DEEP earth

OIL AND GAS

Oranto to have majority stake in Ngassa oil well

Oranto Petroleum Limited is currently negotiating with government for an exploration license for the Ngassa oil well, a couple of months after the company noted it was not comfortable with Uganda's decision to award an equal stake in the well with fellow Nigerian firm, Niger Delta Petroleum Resources, our sources have told us.

In pushing out Niger Delta, Oranto has executed its first major boardroom coup and made a statement of intent of its plans in Uganda.

In August, the Uganda government, in completing the country's first competitive round for oil blocks, awarded equal exploration rights over the deep Ngassa oil well, which is located on the banks of Lake Albert, to both Oranto and Niger Delta. However, Oranto protested on grounds that Niger Delta did not have the financial resources to invest in the exploration of the well.

According to our sources, the Uganda government wrote to both companies, assuring them that it had reconsidered its position and agreed to an 80 per cent to 20 per cent stake in favour of Oranto. The government asked both companies to make comments over this change in ownership. However, we have been told that Niger Delta did not respond to the changes within the agreed time frame, prompting government to consider awarding full ownership of the license to the Ngassa well to Oranto.

Oranto and the Uganda government are expected to sign an agreement by the second week.

The Ngassa oil well is said to have as much potential as the giant Kingfisher field that holds more than 500 million barrels of oil.

Oranto's vast experience - it holds licenses in Nigeria, Ivory Coast and Namibia - is no match for Niger Delta.

In late July, Niger Delta Exploration & Production Plc, the parent company of Niger Delta Petroleum Resources, announced that a funding exercise that started in 2013, where the company sourced for $80 million from the issuance of convertible loan notes, had been completed.

The Ngassa oil well requires substantial amounts of investment. Tullow Oil, the previous holder of the license over the well, wrote off an exploration bill of $67 million in 2014 after the company conceded that any further investment would not make business sense.

At one point, Tullow Oil described the Ngassa well as one that had "the potential to be the largest oil field in the basin..."

The Ngassa-2 is a deviated well with a total depth of 3,392 metres beneath Lake Albert. The well has the features of the Kingfisher, which is operated by Chinese firm Cnooc.

Land acquisition takes shape as talks over oil pipeline intensify

Throughout the month of November, the ministry of Energy and Mineral Development, together with the three main oil companies – Total E&P, Tullow Oil and Cnooc - held numerous consultations over the draft Land Acquisition and Resettlement Framework as Uganda tries to have a clearer plan on acquiring land for oil-related infrastructure and managing expectation.

The framework is expected to offer ways of avoiding some of the pitfalls that government found itself in while acquiring land for the refinery. Throughout the process of acquiring land for the refinery, speculators bought land on the cheap and sold it on the high; identification of the tenants was problematic; the valuation of the land was disputed; while some people hated the areas they were relocated to.

Some of the sections of the report are expected to borrow from a set of guidance documents on land acquisition that British firm, Montrose, drew up for one of the oil companies last year.

The draft framework will be the first time that the three oil companies have undertaken a joint land acquisition plan even though their areas of operation have distinct features. Access to land for different oil-related infrastructure such as central processing facilities, internal pipelines, terminals, among others, is seen as one of the most contentious issue that oil companies have to deal with.

A number of civil society organizations like Global Rights Alert have already raised their concerns over the draft framework to the oil companies, with one of their key concerns being how the acquisition of customary land will be done.

"The peculiarities of customary tenure compared to other tenures require that special tools/procedures need to be adopted in its acquisition to mitigate or avoid human rights violations that may result from treating the customary as if it was just like the other tenures with more registered rights and interests," the civil society writes in its joint submission.

The Land Acquisition and Resettlement Framework comes after government has identified the route for a 1,445km long and 24-inch diameter heated crude export pipeline to the Tanzanian port of Tanga. Tanzania is yet to finalise with its route though.

On December 1, the governments of Uganda and Tanzania awarded a contract for the Front End Engineering Design, with the study expected by December 2017. Different committees comprising government officials of Uganda and Tanzania meet every four months to assess the progress of the project.

Uganda and Tanzania are currently negotiating an intergovernmental agreement that will be scrutinised by Parliament. The two governments are also holding discussions over a harmonised fiscal regime.

Uganda starts new search for refinery investor

Government has received interest from more than 25 companies willing to partner with it in developing a refinery, Parliament heard recently.

The government said it intends to choose a partner with whom it can share the cost of putting up a $4 billion refinery by June 2017.

Kenya confirmed that it will take a 2.5 per cent stake in the refinery, while Tanzania is considering a shareholding of eight per cent.

Our sources say French firm Total E&P is also mulling over the idea of taking up a stake in the refinery, with some saying as much as 10 per cent.

Speculation that Chinese firm Cnooc could also invest in the refinery are unfounded with our industry sources telling us they are not interested.

One of the sticky points that investors will negotiate for is a guarantee of crude oil supplies to the refinery as the other oil companies push for oil resources for the pipeline.

Karuma completes excavations as steel, cement firms eye deals

In the first week of December, China's Sinohydro Corporation Limited, together with a team of experts and supervisions, will carry out durability test runs, to determine whether cracks will reappear in some of the structures it has built at the Karuma hydropower project. The test runs could last a week or more.

The power dam contractors have received a lot of criticism for the cracks that appeared at the dam, which, according to investigations, were partly a result of the high temperatures within the mixture of cement.

Wang Yantao, the executive vice president for Sinohydro in East and Southern Africa, has been in Uganda for more than a month, and has promised to stay around until the cracks have been dealt with and the project resumes on the right course.

In late November, officials of the Uganda Electricity Generation Company Limited, the supervisors of the $1.7 billion Karuma HPP, met with managers of Roofings to brainstorm on how Ugandan-made products can be supplied towards the construction of the 600MW power plant.

Roofings Limited, the largest producer of steel in Uganda, will have to find ways of reducing its prices in order to supply products to Karuma hydro power project.

Nearly all the steel at the project site was imported from China, where the price remains lower compared to that on the local market.

According to Albert Byaruhanga, the project manager of Karuma hydro power project, a tonne of steel from China is cheaper by $100.

Roofings officials said at that meeting that they were ready to have their products subjected to any quality test. It's the price and fluctuations in the foreign exchange market that remain a challenge for Roofings Limited.

Another meeting was held at State House Entebbe, also in November, to discuss the issue of other local materials being supplied towards the Standard Gauge Railway and the Karuma HPP. The meeting had trouble coming up with what defines 'local content' and whether every company operating within the East African Community should be given opportunity in the spirit of integration.

Already, Hima Cement Limited, Tororo Cement Limited and Kampala Cement Limited have been cleared to supply cement to Karuma HPP after Savannah Cement of Kenya was stripped of its monopoly of being the only supplier of cement.

Construction of Karuma HPP, which is about 40 per cent complete, is set to embark on the next stage of concreting – where cement will be needed – after excavation works, which had a 26km tunnelling, were completed. The project is set for commissioning in December 2018.

ERA courts consumers as release of annual tariff draws closer

The Electricity Regulatory Authority spent much of November on a charm offensive of different consumers of power as it prepared for a showdown of public debate on the tariffs – a key component in calculating the cost of production.

ERA met players from the manufacturing sector, and members of the Uganda National Chamber of Commerce and Industry, explaining why the tariff is set in the manner in which it is.

ERA is about to announce the annual tariff review for 2017, with the number set to go up to mainly reflect the movement in the exchange rate. As an example of how the United States dollar has moved against the Uganda shilling, ERA used a rate of Shs 3,375 when it determined the retail tariff for the fourth quarter of 2016. However, halfway through the quarter, the shilling was trading at 3,557, depreciating more than Shs 180.

At least 85 per cent of the overall costs in the energy sector are priced in dollars. Also, save for Kilembe Mines Limited, all the power purchase agreements are priced in dollars. Power purchase costs contribute at least 60 per cent to the overall tariff, according to ERA figures. The Power Purchase Agreement for Eskom, a power generator, is priced in shillings although it is adjusted based on the movement of the dollar.

ERA is trying to deal with the tariff through a number of strategies. For example, the regulatory body had a meeting with local manufacturers and offered them an olive branch to supply materials to the energy industry provided they meet the standards. At that meeting, which happened in November, the manufacturers said they were ready to supply the industry with materials, such as cables for example, and were confident they could match the price.

The African Development Bank and the EU-Africa Infrastructure Fund, under the Uganda Rural Electricity Access Project, have also offered money to the Uganda government, part of which will be used to pay for consultancy services for 'Cost of Service and Affordability of Tariff Studies.' ERA says: "The overall objective of the assignment is to develop an economic regulation framework that ensures financial sustainability of distribution companies in consideration of affordability of the electricity tariffs."

Like Kenya, the debate around a shift from feed-in tariffs, which are inbuilt in the project cost, to competitive auctions has gained traction. There have been discussions on whether Uganda should move to a tendering process, where they invite different firms to bid for a project mainly based on the lowest tariff they can execute the job, away from the inbuilt feed-in tariff that investors demand.

Already, Uganda uses the competitive auction for the solar industry. However, the country is yet to come up with a definite position on whether it can scrap feed-in tariffs.

Parliament approves $11.3m Kuwait power distribution loan

Parliament has okayed government's proposal to borrow up to $11.32 million from the Kuwait Fund for Arab Economic Development to finance the construction of the 33kV and 11kV power distribution lines in the six districts of Kiryadongo, Kibaale, Nebbi, Bushenyi, Kasese and Rukungiri.

Members of Parliament on the committee on the national economy went on a field visit to Kiryadongo to assess the viability of the project. In November, the MPs released a report that called for "speedy fulfilment of effectiveness conditions of the financing agreement of this loan in order for the committed funds to be released by the Kuwait Fund on time..."

The distribution line will cover 285km (of which 25km is 11kV and 260km 33kV) in the six districts.

The Kuwaiti loan is non-concessional, and is priced at a fixed interest rate of 1.5 per cent per annum disbursed. The money from Kuwait will cover 71 per cent of the total project cost, while the government of Uganda will come up with the balance.

Black Mountain makes first Uganda vermiculite sale

Less than a year after it took over the vermiculite mine in eastern Uganda, Black Mountain Resources Limited has produced its first saleable product, the company recently announced.

The production of the first batch of vermiculite is not expected to dramatically change the outlook of the amount of mineral resource simply because there has been insufficient exploration in the past.

Black Mountain said the sale of the vermiculite comes at a time when the company has activated its investment plan. The Australian firm intends to spend just over $3 million in the first phase at Namekara. The largest amount of this investment will go towards the upgrade of the processing plant. The aim here is to increase efficiency and reduce fuel consumption.

The company said its key secured debt providers, Seefeld Investment Limited and Tychee Investments Limited, confirmed they would support the investment plan at Namekara by allowing it to continue making further drawings of undrawn loan funds available under their facilities.

Black Mountain is confident that the investment will boost demand for the vermiculite at Namekara. The company says demand for vermiculite is growing at 0.75Mt per year for all sizes, although the large flakes of vermiculite at Namekara make it of high quality. Vermiculite is crucial in the agricultural industry as it is used in fertilisers. Many governments are trying to improve their crop yields to feed a growing population. Most of the customers are in Europe, Japan, China and Australia.

Still, Black Mountain is not yet certain how much vermiculite is at Namekara because previous holders of the mining license did not divulge much. For example, in June 2008, Rio Tinto, which then managed the mines, completed an internal mineral estimate. Just over a year later, on July 23, 2009, Gulf Resources, which had taken over the mines, undertook its own studies, although the results were never made public.

In February 2016, Black Mountain Resources bought the mining rights from Gulf Resources. The acquisition was completed in late October.

Sipa confirms large mineral system in Kitgum-Pader base

There are more metals in Kitgum than earlier thought, according to a recently-completed drilling programme by Sipa Resources Limited, the largest mining company in the area.

Sipa recently announced that its drilling programme had confirmed a large mineralised system.

"Sipa Resources Limited is pleased to advise that recently-completed drilling at the Akelikongo nickel-copper prospect, part of its Kitgum Pader Base Metal Project in Uganda, has successfully extended the previously-identified zone of massive sulphides down-plunge, expanding the footprint of the discovery and confirming the presence of a large mineralised system," the company said in a statement.

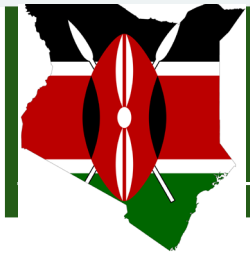
The results of the drilling programme, according to Sipa, show that "the presence of economic grades of nickel and copper within a system of this scale and fertility is an important development which elevates and strengthens the potential of this system."

Sipa's managing director, Lynda Burnett, said "the recent drill program represented an important turning point in the evolution of the Akelikongo discovery, advancing the project at a number of important levels."

Sipa holds more than 6,000sq km of exploration tenements in northern Uganda, with its main targets being Akelikongo, with its potential for nickel and copper, and the Pamwa hill that has a zinc, lead and silver system.

In a progress report that the company issued recently, it said: "An independent review of the Akelikongo mineralisation and exploration model, commissioned by Sipa and conducted by CSA Global Pty Ltd, has provided strong affirmation regarding Sipa's exploration approach at Akelikongo. A key conclusion of the review was that the nickel tenor is of good quality and should be pivotal in the further discovery of massive sulphide material."

It is still not clear how much mineral quantities are in the area.



KENYA

Civil works heighten as Kenya plans to move crude oil by road

A number of tenders to prepare Kenya for its first export of crude oil by June 2017 are being issued.

In what it terms as an Early Oil Pilot Scheme, East Africa's largest economy looks to move crude oil in trucks from the Lokichar basin in the northern region of Turkana to the south-eastern port of Mombasa, more than 400km away.

Kenya Petroleum Refineries Limited (KPRL) in Mombasa – where the oil will be stored and then exported from – is busy refurbishing its facilities, with the company recently calling for bids for civil works.

The civil works include the widening of a road that will accommodate parking space for two trucks that will offload crude oil, putting in place pump foundations and fire fighting structures.

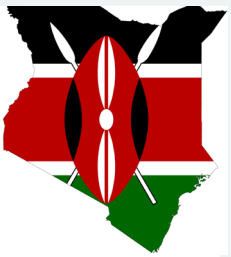
KPRL says it is only willing to issue tenders to companies that can show experience of working in large oil and gas installations. The company says it will award the contract in the week after December 19, and thereafter expect the works to be completed within eight weeks.

KPRL has already requested EMC Corporation and SGS Kenya Limited to undertake an environmental and social impact study as the company prepares to receive the crude oil.

Also, Kenya has embarked on road works along the Turkana – Mombasa route. The Kenya National Highways Authority launched the Eldoret – Kitale – Lokichar – Amosing road in June this year and awarded seven separate contracts for rehabilitation and reconstruction works. Through its Early Oil Pilot Scheme, Kenya intends to at least produce 2,000 barrels of oil per day by June 2017, depending on the contracts that the oil firms will have signed with government and county chiefs. The scheme is expected to run for two years until mid-2019, with the oil moving in heated tanks on the trucks. Kenya oil is said to have the same features as Uganda's with the crude solidifying quickly.

In 2019, Kenya is expected to switch to a crude oil export pipeline from Turkana to the port of Lamu. Some of the oil on this pipeline will come from South Sudan, with whom Kenya will share the cost of building the pipeline.

UK firm Tullow Oil, together with its partners, Africa Oil and Maersk, have discovered just over 750 million barrels of oil in the South Lokichar basin, with further exploration still ongoing.



Kenya to scrap electricity feed-in tariffs

Eight years after it introduced the feed-in tariff as a bait to attract investors into the renewable power sector, Kenya has taken its boldest attempt yet to scrap the policy. The country's ministry of Energy and Petroleum has created a task force to look into the power purchase agreements that independent power producers signed with government, and assess whether amendments can be made in the tariffs agreed.

The ministry noted in the statement that the review from this taskforce "is not only confined to the existing Power Purchase Agreements, but will also include review of tariffs for ongoing negotiations between Kenya Power and Lighting Company and independent power producers including feed-in tariffs projects."

For emphasis, the ministry says it "has suspended further processing of expression of interest under the feed-in tariffs policy until the task force finalizes its work." The task force is assessing negotiations that government has entered into with independent power producers in the solar, wind and biomass energies, which total about 3,600MW. The target here is mainly power producers seeking to build plants with a capacity of less than 10MW though. The task force has until December 31, 2016 to submit their report.

The feed-in-tariff is a more predictable and inbuilt tariff that investors seek before they can commit funds to a project. A feed-in-tariff offers more clarity and acts as a security that an investment in a project will generate the return that an investor would have predicted at the inception stage.

However, there have been complaints in Kenya that the feed-in tariff is one of the main reasons as to why the country is paying high power tariffs, which have partly made their businesses uncompetitive. Top country officials also say that the price of technology and equipment needed to undertake power projects has reduced drastically and, therefore, it was unfair for Kenyans to pay a standard tariff that did not reflect the drop in the costs of production.

It is partly as a result of these factors that the feed-in tariffs have been revised three times since they were introduced in 2008, creating uncertainty in a sector where predictability is critical for such long-term investments.

Kenya, according to different reports, is now looking to shifting to competitive auctions, where investors will now bid on who can execute a power project at the lowest tariff. The government will offer a clearer work plan on how it intends to undertake competitive auctions after assessing the recommendations from the task force.

China spurs ilmenite exports from Kwale

Australian firm Base Resources recently announced an increase in the shipments of one of its key minerals, the ilmenite, over the five months from June 2016 as customers from China, where the mining company has a strong presence, ordered for more of the product.

In a statement, Keith Spence, the non-executive chairman of Base Resources, said: "After three years of consistently declining prices for our products, we are now seeing strong signs of the ilmenite and rutile markets returning to balance with excess inventories having been substantially worked down. We have now seen prices for our ilmenite improve from the lows in the June 2016 quarter by around 90% for deliveries in December 2016."

Base Resources, which, in late 2013, started operations in Kenya at the Kwale mines, says it is the single largest importer of ilmenite into China.

Ilmenite is used as a colour pigment in the manufacturing of flooring materials, cosmetics and pharmaceuticals, among others.

TANZANIA

Swala seeks market confidence amid financial troubles

Swala Oil and Gas used its November annual general meeting to reassure the market that it still had a bright future ahead of it regardless of a spiteful court dispute with one of its partners, Otto Energy, and a breakdown in relationship with another partner, Tata Petrodyne.

The company, in one of its most-challenging years, said it had applied to the Tanzanian government for a license extension to allow it drill a couple of wells in 2017 even as its partners show no signs of being part of those plans. The company says it is ready to execute the 2017 drilling programme on its own if need be.

The junior firm also added that it has decided to take up a license in Burundi, partly because a crude oil export pipeline between Uganda and Tanzania meant nearby Burundi could exploit that infrastructure.

Swala has already contacted Exotix, an investment bank based in London, to source for $120 million to "acquire an interest in a producing asset" and called for financial firms in Tanzania to participate in the transaction.

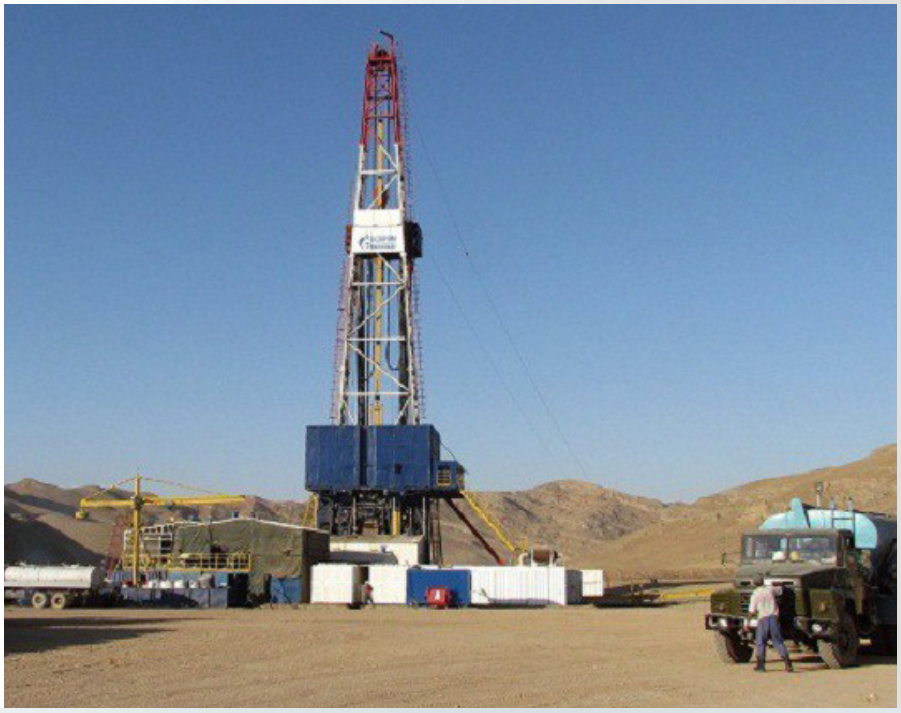
It is the company's troubles in Tanzania that could break its back, though. Swala holds a 50 per cent equal shareholding with Otto Energy in the oil and gas Kilosa-Kilombero license. The two Australian firms used to hold an equal shareholding in the Pangani license but relinquished it to the Tanzanian government earlier this year after it proved to be commercially-unviable.

However, disagreements on the financing and the drilling programme have ravaged the relationship between Swala and Otto, with the dispute now before a court in Australia.

The dispute over the financing - depending on who you want to believe - stems from a farm-down of the Pangani license to Tata Petrodyne Limited for $5.7 million in late 2015. Swala says it managed the farm-down and that Otto owes it a balance of $160,000 from that process. Otto, on the other hand, says the directors of Swala arm-twisted the board into transferring funds from the farm-down, part of which was supposed to be remitted to its account. Swala denies this accusation.

Also, Swala says Otto and Tata requested that the drilling programme of 2016 be pushed to 2017. Swala declined, and added that the two owe it money for not committing funds to the activities that took place in 2016.

Swala says its two partners have acted in bad faith and, therefore, the joint venture remains risky.



General Electric gets Mbeya coal contract

General Electric will supply equipment to the Mbeya Coal to Power project after signing an agreement with Kibo Mining Plc to pull off a project that is at the centre of Tanzania's coal industry.

The process to have GE supply the equipment has been made easier with Kibo receiving a draft of a financial model for the Mbeya Coal to Power project (MCPP) from its advisors ABSA/Barclays.

Tractebel Engineering, which was contracted by Kibo Mining, chose GE after the company proved it can match international standards.

Kibo Mining Plc is still waiting for a bankable feasibility study that will show the commercial value of the project. The company has already submitted an application for a mining right over the Mbeya coal mine to Tanzanian authorities.

Kibo says that by the end of December "the MCPP will be fully-prepared and ready to transition into full funding mode, provided that the government of Tanzania has by then completed the policy review process pertaining to energy projects, which will allow the MCPP to proceed with the conclusion of a power purchase agreement for the MCPP."

In early 2015, the government of Tanzania released the National Energy Policy that, among other objectives, sought to improve the supply of clean renewable energies, promote cross-border electricity trade, and put in place a fair pricing mechanism.

Tanzania reviews energy proposals for UK, Sweden financing window

The Rural Energy Agency is reviewing a couple of proposals for grants needed to build renewable energy projects of not more than 10MW after it opened a new co-financing window with European development partners as part of a plan to light up more than 120,000 households.

The agency says a "Results Based Financing (RBF) approach will be used where capital grant incentives will be offered to Green Mini and Micro Grid service providers with realistic business plans..."

It added: "The private sector financing window will be used strategically to incentivize scale-oriented investors to enter the rural electrification area and/or to expand ongoing electrification activities into less-served, more remote off-grid areas of the country for economic and social development purposes."

Tanzanian authorities are looking to boost renewable energy output using sources such as solar, wind, and biomass.

The Swedish and the UK governments are supporting this initiative with a $67 million package. According to the strategy, the minimum amount that a project will receive under this arrangement will be $1,500, while the maximum amount will amount to 75 per cent of total investment cost for isolated grids and 75 per cent of total investment in the distribution network for grid-connected mini-grids.

PEOPLE TO WATCH

Ziria Tibalwa Waako

As a former head of the technical department of the Electricity Regulatory Authority, Eng Ziria Tibalwa Waako understands quite well one of the most contentious issues in the sector – the power tariff. Perhaps her most important assignment as the new acting chief executive officer of the Electricity Regulatory Authority will be to navigate the emotional tensions that the increase of power tariffs evokes, especially right now as many companies feel the brunt of a slowdown in the economy and the depreciation of the shilling to the dollar. Tibalwa, quite a cordial person but firm in her beliefs, will remain in acting capacity until June 2017.

Stephen Isabalija

The fight on who supervises the Karuma power dam and the Isimba dam was short and brutal. By the time the fight over the two projects – with a combined value of just over $2 billion – drew to its climax, the public was shocked to learn that there were cracks at Karuma dam even before the project was halfway done; three long-serving commissioners in the ministry of energy had been sacked as a result of the scandal; and local cement players were given a chance to supply products to the projects. Isabalija was one of the architects in the struggle for UEGCL to get full supervisory powers.

He is expected to use his new appointment as permanent secretary in the ministry of energy to put in place systems that will oversee the next stage of Uganda's oil industry as the old players embark on the production stage amid new exploration.

Eng. Proscovia Margaret Njuki

The ministry of Finance, Planning and Economic Development is likely to appoint Eng. Proscovia Margaret Njuki as the chairperson of the Uganda Electricity Generation Company Limited. Njuki, an electrical engineer and a member of the board at UEGCL, is a strong candidate for the position even as squabbles over the position crop up at the ministry.

An ambitious campaign to have Frank Katusiime, the former chairman of the Uganda Electricity Transmission Company Limited, appears to have failed after it left an embarrassing trail of what looked like forged appointment letters.

In Njuki, UEGCL will get someone who professes her faith of born-again Christianity to the core. She is the first female engineering graduate in Uganda and has been in the public service long enough to know how things are run.

FINISH LINE

Changes within Uganda's energy sector – both on the human resource and policy level – point to a shift in mindset. The change of guard at Uganda's ministry of Energy, where Stephen Isabalija replaced Fred Kabagambe-Kaliisa as the permanent secretary at the ministry, was the most pronounced.

As the former chairperson of the Uganda Electricity Generation Company Limited, Stephen Isabalija may lack the institutional memory of the energy sector, which might be a critical component for such a technical position, but has a strong management style that tends to influence strategy. He proved this when he played a critical role in government handing full supervisory powers to UEGCL for the 600MW Karuma power plant and 183MW Isimba plant in October. We suspect that Isabalija will go for an approach that requires the creation of strong systems at the ministry, away from the 800-pound gorilla stature that Kabagambe-Kaliisa had.

Dr. Benon Mutambi's transfer from the top position at the Electricity Regulatory Authority to the position of permanent secretary in the ministry of Internal Affairs denies the industry a knowledgeable technocrat who had built a strong team. However, Mutambi left ERA in the safe pair of hands of Eng Ziria Tibalwa Waako, the former director of the Technical Regulation department.

On the policy front, we are seeing a shift in the interpretation of tariffs. Kenya's decision to move away from the feed-in tariff to competitive tenders follows Uganda's decision to steer clear of this policy within the solar industry.

Tanzania is also undertaking the same. Through its Public Private Partnership (Amendment Act) 2014, it requires all solicited and unsolicited bids for energy projects to go through competitive bidding process as it seeks an efficient and effective energy pricing system.

These policy changes target small energy projects of roughly 10MW and below, and we suspect this will attract more investors with technologically-efficient systems to place in bids.

In the extractives and oil and gas sectors, a number of companies have been releasing their annual financial statements. Many of them reflect a tough 2016 although the rebound in some commodity prices and crude oil prices shows that the future will be better. A rebound in the oil prices should create some renewed optimism and attract more investments in the sector.

The late November clashes in Kasese district, which led to the death of more than 50 people dead in a two-day bloodbath, and thereafter the imprisonment of the region's king, are the latest political tension that we are tracking.

There are two important mining investments in the region – Hima Cement and Tibet Hima's copper project. However, we feel that the allegations of rebel activity in the region are being blown out of promotion. We expect the security situation to return to normal. However, we are worried about the international ramifications from the Kasese operation on the ruling government. Such ramifications could change the outlook for investors eying the region.

You can follow us on:

@DeepEarthInt ***Deep Earth International*** ***jeffmbanga @gmail.com, amugenyi@gmail.com***

Website: www.deepearthint.com ***Design & Layout: kabuyemoses4@gmail.com***