and Ethiopia that has its eye on mainly the electricity schemes amongst other infrastructure plans.

Oil price:

Where Uganda is a winner, need for rethink

For motorists in Uganda, there is no other time than this to enjoy the lowest pump prices the country has seen in recent times. See, the prices of petrol have dropped by more than 25% to Shs 2,800 while diesel by 30% to about Shs 2,100 since a year ago.

The global oil prices have fallen massively, hitting $28 a barrel in January this year, the lowest point since 2003 before edging up to $41 this month.

This was down from the $100 per barrel experience in the middle of 2014. To the already producing countries, this was bad news since they had already pegged their budgets on oil income.

To countries like Uganda planning to enter the production stage, it sent shivers down the spine, but gave us an opportunity to better understand how the resource works.

There were worries that Uganda could be heading to something disastrous with its plans to produce the hydrocarbons. In the outlook report for 2016, Razia Khan, Standard Chartered bank's chief economist for Africa Global Research, said the markets were not pricing the oil based on strong fundamentals, and that the bank was confident the prices would recover from their $30-a-barrel mark in the future.

"Standard Chartered is bullish on oil prices," she added. "We may not have been seeing [an increase in the price of oil] in the very near term but we believe markets are not pricing on fundamentals and when they do, the oil price will come back. That's ultimately the good news."

But the most important, Khan said, "Uganda is still seen as one of the winners."

Adewale Fayemi, the general manager of Total E&P, told *The Observer* newspaper in an interview in January that Uganda was in a strong position to reap from its oil resources, especially when the price of oil was low.

Ghana oil workers striking

"When you start a project when the price is at the bottom, you can only hope that by the time the project [matures] after four or five years, the price has gone back up. So, it is a win-win situation [for everyone]," he said.

There have been hard lessons, though. For Uganda, sector players have cut down on their investments and slashed their staff. And there is more trouble if the prices remain low for a long time.

"The longer the uncertainty over prices, the longer it's going to be before Uganda starts to get the benefit of that oil," Khan said.

Bank of Uganda warned last year that a fall in the oil price meant Uganda may experience delays in productions and this "has implications on sentiments on the Ugandan economy, with potential effects on a depressing economic outlook."

Rethink

While Uganda's hopes had been mostly tagged on oil, that it would spur growth and uplift many out of poverty, it is a good time for a fresh thinking, according to analysts.

In a public lecture recently, UK's Department for International Development (DFID) chief economist, Stefan Dercon said the fall in oil prices may well delay Uganda's impending resource rents, and limit its impact.

"This is not bad news – a smaller shock, in slower time will offer a better chance for the rest of the economy and the state to be more resilient to it, and prepare to take full advantage of it," Dercon said.

He added that it is an opportunity for Uganda to go for a more cautious and effective re-balancing of governance and the economy to cope with oil.

Indeed, Uganda has come with legislation and regulation, including the Public Finance Managed Act 2015 passed last year.

But according to Dercon, there is more the country needs to do, including "a strong reallocation to more productive and sustained transformation out of subsistence agriculture.

According to the 2014 census report, 69% (5 million households) of all the 7.4 million households in Uganda were stuck in subsistence farming and needed a deliberate intervention to move them to commercial economy.

"Rapid oil may offer huge opportunities for investment in infrastructure and other sectors, but it also tends to hinder the incentives for tradable sectors to become stronger, and provides strong incentives against good governance and political commitment for inclusion," Dercon said.

In the 2016 Africa's pulse report, the World Bank said in the face of low global commodity prices, governments needed to adjust to a new lower level of commodity prices by diversifying their economies.

And there are plenty of lessons from the rest of the world that these negative effects do not need to materialise, said Dercon.

"For Uganda to take full advantage of new resource wealth, the country needs to take advantage of the possible delay to invest in high potential tradable sectors, including those focused on regional export," said Dercon.

"It also must take the opportunity to think carefully about how to build linkages to the oil sector, not through import content rules, but measures that encourage the development of industrial and service sectors in line with firms' existing and potential technological and managerial capabilities."

Good Intentions for Uganda's Oil Money

Until early last year, how Uganda intended to put its petroleum revenues to use looked incredibly imprecise.

Ariel view of the Kabale-Kisoro

Occasionally, politicians would say: "Uganda will manage its oil resource well". It was just that. Over the years, Ugandans have seen public resources mismanaged for personal gain, and this ambiguity was not comforting.

The passing of the Public Finance Management Act 2015 appears to be the game changer. There is no guarantee that those in charge will respect the new legislation, but there is a promise.

The Act does not just detail how oil revenues should be used but also creates a sovereign wealth fund to help invest this money. It also includes proviso that oil money must be invested in infrastructure and to boost agriculture, rather than used for recurrent expenditure.

Legislation on the management of petroleum revenue is a step in the right direction, according to Paul Bagabo, a Ugandan consultant with the National Institute for Resource Governance (NIRG).

"The intention is good," Bagabo told UK's *Guardian* newspaper early this year.

The Act creates a Petroleum Fund where oil revenues will be saved. It includes provisions for the management of funds and a mechanism for sharing a small portion of royalties with local governments in the oil-producing region.

It also makes it hard for any withdrawals from the Fund. For instance, the Act says, withdrawals from the Petroleum Fund shall only be made under authority granted by an Appropriation Act and a warrant of the Auditor General—to the Consolidated Fund; to support the annual budget; and to the Petroleum Revenue Investment Reserve for investments to be undertaken.

The Act further says the money withdrawn to support the annual budget must not exceed the amount authorized by Parliament in the Appropriation Act.

The Act spells out the kinds of investments that government must use the oil money for, including that money withdrawn from the Petroleum Fund and put to the Consolidated Fund.

"For avoidance of doubt, petroleum revenue shall be used for the financing of infrastructure and development projects of government and not the recurrent expenditure of Government," it specifies.

The money authorized by Parliament and the Appropriation Act but is not withdrawn by the end of the financial year must be retained in the Petroleum Fund, the law adds.

Meanwhile, the Petroleum Revenue Investment Reserve, which will be run by the Bank of Uganda. And parliament would, for every financial year, appropriate money to be paid from the Petroleum Fund to the investment reserve with approval from the Auditor General.

The Act also specifies where the Investment Reserve be invested. The options include; an internationally convertible currency deposit or a debt instrument denominated in an internationally convertible currency that bears interest or a debt instrument of a fixed amount equivalent to interest.

This sort of legislation restores hope in Ugandans that they would see the revenues from oil used in public interest.

> The Act does not just detail how oil revenues should be used but also creates a sovereign wealth fund to help invest this money. It also includes proviso that oil money must be invested in infrastructure and to boost agriculture, rather than used for recurrent expenditure.

Yet it is one in the series of legislations that Uganda has enacted in the last three years to ensure transparency in the sector. The government has also taken time to ensure that the country gets the best possible deals possible from the production sharing agreements.

Last year, researchers at the UK's Effective States and Inclusive Development (ESID) said while Uganda had delayed to produce its first oil, it was poised to manage its oil reserves better than Ghana because of the preparations it's going through.

The researchers said: "rapid production [in Ghana] was not only unproductive in fiscal terms, but also took place in an unregulated environment."

In another angle of preparations, the country has instituted the National Oil Company to manage Uganda's commercial interests within the oil and gas industry, and new rules bar international oil companies from appointing expatriates to positions that qualified Ugandans could occupy. The sector is expected to create hundreds of jobs.

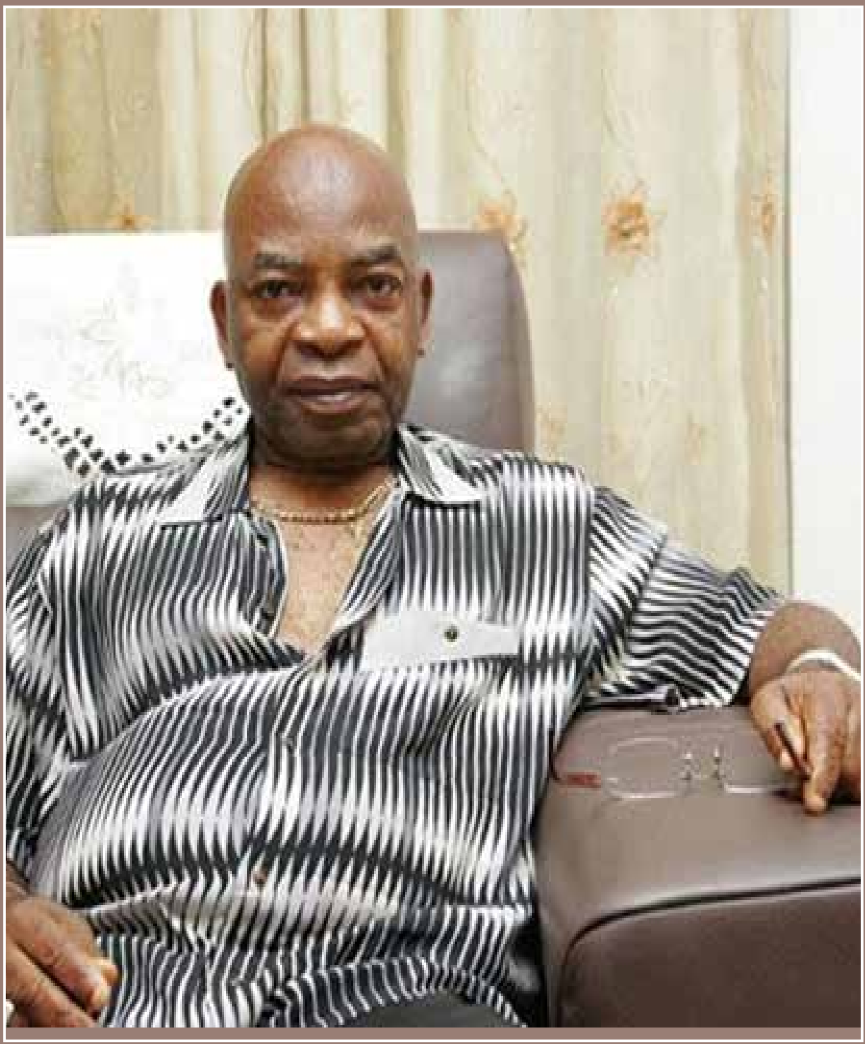
But one hurdle remains. The government has remained extremely secretive when it comes to the Production Sharing Agreements (PSAs). Last December, activists launched an online campaign to urge government to reveal to Ugandans what it had signed with the oil companies. The government is yet to disclose the contents of the agreements.

However, Global Witness, an independent advocacy group, said in 2014 that the PSAs it had seen represented a good deal for the country, especially for those signed in 2012 – with government poised to get up 80% of the oil revenues.

"Government has succeeded in negotiating a better financial deal in these contracts compared with older contracts – for which it should be congratulated," Global Witness said.

Adding, "But there are some significant weaknesses that still need to be addressed. The contracts lack some important human rights and environmental safeguards. This is of particular concern given the unique habitats of the oil region in Uganda which sits on the border with the Democratic Republic of Congo and the Nile River."

10 years later, Nigeria could be Uganda's new oil big brother



Prince Arthur Eze, Atlas Oranto Petroleum International owner

On the eve of its 10-year anniversary since it struck hydrocarbons, Uganda's young oil industry might just have received a new big brother – Nigeria.

The West African country's fingerprints were all over most of the documents that seven companies submitted recently to the Uganda government as they sought licenses in the country's first ever competitive oil-bidding round.

The entry of three Nigerian oil companies - Oranto Petroleum International Limited, Niger Delta Petroleum Resources Limited, and WalterSmith Petroman Oil Limited – could come as a game-changer in the West African's fortunes and relations in Uganda.

With weak trade relations between Nigeria and Uganda, the West African's latest interest in Uganda's oil industry could open a new gateway of deeper business ties between the two countries. At the moment, South African and Kenyan companies dominate much of the business sector in Uganda.

There are, for example, more Kenyan companies cross-listed on the Uganda Securities Exchange than there are Ugandan; while the two largest taxpayers in the country are South African. Nigeria, Africa's biggest economy, has remained on the sidelines.

Therefore, the interest of three oil firms from Nigeria in a share of the six oil blocks on offer also comes as a silver lining for other West African businesses that had earlier ventured into Uganda expecting a windfall of money from the oil industry, only to be disappointed by the delays and disputes that have rocked the sector over the last five years.

Nigerian firms such as AOS Orwell, which specialises in the construction of oil wells and drilling, came to Uganda earlier, expecting to strike a couple of deals within the mid-stream sector. But with oil activities in Uganda having been put on ice for much of the last five years, the company simply has an address in the capital Kampala, with hardly any work being done.

Other Nigeria-owned financial firms such Bank PHB, Global Trust Bank, owned by Industrial and General Insurance, bought controlling stakes in Ugandan financial institutions between 2008 and 2010, partly pegging their hopes on an impending oil boom in Uganda. However, neither Bank PHB, which bought a controlling stake in Orient bank, nor Global Trust Bank that snapped up Commercial Microfinance Limited, were in operation five years after entering Uganda, as a cocktail of problems back in Nigeria and low business volumes in Uganda, led to their collapse.

Those Nigerian firms that have stayed and ridden the storm of low activities in the oil sector have not had it easy. Take the United Bank for Africa, which is yet to break even in Uganda, more than five years since it launched in the market. The Nigerian-owned bank remains financially in the red after years of loss-making because the main segment it targeted – financing oil activities – has been in slumber.

Then there is the NIC Holdings Limited, which is also owned by Industrial and General Insurance, that saw its profitability drop in 2014, compared to the year before, according to the latest available figures. While announcing its right issue in late 2013, Folayan Bayo, NIC's managing director, said the money they were looking for was to partly position the company for the oil and gas sector.

"The funds from the rights issue will be used to expand our business and in the process increase its turnover and market share. In the same vein, we want to get ourselves prepared to be able to take advantage of the emerging opportunities in the oil and energy sector," he said.

Now, the tax disputes over the transfer of licenses and delays in approving company field development plans, which have defined Uganda's oil industry over the last five years, could now be a thing of the past as the country prepares for a new round of exploration activities, with Nigerian companies expected to be at the forefront of this drive.

Fred Kabagambe-Kaliisa, the permanent secretary in the ministry of Energy, issued a statement recently, saying the evaluation of the bids will be primarily based on the proposed work program, technical and financial capability, national content, health safety and environment, proposed royalty and signature bonus. He added that the government would conclude the licensing round by negotiating with successful bidders and sign the production sharing agreements and award exploration licenses by the end of June 2016.

Experts say it usually takes a year to get the rigs ready and transport them to the areas where they are to drill the oil.

Also, Uganda is set to embark on the development stage of its oil industry as the country concludes negotiations over the construction of a crude oil export pipeline and a refinery, both of which have a combined value of close to $9 billion.

A number of West African companies are already positioning themselves to tap into the oil sector. For example, recently, UBA bank carried out a management shake-up, as the company seeks to turn around its fortune. A team of managers from UBA's headquarters in Nigeria were in Uganda recently where it is expected they were laying the ground for a new replacement for the bank's top most position.

It is expected a Nigerian could take over. The bank did not get back to us when we put questions to them over the management structure ahead of Uganda's plans for the development stage of the oil industry.

Also, Tony Elumelu, the owner of UBA group, was in Uganda in June last year, where he had a meeting with President Yoweri Museveni and pledged to invest more money in the country.

Nigerian companies that wish to enter Uganda could find some soft landing though; at least the three main oil companies operating in the country have some links to West Africa. For example, China's CNOOC, which is developing the Kingfisher oil field, has its key African assets in two countries – Uganda and Nigeria. In November last year, Total E&P hired Fayemi Adewale, a Nigerian, as the general manager of its Uganda unit at a time when the country's oil industry is heading to the critical stage of development. Tullow Oil's exploits in Ghana has made it an experienced player in the West African market and is well-known to businesses in that region.

But overall, the Uganda government has borrowed heavily from Nigeria's experience in drafting its draft national content policies. That Uganda tapped Nigerian expertise to come up with its own local content plan offers interested Nigerian companies a better understanding of what the country is trying to achieve with its oil industry.

Nigeria is one of the biggest oil exporters in Africa. With a gross domestic product of more than $500 billion, it dwarfs Uganda's $24 billion.

Uganda has so far discovered 6.5 billion barrels of oil, with about 1.4 billion of that thought to be recoverable. This amount has been discovered from less than half the area thought to be prospective with oil. Uganda hopes the oil revenues it generates will help push it to middle income status.

GOVT COMMITTED TO FIGHTING MINING BOTTLENECKS

The Government of Uganda will continue to engage the private sector to bring an end to the remaining bottlenecks curtailing the full exploitation of the minerals sector.

Speaking at 4th Minerals Wealth Conference held in October 2015, Prime Minister Dr Ruhakana Rugunda, said access to land challenges and the activities of illegal miners among others will be handled swiftly so that they do not spread out.

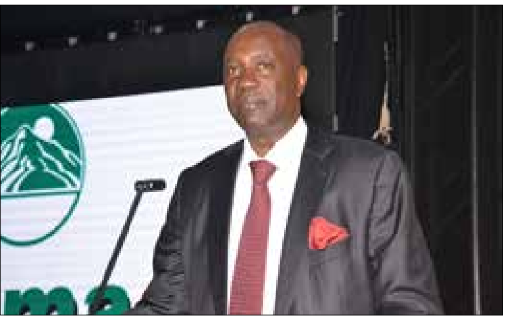
"The mineral wealth belongs to the people of Uganda," noted Rugunda, at the Uganda Chamber of Mines and Petroleum (UCMP) organized annual event.

Rugunda described the UCMP as a reliable and admirable partner in its advocacy in moving the sector forward by bringing clarity and identifying the bottlenecks.

"I salute you for the long standing constructive engagement with government, the consistent dialogue has resulted in the recognition of the minerals sector as one of the key sectors for the country's transformation," noted Rugunda.

The annual mineral conference is important meeting point for shaping direction for a sector whose economic value is estimated to be higher than the discovered oil and gas.

Rugunda commended the idea of the EAC region working together to develop the extractive sector saying the colonial boundaries make no sense.



Guest Speakers came from Aberdeen, Ethiopia, Norway, Kenya and South Africa.

Dr Zwelini Mkhize, the African National Congress treasurer general gave the key note address. He asked Uganda to maintain an aggressive marketing campaign and to boldly market its minerals to the world.

Mkhize also noted the need to ease land access for mining investments. “In South Africa, the ownership of the land is with the people, but the resources are owned by the people but administered by the state,” he noted.

Another speaker from South Africa, Otsile Matlou, a director at ENS, Africa called on Uganda to have a comprehensive national beneficiation framework that should shape the direction Uganda wants to take.

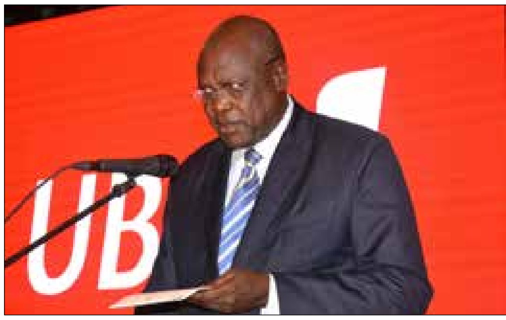
UCMP chairman, Elly Karuhanga promised investors’ the Chamber’s support in pushing for a more conducive business environment. He reminded delegates that such efforts had seen taxes on exploration scrapped amongst other breakthroughs.

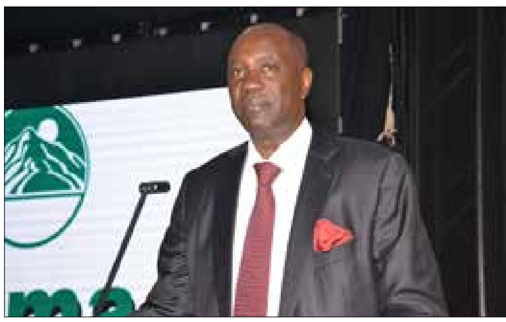
The UCMP has since become a major addition to the EAC Northern Corridor meetings as well as the Presidential Investors’ Round Table, developments Karuhanga attributed to the Prime Minister.

Also a key development at the MWC2015 was the launch of Women in Mining Association in Uganda by Melody Kweba, the head of the South African Women in Mining.

Furthermore, the African Legal Support Facility (ALSF) in partnership with the UCMP held a week long training programme for senior government officials and members of the private sector along the margins of the conference.

The training focused on strengthening participants’ capacity with regards to the institutional, legal, contractual and financial aspects of mining agreements. The capacity building programme aligns with the ALSF’s mandate to build legal capacity in Africa.





A Means to an End or an End in Itself?

Demystifying the Role of the Kimberley Process Certification Scheme in the Diamond Industry

By Chiru Nyagah

There is a deceptive presumption that voluntary schemes such as the Kimberley Process Certification Scheme (KPCS) and the Extractive Industries Transparency Initiative are a panacea for the resource curse phenomenon and several other ills affecting the extractive industry. Nothing can be further from the truth. Their goal is to promote transparency (the means) as a signal response to the resource curse (the end). The term 'resource curse' suggests that resource rich countries tend to grow much slower than less endowed economies. Lack of transparency is one of the contributing factors amongst several others including weak institutions, rent seeking and civil strife.

The genesis of this paper stems from remarks made by Global Witness in 2011 to the effect that voluntary schemes cannot cut it in a multi-polar world. Global Witness asserted in a press statement that, '…KP (Kimberley Process) has failed to deal with trade in conflict diamonds from Côte d'Ivoire, breaches of the rules by Venezuela and diamonds fuelling corruption and state-sponsored violence in Zimbabwe.'

The KPCS has been criticised for not tackling 'state-sponsored' violence in Zimbabwe's Marange diamond fields raising concerns about whether the definition of conflict diamonds should be broadened to include state sponsored violence, since KPCS currently defines conflict diamonds as, '…rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments...'

This issue was addressed at a 2013 KP Plenary Meeting of Heads of State in Johannesburg, however no consensus was reached. This begs the question though, what is the role of the KPCS? Does its mandate include dealing with state-sponsored violence? Shouldn't the buck stop with the respective incumbent government to ensure peace and stability?

Global Witness has been one of the biggest agitators for reform in the diamond industry, putting pressure on governments to curb the proliferation of conflict diamonds. In 1998, it published a report highlighting the civil war in Angola that had been fuelled by conflict diamonds in rebel-controlled areas. Global Witness took issue with various governments for disregarding the United Nations Security Council's embargo on Angolan conflict diamonds. It was also concerned that international diamond markets were taking advantage of the lack of transparency to further their own goals. The severity of the problem was evident from the fact that conflict diamonds had become a major problem in Sierra Leone, Liberia and the DRC.

In response to this growing problem, various leaders converged in Kimberley, South Africa to discuss the way forward, culminating in the launch of the KPCS in 2003. Today, the KPCS comprises of almost 99% of the world's diamond producers. Its objective is to regulate production, export and import of rough diamonds to curb conflict diamonds from

Miners dig for diamonds in Marange, Zimbabwe

penetrating the international market. It requires every shipment of rough diamonds to be accompanied by a duly validated Certificate. Confirmation of receipt of the Certificate should be sent expeditiously to the relevant authority. The Certificate should also refer explicitly to the number of parcels being transported, their carat weight as well as particulars of the exporter and importer of the diamonds. The role of the KPCS therefore is to enhance transparency in the diamond trade but not to end any conflict that may arise therefrom. To suggest otherwise is erroneous.

Indeed, implementation of the KPCS has been hampered by factors such as financial and technical constraints and reluctance by some governments to alter the status quo where this is to their benefit. Another challenge is that it was left to the whims of member states to adopt the recommendations in Annex II of the KPCS Core Document. These recommendations include: identifying and publishing information on areas where rebel diamond mining activity occurs; making known the names of individuals or companies that have been involved in questionable activities; ensuring that all cash purchases are routed through official banking channels so as to expose corrupt and money laundering schemes; and that miners, buyers and sellers are all licensed since most states engage in alluvial mining which is labour intensive.

The rationale of the drafters of the Core Document for adopting recommendations rather than mandatory obligations was that the former would encourage states to join the KPCS – states were drawn to the voluntary nature of the scheme. In 2013, at a KP Plenary Meeting, there was a proposal to transform the recommendations in the Core Document into non-negotiable obligations; however it is not immediately clear whether the resolution passed.

"The role of the KPCS therefore is to enhance transparency in the diamond trade but not to end any conflict that may arise therefrom. To suggest otherwise is erroneous."

These challenges notwithstanding, the KPCS has been effective in promoting a more transparent diamond industry in certain countries, sometimes causing a ripple effect on rebel groups whose activities have eventually been supressed. For example, in Sierra Leone KPCS was instrumental in forcing out illicit diamonds from underground networks leading to an increase in volume of diamond exports passing through the Sierra Leone Government Gold and Diamond Office (GGDO).

That said, the KPCS ought to adopt more stringent measures and heavier penalties for non-compliance if it is going to be more effective in promoting the transparency agenda.

The writer is of the opinion that adopting the proposal put forward at the 2013 Plenary Meeting (if not already adopted) would be a major milestone for the KPCS, curbing any illegal activities that might still be ongoing.

Chiru Nyaga is a lawyer specialising in oil and gas and energy. The Managing Director of Exin Africa, she also consults for the Kenya Chamber of Mines. Email: chiru@exinafrica.com & info@

Top 10 issues mining companies will face in 2016

Caption: *A staggering Chinese economy hurting the global mining industry*

In December 2015, Deloitte Energy & Resources released ***"Tracking the Trends 2016 – Are We There Yet?"*** which discussed the top 10 issues mining companies will face in the coming year. This is an executive summary of the same:

Despite predictions and hidden hopes that the mining sector will imminently recover, the industry's down cycle continues apace. Weak commodity prices, declining grades and a falloff in demand—particularly from China—are exacerbating capital shortages and impelling companies to cut back on their exploration spending. Yet regulatory mandates, tax burdens and stakeholder expectations remain as high as ever. As a result, miners find themselves caught between the proverbial rock and hard place, uncertain how to extricate themselves from the negative spiral.

In many ways, the industry has come to a crossroads. On the one hand, opportunities still abound. As with previous down cycles, this one too will come to an end once the spectre of commodity shortfalls becomes reality and demand once again outstrip supply. Forward-thinking companies are preparing for the eventual upswing by strengthening their operational excellence, improving productivity, embracing innovation and adopting transformative technologies.

On the other hand, some changes seem enduring. China's shifting economic realities could arguably alter global mining market dynamics for years to come. The changing global energy mix will slowly but surely impel miners to reconsider their asset portfolios. And the ever-expanding view of corporate and personal welfare will continue to drive miners to refine their safety programs and devise more effective stakeholder engagement strategies.

Amid this mutable environment, miners are increasingly asking tough questions: Have the world's demand factors for commodities irrevocably changed? Do we need new mining approaches? Is the traditional profit model shifting? Can we afford to take out more costs? Is our financing model broken? How can we reduce unsustainable debt levels?

While not all these questions have answers, they need to be asked if miners hope to position for growth in what promises to be an altered future. The companies most likely to succeed are those that relentlessly seek to uncover best practices, reward innovation and take bold actions across the board.

Tanzania's coal plans music to Uganda's steel investors

Edenville Energy, a UK energy company, will start searching for commercial coal deposits at the Rukwa coal deposit within the next three months after the government formally handed it a 10-year mining licence.

According to the terms agreed with the government, Edenville is expected to start producing coal within 18 months from the date the license was granted.

Rufus Short, CEO of Edenville, said officials of the Tanzanian government "have expressed the strong desire to see Edenville commence preparatory ground works within the next three months, followed by a formal opening ceremony to 'break ground' in Q3 2016 and commercial production within 18 months."

He explained that the company is currently engaged in discussions with the energy ministry and the Tanzania Electric Supply Company Limited that could lead to the signing of a framework agreement to allow negotiations for a Power Purchase Agreement and Transmission Line Agreement to formally commence.

The award of the license to Edenville points to Tanzania's strong push to develop its coal resources. For example, in January, Rukwa Coal Limited, a subsidiary of Kibo Mining Plc, received three new prospecting licenses from the government, which, the parent company announced, will widen the 109 million tonne Mbeya Coal mineral resource.

Kibo has already hired Tractebel Engineering to carry out a definitive feasibility study for the Mbeya Coal to Power Project, which could lead to a 250-300MW plant being established.

A pre-feasibility study noted that Mbeya could achieve annual revenues of $48 million, with a profit margin of $24 million to $27 million a year.

With Uganda seeking to develop its rich iron ore deposits, the prospects of getting cheap coal next door will be music to mining investors.

Edenville noted that it intends to commission a final bankable feasibility study for its project. Sourcing for money remains one of Edenville's biggest tasks. The company announced that "since the grant of the mining licence it has moved forward discussions with numerous potential investors and is considering options for sourcing and structure of project debt and equity."

Edenville will have to carry on with those discussions without Sally Schofield, its non-executive chairperson, who resigned recently citing personal reasons.

UCMP MEMBERS 2015-2016

Chamber Diamond Members

COMPANY	CONTACT PERSON	SECTOR
1. **Tullow Oil Ltd**	Mr. Abdul Kibuuka	Oil and gas exploration and production
2. **CNOOC Uganda**	Ms. Chai Wei	Oil and gas exploration & production
3. **Total E&P Uganda**	Mr. Ahlem Friga-Noy	Oil and gas exploration & production
4. **Bank of Africa**	Ms. Sarah Muhaise	Banking
5. **Housing Finance Bank**	Ms. Judith Owembabazi	Banking
6. Zakhem International Construction Ltd	Mr. Peter Bitarakwate	Oil & Gas Infrastructure

Chamber Gold Members

COMPANY	CONTACT PERSON	SECTOR
7. **DFCU Bank**	Mr. James Mugabi	Banking
8. **Orient Bank**	Mr. Nicholas Sennungi	Banking
9. **Hima Cement Ltd**	Mr. Daniel Pettersson	Cement Manufacturers
10. Stanbic Bank	Mr. James Karama	Banking
11. **Standard Chartered Bank**	Ms. Cynthia Mpanga	Banking
12. **Lion Assurance Co. Ltd**	Mr. Newton Jazire	Insurance
13. **United Bank for Africa (U) Ltd**	Mr. Wibrod Owor	Banking
14. **Barclays Bank**	Mr. Gibson Nangono	Banking
15. **Roofings Group**	Mr. Stuart Mwesigwa	Steel Manufacturing
16. **Centenary Bank**	Mrs. Beatrice Lugalambi	Banking
17. **KPMG**	Mr. Benson Ndungu	Audit, Tax and Advisory

18. **AERSUD Uganda Ltd**	Mr. William Mutlow	Mineral Trading & Mining
19. ENS AFRICA	Mr. Alexander Kibandama	Law Firm
20. Mukwano Industries Uganda Ltd	Mr. Ali Reza	Manufacturing
21. Sebalu & Lule	Mr. Nicholas Ecimu	Law Firm
22. Tibet Hima Mining Co. Ltd-Kilembe Mines	Mr. Alex Kwatampora	Copper Mining
23. UHY Thakkar & Associates	Mr. Sam Thakkar	Tax Advisory, Accounting
24. International Energy Technik (U) Ltd	Mr. Dinanath Yadav	Electrical Engineering

Chamber Silver Members

COMPANY	CONTACT PERSON	SECTOR
25. Agility logistics ltd	Mr. Lakshmi Narasimha	Logistics
26. **AON Risk Services**	Ms. Caroline Athiyo	Insurance & Risk Management
27. **AUC mining Ltd**	Mr. Moses Masagazi	Gold mining
28. **BTS clearing & forwarding**	Ms. Merian Sebunya	Clearing and Forwarding
29. **Greenstone Resources Ltd**	Mr. Nimit Patel	Gold mining
30. **AIG Uganda Limited**	Mr. Edward Hire	Insurance
31. **Citibank U Ltd**	Ms. Bagorogoza Clare	Banking
32. **Civicon Limited**	Mr. Nick Dames	Mechanical & Civil Engineering Works
33. **Deloitte U Ltd**	Mr. Tallarovic Matthew	Auditors
34. **Eagle logistics solutions ltd**	Mr. David Walabyeki	Customs Clearance, Heavy Equipment Hire
35. **East African Chains U Ltd**	Mr. David Mayanja	Dealers in Mechanical Tools
36. **ORTEC Group**	Ms. Michele Ottria	Lifting Services
37. **Epsilon U Ltd**	Ms. Hellen Nambi	Waste Management

38. **Ernst & Young**	Mr. Muhammed Ssempija	Auditors
39. **Farm Engineering Industries**	Mr. T. S Padhaal	Equipment Supply
40. **Flemish inv. Ltd**	Mr. Bruce Milne	Mineral Exploration
41. **GCC Services (U) Ltd**	Mr. Wesley Musinga	Facilities Maintenance & Catering Services
42. **Goodlife (U) Ltd**	Mr. Shem Nnaggenda	Training Solutions
43. **Namekara Mining Company Limited**	Mr. Henson Mambo	Mining
44. **Halliburton International Inc.**	Ms. Natasha Epenu	Oil & Gas Services
45. Schlumberger Oilfield	Mr. Denis Bonifay	Oil &gas services
46. **Kampala Associated Advocates**	Mr. David Mpanga	Law Firm
47. **Krone (U) Ltd**	Mrs. Rose Rugazora	Mineral Exploration/ Wolfram
48. **ABMAK Associates**	Mr. Denis Kusaasira	Law Firm
49. **Lloyds British Testing**	Mr. Andrew Davies	Inspection, Training and Assessment
50. **Marsh Uganda Ltd**	Mr. Paul Mulira	Insurance & Risk Management
51. Askar Investments Ltd/ Askar Security	Mr. Kellen Kayonga	Mineral Exploration/Tantalite
52. **Multilines International U Ltd**	Mr. Gerald Mukyenga	Clearing and Forwarding
53. Astor Finance Plc Ltd	Mr. Gordon Sentiba	Micro-Leasing and Financial Services
54. Oli gold muruli Ltd/ Gold Empire Ltd	Mr. John Muruli	Gold Exploration
55. **Oryx minerals ltd**	Mr. Garvin Conway	Mineral Exploration
56. **Ogas Solutions**	Mr. Patrick Danaux	Recruitment and Training
57. **Pricewaterhouse Coopers Limited**	Mr. Francis Kamulegeya	Auditing, Tax and Advisory Services

58. **Richflo Lift services**	Mr. Richard Magezi	Lift Services
59. **Bollore Africa Logistics**	Ms. Nancy Kiconco	Logistics Service Provider
60. **Semliki Rift Rrading Co**	Mr. Patrick Van Pee	Lift Services& Ferries
61. **Sino Minerals Investments Co. Ltd**	Ms. Sarah Namara	Mineral Exploration
62. **Specialized Welding Services/Strategic Logistics**	Mr. Sameer Vyas	Welding Services
63. **Spedag Interfreight U Ltd**	Mr. Dilip Bhandari	Logistics Service Provider
64. **Threeways shipping**	Mr. Jeff Baitwa	Logistics Service Provider
65. **Toyota U Ltd**	Mr. Dino Romano Bianchi	Car Dealers
66. **Uganda Insurers Association**	Mr. Faith Ekudu	Insurance
67. **Union Logistics**	Mr. Hitesh Shan	Clearing and Forwarding
68. **Victoria Equipment Ltd**	Mr. Peter Sekandi	General Machinery
69. **Victoria Motors Limited**	Mr. Dickson Mwesigwa	Car Dealers
70. **Woodmore Energy Consultancy Ltd**	Mr. David Kayemba	Oil & Gas Downstream
71. **British High Commission**	Mr. Eric Olanya	Diplomatic Mission
72. **Sterling Global Operations, Inc**	Mr. Nobert F. Rugunda	Critical Mission Support & Site Restoration Services
73. **Let's Go Travel**	Mrs. Joan Kantu Else	Tours & Travel
74. **Achelis Uganda Ltd**	Mr. Hans Georg Hinterberger	Equipment Sale & Rental
75. **Africa Ecoinvest**	Dr. Abdullahi Hajji	Mining & Energy
76. **Pearl Engineering Company Limited**	Mr. Gumisiriza Birantana	Construction

77. **Enviroserv U Ltd**	Ms. Jennifer Bangirana	Waste Management
78. **Goldstar Insurance Co. Ltd**	Mr. Paul Kavuma	Insurance
79. **UAP Insurance Uganda Ltd**	Ms. Ruth Nduhukire	Insurance
80. **Unifreight Cargo Handling**	Ms. Jennifer Mwijukye	Cargo Handling
81. **First Mining Company Ltd**	Mr. Dorde Grujic	Mining
82. **The Mineral Group Co. Ltd**	Mr. Barnabas Taremwa B	Mining
83. **Gras Savoye Uganda Insurance Brokers Ltd**	Mr. Ronnie Musoke	Insurance
84. **Sipa Exploration Uganda Ltd**	Ms. Natasha Venus	Mining
85. **Sheraton Kampala Hotel**	Mr. Ian Duncan	Hospitality
86. **Beta Projects Ltd**	Mr. Nelson Mugenyi	Procurement & Consulting
87. **ADT Africa Explorational Drilling Services**	Mr. Ben Vietnieks	Exploration Drilling Services
88. Tower Resources plc	Mr. Rashid Mugabe	Oil & Gas Exploration and Production
89. **Aerophoto Systems Engineering Co.**	Mr. Nalukoola Muwanga	Airborne Geospatial Data Acquisition, Aerial Photography, Surveying, Mapping
90. East African Gold	Hon. Richard Kaijuka	Mineral Exploration
91. **Megha Minerals**	Mr. Sikander Meghani	Mineral Exploration
92. Capital Law Partners	Mr. Ronald Asiimwe Mitegyeko	Law Firm

93. Mineral Services Ltd	Mr. Edward Kabuchu	Construction, Warehousing, Camp Building, Motor Vehicle Support
94. Kenfreight	Mr. Amos Dwoka	Freight Services
95. Velosi Corporate Services	Mr. Willie Rankin	Asset Integrity Management
96. Simba Mines and Mineral Resources Ltd	Mr. Jonny Sasirwe	Mining
97. Mantrac Uganda Ltd	Mr. Walid Hassan	Caterpillar Products
98. Tororo Cement Limited	Mr. Gagrani B. M	Cement Manufacturers
99. Beta Minerals Ltd	Ms. Jennifer Hinton	Mineral Exploration
100. TransAfrica Assurance Company Ltd	Mr. Madhav Kumar	Insurance
101. Ligomarc Advocates	Mr. Joshua Ogwal	Law Firm
102. Traminco U Ltd	Mr. David K Kawooya	Roads, Mining, Consulting, Construction, Earthmoving
103. Quantum Express Logistics	Mr. George Odeke	Freight Forwarding Logistics Services
104. Nangwala, Rezida, & Co. Advocates	Mr. Nangwala James	Law Firm
105. Niletrac Uganda Ltd	Mr. Mark Davidson	Dealers in plant & machinery
106. Geotraceability	Mr. Matthieu Guemas	Mineral Traceability
107. Ssaka Transport Co. Ltd	Mr. Rolland Mulindwa	Transport & Logistics
108. Fabrication Systems (U) Ltd	Mr. Safir Hajee	Printing & Packaging Services

Chamber Individual Members

Name	Specialty
109. **Mr. Brian Kaggwa**	Lawyer
110. **Mr. Joshua Tuhumwire**	Mining
111. **Mr. Malkit Singh Saini**	Construction
112. **Mr. Minaz Karmali**	Businessman
113. **Mr. Rajesh Dewani**	Construction
114. Mr. Harald Van Aubel	Fabrication
115. Rossini Silveira	Oil, Gas & Renewable Energy

3rd Floor, Amber House
Plot 29/33 Kampala Road
P. O. Box 71797 Kampala
info@ucmp.ug
www.ucmp.ug

APPLICATION FORM FOR MEMBERSHIP

To: The Executive Secretary,
Uganda Chamber of Mines and Petroleum
P.O. Box 71797 Kampala
E-mail: **info@ucmp.ug**

I hereby apply for membership of the Uganda Chamber of Mines and Petroleum

Company/Organization……………………………………………………………………..

Address:……………………………………………………………………………………

……………………………………………………………………………………………

Telephone………………………………………………………………………………...

Contact person: ……………………………………………………………………………

Position……………………………………………..Telephone……………………………

E-mail: …………………………………………………………………………………...

Please provide a brief description of your company/investment, its size and its activities.

Description...

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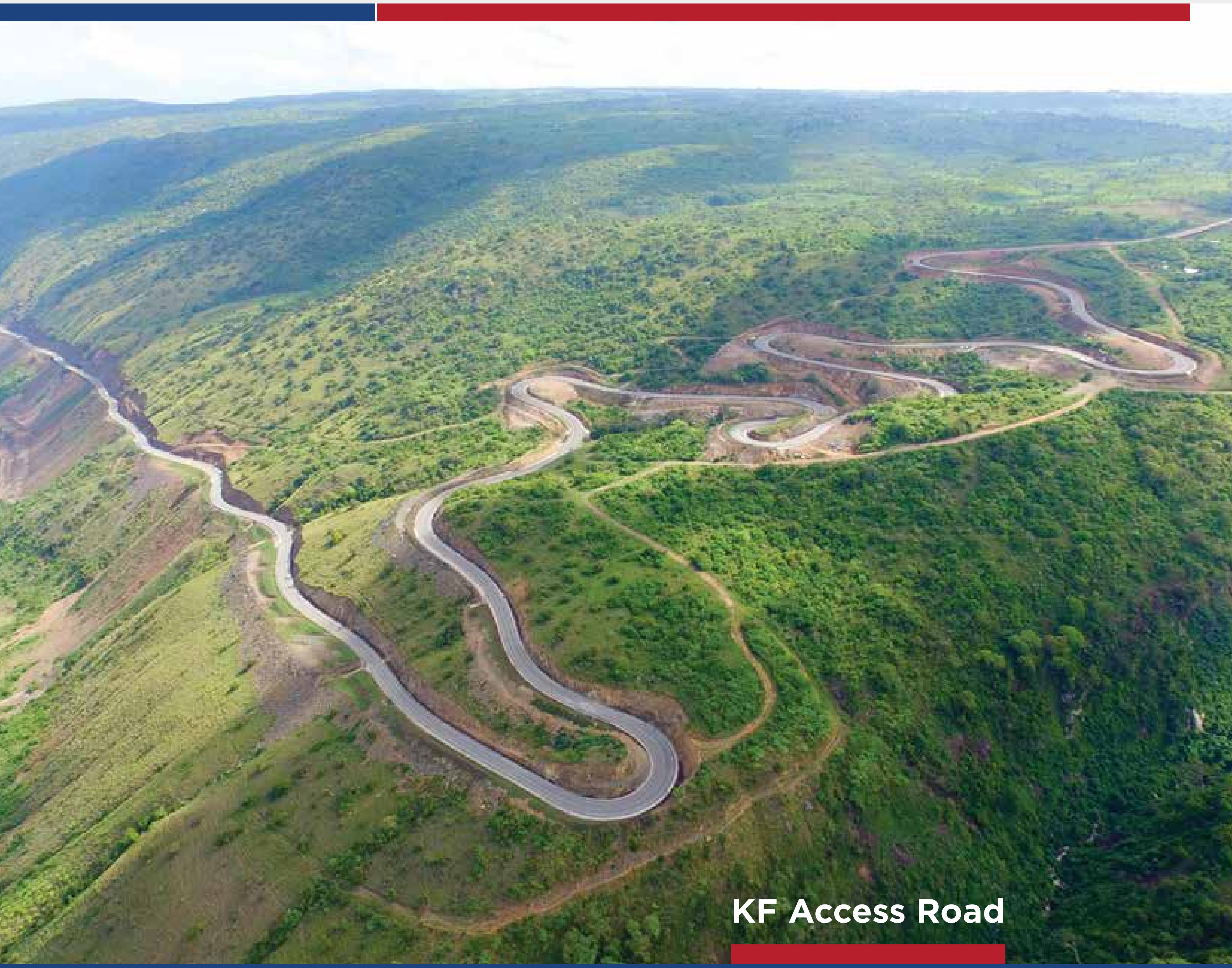
Signature of Applicant: ……………………………….…. Date: ………………………

Your application will be considered by the Governing Council as soon as possible.

As the licensed operator of the Kingfisher development area, CNOOC Uganda is committed to developing the oilfield in a more efficient, environmentally friendly, sustainable manner.



CNOOC Uganda Limited
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Tel: +256 204 500 205