SUSTAINABLE DEVELOPMENT OF PETROLEUM RESOURCES PROGRAMME

Semi-Annual Budget Monitoring Report

Financial Year 2024/25

May 2025

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ABBREVIATIONS AND ACRONYMS

AGI	Above Ground Installation
CNOOC	Chinese National Offshore Oil Corporation
CPF	Central Processing Facility
DP	Directorate of Petroleum
EA	Exploration Area
EACOP	East African Crude Oil Pipeline
EISA	Environmental Impact and Social Assessment
FEED	Front End Engineering Design
FID	Final Investment Decision
GoU	Government of Uganda
IFMS	Integrated Financial Management System
JST	Jinja Storage Terminal
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
MoFPED	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	Third National Development Plan
NEMA	National Environment and Management Authority
NOGP	National Oil and Gas Policy
NOGTR	National Oil and Gas Talent Register
NPDR	National Petroleum Data Repository
NPP	National Petroleum Policy
NSD	National Supplier Database
NTR	Non-Tax Revenue
PAPs	Project-Affected Persons
PAU	Petroleum Authority of Uganda
PBS	Programme Budgeting System
PIAP	Programme Implementation Action Plan
PIP	Public Investment Plan
PS	Pumping Station
PUF	Polyurethane Foam
QHSSE	Quality Health, Safety, Security and Environment
RAP	Resettlement Action Plan
RTMC	Real-Time Monitoring Centre
SDPR	Sustainable Development of Petroleum Resources
SEA	Strategic Environmental Assessment
SMEs	Small and Medium Enterprises
TOR	Terms of Reference
UDB	Uganda Development Bank
UNBS	Uganda National Bureau of Standards
UNOC	Uganda National Oil Company

FOREWORD

At the start of the Financial Year 2024/25, the Government of Uganda outlined strategies to restore the economy back to the medium-term growth path with the ultimate vision of a self-sustaining, integrated economy. The strategy emphasized accelerating commercial agriculture, fostering industrialization, and expanding both service sectors and digital transformation. Key areas of focus included enhancing market access and leveraging technological advancements to drive economic growth.

The strategic interventions that were prioritized under various programmes included: roads under Integrated Transport and Infrastructure Services; 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.

Semi-Annual programme assessments were made, and it was established that performance was fairly good. This implies that programmes are on track, but with a lot of improvements required. 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 for FY 2024/25 is USh 828.2 billion, of which USh 267.5 billion was released and USh 259.8 billion spent by 31st December 2024. Midstream petroleum infrastructure accounted for 80% of the budget, with 17% allocated to upstream and 3% to downstream activities. The low release performance was due to the non-disbursement of expected external financing. A total of USh 102.29 billion was collected in tax and non-tax revenue from oil and gas activities.

The overall physical performance of the programme was **fair**, at 58.5%. Progress continued across the three sub-programmes in the oil and gas value chain towards commercial oil production.

The performance of the Upstream sub-programme was fair, at 55.3%. The preliminary geological, geophysical and geochemical data acquisition in the Lake Kyoga Basin commenced and further exploration of the Moroto Kadam Basin resumed after works were earlier suspended due to insecurity in the region. 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 licences were granted. Poor performance was noted in the equipping of the National Data Petroleum Repository (NDPR) and the development of the integrated management systems due to a lack of funding.

Fair progress was observed in the construction of the Central Processing Facilities (CPFs) to fast-track production of the first oil. The development of the Tilenga and Kingfisher upstream facilities was at 45.8% and 59.7%, respectively. Cumulatively, a total of 110 wells (97 at Tilenga, 13 at Kingfisher) of the overall planned 457 (426 at Tilenga, 31 at Kingfisher) were drilled. The Resettlement Action Plan (RAP) for Kingfisher was completed and in the Tilenga exploration area, RAP was at its tail end. The laying of the feeder pipeline to transport oil from the Kingfisher CPF to the export hub in Kabalega Industrial Park, Hoima, was completed.

The Midstream sub-programme performed fairly, at 58.6%. Midstream infrastructure development was at various stages. The 40% equity contribution for EACOP by partners was completed. Due to delays in securing debt financing, the Government provided cash calls worth USD 68 million. Debt financing negotiations were ongoing. EACOP construction had reached 53%, with insulated pipe delivery progressing well. Site levelling at pipeline yards and main camps was completed, and construction of supporting facilities was underway.

The refinery development proceeded as a public sector-led initiative following the expiration of the Project Framework Agreement (PFA) with the private partner on 30th June 2023. As part of phased disbursements, USh 140 billion was allocated in FY 2024/25 as equity financing of the refinery. Negotiations with the private investor are ongoing, led by the Uganda National Oil Company (UNOC).

Promotion of national participation and local content in oil and gas activities continued to be a priority in the oil and gas sector. The Ugandans employed directly and indirectly in the sector were 13,455 and 34,983, respectively, by end of December 2024. This was a 30% increase between June 2024 and December 2024. Of the 13,455 Ugandans directly employed, 32% were from the host communities. The total number of Ugandan firms that had benefitted from oil and gas was 1,996. The Ugandan firms benefitted by a total of USD 8.041 million (75%) of the total contracts awarded during the first half of the FY.

The performance of the Downstream sub-programme was fair, at 62.7%. The promotion of uptake of Liquefied Petroleum Gas (LPG) as a substitute for biomass resumed after it had stalled during FY 2023/24 due to no allocation. An order for a total of 6,500 cylinders was given to the contractor and manufacturing was ongoing, with distribution expected to commence in the third quarter of FY 2024/25. UNOC continued importing petroleum products in line with the sole mandate as per the new Petroleum Supply Act. On average, UNOC imports 220 million litres of fuel per month for distribution on the local market. However, the objective of operating the Jinja Storage Terminal (JST) as a strategic reserve was not achieved, as it continued to function as a trading facility. The Ministry of Energy and Mineral Development (MEMD) also continued monitoring downstream trading operations for compliance, and a total of 974 outlets were inspected and enforcement undertaken in 286. The quality compliance levels were at 98.9% for the 86% average retail coverage inspected.

Conclusion

Petroleum exploration in the Kyoga and Moroto-Kadam Basins made limited progress, while development in previously explored areas continued under the third licensing round, with no new licences issued yet. Construction of CPFs reached 48%, below the targeted 60%. A key milestone was the completion of the feeder pipeline from the Kingfisher oil field to the export hub.

In midstream infrastructure, the East African Crude Oil Pipeline (EACOP) Project progressed from 13% to 23% completion, supported by the delivery and coating of line pipes. Refinery development negotiations continued, with the Memorandum of Understanding (MoU) extended to March 2025.

Local participation in the oil and gas sector improved, with Ugandan firms securing 75% of contract value from July to December 2024. However, the planned Local Content Fund remained unestablished, limiting financial support for these firms.

The Jinja Storage Terminal was restocked but operated more as a trading hub due to funding challenges. The Liquefied Petroleum Gas (LPG) household cylinder distribution programme resumed, with 6,500 kits near completion and rollout expected in March 2025. Quality monitoring of petroleum products showed high market compliance, at 98.9%.

Nonetheless, critical areas such as data management, the National Data Repository, and the upstream petroleum laboratory faced delays and underperformance due to severe funding constraints, affecting the realisation of several key targets.

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CHAPTER 1: BACKGROUND

1.1 Background.

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

MoFPED, 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. BMAU work is aligned with budget execution, accountability, and service delivery.

Commencing FY 2021/22, BMAU began undertaking Programme-Based Monitoring to assess performance against targets and outcomes in the Programme Implementation Action Plans (PIAPs)/Ministerial Policy Statements (MPSs). Semi-annual field monitoring of Government programmes and projects verified fund receipt and expenditure, assessed outputs and outcomes, and evaluated gender and equity compliance in budget execution. The monitoring also reviewed the level of cohesion between sub-programmes, and noted implementation challenges.

The monitoring covered the following programmes: Agro-Industrialisation; Community Mobilisation 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 semi-annual monitoring of selected interventions under the Sustainable Development of Petroleum Resources Programme for the period 1st July to 31st December 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 the oil and gas industry.

iii. Enhance local capacity to participate in oil and gas operations.

iv. Promote private investment in the oil and gas industry.

v. Enhance Quality Health, Safety, Security and Environment (QHSSE).

vi. Improve security of supply of refined petroleum products.

The key expected results include:

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).

iii. Creating more employment opportunities for Ugandans along the petroleum value chain.

1.3 Sub-programmes

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

i. The Upstream Sub-programme, which covers the promotion, licensing, exploration, development and production of oil and gas;

ii. The Midstream Sub-programme, which includes the transportation, refining of oil and conversion of gas; and

iii. The Downstream Sub-programme, which deals with the distribution of petroleum products.

The lead implementing Ministry 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 (MoFPED), the National Environmental Authority (NEMA), Uganda National Bureau of Standards (UNBS) and the private joint venture partners (TOTAL Energies, China National Offshore Oil Corporation [CNOOC], and the East African Crude Oil Pipeline Company[EACOP]).

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 and gas industry.

v. Improved safety in the oil and gas industry.

vi. Increased days of security stock levels of refined petroleum products.

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/(MDA)/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 and performance reports of MDAs. A total of 14 interventions were reviewed. The 14 reviewed interventions translated into 83.7% 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 prioritised.
3) Planned outputs whose implementation commenced in the year of review, whether directly financed or not.
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 (MPSs) for FY 2024/25; National and Programme Budget Framework Papers; Re-prioritised Programme Implementation Action Plans (PIAPs); Quarterly Progress Reports and Work Plans for the respective implementing agencies; Quarterly Performance Reports; the Budget Speech; Public Investment Plans; Approved Estimates of Revenue and Expenditure; project reports; strategic plans; and policy documents.

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:

iii) Consultations and key informant interviews (KIIs) with institutional heads and project managers at various implementation levels.
iv) Field visits to various districts, for primary data collection, from household heads, and service beneficiaries; observation and photography.
v) Call-backs in some cases were made to triangulate information.

2.2.2 Data analysis

The data was analysed 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 analysed using advanced Excel tools that aided interpretation. Comparative analyses were done using percentages, averages, and cross-tabulations of the outputs/interventions. Performance of outputs/interventions 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.

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 policymakers and implementers to 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 2024/25

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 the 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.

CHAPTER 3: PROGRAMME PERFORMANCE

3.1 Overall Programme Performance

Financial Performance

The programme budget for FY 2024/25 is USh 828.21 billion, of which USh 267.46 billion (32.3%) was released and USh 259.78 billion (97.1%) absorbed by 31st December 2024. The Midstream sub-programme took 79.5% of the programme budget, with funds for EACOP cash calls, refinery equity and external financing taking the largest share. The Downstream sub-programme showed poor absorption due to delays in in manufacture and dissemination of LPG cylinders, thus no payments to the contractor had been made **(Table 3.1)**.

Table 3.1: Financial performance of the Sustainable Petroleum Development Programme by 31st December 2024

Sub-programme	Budget (USh Billion)	Release (USh Billion)	Expenditure (USh Billion)	Release as % of Budget	Expenditure as % of Release
Upstream	141.568	78.072	75.402	55.1%	96.6%
Midstream[1]	658.680	177.207	175.381	26.9%	99.0%
Downstream	27.962	12.182	8.998	43.6%	73.9%
Total	**828.211**	**267.461**	**259.781**	**32.3%**	**97.1%**

Source: Approved Budget Estimates and Q2 Reports FY2024/25

Physical Performance

The overall performance was **fair**, at 58.9% **(Table 3.2).** Construction of the upstream facilities for oil production in Tilenga and Kingfisher reached 45.8% and 59.7% completion, respectively. However, both projects were behind schedule. Exploration activities aimed at identifying additional petroleum potential showed limited progress, with surveys in the Moroto-Kadam area still ongoing.

In the midstream infrastructure segment, construction of EACOP progressed to 23%. Of the total pipeline, 70% (approximately 1,000 km) of the line pipes had been delivered to Tanzania, 50% (500 km) had been coated, and 30 km delivered to Uganda. Negotiations with the private investor for the refinery were ongoing. However, financial closure for key midstream infrastructure components, including the refinery, EACOP, and the products pipeline, had yet to be secured by the Government and Joint Venture Partners.

Regulatory oversight of downstream activities continued, achieving a compliance rate of 98.9%, with 974 fuel outlets monitored. Efforts to promote the use of LPG resumed, though 6,500-cylinder kits were still pending distribution

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

	Sub-programme	Performance (%)	Remark
1	Upstream	55.3	Fair performance
2	Midstream	58.6	Fair performance
3	Downstream	62.7	Fair performance
Overall Programme Performance		**58.9**	Fair performance

Source: Author's Compilation

[1] The budget is comprised of GoU refinery equity contribution of USh 140 billion

3.2 Upstream Sub-Programme

The Upstream Sub-programme covers the promotion, licensing, exploration, development and production of petroleum resources. It also monitors all petroleum upstream operations to ensure the exploitation of the petroleum resource is undertaken in an economically and environmentally conducive manner. The outcomes for the sub-programme include: the amount of revenue from the oil and gas sector; the level of upstream oil and gas compliance; the number of exploration licences issued; and the percentage change in the amount of revenue from oil and gas. The implementing agencies are MEMD, PAU and UNOC.

The planned interventions in the sub-programme for FY 2024/25 that were monitored included:

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

The overall performance of the Upstream sub-programme was **fair**, at 55.3%. The petroleum exploration in the Moroto-Kadam Basin resumed, while the Kyoga Basin activities were in the early stages. The third licensing round had not commenced, pending the conclusion of the third licensing strategy. The construction of the CPFs in the Kingfisher and Tilenga development areas progressed to 48%, against a target of 60%. However, the development of the National Data Petroleum Repository (NDPR) showed poor progress and works for the modern core store, one of the five components had just begun.

Performance of the interventions

The performance of the interventions was fair, at 55.3%.Of the five monitored interventions, only one showed good performance, whereas three were fair and one exhibited poor performance. Good performance was observed in regulation by PAU and fair performance was noted under the construction of CPFs to fast-track the production of the first oil, exploration activities and creation of an enabling environment through policy formulation. The equipping of the petroleum upstream laboratory under MEMD and PAU was poor, with no equipment procured due to funding constraints **(Table 3.3)**.

Table 3.3 Performance of interventions in the Upstream Sub-programme

Intervention	Performance Rating (%)	Remarks
Undertake further exploration and ventures of the Albertine Graben		Fair performance, at 52.5%. Exploration in the Moroto-Kadam Basin resumed and preparatory activities for the 3rd licensing round showed slow progress.
Undertake construction and operationalisation of infrastructure projects		Poor performance, at 30.7%. Procurement of equipment for petroleum geoscience laboratory was ongoing and works for the modern core store of the NDPR had just commenced.
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher Projects		Performance was fair, at 66.1%. Overall progress of Tilenga and Kingfisher was 48%, with a total of 110 wells drilled.
Review, update relevant policies, and harmonise conflicting laws and regulations		Fair performance, at 62.1%. Final drafts of the NPP and Strategic Environment Assessment (SEA) report were developed.
Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework		Performance was good, at 85%. PAU undertook inspection audits of the upstream operations and targets for safety trainings and inspections were met.

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 the 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 the promotion of the country's petroleum potential with the following targets:

- Acquisition of 100 line-km of geophysical data plus geological and geochemical mapping of 100 sq. km in the Moroto Kadam Basin as well as undertaking sensitisation exercises in the frontier basins (Moroto-Kadam, Lake Kyoga and Hoima).
- Acquisition of 100 line-km of geophysical data and geological and geochemical mapping of 100 sq. km in the Kyoga Basin.
- Promotion of the country's petroleum potential through undertaking the third licensing round and the development of a speculative survey promotion framework.
- Acquisition of specialised equipment and maintaining specialised software packages to aid in the analysis and interpretation of seismic data on explored petroleum reservoirs.

Performance

The performance of the intervention was **fair**, at 52.5%. The preparatory activities for the third licensing round were ongoing and the exploration activities showed poor progress.

Exploration of Moroto-Kadam, Kyoga Basins, Lake Edward-George and Albertine Graben Basins

Analysis surveys in the prospective areas of Lakes Edward, George, Albert and Semliki Basins were undertaken to ascertain their petroleum potential. Desk reviews and one field excursion for the Lake Edward-George Basin were undertaken but basin resource analysis had not begun.

The geological, geochemical and geophysical data acquisition in the Moroto Kadam Basin resumed in quarter two. MEMD continued pre-survey engagements with security and local leaders, as well as the locals in some parts of the Moroto-Kadam Basin so as to hasten the completion of data acquisition. The exploration of the Kyoga Basin was in the early stages, with pre-survey engagements ongoing. Most of the exploration activities showed poor progress due to limited release of funds.

The promotion of surveying of the unexplored part of Albertine Graben to speculative companies was also undertaken, awaiting reconnaissance survey studies of areas of interest within the already explored areas.

Promotion of petroleum potential
After the conclusion of the second licensing round, MEMD was undertaking preparatory activities for the launch of the third licensing round. Stakeholder engagements to guide the development of the 3rd licensing round strategy and plan were held. The development of the licensing strategy will pave the way for the printing and distribution of promotional materials for areas earmarked for licensing and also enable prequalification of companies to participate in the third licensing round.

Acquisition and maintenance of specialised upstream equipment
The targets were the purchase of specialised upstream software (PETREL, Geosoft, Geox, PIGI licenses for data analysis) and maintenance of laboratory equipment (Hawk analyser, gas chromatography).

The procurement process for the renewal of the Petrel software licence with the service provider, Schlumberger, was initiated. However, other procurements, such as the maintenance of geophysical laboratory equipment, did not progress due to limited fund releases.

Other achievements: PAU also produced regulatory reports on petroleum reserve estimates and compliance assessments. In addition, PAU continued the regulation of upstream activities, monitoring and reviewing of the exploration licences in the Albertine Graben, such as for the seismic and wells data interpretation for the Kasuruban contract area.

3.2.2 Undertake construction and operationalisation of infrastructure projects to ease monitoring of upstream activities

The intervention was aimed at establishing the enabling infrastructure to support the upstream petroleum operations. The major goal of the intervention is to establish a National Petroleum Data Repository (NPDR) which will integrate data from MEMD and PAU. The annual outputs for FY 2024/25 are:

- A Petroleum Geoscience laboratory established; and
- A National Petroleum Data Repository developed.

Performance
The performance of the intervention was **poor**, at 30.7%. The achievements are discussed below:

Petroleum Geoscience Laboratory and Integrated Data Management System Development

The procurement of workstations, desktop computers and laptops was initiated. However, the consultant to undertake a needs assessment for the laboratory had not been acquired and other procurements, such as for furniture, did not progress, awaiting the availability of funds.

Development of the National Petroleum Data Repository

The National Petroleum Data Repository (NPDR) consists of five components to be developed and housed at the PAU Data Centre, namely: Modern core, seismic data tape storage; offsite data backup and disaster recovery; data management hardware and software applications, and a Real-Time Monitoring Centre (RTMC).

The annual targets under the output are: Data management hardware and software applications acquired and integrated; 50% completion of the Business Continuity and Disaster Recovery System; and 100% completion of a modern and well equipped store.

The development of the NPDR stagnated at 37% by 31st December 2024 in comparison to the same period in FY 2023/24. The contract for completion of the development of the modern store, worth USh 3.897 billion, was awarded, and works had just commenced at the time of monitoring.

The contract for the development of the Business Continuity and Disaster Recovery System had not yet been awarded, pending the availability of funds, as only 32.9% (USh 2.2 billion) of the required budget had been released.

Consequently, the equipping of the NDPR was significantly affected by these funding constraints.

3.2.3 Construct the Central Processing Facilities for Tilenga and Kingfisher Projects

The development of infrastructure under this intervention includes: well drilling, construction of flow lines connecting the fields (Tilenga[2] and Kingfisher[3]) to the CPFs; construction of the feeder pipeline from the CPF to the export hub in Kabaale, Hoima; and implementation of a Resettlement Action Plan (RAP) for persons affected by the project infrastructure; as well as 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 the associated gas will be processed to remove any unwanted mixtures, such as water and sand, before transportation to the export hub in Hoima.

The planned outputs under the intervention for FY 2024/25 are CPFs constructed; RAP for the Kingfisher and Tilenga fields completed; and supporting infrastructure constructed.

Performance

The performance of the intervention was **fair**, at 66.1%. The overall progress of the development of the upstream CPFs in the Tilenga production area stood at 48%, against a planned target of 60% for the FY. Tilenga Project activities had progressed to 45.5%, while the Kingfisher Project reached 59.7%. A total of four drilling rigs were in operation; three in the Tilenga area and one in Kingfisher. Cumulatively, 110 wells (97 in Tilenga and 13 in Kingfisher) had been drilled in the development areas. The civil works for the enabling infrastructure at the CPF (industrial area site preparation, access roads, well pads, camps, construction support bases) were complete.

[2] The Tilenga field under Total Energies operation is located in Nwoya and Buliisa Districts.
[3] The Kingfisher field under the CNOOC operation is located in Kikuube District.

Tilenga development area
The Tilenga area has a total of 426 wells drilled at 31 well pads and expected to produce 190,000 barrels per day at peak production over six[4] (06) production licences. The construction of the base camp at the Tilenga industrial site housing the CPF was completed. At the CPF, works at the main pipe rack, the LPG plant and the gas turbine generator, as well as the operation support base camp were nearing completion. The construction of the permanent and temporary workers' camps was complete.

Overall, three drilling rigs were in operation at the respective well pads. Drilling of wells at the Jobi-Rii 4 and 5 well pads, two of the 10 wells pads in the northern part of Nile, was complete. The construction of the surface oil production facilities and piping works for the flow lines was yet to commence at these completed well pads. The laying of the flow lines from the Job-Rii contract area in the northern part of the Nile to the CPF in the south was at the tail end, with horizontal directional drilling (HDD) at the Nile River crossing (1.86 km) completed.

To the south of the Nile, civil works at the Ngiri 5 well pad were ongoing, with works at the cellar pit to accommodate the wells complete. Total Energies, which is operating the Tilenga exploration area, continued to undertake Resettlement Action Plans (RAPs) for persons displaced by project activities. The cash compensation was nearing completion and construction of a total of 205 resettlement houses was complete.

Construction works for the feeder pipeline (96 km) for the transportation of crude oil from the Tilenga CPF to the export hub in Hoima had commenced. The clearance of the feeder pipeline corridor was ongoing, at 86%, and pipe laying had also begun, with 45% of the line pipes delivered. Works at the main camp, with a capacity of 336 workers, in Butiaba to support construction activities has also progressed to 63%.


L-R: Laying of the feeder pipeline in Butiaba, Buliisa; A site camp in Butiaba, Buliisa to support pipe laying works

Kingfisher development area
One drilling rig was in operation in this development area. A total of 13 wells had been drilled at well pads 2 and 3 by CNOOC, which operates the Kingfisher development area. Drilling of the 13th well at well pad 2 had commenced.

One of the key milestones achieved was the completion of the feeder pipeline from the CPF to the export hub in Kabaale Industrial Park (KIP). Additionally, over 19 km of flowline pipes were being laid from well pads 2 and 3. Significant progress was also observed at the CPF, with the

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

construction of both on-spec and off-spec crude oil storage tanks nearing completion. Erection works for the LPG storage and trucking facilities, in preparation for the anticipated LPG production, were underway.

Other critical infrastructure, such as the substation, crude pig receivers, the lake water treatment plant, the fire suppression system, and the produced water treatment and injection facilities, also advanced steadily.

Moreover, the RAP was fully implemented, including the construction of resettlement houses for affected communities in the Kingfisher area and along the feeder pipeline route from the CPF to the export hub in Hoima.

A view of ongoing works at the Kingfisher Central Processing Facility.


L-R: Ongoing works at the on-spec, off-spec and crude oil pig receivers; Flow line pipe laying works from well pad 2 at Kingfisher, Buhuuka Village.

3.2.4 Review, update relevant policies, and harmonise conflicting laws and regulations

The intervention aims at harmonising conflicting policies, laws and regulations for effective regulation of oil and gas. The outputs for FY 2024/25 are: Petroleum Act 2013 updated; National Petroleum Policy (NPP) development completed; NPP implementation plan and M&E framework developed and NPP Strategic Environment Assessment (SEA) conducted; decommissioning and fiscal metering regulations developed; and 10 standards and codes for upstream developed.

Performance

The performance was **fair**, at 62.1%. The development of the NPP M&E framework was concluded and the final drafts of the NPP and NPP implementation plan were developed, pending a certificate of financial implication from MoFPED.

The final draft of the SEA report was developed and two multi-sectorial committee meetings to discuss the draft were held in that regard. Preparations for stakeholder consultative engagements on the decommissioning, fiscal metering and allocation regulations were undertaken with the Uganda National Bureau of Standards (UNBS) and PAU.

Discussions to develop upstream codes and standards were in the early stages, undertaken by UNBS in partnership with PAU. However, other related activities, such as the training of suppliers in various applicable codes, did not progress as planned due to funding constraints.

3.2.5 Establish Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework

The intervention targets having a safe working environment in oil and gas by promoting QHSSE guidelines.

The outputs for FY 2024/25 are: engagements on QHSSE held with stakeholders undertaken; QHSSE inspections for the production licenses conducted and QHSSE standards developed; trainings undertaken; social compliance assessments undertaken; and health and safety reports produced.

Performance

The performance was **good**, at 85%. PAU undertook inspection audits of the upstream operations. The targets for safety trainings and inspections of the different oil activities were met. Nine stakeholder engagements were conducted in the Tilenga and Kingfisher development areas, focusing on environment, health, safety and security management in the oil and gas sector. In addition, two staff trainings were held to support these initiatives.

There were still cases of non-compliance with regulatory framework in some key health and safety aspects highlighting the need for stronger regulations. The MEMD also reviewed the communication strategy of the Petroleum Department and developed a draft version of the revised strategy.

The detailed performance of the Upstream Sub-programme is highlighted in **Table 3.4**.

Table 3.4: Performance of the Upstream Sub-programme by 31st December 2024

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Bn USh)	% of Budget Received	% of Budget Spent	Annual Target	Cum. Achieved Quantity	Physical Performance Score (%)	
Undertake further exploration and ventures of the Albertine Graben	Undertake third licensing round Speculative survey promotion framework developed Promotion of the country's petroleum potential	1.863	49.0	98.9	100	15.0	30.62	Fair performance
	Geological, geophysical and geochemical data acquisition in the Frontier basins (Moroto Kadam, Kyoga) undertaken Basin analysis assessment undertaken	4.000	37.7	81.9	100	17.0	45.14	
	Regulation of petroleum activities conducted	5.034	49.0	95.6	100	40.0	81.65	
Undertake construction and operationalisation of infrastructure projects to ease monitoring of upstream activities	Petroleum Geoscience laboratory established	1.400	45.2	89.2	100	14.0	30.99	Poor performance
	Data management hardware and software applications acquired and integrated 50% completion of the Business Continuity and Disaster Recovery System 100% completion of Modern and well equipped store	6.777	32.9	100.0	100	10.0	30.40	
Construct the Central Processing Facilities (CPFs) for Tilenga and Kingfisher Projects	Tilenga and KingFisher RAP supervised and eight (08) Field Development Reports reviewed	0.719	47.9	89.6	35	10.0	59.60	Fair performance
	FDPs and work programmes reviewed Upstream facilities designs and drilling activities evaluated	7.160	48.2	91.7	100	35.0	72.59	

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Bn USh)	% of Budget Received	% of Budget Spent	Annual Target	Cum. Achieved Quantity	Physical Performance Score (%)	
Review and update relevant policies	National Petroleum Policy (NPP) development completed, NPP implementation plan and M&E framework developed and NPP strategic Environment Assessment conducted Decommissioning and fiscal metering regulations developed Ten standards and codes for upstream developed	2.340	46.7	92.6	100	29.0	62.14	Fair performance
Establish QHSSE governance and assurance framework	Monitoring undertaken, trainings undertaken, social compliance assessments undertaken and Health and safety reports produced.	4.193	49.4	95.1	100	42.0	85.02	Good performance
	Total	**33.486**	**43.9**	**93.4**				
							55.3	***Fair output performance***

Source: MEMD and PAU Q2 Reports, Field Findings

Challenges

- Funding constraints affected equipping of the National Petroleum Data Repository and the upstream petroleum laboratory for data analysis and the exploration activities in the various basins.
- The resumption of exploration activities in the Karamoja sub-region delayed due to insecurity, which hindered progress.

Recommendations

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

Upstream Sub-Programme Conclusion

The overall performance of the sub-programme was **fair,** at 55.3%. Petroleum exploration in the Kyoga Basin remained in its early stages, while activities in the Moroto-Kadam Basin resumed after earlier suspensions caused by regional insecurity. The development of the third licensing strategy, intended to launch the third licensing round, was still underway but faced delays; consequently, no new exploration licences had been issued.

Progress on the construction of CPFs reached 48%, falling short of the 60% target. Of the planned 457 wells, only 110 had been drilled by mid-year. A notable achievement was the completion of 46 km of the feeder pipeline connecting the Kingfisher oil field to the export hub in the industrial park.
However, limited funding significantly affected progress in other critical areas. Development of data management systems, as well as the equipping of the National Data Repository and the petroleum upstream laboratory, remained minimal during the first half of FY 2024/25. Overall, while there were some key accomplishments, the sub-programme experienced delays and funding constraints that hindered the achievement of several core targets.

3.3 Midstream Sub-Programme

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

The planned monitored interventions for FY 2024/25 are:

i. Undertake construction and operationalisation of midstream infrastructure projects in the Albertine region to ease the movement of goods.
ii. Capitalise and/or license UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry.
iii. Operationalise 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.
v. Implement a strategy for value addition and marketing of goods and services for the oil and gas sector.

The overall performance of the Midstream sub-programme was **fair**, at 58.6%. The overall progress of EACOP was 50%, with the construction component at 23%. A total of 10 batches (1,000 km) had been delivered in Tanzania, and coating of 50% of the pipes was completed. PAU continued registering talents and local firms with the potential to work in oil and gas. In that regard, the number of Ugandans directly employed in the oil and gas increased to 13,455 by

December 2024, from 13,067 in June 2024. This increase was due to the start of the development phase of oil and gas.

The Government also continued disbursements of the equity funds to the refinery and EACOP; however, external financing for both projects had not been secured. In contrast, progress of the development of the Local Content Fund to support local SMEs was poor. The final draft for the fund was awaiting approval by the Ministry of Justice and Constitutional Affairs.

Performance of the interventions

The overall performance of the intervention was **fair,** at 58.6%. Five interventions were monitored, with one showing good performance, while two were fair and two poor. Good performance was observed in the development of national content, whereas the construction of midstream infrastructure outputs showed fair performance. On the other hand, poor performance was in the establishment of a Local Content Fund to fully support local firms and, also, in enhancing capacity in the local goods and services in oil and gas **(Table 3.5)**.

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

Intervention	Performance Rating (%)	Remarks
Undertake construction and operationalisation of infrastructure projects in the Albertine region to ease the movement of goods.		Fair performance, at 59.5%. EACOP progress was at 50%, with construction at 23%. The financial closure for both EACOP and the refinery had not yet been achieved.
Capitalise and/or license UNOC to execute its mandate as an investment arm of Government in oil and gas industry.		Performance was fair, at 67%. The MoU between GoU and Alpha MBM for the refinery project was extended to 31st March 2025 and negotiations were ongoing. The designs for the development of the KIP common infrastructure for access and arterial roads was completed.
Operationalise the National Content Policy to enhance local content and national participation in oil and gas.		Performance was good, at 85.4%. Participation of local firms by contract value was at 75%. There was growth in direct employment by 30% in the last six months (July 2024 – December 2024).
Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs.		Performance was poor, at 37.6%. The final draft of the Local Content Development Fund was submitted to the Ministry of Justice and Constitutional Affairs for approval.
Implement a strategy for value addition and marketing of goods and services that will be demanded by the oil and gas sector.		Performance was poor, at 41.7%. The zero draft for the value addition and marketing strategy for goods and services was developed pending further stakeholder engagements.

Source: Author's Compilation

3.3.1 Undertake construction, operationalisation of infrastructure projects in the Albertine region to ease the movement of goods

The intervention aims at the establishment of midstream petroleum infrastructure, including the oil refinery, product pipeline and EACOP, for the refining and transportation of oil during production.

Ongoing Pipe bending at Main Camp Pumping Yard one (MCPY 1) in Hoima

The planned outputs for the FY 2024/25 are:

a) Pipelines development: Construction of the EACOP pipeline progressed, acquisition of EACOP, multiproduct pipeline corridors and storage terminal through resettlement activities concluded.
b) Refinery Final Investment Decision (FID) achieved, refinery commercial agreements commencing and construction commenced.
c) Feasibility studies on the petrochemical industry and natural gas pipeline undertaken.
d) Hoima EACOP offices developed.

Performance

The performance of the intervention was **fair,** at 59.5%. The EACOP construction works commenced and implementation of the Resettlement Action Plan (RAP) for the pipelines and the refinery were at the tail end. The refinery works were yet to commence, pending the conclusion of the financial closure. The progress of the various outputs was as indicated below:

a) Pipelines development

MEMD and the Joint Venture Partners are undertaking development of EACOP and refined product pipelines. EACOP is 1,443km long to transport crude oil from the export hub in Kabaale, Hoima District in Uganda, to Tanga Port in Tanzania, with 80% of the pipeline in Tanzania. The multi-product pipeline, on the other hand, is 211 km long and will evacuate refined products from the refinery in Hoima to a storage terminal at Namwabula, Mpigi District.

i) East African Crude Oil Pipeline (EACOP)

The overall progress of EACOP was at 50%, with engineering designs at 90%, procurement at 68% and construction works at 23%. The equity contribution by the Joint Venture Partners[5] was completed.

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

The construction of the Above Ground Installations (AGI), Marine Storage Terminal, solarisation farms and access routes at Tanga, Tanzania, was complete. Manufacturing of the pipeline was also underway in China and a total of 10 batches (1,000 km) of line pipes were delivered in Dar es Salaam. Coating of the line pipes with polyurethane foam (PUF) for thermal insulation commenced in October 2024 at the plant in Tabora, Tanzania. Of the delivered 10 batches, five (500 km) had been coated. Of these, only 30 km were delivered in Uganda and pipe bending at the pipeline yard in Hoima was ongoing. The delivery of the coated pipes to Uganda was behind schedule and affected by the low capacity of the local firm.

Pipeline construction had commenced in Tanzania and a total of line pipes for 130 km had been welded and installed. Civil works at the various Main Camp and Pipe Yards (MCPY) was ongoing.

Pumping stations

Pumping Station One (PS1) at Kabaale, Hoima: Overall progress was at 33%, against the planned 50%. Foundation works were nearing completion, whereas equipment erection had not started. A total of 23 of the 48 pieces of equipment were delivered, and these included valves and transformers, among others. Progress was affected by low sub-contractor capacity and delays in completing the camp for the accommodation of workers at site. Works at Pumping Station 2 (PS2), in Sembabule, were at excavation of the foundation and equipment erection.

Foundation works at Pumping Station 2 (PS2), Sembabule.

Main Camps and Pipeline Yards (MCPYs)

To facilitate accommodation and storage of line pipes during the construction period, works in a total of 15 Main Camps and Pipeline Yards (MCPYs) was ongoing, with four of these located in Uganda (MCPY1 in Hoima, MCPY2 in Mubende, MCPY3 in Sembabule and MCPY4 in Mutukula) and 11 in Tanzania.

Works at the MCPY3 in Kabayoola, Sembambule, were almost complete, at 95% progress. Construction works at MCPY 1 and MCPY2 in Hoima and Mubende, respectively, were also at 51%, but behind schedule.

L-R: Some of the completed housing units at Main Camp; A view of the pipeline yard at MCPY3 at Kabayoola, Sembabule.

Some of the delivered coated EACOP pipes at MCPY4 in Mutukula, Rakai.

Products pipeline

The Front End Engineering Design (FEED) studies for the product pipeline were completed, and the land for the storage facilities was fully acquired. GoU was in the process of securing financing for the construction of the pipeline.

ii) Acquisition of pipeline corridors

A completed and occupied resettlement house at Buhimba village, Hoima district

The progress of cash compensation for the 30m corridor for the EACOP pipeline was complete and land titling of the acquired land was ongoing. All 177 resettlement houses for the vulnerable were completed and handed over to the PAPs. The construction of the resettlement houses under the products pipeline had not begun.

b) Refinery development

The Refinery Project Framework Agreement expired on 30th June 2023, and the project progressed as a public sector-led project. The Government developed an MoU with Alpha MBM, the new private sector refinery investor, in December 2023. During the first half of FY 2024/25, due diligence by the investor was undertaken, and several technical and high-level engagements on the conclusion of the key project documents were held. The MoU was extended by four months to the end of March 2025 to allow for the conclusion of the Refinery Implementation Agreement.

c) Development of natural gas pipeline and petrochemical industry

Following the Bilateral Agreement between the Governments of Uganda and Tanzania on the development of the natural gas pipeline and joint procurement rules, the procurement of a consultant for the pipeline feasibility study has been slow. However, the technical evaluations have been completed and the report approved. The natural gas pipeline from Tanzania to Uganda is anticipated to support iron ore mineral processing, especially in the Southwestern Region, thus the need for MEMD to fast-track conclusion of the study.

The procurement of a consultant to undertake the feasibility studies for the petrochemical industry and the integrated complex for fertilisers at the Kabalega Industrial Park (KIP) also showed limited progress and remained at the bid evaluation stage.

d) Development of development of Hoima EACOP offices

In a bid to decentralise midstream functions, land for the Hoima Regional Office was acquired in the previous FY 2023/24. The review of the detailed designs for the offices was nearing completion, after which a contract to undertake construction works will be acquired.

3.3.2 Capitalise and/or license Uganda National Oil Company (UNOC) to execute its mandate as an investment arm of the Government in the oil and gas industry

This intervention was aimed at providing equity financing to UNOC to enable it to execute its mandate as an investment arm of the Government in the oil and gas industry through: state participation in production licences; proposing new petroleum exploration ventures; and developing, owning and operating the oil refinery, oil pipelines, storage terminals and other related facilities.

The planned annual output for FY 2024/25 is the contribution of UNOC's equity to the Oil Refinery as part of its shareholding to enable the carrying out of operations, including Oil Refinery pre-FID activities and other supporting activities in the oil and gas sector undertaken, and the development of KIP.

Performance

The performance was **fair**, at 67%. The Government, through the budget, has provisioned an additional USh 140 billion during the first half of FY 2024/25 as part of its phased disbursements to the equity investment in the Oil Refinery. The Government agreed to a 100% equity financing model, with 40% from GoU anticipated between USD 1.2 billion and USD 1.6 billion.

The Government was also in the process of securing the 60% equity financing (USD 2.8 billion) for the development of the refinery. The MoU between the Government of Uganda and Alpha MBM for the refinery project was extended to 31st March 2025 to enable the conclusion of key Project Implementation Agreements. Therefore, the negotiations for the refinery project agreements, including the shareholders' agreement, implementation agreement, and the crude supply agreement, had not been concluded to pave the way for the Final Investment Decision (FID).

Under the development of the KIP common infrastructure, the site for the Kabaale power substation was handed over to the Uganda Electricity Transmission Company Limited (UETCL) in August 2024. By December 2024, levelling works were complete and foundation excavations was underway. The feasibility studies and design for several other infrastructures had also progressed. For example, the detailed design for power reticulation and solar power was completed, while geotechnical testing for the finalised road alignments was still ongoing.

The designs for the development of the KIP common infrastructure for access and arterial roads were completed. UNOC was also in the process of procuring a consultant to undertake feasibility studies for a petrochemical industry and an integrated fertiliser complex. However, as of the bid evaluation stage, minimal progress had been made since June 2024.

3.3.3 Operationalise the National Content Policy to enhance local content and national participation in oil and gas

The intervention aims at training and registering local SMEs in oil and gas skills. This is to enable them to successfully implement oil and gas contracts to enhance their participation in the tendering and delivery of contracts. The planned outputs for FY 2024/25 are:

- **i.** 800 local companies registered on the National Supplier Database (NSD).
- **ii.** 800 talents registered on the National Oil and Gas Talent Register (NOGTR) database.
- **iii.** 18 supplier development workshops conducted.
- **iv.** 500 enterprises sensitised about bid evaluation.

Performance
The intervention showed **good** performance, at 85.4%. Training of the local population in oil and gas and the provision of employment opportunities in the sector continued, with most semi-annual targets achieved.

To promote national content, PAU embarked on a process of registering local companies on the National Supplier Database (NSD). The NSD, established in 2017, captures companies with the interest and readiness to supply goods and services in the sector and regulates the procurement of goods and services while ensuring prioritisation of local firms.

A total of 451 Ugandan companies were qualified and registered on the NSD during the first half of FY 2024/25. More 154 contracts worth USD 11.188 million had been awarded by 31st December 2024, with 121, 17 and 16 contracts being awarded to Ugandan companies, Joint Ventures and foreign firms, respectively. Ugandan companies benefitted by a total of USD 8.407 million (75%) by contract value, whereas the USD 1.455 million (13%) went to Joint Ventures.

To boost local talents, PAU trained and registered talents that can work in oil and gas on the NOGTR. The NOGTR captures the talent of individuals who can potentially work in the oil and gas sector, and a total of 920 Ugandans (652 males and 268 females) were registered. Overall, 48,344 (13,455 direct and 34,889 indirectly) people were employed in the sector. There was growth in direct employment from 13,067 in June 2024 to 13,455 by December 2024, translating into a 30% increase in six months. This indicates the impact of the commencement of the oil and gas development phase on the level of employment.

To boost participation, a total of 10 sensitisation engagements (55% of the annual target) on the NSD and NOGTR were undertaken. Under this, a total of 461 enterprises (92% of target) were trained about bid evaluation through the workshops held.

3.3.4 Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs

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 and they cannot effectively compete with foreign firms due to lack of capital limited by the high interest rates charged by commercial banks. The intervention aims at establishing and operationalising a Local Content Fund to enhance their financial capacity for more participation in the sector. The annual output for FY 2024/25 is the development of the Local Content Development Fund Act.

Performance
The performance was **poor,** at 37.6%. The final draft of the Local Content Development Fund was submitted to the Ministry of Justice and Constitutional Affairs for approval. However, the stakeholder engagements to develop the Local Development Fund Act were not held due to funding constraints.

The Local Content Development Fund is expected to be financed through a 1% levy on awarded goods and services contracts. Held at the Uganda Development Bank (UDB), the fund aims to boost Ugandan firm participation in the oil and gas sector, particularly during the development and operational phases, building on prior training in oil and gas contract management.

3.3.5 Implementation of a strategy for value addition and marketing of goods and services for the oil and gas sector

This intervention aims at adding value to the goods supplied, which, in turn, is expected to enhance the financial benefits of the business communities and ensure sustainability of participation in oil and gas. The output for FY 2024/25 is a value addition and marketing strategy for oil and gas developed.

Performance

The performance of the development of the strategy was **poor,** at 41.7%. The zero draft for the value addition and marketing strategy for goods and services was not developed. Further stakeholder engagements were not held due to unavailability of funds. The procurement of a consultant to develop the value addition strategy had just commenced but had not progressed much due to funding constraints.

The detailed performance of the Midstream Sub-programme is highlighted in **Table 3.6.**

Table 3.6: Performance of the Midstream Sub-programme by 31st December 2024

Intervention	Output	Financial Performance			Physical Performance			Remarks
		Annual Budget (Bn USh)	% of Budget Received	% of Budget Spent	Annual Target	Cum. Achieved Quantity	Physical Performance Score (%)	
Undertake construction and operationalisation of infrastructure projects in the Albertine region to ease movement of goods.	Supervision of RAP, resettlement houses.	1.000	43.8	96.2	100	35.0	79.84	Fair performance
	EACOP construction completed. Refinery commercial agreements concluded. Feasibility studies on petrochemical industry and natural gas pipeline undertaken.	13.336	52.6	76.9	60	15.0	47.53	
	Refinery FID achieved and construction commenced.	519.739	17.6	100.0	100	9.0	51.22	
Capitalise UNOC.	UNOC midstream operations.	30.164	50.0	100.0	100	33.5	67.00	Fair performance
Operationalise the National Content Policy to enhance local content and national participation in oil and gas.	800 Ugandans registered on the NOGTR and 800 local companies registered on the NSD. Ugandans employed in oil and gas monitored. 500 local firms trained.	6.679	49.2	96.6	100	42.0	85.35	Good performance
Establish an oil and gas incubation fund to promote local entrepreneurship.	Local Content Development Fund Act developed.	0.863	47.9	89.6	100	18.0	37.55	Poor performance

Intervention	Output	Financial Performance			Physical Performance			Remarks
		Annual Budget (Bn USh)	% of Budget Received	% of Budget Spent	Annual Target	Cum. Achieved Quantity	Physical Performance Score (%)	
Implement a strategy for value addition and marketing of goods and services.	Value addition and marketing strategy for oil and gas developed.	0.216	47.9	89.6	100	20.0	41.72	Poor performance
	Total	571.996	20.6	98.5				
Average Output Performance							**58.6**	***Fair output performance***

Source: MEMD, UNOC and PAU Q2 Reports, Field Findings

Challenges

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

Recommendations

- The Government and Joint Venture Partners should fast-track the conclusion of the financial closure for the 60% debt financing for the EACOP Project and the oil refinery development.
- 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.

Midstream Sub-Programme Conclusion

The overall performance of the Midstream sub-programme was fair, at 58.6%. Construction of EACOP advanced from 13% to 23% in the first half of FY 2024/25, with 70% of line pipes delivered and 35% coated. Negotiations with the refinery development partner were ongoing, and the MoU was extended to March 2025 to finalise key agreements. As midstream infrastructure works began, Ugandan participation in the oil and gas sector increased, with a 30% rise in direct employment. Between July and December 2024, local firms accounted for 75% of contract value; however, the Local Content Fund to support their financial capacity had yet to be established.

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 the Jinja Storage Terminal (JST).
ii. Develop strategic regional storage terminals for petroleum products.
iii. Develop standards for storage infrastructure and other facilities.
iv. Invest in LPG infrastructure.

The overall performance of the Downstream sub-programme was **fair,** at 62.7%. Compliance with refined petroleum product standards stood at 98.9%. However, the objective of operating the JST as a strategic reserve was not achieved, as it continued to function as a trading facility. A total of 6,500 LPG cylinder kits were distributed to promote LPG usage. Additionally, 86% of targeted retail outlets were monitored, and enforcement actions were carried out.

Performance of the interventions

The overall intervention output performance was fair, at 62.7% **(Table 3.7).** Of the four monitored interventions, one showed good performance, two were fair and one performed poorly. Good output performance was in the regulation and monitoring of downstream trading activities; and fair performance in the promotion of LPG through cylinder kits dissemination and restocking of the JST. Poor output performance was in the development of more storage terminals for both fuel and LPG in preparation for the oil production phase.

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

Intervention	Performance Rating (%)	Remarks
Manage and restock Jinja Storage Terminal.		Performance was fair, at 67%. A total of 1.38 billion litres of petroleum products were delivered by UNOC, with a monthly average country consumption of 220 million litres.
Invest in LPG infrastructure.		Fair performance, at 65.5%. Manufacture and preparation for the dissemination of 6,500 cylinder kits was underway.
Develop standards for storage infrastructure and other facilities.		Good performance, at 83%. 974 retail outlets were monitored and non-tax revenue (NTR) of USh 300 million collected.
Develop strategic regional storage terminals for petroleum products.		Performance was poor, at 34.7%. Lake transport regulations were not yet developed.

Source: Author's Compilation

3.4.1 Manage and restock the Jinja Storage Terminal

The intervention is aimed at overseeing the rehabilitation, operation and management of the JST to oil industry standards to ensure the security of petroleum supply. The terminal has a capacity of 30 million[6] litres and is managed by UNOC. The planned outputs for FY 2024/25 are:

i. The operations and scaling up trading of the Jinja Storage Terminal (JST) managed.
ii. The oil jetty and pipeline connecting the JST to Lake Victoria constructed.

Performance

The performance was **fair,** at 67%. Following the enactment of the Petroleum Supply Act 2023, aimed at giving UNOC sole mandate to import petroleum products for the country, UNOC continued importing fuel and restocking at the JST. By the end of December 2024, UNOC, in partnership with its supplier Vitol Bahrain, had delivered a total of 14 vessels, worth 1.38 billion litres[7] of petroleum products with a monthly average of 220 million litres, to meet the country oil demand.

[6] 20 million diesel and 10 million petrol.

[7] Petrol – 693,202,089 litres; kerosene – 19,402,303 litres; diesel – 592,476,697 litres; and JetA1 –79,088,731 litres.

UNOC also continued to restock the JST but the stock levels were still below the storage capacity (30 million litres). This was due to low allocation for the restocking and because the objective of the JST to act as a strategic reserve was not being met since it was more of a trading rather than a reserve facility.

To ensure security of supply and scale up trading, UNOC concluded feasibility studies for the transportation of petroleum products through the development of an oil jetty pipeline from the terminal to Lake Victoria, with pipeline designs also completed. However, UNOC was yet to secure a funding partner to support the oil jetty development in order to commence construction works.

3.4.2 Invest in Liquefied Petroleum Gas (LPG)

The intervention aims at promoting the usage of LPG as an alternative source of energy to reduce reliance on biomass. MEMD launched an initiative to procure promotional LPG cylinder kits, which are to be distributed free of charge so that the cost of acquisition can be subsidised for new users.

The planned outputs under this intervention for FY 2024/25 are: 17,295 cylinder kits disseminated; LPG terminal land in Mukono fenced; and LPG promotional campaigns and communication strategy implemented.

Performance
The performance was **fair,** at 56.6%. A total of USh 3.4 billion was released in quarter two to enable the procurement of the cylinder kits. By the end of December 2024, the manufacture of the LPG cylinder kits and procurement of the gas cooking stoves were ongoing. The dissemination of the kits was expected to start in March 2025.

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 the monitoring, enforcement and development of standards for regulation. This is implemented by the Petroleum Supply Department in MEMD. The annual planned outputs were: downstream operations monitored and enforcement undertaken; and petroleum standards developed.

Performance
The performance was **good**, at 79%. A total of 974 retail outlets (130% of semi-annual target) were monitored and inspected for fuel quality in the various districts countrywide. The compliance level for 86% of the average retail coverage was at 98.9%. Enforcement in 286 non-compliant retail outlets was undertaken in the Central and Western regions.

MEMD also issued a total 236 petroleum operating licences, with 69 construction permits to outlet development for downstream trading. A total of USh 350 million (70% of semi-annual target) was collected as non-tax revenue (NTR) from the licensing activities. To better regulate the downstream trading activities, five (5) of the 12 targeted standards were being drafted in partnership with UNBS.

3.4.4 Develop strategic regional storage terminals for petroleum products

The intervention aims at developing regional storage terminals to ensure an adequate stock of petroleum supply. The planned outputs for FY 2024/25 are: lake transport of refined petroleum products regulations in place; petroleum outlets mapped by GIS; and the newly acquired LPG land fenced.

Performance

The performance was **poor**, at 34.7%. The Terms of Reference (TOR) for lake transport were developed in consultation with the Ministry of Works and Transport (MoWT). However, the regulations were not developed, pending stakeholder consultations.

The fencing of the newly acquired 20 acres of land for LPG storage in Mukono did not progress due to funding constraints. The development of the Kampala Storage Terminal (KST) was at the engineering design stage, and the feasibility studies were ongoing. Other activities, such as the development of a lake transport routing master plan, GIS mapping of petroleum outlets and acquisition of land for the regional petroleum depots, did not progress.

The performance of the Downstream Sub-programme is summarised in **Table 3.8.**

Table 3.8: Performance of the Downstream Sub-programme as at 31st December 2024

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Bn USh)	% 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.	15.082	50.0	100	100	34	67.0	Fair performance
Invest in LPG	17,295 cylinder kits procured and disseminated. LPG land fenced. LPG promotional campaigns and communication strategy implemented.	10.260	33.6	12	100	22	65.5	Fair performance
Develop standards for storage infrastructure and other facilities	1,200 downstream operations monitored. 600 petroleum retail outlets enforced for compliance. 20 petroleum standards developed. 80% fuel stations monitored for quality. Four awareness campaigns undertaken.	1.835	45.6	97	100	38	83.3	Good performance

Outputs Performance								Remarks
Intervention	Output	Financial Performance			Physical Performance			
		Annual Budget (Bn USh)	% of Budget Received	% of Budget Spent	Annual Target	Cum. Achieved Quantity	Physical Performance Score (%)	
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.	0.475	40.3	84	100	14	34.7	Poor performance
	Total	**27.651**	**43.4**	**74.3**				
Average Outputs Performance							**62.7**	

Source: MEMD and UNOC Q2 Reports, Field Findings

Challenges

- UNOC is not able to fully restock the fuel reserves in Jinja to the recommended strategic levels, which is a risk to the country's energy security.
- The delay in securing financing for the development of more storage terminals is hampering the readiness of the Downstream sub-programme for the oil production phase.

Recommendations

- MEMD and MoFPED should prioritise funding to the Downstream sub-programme and development of the Kampala storage terminal to ensure adequate stock levels of fuel.
- UNOC should speed up the conclusion of the search of a partner to scale up trading at the JST.
- MoFPED and UNOC should fast-track securing financing for the development of storage terminals.

Downstream Sub-Programme Conclusion

The overall performance of the downstream sub-programme was **fair**, at 62.7%. Restocking of the JST continued but, due to limited funding, the facility functioned more as a trading hub than a strategic reserve. The distribution of household LPG cylinder kits resumed, with the manufacture of 6,500 kits nearing completion; dissemination was expected to begin in March 2025. MEMD also continued monitoring and enforcing petroleum quality at retail outlets. Market compliance stood at 98.9%, though some non-compliance issues persisted, highlighting the need for enhanced surveillance and enforcement of quality standards.

3.5 Overall Analysis of the Programme Value Chain

All sub-programmes performed fairly. Under the Upstream sub-programme, which supports the country's path to first oil, 110 of the 457 (24%) planned development wells were drilled. Progress at the CPFs in Kingfisher and Tilenga reached 48%, below the 60% target. The third licensing round for new exploration in the Albertine Graben and Moroto-Kadam areas had not started, pending finalisation of the licensing strategy. Minimal progress was made in exploring additional petroleum potential in Moroto-Kadam, Kyoga, and the Albertine Graben to expand the current 6.5 billion barrels of proven reserves. While upstream activities advanced, midstream infrastructure to support oil transport lagged behind schedule.

Under midstream infrastructure development, construction of EACOP progressed from 13% in June 2024 to 23%, though it remained behind schedule. A total of 1,000 km of line pipes were delivered in Tanzania, with 500 km coated. Construction works at Main Camps and Pipeline Yards along the route were also advancing. However, 60% of the required EACOP debt financing was still pending. Negotiations with the private sector investor, Alpha MBM, on the Refinery Implementation Agreement were ongoing and had not yet been concluded. The planned refinery is designed to process 60,000 barrels of crude oil per day. Resettlement activities for the products pipeline progressed, but infrastructure development had not commenced, pending financial closure.

The Downstream Sub-programme performed fairly. UNOC continued restocking the JST to ensure fuel supply and sought partners to expand bulk trading and develop a new storage terminal in Kampala. Additional storage is critical as the country prepares for oil production. Distribution of 6,500 LPG kits (38% of the annual target) resumed, aiming to promote LPG use ahead of future production from the Tilenga and Kingfisher fields.

Therefore, although the Upstream sub-programme showed fair progress towards oil production and the Midstream sub-programme infrastructure development continued despite being behind schedule, the Downstream sub-programme was lagging in preparation for oil production, with a need to build more strategic terminals. 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 prioritise the development of more storage terminals and scaling up the usage of petroleum products through LPG promotion and additional initiatives.

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The overall programme performance was fair, at 58.9%. Progress in exploring new areas for the petroleum potential remained low, while development in already explored areas continued, with upstream facilities in Tilenga and Kingfisher showing notable advancement. Although the programme is moving towards the key milestone of oil production, midstream infrastructure, particularly pipeline development, is lagging behind. The Government and Joint Venture Partners should explore diverse financing options to minimise delays in midstream infrastructure development.

4.2 Recommendations

i. MoFPED and Joint Venture Partners should fast-track financial closure for the EACOP and refinery projects by engaging alternative financing sources.

ii. MEMD and the Joint Venture Partners should actively engage the project host communities to counter the negative publicity of the project.

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ANNEX

Annex 1: Monitored Interventions, Outputs and Implementing MDAs for FY 2024/25

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
		The third licensing round undertaken.	MEMD
		Specialised equipment acquired and maintenance of specialised software packages.	PAU, MEMD
		Upstream activities regulated.	PAU
	Undertake construction and operationalisation of infrastructure projects.	Data Repository Centre for the Directorate of Petroleum (DP) 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 PAU
		Tilenga and Kingfisher RAP and production activities undertaken.	
	Review and update relevant policies; and fast-track harmonisation 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 Quality, Health, Safety, Security and Environment (QHSSE) governance and assurance framework.	QHSSE systems and standards developed and implemented. QHSSE engagements held with stakeholders and inspections for the production licences conducted.	MEMD, PAU
Midstream	Undertake construction and operationalisation 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
		Construction of EACOP and oil refinery.	UNOC
	Capitalise UNOC to execute its mandate as an investment arm of the Government in the oil and gas industry.	Refinery equity contribution made and Kabaale Industrial infrastructure developed.	MFPED
		UNOC midstream operations undertaken.	UNOC
	Operationalise the National Content Policy to enhance local content and national participation in oil and gas.	National Content Policy implemented.	MEMD, PAU

Sub-Programme	Intervention	Outputs	Implementing MDA
	Establish an oil and gas incubation fund to promote local entrepreneurship and SMEs.	Local Content Development Fund Act developed.	MEMD
	Implement a strategy for 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
Downstream	Restock and manage Jinja Storage Terminal (JST).	Bulk trading of petroleum products scaled up.	UNOC
	Invest in Liquefied Petroleum Gas (LPG) infrastructure.	Dissemination of LPG cylinder kits.	MEMD
	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
	Develop standards for storage infrastructure and other facilities.	Downstream operations monitored. Petroleum standards developed Fuel stations monitored for quality.	MEMD

Source: Author's Compilation

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