

**EVALUATING THE EFFICACY OF
UGANDA'S INSTITUTIONAL & LEGAL
FRAMEWORK ON DECOMMISSIONING
IN THE OIL AND GAS SECTOR.**

Study undertaken by:

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What did we do?

- Undertook evaluation of efficacy of Uganda's:
 - Institutional & legal framework on decommissioning in the oil & gas sector located in the L. Albert basin (*7th Largest Lake in Africa*) surrounded by a fragile ecosystem:
 - **Water bodies, national parks, Forest Reserves, indigenous/local communities etc.**

Why we did it?

- We noted that while the nascent oil & gas industry promises great financial & economic dividends in excess of US\$ 50 billion with lots of jobs, the resource would reach its economic limit in 25 years or even much less time.
- However, it would leave there environmental concerns during the time of oil production and even more at the end of commercial exploitation of the oil field.
- The study focused on institutional and legal provisions for Decommissioning when production of oil & gas would cease for whatever reason.

Why we did it...

- We analyzed the relevant provisions of the government policy, the law & Institutions for Decommissioning
 - National Oil & Gas Policy, 2008
 - Petroleum (Exploration, Development & Production) Act, 2013
 - Legal framework establishing the Petroleum Authority of Uganda
- Decommissioning refers the removal of the installations and platforms used in the oil and gas production to eliminate possible environmental hazards—it can be very costly in many ways, financially & environmentally

How did we do it?

- ❑ Studied international academic literature on decommissioning of oil and gas installations
- ❑ Examined the laws that govern the Oil and gas sector in Uganda.
- ❑ Undertook comparison of laws with other jurisdictions/countries concerning decommissioning in the oil & gas sector.

How did we do it?

- ❑ Undertook key informant interviews with Ministry of Energy & Mineral Development of Uganda, the mother ministry for oil & gas.
- ❑ The Ministry of Finance, Planning and Economic Development officials including Petroleum Authority of Uganda.
- ❑ Central Bank/Bank of Uganda (BoU) Officials.
- ❑ The study also centered on the people living around the areas affected by the operations of the oil and gas fields.

What did we found out?

- ❑ First, Uganda's oil and gas rules are well-defined covering Upstream, midstream, and downstream production including decommissioning
- ❑ Second, the laws controlling oil & gas include the Constitution of Republic of Uganda,
- ❑ The parliament & relevant ministers as empowered by the Constitution have enacted a slew of laws & regulations to oversee the sector's functioning.
- ❑ Appropriate Institutions have been established

What did we found out?...

- ❑ Decommissioning in the laws is delegated to licensees in the following ways:
 - ❑ Draw decommissioning plans
 - ❑ Provide decommissioning funds when 50% of oil reserves are left or 5 years to the expiry of licensee/contract or
 - ❑ One year to issuance of notice to surrender before expiry of license
 - ❑ Existing production agreements/licenses are not easily accessible for public scrutiny

What did we found out?...

- ❑ Powers over licensee are mainly vested to the Minister of Energy & Minerals
- ❑ The Uganda Petroleum Authority administers the licensee & advises the Minister
- ❑ The risk to Government failing to extract adequate funding for decommissioning is very high given the law as it stands
- ❑ Many stakeholders expressed weary over corruption, lack of transparency & the industry becoming a curse

Recommendations

- ❑ Amending the Act by Strengthening provisions on the decommissioning fund by introducing detailed guidelines for establishment, management, and oversight. Clearly define regular contributions, impose penalties for non-compliance and a requirement for audits with public disclosure.
- ❑ Enhance section 109 of the Act to require more details of the decommissioning plans to specify times, benchmarks for each phase, detailed social and environmental mitigation measures, third party verification before plans approval and mechanisms for stake holder consultation and community input.
- ❑ Enhance regulatory oversight within petroleum authority of Uganda and make provisions to require licensees to submit progress reports on decommissions obligations, regular site inspection and monitoring activities during and after decommissioning and empower PAU to enforce penalties.

Recommendations....

- ❑ Enhance section 117 to make provisions for environmental safe guards requiring mandatory environmental audits before and after decommissioning, establish strict benchmarks for biodiversity restoration and implement penalties.
- ❑ Promote transparency and engagement through disclosure of decommissioning plans, fund contributions and audit results.
- ❑ To enhance the effectiveness of the Inspectorate of Government (IG) in overseeing Uganda's oil and gas sector, Building technical expertise in the oil and sector to equip the IG to handle complex corruption cases effectively..