

**THE GEOPOLITICS OF ACCESS TO OIL RESOURCES: THE CASE OF UGANDA**

**BY**

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AWARD OF THE BACHELOR OF INTERNATIONAL RELATIONS**

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## DECLARATION

I **Ntalo John** of Kampala International University and a student of the Bachelor of International Relations do hereby solemnly declare that the undertakings of this research project right from the conceptualization of the research proposal are a true reflection of my work.

Signature:  .....

**Ntalo John**

Date: <sup>th</sup> 06 / 08 / 2019 .....

**APPROVAL**

I certify that **Ntalo John** carried out this study and wrote this dissertation under my supervision. The dissertation has been submitted for the award of Bachelor of International Relations of Kampala International University.

**Supervisor**

John Daniel Ibembe

.....

Date.....

## DEDICATION

I dedicate this dissertation to my sponsor Dr. Gwendolyn Edland in the USA and my parents the Late Ntalo David Ssalongo and Betty Kwagala.

*May God bless you all*

## ACKNOWLEDGEMENTS

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## ACRONYMS

EAC	East African Community
DRC	Democratic Republic of Congo
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICGRL	International Conference of the Great lakes Region
IFC	International Finance Corporation
IMF	International Monetary Fund
LRA	Lord's Resistance Army
MPs	Members of Parliament
NGO	Non-Governmental Organization
NRGI	Natural Resource Governance Institute
NRM	National Resistance Movement
OPEC	Organization of Petroleum Exporting Countries
PEPD	Petroleum Exploration and Production Department
PLC	Private Limited Company
PSA	Production Sharing Agreement
SPLA	Sudanese Peoples' Liberation Army
UBOS	Uganda Bureau of Statistics
UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization

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## ABSTRACT

Fourteen years ago, Uganda joined other sub-Saharan African Countries with new discoveries of oil; and just as the case always is, this news comes with high prospects for development and economic transformation. These ambitious projections are always based on the success stories of oil money in other countries without prejudice to the fear of the infamous oil curse that results from poor exploitation of oil revenues. With these aspirations at hand, Uganda has clearly stated in its national policies and development plans the fact that the country's development in the next 30 years shall be largely dependent on exploitation of its natural resources- such as oil.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the study

Uganda is a democratic State on the African Continent. It is regionally located in East Africa and it shares borders with Kenya on the East, Tanzania on the South, South Sudan on the North, Rwanda and Burundi on the South West. Uganda and its six neighbours that are Kenya, Uganda, Tanzania, Burundi, Rwanda and South Sudan form the East African Community. The East African Community (EAC) is a regional body aimed at enhancing cooperation between the East African states for the economic, Political and Social benefit of all. Uganda, which is a land locked country with an area of 93,065 square miles, has a estimated population of 40.2 million people (UBOS, 2019).

The confirmation of the existence of commercially viable oil reserves in Uganda, in the year 2006 (National Oil Policy, 2008, p.1) tremendously increased the country's hope in the oil sector as enunciated in the national strategic plans of the country, as per the National Development Plan two and the Uganda Vision 2040. It is important to note that Commercial viability in the extractive industry refers to a situation where the mineral deposits (or in this case oil) discovered underground have the potential to generate revenues over and above the cost of extracting them from the ground.

However, it is also worthy to note that the oil prices of the time where approximately one hundred United States Dollars a barrel. Given the current oil prices that are for below the price in 2006, the question of viability has now come back to haunt Ugandan decision makers (Bazira, 2015).

The fact that oil prices are set by the internal players,(Kosakowski, 2016) for if removed from Uganda, confirms the assertion that geopolitics and international diplomacy have a pivotal place in the access to oil in any split into geo-political categories,(Bazira, 2015) all of which have influence on production, exportation, and oil pricing.

### **1.1.2 The regional Dynamics of Oil:**

The discovery of oil in Uganda coincided with discoveries of hydro carbon in other African countries (Patey, 2015). Here the need for cooperation with other external and international players became evident. The peculiar discovery of oil in the western region of Uganda six years after oil was discovered in Kenya had already caused a hype among many external and internal observers over which country could produce oil first (Patey, 2015). The construction of an oil pipeline to transport petroleum from Uganda to the east African coast is raising the most highlighted geopolitical issues at the moment, following somewhat conclusive negotiations with Kenya over two oil exporting pipe line routes.

In regards to this Uganda went ahead and signed a memorandum of understanding with Tanzania for a third alternative pipeline route (Mbunga, 2015), which was eventually confirmed due, by the Ugandan and Tanzanian Presidents (Musisi et al, 2016). The change of the pipeline route from Kenya to Tanzania was in disregard of Uganda's initial arrangement with Kenya in view of the pipeline going through Kenya's North corridor, (Ochieng, 2015) (through the oil-rich Turkana land) to the deep water port of Lamu Indian Ocean.

It is argued that due to the Somali's Terror group Al-Shabab, the viability of this route become questionable hence Uganda finally decided to settle for the Dar-es-Salaam route. East African Community's newest member, South Sudan was equally interested in using this pipeline to export its crude oil through Kenya (Pipelines international, 2013) to the coast given the intricacies surrounding the politics of the Sudan (Juba and Khartoum Governments).

In a nutshell, the discussion of Uganda's oil pipeline goes through more than five countries which are; Kenya, Tanzania, Sudan, South Sudan, Somalia and Uganda itself. The geographical location of these countries offers varying comparative advantage to each state, a fact that justifies the need for partnership (Patey, 2015) among states.

### **1.1.3 The International players**

The inception of International oil companies was marked by the entrée of PLC-Heritage Oil and Gas Ltd as the sole licensee, until in June 2010 when it sold its exploration license on the Albertine Graben to Tullow Oil (Izama et al, 2011), a British company following a Farm down by Tullow in 2012, China's China National Off Shore Oil Company (CNOOC) and

Total Plc. from France which had also set foot in Uganda with the three countries holding thirty three per cent stakes in the sector.

Only these three companies were operating in the oil sector until February 2015, when Uganda awarded the contract to build and operate its oil refinery to a consortium led by Russia's RT Global Resources (Biryabarema, 2015). However, this very much attracted expression of disapproval from the then US Ambassador to Uganda, Scote Delisi who was quoted saying inter alia that "this venture was not a done deal" (Musisi, 2015). This caution came partly as a result of the sanctions against Sergiei Chemezov, the parent company of RT Global Resources. It is also not to dispute that the divergence of the Russian and American foreign policy could have been an undertone in this disapproval.

Reflecting on the above its worth noting that a proper policy in place and a proper regulatory and institutional framework is important for any country to succeed especially in the oil industry. Uganda has to this effect put in place a National Policy on oil and Gas, an Upstream Law, (The Petroleum Exploration, Development and Production Act 2013) the mid-stream Law (The Petroleum Refining, conversion, Transmission Act 2013) and finally the Public Finance Act 2014, (also referred to as the downstream Act). These laws elaborately state how Uganda's oil industry will be run and institute such as the petroleum Authority and the National Oil Company will operate.

Uganda currently seems to be inclined to running the oil industry as a public-private sector partnership although the ongoing establishment and operationalization of the National Oil Company raises questions as to whether Uganda intends to nationalize its oil in the future. It is the aforementioned interplay of both national and foreign interests in Uganda's mushrooming oil and gas industry that make it pertinent to assess the geopolitical dynamics of the sector.

## 1.2 Statement of the Problem

It remains undisputed that Africa is a resource-rich continent, but equally undisputed is the fact that the continent continues to suffer abject poverty, disease, political instability and innumerable socio-economic problems. Even though Africa's trade with the international world has increased, with the value of her exports quadrupling, the continent only benefits a fraction from international trade. Recent Oil and gas discoveries across different parts of Africa have led to the conclusion that Africa is the new hydrocarbon frontier (Brown, 2014).

Oil and gas are of strategic importance to Africa both in the short term, given that 57% of Africa's export earnings are derived from hydrocarbons (KPMG 2015, p. 1). In the long term, oil production is a step in the right direction towards shifting the balance of power between Africa and the West notwithstanding the attendant geopolitical and social economic risks that come with oil. With the recent discovery of oil in various parts of Africa like Ghana, Uganda, Kenya, Ethiopia, DRC, Sierra Leone, Sao Tome and Principe, Africa's oil export is expected to increase. The Great Lakes Region, comprising of Burundi, Democratic Republic of Congo, Kenya, Rwanda, Tanzania and Uganda is arguably the most resource-rich region in Africa. Uganda's oil discoveries in 2006 are found in the Albertine Graben region which lies in the western rift valley running geologically from Sudan, South Sudan, Uganda, Eastern DRC, Rwanda, Burundi, western Tanzania, northern Zambia, Malawi and western Mozambique (KPMG 2015, p.21). At East African community level, there are strong efforts to jointly develop petroleum sector infrastructure (East African Business Week, 2015) a discourse that makes access to oil discussion not just a national issue but of regional concern and that of a land locked Uganda is currently at the centre of this dilemma. There is extensive literature on the geopolitics of oil but most of those who write always focus on the role of the Western powers and International oil companies' vis-à-vis world energy security for the United States, Russia and more recently China.

They analyze the pivotal role oil has had in triggering, financing and facilitating wars especially in the oil rich middle east, and also discuss the infamous "oil curse" while looking more on how the revenues that accrue to governments more often always leave the oil producing countries worse than they were before the oil discovery. Little has however been written on the diplomatic ramifications for African countries with new discoveries both at regional and international level.

### **1.3 Purpose of the Study**

This study is an appraisal of the geopolitical concerns of land locked Uganda that currently stands at crossroads ahead of its anticipated commencement of oil production by the year 2020. In this study, the researcher also explores potential measures that can enable African states to retain control over their oil resource without compromising the International Relations.

### **1.4 Specific Objectives**

1. To establish the importance of why developing countries, like Uganda to pay attention to foreign policy and diplomacy in exploiting their oil and gas resources.
2. To determine the measures that states with new discoveries take to ensure that they retain sovereignty over their oil without compromising international relations

### **1.5 Research Questions**

1. Why is it important for developing Countries, like Uganda to pay attention to foreign policy and diplomacy in exploiting their oil and gas resources?
2. Given the contemporary trends of oil trade and diplomacy, what measures can states with new discoveries take to ensure that they retain sovereignty over their oil without compromising international relations?

### **1.6 Justification of the study**

It remains undisputed that Africa is a resource-rich continent, but equally undisputed is the fact that the continent continues to suffer abject poverty, disease, political instability and innumerable socio-economic problems. Even though Africa's trade with the international world has increased, with the value of her exports quadrupling, the continent only benefits a fraction from international trade. Recent Oil and gas discoveries across different parts of Africa have led to the conclusion that Africa is the new hydrocarbon frontier (Brown, 2014). Oil and gas are of strategic importance to Africa both in the short term, given that 57% of Africa's export earnings are derived from hydrocarbons (KPMG, 2015). In the long term, oil production is a step in the right direction towards shifting the balance of power between Africa and the Western notwithstanding the attendant geopolitical and social economic risks that come with oil.

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## **1.7 Definition of Key Concepts**

### **GEOPOLITICS**

Geopolitics is discourse about particular world politics, with a particular emphasis on state competition and geographical dimensions in power (O' Tuathall, Dalby and Routledge, 2006).

### **OIL RESOURCES**

Oil resources are formed deep underground from the decomposition of organisms such as plankton and algae. Over millions of years, heat and geological pressure transform this organic matter into oil and gas. Oil refining produces transport fuels, such as petrol (gasoline), diesel and jet fuel, as well as heating oil such as kerosene. By-products from oil refining are used in production of plastics, chemicals, lubricants, waxes, tars and asphalts.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 OVERVIEW

The need for states to pay attention to foreign policy and diplomacy in the exploitation of Oil and gas cannot be over emphasized. This ranges from aligning national laws on petroleum with international laws and treaties on oil to which a state is signatory, to putting in places institutional mechanisms of ensuring compliances with internationally accepted practices without compromising the interests of the host state. Uganda, like a host of other African countries that have new discovered resources like oil continue to ponder on the question whether this resource will be a blessing or curse, given the international interests and the national anxiety and expectations of the same. The million dollar question then becomes how to maintain the standing diplomatic ties with its neighbours and foreign partners, which already existed, while protecting Uganda's national economic and political interests.

#### 2.1 Foreign policy and diplomacy in exploiting their oil and gas resources

Paying immense attention to foreign policy and diplomacy keeps the harmony that countries have maintained over the years and also allows for the growth of all governments (OPEC Secretariat, 2013). This can only be done if transparency is exercised and steps in policy formulation are followed and consultations with other government heads are made before passing new resolutions; a case in point is the formation of Organization of the Petroleum Exporting Countries (OPEC) in 1959 (OPEC Secretariat, 2013; Andrew Bauer and et al, 2013).

Developing countries should pay attention to foreign policy especially as regards land rights so that during compensation of affected persons they are also able to give them their dues as per the international guidelines on compensation and claiming for damages. Some of the renowned Authors that agree to this line of thought include Emmanuel Kasimbazi, (Lisa Sachs, 2013) and Kaufmann of the Natural Resource Governance Institute.

Global events in recent years have demonstrated the interconnected nature of today's world (OPEC Secretariat, 2013, p.62). It is thus more important than ever to coordinate actions and work together with others when tackling these global challenges. This is especially true for

the oil industry, which reaches and affects all corners of the globe (OPEC Secretariat, 2013; Natural Resource Governance Institute, 2015; OECD Guidelines for Multinational Entrepreneurs, 2011).

In this way, good diplomacy of all countries can be maintained and pertinent issues arising can be resolved by a single entity because better communication ensures better policy formulation that is inclusive of all nations. Paying attention to foreign policy enables developing countries to make sound policies (Andrew Bauer and Juan Carlos Quiroz, 2013 p. 501) with few or no loopholes that may leave room for corruption like the Nigerian National Petroleum Corporation that is constantly plagued by bureaucratic inefficiency, excessive interference by government officials, and a chronic inability to position the oil sector as a key driver of the country's economic development (Bauer and Quiroz, 2013; U4 Partner agencies, 2009; van der Ploeg, 2010). As a result of this, unfortunately billions of dollars have been swindled from the corporation in the last few years.

Paying attention to foreign affairs promotes awareness of the underlying issues that affect other countries hence making it easier to draft regulations that favour the needs of developing countries in line with those of the more developed countries (OPEC Secretariat, 2013; IFC Performance Standards, 2012).

In this way developing countries can surely grow economically while keeping up with the current foreign policies in order to promote good will.

### **2.3 Contemporary trends of oil trade and Diplomacy**

States with new discoveries as an obligation should go through the proper legislation process so as to protect their long term interests and sovereignty (Global Witness, 2012; Humphreys, Sachs, and Stiglitz, 2004). This will include allowing sufficient time for parliamentarians to scrutinize the legislation thoroughly and for all relevant stakeholders including ordinary Ugandan citizens to have their say (Global Witness, 2012). In this way they will be able to cater for the needs of the ordinary citizen while not undermining international relations.

According to Global Witness, transparency and accountability should also be observed so that all stakeholders are aware of what is going on (Revenue Watch Institute, 2012; Paul Collier and Anthony J. Venables, 2010). This will reduce suspicion from the public about the motives of the government and also ensure that government treads carefully in order to

provide for the best interests of its citizens. In this way international bodies will not feel the urge to intervene in the country's policy formulation thus maintaining their sovereignty.

Joining existing international oil bodies like OPEC will ensure sovereignty in that despite the fact that the coalition has its rules and legislative framework that govern it, member states can still have a say in determining the price of oil that can be suitable to sustain their economy thus reducing on the donor aid and interference in their policy making to suit the donor country's needs (Kigozi, 2012).

The role of the state in the ownership, control, and development of energy resources, with major implications regarding to the role of policy, regulation, and geopolitics (Bauer and Quiroz, 2013 p. 15) in many countries, this role extends to setting prices and conditions for the consumption of, notably, petroleum products and renewable electricity (Bauer and Quiroz, 2013; Ross, 2013). This will maintain the sovereignty of the country since they stand to remain financially independent and also make policies that suit the needs of the people without necessarily compromising international relations.

Signing up to the EITI- Extractive Industry Transparency Initiative will ensure economic growth for developing countries and also encourage participation of citizens in decision making as regards which sector should benefit most from the oil proceeds ( Revenue Watch Institute, March 2014; NRG Reader, 2015; Columbia University of New York, 2012) . This initiative also reduces human and environmental rights violations as regards security arrangements by the government, position of traditional artisanal miners and regulations followed during the compensation and resettlement process hence promoting sovereignty of the state without compromising international relations. Detailed research should be carried out to determine important aspects such as; the size of oil wells, geographical locations of other oil producing countries, legislative frameworks that govern oil exploration in other countries, political influence, autonomy of the government in decision making and business models adapted by these countries so that they can also be adapted by developing countries (Revenue Watch Institute, 2014; NRG Reader, 2015). In this way, means to maintain their sovereignty can be devised especially as regards political and economic independence. According to the 2014 Annual Report of Baker Institute for Public policy, having non-commercial objectives, financing activities through international capital markets, clearly defining the roles and responsibilities of management responsible and looking for opportunities for vertical integration with non-oil producing countries can also help

underdeveloped economies to maintain their sovereignty without compromising international relations, (Baker Institute Policy Report, April 2007; Global Witness, 2013). Entering into strategic partnerships with international oil producing countries will greatly boost Uganda's economy as this provides employment to her people, technological skills and access to frameworks that other countries are using. These partnerships will ensure that both the investing and host country stand to gain economically at the end of the day while maintaining their sovereignty and strengthening relations between the two (Frederick van der Ploeg, 2010; Kaufmann, 2014)

Basic institutions with the rule of law need to be established to keep both the government and oil companies in check (Kaufmann, 2015). This will create an "enabling environment for civil society and media to function without" (Kaufmann 2015) repression or rebuke and also allow for the public to freely speak out their minds on issues that affect them in the oil sector. Communication channels between the government and citizens should be open to prevent misinterpretation of information concerning the oil sector (Bategeka, Kiiza & Ssewanyana, 2011; Baker Institute Policy Report, 2007). For example citizens should feel free to express their views on the current finding of oil and what implications this will have for them as individuals and a nation as a whole. In the same spirit government should publish their findings and make them available for all to see so that citizens do not get suspicious and selfish about the interests of government in the oil sector. A good political climate will definitely attract foreign investors and also keep the citizens in check.

#### **2.4 Geopolitics and the Resource Curse**

The resource curse debate decouples the role of geopolitical factors in resource economies and governance from the causes of underdevelopment. Thus the debate does not incorporate the impact of the international political system on the resource curse in the so called weak states. Kaldor *et al* (2007) argue that recent geopolitical competition together with violent predatory behaviour of non-states foreign and domestic actors contribute to the resource curse through their means of getting access to oil rent, be it fair or foul (Kaldor, Karl, and Said, 2008).

This also tends to adversely affect the weaker force in the competition. Rent seeking attitudes of states and non-state actors in resource governance ought to be a major concern for any attempt to establish a clear understanding of why there is scarcity in the midst of abundance. .

Most of the conflicts prevailing in most extractive economies can hardly be disassociated from imperialism, and this dates back to the colonial, post-colonial and even (post-) cold war era. Moreover, Omeje (2005) highlights the impact of the IMF and World Bank's Structural Adjustment Program on the conflicts in the West African sub region.

“Contemporary forces of globalization and imperial supervision and governance that define the international environment in which postcolonial states operate have in diverse ways contributed to the political and economic malaise of these less privileged states” (Omeje, 2005, P.14).

Perkins (2004) also reveals how powerful imperial powers interfere and manipulate the economies of weak states in order to gain control and consequently quench their resource thirst. Powerful foreign entities (states and non-state) actors classify certain resources as of important strategic interest in which they employ every means possible to access them (Omeje 2008). On the other hand, the role of the efforts geared towards the creation of global political and economic empire(s) by super powers is shockingly ignored in the resource curse debate. The Angolan resource conflict is a good example to explain the role that imperialism plays in the resource curse.

The interest of the two great powers during the cold war motivated the formulation of liberation movements along distinct and competing ideologies in the international political ecology in the ambit of domestic ethnic divisions (Malaquias 2001).

These movements were sponsored and supported by imperial powers with strategic interest in Angola. Again, since exploitation of natural resources especially oil and gas requires a huge investment of capital and high level of expertise that the possessing states like Uganda often lack, foreign investors get to easily manipulate the situation because of the same reason. This consequently gives way for the larger chunk of the profit made out of those resources to be sent or invested outside of the producing economies by the foreign oil companies. With this, the situation of the already weak economies are further exacerbated and incapacitated to create jobs, and especially for youth.

The result then becomes increasing poverty and frustrations and later on grievances, all part of a recipe for resource conflict. This brings in the complexity of grievances and greed which requires urgent attention of scholars in addressing the resource curse conundrum (McNeishcet al 2012).

Thus geopolitical and economic dynamics coupled with historical factors are important factors in explaining the connection between the natural resource and economic development. (Hudson 2005) and (McNeishet al 2012) further elaborate the destructive impact that the global financial system (Hudson, 2005) has on the oil sectors. Access to oil and gas is a very capital intensive process, and governments that nationalise their oil industry always borrow heavily to support the preliminary states of the sector.

The same applies to international Oil Companies that equally seek financial leverage until the sector becomes self-sustaining. Thus the activities of the IMF and the World Bank further worsen the economic plight of the developing countries by indebting them to an unbearable degree in order to get significant influence and consequently dictate to them. This is elaborated exhaustively by Moyo (2009) that by the end of the 1980s, the cost of servicing loans to African states (in the form of aid) grew rapidly to the extent that it eventually surpassed the inflow of aid to Africa. Both bilateral and multilateral aid agreement between governments to governments, and institutions to governments respectively from the late 1980s to 1990s were heavily intensified. Thus the indebtedness of African states increased hugely. Currently, Ghana which has since its discovery of oil been Africa's oil success story faces a similar stalemate for having used their oil reserves as collateral for a loan from China. Furthermore, ideological struggles may not be as obvious in recent times as they used to be, but are still subtly alive. This has given the stronger states the impetus to usurp the bounty (resources) of the weaker ones. That is such countries try all means possible to secure all forms of essential non local supplies in order to gain economic strength to push forward their ideological agendum. The recent activities (resource and land grabbing) of China in Africa and other parts of the world make it abundantly clear how desperate they are in their quest to balance the power which they have already achieved, though arguable, and subsequently surpass that of the United States in the international political system.

Political realists have argued that the international system is anarchical; there is no central authority to ensure order.

## **2.5 Conclusion**

In view of the foregoing, this study identifies that most of the exiting literature focuses on the influence of major oil producers, the super power countries and Multinational oil companies. Others explore the issues of the resources curse that befall under developed countries upon

discovery of oil. Not much literature covers the issues of foreign influence and pressure that sub Saharan African countries like Uganda with oil always have to deal with, and the conflict that the countries have in ensuring that they meet the expectations of their citizens and also comply with international geopolitical requirements. It is this gap that this study wishes to cover by addressing the research questions above.

## CHAPTER THREE

### METHODOLOGY

#### 3.1 Research Design

This study employs both the quantitative and qualitative research methods i.e. desk research, literature review, stakeholder mapping and findings analysis hence enriching the quality of understanding Uganda's looming oil sector.

#### 3.2 Population and Study Area

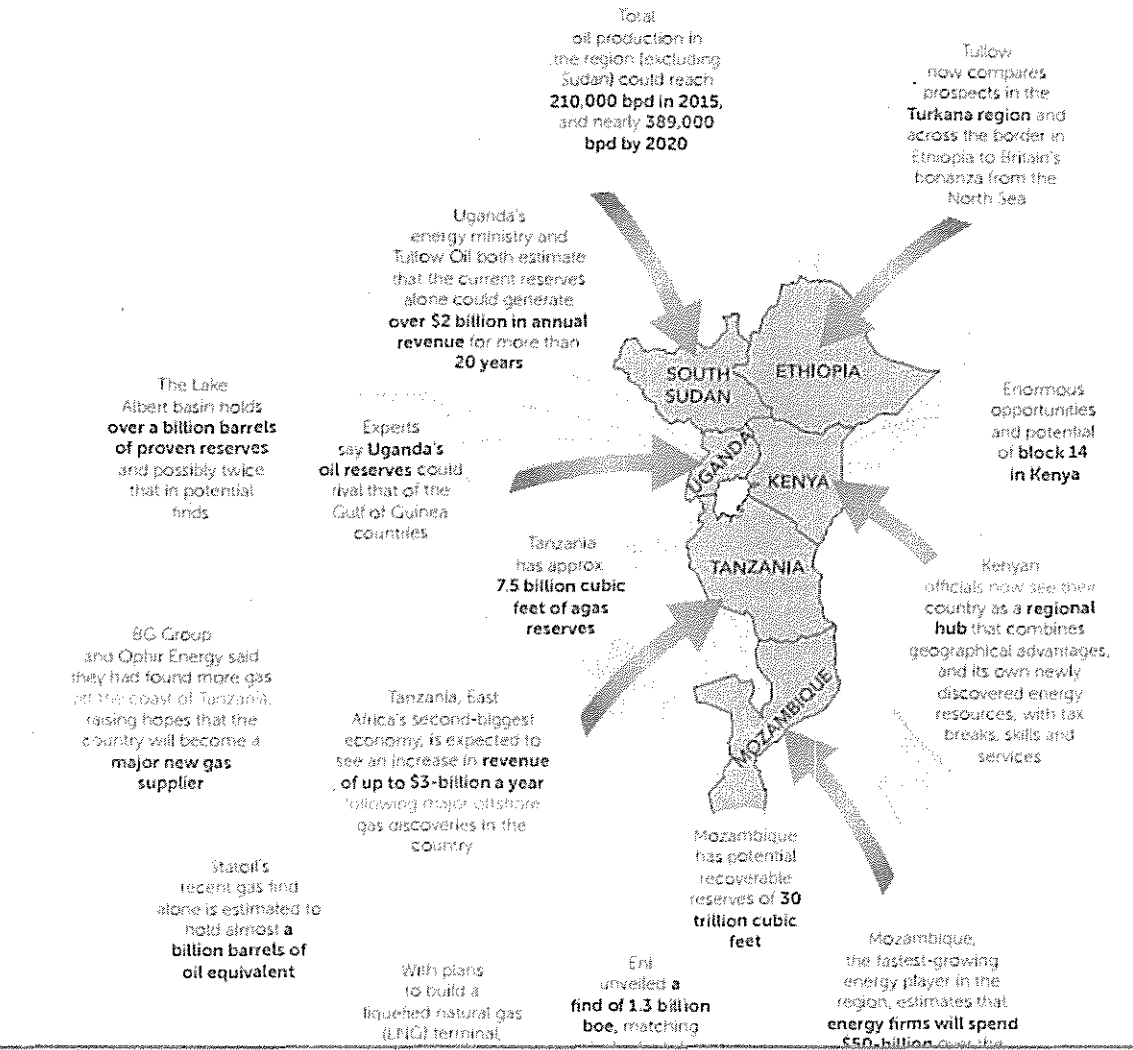
Uganda is a landlocked country in East Africa, and Africa (CIA World Fact Book, 2016). It is bordered by Kenya to the east, South Sudan to the north, the Democratic Republic of Congo to the west, Rwanda to the southwest and Tanzania to the south. Uganda covers 241,551 square kilometres of which 197,323 square kilometres are land area. The country has access to a number of lakes, including Lake Victoria, which is Africa's largest lake. Uganda has an estimated population of 37.6 million and an estimated population growth of around 3.2% per year, making it one of the fastest growing populations in the world. Around 85% of the population lives in rural areas, depending mostly on subsistence farming, with Matooke or what you would call Bananas as the main staple food. Uganda has a very young population; with an estimated 55.3% of the population being below the age of 18 as of 2010 (UNICEF, 2012). The average life expectancy in Uganda at birth is 54.1 years. Uganda is also ranked number 161 out of 187 on the 2012 Human Development Index, which indicates significant challenges in economic and social development ahead.

Besides oil and gas, Uganda is blessed with substantial variety natural resources, having been referred to as "The Pearl of Africa" by Sir Winston Churchill. These include large quantities of mineral deposits such as copper and cobalt deposits, Gold, phosphates, Iron ore, and Diamonds to mention but a few (Uganda Chamber of Mines and Petroleum, 2015).

Uganda is also endowed with fertile soils and regular rainfall. Other water bodies such as, rivers and swamps covering about 20% of Uganda's land surface, fishing is an important economic activity and possibilities for the production of renewable energy are abundant (Uganda Chamber of Mines and Petroleum, 2015). With this diverse eco-system, Uganda is constantly reminded to take an environmentally friendly approach in exploiting its oil and

gas. In fact, the ongoing Oil developments are taking place in the Albertine Graben that has national parks, lakes and rivers including the great river Nile.

**Fig 1: Map of Eastern Africa Showing the Location of Uganda and the oil resources in the region**



### 3.4 Data collection methods

The methods of data collection included desk research, literature review and stakeholder mapping.

### **3.5 Data analysis**

Data analysis included the reading repetitively and this yielded themes that were integrated into the study.

### **3.6 Research procedure**

After completing the proposal, the supervisor ascertained it on its own merits and approved it for data collection.

### **3.7 Ethical dimensions**

Caution was maintained to ensure that no identifying document or data put the authors of the later at risk of retribution.

## CHAPTER FOUR

### FINDINGS

#### 4.1 Introduction

This section includes the data presentation and analysis. It is sectioned accordingly, 4.2 role of the state in oil management, and 4.3 regional and international geopolitics of oil.

#### 4.2 The Role of the State in Oil Management

##### 4.2.1 Introduction

Oil as a natural resource is vested in the state on behalf of Ugandans. The understanding of this is very critical if oil is to be efficiently managed and utilized for the benefit of all Ugandan citizens. The burden on the Ugandan leadership is therefore heavy for it is this leadership that will greatly influence how much the nation benefits from oil (Bategeka, Kiiza & Ssewanyana, 2008) No individual, whatever their position in government should claim or attempt to personalize the ownership of oil (Muhereza, 2015). Therefore, statements like, “my oil” as often referred to by Yoweri Kaguta Museveni our president should be greatly avoided for they are potential for future disagreements and creation of conflicts concerning oil.

The expected oil production has given many Ugandans high expectations of better lives when the production and exportation of oil eventually begins. However, as seen from examples of other African countries like Nigeria, big oil revenues do not necessary spell a period of economic prosperity. The politics of each oil producing state will always determine whether or not the majority of the citizens and the country at large benefits from oil. The state therefore has a crucial role to play as far as oil management is concerned as clearly explained before.

##### 4.2.2 Negotiation of oil contracts

When Uganda was discovered as a country that has oil, as a natural resource, its people’s dreams and aspirations to benefit from the natural resource were heightened. Many saw this as hope to elevate the small poor country out of the traits of a struggling developing country. In most cases when these aspirations are focused on, the principles are forgotten. The

constitution of Uganda under Article 244 vests powers over mineral exploitation in government and emphasizes that the parliament of Uganda shall be the law regulating body and shall set conditions for payment of indemnities arising out of exploitation, as well as directing conditions regarding restoration of derelict lands. The article in its clause (1d) commands that exploitation of these minerals shall be done while taking into account public interests of individual land owners, local government and government.

The implementation of this article is explored in this thesis, however while taking into account, this Article it shows that a number of factors have to be considered while negotiating oil contracts to embrace the investors wishes as well as manage expectations of the citizens for an equilibrium , without taking advantage of any party. Uganda as a developing state and a baby at exploration has to therefore take caution of these aspects while relating with her international counter parts in the sector, who are mostly large oil companies, both to flourish her industry while protecting her interests from exploitation.

Auxiliary to the above, due to the limited resources and technological expertise, Uganda, as a developing country would find it quite difficult to produce oil on her own. As a result, it becomes essential to involve other stakeholders in negotiating her oil contracts. The actors in this would therefore require being international companies who are possessed of the requisite expertise and finances to ensure that oil production in Uganda takes place. As of today, Uganda has engaged several companies to achieve this purpose. The engagement of these companies is always premised on the basis that they will provide the requisite expertise and funding for production and then share in the oil (Kirsten, B).

The above relationship between the government and the foreign states require a production sharing agreement (PSA). This agreement details the rights and duties of the parties. The state as a trustee of the people of Uganda must ensure that Ugandans get the best out of it. This therefore means that it must negotiate terms favourable to the interests of Ugandans. However, in these negotiations, the state must ensure that it does not discourage the investment or operations of the oil companies. The Ugandan government has reportedly had a hard stance as far as the issue of negotiations of these agreements is concerned (Oxford Institute for energy studies, 2015, p.13).

As a result, it is reported that this has contributed to the delay in oil production. Whether the state's act will end up benefiting Ugandans in the long run remains to be seen. The state may not be blamed for trying so hard to get the best deal for its citizens.

The negotiations between the Ugandan government and oil companies over the PSAs were however marred by lack of transparency in the whole process (Shepherd, 2013). As direct beneficiaries of the natural resources, Ugandan citizens are entitled to know how their resources are going to be used. This was however lacking as far as negotiations of the PSAs were concerned. Government conducted its negotiations in secrecy. Few Ugandans including members of Parliament who have the constitutional mandate of monitoring the acts of the executive were aware of what was going on as far as the negotiations were concerned. Members of the civil society and other Ugandans at large could not effectively give their input due to the fact that they had little or no knowledge at all on what was going on. After the agreements had been made, it remained and still remains hard for all interested Ugandans to access these agreements.

The state's deliberate effort in denying Ugandans access to these agreements is a fundamental mistake on its part. First and foremost, it is a violation of the citizens' constitutional right to access to information enshrined under Article 41 of the Ugandan Constitution. Secondly, it raises suspicion on the part of the stakeholders that what was negotiated was for the benefit of few individuals and not the entire nation as a whole. To date, this suspicion still lingers in the minds of many Ugandans and has attracted a lot of criticism for the government, which government does not come out to explain or give a clear position on this agenda. This situation may easily lead to unwarranted conflicts.

What is interesting to note is that oil companies have expressed their willingness to share the PSAs if the state can give its consent. The state however in response to its citizens demanded reacted by enacting the Petroleum (Exploration and Production) Act of 2013 that expressly forbids oil companies from giving information to the public except with the express approval of the state. Such a law curtails the oversight functions of the civil society and may easily encourage abuse and corruption by government officials. It may easily lead to impunity.

In conclusion of this, for successful negotiations in oil contracts, it requires considering aspects such as;” Setting the parameters such as who else besides the contracting parties is involved, the landowners and indigenous communities for example who will demand compensation for their land government may acquire in exploration- this has been evidenced in Uganda with the residents Hoima and Buliisa districts as highlighted in this research. It also requires considering who will be part of the negotiating team.

Jenik Radon in his working paper series as an Initiative for Policy Dialogue “How to Negotiate an Oil Agreement” recommends that good tactics have to be deployed while negotiating an oil agreement. That “negotiable factors like compensation have to be separated from non-negotiable factors such as regulatory matters while considering interests of the investor...”

For a country to excel in its oil sector a good legal structure has to be put into place, and that country has to ensure political stability. In this thesis, it’s discussed that countries that have failed to show stability do not attract investors, instead and their resources have been wrongly exploited in disguise. Further to this discussion, a good example is “Norway, the model of stability, initially had to entice oil companies with a favourable tax regime of ordinary or standard taxes (i.e. no higher or super profits tax), and only a 10% royalty and license fee, so that they would invest in the geologically challenging and still uncertain North Sea oil development”. (Radon, 2011)

The information environment should also be put into account while targeting successful negotiations in oil contracts.

“Transparency is the key to achieving public acceptance of a contract. Transparency is a necessary condition to allow civil society to provide an informal mechanism of checks and balances where formal mechanisms do not operate. The contractual form that is to say licensing or service agreements should also be reflected in these contracts to avoid confusion and provide specificity. This also calls in the issue of how to structure payment and compensation which should not be over looked” (Radon, 2011).

#### **4.2.3 Resources and Revenue Management**

Oil is not a non-exhaustible resource. It is predicted that in Uganda, commercial oil production will just span for a period of thirty years. This means that the state must ensure that oil is properly utilized to benefit the present and future generations. Oil in Uganda has so far been discovered in the Albertine region that is has sensitive eco systems. 40% of the oil so far discovered lies in Uganda’s biggest National Park, the Murchison falls National Park that is home many critical and endangered species and hence a major source of tourism (Tullow Uganda, 2016). Some oil wells have been drilled on the shores or in the vicinity of Lake Albert a major lake providing food and water to millions of Ugandans, hence exposing them to unwarranted damage as a result of oils disposal.

It is important and critical that oil production is managed in such a manner as not to disrupt and destroy these critical ecosystems which will still be playing a critical role in the development of the country long after oil has ceased to be economically viable. At the moment, there are already fears that adequate protections are not in place to protect the environment from pollution always associated with oil. The residents in Buliisa, one the districts in which oil has been discovered already complain of disposal of oil waste into a river that they suspect may end up being harmful to their health and life (Ssekika, Edward, 2014).

The oil spills have a high pollution potential that can adversely affect food production and place the health and lives of people living in oil production areas at a great risk of diseases, malnutrition and death. Uganda must therefore guard against pollution from oil industry if oil is not to end up becoming a curse as experienced by the Ogoni people in Nigeria.

Having already seen that oil is an exhaustible resource, it is important that the revenue generated is well managed whose benefits will continue being felt long after Uganda has ceased producing it. Therefore, the resources generated once commercial production begins should be utilized efficiently for this purpose.

Unfortunately, Uganda does not boast of a good record of financial management. Recent records of gross financial mismanagement can be given of the Global and GAVI funds which were mismanaged by government officials some of whom hold cabinet positions.

Most officials in senior government positions have been implicated in one corruption scandal or the other. Parliament does not have sufficient independence to exercise its oversight functions with the President using the NRM caucus on numerous occasions to guide parliament (Mafabi, 2016). The prevalence of corruption and lack of political will to fight it leaves many Ugandans with little hope that oil will be utilized for the benefit of all. This is coupled with President Museveni's politics of patronage over the resource referring to it once as "my oil". This patronage leaves many to believe that oil production will benefit Mr. Yoweri K. Museveni and a few of his cronies leaving the rest of the country languishing in poverty and under development. This has potential to develop into a potential resources conflict and hence retard the economic and political development of the country.

The above potential challenges facing oil management can best be avoided if Uganda adheres to the principles of good governance. It has been stated that good governance is essential to

successful management of natural resources. For Uganda to reap the benefits of oil production there must be sufficient political and social will in place to enable her do so.

It is important for Uganda to have in place systems that can control spending of money obtained from oil so that it is channelled in the priority sectors (Mafabi D, 2016). Furthermore, it is critical to have independent oversight bodies in place that can effectively check abuse. At the moment, Uganda has the oversight bodies in places. Parliament is in place to check the excesses of the judiciary while institutions like the Inspectorate of Government and ultimately courts of law are in place and can check corruption.

The only challenge as already noted above concerning Parliament is too much influence from President Museveni who has a final say in matters which he deems critical enough to justify his interference. A good example can be given of his directives to the Members of Parliament belonging to the National Resistance Movement on who to choose as the speaker and deputy speaker (Nelson Wesonga, 2016). It is worth noting that MPs received five million shillings each from the president termed as a “gift” before voting (The Daily Monitor Team, 2016). With such interference, Parliament, whose majority members are from the NRM party cannot do much to check abuse of power and consequently resources from the executive if any. Given Uganda’s recent history on mismanagement of public resources, it is likely that mismanagement of oil revenues is likely to occur.

The other oversight bodies noted that is the Inspectorate of Government and the judiciary are not free from political interference either.

The judiciary can only function well if there measures in place to guarantee its independence. This means it must be allocated sufficient resources to perform its functions. At the moment, the judiciary is underfunded and understaffed (Kiyonga, D, 2016). This greatly impacts on its effectiveness and creates case backlog.

The gross political interference faced by the judiciary means that it is hard for the sector to act independently. President Museveni has on numerous occasions criticized judges for the decisions and at one time vowed to go back to the bush if courts continue giving judgments which in his opinion are contrary to the ‘interests of Ugandans’. In addition the state’s deliberate refusal to comply with the decisions of court greatly undermines the independence and effectiveness of the judiciary. After the Constitutional Court decision in *Muwanga Kivumbi Vs. Attorney General*, Constitutional Petition No. 9/2005, that successfully challenged police’s interference in the rights of citizens to peaceful demonstrations, police

responded by increasing on its crackdown of peaceful demonstrations. Government then responded by enacting the Public Order and Management Act of 2013 which is seen by many as directly reversing the Constitutional Court decision in *Muwanga Kivumbi vs. Attorney General* and hence unconstitutional (Human Rights Network for Journalists-Uganda, 2016). With such interference, the judiciary cannot be expected to perform its oversight functions and hence check the abuse of oil revenues from oil.

#### **4.2.4 Democracy and adherence to the rule of law as essential elements in oil management**

It has been proved that countries which depend on petroleum resources for a large part of their export earnings tend to be less democratic (Timothy Mitchell, 2011, p.1). It is important that the rule of law is institutionalized in Uganda if Uganda is to avoid the oil curse. The absence of strong structures to check abuse and the abuse or perceived abuse and mismanagement of state resources by some few individuals in the state without any sanctions is likely to result into conflicts in the long run that may culminate into insecurity. This would greatly interfere with oil production activities.

Uganda has a political past characterized by insecurity and dictatorship. Since independence, the country has never experienced a peaceful transition of power. President Museveni in power for thirty years was looked at as a person who could reverse the historical trend. However, he has become increasingly repressive of political dissent as he attempts to entrench himself in power. President Museveni must be credited with establishing relative peace and security in the country. However, great uncertainty looms over the post Museveni future. At the moment, the political environment in the country does not favour democracy as well as transition from Museveni to another leader. Museveni has increasingly become repressive violently cracking down any voices of dissent. His chief political opponent, Dr. Kiiza Besigye, has been arrested over forty three times without any charges being preferred against him and is now in jail (Eriasa Mukiibi, 2015).

It is important for the state and all relevant stakeholders to critically deal with the issue of transition from Museveni to another leader. Museveni now in his 70s and serving what many hope is his last term will soon or later relinquish the reins of power. In the past, he has stated that he does not want to leave power in the hands of wolves who will mismanage oil (Muhereza, R, 2015). With commercial production of oil expected to span a period of thirty

years and to begin in 2020, Museveni will evidently be succeeded by another leader while Uganda is still in the production phase. The country will greatly benefit from the oil resource if the current relative peace and security remains. This is only possible if there is a peaceful transition of power.

The issue of transition aside, it is important for Ugandan citizens to freely participate in the oil industry to avoid potential conflicts that may brood insecurity. The 1995 Constitution of the Republic of Uganda, under article 38, recognizes the right of all citizens of Uganda to freely participate in the civic activities of their country. Therefore the lack of transparency that shrouded the PSAs was an inhibition. The NGO Amendment Bill of 2015 is greatly seen as being aimed at stifling the influence of the civil society on the governance issues in Uganda yet the civil society is influential in keeping the populace informed and empowering it to demand for accountability and good governance (NGO Law Monitor, 2016). Such a population is required to put pressure on the government to ensure that revenues from oil are not mismanaged. It is thus important that Uganda does not stifle the civil society space.

Oil operations require a lot of land. Land is needed for the pipeline, refinery, among others. Bunyoro region in which most of the oil discovered has been inhabited for thousands of years. The need for land means that some displacements have to be made uprooting people from land they have inhabited for generations as well as deeply rooted traditions. These displacements must be done in a manner that does not result in a crisis.

The Constitution provides for a prompt, adequate and fair compensation for those whose land is acquired by government for a public purpose before government takes over possession as per article 26 of the Ugandan Constitution. Taking the land requirements for the oil refinery for example, there have been displacements in Bunyoro region which is in the south western part of Uganda, so far with many communities complaining of gross abuse of human rights by government (Oil in Uganda, 2016). These were discussed with interviewees and residents in these regions who were affected. They admitted that government destroyed their houses and plot of land confiscated in the name of oil exploration and drilling however they were not compensated. Local NGOs came on board to help advocated for their affected rights, suits were sent to court and even judgments was passed to have these residents compensated. Even when this was all done, majority has been displaced and not compensated a penny leaving them vulnerable. Many people have been evicted without being compensated or alternative places of settlement being provided (ASF, 2015, p.30).

As a result, some communities have been relegated to living in camps where standards of living are appalling. Such gross neglect and abuse of the citizen's human rights by the state may not agree well for the oil industry. It has already created discontent on the part of the displacement communities who may, due to desperation end up taking arms and destabilizing the region and the oil industry at large if their grievances are not urgently addressed by the government.

#### **4.2.5 Trans-boundary dynamics in the management of Uganda's Oil**

As mentioned in Chapter two, Uganda is a landlocked country. It is therefore important that she maintains a good relationship with her neighbours for the purposes of exportation of oil as well as the importation of the necessary equipment.

Furthermore, the success of the oil industry in Uganda much depends on Uganda remaining secure. A stable security situation in the neighbouring countries is vital to Uganda's own security concerns.

Uganda is a key player in the security matters of the great lakes region. It is indeed stated that President Museveni regardless of his ever increasing repressive rule is at the moment and indispensable partner to the west because of the critical he is playing in the security of the region. The UPDF has played a role in Somalia and greatly contributed to the pacification of the country. This has however come with consequences on Uganda. In 2010, Uganda was bombed by Al Shaabab terrorist who claimed that their attacks were in retaliation to the UPDF's intervention in Somalia. They have since threatened to strike again. Such attacks from Somalia insurgents yet Somalia are not an immediate neighbour to Uganda greatly underlies the critical importance of Uganda being at peace with her neighbours.

Uganda has for long been involved in the politics of Southern Sudan. It greatly supported the SPLA war against Khartoum and when the new South Sudan State plunged into civil war, the UPDF rushed into the country to support President Salva Kiir. Such acts may create insecurity in the country in case of retaliation by Southern Sudan.

In the late 1990s, Uganda invaded the Democratic Republic of Congo on the pretext of fighting the Allied Democratic Forces rebels. Therein, there was looting and Uganda was ordered to pay US dollars of ten billion to the Democratic Republic of Congo which up to now has not been paid. Such acts have the impact of souring relations between Uganda and the DRC which may be a recipe for insecurity.

Oil has been discovered on the Democratic Republic of Congo side of Lake Albert as well. It is fundamental that Uganda deals diplomatically with the DRC to avoid disruptions on Lake Albert that would greatly disrupt the oil industry. So far, there have been cases of the DRC abducting employees of the oil companies in Uganda on the premises that they were drilling in the DRC side (ASF, 2015, p37) Secondly, there is a fear that since Uganda is likely to begin exploiting oil before the DRC; it may end up encroaching on its neighbour's share. Though this later point has been dismissed by the Ugandan officials, it is important that these issues be handled diplomatically to avoid potential conflicts which would greatly disrupt the oil industry.

Security concerns aside, the East African Community offers Uganda a big market for its oil products in case the plans to have an oil refinery in Uganda materialize into the refinery being built. Uganda would reap big by exporting to her East African Partners and this chiefly hinges on her ability to maintain a good relationship with her neighbours.

#### **4.2.6 International Human rights standards on oil management**

Uganda is a party to many international human rights instruments like the Universal Declaration on Human Rights, the ICCPR and the ICESCR. Under all these instruments, the state is under a duty to uphold the rights of its citizens. Mismanagement of the oil industry would most likely lead to violation of rights like the right to life, property and health provided for under the aforesaid instruments.

The Ugandan state is under an obligation to respect, protect and fulfil the rights of its people. If this is done, then it would be able to avoid mismanagement of the oil resource. The United Nations has come up with guidance principles to guide extractive industries termed, "UN Guiding Principles on Business and Human Rights".

Though not legally binding, they would do well to guide a state well committed to the tripartite human rights obligations. Among these principles is that the states must protect against human rights abuses within their territory or jurisdiction by third parties including business enterprises as under Guidance Principle No.1, as well as set out clearly the expectations that all business enterprises domiciled in their territory and jurisdiction respect human rights throughout their operations as per the Guiding principles on business and human rights implementing the United Nations 'protect, respect and remedy' framework (2012).

The political trend in Uganda at the moment does not show serious commitment towards respect of international law as well as international human rights. A clear example can be given the act of the state hosting the President of Sudan Bashir who is wanted by the International Criminal Court for war crimes and crimes against humanity. Uganda is a party to this court which President Museveni has referred to as “a bunch of useless people” (The Sunday Vision, May 2016). Being party means it has to adhere to the obligations under the Rome statute which required arresting president Bashir once he stepped in Uganda, but this did not happen on numerous occasions he came visiting the country, one of which was a presidential swear in ceremony for the now president of the republic of Uganda. Such actions reveal that Uganda is not committed in fulfilling her obligations under International law as well as under international human rights instruments, which are binding on it. What is not in doubt is that if Uganda strictly adhered to the International Human Rights Instruments she is party to, she would be able to steer her oil industry in a direction that would be enviable and benefit the interests of her citizens. But this largely depends on the political will of her leadership.

In conclusion, the success of Uganda’s oil industry largely hinges on the politics of the country internally, and with other states. There must be a political will to create and facilitate independent institutions that will oversee the operations of the oil industry. Good governance is essential while peace and security remain an integral element of the success of the industry. How all these will play out remains to be seen!

At the moment, there are many worrying signs that oil in Uganda may not end up benefiting the country as was greatly expected. Whether this will turn out to be a true prediction or not, largely depends on how the state acts and continues to act as Uganda approaches the phase of commercial production of oil. When a country ignores putting effort into its legal framework, the executive is prone to judgments from its citizens, and this was exhibited when Uganda discovered its oil stakes.

It’s not a lie that the chieftain of a country especially of a developing country like Uganda often take advantage of the country resources when explored- a good reflected example is minerals in other countries like DR Congo, the rich corrupt politicians have benefited immensely in the gold minerals yet the biggest percentage of the country’s citizen are suffering in poverty and seeking refuge in neighbouring states. This is similar to the situation of oil discovery in Uganda, where residents in the Albertine Graben region are suffering

evictions and displacement without suited compensation because of lack of a strong legal backbone on oil sector they can rely on for protection.

It may therefore be a truism that having 'safe and secure' access to oil is an important determinant of a state's power (Manyak, 2015).

### **4.3 Regional and International Geopolitics of oil**

#### **4.3.1 Introduction**

With the current oil abundance across the world, it may seem an odd time for countries with new discoveries to be excited over their oil (Marita Noon, 2015). However, the world continues to witness a rather unprecedented strife among foreign governments over control of the new hydrocarbon frontiers. According to the World Energy out-look of 2013, the United States became the world's largest producer of natural gas in 2012, and expected to become the world's largest oil producer by 2015 (Ladislaw et al, 2014).

Notwithstanding the United States ambitions endeavours, China's demands for imported oil have increased rapidly in the recent years. This has led many observers, scholars and politicians to assert that China will resort to all means to extract all available oil and gas resources, thereby destabilizing the regional and even global order.

Russia's annexation of Crimea and the conflict in Ukraine got the European Union and the United States to adopt sanctions against Russia. This was in attempt to disarm what they referred to as "Russia's energy weapon" (Avielvs et al, 2015, p.21) a big percentage of the country's use of gas supply was cut off as a negotiating tool.

The oil and gas questions continue to fuel wars in the Middle East, oil prices have also dropped considerably since the 1990s, and the major International oil companies (the seven sisters) are currently struggling to maintain their grip of the world's oil in face of the powerful OPEC. It is also argued that the projected effects of climate change are sufficient reasons for the reduction of dependency on the fossil fuel.

The above are some of the overriding International concerns that Uganda ought to pay attention to in the bid to exploit its oil. This is without prejudice to the regional dynamics such as the conflict prone Great Lakes region to which Uganda belongs and East African community's need to have concerted exploitation of the oil resource.

The interplay of the foreign influence security concerns and climate change highlight the fact that there is a downside to accessing additional oil deposits because this perpetuates oil domination of energy systems (Renner, 2006).

This chapter thus analyses the different foreign policy perspectives that Uganda ought to be aware of while accessing its oil.

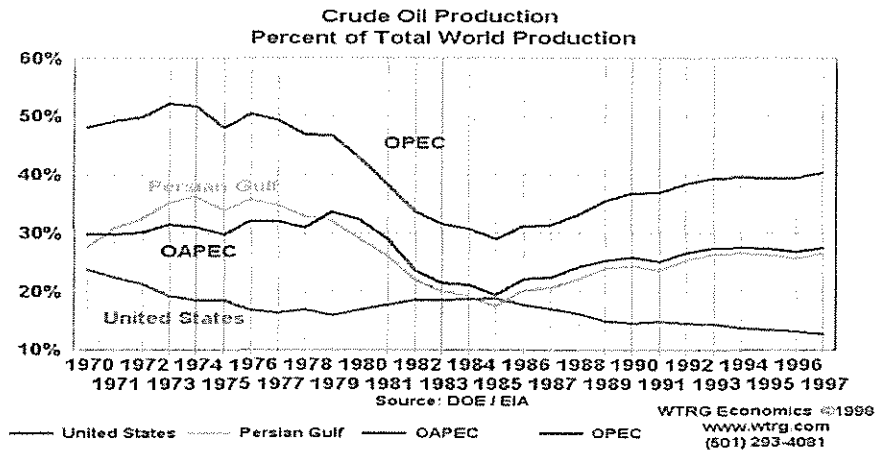
#### **4.3.2 International influence of Access to oil**

Upon discovery of oil by a number of underdeveloped countries at the beginning of the 20th Century, there emerged demand for expertise and financing of production and marketing of oil (Bird and Brown, 2005, p.2). The absence of funds and technical capacity for these underdeveloped countries to take the risks associated with oil drill, created room for the already established oil companies to dominate oil production across the world. These companies include Exxon, Shell, BP, Texaco, Gulf and Chevron, also known as the “Seven Sisters” (Aljazeera, 2013).

The compositions of these companies include five huge American companies, one British Company and one Anglo-Dutch company. They have dominated the petroleum industry for most of the 20th Century until the emergence of the organization of petroleum exporting countries (OPEC) that was founded by five countries in 1960. The establishment of OPEC by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela, as founding members of this permanent intergovernmental organization brought together top oil producing countries. The OPEC membership had risen to 13 members by 1973 and the crude oil production share of 50% of the world’s production was what they boasted of (Williams, 1999).

The graph below shows crude oil production figures over three decades that succeed the formation of OPEC. As seen by the purple line, the OPEC countries contently topped the percentage contribution to the total world production. It is this predominance in supply that has helped OPEC to continue having as say in the setting of oil prices at the world market.

**Fig. 4 Crude Oil Production Percent of total World Production**



It is at this point that the membership of OPEC controlled their domestic petroleum industries through nationalization of their oil, hence acquiring a major say in the pricing of crude oil on world market.

It is clear that none of these countries previously had a say because the industry was run by the seven sisters, which by default furthered the interests of their countries of origin. It is for this shift in the balance of power that the 1970s are on record for having had most significant geopolitics of oil and gas, as the former power cartel of the oil companies lost grip to a cartel of states that had decided to have a united position. In the bid to contain the power of OPEC, this triggered the 1973 Arab Oil Embargo and the outbreak of the Iranian Revolution. Lessons from this that Uganda out to live is that in so far as oil production is concerned, it matters a lot which countries you choose to align with.

In light of the oil companies operating in Uganda today, and other companies that the government has contracted to construct oil and gas infrastructure, Uganda is living more to the East than the west of the three companies carrying out exploration in Uganda (Total E & P, Tullow PLC and China National Offshore Oil Corporation – CNOOC) on the Chinese CNOOC has been govern a production license and the other two continue to plead with government to be given production licenses to no avail.

When it came to the construction of the oil refinery, the government of Uganda selected Russian RT Global resources for building the refinery (Rostic, 2014).

According to Global witness, a UK bases NGO, RT Global resources is a subsidiary of state owned Russian arms and industrial company Rotec, which is on the European Union and United States Sanctions list (Global Witness, 2015). Uganda’s identification with China and

Russia in its oil and gas sector as major international partners serves to confirm Uganda's drifting to the East in terms of its foreign policy on access to oil. The writing is on the wall that as part of China's oil Diplomacy, Africa which is the new frontier for hydrocarbons has become an easy target. Unlike other super power states that used private companies (the seven sisters) to expand their horizons in the quest for oil, China is using state owned companies in its expedition. This seems to be setting China on a collision course with The United States who first and foremost look at such dealings as a threat to their security interests, but also equally have vested interests in the oil.

This cold war between these two super powers was earlier on reported in 2007 in Darfur – South Sudan (William, 2007).

Besides the fact that China and Russia are both having projects in Uganda, the last two years have also seen them sign bilateral arrangements on oil and gas, with the west attempting to slap sanctions on Russia over Crimea and Ukraine (August 2012 Rachael Boriase/BBC Media Action, 2012).

It is therefore right to say that, the lines have since been drawn and Uganda is most likely choosing the East over the west in its foreign policy on access to oil. This decision was further buttressed when EU, US and Canadian diplomats walked out on president Museveni during his swearing in for his 5th term of office (August 2012 Rachael Boriase/BBC Media Action, 2012). Then president has also publicly uttered praise for China's good relationship with Africa that is based on utmost good faith unlike the west that has always had strings attached to their aid or other assistance they render (Uganda, 2016).

### **4.3.3 Region Geographical Aspects of Uganda's Access to Oil**

As mentioned in the preceding chapters, Uganda's oil pipeline project has been at the forefront of the geographical concerns of East African Community member states with all the East African countries having interest in this pipeline including South Sudan, Uganda was faced with the option of choosing the Kenyan Route, which would support South Sudan, Kenya and even Ethiopia as earlier maps projected. Uganda confirmed to Kenya that the most feasible route both geographically and commercial was the route from Hoima in Western Uganda to Lamu at the Kenya coast. Unfortunately, this decision was changed months later and Uganda opted for the Tanzanian route (Reuters, 2016) to the port of Tanga, the Kenyan

president Uhuru Kenyatta personally addressed journalists on the matter where he said “Museveni betrayed Kenya.”(Amisi, 2016).

Having such a statement made by the Head of State of a major trading partner is not an issue one should take lightly. This implies that in future, the country ought to exercise a high level of prudence and diplomacy in making commitment to trading partners.

### **Fig. 5 AFRICA’S OIL PIPELINES**

Africa’s oil pipelines are shown below, with red lines representing gas pipelines, green for oil and blue for oil products such as refined gasoline, propane and heating oil. Planned pipelines are shown as dotted lines. North Africa is the continent’s most pipeline dense region followed by West Africa. East Africa Only has an oil products pipeline. See Figure 4 for the planned oil pipelines for East Africa.



#### 4.3.4 The ICGLR Membership and Regional Peace

Uganda is also a signatory to the international conference for the great lakes region (ICGLR). An intergovernmental forum with twelve member states (ICGLR, 2016). The countries in this region have been prone to civil wars and armed conflict both internally and at the international level. Uganda's role in restoring peace in the region cannot be over emphasized with troops in over four countries at the moment.

On the other hand, Uganda has also previously been implicated for atrocities in those countries such as the Uganda-Congo conflict over Gold that was taken from Congo by Uganda People's Defence Forces (Musisi et al, 2013) on their pursuit of the Lord's Resistance Army. This dispute was settled internationally in favour of the DRC and Uganda thus owes DRC reparations worth of millions of Dollar.

As for the question of access to oil in the Albertine Graben that is shared both by the DRC and Uganda, the strife over that oil started in 2008, just two years after the discovery of oil in Uganda (Joseph Yav Katshung, 2007). DRC cautioned Uganda not to go beyond its territorial boundary and drill Congolese oil that is under the lake. There have been a number of security incidences on Lake Albert most of which will always call for diplomatic Interventions with the recent being the killing of Ugandan policemen by Congolese soldiers.

Uganda therefore ought to pay due regard to the interest of the democratic Republic of Congo and other ICGLR members. In fact, as a way of mitigating elicits dealing in minerals; the ICGLR member states established a mineral tracking and certification mechanism (ICGLR, 2016). This was done through the ICGLR protocol against illegal exploitation of Natural resources that was signed in 2006 November. This was in recognition of the illegal exploitation of natural resource in the Great Lakes Region and protracted armed conflicts.

Uganda being located in this geographically sensitive region with numerous cases of illegal exploitation of minerals and cross-border armed conflict means that attention should be paid towards averting any conflict either internally or internationally as it arises.

The possibility of an international conflict being triggered by Uganda's exploitation of oil from under Lake Albert can also not be ruled out.

## **4.4 Environmental Issue and Climate Change**

### **4.4.1 National Environmental Concerns for Uganda**

Given the inevitable increase in Uganda's oil sector activity in the years coming forth, and the environmental risks that will be associated with the process, further regulatory and legislative detail is required on the industry's practices beyond what the general laws provide for.

Issues such as gas flaring; pipeline construction and pipeline leaks; drilling technologies that prevent water and soil contamination; control of adverse effects of oil spills to the atmosphere, surrounding lands and nearby water bodies are going to be prevalent, as the case has always been in other countries such as Nigeria.

Noise and light that may scare away wild animals from their natural habitats; emergence of human domestic waste and disease due to population increase in the areas; destruction of forests and grass cover; disposal of oil waste are some of the inevitable end results that Uganda has to prepare for.

Environmental restoration after the oil production stops; strategic assessments of environmental impacts; comprehensive biodiversity management strategy for the Albertine Rift; air quality management and monitoring; compliance with the national EIA system and procedures; appropriate penalties; and enhancing capacity and modalities for multi-stakeholder engagement in monitoring the impact of the oil industry on the environment need to be adequately prepared for ahead of commencing production.

National Environmental Management Authority (NEMA)'s role in ensuring compliance and protection of the environment is clearly critical. Currently NEMA is faced with the challenge of limited funding, an issue that ought to be addressed ahead of oil production so as to cope with the increase in demand and technical personnel related to oil and gas. NEMA ought to be among the first government institutions to be empowered through accelerated training of more human resources by using some of the funds obtained from exploration.

### **4.4.2 International Environmental Concerns**

Uganda's oil and gas that has so far been discovered is located in the ecologically sensitive Albertine Graben which has many rivers, national parks and lakes. The Environmental footprint of Uganda's exploitation has thus continued to cause alarm among Non-Governmental organizations and other players. The latest campaign mounted took place at the beginning of

2016 when Uganda sought to issue an exploration license for oil in the Queen Elizabeth National Park. Much as the national park is in Uganda it is part of the Eco system of Virunga National park that is on the DRC side of the border.

Due to the fact that Virunga National park is recognized as a UNESCO heritage site, the campaign against licensing of oil exploration in the area yielded greatly because ultimately, no oil company applied to operate in that oil block. This to the government of Uganda seemed like sabotage because they argued that the Virunga, UNESCO heritage site is located in the Democratic Republic of Congo. Due to international integrity concerns by oil companies, there wasn't any company that expressed interest in the said oil block. It is therefore imperative on Uganda to respect both national and international environmental concerns in the exploitation of its oil.

The other environmental threat is the River Nile, the largest river in the World (livescience.com). Uganda happens to be the host of the source of River Nile. This river is the life line of three countries such as; South Sudan, Sudan and Egypt, all of which use the water of the Nile for sustainability, given the arid climate in those countries. Unfortunately, oil activities in the Albertine Graben are taking place along the Nile River.

For that matter therefore, Uganda in exploiting its oil is enjoined to avoid any possibilities of oil spills on the river. As a matter of fact, any such thing would trigger retaliation from the countries North of Uganda whose water supply is solely the Nile River.

As for climate change, the world today is faced with global warming. This has been referred to as the biggest threat mankind has ever faced in recorded history. This has prompted the call for a shift to the use of clean energy. In fact, 2070 has been set as the year by when the use of fossil fuel should have totally been put to an end (Bachner, 2014).

This has implications on countries that are making new discoveries of oil. However, some continue to argue that the world has a long way to do away with hydro carbons given the search for new frontiers by the world's super powers.

In conclusion, the influence of international and other foreign players in Uganda's access to oil is one thing that the country cannot undermine. Starting with the oil companies that take the risk of investing in exploration and production through to neighbouring states which have shared interest in the oil infrastructure, their state in the oil is worth according attention. There are also the shared natural resources which have a bearing on how best the country

benefits from its oil. If it is to optimize benefits from oil production, Uganda should exploit its oil and gas resources exceptionally bearing in mind the foreign interests at hand.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 Conclusion

##### 5.1.1 National Realities of Uganda's access to her oil

In his journal "Oil and governance in Uganda" Manyak notes that "the excitement by the potential riches flowing from oil and gas production was tempered by the fall of oil prices from \$120 per barrel to less than \$50 in the early 2015 along with the continuing decline in worldwide oil consumption..."

In Uganda's prospective oil market, investors have expressed that they are not likely to build a pricey heated pipeline to Kenya her neighbour if the returns on investment do not reflect good profits. The Minerals and Energy Development Minister in Uganda in an interview on the investment situation in Uganda expressed that strong legal frameworks must be adopted to manage the oil resources of the country before exposing them on the market. In addition to that, this will avoid the global price from recoiling. The minister also expressed that the country ought to focus on scaling down the offshore dependency syndrome.

##### 5.1.2 Foreign policy perspective

The great diplomat and philosopher, Niccolo Machiavelli once noted that;

*"It is impossible for a republic to remain long in her quiet enjoyment of freedom within her limited confines; for even if she does not molest others, others will molest her, and from being this molested will spring the desire and necessity of conquest, and even if she has no foreign foes, she will find domestic enemies amongst her own citizens."*

(Niccolo Machiavelli, 1531)

In pursuit of access to oil, Uganda cannot attempt to devise a "quiet enjoyment" approach because, inevitably she is bound to indulge other states for passage, market, investment and financing as well as expertise.

Given the fact that Uganda is still and most likely will remain land locked, maintaining a trade route to the Indian Ocean has always been among Uganda's primary foreign policy objectives since the colonial times. It is for this reason therefore that the construction of the 660 miles long Uganda railway between 1896 and 1901 was a first project that the British

imperial East African Company embarked on. This has historically made relations with Kenya of major significance to Uganda as a foreign concern.

With oil discoveries in Kenya and presence of gas resources in Tanzania, and South Sudan's joining of the East African community, while giving particular importance to the latter's active oil production, Uganda continues to face the task of prioritizing and having high regard to its foreign policy in exploiting its oil resources. This has been evidenced in respect to East African Community member states expressing the need to have joint infrastructural development projects such as oil pipelines, refineries, among others.

There is the ideological and diplomatic divide between the west (especially the US and the UK), and the East (especially China and Russia) in terms of their interests in access to oil and gas. Uganda therefore ought to systematically exercise prudence while choosing which of the major foreign powers it should align with in the promising oil industry because this will have a bearing on the success of Uganda's oil sector.

## **5.2 Recommendations of the Study**

### **5.2.1 The Geographical Location of Uganda**

Uganda's Geo-strategic location being at the heart of the East African Community and as a Member state with all the other East African countries most of which have in the recent years had new oil discoveries, positions her to play an important coordinating role in so far as Infrastructure development is concerned. Uganda's oil and gas infrastructure such as the planned Oil refinery and the pipelines reflect that they will cause a regional impact. In fact, the East African Community Council of Ministers has named the Hoima - Tanga Oil pipeline as the "East African Community Crude Oil Pipeline", a name that shows the regional nature of the infrastructure being a positive contributor for the growth of its oil.

### **5.2.2 The Small Quantity of Oil the Reserves**

Over the years, Uganda has registered a high drilling success rate where by 85 per cent of all drilled wells are found to have oil in them. However, the amount of oil reserves so far confirmed stands at 6.5 billion barrels of Oil, of which 1.4 - 1.7 billion barrels which recoverable.

Compared to Nigeria, or Angola, or the OPEC member states that have influence in setting the oil price, Uganda's oil is little in quantity to influence oil the sector at International Level.

The country therefore has to unfortunately be set to follow the prices that are set by oil majors and other countries that have more reserves to influence the forces of oil demand and supply. This therefore calls for Uganda to start managing expectations especially from the nations in to avoid conflict as a result of unrealized expectations from citizens.

### **5.2.3 The Regional Influence**

Uganda's role in keeping peace and security on the African continent is unmatched. This is true considering it has troops in more than four countries across Africa and also a hub to refugees from all across the great lakes region. Its worthy noting that the EAC and the Great Lakes Region of Africa are very prone to civil war and conflict some these conflicts of have been strongly connected to the quest for natural resources. A case in point is presence of gold in DRC and the conflict attached to it, oil in South Sudan and Somalia among other examples.

The Somali's Al Shabab Terrorist group is one of the security threats that influenced Uganda's decision not to take the oil pipeline through Kenya. Just as politics and economics are important exploitation of oil, it is recommended that Uganda puts emphasis on regional peace and security in the exploitation of Oil.

### **5.2.4 Trans-boundary natural resources and environmental concerns.**

The other finding is that environmental concerns about shared natural resources and physical features in Uganda an issue that ought to be paid attention due to the its impact on relations with other countries with which Uganda shares the resource. There has already been tension between Uganda and the DRC over oil exploration in the Lake Albert Basin. The River Nile is another natural resource that many countries downstream would be affected if Ugandan oil polluted the river. These concerns coupled with the global campaign for clean energy and sustainable development, it's recommended that Uganda considers environmentally friendly exploitation not just for domestic but also on foreign relations grounds.

### **5.2.4 Uganda's Oil and Gas Policy**

The Uganda National Oil and Gas Policy that was made in 2008 emphasize the importance of having regard to the impact oil on relations with neighbouring countries. For the Democratic Republic of Congo with which Uganda has shared oil reserves, there have always been

efforts for cross-border Corporation. The two countries thus have an agreement of corporation for the exploration of hydrocarbons and exploitation of common fields and intend to use unitization method to share the oil fields that fall along the borders.

#### **5.4.5 Corruption and Political Instability**

Uganda has had a history of civil and political instability to the extent that in the over 50 years of independence, the country has never had a peaceful transition of power from one president to another.

It is been found that countries which depend on revenues from natural resources are always predisposed to being less democratic. Uganda's political instability coupled with the fact that the country is internationally ranked as one of the most corrupt countries in the world threatens good governance of the country and natural resources as well. The absence of good governance and democratic principles have had far reaching foreign policy implications on some oil producing countries which in turn attract sanctions for some countries.

It is therefore recommended that Uganda addresses political stability, transparency and accountability for the beneficial and sustainable exploitation of its oil. 8. Influence of the Western and Eastern super powers

The world today is propelled by oil, and this makes oil production of great importance to the world super powers (The US and China) if they are to maintain the economic dominance across the world. Africa has since become the new frontier for this war, and Uganda has aligned more with China which also has developments in many African Countries. This was proved by the issuance of an oil production License for CNOOC in 2013 whereas three years down the road, Total E & P, and Tullow both French and British oil companies continue to plead with government of Oil.

In terms of contracting firms for infrastructure development, Uganda contracted a Russian Company RT Global Resources for the Oil refinery; a deal that went sour with the withdrawal of the company from project, a year down the road. It has also been noted that no American Company has set foot in Uganda's oil industry yet.

And finally, it is recommended therefore that Uganda plays a balancing act of dealing with China, Russia or South Korea, without compromising its ties with western powers especially the US who is the major development partner to Uganda.

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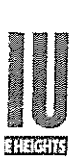
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**COLLEGE OF HUMANITIES AND SOCIAL SCIENCES  
DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES**

June .10.2019

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

**RE: INTRODUCTION LETTER FOR NTALO JOHN**  
**REG NO. 1163-06014-05577**

The above mentioned candidate is a bonafide student of Kampala International University pursuing a Bachelor's Degree in International Relations and Diplomatic Studies

He is currently conducting a field research for his dissertation entitled, **"The Geopolitics of Access to Oil Resources: The Case of Uganda"**

Your organization has been identified as a valuable source of information pertaining to his Research Project. The purpose of this letter then is to request you to accept and avail him with the pertinent information he may need.

Any data shared with him will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours faithfully,

Gerald Muzaare

**HOD, Political and Administrative Studies**