

# Vote:311 Uganda National Oil Company (UNOC)

## VI: Vote Overview

### (i) Snapshot of Medium Term Budget Allocations

Table V1.1: Overview of Vote Expenditures

Billion Uganda Shillings	FY2017/18 Outturn	FY2018/19		FY2019/20 Proposed Budget	MTEF Budget Projections			
		Approved Budget	Spent by End Sep		2020/21	2021/22	2022/23	2023/24
Recurrent Wage	0.000	9.586	2.397	9.586	10.066	10.569	11.097	11.652
Non Wage	0.000	5.614	1.975	5.614	6.456	7.747	9.296	11.156
Devt. GoU	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ext. Fin.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>GoU Total</b>	<b>0.000</b>	<b>15.200</b>	<b>4.371</b>	<b>15.200</b>	<b>16.521</b>	<b>18.316</b>	<b>20.394</b>	<b>22.808</b>
<b>Total GoU+Ext Fin (MTEF)</b>	<b>0.000</b>	<b>15.200</b>	<b>4.371</b>	<b>15.200</b>	<b>16.521</b>	<b>18.316</b>	<b>20.394</b>	<b>22.808</b>
<i>A.I.A Total</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>Grand Total</b>	<b>0.000</b>	<b>15.200</b>	<b>4.371</b>	<b>15.200</b>	<b>16.521</b>	<b>18.316</b>	<b>20.394</b>	<b>22.808</b>

### (ii) Vote Strategic Objective

- To handle the state's commercial interests in the petroleum sub sector
- To manage state participation in petroleum activities
- To manage the marketing of the country's share of petroleum received in kind
- To manage the business aspects of state participation
- To develop in depth expertise in the oil and gas industry
- To optimize value to its shareholders

## V2: Past Vote Performance and Medium Term Plans

### Performance for Previous Year FY 2017/18

- Purchased Geoscience data for New Exploration areas
- Petrel software procured, data analyzed and presented to Management to facilitate decision making
- Albertine Graben Refinery Consortium was approved by Cabinet as the Lead investor for the Refinery project
- Project Framework Agreement (PFA) signed on 10th April 2018
- Restocking of Jinja Storage Terminal (JST) continued
- Process of developing Petroleum Products Standards continued
- Participated in engagements for construction of the Hoima Airport
- Development of regulatory framework for East Africa Export Crude Oil Pipeline continued
- UNOC participated in the laying of the foundation stone for export pipeline at Mutukula in Rakai district and Kabaale in Hoima district
- Asset verification exercise conducted at Jinja Storage Terminal
- Joint Operating Agreements (JOA) negotiations continued
- Front End Engineering Design (FEED) for Tilenga project completed
- FEED for Kingfisher Development Area completed
- UNOC submitted a proposal for development of Kampala Storage Terminal (KST) to the MEMD.

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## Performance as of BFP FY 2018/19 (Performance as of BFP)

- Continued to negotiate with International Oil Companies (COOC, Total and Tullow) for back in of UNOC into the current Joint Operating Agreements (JOA).
- UNOC participated in various activities for Tilenga and Kingfisher projects mainly as an observer since back in process is not yet completed.
- Commenced Evaluation and annual reporting of UNOC's oil and gas resources and reserves portfolio
- Data interpretation and analysis for three prospective areas conducted
- UNOC and CNOOC signed a Memorandum of Understanding (MoU) to facilitate the process of Joint Application for an Exploration block.
- UNOC and CNOOC held engagements to discuss Joint Application Agreements (JAA) Frameworks, JOA principles and alignment of technical and commercial aspects of the application including fiscal package proposals
- Project Framework Agreements (PFA) for Refinery development effected in September 2018 following the posting of performance bond.
- Commenced process to identify a development partner for Kampala Storage Terminal (KST)
- Engagements with Ministry of Finance to secure funding for UNOC projects
- Review of Terms of Reference (TORs) for a strategic partner for Kabaale Industrial Park
- HGA negotiations still ongoing for East Africa Crude Oil Pipeline (EACOP)
- Process of procuring Transaction Advisory Services is on-going
- Engagements to arrange for financing of UNOC's equity share for the strategic projects still ongoing
- Pre-FID activities ongoing for Upstream and Refinery activities
- Total progressing key Procurements for EACOP especially for long lead items
- Process on going for procuring a bidder.
- Engineering design and Bill of Quantities for construction of products pipeline to Jinja Storage Terminal (JST) developed and updated
- Proposed Implementation plan for KST submitted to the MEMD and awaits approval.
- Process of procuring a consultant to provide Advisory services ongoing for KST
- Draft Terms of Reference were developed for competitive selection of Joint Venture Partner for Kampala Storage Terminal

## FY 2019/20 Planned Outputs

- Equity participation of UNOC and its subsidiaries in the various Projects finalized
- The execution of Final Investment Decisions for Upstream and Midstream Projects
- Financing for Upstream and Midstream Projects obtained
  - Acquisition of new Exploration Block
- Geoscience data for new Exploration ventures acquired, analyzed and interpreted
- Joint ventures established with Strategic Partners for Kampala Storage Terminal, Exploration ventures, Kabaale Industrial Park and Services' provision operationalized

## Medium Term Plans

- Obtain financing for Upstream and Midstream Projects
- Acquire Exploration License and execute Minimum Work Program
- Build internal capacities, recruit and train staff for UNOC and its subsidiaries
- Increase stocking levels for National Strategic reserves at Jinja Storage Terminal
- Continue operations with Joint venture partners for Kampala Storage Terminal, Kabaale Industrial Park
- Grow and manage commercial interests of the State across the Petroleum value chain
- Establish a Target Operating Model to build and manage the business
- Achieve financial sustainability and profitability
- Establish a suitable stakeholder management culture
- Promote national participation in Uganda's oil and gas sector
- Monitor UNOC projects' progress

## Efficiency of Vote Budget Allocations

UNOC's ceiling was maintained at UGX 15.2 billion same as financial year 2018/19 in PBS. UNOC was granted a supplementary of 14.720 billion increasing UNOC's budget for FY 2018/19 to UGX 29. 920 billion. UNOC used part of the supplementary to recruit staff on a permanent basis and this is a recurrent cost. As a result, the UGX 15.2 billion is not adequate to even cater for staff remuneration alone. Therefore 63% of the 15.2 billion was allocated to Staff salaries whereas 37% was allocated to general office running including payment of rent for office premises. Due to increased levels of staffing and activities, the total recurrent budget requirement for UNOC for FY 2019/20 is UGX 102.382 billion out of which UGX 15.2 billion (15%) is provided in the MTEF leaving a funding gap of UGX 87.182 billion which covers the outstanding balance on the staff and Board remuneration requirement, mandatory staff benefits including insurance, planned recruitment, third installment payment for data management software and purchase of other required ICT infrastructure, Transport equipment, capacity building, management of Assets handed over to UNOC among others.

## Vote Investment Plans

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The Capital Investments for UNOC are in two parts. First are Capital Investments for the smooth running of the company and secondly are investments for revenue generation.

However all these capital investments remain unfunded.

1) Capital Investments for smooth running of the company in the budget:

a) Transport: Purchase of motor vehicles & maintenance	3.3Billion
b) ICT Infrastructure and specialized Geosciences software	13.95 Billion

2) Project Capital Investments for Revenue Generation:

A total of US \$779.4Million is required over the investment period as UNOC's equity share into the projects phased as follows:

FY 2019/20 \$106.6Million

FY 2020/21 \$339.8Million

FY 2021/22 \$228Million

FY 2022/23 \$105Million

a)Kampala Storage Terminal (\$71.4M Required) plus transfer of the Land to UNOC:

The Kampala Storage Terminal (KST) Project, in which the Uganda National Oil Company (UNOC) shall hold a 51% equity stake. The government acquired ~300 acres of land in Buloba (Namwambula) through MEMD which has since been transferred to UNOC to Develop and manage.

The current installed in country storage is only sufficient to cover 10days demand which is not sufficient to cover the expected demand once the projects are sanctioned which are expected to nearly double the country's GDP. Development of KST will support the growing demand estimated at average of 7% year on year and enhance security of supply on the country.

The KST is a 138 Million Litre storage terminal, being developed in Mpigi District to serve as a distribution centre for petroleum products from the Hoima refinery, as a storage and distribution centre for imported petroleum products, and as a terminal for various petroleum product pipelines being planned in Uganda.

KST shall be developed in a phased manner cognisant of market demand requirement. The first phase shall create additional storage capacity of 60 Million litres to Uganda.

The Project shall be implemented by a Special Purpose Company, which shall be established as an incorporated joint venture between UNOC and a strategic partner with the requisite technical & financial qualifications. UNOC is currently in the process of selecting the strategic partner for this project.

b) Bulk Down Stream Trading (\$12Million required):

Funding is required for downstream trading following issuance of licenses for; importation, storage, wholesale distribution and exportation of bulk petroleum products. Current estimate for 12million Litres seed stock to be housed in Jinja storage terminal at ~UGX 45billion.

c)East African Crude Oil Pipeline Project (\$213Million Required):

The East African Crude Oil Pipeline (EACOP) Project, in which the Uganda National Oil Company (UNOC) shall hold a 15% equity stake.

The EACOP project is designed to unlock the upstream investment and not as a profit generating project with the bulk of the project risks transferred to the upstream business.

The EACOP is a 1445 km long 24-inch in diameter, heated crude oil export pipeline to evacuate crude oil Uganda's discovered oil fields in the Albertine Graben in Uganda to the Indian Ocean port of Tanga in Tanzania.

The Project shall be implemented by a Special Purpose Company, which shall be established as an incorporated joint venture among Total, CNOOC, Tullow, UNOC and the Tanzania Petroleum Development Corporation (TPDC).

d) Refinery (\$483Million Required):

The Uganda Refinery Project, in which the Uganda National Oil Company (UNOC) shall hold a 40% equity stake.

The refinery will have a capacity of 60,000 barrels per stream day (bpsd) with a market-driven product slate as set forth in the Base Case and Technical Concept Design.

The Project shall be implemented by the Refinery Company, which shall be established as a joint venture between the Uganda

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Refinery Holding Company (URHC) and the Albertine Graben Refinery Consortium (AGRC) as Private Sector Shareholders. The URHC shall hold up to forty percent (40%) of the total issued share capital of the Refinery Company.

e) Exploration New Ventures (\$64.2Million Required To be carried by JV Partner):

The current estimated STOIP for the Albertine graben is estimated at 6.5billion following the exploration and appraisal campaign with recoverable volumes of 1.4billion barrels. 60% of the Albertine Graben remains unexplored and ~90% Un-licensed. This presents an opportunity for further exploration opportunities in the Graben.

UNOC is uniquely positioned to play a key role in the sustainability of the resource profile and reserves replacement for the country through new ventures, following the example of other NOCs.

To do this we need to take advantage of section 53-part 2c of the Petroleum Act regarding direct application of blocks for the – “enhancement of the participating interest of the State in the promotion of national interest”.

The current production profiles indicate a steep decline in production starting at year 6 yet the infrastructure built for 25years. Creating a need for additional exploration to sustain the operations of these facilities. The figure below shows the current production profile.

Direct application for exploration license with strategic partner to venture into exploration. Urgent investment is required to de-risk the refinery and pipeline projects to secure additional volumes for processing and transportation.

The exploration regime in the country provides for a minimum of 6 years (split into 2:2:2 year phases) for an exploration License and an additional two years for appraisal of discoveries and submission of Field Development Plans (FDPs) as part of the application for Production Licenses. Given the planned First Oil starting in 2021 and the production plateau lasting only up to 2025, the time is now for UNOC to venture into exploration in order to provide the Company the opportunity to tap into the plateau and maintain it as high as possible before the sharp decline.

f) Kabaale Industrial Park UNOC contribution shall be the land once transferred to UNOC:

This a 30 square Kilometres petro-chem based industrial park with three anchor projects of the; Refinery, Kabaale International Airport and Export Hub for the Crude Export Pipeline.

UNOC is in the process of looking for a strategic partner to develop the park with initial emphasis on common infrastructure for roads, water supply, waste treatment, connection to national grid and ICT connection.

The park will house petro-chem industries such as plastics, fertilisers and industrial gases.

## Major Expenditure Allocations in the Vote for FY 2019/20

Below is a summary of the Total Budget required for next financial year. However out of a total budget of UGX 102.3Billion, only UGX 15.2 Billion is provided for in the MTEF as our ceiling.

i) Allowances for the Board of Directors	UGX 2.2Billion of which 0.4 billion has been allocated
ii) Payroll related expenses	UGX 24.6Billion of which 10.75 billion has been allocated
iii) Planned Recruitment	UGX 12.7Billion of which 0.006 billion has been allocated
iv) Office running	UGX5.5 Billionof which 2.43 billion has been allocated
v) Attend Joint Venture meetings in and out of country for Upstream and Midstream	UGX 8.86 Billion of which 0.611 billion has been allocated
vi) Capacity Building/study trips/trainings	UGX 13.0 Billion of which 0.443 billion has been allocated
vii) IT and Geoscience software licenses	UGX 14.0 Billion of which 0.345 billion has been allocated
viii) Consultancy services	UGX 5.93 Billion of which 0.212 billion has been allocated
ix) Management of Assets handed over to UNOC	UGX 10.0 Billion of which no allocation has been made

## V3: PROGRAMME OUTCOMES, OUTCOME INDICATORS AND PROPOSED BUDGET ALLOCATION

**Table V3.1: Programme Outcome and Outcome Indicators**

<b>Programme :</b>	<b>06 Petroleum Commercial Management</b>
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<b>Programme Objective :</b> To handle and manage the State's commercial interests in the petroleum sub-sector and develop in depth expertise in the oil and gas industry.							
<b>Responsible Officer:</b> Chief Executive Officer							
<b>Programme Outcome:</b> Sustainable growth of State's commercial interests and driving national participation in the oil and gas sector							
<i>Sector Outcomes contributed to by the Programme Outcome</i> N / A							
<b>Programme Performance Indicators (Output)</b>	<b>Performance Targets</b>						
	<b>2017/18 Actual</b>	<b>2018/19 Target</b>	<b>Base year</b>	<b>Baseline</b>	<b>2019/20 Target</b>	<b>2020/21 Target</b>	<b>2021/22 Target</b>
• Level of investment in the oil and gas infrastructure		7%			8%	9%	10%
<b>Programme :</b> 49 Policy, Planning and Support Services							
<b>Programme Objective :</b> To provide support services to Uganda National Oil Company and its subsidiaries in functions of Policy formulation, Planning, Budgeting and Monitoring, Human Resource Management, Audits as well as Finance and Administration.							
<b>Responsible Officer:</b> Chief Executive Officer							
<b>Programme Outcome:</b> Operational Efficiency and Service delivery							
<i>Sector Outcomes contributed to by the Programme Outcome</i> N / A							
<b>Programme Performance Indicators (Output)</b>	<b>Performance Targets</b>						
	<b>2017/18 Actual</b>	<b>2018/19 Target</b>	<b>Base year</b>	<b>Baseline</b>	<b>2019/20 Target</b>	<b>2020/21 Target</b>	<b>2021/22 Target</b>
N / A							

**Table V3.2: Past Expenditure Outturns and Medium Term Projections by Programme**

<i>Billion Uganda shillings</i>	2017/18	2018/19		2019-20	MTEF Budget Projections			
	Outturn	Approved Budget	Spent By End Q1	Proposed Budget	2020-21	2021-22	2022-23	2023-24
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06 Petroleum Commercial Management	0.000	4.801	1.302	4.879	5.000	6.000	7.500	11.156
49 Policy, Planning and Support Services	0.000	10.399	2.995	10.321	11.521	12.316	12.894	11.652
<b>Total for the Vote</b>	<b>0.000</b>	<b>15.200</b>	<b>4.297</b>	<b>15.200</b>	<b>16.521</b>	<b>18.316</b>	<b>20.394</b>	<b>22.808</b>

## V4: SUBPROGRAMME PAST EXPENDITURE OUTTURNS AND PROPOSED BUDGET ALLOCATIONS

**Table V4.1: Past Expenditure Outturns and Medium Term Projections by SubProgramme**

<i>Billion Uganda shillings</i>	2017/18	FY 2018/19	2019-20	Medium Term Projections
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	Outturn	Approved Budget	Spent By End Sep	Proposed Budget	2020-21	2021-22	2022-23	2023-24
<b>Programme: 06 Petroleum Commercial Management</b>								
06 Upstream Interventions	0.000	2.304	0.622	2.237	1.800	2.200	3.100	4.100
07 Refinery and Industrial Parks	0.000	1.164	0.319	1.262	1.600	2.000	2.200	3.256
08 Pipelines and Storage Terminals	0.000	1.332	0.361	1.379	1.600	1.800	2.200	3.800
<b>Total For the Programme : 06</b>	<b>0.000</b>	<b>4.801</b>	<b>1.302</b>	<b>4.879</b>	<b>5.000</b>	<b>6.000</b>	<b>7.500</b>	<b>11.156</b>
<b>Programme: 49 Policy, Planning and Support Services</b>								
01 Office of the CEO	0.000	0.027	0.012	0.003	0.006	0.060	0.200	0.100
02 Finance and Administration	0.000	9.973	2.895	9.895	11.166	11.869	12.197	11.152
03 Audit	0.000	0.054	0.014	0.005	0.050	0.017	0.046	0.050
04 Legal and Corporate Affairs	0.000	0.236	0.046	0.236	0.200	0.250	0.300	0.200
05 Commercial Services	0.000	0.109	0.027	0.183	0.100	0.120	0.150	0.150
<b>Total For the Programme : 49</b>	<b>0.000</b>	<b>10.399</b>	<b>2.995</b>	<b>10.321</b>	<b>11.521</b>	<b>12.316</b>	<b>12.894</b>	<b>11.652</b>
<b>Total for the Vote :311</b>	<b>0.000</b>	<b>15.200</b>	<b>4.297</b>	<b>15.200</b>	<b>16.521</b>	<b>18.316</b>	<b>20.394</b>	<b>22.808</b>

N / A

## Table V4.3: Major Capital Investment (Capital Purchases outputs over 0.5Billion)

N / A

## V5: VOTE CHALLENGES FOR 2019/20 AND ADDITIONAL FUNDING REQUESTS

### Vote Challenges for FY 2019/20

- Long term funding solution for UNOC Operations to ensure financial sustainability
- Amendment to existing laws to grant UNOC access to Petroleum revenues in order to minimize penalties on default
- Projects execution delays
- Funding of UNOC/Government of Uganda's Share into Investment Projects
- Development of Support Infrastructure for delivery of Development infrastructure e.g. roads, power and water supply
- Public anxiety and high expectations created by the discoveries of oil

### Table V5.1: Additional Funding Requests

Additional requirements for funding and outputs in 2019/20	Justification of requirement for additional outputs and funding
<b>Vote : 311 Uganda National Oil Company (UNOC)</b>	
<b>Programme : 06 Petroleum Commercial Management</b>	
<b>OutPut : 01 Project Agreements</b>	
Funding requirement US\$ Bn : <b>6.806</b>	Negotiation and finalization of Key Commercial Agreements such as Shareholders Agreement for Pipelines and Refinery, Lifting, Unitization and Basinwide Commercial Framework Agreement, Transportation Agreement, Host Government Agreement, Metering Methodology and Control, Cost Allocation principles etc.
<b>OutPut : 02 Commercial Partnerships</b>	

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Funding requirement US\$ Bn : <b>6.706</b>	To Support Negotiations of Joint Ventures with Strategic Partners across the Petroleum Value Chain on our Strategic Projects of; Kampala storage Terminal, Exploration, Kabaale Industrial Park Development, FEED Completion for Refinery, FID Closeout for EACOP and Upstream, KYC for Downstream customers, Commodity Trading Initiatives and other Commercial Studies.
<b>OutPut : 03 Oil and Gas Infrastructure</b>	
Funding requirement US\$ Bn : <b>431.230</b>	A total of US \$779.4Million is required over the investment period: a) Kampala Storage Terminal \$71.4M b) Bulk Down Stream Trading \$12M c) East African Crude Oil Pipeline Project \$213M d) Refinery \$483M e) Exploration to be carried f) Kabaale Industrial Park UNOC contribution shall be the land
<b>Programme : 49 Policy, Planning and Support Services</b>	
<b>OutPut : 02 Finance Management</b>	
Funding requirement US\$ Bn : <b>49.608</b>	Implementation of an Enterprise Resource Planning (ERP) System to automate most of our workflows such that we have a functional Finance Information System, Purchase of Geoscience Software, Office Running, Rent, Utilities , Capacity Building, ICT Installations and Stakeholder Management.
<b>OutPut : 07 Risk Management</b>	
Funding requirement US\$ Bn : <b>1.772</b>	We shall carry out Continuous update and review of our Risk Matrix through Risk Monitoring, Risk management and Implementation of identified Risk Mitigation Strategies. This is intended to minimize exposing the Company to Financial Loss and Operational Risk. We shall also Develop Business Continuity Plan (BCP) in line with Industry best practices.
<b>OutPut : 08 Legal and Advisory Services</b>	
Funding requirement US\$ Bn : <b>1.872</b>	Advisory services required to negotiate the Long Term Commercial Contracts in order to protect government value
<b>OutPut : 09 Corporate Governance</b>	
Funding requirement US\$ Bn : <b>5.315</b>	We continue to carry out awareness campaigns on various media about the progress being made in the various projects and increase community sensitization in the key project areas to create buy-in for the projects.
<b>OutPut : 19 Human Resource Management Services</b>	
Funding requirement US\$ Bn : <b>14.007</b>	UNOC handles the Commercial aspects of the Government across the Petroleum Value Chain and as the projects progress, there is need to employ staff to execute the activities with the view of protecting Government's interest and increasing shareholder value in the oil and gas business.