

Frequently Asked Questions (FAQs)

What is the purpose of the Government of Uganda's (GoU) announcement today?

The Government of Uganda (GoU), acting through the Ministry of Energy and Mineral Development (MEMD), will launch a search to identify and procure a Lead Investor/Operator for the development and implementation of the Uganda Refinery Project, a greenfield oil refinery and related downstream infrastructure in western Uganda.

Tell me more about the search. What's included in the process? How long will the process take?

On Oct. 8, 2013, the MEMD will announce a Request For Qualifications (RFQ), to solicit qualified bidders and present a clear and consistent value proposition to potential investors. Following the RFQ issuance process, qualified parties will be provided with a Request for Proposal (RFP).

A number of parties have already shown interest in participating in the Project, but the MEMD will look carefully at all qualified bidders. To advise on various matters related to Project development, the MEMD has also appointed a transaction advisory team, led by the independent investment bank Taylor-DeJongh. The anticipated deadline for selecting a Lead Investor/Operator for the Project is the first half of 2014.

Can you provide more details about the scope and investment framework of the Project?

The Project will consist of a 60,000 barrels per day (BPD) refinery in Hoima, crude oil and product storage facilities at the refinery site, and a 205-km product pipeline to Kampala—to be developed under a public-private sector partnership. The GoU will contribute 40 percent of the Project's equity and the Lead Investor /Operator will contribute the remaining 60 percent. This public-private sector partnership will be established to help encourage investment and technological innovation, providing the best thinking and most cost-effective approach.

What necessary steps has the GoU taken to prepare for Project construction?

The MEMD commissioned a study on the feasibility of a refinery in Uganda, which evaluated its technical, commercial and financial feasibility. This study is expected to be made available to qualified bidders in the RFP stage.

In a transparent and compliant fashion, the GoU has also established the legal basis for the Project. This year, the Parliament of Uganda enacted the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act that will provide the framework for the development of the downstream petroleum sector in Uganda, including this refinery Project.

Additionally, the GoU has identified the refinery's site and has commenced the process of lawfully acquiring the land, ensuring that stakeholders are being appropriately consulted and compensated.

GoU also discussed the Project with international oil companies present in Uganda, including CNOOC, Total SA and Tullow Oil—the producers who will provide the crude oil feedstock for the Project.

The Project will include the development of a refinery. Where will the refinery be located? What's the anticipated input capacity? What will the refinery produce?

The refinery will be constructed in Hoima, western Uganda, and is anticipated to have a capacity of 60,000 BPD, which is expected to be developed in two phases of 30,000 BPD. The refinery will build on the significant Ugandan oil discoveries in the Lake Albert region within the past decade, totaling approximately 3.5 billion barrels of oil (of which 1.2-1.7 billion is commercially recoverable) and 350 billion cubic feet of gas.

Crude oil for the refinery will be procured from the upstream oil fields currently developed by a consortium, comprised of CNOOC, Total SA and Tullow Oil. The refinery will produce diesel, petrol, kerosene, jet fuel, LPG and HFO. The Project is well placed to serve an addressable regional demand, which is expected to reach 232,000 BPD by 2020.

What downstream infrastructure will be included in the Project?

In addition to the refinery, the Project includes the development of crude oil and product storage facilities at the refinery site, and a product pipeline to the capital city of Kampala. The downstream facilities will provide greater reliability and quality of product supply to Kampala, which is the primary demand center in Uganda and a distribution and transportation hub to other countries.

What is the expected timeline for the Project?

On Oct. 8, 2013, the MEMD will announce a Request For Qualifications (RFQ), to solicit qualified bidders and present a clear and consistent value proposition to potential investors. The refinery's construction is anticipated to begin in 2014 after a Lead Investor/Operator is selected, with commercial production expected to start in 2017 or 2018.

What regions/countries will the Project serve once constructed?

Once complete, the facilities will primarily serve the demand for petroleum products in Uganda, as well as parts of Rwanda, Burundi, South Sudan, eastern DRC, western Kenya and northern Tanzania. The Project will be the first inland oil refinery in East Africa and only the second overall, giving it a distinctive market advantage.

Will the Project provide local employment opportunities? If so, how many and where?

Yes, it's estimated that Project construction alone will create 4,000 to 6,000 (temporary) jobs. Additionally, the refinery's ongoing operations are expected to create more than 650 permanent jobs, most of which will be held by Ugandans. The Project's second-order effect on the Ugandan economy could also result in 1,500 to 2,100 additional new jobs.

How will the construction of the Project help meet the energy needs of surrounding countries?

The rapid economic progress in East Africa is leading to a growing demand for petroleum products. However, the region only has one 70,000 BPD refinery in Mombasa, Kenya that runs at sub-optimal capacity. Ground transportation of imported products through Kenya is also strained as products are mostly transported by road due to limited pipeline reach and capacity. As the first inland oil refinery in the region, the construction of the Project will help facilitate the ability to export petroleum products to neighboring countries.

Additionally, the refinery will be developed in line with the National Oil and Gas Policy objective of valuable utilization of its petroleum resources. The development is in line with the resolution made by the Heads of State of the East African Community (EAC) in 2007 to boost the regional refining capacity to ensure security of supply of petroleum products and sustainable utilisation of the crude oil resources in the region. A Regional Refinery Development Strategy was developed in 2008 and approved by the EAC Partner States. One of the key recommendations in the strategy was for Uganda to develop a refinery to utilise its local petroleum resources.

Where can interested parties and potential bidders receive more information?

For more details on the Project and Ugandan oil discoveries, please visit: www.petroleum.go.ug.