June 30, 2022

CSO STATEMENT: UGANDA'S OIL AND GAS SECTOR NOT PART OF CLIMATE SOLUTIONS

1. Introduction

Recently, government agencies led by the Petroleum Authority of Uganda (PAU) have published media articles through which they have made a case for Uganda's oil and gas exploitation efforts.

Amidst warnings from scientists that no new investments in oil, gas and coal must take place if the world is to meet the goal of net zero carbon emissions by 2050, PAU and others have argued as follows:

- That Uganda needs to exploit its oil and gas resources to reduce its Green House Gas (GHG) emissions. In effect, to take climate action, Uganda needs to use fossil fuels.
- In addition, that oil and gas exploitation will reduce deforestation in Uganda.
- Furthermore, that the exploitation of Uganda's oil and gas resources will drive economic growth and create jobs among others.

The undersigned Ugandan civil society groups have assessed these arguments and we find them misleading. They should be rejected by all. We call on all Ugandans, Africans and global citizens to understand the following:

2. Why PAU's assertions are wrong

a) **Fossil fuels won't reduce emissions:** Fossil fuels such as coal, oil and gas remain the main contributor of GHG emissions. Estimates show that these fuels contribute 65% of global carbon emissions. With Uganda seeking to exploit its 6.5 billion barrels of crude oil of which 1.4 to 1.7 billion barrels are recoverable, the country will be increasing its contribution to global GHG emissions, and not reducing them. It is estimated that when burnt (used), the oil transported by the East African Crude Oil Pipeline (EACOP) project alone at peak production will produce over 34.3 million metric tonnes of carbon per year. These emissions are equal to those of nine coal-fired power plants.

b) **LPG unlikely to replace biomass:** PAU and others argue that the emissions reduction will accrue from increased utilisation of Liquified Petroleum Gas (LPG) in Uganda. The LPG is expected to be produced from Uganda's oil and gas resources among others. It is envisaged that the LPG will replace biomass (charcoal and firewood). What PAU and others are not saying is that Uganda's oil refining and petrochemical industry dreams stand in balance. While the country sought to commercialise its oil through a refinery, the international oil companies (IOC) operating in the country preferred to evacuate the majority of Uganda's oil via the EACOP. Todate, no final investment decision for the oil refinery project has been announced. Neither have the finances for the project been acquired. Some people have argued that it is unlikely that the oil refinery project will go ahead to enable the in-country production of LPG.

c) **Expensive energy products:** Moreover, even if the project were to go ahead, Ugandans are aware that even when energy products are produced in the country, they are so expensive that the majority of citizens cannot afford them. A case in point is hydropower. Combined, the unit cost for power from the Kiira, Nalubale, Isimba and Bujagali hydropower dams is 14.769 US cents. This is about 314 times more expensive than the global average of US$0.047/kWh. Unless the drivers of expensive power such as corruption are addressed, the envisaged LPG is likely to be unaffordable for the majority of Uganda's population.

d) **Oil-induced deforestation**: We agree with PAU that deforestation, agriculture and other land use practices are a challenge in Uganda. These have to be addressed for Uganda to hit its climate change targets. However, to say that these targets will be attained through replacing LPG with biomass is to be economical with the truth. This is because the oil and gas sector is driving deforestation, which is one of the biggest drivers of GHG emissions in Uganda. The sector increased land grabbing in the oil region. Consequently, forests such as Bugoma have been grabbed with over 10,000 hectares being claimed by various people. Construction of oil roads through forests such as Budongo, oil-induced population influx, poor compensation of oil-affected people and others have also created immense pressure on forests in the Albertine Graben. Charcoal burning and selling has also sprung up alongside oil roads. Without reversing the trend in forest loss arising from oil-induced impacts, Uganda may not hit its climate change targets. It is notable that deforestation contributes 24% to global GHG emissions.

e) **Toothless ESIAs:** Whenever civil society and community groups point out the existing and potential impacts of the oil and gas sector in Uganda, PAU and others point to the existence of oil projects' Environmental and Social Impact Assessment (ESIA) reports. These reports are supposed to help Uganda to avoid, minimise or mitigate the projects' impacts. Despite the presence of the ESIAs however, oil-induced forest loss is ongoing. Impacts such as excessive dust in the Tilenga Central Processing Facility (CPF) area in Buliisa district have also been poorly managed. In May 2022, the area also experienced 'flooding' that led to destruction of communities' gardens. Moreover, the households whose land is being acquired for the EACOP project have complained of various grievances such as intimidation, under-valuation of crops, delayed compensation and others. The ESIAs have not helped to prevent or mitigate these impacts.

f) **Jobs:** Government efforts to enable economic development and create jobs should be supported by all. However, job creation in one sector should not undermine other jobs. If mismanaged, the oil and gas sector could hurt agricultural, tourism and clean energy (hydropower) jobs. This would happen due to increased deforestation, biodiversity loss, worsened climate change impacts and others. It is notable that the Albertine Graben, where Uganda's oil and gas activities are concentrated, is one of Africa's most ecosenstive and biodiverse. The graben is home to 70% of Uganda's national parks. It is also home to over 50% of Africa's bird species, 39% of Africa's mammal species, 19% of Africa's amphibian species, and 14% of Africa's reptile as well as plant species. These support agriculture, tourism, fishing and other important economic activities.

g) **Economic development:** In relation to economic development, Ugandans need to ask for whom this economic development is being created. Communities whose land is acquired for oil projects are sometimes left in worse socio-economic positions than before. Research on the socio-economic impact of the oil refinery project showed that 13.43% of the project-affected persons (PAPs) were unable to replace their land following displacement by government. The sizes of land owned by the affected people also reduced after displacement. Delayed and under-compensation challenges that have dogged all the oil projects were some of the causes of the above challenges. Without land, PAPs cannot economically develop. Should the country's development come at the expense of oil host communities, especially those that suffer displacement?

h) **National content:** Moreover, the EACOP (Special Provisions) Bill watered down national content provisions such as those on oil companies forecasting procurement needs, permitting the Minister of Trade to play protectionism to give preference to Ugandan goods and others that were made in previous laws. This is likely to undermine Ugandans' participation in the sector.

3. Conclusion

Uganda loses over Shs. 20 trillion, almost half of the country's annual budget, to corruption. Inserted in a corrupt system, oil revenues are unlikely to be beneficial to the ordinary man and woman. Moreover, oil revenues have already been subjected to abuse. For instance, in 2017, it was reported that Shs. 6 billion was doled out as a presidential handshake to 42 government officials. Further, without parliamentary approval contrary to provisions in the Public Finance Management Act (PFMA), government has raided and used oil revenues from the Petroleum Fund as happened in 2019 when Shs. 125 billion was irregularly withdrawn from the fund. The EACOP and other oil projects in Uganda could worsen corruption.

Amidst the above, Uganda stands to suffer costs of between $273-437 billion between 2010 and 2050 if no climate action is taken. Uganda owes it to its citizens to take climate action through promoting clean energy and other green economic alternatives. Uganda should lead the way in leaving fossil fuels in the ground and should pressure the big western fossil producers to end fossil exploitation as well.

Thank you!

SIGNATORIES

- Africa Institute for Energy Governance (AFIEGO)
- African Initiative on Food Security and Environment (AIFE)
- Association of oil-affected youth
- Centre for Citizens Conserving Environment management (CECIC)
- Centre for Environmental Research and Agriculture innovations (CERAI)
- East African Crude Oil Pipeline Host Communities (EACOPHC)
- Environment Governance Institute (EGI)
- Fridays for Future-Uganda (FFU)
- Oil Refinery Residents Association (ORRA)
- Strategic Response on Environmental Conservation (STREC)
- Tasha Research Institute Africa
- Youth for Green Communities (YGC)
- Women for a Green Economy Movement (WoGEM)