

Uganda looking for growth from second licensing round

Uganda is aiming to increase international investment in its oil-rich energy sector, with its second oil and gas licensing round for the exploration of five blocks in the Albertine Graben. The government is expecting to sign production sharing agreements and issue exploration licenses to successful firms by December 2020.



Albertine Graben region in Uganda

The second licensing round is driven by factors including the establishment of additional petroleum resources and reserves, the current high price of crude oil, interest in investing in the country's oil and gas sector, a conducive investment climate and minimal geological and commercial risk, says Frank Mugisha, manager, second licensing round.

"The increase in the current resource base will ensure that the expensive infrastructure, such as our refinery and crude export pipeline, are economically sustained for a reasonably very long time. The licensing of acreages during the uptick in crude oil prices period is aimed at attracting a large spectrum of oil companies including moderate to big ones which in turn enable the Government to achieve competitive commercial terms," he says.

The attractive oil price has also guided numerous investors into expressing interest in investing in the sector and it is important and beneficial that government responds to these interests before the investors consider investing the high-risk capital in other countries.

The country has a robust and comprehensive legal, regulatory and institutional framework, according to Mugisha. In

addition, there is political stability throughout the country. These are major facets driving investors' appetite to come to Uganda and invest their risk capital into exploration and development. Most areas of the Albertine Graben, especially those that were earlier licensed and those which are neighbouring the proven commercial fields, have been greatly de-risked in terms of geological, market, transportation and infrastructure risks.

"Another reason we have decided to launch a second licensing round is promotion on national content. The exploration licensing is envisaged to create several opportunities not limited to national participation through service provision and jobs."

Licences and development

Government has, to date, awarded nine production licenses. Specifically, one petroleum production license (PL) over the Kingfisher field to China National Offshore Oil Corporation (CNOOC), in 2012; five PLs over Mputa-Nzizi-Waraga, Kasamene-Wahrindi, Kigogole-Ngara, Nsoga, Ngege fields to Tullow Uganda Operations in 2016 and three PLs over Ngiri, Jobi-Rii and Gunya fields to Total E&P Uganda in 2016.

The confirmation of commercial oil reserves in the country and the PLs are the basis for the planned development, production and commercialisation of oil and gas and the ongoing infrastructure developments such as roads, Kabaale International Airport, and industrial parks.

Following the first commercial discovery of petroleum in Uganda in 2006, the government considered putting swift measures in place to address comprehensive and efficient aspects of exploration, development, production, and commercialisation of the country's oil and gas resources. These strategies included enacting the National Oil and Gas Policy in 2008, formulation of the petroleum upstream and midstream laws in 2013 and attendant regulations in 2016, and formation of the Petroleum Authority of Uganda to regulate the different players in the sub-sector and Uganda National Oil Company to handle commercial interests of the state and state participation in 2016.

Based on approximately 1.4 billion barrels of recoverable oil and 500 billion cubic feet of gas resources, the country issued production licenses to licensed companies and is now proceeding to development, production and commercialisation of the oil and gas resources. Specifically, development and production are to be taken through two separate projects – the Tilenga project in Buliisa and Nwoya Districts, together with the Kingfisher Project in Hoima and Kikuube Districts. While the commercialization through an in-country refinery with a capacity of up to 60,000 bpd and East African Crude Oil Pipeline with a capacity of up to 180,000 bpd is concurrently being developed to receive first oil by 2022/23.

"In order to increase the country's resource base for sustainable and viable petroleum production, the government has commenced exploration of frontier basins starting with the Moroto-Kadam basin. The preliminary results indicate the existence of a conducive petroleum system and the manifestation of oil shows through oil seepages," Mugisha says.

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