

**SECRET**

**AREAS OPEN FOR COMPETITIVE BIDDING FOR PETROLEUM EXPLORATION LICENSES  
IN RESPECT OF THE SECOND LICENSING ROUND IN UGANDA.**

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**REPORT PRESENTED BY THE MINISTER OF STATE FOR ENERGY TO THE  
PARLIAMENT.**

**1.0 OBJECTIVES OF THE REPORT**

1.1 Honorable members, the purpose of this report is to:

- (i) Update Parliament on the implementation of the National Oil and Gas Policy for Uganda and the Petroleum (Exploration, Development, and Production) Act 2013; specifically, on efforts which my Ministry is making to carry out the Second Licensing Round in the Country in respect of petroleum exploration, development and production within this legal framework,
- (ii) Update the Parliament regarding the areas open for bidding for petroleum exploration licenses as required by the Petroleum (Exploration, Development and Production) Act, 2013
- (iii) Inform Parliament to appreciate the drivers for the second licensing round and its positive impact to the social and economic development of the country.

**2.0 INTRODUCTION**

2.1 Honorable Members, you will recall that the main objectives of the National Oil and Gas Policy (The Policy) for Uganda include inter alia the establishment and efficient management of the country's oil and gas resource potential, and effective licensing of areas with potential for oil and gas production through gradual/phased licensing. The

work programmes and fiscal terms for the country, sustainable exploration and production of the country's petroleum resources hence creation of lasting value using these resources.

- 2.2 The Petroleum (Exploration, Development and Production) Act, 2013 operationalises the Policy by providing for licensing of acreage in Uganda through an open competitive process. The competition will enable selection of technically, financially and industry recognised healthy, safety and environmentally compliant companies.
- 2.3 In order to efficiently prepare for the licensing round, a Licensing Strategy and Plan was developed and duly approved. It is particularly aimed at ensuring efficient, effective preparation and implementation for the licensing round in the Country taking into consideration the aspirations of the NOGP, Vision 2040 and NDP II. The preparations for the licensing round are being undertaken by ministerial and agency institutions comprising Ministry of Energy and Mineral Development (MEMD), Ministry of Justice and Constitutional Affairs (MoJCA), Ministry of Finance, Planning and Economic Development (MoFPED) and Petroleum Authority of Uganda (PAU).
- 2.4 The primary objective for the Second Licensing round is to establish additional petroleum resources and reserves to the current resource of 6.0 Billion Barrels of oil and recoverable reserve of 1.4 Billion barrels of oil in the country. The additional resources are to ensure sustainability of oil production and economic viability of the Refinery and the Crude Export Pipeline.
- 2.5 The licensing of areas at this time when the price of crude oil at the world market is above USD 60 together with the prevailing conducive investment climate and minimal geological and commercial risks is expected to attract a large spectrum of oil companies including moderate to big ones and subsequent achievement of competitive work programs and fiscal terms.
- 2.6 The experience gained from conducting the 1<sup>st</sup> Licensing Round by the Ministry and established State-of-the-Art-Data room are essential for leading to a successful licensing round.
- 2.7 In addition to having the prerequisite legal backing for conducting the licensing round, the necessary institutions namely; the Petroleum Authority of Uganda (PAU) and Uganda National Oil Company (UNOC) are now fully constituted and operational. The Authority can now provide statutory advice to the Minister while evaluating and granting of exploration licenses while UNOC can take up the participating interest of the State in the new licensees in the promotion of national interest.

### **3.0 PROPOSED LICENSING AREAS**

- 3.1. Hon Members, the target areas for the second Licensing Round are all in the Albertine Graben (**Annex-1**) and include:
- i. LR2\_2019\_Block01 (Avivi) covering the districts of Obongi, Adjumani, Amuru and part of Arua and with area coverage of 1026km<sup>2</sup>.
  - ii. LR2\_2019\_Block02 (Omuka) covering the districts of Nebbi, Nwoya and Buliisa and with area coverage of 750km<sup>2</sup>
  - iii. LR2\_2019\_Block03 (Kasuruban) covering the districts of Buliisa, Hoima and Masindi and with area coverage of 1285km<sup>2</sup>
  - iv. LR2\_2019\_Block04 (Turaco) covering the districts of Ntoroko and with area coverage of 637km<sup>2</sup>
  - v. LR2\_2019\_Block05 (Ngaji) covering the districts of Kanungu, Rukungiri and Rubirizi with area coverage of 1230km<sup>2</sup>
- 3.2 The demarcation of the areas is based on a 5x5' block size (85.4 Km<sup>2</sup>) and its multiples as provided for in the Petroleum (Exploration, Development and Production) Act 2013 (PEDP Act).

### **4.0 FINANCIAL IMPLICATIONS**

- 4.1. Hon Members, in order to efficiently and effectively implement the licensing round, total funds to the tune of UGX 3.52 Billion will be utilized during FY 2018/19 and FY 2019/20. These funds are provided for as a supplementary budget and under the Sectoral Budget for the financial year 2019/20.
- 4.2 The licensing round is expected to generate and lead to enormous benefits including upfront direct monetary revenue from the application fees, data package sales, signature bonuses, training fees and ground rent to the tune of more than USD 5 million.
- 4.3 Other economic benefits will accrue upon oil and gas production in the demarcated blocks in case of commercial discoveries. Technical and financial benefit analysis indicates positive Net Present Value, and Government Take in excess of 80% for projects in all the blocks, with total future revenue due to government estimated at about US\$ 44 billion.

4.4 The local content benefits that shall include investment retained in the country from use of local goods and services, and employment of Ugandans. For example, during the exploration stage in 2013 Tullow Oil Ltd employed a total of 203 people out of which 80% were Ugandans, CNOOC employed about 115 people out of which 70% were are Ugandans & Total employed over 500 people out of which 80% were Ugandans. It is therefore expected that the new exploration licenses will present significant employment and provision of goods and services opportunities to Ugandans

## **5.0 ENVIRONMENTAL IMPLICATION**

5.1. Hon Members, it should be noted that some parts of the areas earmarked for licensing are in ecologically sensitive areas, such as Ngaji being in a national park. However, it should be noted that before any activity is considered in any of these areas, an Environmental Social Impact Assessment (ESIA) will have to be undertaken to mitigate any likely impacts. It should further be noted that the exploration activities undertaken in other sensitive ecological areas such as Murchison Falls National Park have demonstrated a positive co-existence with wildlife activities.

## **6.0 LICENSING ACTION PLAN**

6.1. The action plan for this licensing round is shown in table below. It takes into consideration the objectives of the licensing round, existing legal framework and activities which need to be implemented to ensure a successful licensing round.

Activity	2018					2019												2020												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Demarcation of blocks	■	■	■	■																										
Technical and financial benefit analysis					■	■	■	■	■																					
Review of mPSA and data sale regulations							■	■	■	■	■	■																		
Benchmarking visits								■	■	■	■	■																		
Formulation of RFQ and Cabinet memo									■	■	■	■	■																	
Announcement of the licensing round											■	■	■	■	■	■														
Pre-qualification process ( Road show, Receipt and evaluation of applications)											■	■	■	■	■	■														
Bidding process (receipt of bids, data room visits, bidders conference and evaluation of bids)																■	■	■	■	■										
PSA Negotiations (Due diligence, actual negotiations)																						■	■	■	■	■	■			
PSAs approvals by Cabinet and MoJCA																													■	
Signing of PSA and grant of license																														■

## 7.0 CONSULTATIONS

- 7.1 The Licensing Strategy and Plan for the Second licensing round was developed with input of the Petroleum Authority of Uganda. It spells out the objectives, procedural and timelines for the implementation of the licensing round.
- 7.2 As indicated earlier the Ministry constituted a Licensing Committee comprising staff from the Ministry of Energy and Mineral Development, Ministry of Justice and Constitutional Affairs, Ministry of Finance, Planning and Economic Development and Petroleum Authority of Uganda to implement the Licensing Strategy and Plan specifically to, among others; prepare the pre-qualification and bidding documents, review and update the modal Production Sharing Agreement and the data sale regulations and undertake technical and financial cost benefit analysis of the proposed blocks/areas for the licensing.
- 7.3 The Licensing Committee consulted with the Ministry of Energy (Ghana), Petroleum Commission (Ghana) and Ghana National Petroleum Cooperation, through a benchmarking visit, on how they are implementing the ongoing first licensing round. The country contracted PGS to spearhead the promotion efforts. The Republic of Ghana launched their first licensing round on 15<sup>th</sup> October 2018 and target to grant exploration licenses in September 2019. The licensing round has three offshore Blocks for competitive bidding while four offshore Blocks are for direct negotiations.
- 7.4 In addition, consultation was made with the Ministry of Finance, Planning and Economic Development (MoFPED) who indicated that the Second Licensing round has excellent economic and local content benefits to the country. In that regard, a certificate of Finance and Implications for this licensing round was issued by the (MoFPED).

## 8.0 CONCLUSION

8.1 Hon Members, Please note that:

- (i) The Second Licensing Round is being conducted in accordance with the law and upon conclusion, it will present enormous economic, social and local content opportunities to the Country, and
- (ii) The areas for the licensing constitute; LR2\_2019\_Block01 (**Avivi**), LR2\_2019\_Block02 (**Omuka**), LR2\_2019\_Block03 (**Kasuruban**), LR2\_2019\_Block04 (**Turaco**) and LR2\_2019\_Block05 (**Ngaji**);

