

FIRST OIL: 72 WELLS READY FOR PRODUCTION

By Martin Kitubi

A total of 72 oil wells out of the 100 needed for first oil in 2025 are ready for production.

The Government's status report on oil developments indicates that at least 63 oil wells under Tilenga and nine others under the Kingfisher project are ready for production.

The Tilenga project stretching from Buliisa to Nwoya districts will produce 190,000 barrels of oil per day at peak from 426 oil wells.

On the other hand, the Kingfisher project, located in Kikuube district, involves the production of 40,000 barrels of crude oil per day from 31 oil wells.

The 426 Tilenga oil wells will be drilled on 31 well pads, whereas 31 Kingfisher oil wells will be drilled on four well pads.

The lead developer for the Tilenga project is TotalEnergies EP Uganda (TEPU), whereas China National Offshore Oil Corporation (CNOOC) will develop the Kingfisher project.

However, the Uganda National Oil Company (UNOC) holds a 15% stake in each of the two projects.

The status report was presented yesterday by Ruth Nankabirwa, the Minister for Energy and Mineral Development, at the ministry's



Daqing Oilfield Construction Group officials showing finance minister Matia Kasajja (right) and Petroleum Authority of Uganda officials the feeder pipeline that will transport crude oil from the Kingfisher oil field in Kikuube district to Kabale Industrial Area in Hoima district

JOB, DEALS FOR UGANDANS

Contracts worth \$5 (sh18.5 trillion) have been awarded for the Tilenga, Kingfisher and EACOP projects, out of the \$7.2b (sh26 trillion) that has been approved by the Petroleum Authority of Uganda.

Of these, \$2b (sh7.4 trillion), representing 41% of the total contracts awarded, have been allocated to Ugandan companies.

At the moment, the oil and gas sector directly employs 14,451 people, 90% of whom are Ugandans.

The licencees directly employ 1,403 people, 67% of whom are Ugandans.

On the other hand, the licensee's contractors and their sub-contractors employ 13,399 people, 92% of whom are Ugandans.

"The companies sourced 4,483 employees from the local communities," Nankabirwa said.

PROJECT-AFFECTED PERSONS

The ministry revealed that they are stuck with compensation for 112 EACOP project-affected persons who declined the offers, while others are untraceable or are battling land disputes.

Some lack the legal documents that are a requirement for one to receive compensation.

headquarters in Kampala.

"Under Tilenga, the drilling activities have so far focused on six of the 31 well pads that will host 426 producer and injector wells for the Tilenga project," she said.

Nankabirwa said all the three rigs designated for drilling under Tilenga, are operational, and 63 wells have been drilled as of August 16, 2024.

In addition, the minister indicated that seven other well pads were 85% complete and ready to receive an oil drilling rig.

For the Kingfisher project, the minister said nine of 11 oil wells needed for first oil had been successfully drilled.

TILENGA, KINGFISHER CIVIL WORKS

According to the status report, civil works at the Tilenga industrial area, which will host the central processing facility (CPF), drilling support base, construction camp and other facilities is 99.7% complete.

According to the ministry, all sections of the Tilenga industrial area have been handed over to the contractors.

"The construction of the CPF is progressing well... Overall completion stands at 47.8%," Nankabirwa said.

At the construction camp, which will host 4,000 people, accommodation units and recreational facilities for at least 2,500 people have been set up.

At Kingfisher, construction of well pad sites and infield roads is underway – 92% complete.

Nankabirwa also revealed that nine banks from China and nine from Europe have expressed interest in funding the laying of the East African Crude Oil Pipeline (EACOP).

FUEL IMPORTS

Regarding fuel imports, energy minister Ruth Nankabirwa asked oil dealers to start lowering the pump prices.

"The pump prices will decline in the medium term. We have started seeing pump prices going down at the several fuel stations. There are just a handful of those still selling at high prices. Today I will spare to name them," she said.

Last month, the Uganda National Oil Company received its first petroleum imports, including 58,330 metric tonnes of petrol and 79,968 metric tonnes of diesel.

"Recently, I was sent to China by President [Yoweri] Museveni to deliver a message. While there, we met nine banks willing to fund the crude oil pipeline. "We later went to France and met the TotalEnergies boss and he also revealed that nine firms were ready to fund the project," she said.

EACOP project will cost about \$5b (about sh18.5 trillion), 60% of which is

debt and 40% equity.

Currently, the four shareholders have committed funds to meet their cash calls under the EACOP project.

The shareholders are the UNOC, and the Tanzania Petroleum Development Corporation, each with 15% shares.

The other shareholders are TotalEnergies (62%) and CNOOC (8%).

"We are currently funding the project with the equity component and we are moving well. In September we will seal the debt component," Nankabirwa said.

EACOP CIVIL WORKS

At the moment, Nankabirwa said engineering, procurement, construction management and commissioning (EPCMC) activities for the EACOP are ongoing in London, and Dar-es-Salaam.

According to the status report, the overall progress of the EPCMC activities stands at 39.2%; engineering at 81.1%, procurement at 54.5%, and construction and commissioning at 15.4%.

"Detailed engineering, being carried out by Worley, was at 89.1%, surpassing the planned 88.3%," the energy and mineral development minister said.

In Tanzania, the construction

of the thermal insulation plant in Nzega district, Tabora region was completed and commissioned on March 26, 2024.

Seven batches of line pipes totalling to 500km have so far been delivered to Tanzania and five of which have been taken to the coating plant at Nzega.

The China Petroleum Pipeline Engineering Ltd, the pipeline contractor, began civil works at pump stations and main camp and pipe yard sites in both Uganda and Tanzania.

In Uganda, work has been completed at three of the five main camps and pipe yards (MCPYs) located in Hoima, Kakumiro and Sembabule districts, while work continues at the MCPYs in Mubende and Kyotera districts," Nankabirwa said.

In Tanzania, Nyanza is leading early civil works at MCPY-5,

and work at other MCPYs has been completed.

The China Petroleum Pipeline Engineering Ltd has taken over in order to construct the camps.

The ministry is considering compulsory land acquisition.

The EACOP project will cover about 2,740 acres in Uganda, affecting 3,660 individuals and 177 requiring resettlement.

The ministry says all resettlement houses have been constructed and ready for handover.

"So far, 95% of affected persons have received compensation, and 97% have signed compensation agreements, with remaining payments ongoing," the energy and mineral development minister said.

For the Kingfisher development project, all the 1,020 acres needed have been acquired, whereas 4,917 out of 4,950 of the affected people under Tilenga have been fully compensated.

The in-kind compensation for the affected persons (land for land) stood at 21 out of 33 affected persons.

SECTOR ANALYSTS

Onesmus Mugenyi, the deputy executive director of Advocates Coalition for Development and Environment, said: "It's good news that several banks are willing to lend for EACOP."

However, he urged the Government to secure cheaper loans to maximise profits.

Bashir Twesigye, the chairperson of the Civil Society Coalition on Oil and Gas, said the progress report gives confidence that first oil will be achieved in 2025.

"For potential financiers to commit is good for the industry," he said.

However, Twesigye urged the Government to fast-track granting of necessary documents to project-affected persons.

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