

Oil Production in Africa: Livelihoods and Environment at Stake

Should Oil Rather Remain in the Ground?



May 2010



EDITORIAL

The Politics of oil, whether in the Middle East, South America, or in Africa, has taken center stage in global economic.

There is evidence to show that all governments in countries where new oil discoveries have been made have not demonstrated the good will to turn proceeds from the oil resources into development programs that would improve the living standards of their peoples.

Lack of transparency, accountability and good governance, and violation of human rights in regards to oil production constitute a terrible cancer that has corrupted the minds of those (in power) entrusted with the responsibility to hold the oil resources in trust for the citizens.

It is rare to find an oil producing country that is environmentally, economically and politically stable. Virtually all oil producing countries, especially those in Africa, are coiled in political and social conflicts resulting into civil wars, high levels of corruption, wide-spread poverty and degradation of the natural environment.

Even developed countries have fallen short of implementing the best practices in the oil industry. The recent oil spill in the Gulf of Mexico, USA, is a good example of the worst environmental degradation of the times.

On the other hand, governments prefer militarization of the oil installations, which they zealously protect, than public dialogue on matters of oil exploitation. In fact some leaders are convinced that it is more rewarding to protect oil installations than protect human beings and fight corruption.

The Ten Million Dollar question is: "Should oil rather remain in the ground?"

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Legal Ownership of Oil: Socio-Economic Implications for Uganda

By Dickens Kamugisha

The traces of oil in Uganda were first confirmed in the early 1920's. One deep oil well was drilled in 1938, but contaminated some hydrocarbon. The company did not go ahead with the testing. Then in 1940s and 1950s, more shallow wells were drilled for strategic purposes. The period between 1940 and 1980 saw little or no oil exploration activities largely because of the Second World War and political instabilities in post-independence Uganda including the era of Idd Amini.



Photo by Tullow Oil

Oil drilling site in the Albertine Rift, Western Uganda

Since 1986, the National

Resistance Movement government has maintained some level of stability in most parts of Uganda and as a result of this social, economic and political stability, the country has continued to attract more investors including oil companies such as Tullow, Heritage, Tower Resources, Dominion and others.

From the economic perspective, it is estimated that the 32 oil wells contain over 2 billion barrels of oil. Out of these total reserves, experts have indicated that the country can make the actual recovery of 800 million barrels of oil. If Uganda commences production, the country shall see this oil bringing into the national coffers over US\$2 billion per year for the next 20 years, more than the US\$1.7 billion that Uganda gets as development assistance from donors every financial year. And conservative estimates indicate that if the US\$2 billion was to be divided amongst all Ugandans, each citizen would get between US\$75 – 100 per year. These economic fortunes alone make Uganda's oil a very important strategic resource.

Regarding oil and environment in Uganda, the questions are still more than answers. Its important

to understand that most of the oil discoveries have been and continue to be done in the environmental vulnerable area of the Albertine Graben or the rift valley.

This region is well known for being one of the richest biodiversity hotspots in Africa in terms of mammals, birds and other species. At national level, the Graben houses two World Heritage Sites, shared water resources such as Lake Albert and River Nile, two Ramsar Sites, timber, water, fish, fertile soils, minerals, wildlife, good climate and others. It also houses 7 out of 10 game reserves in Uganda. Because of these social, economic and environmental aspects of the Graben and its oil, it is necessary for Ugandans to understand the question of legal ownership and control of oil and know what the ownership means from all aspects of life.

Social safeguards such as compensation, land rights, clean environment, etc will particularly be necessary given Uganda's tradition of communal and tribal land ownership, lack of land policy and regulation, and the likelihood that speculators will attempt to



A community on landing site in Kaiso-Tonya on the shores of Lake Albert.

profit from changes in land values, poverty in the communities, lack of information and an unequal balance in skills and preparedness. On the basis of these realities, let me address you on the question of oil ownership.

The oil ownership debate in Uganda has been on for a number of years but it came at the forefront after the 2005 Constitutional amendment. The 2005 Constitutional amendment for the first time introduced Article 244, which provides that oil is owned by the government on behalf of the Republic of Uganda. This new Article is different from Article 237(2)(b) which provides that national resources such as lakes, game reserves and others are owned by the government in trust for the citizens of Uganda. As a trustee, the government does not own the resource; it only keeps them for the beneficiaries/citizens.

Africa Institute for Energy Governance (AFIEGO) as one of the few energy NGOs in Uganda has in the five or so years monitored and actively participated in a number of debates regarding ways through which Ugandans will be enabled to fully enjoy proceeds from oil. Through research, community meetings and interactions with stakeholders including government officials, MPs, donors, companies and others, we have discovered that people have a lot of fear that the question of oil ownership in Uganda

will significantly impact on the peace, security, unity, human rights, environment, land rights and the general social and economic development of the country.

It is known globally that the discovery and production of oil in most developing countries particularly in Africa, more often than not raises lots of expectations among the citizens while the multinational companies scramble to take maximum profits. For the government and the elite of those countries the focus on oil revenues rather than addressing the needs of the people and putting in place mechanisms of transparency and accountability.

Government of Uganda needs to put in place mechanisms to guard against the possible oil curse and Dutch Disease. The evidence from oil producing countries such as Nigeria, Gabon, Angola, Sudan, Chad and others in Africa clearly indicate that oil is both a resource of great opportunity and peril. It is an opportunity because it brings huge revenues for the countries economic development if the leaders and the entire government are committed to the principles of transparency and accountability. With transparency, oil revenues will go to social services such as schools, hospitals, roads, and generally improve the living standards of the citizens.

On the other hand, oil is a peril because the elite class or leaders tend to personalize the oil revenues, build personal mansions and operate fat accounts in Swiss Banks leaving state infrastructure; like roads, hospitals, schools and the general social systems to break down as the companies fund inter-tribal conflicts and civil wars. The stories of tribal conflicts and civil wars in oil local communities such as Nigeria's Niger Delta, Sudan's Abeyi, Angola's Kabinda and others clearly indicate that oil can be a problem and as such countries like Uganda, which are preparing to begin oil production must take care of those challenges.

Looking at our current legal framework, you will appreciate that Ugandans are sitting on a time bomb and to avert this imminent danger, there is need to overhaul the current legal regime and usher in an all inclusive legislation that is people centered. Addressing the sharing of revenues from oil sales, establishing a mechanism of adequate accountability and transparency in all oil deals should be the pride of every Ugandan in their respective capacities.

There is need to involve and bring cultural institutions on board and this can be achieved by implementing some of the Bunyoro-Kitara Kingdoms proposals to the National Oil/Gas policy formation committee of 2006, which were evidently unwittingly left out in the National Oil and Gas Policy, 2008. According to Banyoro Kingdom, all the land and natural resources such as game reserves, wildlife, water, oil, minerals, etc in Bunyoro belong to the kingdom and its people. We must note that Article 244 of the Constitution which provides that oil is owned by the government for the Republic and that its exploitation will take into account the interests of the individual land owners and local governments but ignore the interests of the Kingdom, will become a source of conflict and therefore makes the question of legal ownership of oil a critical issue. It is also unnecessary to recognize the existence of cultural institutions but ignore their stake and share in the management of the resources within their respective jurisdictions. It is the responsibility of government and the companies extracting oil in the region to ensure that their activities are blessed by all stakeholders' right from cultural institutions, local communities and others.

Regardless of the interpretation of oil ownership under the Constitution and the Oil (Exploration and Production) Act of 1985 as amended in 2000, all Ugandans should look at oil as their own resource and as such, the government must account to the citizens for every decision it takes on behalf of the people. As citizens, we must be the ones to decide whether or not to exploit oil in the game reserves of the Albertine Graben, whether to use the oil revenues for schools, hospitals, roads, electricity or use it to buy more fighter jets and fuel more conflicts and wars in Uganda.

The Constitution of Uganda guarantees the ownership and protection of privately owned property and property owned in association with others. It also ensures that no Ugandan can be compulsorily deprived of their own property except where such property is acquired by government for public interest, defense, public safety, public order, public morality and public health. Nevertheless even where individual property is compulsorily acquired, prompt, fair and adequate compensation of persons deprived of their property is mandatory. It is therefore our opinion that the people of Uganda have a Constitutional right to be in charge of the management and utilization of oil and oil revenues for social economic development.

Ugandans as beneficiaries of oil must call upon government and oil companies to address the concerns of conducting oil activities in the rich biodiversity area of the Graben region. We must ensure that oil exploration and production activities do not affect or destroy our environment. There is overwhelming evidence that oil activities in game reserve areas are a danger to populations of rare, endemic and endangered species of wild plants and animals and detrimental to the tourism industry. Already, cases of poaching by the employees of oil companies are being reported and this will significantly affect our environment and tourism potential. It is on this basis that AFIEGO is in advanced stages of seeking legal redress for the Constitutional Court to interpret for Ugandans the lawfulness or unlawfulness of mining oil in game reserves.

Is There a Balance Between Oil Exploitation and Climate Change?

By Rajab Bwengye

Extractive industries the world over, continue to be key contributors of climate change and its effects. The huge amounts of smoke coupled by heat are not only air pollutants but also serious causers of health complications such as cancer, chronic cough and other respiratory infections resulting from the process of gas flaring or incidental fires caused by sudden leakage of the gas pipelines.

In Africa, Oil companies have deliberately chosen to ignore the laid out good practices that ought to be followed by companies for optimum performance and good results. Oil companies in developed countries such as the UK, Norway and the US work under stringent and tight rules which attract heavy penalties in case of non-compliance or negligence during the production process which may result into oil spillages, water or air pollution. Hazardous gases and influents are either re-injected into the ground or safely transported in pipes for safe storage.

During a conference on Extractive Industries: Blessings of Curse, organized by Friends of the Earth International (FoEI) in Brussels, October 2009 at the European parliament to discuss a new paradigm for oil and gas development globally and detail of the environmental and social impacts of the Oil and Gas industry, it was noted that in Africa and the Middle-East, oil companies do 99% of the mess due to lack of strong policies and laws to severely punish Foreign oil companies. The oil exploration activities of these companies have caused untold social and economic suffering to the poor communities and the environment they work in.

All the high-powered delegates in the conference including, representatives from International Financial Institutions such as European Investment Bank, and the academia, environmentalists, social scientists, economists, and NGOs agreed that poor governance in the oil and gas industries, especially, in less developed parts of the world like Africa and the Middle East was highly responsible for

escalating climate change effects, increasing poverty and suffering of the poor peoples.

Professor Richard Steiner, of the University of Alaska and other professionals presented cases highlighting the big dirty secret of Shell's in Nigeria, Russia, Alaska (North America) and Kazakhstan.

Also highlighted in the conference were the environmental and social concerns of oil and gas discoveries in Uganda's Albertine region, a rich biodiversity hot spot on the global scene.

This conference saw the birth of the 20 points Brussels Principles: A new Paradigm for Oil and gas development which countries and their legislators must observe as they debate the Oil game in their respective countries;

- The need for all Oil producing countries to avoid/limit hydro carbon development to the maximum extent possible
- The need for prior informed consent of local/indigenous people before any oil site is approved for development
- The need for comprehensive environmental planning/monitoring(SEA,EIS)
- The need for value Ecosystem and social systems adequate risk benefit calculation
- Avoidance of Oil mining in ecologically/culturally sensitive areas-"No-Go-Areas"(IUCN Category1-1V)
- Minimization of Ecological/Cultural Foot print by sticking to Best Available Technology(BAT), Risk Reduction to As Low As Possible(ALAP,not ALARP)
- Minimization of emissions-air(gas flaring), water(drilling fluids, ballast water),and land



A cloud of smoke from oil flay in Nigeria

- Minimization of energy use
- Avoiding Petroleum Industry purchase of Bio diversity offsets
- Oil Spill prevention and Response-(Best Available Technology (BAT).
- Government Industry Transparency (FOIA, PWYP, EITI)
- Effective Government Regulatory Oversight
- Public Engagement-Citizens' Advisory Councils
- Emphasis on Protection of human rights-Setting up guidelines for security forces
- Public revenue-Fair,Transparent(maximize take
- + Spend wisely + Savings fund
- Maximize benefit to local economy-Jobs, revenue sharing etc
- Setting up sufficient financial liability in case the Oil investors fail to act responsibly
- Restoration of all damages as much as possible(the Oil investor)
- Establish and pre-finance project closure protocols
- Policy reform-transfer subsidies impose carbon tax on Oil companies and invest \$ 3 trillion/year in sustainable energy future.

Business Confidentiality Mars Uganda's Oil Industry

By Betty Obbo

In Uganda today, the craze for development has become synonymous with a circle of corporate-government secrecy regarding oil deals. Government of Uganda signed Production Sharing Agreements (PSAs) that may undermine the country's sovereign control over Uganda's oil resources.

Efforts by the civil society and Ugandan legislators to force government to release the oil agreements in public domain for scrutiny have failed. Government maintains that the oil agreements that were signed have had a confidentiality clause derived from the oil and petroleum law.

The civil society and other stakeholders in the oil industry, however, will not give up their search for information regarding Uganda's oil agreements. Information reaching us from unconfirmed sources indicates that some contract agreements have leaked, and that in the leaked agreement, Uganda's oil contracts are structured so that price risk lies primarily with the state, while the private companies are virtually guaranteed a healthy return even if the market slumps. As the oil price rises, investors will make a higher and unlimited profit, taking close to one quarter of oil revenues.

Given the companies involved and the Ugandan government's reluctance to change course, the curiosity could not be greater. Unfortunately, the UK and other donor countries continue to supporting oil exploitation while turning its back on the problems it will generate, refusing to use its role as financier to ensure that a meaningful impact evaluation is carried out. Uganda stands on the brink of entering production with no Strategic Environmental Assessment (SEA) having yet been carried out. A coalition of NGOs in Kampala is now calling for the suspension of drilling in protected areas of Murchison Park while the effects on wildlife remain uncertain.

The Oil industry always promises growth, affordable energy and employment; from Nigeria to Angola, Sudan to Equatorial Guinea and Gabon, it has instead delivered poverty and repression in Africa. Uganda may not be transformed into a Norway, whatever the government may like to claim unless best practices in the industry



President Yoweri Museveni: Uganda has a good deal, which could earn it up to 70 per cent of the proceeds

are adopted.

Withholding important information on national oil resource from citizens is not just illegal but also unconstitutional.

How can a national asset be subject to secretive dealings? That means that a whole nation could be leased off simply with a veiled pledge that it is in the citizens' national interest but the details cannot be revealed because it is subject to a confidentiality clause. For whose benefit is the clause?

Local Communities form a Network to Promote Participation in Oil Industry

By Fred Kandole

Over the past three years, oil development activities have gained momentum at different levels of; exploration, legal and institutional frameworks. The outcomes of exploration and prospects are highly suggestive that oil and the prospects of Uganda joining oil producing countries is, but a reality. The first barrel of oil is over the horizon.

Oil has attracted different players with varying interests and notable among these are the oil companies who are already making a kill; (Heritage is selling its shares to Tallow) even before the first barrel of oil is out. Interestingly the host communities who are key stakeholders are increasingly becoming passive participants in the unfolding oil bonanza. Community participation and involvement is, but, lost in the scramble for oil in the Albertine region.

Participatory resource management is a catchphrase today, synonymous with sound, balanced and efficacious environmental conservation and sustainable development. Citizen participation, as it is widely known, is a major benchmark of the democratization process spreading duly to embrace social action, social problem-solving and all other social processes and units.

The basic assumption is that the empowerment of the individual, at the grassroots, and of communities, especially in relation to their immediate environment and the intimate details of their everyday life lies at the root of sound democratic practice: the functioning of the democratic system. Resource conservation must intermarry with democracy in order to be wholesome and meaningful.

In other words participatory resource management as is well-known, it is a well entrenched (well- established) core principle in social action and social practice these days. It is a binding principle and requirement. It is an absolute requirement and obligation. Without it, we would have completely overlooked the cardinal criteria of equity. And without it resource development ventures by investors and governments would ever more continue to appear as 'raids' on what is people's own resource because the people invariably depend on these resources for their survival.

Similarly the exploitation of one resource tends to

cut off other livelihoods as well (e.g. oil development versus fishing on Lake Albert). The key principles in resource management ventures today are equity, priority and implementation (feasibility options). Citizen participation is the benchmark of equity. It is also key criteria in implementation today since without it a resource extraction venture only becomes a 'sore' and a source of conflict. Thus citizen participation is a key input in implementation. And any products of a resource extraction venture that has effectively excluded citizen participation today are 'tainted products'. They are warped and questionable.

On the other side are civil society organizations (CSOs) that are critical about other players' intentions. To activate and foster citizen participation, the National Association of Professional Environmentalists has worked closely with civil society groups in the Oil region on oil development activities as a means to build a strong grassroots network that will provide a platform for local people to raise their voices and concerns from the oil development activities. These groups include; EDUCATE-Uganda-Hoima, Hoima Environment, Kidoma Conservation Development Association, Community Level Environment Awareness Network-CLEAN UGANDA, Buliisa Catholic Women Association, Sebigoro Conservation Group, Bullisa Initiative For Rural Development, Lake Albert Children and Women Development Organization, Human Rights Voice, Buliisa Youths Environmental Group, Hoima Voice of Elderly People, Kaiso Tonya Environmental Group, Kyangwali Environmental Group, Kaseta Tugende Omumaiso Environmental Association, Buhuka Conservation Group, Abakabalega Tree Growers and Environmental Protectors Association, Butiaba Red Scorpion Youth Association and many other local groups in the region.

From 29th March to 1st April, NAPE held a community workshop in the Oil region aimed at mobilizing and training the members of the host community Network. The workshop among other things aimed at sharing oil issues of concerning members that need collective mass effort to tackle them. The meeting was attended by civil society and conservation groups operating in the oil drilling areas of Buhuka, Sebigoro, Kyehoro, Kaiso Tonya, Mbegu and Butiba who shared experiences and lessons and patched a way forward for forming a



Members of the host community network deliberating on oil issues, March 2010

Host Community Advocacy Network in the oil region that would always bring forward community issues of concern and intervene in jointly finding lasting solutions for them.

Mr. Yusufu Rajabu Bwengye the NAPE officer in charge of Extractive Industries who facilitated the meeting pointed out that at NAPE they are looking forward for those meetings that will involve the active participation of the grass roots so that the foundation for a critical mass is built. He introduced the “sustainability program” spear headed by NAPE and emphasized that the overall focus of the project was to build “a critical mass” that would continue to hold their leaders and other development partners accountable to their actions without necessarily waiting for NAPE to come to their rescue.

He argued the participants to kickstart a well coordinated

and collaborative network that will herald a new outlook on community involvement in the oil sector. He informed participants that future engagement with other players in the oil industry is dependent on the present efforts to build a strong critical mass. He also challenged members to think in terms of “what they can do” to address the problems faced locally other than “what they expect bigger CSOS to do” to correct the increasingly worrying trend.

Among other issues raised by the participants at the meeting include the following;

- Communities living in the oil rich areas complained that, they are threatened with eviction when compensation arrangements are not yet clear. This is in connection to where the power line is going to pass

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- Communities complained that meetings organized by oil companies are very short and locals are not given enough time to articulate their views and their views are in most cases ignored
 - People are completely ignorant of what takes place other than seeing vehicles coming and going. People of Kaiso Tonya village have only benefited from a borehole yet at first oil companies' promised a lot of support. Tullow Oil also donated a wooden class room block to Kyehoro Primary School that of now is almost being grounded by termites
 - Sometimes oil companies stop people from fishing without knowing that even one day's gap in fishing means a lot to the local people's food requirements
 - In Buhuka people are complaining about the metallic things that were planted in the area without explanation. There is thus fear that these could turn into health hazards for the communities
 - Local people are not given jobs since they have no skills in Oil Industry business
 - Some community members including some local schools are given old iron sheets to roof their houses yet these are full of smoke since the oil companies use them to fence their flaring and drilling sites
 - Lake Albert shore communities complained that the Oil companies burst bombs in Lake Albert at night and all their fish has migrated leaving them to starve. They further said that most fishing grounds are out of bounds with threat of armed men that have been stationed deep in the villages where oil companies operate
 - Communities also complained that the Oil companies order their food from Kampala and not from villagers thus they are not getting jobs from them yet they are chased and forced to abandon their livelihood activities such as fishing due to activities of the Oil companies
 - Communities appreciated the good roads that have been constructed but quickly added that oil companies benefit from the roads more than them. They also complained that the when their children are going to school or to fetch water, oil trucks knock, besides, security people have forced them to abandon their usual paths to water collecting points and now they

travel long routes to reach their gardens and home steeds.

Way Forward

- Host community members to start thinking of jointly demanding compensation from the oil companies under the united voice of the formed community network
- Communities need information on every step of oil progress. NAPE to always distribute oil information to the members
- More information on land ownership to be demanded from the district leadership
- Increased networking, collaboration and regular meetings of grassroots networks to share and exchange views and develop common advocacy strategies to be given priority
- Support for increased sensitization of communities so that they can understand more on oil issues and how to tackle them. NAPE to help on identifying donors that can support the host community network members in extending sensitization to the rest of the communities in the oil region who face similar challenges
- Companies should be pressed by the locals to account for all their abuses and mess-up
- NAPE to organize community meetings in May with Oil Africa delegates in which communities will further share their experiences with the oil companies.

Fred Kandole is the Director of Educate Uganda, one of the CBOs in the Host Community Oil network

Fresh Fears of Fighting on Lake Albert's Oil Shores

By Taimour Lay

The 3,000 people, eking out a living from the dwindling fish stocks of Lake Albert, find themselves at the centre of an area believed to contain up to 2 billion barrels of oil. They also live on the volatile, disputed border between two neighbours only just beginning to re-establish diplomatic ties after decades of conflict.

Eastwards across the water, yet a glimpse Uganda. To the West, is the shore of war-torn Ituri, eastern DR Congo. Oil will either force the countries together as partners, or to a future war – no one on the ground is willing to say which is more likely.

Border dispute

Kampala claims this 4km of land in the heart of the lake is sovereign Ugandan territory. But the majority Congolese population beg to differ. It is the yellow starred flag of the DR Congo which flies high on the waterfront and the only mention of Uganda is to express outrage and frustration.

The memories of the military escalation in July and August of 2007 have not faded. Details and responsibility remain unclear but a series of tit-for-tat clashes, from the arrest of Ugandan marines on the island, the death of a Heritage Oil worker and the alleged murder of 11 Congolese on a passenger ferry by suspected Ugandan army troops, have left a bitter legacy.

More recently, islanders claimed Ugandan patrols have become more aggressive and the military presence on the lake more pronounced. Despite the rapprochement between Presidents Museveni and Kabila, the status of the Ngurdoto Agreement (signed on September 8, 2007), which pulled the two sides back from the brink of war – including settlement of the border dispute and moves towards joint-exploration of oil fields - remains precarious.

Few believe that oil revenues will reach the island. The closer you are to a natural resource in DR Congo, the more it damages, rather than benefits, you. In the past "People have fought over gold, tin, charcoal, timber, everything," one man says. "Why should it be different with oil?"

Oil conflict

An hour's boat ride to the DR Congo shore and we are

in Kasenyi, a town that was hit hard by the Ituri civil war (1998-2003). Militias battled over the lucrative and strategically vital lakeside landing points, the timber and charcoal from local forests, and launched attacks on civilians as Hema-Lendu ethnic identities became a convenient justification for war.

The last time the oil companies came to Kasenyi was in 2007, when Tullow Oil's Vice President for Africa, Tim O'Hanlon, visited to promise schools and hospitals and a bright new future. Others have dropped in with more than words.

The United Nations Mission in Congo (Monuc) reported later that year that Tullow's partner in the license, Heritage Oil, owned by former mercenary fighter Tony Buckingham, had donated speed boats to the FARDC (Congolese national army) in March and had also been responsible for the delivery of 30 Land Rover jeeps to Bunia, which were then distributed to local commanders across the region.

The national army remains a fragile and controversial presence in Ituri, seeking to assert central authority while also committing widespread human rights abuses, from routine "tracasserie" (harassment) to corruption and sporadic violence. Cooperation between companies and soldiers – of any stripe – breeds suspicion and fear here.

Any hope?

Kasenyi's residents are as desperate for answers as the islanders of Rukwanzi. They too know they are at the centre of something but two years after Tullow's visit, there's no sign of exploration starting. In June 2003, this exhausted, though now bustling town, was razed to the ground by Germain Katanga's Lendu FRPI militia group.

Local people claim the oil companies were involved – the kind of conspiracy theory that, however far-fetched, is the standard currency of politics and social attitudes. Locals have suffered too much to be trustful. "They wanted to clear these areas to make exploration easier," claims one man. "The militia knew how valuable these places would be soon so they came to become players."

It was not until 2006 that Tullow and Heritage signed



Rukwanzi Island, on the international border, was the scene of Uganda-DRC clashes

Kampala claims this 4km of land in the heart of the lake is sovereign Ugandan territory. But the majority Congolese population beg to differ. It is the yellow starred flag of the DR Congo which flies high on the waterfront and the only mention of Uganda is to express outrage and frustration.

a Production Sharing Agreement with Congolese leader Joseph Kabila, only to see the contract ripped up a year later as he sought new partners in a South African consortium.

As the same companies have worked towards the start of production on the Uganda side of the lake, they remain mired in a political and legal battle with Kinshasa, further complicated in March 2009 when the new Congolese oil Minister, Rene Isekemanda Nkeka, invited Tullow back into one of the blocks, on the proviso it take on "new partners".

But it was not only Kinshasa the companies spoke to. After all, the central government had no control over the recognised exploration areas.

Back in 2002, just as they signed a first memorandum of understanding with the DR Congo government, Heritage admitted to seeking consent to the deals in writing from the rebel leaders then in control of Ituri and North Kivu: the MLC (Mouvement de Libération du Congo) of Jean-Pierre Bemba, and the RCD-Kis/ML of Mbusa Nyamwisi. Both groups had Ugandan troops at strategic

locations on their territory.

A 2005 report from the Pole Institute noted that manoeuvrings by politicians and militias was at least partly being determined by considerations of future oil deals.

"Since [the Heritage deal in 2002], the two movements lost control of some of the most interesting parts of the concession - hardly a coincidence. New masters of Ituri until March 2003 were the Hema fighters of the rebel movement UPC (Union des Patriotes Congolais), which was allied with Congo's biggest rebel movement, the pro-Rwandan RCD (Rassemblement Congolais pour la Démocratie) based in Goma, a sworn enemy of Uganda, Kinshasa and the RCD-ML," the report noted.

UPC foreign minister Jean-Baptiste Dhetchuvi said at the time: "In Ituri, we are in an oil war. When you look at the oil map of Lake Albert region and compare it to the massacre map, there really is a strange similarity."

Lendu attacks

It was to extinguish the influence of Thomas Lubanga's



NAPE file photo

Fishing on Lake Albert

UPC in Ituri that Lendu militia launched a series of systematic attacks on civilians in 2003.

Travelling the road from Bunia to the shore of Lake Albert is to follow a trail of enmity and blood. Bogoro witnessed the most infamous massacre – 200 civilians killed in just a few hours on February 24 that year, a crime for which Katanga is now facing trial at International Court of Justice, The Hague.

Then the coastal village of Tchomia on May 31: 250 killed. Then Kasenyi 10 days later: 100 dead.

Today, these fragmented groups have faded away or integrated with the national army, which, backed by Monuc, maintains an uneasy peace in the region. But Kinshasa still feels very far away. Kabila's picture may stare down from the walls of government buildings but politics remains driven by local power-brokers and shifting alliances. And the ever present fear that the fighting may start again.

New threats

The rebel threat now has a new face. The FPJC (Front Populaire pour Justice au Congo) operates only 30km South of Kasenyi, with a base at Tchei. They are an amalgam of fighters rejecting the 2006 peace deal, refusing to integrate into the FARDC.

Estimates of their strength vary, from the low hundreds to thousands, but their political operation has already begun to talk the language of oil. "Our movement exists to protect the natural resources of Ituri," a member tells me. "Kinshasa cannot sign contracts and pursue oil exploration without consulting the communities. And we represent the communities."

In Tchomia, local people are in no doubt that oil will bring risks but question the claims of the miliciens. After all, they've heard this sort of rhetoric militias. "If the FPJC are here to protect Ituri, why are they out robbing people on the roads?" a leading politician asks.

Reliable reports of heavy weapons being delivered to FPJC positions by helicopter in 2009 have heightened suspicions that someone nearby is providing support for the fighters.

Given the history of Ugandan and Rwandan involvement in Ituri, and the role international mining companies have played in North Kivu in support of various armed groups, analysts see the potential for the fragile peace to be shattered by new incentives.

"The problem is that the peace deal and Monuc's mission has frozen the problems but not solved them," says Aloys Tegera at the Pole Institute in Goma. "The ingredients are still there: Ethnic division, land disputes, and the absence of central authority. When Monuc leaves, what was frozen can be reactivated. It won't take long for people to reject oil deals Kinshasa has signed if they are not benefiting people."

Kabila factor

The contractual wrangle between Tullow/Heritage and the South African consortium (made up of Petro SA, SacOil, H-Oil and Divine Inspiration) means Uganda is likely to reach production many years before DR Congo.

Considerable confusion remains over precisely what is causing the impasse and when to expect a decision

from the Congolese President. As a veteran observer in Kinshasa put it: "It's always about money."

The new companies claim to have paid over \$6 million in bonus money for Blocks 1 and 2 and show little sign of backing down. By way of comparison, Uganda extracted only \$300,000 in signature bonuses for each of its five blocks.

The long-standing allegation has been that the former Energy Minister, Lambert Mende, had links to Divine Inspiration and sought to elbow out Tullow/Heritage in the South Africans' favour in 2008.

Strange Interconnections

But it may be more complex than that, with suggestions that the South African companies were also connected to key players around Thabo Mbeki; Kabila may be reluctant to go through with the deal if it risks alienating new President Jacob Zuma.

The South African businessman to watch is the controversial Tiego Moseneke, founder of the influential Encha Group which controls SacOil and directs the consortium. He is reported to have close relationships in Kinshasa, including with Kabila's brother, Zoe, and with Nozi Mwamba, a Congolese 'consultant' to Divine Inspiration, who has twice been accused of major currency fraud and links to militias.

Moseneke is no friend of Zuma and may now lose out due to his former political connections. Meanwhile, the two sides continue to lobby hard. O'Hanlon was back in Kinshasa in September 2009, where he received diplomatic support from the UK Ambassador and maintained his company's position that the 2006 contracts, amended in 2007, should stand.

Tullow is also on the public relations offensive, with some success. Congolese communities and civil society repeatedly voice the view that the Tullow/Heritage contract offer better terms for the country.

Platform, a UK-based environment and governance watchdog, last month obtained copies of the 2006 and 2008 contracts and can reveal that both deals fall a long way short of providing confidence that oil will be extracted responsibly, and in the interests of local people.

In particular, the state share of profits is strikingly low – stuck at just 45 per cent in the Tullow/Heritage deal (though since amended in 2007) and reaching only 60 per cent in the 2008 contract for Block 1, meaning the South Africans are likely to have used their payment of large bonuses to extract a better long-term share of

revenue for themselves.

Better life

Back in Kasenyi, people allow themselves to hope that oil companies will at least bring a new road, a new school or a pharmacy. There are few illusions that the billions of dollars in revenue will ever trickle down from Kinshasa to transform the area.

"We want a company that is honest, and wants development and will not cause conflict," the chief of the local administration says. "That's perhaps the most we can expect."

On Rukwanzi, the community meeting finishes with another barrage of demands. "People were dying here two years ago. Why? Who were the interest groups? We talk about oil and it's like a dream. We know it could change everything, but will it be for good or ill? What will it bring us?"

Albert region at glance

Like many colonial-era frontiers, the borderline through the lake between DRC and Uganda was drawn up by European powers with inaccurate maps and scant regard for geographical features or local people.

First, it ran through the Congolese town of Beni, then later they moved it back miles to the Semliki River flowing out of southern Lake Albert.

March 2006 - Thousands of Congolese civilians in the northeastern district of Ituri arrived at the port town of Kasenyi on Lake Albert, on the border with Uganda, after they fled fighting between the national army and militia groups, a local official said.

In 2006, gunmen on Lake Albert attacked a boat operated by Canada's Heritage Oil Corp. killing a British contractor, Uganda's government said.

Troops repulsed the pre-dawn raid -- the first such attack on an oil interest in a country becoming a key frontier in the hunt for crude on a continent where West African sources have held sway.

In early 2009, Tullow Oil announced the discovery of 400-1,000 million barrels of oil in the region, on the border with the DRC.

In early March 2009 Presidents Museveni of Uganda and Kabila of DRC signed an agreement to continue military co-operation and to work together in exploiting oil discovered by Lake Albert.

Oil Spill: A danger to Livelihoods and Environment

By Allan Kalangi and Rajab Bwengye



Photo by Rajab Bwengye,

An improvised bridge to cross a road covered by oil spills in the Nigeria's Delta State

In Uganda the Petroleum Industry is new and still emerging. Many issues and terminologies associated with oil such as oil spills, gas flares, mud pits, gas/oil pipeline rupture, oil curse, and blessing are still academic and unclear in the minds of majority Ugandans. The situation is worse when you move down to grassroots communities.

In mid 2008, during a meeting with communities at Lake Albert Shores, many people flocked the oil sites with Jerry cans and buckets expecting to tap oil. They thought that an oil well is like a bore hole where in the near future, they would flock, fetch oil, sell it and become instant millionaires. This understanding of the entire oil game is wrong and the poor and less informed peasants cannot be blamed because the government has not done much in creating awareness and understanding of the actual facts

regarding the oil industry.

What is an oil spill?

An oil spill occurs when there is either a crack or damage on an oil pipe or oil well head. Oil spills can also occur as a result of poor technologies in oil waste management as it is the case in Nigeria.

The oil slicks escalate when oil fields are located in areas with porous soils, crossed by rivers, swamps and streams like the case of the Albertine region. The people of Nigeria for example have fallen victim of unending oil spills because the Niger Delta oil rich region has got many swamps and tributaries of the big Niger River before it finds its way into the Atlantic Ocean. Floods can also accelerate the magnitude of oil spills by carrying

and spreading water contaminated with oil to a large mass of land.

Dangers that arise from oil spills

In a community where the main economic activity is farming, oil spills are an enormous disaster.

Oil spills if not contained at early stages can result into wild fires destroying large chunks of forested land, farm lands, community homesteads and eventually loss of life. In 2003, an oil spill in Nigeria arising from a leaking pipeline resulted into the death of 200 villagers.

Destruction of aquatic life.

Oil spills especially in water bodies can cause death to aquatic life (fish, water animals) and destruction of fishing gear. This is another source of worry especially if a community is dependent on fishing.

Communities living along Albert Nile; River Nile in this case would suffer a massive blow if the oil activities pollute the fishing bodies in the region. On May 28th 1998, an oil spill in Odo state in Ilaje community resulted into the death of many fish and destruction of 400 bundles of community fishing nets leaving the community helpless and devastated.

Death of domestic animals

Spills do not only result into death of animals but also accelerate pollution from dead animals. The stench pollutes the air as it is foul-smelling. In Nigeria, on May 28th 1998, an enormous oil spill resulted into the death of over 800 pigs, 400 sheep, 84 cows and many others left sick. Such a spill would prove disastrous to the cattle herds of the balaro (cattle keepers) loaming the grass and bush lands of Bunyoro region.

Destruction of Infrastructure

Oil spills don't leave the infrastructure in good shape. The situation becomes worse in water logged areas. They can flood community roads and high ways making them totally impassable for either people or any meaning full economic activity. In the picture above, the communities in the river state of Nigeria had no option other than to construct a hanging road made of timber to enable them move to their gardens and homes.

Soil infertility

Oil spills once in contact with soil renders the entire land barren and unfit for any meaningful agriculture or

animal rearing. In the soil the Nitrogen fixing bacteria die resulting into persistent hunger and community starvation due to food insecurity.

Health Problems

The pollution of the water sources, food contamination and inhaling poisonous gases affects community health drastically. Skin diseases especially rashes become rampant. In addition, cough, cancer, foot diseases are a common occurrence in areas hit by oil spills such as the Niger Delta region of Nigeria.

Impact on livelihoods

The majority of the people in the Albertine region are dependent on fishing and subsistence farming. The oil spill will definitely have a greater impact on their livelihoods. They will not ultimately earn the required income to meet their basic needs. This in turn infringes on their fundamental human rights. Apart from health ailments directly caused by the pollution, they will not meet the required nutritional values that are a prerequisite for normal life style. This will lead to the disintegration of the normal household values and ties

How can we guard against the occurrence of oil spills and fires?

Home governments must put oil companies on pressure to adopt best practices. The oil legislation must impose heavy penalties on companies that cause oil spills. The government must impose sufficient financial liability in case oil companies fail to act responsibly. In addition, the government should impose high carbon tax on oil companies, encourage the formation of Advisory councils, be transparent in its dealings with the oil companies.

There ought to be massive and continues awareness creation focusing on the related negative impacts of the oil spill

The government must also ensure that there is strategic and comprehensive environmental planning and monitoring, adequate risk benefit calculation and avoidance of oil mining in ecologically/culturally sensitive areas -“No-Go-Areas”(IUCN Category I-IV). Above all, Government must avoid Petroleum Industry purchase of Bio diversity offsets and ensure that Oil Spill prevention and Response-(Best Available Technology (BAT) is adopted by the Oil companies.

Let Oil Remain in the Ground

By Staff reporter

As we mourn for close to 400 people buried alive underground and more than 5000 displaced by the recent mudslide disaster in Bududa district, Eastern Uganda, we should keep our eyes wide open and keep the government and the oil companies on pressure to adopt the best practices possible as the oil development processes progress of exploration to production. The Government claims it warned the residents earlier in time to vacate the area in expectation of the disaster, the statement is erroneous because it would have made sense if the government had championed the move to re-settle them to another site without waiting for the disaster to occur and start lamenting. This was clearly a manifestation of poor contingency planning in risk and disaster management

In comparison with oil, what communities face as disaster in oil rich countries is a result of irresponsibility and negligence by the oil investors. The best example is Royal Shell and the Nigerian National Petroleum Company (NNPC) and their reckless activities in the River state of Nigeria. Most Oil disasters in this country have occurred because of obsolete equipment such as pipes and oil well heads that have rotten underground for close to 40 years without being replaced or serviced thus triggering oil spills and oil pipeline fires that have so far claimed more than 10,000 poor Nigerians.

On Thursday 19th June, 2003 at 8:30 PM, a tragic oil pipeline explosion resulted in a fire out break claiming 200 Nigerian villagers at Amaokwe community of Abia state. The pipeline which belonged to NNPC and tagged PE-IG-109, Kilometre 126 conveyed refined petroleum products from Port Harcourt Refinery to some depots north of Nigeria.

This pipeline had developed a minor rupture in the early hours of Wednesday 4th June 2003 oozing out refined petroleum products into the nearby farm lands, river and surrounding forests. This incident was reported to both the Local Government council Abia state and the Executive Governor of Abia state who at the time was Dr.Uzor Kalu. The same complaints by the villagers surrounding the area were reported to The Operations Controller, Department of Petroleum resources (DPR) and NNPC in the Petro city of Port Harcourt. All these warnings were taken as mere propaganda and therefore baseless by the

responsible officials and petroleum departments.

Meanwhile for many days, villagers and visitors had been trooping to the site of the leaking pipe to scoop the free-flowing fuel. The story was different on Thursday June 19th, 2003 when people from neighboring communities rushed with plastic containers of different sizes. The explosion occurred when a motorcyclist attempted to start his motor bike parked around the location of the leaking pipe. The spark from the motor cyclist's bike ignited a huge fire that eventually burnt down the entire villagers who were scooping the fuel and those innocently left at home sleeping in their poor homesteads. This fire left 200 corpses buried in the open.

This tragedy could have been avoided if the responsible oil companies and government departments had responded quickly to the warnings about the leaking pipes. If such a disaster was to happen in Uganda's Albertine region, a network of rivers, swamps and forests, well known world over as a rich biodiversity spot with 39% of Africa's mammal species, 51% of African bird species, 19% of African Amphibian species, 14% of Africa's plant and reptile species including 79 threatened terrestrial vertebrates according to IUCN red data book listings, then that would be a heavy blow to the much anticipated oil revenues that the good oil investors and government are preaching now and again to be the one to uplift the country and its people from the biting poverty.

As we celebrate the never ending new oil discoveries, let us keep in mind that unless best practices in the industry are emphasized, then the anticipated oil revenues might end up escalating poverty and community suffering. The bucket and spade practice of cleaning oil spills, digging of a hole in the middle of a spill site, the burial of oil spills and wastes in the ground as Heritage Oil did in Amuru District in 2009, the burning of affected items together leaving mud pits wide open thus exposing the surrounding communities and the environment to toxic gas and wastes are all part of what the oil companies and the government must guard and take precaution against.

Unfortunately in Uganda, the government seems to be totally blind of what might befall the oil region. The oil companies are busy drilling in absence of oil legislation. The absence of this legislation to regulate



Oil spill contaminate soil near an oil well in River State, Nigeria

their activities will cause more harm than good. It will most likely result into land grabbing by the oil companies and massive environmental mess.

What must be kept in mind by every Ugandan is that oil companies are purely profit making corporations. Without any legislation to guide their operations, they will resort to using foreign oil experts as a route to over state their investments costs, depots their profit money in foreign accounts and since Uganda has no proven institutional capacity to monitor accounts of the oil investors, it will eventually incur more losses than gains at the time of re-paying the investment cost incurred by the oil companies.

It is therefore, important to emphasize the adoption of

best practices right from the start of exploitation process so that Uganda does not loose on both fronts i.e. earning oil revenues and conserving the incredible bio-diversity in the oil region.

Otherwise if the oil companies continue claiming that the adaptation of best practices is too expensive to guarantee them profits from their oil investments, then let us keep oil in the ground and continue surviving on tourism money that has sustained the Ugandan economy for decades.

Money Threatens to Win Over Wildlife

Reproduced from Wall Street Journal



Giraffes in front of a Tullow Oil rig in Murchison Falls National Park in Amuru, Acholi Sub region.

One of Africa's biggest nature parks has turned into a battleground over oil, pitting foreign energy companies and the government of Uganda against environmentalists eager to shed light on their venture.

Oil companies led by London-listed Tullow Oil PLC have found oil reserves estimated to hold up to two billion barrels in the Albertine Rift Valley, which contains Murchison Falls National Park. The park is one of Uganda's biggest tourism draws and home to elephants, giraffes, lions and rare birds.

Tullow's project, which contains one of Africa's biggest onshore oil finds in decades, is seen as crucial to the Central African nation's economy as the government attempts to diversify away from tourism and rely less

on foreign aid. The government has given a Tullow consortium the green light to explore and drill in the park.

"As much as we need to protect the environment, oil is an important resource for the country if properly managed," said Aryamanya Mugisha, the executive director of Uganda's state-run National Environmental Management Authority, or NEMA.

That stance has irked environmentalists and villagers who benefit from park tourism. Protected areas support over 80% of Uganda's tourism industry and bring in about \$600 million a year in revenue, according to official estimates.

Big oil companies and environmentalists have never

had an easy relationship, but tensions in Uganda run especially high. Civil society groups say that many of the government's decisions surrounding oil have been shrouded in secrecy and that details of Tullow project, including any clear plan to minimize its environmental impact, haven't been disclosed.

Environmentalists have put pressure on the government to disclose its production-sharing agreement by filing several lawsuits in Uganda's capital, Kampala. Production-sharing contracts aren't normally made public.

The [Ugandan] government is totally uninterested in preserving the wildlife," says Jacqueline Weaver, a University of Houston law professor specializing in oil industry law and contracts, who has visited Uganda and consulted with the government, oil companies and civil-society groups on oil contracts there. "Money will win over animals every time."

Tullow is one of the world's largest independent oil companies, with a \$16.5 billion market capitalization and a string of recent Africa successes, including a big Ghana offshore discovery. In Uganda, it has begun drilling appraisal wells and expects commercial production to start next year.

To shoulder the project's financial burden, Tullow has enlisted France's Total SA and China's CNOOC Ltd., each of which will take a third in a joint venture, say Ugandan officials.

Tullow Vice President, Tim O'Hanlon, told executives at an industry conference last week that the company expects the Ugandan government to approve the new partnership, valued at an estimated \$5 billion investment over five years, "within weeks."

Production in three Uganda oil blocks 100%-owned by Tullow—including one that covers some park land—is expected to reach around 150,000 barrels a day by 2015, Tullow has said. African oil giants Nigeria and Angola produce about two billion barrels a day.

Aryamanya Mugisha, the environmental regulator, said Tullow doesn't submit plans for proposed activities on time but has pressed NEMA to approve projects quickly following the discovery of oil reserves. He says the government's rush led to regulatory lapses, such as not ensuring proper disposal of wastewater or drill cuttings, which can lead to pollution of nearby bodies of water which are frequented by locals, livestock and wild animals. The regulatory agency said Tullow hasn't yet put in place an oil-spill contingency plan ahead of extended well testing.

NEMA is a semi-autonomous body under the Ministry of Water and Environment, and can withhold approval of drilling projects if impact assessment reports are deemed insufficient.

Tullow says it has established an environmental-management department and submitted a comprehensive environmental-impact assessment report to address shortfalls cited by the regulator. It aims to manage and dispose of wastewater and drill cuttings as well as restore grasslands at drilling sites.

"Tullow is aware of the sensitivity involved in working in wildlife reserve areas," said Paul Coward, a company environmental manager. "We want to build the oil and gas sector in Uganda and that means building the people as well."

The Ugandan government says it hasn't disclosed details about oil contracts because it's bound by confidentiality clauses. Tullow says it would be willing to reveal more details of its drilling program and contracts, but the Ugandan government has refused to do so.

Tullow's presence is hard to miss around Buliisa, a dusty town bordering Lake Albert, where road signs bear distances between towns alongside Tullow's logo.

The oil venture rankles some. "I think some [local government officials] are very excited about oil and don't have the foresight to consider what future effects oil might have on the community," said Blasio Mugase, 70, a local chief of the Bunyoro ethnic group, who was wearing a Tullow hat. "The income we're getting from [Murchison] is great. The government can't expect oil money to come and replace game parks."

Akelo Oliver, a fisherwoman on the shores of Lake Albert on the outskirts of Buliisa, stacked the day's haul of tilapia in piles to dry under the sun. Behind her an oil rig rose into the sky. Ms. Oliver said the sound of the rig is a combination of a dog's howl and a generator's whirr.

"We don't sleep," she said. "No one has talked to me or told me about what they're doing."

Oversight of oil projects in nature reserves will most likely end up in the hands of the Uganda Wildlife Authority, local officials say. The UWA, a semi-autonomous body set up by an act of parliament in 1996, says it has already run into difficulties.

"We've been castigated for licensing in protected areas," says UWA spokeswoman Lillian Nsubuga. "Meanwhile oil companies are saying we're trying to sabotage their efforts. We're in the middle and everyone feels we're doing the wrong thing."

Great Caution Needed for Uganda's Oil Production

By Diana Ninsiima

The recent discovery of more oil wells in Uganda has created a lot of anxiety among many who think that at long last our poverty problems are coming to an end.

The high expectations stem from the fact that oil is on high demand worldwide which means that Uganda producing oil would lift it from the poverty lines and make it one of the richest countries in the world. However, research has it that many countries especially in Africa producing oil is experiencing more problems presently than those they had when the oil was still safely underground. A case in point here is Nigeria, Sudan and Angola among others.

Crude oil has significant impact on the world civilization, perhaps more than any other natural resource recorded in world history. Oil products influence our day today lives. The cars we travel in everyday use fuel refined from crude oil, so do the industries that manufacture most of the products that we use. Because of its precious value, oil has become the most craved product of our times. This of course has come with its problems. The money from oil tempts governments to rush to extraction without first taking into considerations the likely consequences on the environment, human lives, social and economic set up of societies and above all, anticipated oil revenues tend to shift attention to develop other important sectors of the economy thus rendering them redundant and less competitive..

Uganda which is in the initial stages of oil extraction should take extra-caution to ensure that the future generations do not live to regret why this precious mineral was ever discovered in the country. More research needs to be done on the industry before full scale production can begin. Not only can oil be detrimental to the environment but it can also result in income inequalities and widen the gap between the rich and the poor.

Looking at countries that have been producing oil, we find that all has not been a bed of roses, for example the commencement of oil exploration and exploitation in Nigeria was followed almost immediately with adverse effects on human health and biodiversity due to gas flaring and oil spills to the extent that is detrimental to the environment or beyond acceptable limits. This does not only apply to Nigeria but all other oil producing countries. The result of the unchecked oil pollution

in oil producing countries has seen the complete destruction of ecosystems. Forests fall to the toxicity of oil spills and are being replaced by artificial forests. In other words, the rainforests have fallen to the axe of oil companies, while wild-life have been driven away from their natural habitats and farmlands rendered infertile with gross implication on the right to adequate food. The United States (USA) which would have otherwise set a remarkable example is under global criticism for failure to adapt to best practices in the oil industry by GP Oil Company. The irresponsible acts of GP Oil Company have resulted into massive oil spills in the Gulf of Mexico, which is a serious threat to marine life and the livelihoods of fishing communities of this area.

Oil exploration activities in Uganda are concentrated in the western region of the country along Lake Albert. Though many Ugandans received news of the oil discovery with great joy and expectations, the commencement of oil finds has already sparked conflicts over land as the ethnic groups in the region vie for a share in the wealth.

In addition, the government has kept all the production sharing agreements regarding the oil deals secret and there is fear among the local population that their interests may not be taken care of once oil production begins.

Another bigger problem that needs to be looked at is the fact that oil has been discovered near Lake Albert which has for long been the source of livelihood for people within the oil region. Not only is the lake a source of food (fishing), it also has a lot of cultural values for the people around it. Oil exploitation may therefore lead to some restrictions being imposed on free movement of people in the area and inconvenience in accessing the lake. Worse still, if extra caution is not taken, oil spills can get into the lake thus polluting one of the major fresh water lakes in the region and above all, being a shared resource with the Democratic Republic of Congo (DRC), harmonizing relations must first be entered into and agreed upon expeditiously to avoid cross-border turmoil.

It is therefore the responsibility of the government the citizens, to keep eyes open to ensure that the oil production processes are as transparent as possible and beneficial to all Ugandans in a sustainable way.

improving inspection. Sanitation in primary schools has been identified as one of the most urgent needs that require replacement of latrines. Over 90 percent of the Sh21.7 billion School Facilities Grant allocation will be spent on latrine construction next financial year in needy primary schools and the balance on teachers' houses. This amount can be raised in a single day in oil sales. Our investigations show that since Uganda can generate Sh550 billion in oil within a period of one month, it can take the country about two weeks to raise this huge sum of money (which was obtained on a huge interest rate) that was borrowed from the banks. If the NRM government put the above oil revenue to good use, the welfare of the country would have come with the oil price would have to be supervised by the IF

in the small town of Yirid, which was dominated by the war. Several white beds were slaughtered in his

Opposition parties have said it is in Durrat with no access to the sea, while a second town, Ghazal, is 100 km from the coast. "We are caught in a war, withdrawing to the mountains then Durrat, then Ghazal," says Ibrahim, who heads the ELP's administration in Suqatra.

"The safety of some of the islands in the state remains partly dependent on a high concern for the sea. I am also concerned about our ability to observe," he says.

She said that some parts of Durrat are inaccessible. The international community cannot access this area because of the lack of a sea canal access," she said, referring to the flow of oil through the capital of Suqatra.

"We can only have a very partial view to how our observers properly in the area of the mission is at stake."

Dr. Rayner said she was particularly worried about the international community and international observers who pushed for a delay in

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In a bid to stimulate the debate on Uganda's newly discovered oil and the sharing of the oil wealth, *Business Vision* runs a series of articles by Professor Kasozi, the director of the National Council for Higher Education. This week's article focuses on oil revenue sharing mechanisms from other countries that Uganda can learn from.



Uganda in this option and the provision of Alberta in Canada. This option has a number of advantages and disadvantages. The method proposed directly meets the demands of the citizens of the country and the recipient develops a stake in the oil industry. It Nigeria had used this method, the attacks on oil facilities in the Niger Delta might have been avoided. It would also ensure that the government is to be transparent and accountable in the management of the oil sector as well as other financial transactions relating to oil.

On the other hand, this option has a number of disadvantages. It may increase the money interesters government's tax base since income tax is likely to be advanced from the recipients of the oil sector. Lastly, it may be difficult to ensure that the oil is being used for the purposes for which the option is managed.

On the other hand, this option has a number of disadvantages. It can increase the cost of oil to the citizens of the country and thereby make it difficult for many people to have it to control. Secondly, it may lead to the loss of jobs in the oil industry, thereby leading to the loss of income. It may also lead to the loss of income to the government and the loss of income to the citizens of the country. It may also lead to the loss of income to the government and the loss of income to the citizens of the country.

This scenario can meet the demands of the citizens of the country and the recipient develops a stake in the oil industry. It Nigeria had used this method, the attacks on oil facilities in the Niger Delta might have been avoided. It would also ensure that the government is to be transparent and accountable in the management of the oil sector as well as other financial transactions relating to oil.

An oil drilling site in western

WORLD push by West-
Indians and Big oil
companies from East
countries to make
them more stable. The
world countries in
the Middle East and
Africa are the main
targets for these
investments.

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Market Intelligence

By Ibrahim Kasita

DEAL to buy \$1.5b oil fields owned by Heritage Oil PLC has hit a snag, *chronicles investment in Uganda's nascent oil and gas industry.*

Tulow Oil and Heritage are joint partners in two oil field blocks 1 and 3A. Tulow wants to buy out Heritage and the process is ongoing after the two entered into a sales and purchase agreement.

This was after Tulow prompted Italian firm, Eni's CEO to sell its assets and the consent to their terms they signed on January 26, subject to the Government approval.

Heritage has, however, raised concerns over Eni's delay in approving the transaction, lack of disclosure, transparency and information sharing.

through their lawyer, Robert Brant.

The firm indicated that the approval process and transfer of the oil fields would be finalised by the end last month.

"This is the last time that both Tullow and Heritage have communicated to the shareholders and other stakeholders," Brant pointed out.

He said since the deadline had not been met, Heritage needed to know the cause of the delay to explain to shareholders why the process was taking longer than expected.

He added that this would help the firm to decide whether the delay was justified or not.

Brian Gloor, the Tullow managing director for Uganda operations, admitted there were delays in the process.

But he pointed out that Tullow was about to complete its pre-emption and farm-down process.

While getting the Government's approval



takover of Heritage's interests in the two blocks.

The firm said it relied on this transparency and representation when it signed the takeover deal with Tullow on January 26 because "we were assured any delays that may occur in getting the Government approval of the deal would be minimal."

"We are particularly keen to discover whether the above representation was false when Tullow announced the pro-empt deal," says the SEC.

"This explains the reason for the delays and would imply that the terms of the agreement were procured by wrongly in breach of warranty."

If found to be true, it would allow Heritage to apply for an order to rescind the agreement and/or damages.

However, Heritage stated it was committed to the transaction with Tullow.

It cautioned that if Tullow missed them to sign the

By Joyce Namutebi

PARLIAMENT has again directed the energy and mineral development minister, Hillary Onek, to submit the oil agreements to the House.

The directive was made by the Deputy Speaker, Rebecca Kadaga, on Tuesday after MPs rejected a statement by the natural resources committee chairperson, Winnie Masiko, on the agreements.

"I direct the Energy Minister to give us those agreements. It would be



A Publication of the National Association
of Professional Environmentalists (NAPE)
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