Construction works of Kingfisher Central Processing Facility ready next year Page 23

OIL, GAS & INFRASTRUCTURE

New oil exploration licenses to be issued in 2025 Page 24

NEWS GO ROUND

Norway suspends deep-sea mining projects

Norway has suspended plans to start giving licences for deep-sea mining next year that had faced opposition from environment groups and international institutions, a party allied with the centre-left government said on Sunday.

Norway, Western Europe's biggest oil and gas producer, had planned to become one of the world's first countries to start handing out rights to thousands of square kilometres (miles) of seabed.

But the small Socialist Left Party said it had blocked the move in return for supporting the minority government's 2025 budget.

"There will be no announcement of exploration rights for deep-sea mining in 2024 or 2025," the party said in a statement.

Deep-sea mining is controversial for its potential impact on vulnerable marine ecosystems. Environmentalists say there is a threat to the habitats of sea species and from potential noise and light pollution from the machinery used, plus a risk of chemical leaks.

QatarEnergy inks gas deal for China with Shell

Qatar has agreed to supply three million tonnes of gas a year to China in a deal with London-headquartered energy giant, Shell, the emirate's state energy company said yesterday.

"The liquefied natural gas deliveries would begin in January as part of a new long-term sale and purchase agreement," QatarEnergy said in a statement.

"We are pleased to enter into this new long-term sale and purchase agreement with our trusted partner, Shell," energy minister Saad al-Kaabi, who is also the chief executive of QatarEnergy, said.

Qatar is one of the world's top gas producers alongside the US, Australia and Russia.

Asian countries led by China, Japan and South Korea have been the main market for Qatari gas, but demand has also grown from European countries since Russia's war on Ukraine threw supplies into doubt. In recent years, Qatar has inked other long-term deals with France's Total, Shell, India's Petronet, among others, many of them for 27 years in duration, an industry record when the first deal was made in 2022 with China's Sinopec.

Women picking gold stones in Busia district. The EITI report highlights the growing role of artisanal and small-scale mining and urges better registration and reporting of their operations, particularly in gold mining to improve revenue tracking

UGANDA'S EXTRACTIVES REPORT HIGHLIGHTS NEED TO IMPROVE LAWS

By John Odyek

The Uganda Extractive Industries Transparency Initiative (EITI) has released its third national report for the financial year 2021/22, urging the Government to bolster the legal framework governing the extractives sector transparency.

The report recommends improvements in transparency and reporting, calling for a legal mandate that compels both companies and government agencies to submit accurate and timely reports in line with EITI standards.

The key recommendations outlined in the report focus on increasing the comprehensiveness and accountability of the sector. These include;

IMPROVED IDENTIFICATION OF REVENUES

The report emphasises the need for the Uganda Revenue Authority (URA) to refine its tracking of revenues, ensuring that payments are clearly categorised and accurately traced. This includes improving the identification of taxes such as royalties and corporate taxes, using terminology that aligns with existing legislation.

UPGRADING THE MINING CADASTRE

The Directorate of Geological Survey and Mines is urged to update the mining cadastre by including taxpayer identification numbers and historical data on licences.

This would improve traceability of mining operations and ensure accurate reporting on licences granted, transferred or expired.

ENHANCED DATA ON BENEFICIAL OWNERSHIP

The Uganda Registration Services Bureau, MultiStakeholder Working Group (MSG) is

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EITI REPORT TO IMPROVE MANAGEMENT OF NATURAL RESOURCES

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tasked with improving the disclosure of company ownership details, particularly for politicians involved in the sector. This is critical to avoid conflict of interest and ensure transparency.

FINANCIAL DISCLOSURE
The report advocates the disclosure of financial statements for state-owned enterprises such as Uganda National Oil Company and Kilembe Mines, in accordance with EITI's transparency guidelines. The Ministry of Finance, Planning and Economic Development and the MSG are tasked with delivering on this task.

PROJECT COST TRANSPARENCY
The Petroleum Authority of Uganda (PAU) is called upon to ensure full disclosure of project costs, including capital and operating expenditures. This would allow stakeholders to better understand the financial landscape of Uganda's extractive industries.

GREENHOUSE GAS REPORTING
The report calls for a legal framework that requires extractive companies to disclose their greenhouse gas emissions. This framework should align with international best practices and Uganda's climate commitments. The targeted institutions include the ministries of water and environment, energy and mineral development, National Environment Management Authority, PAU, URA and MSG.

The report, launched on Thursday at the Sheraton Kampala Hotel, highlights the growth of Uganda's extractive sector. Total revenues from mining, oil and gas increased to sh411b in the 2021/22 financial year, up from sh241.34b the previous financial year 2020/21. While oil and gas revenues fell slightly to sh160.90b, mining revenues surged to sh250.48b from sh61.08b.

During the launch, finance minister Matia Kasaija emphasised the importance of the EITI reports in promoting good governance and transparency in Uganda's extractive sector.

In a speech delivered for him by Moses Kaggwa, the director of economic affairs at the finance ministry, Kasaija underscored the Government's commitment to EITI as a tool for combating corruption, improving revenue mobilisation and facilitating business decision-making.

"The EITI is crucial for transparency in managing the extractive industries and minimising corruption," Kasaija said.

"With more information, the public and businesses can make informed decisions," he added.

Kaggwa, who is the chairperson of the MSG, said EITI is an essential foundation for fostering trust and accountability in the sector. MSG oversees the implementation of EITI. It includes representatives from the Government, civil society and extractive companies.

"Transparency is the foundation of trust, while corruption thrives in secrecy. To combat corruption and empower communities, we must strengthen our systems," Kaggwa said.

He added: "The Multi-Stakeholder Group is fully committed to the objectives of EITI. The extractives sector plays a crucial role in driving the country's economic growth, with the potential to expand tenfold in the coming years".

"EITI is not the final step, but a starting point for deeper engagement. This report will help strengthen the governance of our resources and secure a brighter future for coming generations," Kaggwa said.

Gloria Mugambe, the head of the Uganda national EITI secretariat, said the latest report includes more mining companies in the reconciliation process.

Mugambe said while 558 mining companies held active licences during the reporting period, only 20 companies accounted for 98.82% of all mining revenues. This is a significant drop from the 688 active licences recorded in the previous report.

Mugambe pointed out several exceptions to the presidential ban on the export of unprocessed minerals, specifically regarding iron ore and vermiculite.

According to URA, exports of vermiculite were valued at sh12b, while iron ore exports totalled sh919m.

Other minerals such as zinc, kaolin to China and tantalite (wolfram) were also exported, with the top destinations including the US, Spain, Kenya, the UK, Canada and Belgium.

Mugambe said discrepancies between mineral production and exports are not limited to gold. The report highlights that exports of vermiculite and zinc were not reflected in production data.

Specifically, while gold exports from refineries were valued at sh6.3b, gold production was reported at just 15kg. This disparity underscores the ongoing need for accurate export data and analysis of the gold value chain, which has been a key recommendation in previous EITI reports.

"By disseminating the report, we engage local communities, making them more aware of extractive activities in their areas. This transparency allows them to hold duty bearers and companies accountable based on factual data, opening the sector up to scrutiny," Mugambe said.

She said the report has increased recognition of international best practices in managing the extractive sector, particularly in terms of data disclosure, transparency in licensing procedures and the regulatory framework that governs the industry.

RECOMMENDATION
A key recommendation from previous reports, which continues to be relevant, is the creation of a one-stop EITI data platform. This platform would systematically disclose all EITI data, enabling real-time analysis that would guide decision-making and improve future reporting cycles.

Regarding mineral royalties, Mugambe highlighted inconsistencies in remittances to local governments.

In the financial year 2019/2020, only sh2.369b was remitted out of sh7.04b collected, while in 2020/2021, sh1.47b was remitted out of sh7.36b.

In the 2021/2022 financial year, sh1.3b was remitted out of sh6.49b of the total royalties collected.

Mugambe called for clarification on the production of cement from local raw materials, particularly for companies that import clinker to produce cement, to ensure accurate revenue accounting.

Looking ahead, Mugambe said the report raises important questions about whether the revenues Uganda is receiving from the extractive industries are fair and accurate.

It sheds light on the size and contribution of the artisanal and small-scale mining (ASM) sector, highlighting local content opportunities for both extractive communities and the broader business sector.

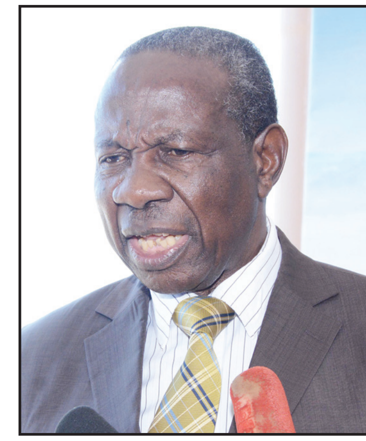
The report highlights the growing role of ASM and urges better registration and reporting of ASM operations, particularly in gold mining to improve revenue tracking.

Emmanuel Kibirige, the national co-ordinator of the Uganda Association of Artisanal and Small-Scale Miners, said proper registration of artisanal miners would improve the accuracy of Uganda's gold production figures.

Julius Mukunda, the executive director of the Civil Society Budget Advocacy Group, expressed concern over the lack of transparency in gold exports, which he believes allows some companies to evade taxes and royalties.

PHOTO BY JOHN ODYEK

Kaggwa (second-right), Mugambe (third-right) and other officials during the launch of the third national Extractive Industries Transparency Initiative report at Sheraton Kampala Hotel on Thursday



Matia Kasaija

SECTOR'S CONTRIBUTION

According to the report, the mining sector contributes just 1.43% to Uganda's GDP, 0.03% of total employment, and 0.13% of total exports, with key minerals including limestone, pozzolana, wolfram and gold. Oil production, however, has not yet begun.

The latest available data at the start of 2021/22 report preparation is from the most recently completed financial year. However, this data is presented six months later, making it nearly two financial years old by the time of publication.

As Uganda's extractives sector continues to grow, the EITI report serves as an essential tool for improving governance, transparency and accountability in the management of the country's natural resources.

> **The report has increased recognition of international best practices in managing the extractives sector in terms of licences and the regulatory framework that governs the industry.**