

**GOVERNMENT OF UGANDA ISSUES PETROLEUM PRODUCTION  
LICENCES TO TULLOW UGANDA OPERATIONS PTY LIMITED  
(TULLOW) AND TOTAL E&P UGANDA B.V. (TOTAL)**

KAMPALA, August 30, 2016 - The Minister of Energy and Mineral Development has today 30th August, 2016 granted eight (8) Petroleum Production Licences over oil fields in Exploration Area 2 (EA2) and Exploration Area 1 (EAI) respectively. Five Petroleum Production Licenses have been granted to Tullow Uganda Operations Pty Limited (Tullow), the operator for EA2, and three Petroleum Production Licences have been granted to Total E&P Uganda B.V. (TOTAL) the operator of EAI. Grant of these licences follows conclusion of the evaluation of the Applications for Production Licences over these fields earlier submitted by the two companies respectively.

Tullow and Total applied as operators of the two respective exploration areas which they both share equally with CNOOC Uganda Ltd (CNOOC). The application and evaluation processes before grant of these production licences were undertaken in pursuance of one of the objectives of the National Oil and Gas Policy for Uganda which is "to ensure efficient production of the country's oil and gas resources". These processes are provided for under Sections 69-74 of the Petroleum (Exploration, Development and Production) Act, 2013 and the Minister, has granted the licences in exercise of her powers under Section 75 of the Act.

The three production licences granted to TOTAL as operator of EAI, and on behalf of

CNOOC and Tullow, who are joint venture partners in this exploration area are; the Ngiri Production Licence, the Jobi-Rii production licence and the Gunya Production Licence. Evaluation of two additional applications for production licences over the Mpyo and Jobi

East discoveries in EAI is still ongoing while the Lyeck discovery in this exploration area is still undergoing appraisal.

The five production licences granted to Tullow as operator of EA2, and on behalf of CNOOC and TOTAL, who are joint venture partners in this exploration area are Kasamene-Wahrindi production licence, Kigogole-Ngara Production Licence,

Nsoga Production Licence, Ngege Production licence and Mputa-Nzizi-Waraga Production Licence.

The Production Licences issued have the following highlights:

1. Duration: The Licences have been issued for a period of 25 years and can be renewed for an additional period of 5 years as provided for in the Production Sharing Agreements. The companies will commence work by undertaking Environment and Social Impact Assessments (ESIA), Resettlement Action Plans (RAP) and Front End Engineering and Designs (FEED) for the respective production licences.

2. Final Investment Decision (FID)/First Oil: The companies are expected to work towards reaching FID 18 months after issuance of the production licenses and First oil in the year 2020.

3. The companies are required to take Final Investment Decisions 18 months after issuance of the production licences and First Oil is expected in the year 2020.

4. The Refinery's First Call on Produced Petroleum: The refinery to be developed in Uganda will have the right of first call on the produced petroleum before consideration of export in accordance with the Memorandum of Understanding on the Sustainable Development of the Petroleum Resources, which was entered into between Government and oil companies on 5th February 2014.

5. Investment: The companies are expected to invest over US\$8bn in the infrastructure required for oil production for all the production licences. This investment will be for the drilling of about 500 wells, construction of Central Processing Facilities and feeder pipelines, among others.

6. Employment of Nationals: The licensed companies have committed to the employment of Ugandans whenever possible. It is important to remember that about

70% of the jobs in these developments are expected to be at technician/artisan level,

25% as casual workers and 5% professionals (Geoscientist, Engineers & Administrators), Ugandan companies which are able to provide services are strongly encouraged to prepare to participate in the provision of these services either as individual companies or through partnerships. The Petroleum Act

provides for the provision of goods and services in the oil and gas sector by Ugandans and Ugandan enterprises and therefore Ugandans are strongly encouraged to take advantage of this opportunity.

7. Participation of the Uganda National Oil Company: Government, through the Uganda National Oil Company Ltd (UNOC), as its nominee, has elected to take its participating interest in all the production licences at a level of 15% as provided for in the respective Production Sharing Agreements. UNOC was put in place as provided for in the Petroleum (Exploration, Development and Production) Act, 2013 and will therefore take forward this responsibility to the benefit of the country.

8. Volumes of Petroleum to be Produced: It is estimated that a total of between 200,000 and 230,000 barrels of oil will be produced per day from all the production licences granted in the country to date. Initially 30,000 barrels of oil per day, of the oil produced, will be refined in country before expanding the refinery to 60,000 barrel of oil per day. The rest of the oil will be exported through a pipeline from Kabaale in Hoima District through the port of Tanga in Tanzania.

9. Expected Revenues: Uganda will receive royalties, annual fees, the State's share of profit oil and corporate income tax. Revenues from these licences are estimated to average about US\$1 .5billion per year for the duration of production of these fields.

The granting of these production licences today is a critical milestone for both Uganda and the three companies currently licenced to undertake petroleum exploration, development and production in the country. Grant of these licences also launches the operationalisation of an Implementation Plan which was jointly developed by Government and the oil companies in furtherance to the Memorandum of Understanding (MOU) for Sustainable Development of the oil and gas resources discovered in the country. This Implementation

Plan provides for the three commercialisation options for the petroleum resources in the

Albertine Graben as agreed in the MOU, namely: (i) Petroleum to power generation, (ii) Development of a refinery, and (iii) Export of crude oil by pipeline or by any other viable option.

The Plan which was developed to ensure an integrated development of the oil fields and related projects describes the critical activities to be undertaken by

Government and the oil companies respectively as well as the timelines and interrelationships between these activities.

Grant of these production licences will trigger the immediate work programs and activities in preparation for the production of petroleum in Uganda. These activities include, Environmental and Social Impact Assessments, construction of access infrastructure construction, the drilling of production, injection and monitoring wells together with Front End Engineering and Design (FEED)) among others. The issuance of the licenses during a period of low oil prices should benefit from low cost of services and materials that is a result of the low oil prices.

The investment and revenues expected from these activities and the subsequent sale of petroleum will make a significant contribution to the growth of Uganda's economy.

Government is committed to continuing the sustainable and desirable development of an oil and gas industry in the country. This effort will be fast tracked by, among other things, implementing the necessary activities like construction of the critical roads in the Albertine Graben especially the Hoima-Wanseko and BuliisæBugungu gate roads, to provide improved access to these development areas.

Dr F.A.  
**PERMANENT SECRETARY**

Kabagambe-Kaliisa