



REPUBLIC OF UGANDA
MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

STATEMENT

BY THE

MINISTER OF ENERGY AND MINERAL DEVELOPMENT

AT THE

**SIGNING OF THE INTER-GOVERNMENTAL AGREEMENT BETWEEN THE REPUBLIC
OF UGANDA AND THE UNITED REPUBLIC OF TANZANIA FOR THE EAST
AFRICAN CRUDE OIL PIPELINE (EACOP) PROJECT**

KAMPALA SERENA HOTEL, 26th MAY, 2017

INTRODUCTION

1. I welcome you all to this ceremony whose objective is to witness the signing of the Inter-Governmental Agreement for the East African Crude Oil Pipeline Project between the Republic of Uganda and United Republic of Tanzania. I therefore thank you for responding to our invitation and congratulate the Governments of Uganda and Tanzania on this achievement. This is an important milestone for our country as we plan for commercialization of the oil resource.

BACKGROUND

2. Following the discovery of commercial oil and gas resources in Uganda, my Ministry embarked on among other things, putting in place a robust policy, legal, regulatory and institutional framework, ascertaining the volumes of the oil and gas resources in the country and also planning how best to commercialize these resources.
3. As stated in the National Oil and Gas Policy of Uganda (2008), Objectives No. 4 and 5 emphasize promotion of valuable utilization of Uganda's oil and gas resources, and recommend promotion of development of suitable transport and storage solutions which give good value to the country's oil and gas resources respectively.
4. To take forward the implementation of these objectives, in February 2014, my Ministry, on behalf of Government of Uganda, entered into a Memorandum of Understanding with the Licensed Upstream Oil Companies in Uganda for the sustainable development of the oil and gas resources discovered in the Albertine Graben. The MOU includes three major commercialization processes;
 - i) Crude oil and gas for power generation in the short to medium term
 - ii) Establishment of a 60,000 barrels of oil per day refinery; and
 - iii) Export of crude oil through an export pipeline or any other viable option.
5. In line with the above MOU, today's occasion is an important step in the development of a crude oil export pipeline.

EAST AFRICAN CRUDE OIL PIPELINE (EACOP) PROJECT

6. Distinguished Guests, Ladies and Gentlemen, you will recall, that at the 13th Northern Corridor

Integration Project (NCIP) Summit which was held on 23rd April, 2016 in Kampala, a decision was taken to develop a crude oil export pipeline from Kabaale, in Hoima District of Uganda to Tanga Port in Tanzania, as the least cost and least risky route for transporting crude oil to the East African Coast. The 1445km long, 24-inch diameter, heated and buried pipeline is being developed to provide access for Uganda's crude oil to the international market.

7. In addition, the EACOP Project will spur the development of infrastructure in both our countries including road networks and also the Port of Tanga, which will facilitate and boost trade in the region. The project's lifecycle will also create over 10,000 jobs especially during the construction phase which gives our people the opportunity to develop skills which are transferable to other sectors, given the various infrastructure projects taking place in the region. There will also be other opportunities for provision of goods and services, that will lead to growth of National Enterprises. As Government, we encourage our investors to continue supporting the growth of National Content in the region, which is a key factor in our socio-economic development.
8. To fast track the development of the EACOP, Project Development Committees for the comprising of; Pipeline Project Team (PPT), a technical Joint Project Development Committee (JPDC), Project Steering Committee (PSC) of the Permanent Secretaries, and a Ministerial Advisory Committee (AC) were established to take forward the discussions of the EACOP Project.
9. The Pipeline Project Team has been working on the project implementation process on a regular basis, to ensure fast-tracking of the project implementation process, with a view to commissioning the pipeline by December 2020. The Front End Engineering Design (FEED) for EACOP is underway and is expected to be completed by the end of August 2017.

INTER-GOVERNMENTAL AGREEMENT (IGA)

10. The bilateral negotiations of an IGA between the Republic of Uganda and the United Republic Tanzania commenced in June 2016. The signing of this foundation Agreement, upon which the implementation of the Project is anchored, is therefore a major milestone.
11. The decision on selecting the Hoima-Tanga route as the least cost route for transporting crude oil from

Uganda to the East African Coast (at an estimated tariff of US\$12.2 per barrel) was premised on a fiscal incentives package offered by the Government of Tanzania which has been accepted by the Government of Uganda and all related discussions have been completed.

12. Some of the terms in the fiscal incentives package offered by the Government of Tanzania and discussed during the negotiation process necessitated the amendment of the tax laws of both Uganda and Tanzania, and this process is ongoing. Additionally, the IGA will be laid before our respective Parliaments for ratification.

WAY FORWARD AND PLANNED ACTIVITIES

13. The following activities are ongoing or planned within the schedule for the development of the EACOP project in fast-track mode.

- i) Environmental Social Impact Assessment (ESIA) studies have been launched in Uganda and Tanzania.
- ii) Geophysical and geotechnical studies for the pipeline are planned to commence in June 2017 for both sections in Uganda and Tanzania.
- iii) Development of a Resettlement Action Plan (RAP) expected to commence in June 2017 in both countries.
- iv) Incorporation of a Pipeline Company to take forward the EACOP Project.
- v) Negotiation of Host Government Agreements (HGA) between the Pipeline Company and the two governments
- vi) Development of Shareholders Agreement.
- vii) Developing a financing structure for the Project.
- viii) Commencement of Engineering, Procurement and Construction with an expected completion by 2020.

14. The Government of Uganda intends to participate in the EACOP project with a shareholding, to be held by the Uganda National Oil Company (UNOC). This level of shareholding is in line with the State participation stake in the upstream oil fields under the current Production Sharing Agreements. This

alignment of state participation in the upstream and the pipeline is an essential principle for maximising upstream revenue by ensuring that the pipeline is developed by entities which will benefit from a low pipeline tariff.

CONCLUSION

15. Ladies and Gentlemen, I wish to conclude by extending my gratitude to His Excellency General Yoweri Kaguta Museveni, President of the Republic of Uganda and His Excellency Dr. John Pombe Magufuli, the President of the United Republic of Tanzania for the strong guidance they have given this sector in both States.
16. I wish to commend and congratulate my colleagues in Cabinet from both Uganda and Tanzania together with the respective Ambassadors for the continued cooperation, support and political leadership that has led us to achieving this milestone.
17. I thank the Joint Venture Partners, CNOOC Uganda Limited, Total E&P Uganda and Tullow Uganda Limited for choosing to invest in Uganda and for their commitment to ensuring we achieve first oil by 2020.
18. I wish to commend the technical teams led by the Permanent Secretaries of both countries for the work they have undertaken in this process. I wish to emphasize that the work ahead of us will require more professionalism, commitment and dedication hence the need for maximum cooperation among all of us.
19. I wish to also reassure all Ugandans, our partners from the industry and all stakeholders that the Government is committed to developing the Oil and Gas Sector in Uganda in an efficient and effective manner to the benefit of all Ugandans, the region, as well as creating value for investors in Uganda.
20. It is now my pleasure to invite my colleague the Minister of Constitutional and Legal Affairs from the United Republic of Tanzania to make his remarks.

FOR GOD AND MY COUNTRY.

ENG. IRENE MULONI (MP)

MINISTER OF ENERGY AND MINERAL DEVELOPMENT

26th MAY 2017