SUSTAINABLE DEVELOPMENT OF PETROLEUM RESOURCES PROGRAMME

Annual Budget Monitoring Report

Financial Year 2023/24

October 2024

Budget Monitoring and Accountability Unit
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ABBREVIATIONS AND ACRONYMS

AGI	Above Ground Installation
AGRC	Albertine Graben Refinery Consortium
CNOOC	Chinese National Offshore Oil Corporation
CPF	Central Processing Facility
DP	Directorate of Petroleum
E&P	Exploration and Production
EA	Exploration Area
EAC	East African Community
EACOP	East African Crude Oil Pipeline
EISA	Environmental Impact and Social Assessment
EPC	Engineering Procurement and Construction
FDP	Field Development Plan
FEED	Front End Engineering Design
FID	Final Investment Decision
GoU	Government of Uganda
HGA	Host Government Agreement
HSE	Health Safety and Environment
IFC	International Finance Corporation
IFMS	Integrated Financial Management System
JST	Jinja Storage Terminal
JV	Joint Venture
KIP	Kabalega Industrial Park
KST	Kampala Storage Terminal
LPG	Liquefied Petroleum Gas
MCPY	Main Camp and Pipeline Yard
MDAs	Ministries, Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MFPED	Ministry of Finance, Planning and Economic Development
MoJCA	Ministry of Justice and Constitutional Affairs
MLHUD	Ministry of Lands, Housing and Urban Development
MPS	Ministerial Policy Statement
NDP III	National Development Plan 3
NEMA	National Environment and Management Authority
NOGP	National Oil and Gas Policy
NOGTR	National Oil and Gas Talent Register
NPC	National Pipeline Company
NPDR	National Petroleum Data Repository
NPP	National Petroleum Policy
NSD	National Supplier Database
NTR	Non-Tax Revenue
OGTAU	Oil and Gas Training Institutions Association of Uganda
PAPs	Project Affected Persons
PAU	Petroleum Authority of Uganda
PBS	Programme Budgeting System
PDHs	Physically Displaced Households
PEPD	Petroleum Exploration and Production Department
PIAP	Programme Implementation Action Plan

PIP	Public Investment Plan
PPDA	Public Procurement and Disposal of Assets
PPP	Public-Private Partnership
PRR	Petroleum Reservoir Report
PS	Pumping Station
PSA	Production Sharing Agreement
QHSSE	Quality Health, Safety, Security and Environment
RAP	Resettlement Action Plan
RDP	Refinery Development Program
RMP	Reservoir Management Plan
ROW	Right of Way
RTMC	Real-Time Monitoring Centre
SDPR	Sustainable Development of Petroleum Resources
SEA	Strategic Environmental Assessment
SME	Small Medium Enterprise
ToR	Terms of Reference
TPA	Tripartite Agreement
TSA	Transportation and Storage Agreement
UDB	Uganda Development Bank
UNBS	Uganda National Bureau of Standards
UNOC	Uganda National Oil Company
URHC	Uganda Refinery Holding Company Limited
VTI	Vocational Training Institution

FOREWORD

At the start of the Financial Year 2023/24, the Government of Uganda outlined strategies to restore the economy back to the medium -term growth path and improve competitiveness. The strategic interventions that were prioritized under various programmes included: roads under Integrated Transport; electricity under the Sustainable Energy Development; irrigation under Agro-Industrialization; Industrial parks under Manufacturing; support to medical schools and science-based research and development under Human Capital Development; as well as oil and gas among others.

Annual programme assessments have been made, and it has been established that performance was fairly good. This implies that programmes are on track, but with a lot of improvements required. To that effect, I urge you to critically review the findings of the performance reports with a view to improving effectiveness in implementation of activities going forward. These monitoring findings form a very important building block upon which programmes can commence the reflective exercises.

The government has embarked on the 10-fold growth strategy that demands for enhanced efficiency and effectiveness within programmes. We cannot afford to have fair performance scores hence forth, as this will jeopardize the prospects of doubling the economic growth rates in the medium term.

Ramathan Ggoobi
Permanent Secretary/ Secretary to the Treasury

EXECUTIVE SUMMARY

The Sustainable Development of Petroleum Resources programme budget was revised to Ug shs 579.3 billion from Ug shs 447.1 billion. The supplementary budget was for additional equity funding to Uganda National Oil Company (UNOC) for the East African Crude Oil Pipeline (EACOP). Both release and absorption were good at Ug shs 487.8 billion (84.2%) and Ug shs 478.9 billion (98.2%) respectively by 30th June 2024. Despite the good release, the financing to the programme was inadequate and as such key planned outputs were not achieved.

The overall physical performance of the Sustainable Development of Petroleum Resources programme was fair at 65.3%. The overall local participation in upstream and midstream oil and gas activities was good (90.3%). Good compliance level (99.2%) of the downstream retail outlets was registered. A total of Ug shs 183.6 billion (72%) was generated as revenue from the oil and gas activities during the FY. Under the 3 sub-programmes in the oil and gas value chain progress was made towards commercial oil production

The Up-stream sub-programme performance was fair at 57.9%. Reconnaissance surveys in the Northern Lake Kyoga basin were undertaken but no geophysical data had yet been acquired. Further exploration work in the Moroto-Kadam basin stagnated at 78% due to the insecurity in the Karamoja region. The second licensing round had been concluded with the Kasuruban and Turaco blocks awarded to Uganda National Oil Company (UNOC) and DGR Global Limited respectively. The third licensing round for additional prospective explored areas had however not begun pending the development of the third licensing strategy and plan. As a result, no new exploration licenses were granted. Poor performance was noted in the equipping of the National Data Petroleum Repository (NDPR) and development of the integrated management systems.

Good performance was observed in the construction of the Central Processing Facilities (CPFs) to fast track production of the first oil. The development of the upstream facilities in preparation for the first oil in the explored areas of Tilenga and Kingfisher progressed to 38.1% and 48.7% respectively. A cumulative total of 65 wells (Tilenga -56, Kingfisher- 9) of the planned 457 (Tilenga- 426, Kingfisher- 31) were drilled. The Resettlement Action Plan (RAP) for Kingfisher was completed and in the Tilenga exploration area, RAP was at 97% with 4,868 of affected persons compensated. Also, construction works on 189 against 201 resettlement houses for project affected persons in the Tilenga area had been completed.

The laying and installation of flow lines and the feeder pipelines in Kingfisher and Tilenga was ongoing. Works on the feeder pipeline for transportation of oil from the respective central processing facilities (CPFs) to the export hub in Hoima commenced.

The Midstream sub-programme performance was good at 70.3% and the development of the midstream infrastructure was at various stages. The East African Crude Oil Pipeline (EACOP) 40% equity contribution by the partners was completed. The Government was finalizing the search for debt financing for the EACOP project. The EACOP construction works progress was at 35.9% and 700km of line pipes were delivered. The works on the pipeline yard and main camps along the EACOP route commenced and site levelling was ongoing. The resettlement of persons affected by the EACOP and products pipelines progressed to 97% and 76.4% respectively.

Under the refinery development, the Project Framework Agreement (PFA) with the private partner expired on 30th June 2023. The development of the project was proceeding as a public sector led one. The government released Ug shs 147.69 billion as part of the phased disbursements for the refinery equity while the search for the refinery financing partner continued.

Promotion of national participation in oil and gas activities was conducted and the total people employed in the sector was 13,067. Of these, 11,752 (90%) were Ugandans from other areas and 4,344 were from the host communities. It was however noted that the number of Ugandans employed in the sector reduced by 3% from 12,121 of FY 2022/23. The total number of qualified companies was 3,059 with 2,440 (79.8%) being Ugandan firms. The local companies benefited by a total of US$ 94.9 million (45%) of the total contracts awarded during the FY.

The downstream sub-programme performance was fair at 67.6%. The Petroleum Supply Act to give UNOC the sole mandate to import petroleum products for the country was enacted. Additionally, the oil marketing company sales and purchase agreement was finalized. The UNOC restocked the Jinja Storage facility with 19.4 million litres (65%) of fuel. This stock level was however below its storage capacity of 30 million litres. As part of regulation of the downstream petroleum supply value chain, 86% of retail outlets were monitored for fuel quality. The promotion of uptake of Liquefied Petroleum Gas (LPG) as a substitute for charcoal did not progress due to low fund allocation during the FY.

Challenges

i. Delayed closure of the debt financing for the oil projects (crude oil pipeline and refinery) risks further delaying the production of the country's first oil since all the joint venture partners have exhausted their required equity contribution.
ii. There were delayed works on the key oil infrastructure especially the Central Processing facility in the Tilenga area and EACOP which were behind schedule.

Recommendations

The Government and Joint Venture Partners should fast track financial closure for the EACOP debt financing so that on-going works are not further disrupted by funding.

CHAPTER 1: BACKGROUND

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilization, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development.*"

The MFPED through its Budget Monitoring and Accountability Unit (BMAU) tracks the implementation of programmes/projects by observing how values of different financial and physical indicators change over time against stated goals, and indicators. The BMAU work is aligned with budget execution, accountability, and service delivery.

Commencing FY 2021/22, the BMAU began undertaking Programme-Based Monitoring to assess performance against targets and outcomes in the Programme Implementation Action Plans (PIAPs)/Ministerial Policy Statements. Semi-annual and annual field monitoring of Government programmes and projects was undertaken to verify receipt and expenditure of funds by the user entities and beneficiaries, the outputs and intermediate outcomes achieved, and the level of gender and equity compliance in the budget execution processes. The monitoring also reviewed the level of cohesion between sub-programmes, and noted implementation challenges.

The monitoring covered the following programmes: Agro-Industrialization; Community Mobilization and Mindset Change; Digital Transformation; Human Capital Development; Innovation, Technology Development and Transfer; Integrated Transport Infrastructure and Services; Manufacturing; Mineral Development; Natural Resources, Environment, Climate Change, Land and Water Management; Public Sector Transformation; Sustainable Development of Petroleum Resources; and Sustainable Energy Development.

This report presents findings from the annual monitoring of selected interventions under the Sustainable Development of Petroleum Resources programme for the budget execution period from 1st July 2023 to 30th June 2024.

1.2 Programme Goals and Objectives

The Sustainable Development of Petroleum Resources (SDPR) Programme aims to attain equitable value from petroleum resources and spur economic development in a timely and sustainable manner.

The key Programme objectives are to:

i. Ensure sustainable production and utilization of the country's oil and gas resources;
ii. Strengthen policy, legal and regulatory frameworks as well as the institutional capacity of oil and gas industry;
iii. Enhance local capacity to participate in oil and gas operations;
iv. To promote private investment in the oil and gas industry;
v. Enhance Quality Health, Safety, Security and Environment; and
vi. Improve security of supply of refined petroleum products.

The key expected results are:

i. Reducing the volume and value of imported petroleum and petroleum products;
ii. Increasing revenue from the oil and gas industry and its contribution to Gross Domestic Product (GDP); and
iii. Creating more employment opportunities for Ugandans along the petroleum value chain

1.3 Sub-programmes

The programme is comprised of 3 sub-programmes, namely:

i. Upstream Sub-programme which covers promotion, licensing, exploration, development and production of oil and gas;
ii. Midstream Sub-programme which includes transportation, refining of oil and conversion to gas; and
iii. Downstream Sub-programme which deals with distribution of petroleum products.

The lead implementing agency for the programme is the Ministry of Energy and Mineral Development (MEMD), whereas the Petroleum Authority of Uganda (PAU) and the Uganda National Oil Company (UNOC) are key agencies in implementation. Other key partners in the programme are the Ministry of Finance, Planning and Economic Development (MFPED), National Environmental Authority (NEMA), Uganda National Bureau of Standards (UNBS) and the private joint venture partners (TOTAL Energies, China National Offshore Oil Corporation /CNOOC).

1.4 Programme outcomes

The expected outcomes under the sustainable development of petroleum resources programme are:

i. Increased revenue from oil and gas resources;
ii. Increased contribution of the oil and gas sector to employment;
iii. Increased contracts awarded to Ugandan firms in the oil and gas value chain;
iv. Increased private investment in the oil & gas industry;
v. Improved safety in the oil and gas industry;
vi. Increased days of security stock levels of refined petroleum products; and
vii. High-quality supply of refined petroleum products.

CHAPTER 2: METHODOLOGY

2.1 Scope

This monitoring report is based on selected interventions in the Sustainable Development of Petroleum Resources Programme covering the three sub-programmes. The interventions and respective outputs reviewed under each sub-programme; Ministry, Department and Agency/(MDAs)/Vote are listed in *Annex 1*. Monitoring involved analysis and tracking of inputs, activities, processes, and outputs in the Ministerial Policy Statements (MPSs), annual and quarterly work plans and progress/performance reports of MDAs. A total of 13 interventions were reviewed. The 13 reviewed interventions translated into 92.5% coverage of projected funding under the MPS allocation.

The selection of interventions to monitor was based on the following criteria:

1) Significant contribution to the programme objectives and national priorities;
2) Levels of investment and interventions that had a large volume of funds allocated were prioritized;
3) Planned outputs whose implementation commenced in the year of review, whether directly financed or not; and
4) Completed projects to assess beneficiary satisfaction, value for money and intermediate outcomes.

2.2 Data Collection and Analysis

2.2.1 Data collection

Both qualitative and quantitative methods were used in the monitoring exercise. The physical performance of interventions, planned outputs and intermediate outcomes were assessed by monitoring a range of indicators. The progress reported was linked to the reported expenditure and physical performance.

The monitoring team employed both primary and secondary data collection methods. Secondary data collection methods included:

i) Literature review from key policy documents including, Ministerial Policy Statements (MPS) FY 2023/24, National and Programme Budget Framework Papers, Re-prioritized Programme Implementation Action Plans (PIAPs), quarterly progress reports and work plans for the respective implementing agencies, Quarterly Performance Reports, Budget Speech, Public Investment Plans, Approved Estimates of Revenue and Expenditure, project reports, strategic plans and policy documents; and
ii) Review and analysis of data from the Integrated Financial Management System (IFMS); Programme Budgeting System (PBS) and Quarterly Performance Reports.

Primary data collection methods on the other hand included:

i) Consultations and key informant interviews with Institutional heads, project managers at various implementation levels;
ii) Field visits to various districts for primary data collection from Household Heads, and service beneficiaries; observation and photography; and
iii) Call-backs in some cases were made to triangulate information.

2.2.2 Data Analysis

The data was analyzed using both qualitative and quantitative approaches.

Qualitative data was examined and classified in terms of constructs, themes or patterns to explain events among the beneficiaries (interpretation analysis) and reflective analysis where the monitoring teams provided an objective interpretation of the field events.

Quantitative data on the other hand was analyzed using advanced excel tools that aided interpretation. Comparative analyses were done using percentages, averages, and cross-tabulations of the outputs/interventions; intermediate outcome indicators and the overall scores. Performance of outputs/interventions and outcomes was rated in percentages according to the level of achievement against the annual targets. The sub-programme score was determined as the average percentage ratings for the outputs/intermediate outcomes in the ratio of 65%:35% respectively.

The overall programme performance is an average of the individual sub-programme scores assessed. The performance of the programme and sub-programme was rated based on the criterion in **Table 2.1.** Based on the rating assigned, a BMAU colour-coded system was used to alert the policy makers and implementers on whether the interventions were achieved or had very good performance (green), or good performance (yellow), fair performance (light gold) and poor performance (red).

Table 2.1: Assessment guide to measure performance for FY 2023/24

Score	Performance Rating	Comment
90% and above	Green	Very Good (Achieved at least 90% of outputs and outcomes)
70%-89%	Yellow	Good (Achieved at least 70% of outputs and outcomes)
50%- 69%	Light Gold	Fair (Achieved at least 50% of outputs and outcomes)
49% and below	Red	Poor (Achieved below 50% of outputs and outcomes)

Source: Author's Compilation

Ethical considerations

Introduction letters from the Permanent Secretary/ Secretary to Treasury were issued to the respective MDAs monitored. Consent was sought from all respondents including programme or project beneficiaries. All information obtained during the budget monitoring exercise was treated with a high degree of confidentiality.

2.3 Limitation

Lack of disaggregated financial information for some of the outputs.

2.4 Structure of the Report

The report is structured into four chapters. These are: 1) Introduction; 2) Methodology; 3) Programme performance; and 4) Conclusion, and Recommendations respectively.

CHAPTER 3: PROGRAMME PERFORMANCE

3.1 Overall Programme Performance

Financial Performance

The programme budget was Ug shs 579.3 billion of which Ug shs 487.83 billion (84.2%) was released and Ug shs 478.86 billion (98.2%) spent by 30th June 2024. The midstream sub programme took 76% of the programme budget with funds for East African Crude Oil Pipeline (EACOP) cash calls, refinery equity contribution and Resettlement Action Plan for the Multi Product pipeline taking the largest share. Table 3.1 gives the detailed annual programme budget performance for FY 2023/24 per sub-programme.

Table 3.1: Financial performance of the Sustainable Petroleum Development Programme by 30th June 2024

Sub-programme	Budget (Ug shs billion)	Release (Ug shs billion)	Expenditure (Ug shs billion)	Release as % of budget	Expenditure as % of release
Upstream	110.52	83.32	80.99	75.4%	97.2%
Midstream	441.71	381.30	375.06	86.3%	98.4%
Downstream	27.08	23.21	22.81	85.7%	98.3%
Total	**579.30**	**487.83**	**478.86**	**84.2%**	**98.2%**

Source: Approved Budget Estimates and Q4 Reports FY2023/24

Physical Performance

The annual programme performance for FY 2023/24 was fair at 65.3% (Table 3.2). The outcome performance for the midstream and downstream sub-programmes was good while that of the upstream sub-programme was fair. A total of Ug shs 183.6 billion (72%) was generated as revenue from the oil and gas activities during the FY. The level of compliance of midstream activities was at 87.5% while that of downstream was at 99.2%. At the output level, all the sub-programmes had fair performance.

Table 3.2: Overall Performance of the Sustainable Development of Petroleum Resources Programme

S/N	Sub-programme	Performance (%)	Remark
1	Upstream	57.9	Fair Performance
2	Midstream	70.3	Good performance
3	Downstream	67.6	Fair performance
Overall Programme Performance		**65.3**	**Fair Performance**

Source: Author's Compilation

The construction works for the upstream facilities in Tilenga and Kingfisher progressed to 38.1% and 48.1% respectively. The East African Crude Oil Pipeline (EACOP) construction commenced with works on the pipeline yards and main camps along the EACOP route. These works were in the early stages and 700km of line pipes delivered. The Government released Ug shs 147.69 billion to the Uganda National Oil Company (UNOC) as part of the phased disbursements for the refinery equity. However, the Government and Joint Venture (JV) partners were yet to secure financial closure for the midstream infrastructure including the refinery, EACOP and products pipeline with compensation of affected persons nearing completion.

The stock levels at the Jinja Storage Terminal (JST) was at 65% (19.4 million litres) but below capacity. The UNOC was in search of partners to develop another storage terminal in Kampala and scale up bulk trading at the JST.

3.2 Upstream Sub-Programme

The Upstream Sub-programme covers promotion, licensing, exploration, development and production of petroleum resources. It also monitors all petroleum upstream operations to ensure economic and environmentally compliant exploitation of the petroleum resource. The outcomes for the sub-programme include: the amount of revenue from the oil and gas sector, level of upstream oil and gas compliance, number of exploration licenses issued and percentage change in amount of revenue from oil and gas. The implementing agencies are the Ministry of Energy and Mineral Development (MEMD), Petroleum Authority of Uganda (PAU) and Uganda National Oil Company (UNOC).

The planned interventions monitored in the sub-programme for FY 2024/23 were:

i. Undertake further exploration and ventures of the Albertine Graben and Moroto-Kadam Basin;
ii. Undertake construction and operationalization of upstream infrastructure projects;
iii. Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects;
iv. Review, update relevant policies, and harmonize conflicting laws and regulations; and
v. Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework

Performance

The overall upstream sub programme performance was fair at 57.9% with both outcome and output performance being fair. Exploration activities under UNOC had a fair performance. The exploration of new ventures in the Kyoga basin commenced and the survey of Moroto Kadam did not progress due to insecurity in the sub-region. The UNOC was still in search for a development partner for the Kasuruban block acquired during the second licensing round.

Good performance was observed in the construction of the Central Processing Facilities (CPFs) to fast track production of the first oil. The progress of works for the construction of the CPFs in the Tilenga and Kingfisher areas was good at 40%. A total of 65 wells were drilled against the planned 457.

The development of the strategy to kick start the third licensing round was ongoing. No new exploration licenses were granted because the third licensing round had not commenced. The target for the level of compliance of upstream operations was met and the revenue from oil and gas was Ug shs 183.6 billion (71.7%).

Poor performance was noted in the equipping of the National Data Petroleum Repository (NDPR) and development of the integrated management systems. The performance was majorly affected by low funding. A summary of the performance of the upstream sub-programme per intervention is in Table 3.3. Detailed performance is presented in **Annex 2**.

Table 3.3 Performance of Interventions in the Upstream Sub-programme

Intervention	Performance Rating (%)	Remarks
Undertake further exploration and ventures of the Albertine Graben	58.1	Fair performance
Undertake construction and operationalisation of infrastructure projects	36.1	Poor performance
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects	76.5	Good performance
Review, update relevant policies, and harmonize conflicting laws and regulations	40.8	Poor performance
Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework	86.4	Good performance
Overall intervention output Performance	**58.5**	**Fair Performance**

Source: Author's Compilation

3.2.1 Undertake Further Exploration and Ventures of the Albertine Graben and Moroto-Kadam Basin

This intervention aims to establish petroleum potential in the country through undertaking exploration activities in the Albertine Graben (Hoima, Masindi, Nwoya, Buliisa), Moroto-Kadam and Lake Kyoga basins. The planned output was new exploration activities undertaken and promotion of the country's petroleum potential with the following targets:

i. Acquisition of 200 line-km of geophysical data plus geological and geochemical mapping of 200sq. km in the Moroto Kadam basin as well as undertaking sensitization exercises in the frontier basins (Moroto-Kadam, Lake Kyoga and Hoima);
ii. Acquisition of 100 line-km of geophysical data and geological and geochemical mapping of 250sq. km in the Kyoga Basin;
iii. Acquire specialized equipment and maintain specialized software packages to aid in the analysis and interpretation of seismic data of explored petroleum reservoirs; and
iv. Licensing strategy and plan for the third (3^{rd}) licensing round developed and two draft reconnaissance agreements prepared.

Performance

The performance of the intervention was fair at 58.1%. Details of performance per output is presented below:

Exploration of Moroto-Kadam and Kyoga Basins

Analysis surveys in other prospective areas such as basins in Lakes Edward, George, Albert and Semliki were undertaken to ascertain their petroleum potential. Sensitization engagements were also held in the Kyoga basin as part of preparations to commence data acquisition. The reconnaissance surveys in northern part of the Lake Kyoga were undertaken and the preliminary geological, geophysical and geochemical studies commenced. Data acquisition from the geophysical and geochemical surveys had not begun. Further exploration work in the Moroto-Kadam basin stagnated at 78% during the FY due to the insecurity in the Karamoja sub-region.

The surveying of the unexplored part of Albertine Graben so that these areas can be promoted to speculative companies was also undertaken. However, reconnaissance surveys for studies of areas of interest within the already explored region were not held. Thus, no additional petroleum resources had been quantified from the petroleum explorations undertaken in the FY.

Acquisition of equipment

The targets were: maintenance of specialised upstream software (PETREL, Geosoft, Geox, PIGI) and laboratory equipment (Hawk analyser, Gas chromatography); and procurement of GPS differential, Vacuum Impregnation Unit and Magnetometers.

The specialised upstream software was maintained and two magnetometers and a differential GPS were procured. The procurement and maintenance of other laboratory upstream equipment such as the Hawk analyser and the Vacuum Impregnation Unit was not undertaken due to limited funds.

Promotion of Petroleum Potential

After the conclusion of the second licensing round with the Kasuruban and Turaco blocks awarded to UNOC and DGR Global Limited respectively, the MEMD was in the process of the 3rd licensing round to promote petroleum investment. The DGR Global Limited undertook further exploration of Turaco block while UNOC was in search of a potential development partner for Kasuruban.

The third licensing round was yet to be launched. Stakeholder engagements to guide the development of the 3rd licensing round strategy and plan were held. The strategy will pave way for printing and distribution of promotional materials for areas earmarked for the 3rd licensing round. This will eventually lead to prequalification of companies that will participate in the round. The MEMD also participated in the second preparatory meeting for the 11th East African Petroleum Conference and Exhibition (EAPCE'25).

3.2.2 Undertake Construction and Operationalization of Infrastructure Projects to Ease Monitoring of Upstream Activities

The intervention aims at establishing the enabling infrastructure to aid the upstream petroleum operations for the programme. The major goal of the intervention is to establish the National Petroleum Data Repository (NPDR) which will integrate data from the MEMD and PAU. The annual outputs for FY 2023/24 were:

i. Petroleum Integrated Data Management System developed; and
ii. Real Time Monitoring Centre (RTMC) set up and operationalized, Modern core store equipped, software for surface facilities (Aspen) and subsurface (Decision space) data management procured and installed, a functional offsite data backup and Disaster Recovery System (DRS) set up.

Performance

The performance of the intervention was poor at 36.1%.

Integrated Data Management System Development

The procurement of some of the ICT specialised equipment; and a consultant to assess and produce a report on the suitable technology on data integration was concluded. The development of the system was not achieved.

Development of the National Petroleum Data Repository

The National Petroleum Data Repository (NPDR) consist of five components to be developed and housed at the PAU data centre: Modern core, Seismic data tape storage; Offsite data backup and Disaster Recovery; Data Management hardware and software applications and Real Time Monitoring Center (RTMC).

The NDPR progress had a slight increase of 5% to 37% by 30th June 2024 from 32% in previous FY 2022/23 hence behind schedule. The following progress was noted;

Modern Core Store: Designs were completed in December 2023. The procurement process for Lot 1 for the supply of furniture was concluded and delivery made. Lot 2 procurement for the supply and installation of the equipment did not progress due unavailability of funds.

Seismic data tape storage: The installation of shelves and air conditioning for the storage room were completed. The tapes for storage and ICT support equipment were also acquired.

Real Time Monitoring Center (RTMC): This will provide real-time information and monitor drilling, production and crude oil transportation. The procurement of a contractor to setup and operationalise the RTMC was under retendering after being delayed at bid evaluation stage in the previous FY 2022/23.

The procurements of equipment under the data management software and offsite data back up and disaster recovery components did not progress due to poor release (10%). The equipping of the NDPR was therefore affected by the funding constraints.

3.2.3 Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher Projects

The development of infrastructure under this intervention includes: well drilling; construction of flow lines connecting the fields (Tilenga[1] and Kingfisher[2]) to the CPFs; construction of the feeder pipeline from the CPF to the Export hub in Kabaale, Hoima; implementation of Resettlement Action Plan (RAP) for Project affected Persons; and construction of other supporting infrastructure such as temporary and permanent operation support base camps. The CPF consists of a series of tanks and piping systems through which the produced oil and gas will be processed before transportation to the export hub in Hoima.

The planned outputs under the intervention for FY 2023/24 were: Central Processing Facilities (CPFs) constructed; RAP for the Kingfisher and Tilenga fields implemented; and the supporting infrastructure constructed.

Performance

The performance of the intervention was good at 76.5%. The overall progress of the development of the upstream CPFs in the Tilenga production area was at 40% against a target of 50%. The Tilenga activities progressed to 38.1% while Kingfisher was at 48.1% and a total of three drilling rigs were in operation in Tilenga and one in Kingfisher. A cumulative total of 65 wells (56 in Tilenga and 9 in Kingfisher) had been drilled since the launch in January 2023. The civil works for the enabling infrastructure at the CPF (industrial area site preparation, access roads, well pads, camps, construction support bases) were complete.

[1] The Tilenga field under Total Energies operation is located in Nwoya and Buliisa Districts

[2] Kingfisher field under Chinese National Offshore Oil Company (CNOOC) operation is located in Kikuube District

Tilenga Development Area

The Tilenga has a total of 426 wells drilled from 31 well pads and is expected to produce 190,000 barrels per day at peak production over six[3] (06) production licenses. The construction of the base camp at Tilenga industrial site housing the CPF was completed. At the CPF, works at the main pipe rack, LPG Plant and gas turbine generator and the operation support base camp were ongoing with the foundations completed. The construction of the permanent and temporary worker's camps was also completed.

Ongoing works at the Tilenga Central Processing Facility

Overall, three drilling rigs were in operation at the different well pads. Drilling of wells at Job-Rii 5, one of the ten wells pads in northern part of Nile was complete. The construction of the surface oil production facilities and piping works for the flow lines were yet to commence. Drilling at Job-Rii 4 was also ongoing with 14 of the 23 wells completed. The laying of the flow lines to the CPF and the Horizontal Directional Drilling (HDD) at the Nile River crossing (1.86 km) were ongoing. In the south of the Nile, earthworks at Ngiri 5 well pad had commenced and the concreting and gravelling of the back yard was complete. Works at the cellar pit to accommodate the wells were in the early stages.

Total Energies which is operating the Tilenga Exploration Area was still undertaking Resettlement Action Plans (RAP) of persons displaced by the project. The cash compensation was nearing completion and a total of 189 of the 205 resettlement houses had been completed and the remaining 16 at various levels of construction.

[3] Jobi-Rii, Gunya, Ngiri, Kasamene-Wahrindi, Kigogole-Ngara and Nsoga.


L-R: Completed well drilling at Job Rii 5 well pad; Ongoing drilling rig at Job Rii 4


L-R: Flow line pipe laying from Job Rii to the CPF; Early civil works at the cellar pit at Ngiri 5 well pad

Kingfisher Development Area

One drilling rig was in operation in this development area. Drilling of a total of 9 wells at well pads 2 and 3 was undertaken by the Chinese National Offshore Oil Corporation (CNOOC). Drilling of the first well out of the six (06) at well pad 1 commenced. Civil works were at the tail end in preparation for more drilling at well pad 4.

The laying of over 19km of flow line pipes from well pads 2 and 3 to the CPF had begun. The excavation for the feeder pipeline from the CPF in Buhuuka to the export hub at the Kabalega Industrial Park in Hoima were ongoing. The works at the CPF had good progress with the construction of the on-spec and off-spec crude oil storages nearing completion. The foundation erection for the LPG storage and trucking for the anticipated LPG production commenced. The works at the substation, crude pig receivers, lake water treatment and fire facility coupled with the produced water treatment and injection facilities had progressed. The RAP implementation for the affected persons and construction of resettlement houses for the communities in the Kingfisher area and along the feeder pipeline route from Kingfisher CPF to the export hub in Hoima was completed.


L-R: An operational rig at well pad 1; Flow line pipe laying works from the well pad 2 to the CPF

Works at the crude on-spec and off-spec oil storage tanks at the Kingfisher Central Processing Facility

Excavation works for the feeder pipeline at Buhuuka, Kikuube

3.2.4 Review, Update Relevant Policies, and Harmonize Conflicting laws and regulations

The intervention aims at harmonizing conflicting policies, laws and regulations for effective regulation of oil and gas. The outputs for the FY 2023/24 were: Decommissioning and fiscal meters regulations developed; Petroleum Act,2013 updated; Ten (10) standards and codes for upstream developed; and National Petroleum Policy (NPP) strategic environment assessment conducted.

Performance

The performance was poor at 40.8%. The stakeholder engagements for the development of upstream decommissioning and fiscal regulations were held. Drafting of the regulations however, did not progress due funding constraints. Likewise, stakeholder engagements to update the Petroleum Act, 2013 and finalize the development of the NPP were held in 12 districts[4]. Further engagements were deferred to FY 2024/25 due to late release of funds.

[4] Tororo, Mbale, Nakapiripirit, Moroto, Napak, Katakwi, Soroti, Bukedea, Nebbi, Gulu, Lira and Apac

3.2.5 Establish Quality, Health, Safety, Security & Environment Governance and Assurance Framework

The intervention targets having a safe working environment in oil and gas by promoting Quality, Health, Safety, Security and Environment (QHSSE) guidelines.

The outputs for FY 2023/24 were: QHSSE governance framework developed; engagements on QHSSE with stakeholders undertaken; QHSSE inspections for the production licenses conducted; and QHSSE standards developed.

Performance

The performance was good at 86.4%. The Petroleum Authority of Uganda (PAU) undertook a total of 25(100%) inspection audits of the upstream operations. The targets for safety trainings and inspections of the different oil activities were also met. A total of 25 (100%) engagements on environment, health, safety and security management in oil and gas were held in the Tilenga and Kingfisher Development Areas. Additionally, 140 staff were provided with Personal Protective Equipment PPEs (safety shoes, coveralls, helmets and earmuffs). However, there were still cases of non-compliance with regulatory framework in some key health and safety aspects and more regulation was needed.

The MEMD also reviewed the petroleum department communication strategy and a draft strategy was developed. However, the QHSSE codes were not developed.

Challenges

i. Delay in establishment of the National Petroleum Data Repository and the upstream petroleum laboratory. This would negatively affect the ability of the technical team to verify and analyze the data from the oil companies.
ii. Insecurity within the Karamoja sub-region affected exploration within the Moroto Kadam basin.

Upstream Sub-Programme Conclusion

The overall sub-programme performance was fair at 57.9%. The exploration of petroleum potential in Kyoga basin commenced while that in the Moroto Kadam basin stagnated at 78% due to insecurity. The development of the strategy for the third licensing round was ongoing and thus no new exploration licenses were issued. The construction of the central Processing Facilities (CPFs) progressed to 40%. A total of 65 wells out of 457 were drilled within Kingfisher and Tilenga areas. However, the development of data management systems and equipping of data repository were hampered during the FY due to limited funds.

Recommendations

i. The MEMD and PAU should prioritize funding for essential IT infrastructure and software tools to enable better management and regulation of the oil and gas resources.
ii. The MEMD should undertake extensive engage the local leadership and the security agencies in the Karamoja sub-region to ensure timely completion of exploration activities.

3.3 Midstream Sub-Programme

The Midstream Sub-programme consists of activities about transportation, refining of oil and conversion of gas into finished products. The sub-programme focuses on developing the technical and financial capacity in oil and gas of the Ugandan population; and promoting investment. The sub-programme outcomes are: increased the number of Ugandans employed in the oil and gas and related industries; level of midstream oil and gas compliance; increased percentage change in the amount of revenue from oil and gas; and number of contracts awarded to local companies.

The planned monitored interventions for FY 2023/24 were:

i. Undertake construction and operationalization of midstream infrastructure projects in the Albertine region to ease the movement of goods;
ii. Capitalize and/or license UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry;
iii. Operationalize the National Content Policy to enhance local Content and national participation in oil and gas;
iv. Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs; and
v. Implementation of a strategy on value addition and marketing of goods and services for the oil and gas sector.

Performance

The overall midstream sub-programme performance was good at 70.3%. The outcome performance was good at 75.3% while performance for the outputs was fair at 65.3%. The construction of the East African Crude Oil Pipeline (EACOP) commenced and progress was at 35.9%. Additionally, line pipes for 700km were delivered for the EACOP project. A total of 13,067 Ugandans were employed in the oil and gas while the compliance level of the midstream activities was at 87.5%. It was however noted that the number of Ugandans employed in the sector reduced by 3% from 12,121 of FY 2022/23.

A total of Ug shs 147.69 billion was disbursed by the government as equity funds to the refinery and the EACOP. However, debt financing for both was not secured. The progress of the development of the Local Content Fund to support local Small and Medium Enterprises (SMEs) was poor. The first draft for the fund was yet to be produced. Despite the poor performance, 409 contracts equivalent to 45% by contract value were awarded contracts.

In order to support value addition, a needs assessment for farmers along the EACOP route was undertaken; and a draft agricultural development strategy developed. The procurement for the publishing and dissemination of the value-addition strategy was however delayed due to lack of funds.

A summary of the performance per intervention is in Table 3.5. Details of performance per intervention of the Midstream Sub-programme are presented in **Annex 3.**

Table 3.5: Performance of interventions in the Midstream Sub-programme

Intervention	Performance Rating (%)	Remarks
Undertake construction and operationalization of infrastructure projects in the Albertine region to ease the movement of goods	71.9	Good performance
Capitalize and/or license UNOC to execute its mandate as an investment arm of Government in oil and gas industry.	66.9	Fair performance
Operationalize the National Content policy to enhance local Content and national participation in oil and gas	87.3	Good performance
Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs	44.0	Poor performance
Implementation of a strategy on value addition and marketing of goods and services that will be demanded by the oil and gas sector	56.2	Fair performance
Overall output Performance	**65.3**	**Fair Performance**

Source: Author's Compilation

Detailed intervention performance is presented below:

3.3.1 Undertake Construction, Operationalization of Infrastructure Projects in the Albertine Region to Ease Movement of Goods

The intervention aims at the establishment of midstream petroleum infrastructure including the oil refinery, product pipeline and East African Crude Oil Pipeline (EACOP). The development of these infrastructure would facilitate the refining and transportation of oil during production. The planned outputs for the FY 2023/24 were:

a) Refinery post-FEED activities undertaken and key agreements and compensation of affected persons for the Oil Refinery concluded;
b) Acquisition of EACOP, multiproduct pipeline corridors and Storage terminal through resettlement activities concluded;
c) A feasibility study for the natural gas pipeline completed and land for two regional offices acquired; and
d) Study for the development of a petrochemical industry undertaken.

The overall intervention performance was good at 71.9%. The EACOP construction commenced; and Resettlement Action Plan (RAP) implementation for the pipeline and refinery had good progress. The progress of the various outputs under this intervention is presented below:

a) Refinery Development

The Refinery Project Framework Agreement expired on 30th June 2023 and the project progressed as a Public Sector led project. The Refinery Implementation Agreement was redrafted and the Memorandum of Understanding (MoU) was developed to support Government in the search for a development partner. The Government continued negotiations with the new investor on key refinery agreements which included the implementation, shareholders and crude supply. The GoU, released Ug shs 147.69 billion to UNOC as part of the phased disbursements for the Refinery equity.

The refinery post-FEED activities such as the Environmental Impact Assessment; and the Engineering, Procurement and Construction (EPC) studies were concluded.

b) Pipelines Development

The MEMD and the Joint Venture Partners were in the process of developing the EACOP and product pipelines.

i) East African Crude Oil Pipeline (EACOP)

The EACOP is 1,443km long from the export hub in Kabaale, Hoima district to Tanga Port in Tanzania, with 80% of the pipeline in Tanzania. The Final Investment Decision and construction license for the EACOP were awarded. The equity contribution by the joint venture partners[5] was completed. Overall progress of EACOP was at 35% with engineering designs at 79.5%, procurement at 49.5% and construction works at 13%. The progress of the EACOP project components in Uganda is presented below:

Site clearance for the pipeline route was at 90%. The preliminary civil works at the Main Camp and Pipe Yard (MCPY); and the first Pumping Station (PS) at Kabaale commenced. Progress of works for the second PS in Ssembabule and 4 MCPYs in Hoima, Mubende, Ssembabule and Mutukula was at 19%.

The Government released additional funding to UNOC to enable it respond to cash calls for EACOP works since the 60% debt financing was not yet acquired. The Government continued the search of a development partner for the EACOP debt financing.

L-R: completed site levelling at the first Pumping Station (PS1) at the export hub in Kabalega Industrial Park, Hoima; Ongoing Site levelling works at MCPY4 pipeline yard in Mutukula

ii) Products Pipeline

The products pipeline is 211km long and will evacuate refined petroleum products from the refinery to a storage terminal at Namwabula, Mpigi district. The Front-End Engineering Design (FEED) studies for the products pipeline were completed and the land for the storage facilities was fully acquired. The Government was in the process of securing financing for the construction of the pipeline.

[5] UNOC (15%), Tanzania Petroleum Development Corporation/TPDC (15%), Total Energies (62%) CNOOC (8%)

iii) Acquisition of pipeline corridors

The cumulative progress of cash compensation for the 30m corridor for the EACOP pipeline was good at 97%. A total of 3,549 out of the 3,660 Project Affected Persons (PAPs) had signed compensation agreements and 3,504 (95.7%) were paid. All the 177 resettlement houses for the vulnerable were completed and handed over to the PAPs.


L-R: Site levelling at MCPY2 in Mubende; Ongoing works for the main camp facilities at MCPY3, Ssembabule

The progress of cash compensation for the products pipeline was good at 76.4% compared to 51% in FY 2022/23. A total of 3,261 out of 4,270 PAPs were compensated. However, the construction of the resettlement houses under the products pipeline had not begun and thus was behind schedule.

c) Development of Natural Gas Pipeline and Regional Offices

The natural gas pipeline from Tanzania to Uganda is anticipated to support iron ore mineral processing especially in the south western region. The Bilateral Agreement for the development of the Natural gas pipeline; and the joint procurement rules were signed in November 2023 by the two governments. The procurement of a consultant to undertake the study for natural gas pipeline development was at contract signature.

In a bid to decentralize midstream functions, land for EACOP offices in Tanzania and the Hoima Regional Office was acquired. The procurement of the consultant to develop the designs for the offices was concluded and a contract signed.

d) Development of the Petrochemical Industry and Integrated Fertilizer complex

The procurement of a consultant to undertake the feasibility studies for the petrochemical industry; and the integrated fertilizer complex at the Kabalega Industrial Park (KIP) was at bid evaluation stage. The delayed conclusion of the procurement was due to slow pace of stakeholder consultations.

3.3.2 Capitalize and/or License Uganda National Oil Company to Execute its Mandate as an Investment Arm of Government in Oil and Gas Industry

This intervention was aimed at providing equity financing to UNOC to enable it execute its mandate as an investment arm of the Government in oil and gas. This would be achieved through: state participation in production licenses; proposing new petroleum exploration ventures; and develop, own and operate oil refinery, oil pipelines, storage terminals and other related facilities.

The planned output for FY 2023/24 was UNOC's equity contribution to the Oil Refinery as part of its shareholding. This contribution would enable it to carry out Oil Refinery Pre-FID activities and development of the Kabalega Indstrial Park (KIP) in the oil gas sector.

Performance

The performance was fair at 66.9%. The Government released Ug shs 147.69 billion (86%) during the FY 2023/24 as part of its equity investment in the Oil Refinery. The negotiations for the shareholders, implementation and the crude supply agreements were not concluded to pave way for the Final Investment Decision (FID). The Government was in the process of securing the 70% debt financing (US$ 2.8 billion) for the development of the refinery. The UNOC also secured 50% of the additional equity funding of US$ 68 million for EACOP.

The development of the KIP common infrastructure was ongoing with designs for access and arterial roads (38 km) at 80%. The draft preliminary design report for the water supply reticulation and waste water treatment was under review.

3.3.3 Operationalize the National Content Policy to Enhance Local Content and National Participation in Oil and Gas

The intervention aims at training and registering local Small and Medium Enterprises in oil and gas skills. This will enhance their participation in tendering and enable them to successfully implement oil and gas contracts. The planned outputs for FY 2023/24 were:

i. 200 Local companies registered on the National Supplier Database (NSD);
ii. 800 talents registered on the National Oil and Gas Talent Register (NOGTR) database;
iii. 28 sensitizations on NSD and NOGTR undertaken; and
iv. 16 supplier development workshops conducted

Performance

The intervention had a good performance at 87.3%. Training of the local population in oil and gas and provision of employment opportunities in the sector continued.

To promote national content, the Petroleum Authority of Uganda (PAU) registered local companies on the National Supplier Database (NSD). The NSD established in 2017 captures companies to supply goods and services in the oil and gas sector. The NSD regulates the procurement of goods and services while ensuring prioritization of local firms.

More 956 Ugandan companies were qualified and registered on the NSD during the FY.

A cumulative total of 3059 qualified companies were on the NSD with 2,440 (79.8%) being Ugandan companies. More 573 contracts worth US$ 220.5million were awarded to 175 qualified companies during the FY. A total of 152 local companies (87%) were awarded 409 contracts translating to US$ 98.9million and 45% by contract value.

To boost local talents, the PAU trained and registered talents to work in oil and gas on the National Oil and Gas Talent Register (NOGTR). The NOGTR captures the talent of individuals who can potentially work in the oil and gas sector. A total of 29 sensitization engagements on the NSD and NOGTR were undertaken. A total of 39 workshops were held with Vocational Training Institutions and other stakeholders on skills requirements for the oil and gas sector.

A total of 1,088 Ugandans (130%) were registered on the NOGTR during the FY. Overall, 13,067 people were employed in oil and gas; and of these, 11,752 (90%) were Ugandans with 4,344 from the host communities. It was however noted that the number of Ugandans employed in the sector reduced by 3% from 12,121 of FY 2022/23.

3.3.4 Establish an Oil and Gas Incubation Fund to Promote Local Entrepreneurship and Small and Medium Enterprises

The intervention aims at establishing and operationalization of a local content fund to enhance their financial capacity for more participation the sector. Over the past years, there has been an increase in the number of local firms ready to participate in oil and gas. However, their level of participation by contract value was minimal since the sector is capital-intensive. As such, they cannot effectively compete with foreign firms due to lack of capital and the high interest rates charged by commercial banks. The output for the FY 2023/24 was the Local Content Development Fund Act developed.

Performance

The performance was poor at 44%. Stakeholder engagements for preparation of the Local Content Development Fund Act were held. The MEMD submitted the final draft of the proposed legislation to Cabinet for approval. Related to promotion of Local content, the necessary policy regulations were also translated into various local languages.

The Local Content Development fund is envisaged to be financed by a 1% deduction on awarded goods and services contracts. The funds are to held at the Uganda Development Bank (UDB). The fund will the increase the participation of Ugandan firms in the oil and gas sector which was at 38%. Although 2,440 local companies were cumulatively registered on the national supplier database, a total of only 934 benefited. The participation by contract value dropped from 65% in FY 2022/23 to 45% due to commencement of capital-intensive development works.

3.3.5 Implementation of a Strategy on Value Addition and Marketing of Goods and Services for the Oil and Gas Sector

This intervention aims at adding value to the goods supplied so as to enhance the financial benefits of the business communities and ensure sustainability of participation in oil and gas. The planned output for FY 2023/24 was; value addition and a marketing strategy for the petroleum sector developed.

Performance

The performance of the development of the strategy was fair at 56.2%. The awareness campaigns for the strategy were undertaken along the EACOP route in Kyotera and Sembabule districts. The zero draft for the value addition and marketing strategy for goods and services was developed. Further stakeholder engagements were not held due to unavailability of funds.

To further support value addition, a needs assessment for farmers along the EACOP route was undertaken; and a draft agricultural development strategy developed. The procurement for the publishing and dissemination of the value-addition strategy for goods and services was delayed but at contract signature. The delay to finalized the procurement was due to lack of funds.

Challenges

i. Delay to reach financial closure by both the GoU and the Joint Venture Partners for the EACOP will further delay the production of the first oil.
ii. The funding constraints led to slow pace of development of value addition strategies for enhancing local capacity.
iii. The low financial capacity of the local firms hindered full participation in oil and gas.

Midstream Sub-Programme Conclusion

The overall midstream sub-programme performance was good at 70.3%. The construction works for the EACOP commenced and were at 35.9% physical progress. A total of 700km of the line pipes were delivered and awaiting coating at the plant in Tabora, Tanzania. The Government of Uganda disbursed Ug shs 147.69 billion to UNOC as part of the refinery equity financing. Despite the above disbursement, the financing partner had not yet been secured; and the financial closure for EACOP and product pipelines was not attained.

The resettlement activities for midstream infrastructure (refinery and pipelines) had good progress. With commencement of the midstream infrastructure works, more Ugandans participated in oil and gas sector. However, the participation of local firms by contract value reduced from 65% in FY 2022/23 to 45%. The development of the Local content fund to enhance the financial capacity of the local firms was not achieved.

Recommendations

i. The Government and Joint Venture Partners should fast-track the conclusion of the financial closure for the 60% debt financing for the EACOP project.
ii. The MEMD needs to fast-track the development of the value-addition strategy for goods and services to improve the financial benefits of the local firms that take part in oil and gas.

3.4 Downstream Sub-programme

The Downstream Sub-programme deals with distribution, marketing and sale of refined petroleum products within the country. The sub-programme outcomes are; adequate stock of petroleum products on the market and the level of compliance of petroleum quality. The three planned interventions are:

i. Manage and restock Jinja Storage Terminal (JST);
ii. Develop strategic regional storage terminals for petroleum products;
iii. Development of standards for storage infrastructure and other facilities; and
iv. Invest in LPG infrastructure

Performance

The overall downstream sub-programme performance was fair at 67.6%. The sub-programme's outcome performance was good (75%) while that of outputs was fair (63.6%). Bulk trading at the Jinja Storage Terminal (JST) continued with 19.4 litres (65%) restocked. The Petroleum Act, 2023 was enacted to give UNOC the sole mandate to import petroleum products into the country. The regulation and inspection of the retail outlets for fuel quality was good with 86% inspected and compliance levels at 99.2%. A summary of the performance for the downstream sub-programme is presented in Table 3.7. Details of performance per interventions under the downstream sub-programme are presented in **Annex 4**.

Table 3.7: Performance of Interventions under the Downstream Sub-programme

Intervention	Performance Rating (%)	Remarks
Manage and restock Jinja Storage Terminal	67	Fair Performance
Develop strategic regional storage terminals for petroleum products	42.7	Poor Performance
Development of standards for storage infrastructure and other facilities	81	Good Performance
Overall sub programme performance	**63.6**	**Fair performance**

Source: Author's Compilation

Details of performance under each of the interventions is presented hereafter:

3.4.1 Manage and Restock Jinja Storage Terminal

The intervention is aimed at overseeing the rehabilitation, operation and management of the JST to oil industry standards and ensure security of petroleum supply. The terminal has a capacity of 30 million[6] litres and is managed by UNOC. The planned outputs for FY 2023/24 were:

i. Operations managed and scaling up trading of the JST; and
ii. Oil jetty and pipeline connecting JST to Lake Victoria constructed.

Performance

The performance was fair at 67%. The Petroleum Supply Act, 2023 aimed at giving UNOC sole mandate to import petroleum products for the country was enacted. Additionally, the Oil Marketing Company sales and Purchase agreement was finalized. The Transportation and Storage Agreement (TSA) between Kenya Pipeline Company and UNOC was signed. The Tripartite Agreement (TPA) between the Government of Kenya, the Government of Uganda and UNOC was as well signed in May 2024. The UNOC offices in Kenya were operationalized to support direct fuel imports into the country. The Sales and Purchase Agreement between UNOC and the Oil Marketing companies was cleared by the Attorney General for execution.

By 30th June 2024, UNOC had restocked 19.4 million litres (65%) at the Jinja Storage Terminal. However, stock levels were below the storage capacity (30 million litres) at the terminal majorly due to low financial allocations for the restocking. To ensure security of supply and scale up trading, the UNOC concluded feasibility studies for development of the oil jetty pipeline from the terminal to Lake Victoria. The pipeline designs were completed; but implementation was pending identification of a funding partner.

3.4.2 Develop Strategic Regional Storage Terminals for Petroleum Products

The intervention aims at developing regional storage terminals to ensure adequate stock of petroleum supply. The planned outputs for FY 2023/24 were: Lake transport routing master plan developed; lake transport of refined petroleum products regulated; GIS mapping of petroleum outlets and fencing of the newly acquired LPG land.

[6] 20 million diesel and 10 million petrol

Performance
The performance was poor at 42.7%. The Terms of Reference (ToRs) for Lake transport were developed in consultation with the Ministry of Works and Transport (MoWT). The regulations were not developed due to delay in undertaking stakeholder consultations.

The MEMD completed the acquisition of 20 acres of land for the Liquefied Petroleum Gas (LPG) storage terminal in Mukono. The fencing of land was not achieved due to lack of funds. The development of the Kampala Storage Terminal was at engineering design stage. The initiative to distribute subsidized LPG cooking kits to reduce on biomass dependence performed poorly due to low budget allocation. As a result, no LPG cooking kits were procured during the FY 2023/24. The development of a lake transport routing master plan; GIS mapping of petroleum outlets; and acquisition of land for the regional petroleum depots were not achieved.

3.4.3 Development of Standards for Storage Infrastructure and Other Facilities

The intervention aims at regulating the quality of petroleum products on the market through monitoring, enforcement and development of standards. The annual planned outputs were: downstream operations monitored and enforcement undertaken; and petroleum standards developed.

Performance
The performance was good at 81%. A total of 1,602 (86%) retail outlets were monitored and inspected for fuel quality; and the level of compliance level 99.2%. In that regard, five (05) stakeholder public awareness campaigns were conducted in the eastern, central, western and northern regions. Enforcement in 698 non-compliant retail outlets was undertaken in the Central and Western regions.

The MEMD issued a total of 340 petroleum operational licenses and 257 construction permits to outlet development for downstream trading. This increased the total petroleum retail outlets were to 5,118. To better regulate the downstream trading activities, eight (08) of the twenty standards for base oils were developed in partnership with the Uganda National Bureau of Standards (UNBS).

Challenges

i. Funding constraints affected the distribution plan for the promotional LPG cylinder kits to households.
ii. The UNOC was not able to fully restock the fuel reserves in Jinja to the recommended safety levels which is a risk to the country's energy security.

Downstream Sub-Programme Conclusion

The overall downstream Sub-programme performance was fair at 67.6%. Restocking of Jinja Storage Terminal was fair with 65% of the target achieved. The overall stock at the JST was at 19.4 million litres and UNOC continued the search for potential partners to scale up fuel trading in order to utilize 100% of the JST. The distribution of household LPG cylinder kits was not undertaken because no funds were allocated during the FY. The MEMD undertook monitoring and enforcement of petroleum quality at the different retail outlets. The compliance of petroleum quality on the market was 99.2%. Despite the high compliance levels, more effort is needed to enforce quality standards on the market.

Recommendations

i. The MEMD should prioritize the funding for the LPG project to tie in with the Government's plans to discourage the use of charcoal for cooking;
ii. The MEMD and MFPED should prioritize funding to the downstream sub-programme and development of Kampala storage terminal to ensure that adequate stock of fuel levels is kept in the reserves at all times and
iii. The MEMD should enhance enforcement of quality standards for fuel supply.

3.5 Overall Analysis of the Programme Value Chain

The Upstream Sub-programme had fair progress towards the country's road to the first oil. The drilling of development wells was ongoing with 14% (65 of 457) of wells for first oil drilled but behind schedule. A total of four drilling rigs were in operation at three well pads in Tilenga and one in Kingfisher. Works at the Central Processing Facilities (CPFs) in Kingfisher and Tilenga to process the drilled oil was in progress. However, there was minimal progress on interventions to further discover more petroleum resources in Moroto-Kadam, Kyoga and Albertine Graben basins. The third licensing round did not commence and thus no new exploration licenses were issued.

The construction works for the EACOP pipeline started. The works at the main camps and pipeline yards along the EACOP route commenced. A total of 700km of line pipes were delivered in Tanzania and awaiting coating. The government of Uganda disbursed funds to UNOC as part of the equity financing, however the 60% EACOP debt financing was not secured. Additionally, although the resettlement activities for the refinery and products pipeline had good progress, the infrastructure development did not start pending financial closures.

The Downstream Sub-programme had fair progress. The Jinja Storage Terminal petroleum products stock levels were below capacity at 65%. This stock level translates into five (05) of the ten targeted stock level days for the country to ensure secure supply of petroleum products. The UNOC was searching for partners to scale up bulk trading at the JST and development of the Kampala terminal for more fuel reserve capacity. Therefore, development of more storage terminals remains key as the country heads towards the oil production phase.

Therefore, although the upstream sub-programme exhibited fair progress and the midstream infrastructure development commenced, the downstream sub-programme was lagging in preparation for oil production. Therefore, the timeline for the achievement of the country's first oil is lagging.

Therefore, the Government and joint venture partners should fast-track completion of the midstream infrastructure as the development of upstream facilities progresses. Furthermore, the Government should prioritize development storage terminals and scaling up usage of petroleum products through LPG promotion and additional initiatives.

CHAPTER 4: CONCLUSION AND RECOMMENDATION

4.1 Conclusion

The overall programme performance was fair at 65.3%. Further exploration of areas for petroleum potential had little progress. The development of the explored areas for fast tracking the road to the country's first oil continued with upstream facilities in Tilenga and Kingfisher registering notable progress. The programme is making progress towards the key milestone of reaching the oil production phase. However, the midstream infrastructure needs to keep pace in order to achieve this in time.

The Government/ Joint Venture (JV) partners should engage more than one potential financiers for the crude oil pipeline and refinery development projects. This will help in minimising the delays in the midstream infrastructure development arising from financial inadequacies. It is also in the best interests of the Government and its JV partners to engage and undertake adequate consultations with the surrounding communities. This will reduce on the bad publicity around the projects and thus easily attract potential funders and partners.

4.2 Recommendation

i. The Government and Joint Venture Partners should fast-track the financial closure of the EACOP and refinery debt financing through the engagement of other alternative funders.

ii. The MEMD and other project partners should actively counter the negative publicity of the project especially among the host communities and international media.

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ANNEX

Annex 1: Monitored Interventions, Outputs and Implementing MDAs

Sub Programme	Intervention	Outputs	Implementing MDA
Upstream	Undertake further exploration and ventures of the Albertine Graben	New Exploration activities were undertaken in the Albertine region, Moroto Kadam and Kyoga basins.	MEMD, UNOC
		Two reconnaissance permits issued in the frontier basins and the third licensing round commenced	MEMD
		Upstream activities regulated	PAU
	Undertake construction and operationalisation of infrastructure projects	Data Repository Centre for the Directorate of Petroleum and PAU established	MEMD, PAU
		Integrated data management system developed	MEMD
	Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects	Kingfisher and Tilenga projects developed	MEMD
		Tilenga and Kingfisher RAP and production activities undertaken	PAU
	Review and update relevant policies; and fast-track harmonization of conflicting laws and regulations	Decommissioning and fiscal meters regulations developed, Petroleum Act 2013 updated and National Petroleum Policy (NPP) strategic Environment Assessment conducted	MEMD
	Establish QHSSE governance and assurance framework	QHSSE Systems and standards developed and implemented	MEMD, PAU
Midstream	Undertake construction and operationalization of infrastructure projects in the Albertine region to ease the movement of goods.	Products Pipeline and storage terminal RAP implemented. Refinery post FEED conducted. Petrochemical industry development undertaken	MEMD
		Refinery, Product Pipeline and Kyakaboga Water pipe system RAPs completed	MEMD, UNOC
		Reports for EACOP and Refinery produced	UNOC
	Capitalise UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry	Refinery Equity contribution made	MFPED
		UNOC Midstream operations undertaken	UNOC
	Operationalize the National Content policy to enhance local Content and national participation in oil and gas	National Content Policy implemented	MEMD, PAU
	Establish an oil and gas incubation fund to promote local entrepreneurship and SME's	Local Content Development Fund act developed	MEMD
	Implementation of a strategy on value addition and marketing of goods and services for the oil and gas sector	Value addition and marketing strategy and plan for the oil and gas sector developed	MEMD

Sub Programme	Intervention	Outputs	Implementing MDA
Downstream	Restock and manage Jinja Storage Terminal	Bulk Trading of petroleum products scaled up	UNOC
	Develop strategic regional storage terminals for petroleum products	Consultancy services for master plan for Lake Transport undertaken Petroleum supply Lake Transport regulations in place	MEMD
	Development of standards for storage infrastructure and other facilities	1200 downstream operations monitored 20 petroleum standards developed 80% fuel stations monitored for quality Four awareness campaigns undertaken	MEMD

Source: Author's Compilation

Annex 2: Performance of the Upstream Sub-programme by 30th June 2024

Intervention	Out put	Financial Performance			Physical Performance			Remarks
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	
Undertake further exploration and ventures of the Albertine Graben	Complete data acquisition in Moroto-Kadam and commence data acquisition in Kyoga basin	3.090	78.1	87.5	100	20.0	25.61	Fair PerformancePreparations for the third licensing round were under way. Exploration of Kyoga basin commenced.
	3rd licensing round commenced, EACPE 25 preparations	1.900	79.8	99.1	100	26.0	32.60	
	Promotion at international conferences (11th EACPE 25) and Speculative surveys	1.757	85.9	83.1	100	60.0	69.85	
	UNOC Upstream operations	12.400	100.0	100.0	100	75.0	75.00	
	Regulation of the exploration activities	5.654	97.0	99.9	100	85.0	87.62	
Undertake construction and operationalization of infrastructure projects	Integrated data management system developed	1.130	75.5	91.8	100	25.0	33.13	Poor performanceEquipping of the NDPR was at 37% from 32% last FY.
	National Petroleum Data Repository established	22.000	9.8	100.0	34	1.3	39.15	
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher projects	Devt of Tilenga and Kingfisher Tilenga project and RAP Feasibility study for conversion of gas	2.697	85.2	87.8	50	34.0	79.77	Good performance. A total of 65 wells were drilled in Tilenga and Kingfisher.
	Work programme and budget reviewed and approved	8.004	98.4	100.0	50	36.0	73.15	
Review and update relevant policies	Decommissioning and fiscal meters regulations developed Petroleum Act 2013 updated	1.757	85.9	83.1	100	35.0	40.75	Poor performanceStakeholder engagements held. Drafting of the upstream decommissioning and fiscal regulations had not begun.
	10 standards and codes for upstream developed NPP strategic Envt Assessment conducted.							

<table>
<tr><th rowspan="2">Intervention</th><th rowspan="2">Out put</th><th colspan="3">Financial Performance</th><th colspan="3">Physical Performance</th><th rowspan="2">Remarks</th></tr>
<tr><th>Annual Budget (Ug shs bn)</th><th>% of budget received</th><th>% of budget spent</th><th>Annual Target</th><th>Cum. Achieved Quantity</th><th>Physical performance Score (%)</th></tr>
<tr><td>Establish QHSSE governance and assurance framework</td><td>Five QHSSE standards, social media strategy developed.</td><td>8.004</td><td>98.4</td><td>100.0</td><td>100</td><td>85.0</td><td>86.36</td><td>Good Performance. The level of compliance of QHSSE was at 87.5%</td></tr>
<tr><td></td><td>Total</td><td>68.393</td><td>67.1</td><td>97.4</td><td colspan="2"></td><td></td><td></td></tr>
<tr><td colspan="7"></td><td>58.5</td><td>Fair output performance</td></tr>
<tr><td colspan="9">Outcome Performance</td></tr>
<tr><td rowspan="6"></td><td colspan="3">Indicator</td><td>Annual Target</td><td>Achieved</td><td>Score</td><td>Indicator Performance (%)</td><td></td></tr>
<tr><td colspan="3">Number of exploration licenses issued</td><td>2</td><td>0</td><td>0.0</td><td>0.0</td><td>Poor</td></tr>
<tr><td colspan="3">Level of compliance for the upstream activities</td><td>99</td><td>98</td><td>99.0</td><td>99.0</td><td>Good</td></tr>
<tr><td colspan="3">Revenue from oil and gas</td><td>256</td><td>183.6</td><td>71.7</td><td>71.7</td><td>Good</td></tr>
<tr><td colspan="6">Average Outcome Performance</td><td>56.9</td><td rowspan="2"></td></tr>
<tr><td colspan="6">Overall sub-program Performance</td><td>57.9</td></tr>
</table>

Source: MEMD and PAU Q4 Reports, Field Findings

Annex 3: Performance of the Midstream Sub-programme by 30th June 2024

Intervention	Out put	Financial Performance			Physical Performance			Remarks
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	
Undertake construction and operationalization of infrastructure projects in the Albertine region to ease movement of goods	Products Pipeline and storage terminal RAP implemented. Refinery post FEED conducted. Petrochemical industry development undertaken.	1.000	72.9	87.0	100	49.0	67.18	Fair performance. overall EACOP progress was at 35.9%. EACOP and product pipeline RAPs progressed to 97% and 76.4% respectively.
	EACOP RAP concluded. Feasibility study for natural gas undertaken.	2.527	86.8	54.8	100	65.0	74.90	
	Refinery, Product Pipeline and Kyakaboga Water pipe system RAPs	73.753	62.4	91.0	49	23.0	75.17	
	Reports for EACOP and Refinery produced	3.571	99.7	95.8	100	70.0	70.20	
Capitalise UNOC to execute its mandate as an investment arm of Government	Refinery Equity contribution	171.740	86.0	100.0	100	55.0	63.96	Fair performance. Ug shs 147.69 billion released for Refinery equity and additional US $68m for EACOP cash calls secured.
	UNOC Midstream Operations	179.515	93.0	100.0	100	65.0	69.91	
Operationalize the National Content policy	National Content Policy Implemented	6.857	99.7	98.2	100	87.0	87.25	Good performance. A total of 956 Ugandan companies and 1,088 Ugandans were registered
Establish an oil and gas incubation fund	Local Content Development Fund act developed	1.543	65.9	80.1	100	29.0	44.03	Poor Performance. Stakeholder engagements were held but the final draft for the fund was awaiting approval
Implementation of a strategy on value addition and marketing of goods and services	Value addition and marketing strategy and plan for the oil and gas sector developed	1.543	65.9	80.1	100	37.0	56.17	Fair performance. awareness campaigns were held a zero draft for the strategy was developed.
	Total	**442.05**	**85.1**	**98.4**				

Intervention	Out put	Financial Performance			Physical Performance			Remarks
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	
Average Output Performance							**67.6**	***Fair output Performance***
	Indicator			**Annual Target**	**Achieved**	**Score**	**Indicator Performance (%)**	
	Participation of Local firms by contract value (%)			65	45	69.2	69.2	Fair performance
	Level of oil and gas compliance for midstream infrastructure			100	87.5	87.5	87.5	Good performance
	Number of Ugandans employed in oil and gas related activities			20,000	13,821	69.1	69.1	Fair performance
	Average Outcome Performance						**75.3**	
	Overall sub-program Performance						**70.3**	

Source: MEMD, UNOC and PAU Q4 Reports, Field Findings

Annex 4: Performance of the Downstream Sub-programme as at 30th June 2024

Intervention	Out put	Financial Performance			Physical Performance			Remarks
		Annual Budget (Ug shs bn)	% of budget received	% of budget spent	Annual Target	Cum. Achieved Quantity	Physical performance Score (%)	
Restock and manage Jinja Storage Terminal	Bulk Trading of petroleum products scaled up	21.075	85.8	100	10	6	67.0	Fair performance. JST stock levels were at 65%
Develop strategic regional storage terminals for petroleum products	Consultancy services for master plan for Lake Transport undertaken Petroleum supply Lake Transport regulations in place Land for regional depots acquired LPG central storage land fenced	1.241	70.3	80.8	100	30	42.7	Poor Performance. The Terms of Reference (ToRs) for Lake transport were developed
Development of standards for storage infrastructure and other facilities	1200 downstream operations monitored 600 petroleum retail outlets enforced for compliance 20 petroleum standards developed 80% fuel stations monitored	3.170	92.6	92.5	100	75	81.0	Fair performance. 86% of the targeted retail outlets were monitored. Compliance level wat at 99.2%
	Total	**25.486**	**85.9**	**98.2**				
Average Outputs Performance							**63.6**	

Outcome Performance

	Indicator	Annual Target	Achieved	Score	Indicator Performance (%)	
	Number of days of stock levels in the country	10	5	50.0	50.0	Fair performance
	Level of compliance of refined petroleum products	98%	99.20%	101.2	100.0	Good performance
	Average Outcome Performance				**75.0**	
	Overall sub-program Performance				**67.6**	

Source: MEMD and UNOC Q4 Reports, Field Findings

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