

Uganda

Population ¹	42,723,139
Area (km ²) ¹	241,550
GDP per capita (USD) ¹	770.45
TES (Mtoe) ²	21.95
Energy intensity (toe/10 ³ 2015 USD) ²	0.70
CO ₂ emissions - energy (MtCO ₂) ³	5.2

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 minority stake deal	Kenya: 1 RE deal of 35.2 mEUR

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Uganda is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

Uganda’s overall risk level against the assessed areas is **moderate**.

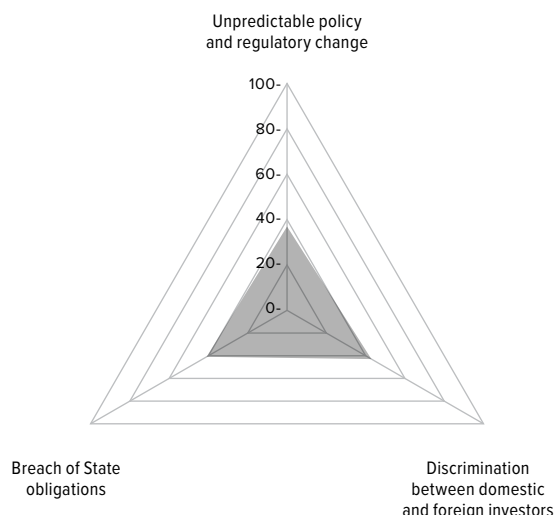
Of the three risks assessed in EIRA, *unpredictable policy and regulatory change* is lower compared to *breach of State obligations* and *discrimination between domestic and foreign investors*.

Uganda’s performance is good on one indicator and it is moderate on three indicators. Its score on *management of decision-making processes* has improved from 67 to 71. On *rule of law* it has the same score as in EIRA 2020 (59). Its score on *foresight of policy and regulatory change* has improved from 57 to 58 while on *regulatory environment and investment conditions*, it has again scored 42.

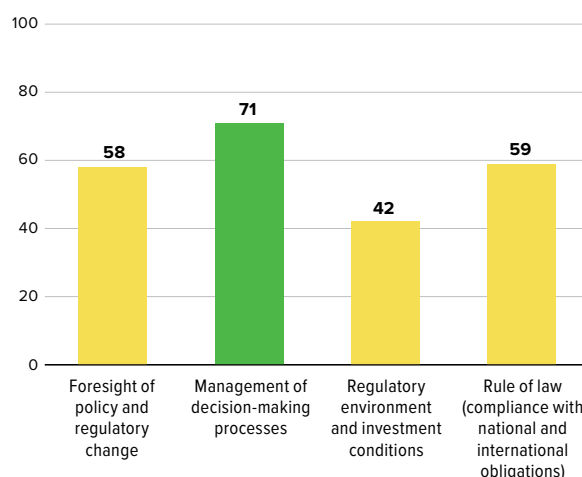
On a more detailed level, Uganda’s overall sub-indicator performance is moderate. *Institutional governance* continues to be the highest-scoring sub-indicator at 75. It is followed by *transparency*, on which the score has increased from 58 to 67. Its score on *management and settlement of investor-State disputes* stands at 60, the same as *robustness of policy goals and commitments*. On *respect for property rights* it has the same score as in EIRA 2020 (58) whereas on *communication of vision and policies*, its score has improved from 55 to 57. The sub-indicator *regulatory effectiveness* stands at 44. Its performance on *restrictions on FDI* continues to be the lowest at 40.

While there are some improvements in Uganda’s performance compared to EIRA 2020, further steps must be taken to build on the work done. Particular attention should be given to lowering the restrictions on FDI that are currently in effect.

RISK LEVEL



INDICATOR PERFORMANCE

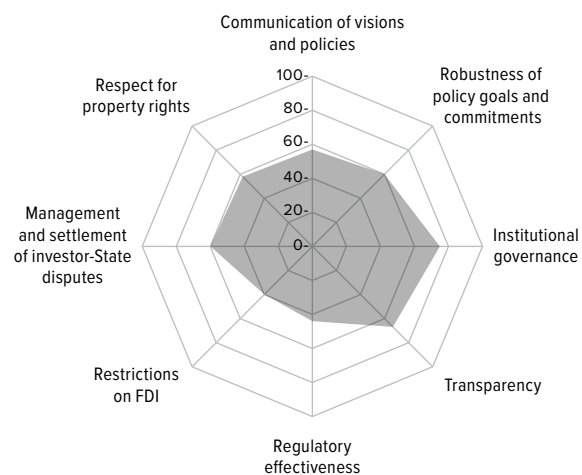


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	42	41	39	37
Discrimination between domestic and foreign investors	46	44	44	43
Breach of State obligations	41	41	41	41

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	49	52	57	58
Management of decision-making processes	67	67	67	71
Regulatory environment and investment conditions	37	42	42	42
Rule of law	59	59	59	59

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

In January 2020, the Parliament approved the Third National Development Plan (NDP III) 2020/21-2024/25.

The Energy Policy for Uganda 2002 will be replaced by the Revised Draft National Energy Policy 2021.

STRENGTHS

The Government is fast-tracking rural electrification in all 570 sub-counties to ensure at least 60% of the population has electricity access by 2025, a key target under NDP III. In line with the EIRA 2020 recommendation, the Government is increasing investment in the power infrastructure. The country's transmission network grew by 13% to the current footprint of 2,989 km by April 2020. There has been some progress in power generation as well. In 2020, the Government commissioned the HPPs Sindila, Siti 2, Kyambura and Ndugutu under the GET FiT Uganda Programme. These projects added an estimated annual generation of 162 GWh to the national grid. Three more projects will be operational by the end of 2021. The overall progress of the Karuma HPP (600 MW) stands at 97.8%, with all units to be commissioned in 2021. The Government is also investing in 700 km of oil roads (approx. USD 900 million). Four hundred sixty-five km of the roads are under construction, and completion is expected by early 2022. The Ministry of Energy and Mineral Development (MEMD) has developed the Draft Biofuel General Regulations to give effect to the Biofuels Act 2018.

The MEMD published its Sector Performance Report of 2020, which incorporates a National Standard Indicator framework to monitor the performance of Government sectors against indicators derived from the NDP. The report describes the implementation activities and their completion status as of 2020 for the power, biomass resource management, oil and gas and mineral sub-sectors. It also reports on the budget implementation of the energy sector entities. In 2020, the Uganda National Oil Company's (UNOC) budget absorption rate was 100% (29.403 billion Ugandan shillings), while the Petroleum Authority of Uganda's (PAU) expenditure rate was 97.9% (42.687 billion Ugandan shillings). The MEMD's budget expenditure was 979.012 billion Ugandan shillings (79.3%) and the Rural Electrification Agency, 443.809 billion Ugandan shillings (67.4%).

AREAS FOR IMPROVEMENT

Low power reliability in rural households has adversely affected demand and encouraged the use of unappealing alternative energy sources such as firewood, charcoal and crop residues. Modernising and expanding the transmission and distribution infrastructure will improve reliability and ensure that generated power is evacuated from the grid and reaches consumers. Therefore, the Government is encouraged to further invest in the transmission and distribution infrastructure and attract private sector investment in this area.

Management of decision-making processes

QUICK FACTS

The MEMD is responsible for developing and implementing energy policies.

The Access to Information Act 2005 establishes the procedure to obtain information from public authorities.

STRENGTHS

In 2020, the MEMD made progress on some draft policies and legislation concerning energy issues. It submitted to the Cabinet Secretary the Energy Efficiency and Conservation Bill's final draft for approval. It also completed a Regulatory Impact Assessment (RIA) on the draft Geothermal Policy of Uganda, which is now ready for submission to the Cabinet Secretary for approval. The Government is also taking measures to facilitate the ease of doing business for the private sector. In July 2021, it will open the Uganda Business Facilitation Centre (UBFC), which will house key business-related public authorities, including the Uganda Registration Services Bureau, the Uganda Investment Authority, and the Capital Markets Authority. The new building of the UBFC will also have a One-Stop Centre with over 15 service points to improve service delivery and reduce the time for registering and starting a business.

Uganda became an EITI implementing country as of 12 August 2020. The Government has produced the Uganda EITI Multi-Stakeholder Group Workplan for 2020-2022. It has also prepared a budget allocation plan for each activity under the Workplan. The Government is already implementing some of the activities listed under the Workplan, such as preparing two fact sheets on contract and licence allocations for petroleum and mining. It will also engage different public authorities to develop a contract and licence disclosure plan. Work has commenced on setting up a dedicated UG-EITI website. Moreover, the MDAs and investors are complying with stakeholder and community engagement requirements under critical energy projects. For instance, the MEMD, the National Environment Management Authority (NEMA), and Total Midstream BV organised ten consultation meetings for the Environment and Social Impact Assessment (ESIA) of the East African Crude Oil Pipeline (EACOP) in each of the affected districts and three public hearings in Kakumiro, Mubende and Rakai Districts. Following these meetings, in December 2020, NEMA approved the ESIA study for the EACOP project in Uganda.

AREAS FOR IMPROVEMENT

By joining the EITI, the Government of Uganda has taken a commendable step towards improving transparency in its oil and gas industry. It is now a timely moment to implement the commitments undertaken and make public the extractive sector contract and licence-related disclosures at the earliest. Moreover, public engagement in the law-making process should be institutionalised and made a legal requirement to foster greater accountability.

Regulatory environment and investment conditions

QUICK FACTS

The Electricity Regulatory Authority (ERA) regulates the generation, transmission, distribution, sale, export, and import of electrical energy.

The PAU regulates and monitors the petroleum sub-sector.

The Investment Code Act 2019 lays down the conditions for local and foreign investments in the country.

STRENGTHS

During 2019-2020, the PAU issued 120 petroleum operating licences, 149 construction permits and 80 construction completion certificates. The Petroleum (Refining, Conversion, Transmission and Midstream Storage) (Amendment) Regulations 2020 were gazetted under the consent judgement entered between the Government of Uganda and Total Midstream BV to facilitate the execution of the EACOP's early project activities. The MEMD is also making efforts to develop a legal and regulatory framework for utilising nuclear energy. As a precursor to a Nuclear Energy Act, in 2020, it completed an RIA for nuclear energy in Uganda, paving the way for stakeholder consultations on the proposed Bill.

Uganda's main upstream and midstream projects are the Tilenga project (approx. USD 4 billion), the Kingfisher project (approx. USD 1.5 billion), and the EACOP project (approx. USD 3.6 billion). Total E&P has taken over Tullow (U) Ltd's production licences following the farm down of the latter's operations in Uganda. On 11 April 2021, the Host Government Agreement between the Government of Uganda and the project company, EACOP Co., was signed to pave the way for the Final Investment Decision. On the same day, the Shareholders Agreement defining the rights and responsibilities of the shareholders in the EACOP Co. was signed by the UNOC (15% share), the Joint Venture Partners (Total Holdings International BV with a 62% share and CNOOC Uganda Limited with 8%) and the Tanzania Petroleum Development Corporation (with a shareholding of up to 15%). On the downstream side, the Uganda Oil Refinery's development is on course. Its lead investor, the Albert Graben Refinery Consortium (comprising Yaatra Africa LLC, Lion Works Group, Nuovo Pignone International SRL, and Saipem SPA), has completed 75% of the Front-End Engineering Design and the project's ESIA started in March 2020.

AREAS FOR IMPROVEMENT

While ERA and the PAU enjoy certain functional and financial independence, measures may be taken to enhance this. Currently, the ERA's autonomy is subject to any policy of the Government that declares otherwise. Moreover, salaries of the PAU's board members need to be approved by the Government. Such stipulations may compromise the decision-making powers of these authorities.

The Government should expedite the adoption of the Competition Bill pending since 2004.

Rule of law

QUICK FACTS

Uganda ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1996.

The Constitution of Uganda 1995 grants protection from deprivation of property.

STRENGTHS

The Ministry of Justice and Constitutional Affairs has made some progress with its judicial reforms. It plans to roll out in 2021 the Uganda Electronic Court Case Management Information System (ECMIS) that will automate and track all the steps in a case's life cycle, from initial filing to disposition and appeal. The ECMIS will replace the existing Court Case Administration System, a back-end tool available only to the court staff and not the public. It will introduce online processes for case filing and payments, hearing reminders, and free online access to summons and judgement filing documents. The ECMIS will be launched in 18 courts, including the Supreme Court, the Court of Appeal, all High Court Divisions and selected Magistrate Courts.

The Investment Code Act 2019 protects foreign investors against expropriation and provides for prior payment of compensation. The Land Acquisition Act 1965, read with Article 26 (2) of the Constitution of Uganda, also mandates payment of adequate compensation before the Government compulsorily acquires land. Per the Act, the compensation payable in case of compulsory land acquisition should be determined by the Chief Government Valuer. Discussions are ongoing on the Land Acquisition Bill 2019 that will repeal the Land Acquisition Act 1965. Although the proposed Bill allows the Government to acquire land for infrastructure and investment projects compulsorily, it also establishes a tribunal where parties dissatisfied with the compensation amount may raise disputes.

AREAS FOR IMPROVEMENT

Since the Land Acquisition Bill 2019 is currently under debate in the Parliament, it is an opportune moment for the Government to clarify key provisions on the expropriation of property. The Bill should be updated to include the list of activities for which compulsory acquisition can take place. It should also outline the procedure to ascertain whether an acquisition is for a public purpose or not and who will be the key decision-makers in this process.

An investment ombudsperson may be established to mediate conflicts between public authorities and investors on licencing procedures. The Government may seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes that aims to assist States in handling investment disputes as per their needs and circumstances.

IMPLEMENTATION STATUS



Uganda

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
Indicator 1		
	Update the 2002 Energy Policy for Uganda.	Partially implemented. The Energy Policy for Uganda 2021 has been finalised and is currently awaiting approval by the Cabinet of Ministers.
	Update the Mineral Policy 2001.	Work ongoing. The Minerals and Mining Legislation 2018 has been laid before the First Parliamentary Counsel.
	Update the Renewable Energy Policy 2007.	Work ongoing. The Energy Policy of Uganda 2021 will cover issues concerning renewable energy and replace the Renewable Energy Policy 2007.
2018	Design energy delivery systems that are compatible with the local conditions.	Work ongoing and partially implemented. To improve efficiency in service delivery, the Ministry of Energy and Mineral Development submitted the Final Draft Energy Efficiency and Conservation Bill to the Cabinet Secretary for approval. It conducted a Regulatory Impact Assessment on the Final Draft Geothermal Policy of Uganda, which is now ready for submission to the Cabinet Secretary for approval. The Petroleum (Refining, Conversion, Transmission and Midstream Storage) (Amendment) Regulations 2020 were gazetted as per the consent judgement entered between the Government and Total Midstream BV to facilitate the execution of East African Crude Oil Pipeline's early project activities.
2019	Implement the Electricity Connections Policy 2018-2027.	Work ongoing. In 2019-2020, 152,482 households got electricity access under the Electricity Connections Policy.
2020	Increase investment in the transmission and distribution infrastructure to balance grid supply and demand at least cost.	Work ongoing. The country's transmission network grew by 13% to the current footprint of 2,989 km by April 2020. The increment is from the commissioning of the Kawanda-Kapeeka 132 kV 52 km transmission line and energising of the Opuyo-Lira section of the Tororo-Lira transmission line. This is a representation of 1,008 km of 220 kV rating and 1,946 km of 132 kV rating.
Indicator 2		
2018	Consider publishing the extractive industry contracts in line with international best practices.	Work ongoing. The Government has produced the Uganda EITI Multi-Stakeholder Group Workplan for 2020-2022 and it is already implementing some activities listed under the Workplan, such as preparing two fact sheets on contract and licence allocations for petroleum and mining. It will also engage different public authorities to develop a contract and licence disclosure plan.
2020	Make it legally mandatory for public authorities to consult the public on draft laws and regulatory decisions.	Pending
Indicator 3		
	Limit the Government's role in the Electricity Regulatory Authority's decision-making process.	Pending
	Remove the requirement of Government approval in setting the salaries of the Petroleum Authority of Uganda's board members.	Pending
2018	Adopt the Competition Bill pending since 2004.	Pending
	Set the same eligibility requirements for registering and issuing investment licenses to domestic and foreign companies. Streamline the land tenure system to ensure the realisation of planned projects.	Work ongoing and partially implemented. The Investment Code 2019 imposes the minimum investment capital requirement on both domestic and foreign investors to qualify for the registration and issuance of an investment licence.
Indicator 4		
2018	Consider establishing a foreign investment ombudsperson to settle conflicts arising in the course of projects.	Pending
	Identify (1) the procedure to ascertain whether an acquisition is for a "public purpose" and (2) the key decision-makers in this process.	Work ongoing. The Land Acquisition Bill 2019 has been drafted to streamline provisions on compulsory acquisition of property by the Government.