UGANDA: Oil profit margins not as high

KENYA: Tullow postpones oil plan

TANZANIA: Marula Plc starts work at Kinusi

RWANDA: Cabinet approves $83m loan

DR CONGO: Trafigura in $600m financing

DEEP earth

EXECUTIVE SUMMARY

Dear reader

Welcome to the November edition of the wrapper. In this edition we are happy to add the Democratic Republic of the Congo to the countries we cover. While the security situation in the DR Congo is a risk that investors price in their capital investments, there is no doubt about the wealth of opportunities in Africa's second largest country.

To kick off this edition, we look at the oil and gas sector in Uganda, where work in the fields is being ramped up. We look at what is going on at TotalEnergies' Tilenga oil field and the construction of the central processing facility.

The liquefied petroleum gas industry continues to attract more attention from government, which is why the Uganda National Oil Company (UNOC) is seriously pushing to have a wider footprint there. We look at the plans that UNOC has in place to ensure that its presence in the LPG market is adequately felt.

Blencowe Resources Plc's progress at its Orom-Cross graphite project in northern Uganda keeps getting exciting. The company is not only undertaking a study that will guide the financing of the project, but it is also talking to Chinese investors that want to act as off-takers of the product. There might be a legal barrier, though, as Uganda sticks to its ban against the exportation of unprocessed minerals.

In the electricity industry, we look at Uganda's plans of building a transmission line from Kasese into eastern DR Congo and what that means for the region.

In our Boardroom Talk, we chat with Jeff Baitwa, a seasoned businessman in Uganda's logistics industry. Baitwa, whose company – Threeways Shipping Services Limited – has won a huge contract in Uganda's oil industry, tells us what it takes to make it in the upstream sector, where, he adds, the margins are not as much as the public thinks.

Kenya has a new cabinet secretary for Energy and Petroleum. We look at some of the things that Davis Chirchir will have to tackle to further transform Kenya's key sectors.

Tanzania's electricity and mining sectors are never short of excitement. The government has opened up the Umba areas for investors seeking new mining opportunities.

In the power industry, the central government is planning on building transmission lines to the semi-autonomous territory of Zanzibar.

Rwanda's cabinet has signed a $83 million loan from the African Development Bank to invest in its electricity transmission network, and also last-mile connections. The country continues to pursue its dream of achieving universal access to electricity by 2024.

Italy's Eni is onto something interesting in Rwanda, where it is seeking waste oils as an ingredient of generating clean energy.

And lastly, in our new coverage of the Democratic Republic of the Congo, read about Trafigura's recent financial closure of a $600 million facility, and what that money intends to do in the mining sector.

Get an update on the DR Congo and Angola oil refinery plans.

The entire wrapper is rich with content, which will leave you more knowledgeable about the region.

$83 MILLION

Rwanda's cabinet has signed a $83 million loan from the African Development Bank to invest in its electricity transmission network, and also last-mile connections.

OIL AND GAS

Uganda sets ambitious oil plans for 2023

Uganda has unveiled its goal card for the oil and gas industry for the financial year 2022/2023, handing itself a target of securing $418.78 million as part of its equity financing for the different petroleum projects it has a stake in.

The government has a stake in the East African Crude Oil Pipeline (EACOP), the oil refinery, the Kampala and Jinja storage terminals, just to mention a few, all of which are meant to secure the country's future with regard to petroleum products.

While the money is a small portion of its total financial requirement for all the projects, it is a sign of the government's commitment to meeting its share of the costs needed to develop the projects.

The Uganda National Oil Company handles the government's commercial interest in all the petroleum projects.

The government has put in place a capitalisation strategy where, for five years, Unoc will be able to receive about $350 million for its stake in the EACOP. The capitalisation of Unoc will wind up two years after First Oil, at which point the company is expected to finance its activities.

Officials at Unoc are confident that government – through the ministry of Finance, Planning and Economic Development – will avail the money.

Government is currently faced with a huge debt burden, which has forced it to postpone some of its financial obligations in other sectors.

Among the other activities on government's goal is a plan to undertake technical studies to refine the geological model and estimate of resources for the new exploration blocks.

Also, the government is still reviewing data analysis and interpretation of the new prospective blocks.

The government says it will construct the Jinja storage terminal oil jetty and pipeline connecting the terminal to Lake Victoria.

$418.78 MILLION

Uganda has unveiled its goal card for the oil and gas industry for the financial year 2022/2023, handing itself a target of securing $418.78 million as part of its equity financing for the different petroleum projects it has a stake in.

Construction of CPF to start in December

The construction of the central processing facility (CPF) at the Tilenga oil development project is to start in December, around the same time that the international oil companies are expected to close financing for the East African Crude Oil Pipeline (EACOP).

The CPF – a critical infrastructure where foreign particles from the crude oil will be filtered out before being directed to the EACOP – will set the pace for much of the development works in the oil sector.

The CPF forms part of the broader Tilenga Oil development project, which also includes the drilling of well pads and laying of flow lines.

At the moment, Mota-Engil, a company with links to Portugal and Angola, is already undertaking groundclearing works at the industrial park in Buliisa district, where the CPF will be located.

The CPF will not just filter foreign particles from the crude oil; it will also host an electricity plant that will be used to power a number of facilities in the area.

According to top officials from TotalEnergies, preliminary studies for the electricity power plant are already being carried out.

The Environment and Social Impact Assessment for Tilenga notes that "during initial start-up and plant stabilisation, the power generation plant at the CPF will be temporarily fuelled by diesel. Once stabilised, the power generation plant will then be run on fuel gas produced from Project reservoirs, referred to as the 'excess gas phase."

Armour draws closer to drilling first oil well

In calling for bids for the supply of well heads, Australia's Armour Energy Uganda Limited has made its closest step to drilling its first oil well in Uganda, more than five years since it started operations in the country.

The Australian company, which signed a production sharing agreement with the government of Uganda for the Kanywataba oil block in September 2017, says the "company shall drill an exploration well in the KCA in the Albertine basin to progress the confirmation of the presence of hydrocarbon resources. The exercise shall require considerable well heads and associated equipment."

Armour was supposed to have drilled a well by 2021, but the company triggered a force majeure clause in its agreement after floods in Ntoroko district made the roads to the Kanywataba area inaccessible, coupled with the outbreak of the Covid-19 pandemic.

Armour estimates that the Kanywataba oil area, located south of Lake Albert and about 40 kilometres from the Cnooc-operated Kingfisher oil field, could contain up to 969 million barrels of oil.

In July this year, the company announced that it would drill two oil wells at its Kanywataba oil project by March 2023. It added that it would also drill two wells at its new Turaco oil bloc - the oldest bloc in Uganda - in 2024.

UNOC eyes LPG gas market

The Uganda National Oil Company is assembling a special team within its structure to pursue opportunities in the Liquefied Petroleum Gas market.

Proscovia Nabbanjja, the chief executive officer of UNOC, says they have embarked on a strategy of adapting LPG within its retail market segment.

"We are structuring the LPG department internally. Soon it will be approved by the board...LPG is a space we want to fit into in the short term," she said, adding that a recruitment process was underway.

LPG has become a critical area for government as a measure of derailing the widespread use of charcoal as a form of cooking food. A government paper organised by the ministry of Finance, Planning and Economic Development points to a Shs 877 billion plan to boost the LPG market. The document, that was released in September, says a contractor who will put up an LPG plant has been procured. After, government will hand over the project to UNOC.

"Upon completion, the project will be handed over to UNOC which will charge storage fees from different companies. UNOC will also charge freight fees on the transportation costs," the ministry paper notes.

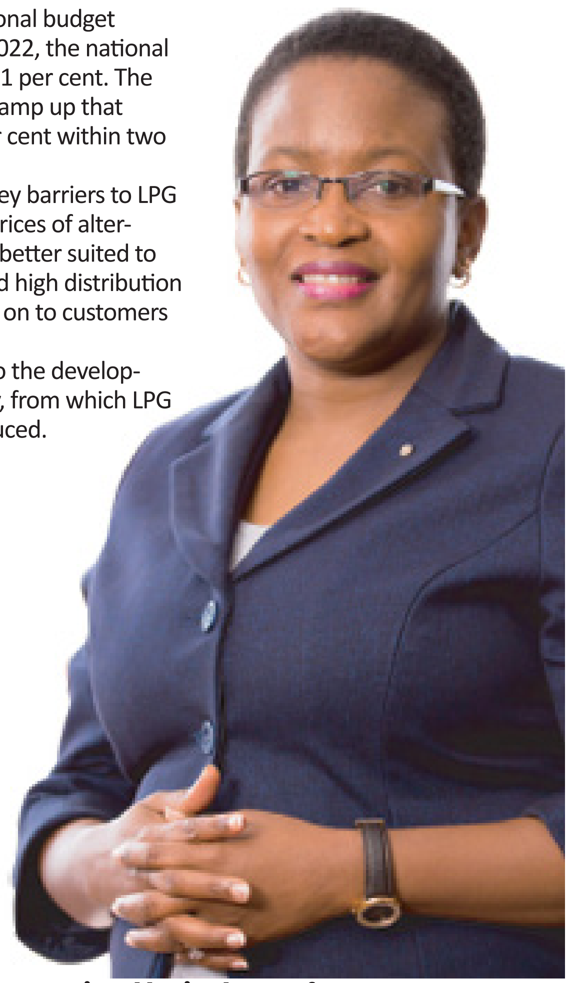
According to the national budget framework paper for 2022, the national uptake of LPG is at just 1 per cent. The government wants to ramp up that figure to at least 15 per cent within two to three years.

Experts say that the key barriers to LPG adoption include low prices of alternative fuels, which are better suited to local cooking styles, and high distribution costs which are passed on to customers by retailers.

UNOC will also look to the development of the oil refinery, from which LPG is expected to be produced.

LPG DEP'T

We are structuring the LPG department internally. Soon it will be approved by the board... LPG is a space we want to fit into in the short term.



Proscovia Nabbanja, the CEO of UNOC

ELECTRICITY

Uganda, DRC sign pact over transmission line

Uganda and the Democratic Republic of the Congo are undertaking a feasibility study for the construction of an electricity transmission line from Kasese to Bunia.

The feasibility study is expected to be concluded by March 2023, according to our sources, with an inception report already done.

The transmission line is meant for Uganda to export excess power from the Nkenda substation in Kasese to eastern DR Congo as the two countries look to deepen trade across the border. Eastern DR Congo heavily depends on the more expensive generators and small solar grids to light up premises or power machines.

The feasibility study will, among other things, reveal the design of the transmission line and financial cost. It is estimated that the transmission line might cost up to $200 million.

Our sources say they are looking to international sources of finance, especially the United Kingdom, to borrow the funds for the project. The local capital markets are said to be exhausted with immense demands.

Experts say it usually takes nine months after the completion of the feasibility study to shore up the funds. Therefore, construction of the transmission line is expected to start at the end of 2023.

$200 MILLION
It is estimated that the transmission line might cost up to $200 million.

Also, parallel negotiations for a bilateral agreement as a legal document for the project are already underway, our sources told us. Uganda and DR Congo recently signed a memorandum of understanding to facilitate the negotiations over the bilateral agreement to take place.

Among the most contentious issues that could dominate the negotiations is the issue around the manner in which the tariff will be set for the capital investment to be recouped.

At the signing of the MoU, a consortium of companies was revealed as the implementer of the transmission project. Elecnor, Servicios Y Proyectos and Dott Services Limited form the consortium that also has the responsibility of sourcing the money on behalf of the two governments. However, it is no guarantee that this consortium will construct the transmission line.

TotalEnergies eyes 120MW of solar power

TotalEnergies has signed a pact with the government of Uganda for a possible deployment of 120MW of solar photovoltaic (PV) energy – the largest consideration by an investor in that particular space in the electricity industry.

The plan to put up solar energies formed part of the memorandum of understanding that TotalEnergies signed with the government of Uganda during the announcement of the Final Investment Decision for its oil project on February 1, 2022.

TotalEnergies says it will put up 20MW solar power panels at six possible locations of Kapeeka, Iganga, Tororo, Kumi, Bukedea and Pallisa.

The French oil major says the plan to generate this electricity is part of its global ambitious target of producing 100GW by 2030 and transform into a multi-energy company.

The announcement of this renewable energy projects comes at a time when TotalEnergies is facing a lot of pressure from environmentalists and civil society organisations over its Uganda oil projects – the Tilenga Oil Development project and the East African Crude Oil Pipeline.

Some civil society claim many people have been displaced from their land with little or no compensations, while environmentalists point to the EACOP emitting more carbon emissions. To both allegations, TotalEnergies – backed by many Ugandan officials – says the activists have grossly overexaggerated their claims.

Still, it is not clear how TotalEnergies will carry out its solar energy plan in Uganda. Everything appears to still be on paper.

The Electricity Regulatory Authority, in October, pointed out that procurement of "Licensing of Solar and Wind Power intermittent power generation projects in Uganda shall inter alia continue to be governed by the following principles:- Procurement of new capacity from wind and solar technology will be subject to a fair, open and competitive process initiated by the Authority in accordance with the Electricity Act, Cap 145."

ERA has not yet received a license application from TotalEnergies.

TotalEnergies intends to generate about 130MW of electricity from the associated gas from the oil fields. A substantial amount of this electricity will be connected onto the grid.

PRODUCING 100GW

The French oil major says the plan to generate this electricity is part of its global ambitious target of producing 100GW by 2030 and transform into a multi-energy company.

ELECTRICITY

Kikagati hydro serves up regulatory lessons

The addition of 14MW of electricity from the Kikagati hydropower project onto the Uganda national grid could spur more private investments in mini hydros after the plant became the first cross-border electricity generation project in the country.

The plant, which attracted different sources of financing, will serve customers in both Uganda and Tanzania, making it the biggest cross-border generation plant in the country.

The project, which was developed by Berkeley Energy Limited, appeared to have tested the regulatory bodies in both countries.

Built under the GET FiT programme, where a group of development partners offered financing to different renewable energy projects through a subsidised tariff, the Kikagati hydropower plant was supposed to have been commissioned by 2018. However, the dates kept shifting as the project ran into different risks, on top of the difficult Covid-19 season where movement of goods and people ground to a halt.

Among the contentious issues were the designs of the plant, which needed approval. The delayed approval of the designs created some risks in the construction stage.

The back and forth in the documentation of the project exposed the weak coordination mechanisms within the two countries. This being the first cross-border generation project between Uganda and Tanzania, it appears some lessons were learnt.

Either way, the recent launch of the Kikagati power plant appeared to have served up critical lessons on how to regulate such projects.

Uganda is in the process of building a power transmission line to DR Congo, a first of its kind.

DATES KEPT SHIFTING

However, the dates kept shifting as the project ran into different risks, on top of the difficult Covid-19 season where movement of goods and people ground to a halt.

MINING

MINING

Blencowe embarks on a study it will use to attract funding

MINING

Chinese ambassador seeks to salvage Sukulu phosphate project

BLENCOWE RESOURCES

MINING

Blencowe embarks on a study it will use to attract funding

UK junior mining firm Blencowe Resources Limited has commenced the compilation of a definitive feasibility study (DFS) for its Orom-Cross graphite project, with a target of completing the report before June 2023, the company announced recently.

The commencement of the DFS is yet another sign of Blencowe's resolve to fund mining activities at the Orom-Cross graphite project, which is located in Kitgum district in northern Uganda.

The DFS is a more detailed study about the resource potential of a project, which a developer can use to source for funding.

In our previous edition, we reported that Blencowe had dropped its interest in farming into Sipa Resources Limited's nearby Akelikongo nickle copper project, and that it preferred to instead focus on the Orom-Cross project.

Blencowe, which also recently had a failed bid for the Kilembe Copper Mines, says it is scouting for a partner to undertake the DFS.

"Blencowe is currently in the final stages of a process to select an experienced independent engineering firm to manage and ultimately sign off on the DFS. The company anticipates announcing the engineering partner in the near term," the company announced in a statement.

Blencowe said it is also looking for different partnerships for its graphite project.

BLENCOWE

Blencowe is currently in the final stages of a process to select an experienced independent engineering firm to manage and ultimately sign off on the DFS.

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Blencowe estimates that there are about two to three billion tonnes of graphite resources at the Orom-Cross project. The company estimates the value of the project at $482 million.

Blencowe says it needs initial capital of $62 million for the first phase of the project, which will end with commissioning in 2025.

It should not be hard to get this money, considering the global interest in Blencowe's project. The company announced that it had been contacted by a Chinese company that wants to be the off-taker of the products at Orom-Cross, and that it was seeking the necessary government approval to move the product for testing in China.

"Blencowe Resources Plc is pleased to announce it has received an approach from a group in China that has the potential to ultimately provide an offtake, funding and development scenario for its 100 per cent owned Orom-Cross graphite project in Uganda," the company announced.

The company added: "Based on these discussions, the company has agreed to send a bulk sample of about 100 tonnes from Orom-Cross to China as soon as possible to enable further metallurgical test work to be undertaken by the potential strategic party. This is subject to the c ompany receiving necessary permits to move this raw material from Uganda, which are being sought immediately."

The worry, though, remains Uganda's policy directive that bans the exportation of unprocessed minerals, which continues to push back investment capital into the sector.

Chinese ambassador seeks to salvage Sukulu phosphate project

Zhang Lizhong, China's ambassador to Uganda, is behind the negotiations to revive the operations of the troubled Sukulu phosphate project in eastern Uganda.

Lizhong has been holding meetings with top officials at the ministry of Energy and Mineral Development, offering them updates on how the challenges surrounding the phosphate project are going to be resolved. The main challenge facing the Sukulu project is lack of money.

The Sukulu phosphate project remains a depressing sight as what would have been a major factory is now a shell building after the project developer, Guangzhou Dongsong, ran into financial trouble.

The project ran into trouble in 2019 when a shareholder dispute within the company was settled in the Commercial court, with the resolution to stop operations until the petitioner – city businesswoman Fang Min – had been compensated.

According to our sources, the dispute is being resolved in China, and that the government of Uganda has given the developer a strict deadline to either resolve the dispute and resume operations, or relinquish the mining lease. Government of Uganda issued Guangzhou Dongong a mining lease in late October 2014. The lease expires in October 2035.

Our sources say government is getting frustrated with the Chinese investor to resolve the matter, and that there have been some enquiries from other prospective developers who might wish to embark on the project.

Dongsong had earlier said that the Sukulu phosphate project needed investment capital of about $600 million. The entire Sukulu industrial park, which would also create other offshoot industries such as fertilisers, was expected to consume about 200MW of electricity, an amount that is nearly a quarter of the amount of electricity consumed in the country.

MINING

Executive Director of NEMA Dr Barirega Akankwasa

NEMA approves Makuutu environmental studies

Uganda's government has stamped its seal of approval for Rwenzori Rare Metals Limited's environmental and social impact assessment (ESIA) for the Makuutu rare earths project, a significant step of earning the public buy-in of the project.

The National Environment Management Authority said one of the key issues it was keen for the ESIA to resolve was the manner in which people would be displaced to make way for the project.

Ionic Rare Earths Limited, the company that owns a 51 per cent stake in Rwenzori Rare Metals, says there is already an ongoing process of developing a Resettlement Action Plan for the project. The company says all the project-affected persons have been identified and their land mapped. NEMA, it now appears, is satisfied with the studies and how the process is being handled.

The approval of the ESIA now pushes the project to the next step – negotiating a Mineral Development Agreement (MDA) with Ugandan authorities, which will establish the fiscal terms for the mine development in Uganda.

Uganda has just passed a new Mining law that allows the state to take up to 15 per cent in a mining project. The Makuutu rare earths project could be one of the first major projects where the new mining law is put to the test.

Many investors are not happy over the inclusion of state participation in mining projects, with some questioning whether government would show the same desire when shareholders are called on to make capital investments in the project.

Uganda's government usually allows the investor to carry their share of equity contribution, with the option of the investor recovering their costs before revenues can be shared. However, that proposal can only work during the development stage of a mining project, when ore reserves are confirmed, and not at the exploration stage.

Also, a mining lease application has already been lodged with government, with Ionic Rare Earths expecting approval in the first quarter of 2023.

51 PER CENT

Ionic Rare Earths Limited, the company that owns a 51 per cent stake in Rwenzori Rare Metals, says there is already an ongoing process of developing a Resettlement Action Plan for the project.

UGANDA OIL:

Profit margins are not as high as everyone thinks

At the height of the exploration period in Uganda 10 years ago, Threeways Shipping Services Limited was one of the biggest local companies operating in the industry. With revenue turnover of more than $30 million, the company was the embodiment of local resilience and might. And then exploration activities stopped. With the development stage taking longer than expected, Threeways faced trouble as financing dried up. JEFF BAITWA, the CEO of Threeways, takes us through the journey of falling from grace to grass, and recovering back to the top.

Uganda oil: Profit margins are not as high as everyone thinks

JEFF BAITWA, the CEO of Threeways

How does the future of Uganda's oil and gas industry look moving forward to the next three years amidst the uncertainty brought about by the EU Parliament resolution?

As you know, we have just won some contracts.

Having followed a very painful period and also a very rigorous process.

Painful in the sense that oil and gas exploration business is often very risky and short-termed.

Being a nascent industry, of course, when the likes of TotalEnergies came into play, they came up with higher standards than the initial entities that were exploring; that is Heritage Oil, Dominion and Tullow.

So, when TotalEnergies came in, they applied the global standards and they were not willing to take prisoners, whereas this was a 12 to 18 months activity.

So, the only way you could impress TotalEnergies and CNOOC was by showing them what you are capable of, based on their standards and requirements.

So, a number of us invested heavily around that period, with the hope that there would be a shorter transition from exploration to where we are today; a whole eight to nine years since TotalEnergies and CNOOC came on the scene.

We have been lucky and fortunate. Thank God that we are participating.

I know the IOCs have really given us very stringent requirements in terms of respect of the environment, biodiversity, operational requirements…

So, we see the IOCs have tried their best within what they can do to make sure that this thing goes well.

On the other side, I have no visibility of the other activities like resettlements and the like.

But from my interactions and being a local, I have not heard any pushback in terms of what people expected and where they are.

Uganda and Tanzania are sovereign countries who are entitled to exploit these resources regardless of where they are found.

The best anyone can give is advice and maybe say, please guys be mindful of this and that; take care of this, take care of that.

The government and the IOCs are responsible enough and feel they have done well to address all the EU Parliament's concerns.

I think any advice is welcome.

What I have not yet understood as regards the EU Parliament resolution is exactly what it intends to achieve.

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JEFF BAITWA, the CEO of Threeways

The resolution says hold on for a year and review the following things. But this process has been ongoing for over 13 years; why was the EU watching and never proactive enough to intervene?

Some of us who invested heavily have undergone 13 years of suffering, as the EU watches on in the same period.

By now the EU should be giving a report of its findings rather than suggesting another halt to operations.

So, if you really are good-intentioned, why wait for the 11th hour to intervene? This looks like malice aforethought.

How painful has the journey been; what lessons have you learned along the way?

At that time, business was largely driven by the exploration activity. So, we reached those levels ($40m); it was quite interesting.

But then, there was a sudden dip in activity, which was expected really.

Normally after exploration and appraisal, the companies require like two to three years to submit the field development plans and the like.

But in our case, a lot of events have in a way conspired against this whole progress along the way.

As we were doing the development studies, the oil price dipped and the IOCs stopped giving the project priority.

There was no motivation to spend the money on something and speed it up.

Also, about the same time, there was disagreement between government and the IOCs regarding taxation.

But as you can imagine, all that period is just talk and negotiations.

For us who had invested heavily, it had started getting unbearable.

We had been trying to be ahead of the game; so, we had hired a lot of workers and trained them, with the idea of retaining them so that when the sector stabilized, we would be in pole position.

With hindsight, it was a terrible mistake on our side because it came at a huge cost.

By the time we realized that this thing was taking too long and started laying off people, we had lost a lot of blood.

Then came the Isimba and Karuma hydropower projects, which tenders we won because of the capacity we had built over the years to serve the oil and gas projects.

Unfortunately, the Chinese companies in charge of these electricity projects did not require a lot of our services and, besides, they were not willing to pay a premium price like the IOCs had been doing.

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BOARDROOM TALK

This did not correspond to the financial model we had adopted; so, we soon fell out because we were not agreeing on the price.

Like a nose-diving plane, I must say that we responded a little too late to the goings-on in the oil industry then; as such, we could not fully survive the crash landing in the end. We hit financial distress.

In 2016, we were put into receivership and came out in 2018. Since then, we have been gradually getting back into the game.

Describe exactly the types of contracts you're running and the ones you are bidding for.

Currently we have two intra-field contracts with CNOOC and TotalEnergies. The job is described as intra-field logistics, where we support and provide logistics in the field, including lifting and transporting personnel, equipment, machinery of all categories from forklifts to big cranes. There are different operational sites where this machinery is required.

We are fortunate that we have been hired by both companies.

Since these are directly from the IOCs, they are Tier I contracts. I believe we are the first local company with a Tier I contract.

Combined, both contracts are worth about $50 million over five years.

The other contract (at Tier II level) is from ZPEB – where we are bringing in their first rig into the country from Mombasa to the Albertine basin. This is the first rig that will be used for TotalEnergies; they are expecting three rigs in total.

For the onshore freight forwarding contracts, we are still waiting for a call from the likes of McDermott.

How do the profit margins in the current development stage compare to those from the exploration phase?

It is important to appreciate the many dynamics at play right now.

We have just endured sustained Covid-19 lockdowns and this Uganda oil project is just one of the first few activities attracting investment of this nature globally.

The world has been devoid of such big development activities and many of the global EPC (Engineering, Procurement and Construction) players have been looking for opportunities to kick-start their businesses.

Of course the IOCs are aware of that and have, therefore, been quite tight in terms of spending because many contractors are willing to charge less to get going.

So, I would like to believe that this time round the margins are not as high as before because it has been quite competitive. Those who thought they would make a kill may get disappointed.

In Threeways' case, a noticeable drop of 30 to 40 per cent in returns has been registered especially in relation to equipment hire.

And while we may charge more for shipping in cargo from Mombasa, the margins are also much lower as well because of the high fuel costs. But also because many people have joined the business and are willing to offer low charges to get hired.

With low margins, we are forced to rely on volumes and probably on longevity of contracts.

For many local players, contracts are short because this is a construction phase, which always comes to an end.

But remember, most of the opportunities lie within the construction phase.

So, this will be a flash two or three years of opportunities and you are out.

As such, one needs to be a bit strategic on which kind of contracts you go for.

The more attractive contracts can last throughout the lifecycle of a project; for example, waste management, intra-field services, camps services, maintenance or even drilling.

Unless the fundamentals or dynamics change significantly, we do not expect better margins.

Having said that, you are better off being in than out, since nothing is permanent and the dynamics could change for the better.

> **HYDROPOWER**
>
> Then came the Isimba and Karuma hydropower projects, which tenders we won because of the capacity we had built over the years to serve the oil and gas projects.

After several years of recovery, how is Threeways fairing financially now? Are you considering a Joint Venture partnership?

We are making strides financially and are able to perform and execute our contracts. Contracts are also a game changer.

There are four things about financing.

One is a steady stream of revenue. Number two; can you perform? What encompasses performance is experience, ability, systems and personnel resources. With the exception of experience and ability, the others are intrinsic; they cannot be avoided.

So, once those boxes are ticked, then we consider your "management."

So, accessing financing is very possible as we tick all the above boxes.

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What are the JV options?

On our side, we have a two-pronged approach to this.

There are contracts we have taken on fully by ourselves and then some contracts we have taken on under JV partnerships.

The partnerships help us spread the risk, especially considering our difficulties in the recent past. We did not want to take on too much in terms of risk capital.

What should local players consider before entering a Joint Venture agreement, considering one could be partnering with a much more powerful firm?

Fundamentally, a JV can have a number of advantages. The main question concerns structuring. This is where most Ugandan entities may have challenges since often times they are dealing with more established international firms.

The beauty with our laws is that there is preference for participation-based JVs where it is not about an entity.

So, when it comes to executing, say a camp construction job, the local entity could be strong in plumbing or electrical works – so, they focus on that.

The law talks of 48 per cent minimum local participation. This participation can be in the form of shareholding or in form of work.

The work-related JV is what is also called a non-incorporated JV.

Unfortunately, many Ugandans do not appreciate this JV option.

If you go into a corporated JV with the fairly established international companies with large balance sheets and all, you cannot be at par as they will be the ones spending a lot of their money and expertise, which will never be done to your benefit.

We have done non-incorporated JVs and also corporation JVs.

With corporation JVs, if I have won the contract, it will entitle me to 50 per cent of the returns and my partner will bring 50 per cent in form of resources.

To your question, we are working on our own in some cases and in other cases we engage in JVs.

We have a non-incorporated JV with Deugro Group (Swiss), where we have jointly bid for some logistics contracts.

Then we also have a corporation JV with Grindrod Freight (South Africa).

What should the new Ugandan players coming in watch out for?

They have to know that executing these oil and gas contracts is not easy work like many out there may want to believe.

Like I mentioned, we are currently operating under significantly low margins. The terms are not that good.

Many are used to being paid even before offering the service. But this is not the case here, with some payments taking as much as 60 to 90 days to be done.

When are you paid in advance?

Some contracts come with advanced payments and others do not. If you are a Tier II or Tier III contractor, you are not going to get any advance payment. This is oftentimes a preserve of the Tier 1 contractors. But again, what is an advance payment? Most of the time it is a cost of mobilization but the work has to be financed (by you the contractor).

Then when you are done, you bill and wait for another 60 days or more to receive your payment; that is if they honour their word.

So, it is important that whoever is in this business is aware of these dynamics and, as such, structure their finances appropriately.

TO NEXT PAGE

BOARDROOM TALK

JEFF BAITWA, the CEO of Threeways Shipping Services Ltd

What recommendations would you give to oil companies as regards these delayed payments? Relatedly, the Tier I contractors are not paying VAT but the Tier III have to pay it.

Those are all the things to contend with.

We have VAT to collect yet the Tier I company's VAT is deemed. And as you go down, the smaller the players, the less susceptible they are to longer credit periods.

If you are in the middle, you are in trouble. While the Tier I company is holding onto your payment for 60 to 90 days, your operational expenditures such as food and fuel will not wait for 90 days.

You are forced to find financing from wherever to meet these overheads, which will eat into your profit margins.

In the end, this is how the business is structured; one will choose to take it or leave it.

Are you retraining employees despite the issues in the past where you had to lay off many?

Of course we need staff.

But the strategy has changed.

In the past we used to wonder why the IOCs were renting or leasing most of the things they were using.

They do not own buildings, cars or even computers. Even the employees are hired from Human Resource companies.

And their reason is simple: if things go south, they just pack up and leave without any stress.

Of course for us, we could not do the same because the market was devoid of skilled workers.

So, we had to train our own staff. But you cannot train a person who you are not going to tie down in exchange. So, employment was the only way out.

However, we got hit by those rigidities of that time.

But now, the Human Resource market is getting strained again with the industry taking up all the quality personnel.

So, one has to move very fast.

For now, we are also trying to follow best practices by copying what the IOCs are doing.

Where we can lease or rent or share assets or personnel, we will do that.

It is important to understand why the IOCs behave a certain way since they have a lot of experience in these industries.

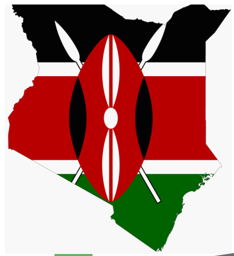
However, sometimes it is difficult to circumvent some of these scenarios. When you get there first, you risk a thorough beating; of course you may also make a big kill.

VAT

We have VAT to collect yet the Tier I company's VAT is deemed. And as you go down, the smaller the players, the less susceptible they are to longer credit periods.

KENYA

Davis Chirchir has his work cut out



Davis Chirchir, Kenya's new cabinet secretary for Energy and Petroleum, spent his first weeks since being sworn in late October, touring key major electricity institutions as he places the need to deepen energy access among his priorities.

Chirchir, who bounced back in the same position after being relieved of his duties in 2015, visited both Kenya's generation and transmission state companies Kenya Electricity Transmission Company Limited, and Kenya Generation, reiterating how the two are critical in achieving universal electricity access by 2030.

Chirchir will have Kenya's Energy White Paper on his mind, which envisages a 50 per cent reduction in household electricity bills by 2040, and investments worth $300 billion pumped into green energy by the same year. In total, Kenya's energy output should have hit 100GW by 2040, up from the current 3GW.

In the oil and gas sector, especially in the upstream sector, Chirchir faces the task of attracting more exploration companies to continue the search for more oil in the country.

Kenya is currently struggling to hold onto the few oil exploration companies to carry on their work plans in the face of depressing results. Tullow Oil is already looking for partners, so is Africa Oil Corp, for their Lokichar basin oil interests. The country has so far discovered under a billion barrels of commercial oil, an amount that is not enough to attract oil majors to invest in the development infrastructure to either export the crude or refine it.

Chirchir will also have to deal with a more volatile downstream segment, where the interests of independent petroleum companies and government's price ceiling mechanisms usually lead to a clash of heads.

For a man who is not entirely new to the ministry, Chirchir is bound to call onto his teams to seek creative ways of easing the price of the commodity for consumers.

$300 BILLION

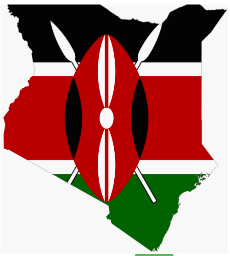
Chirchir will have Kenya's Energy White Paper on his mind, which envisages a 50 per cent reduction in household electricity bills by 2040, and investments worth $300 billion pumped into green energy by the same year.

Shanta Gold's makes new plans for Ramula site

UK junior mining firm Shanta Gold announced that a project feasibility study for its West Kenya project is underway, with results expected before the end of the year.

Shanta Gold is looking to develop the Ramula mine and add it to its other sites – Isulu and Bushiangala – in the country. The feasibility study will determine the model of the mine and the amount of investment needed to get it to the production stage.

The company said that drilling continued at Isulu and Bushiangala, and that 65 per cent of the area has been covered. Preliminary findings from the drilling point to some intersections of gold, the company said, describing them as "high grade results." The company said it had so far spent $2 million at its West Kenya project.



KENYA

Kenyans make comments on ambitious white paper

Kenya's government is reviewing responses from the public on the country's draft Energy White Paper as it seeks to hit its target of universal access to electricity by 2030.

The public had until August to submit their suggestions on a paper that government says offers "transformational agenda for accelerating Kenya's low-carbon transition ambitions while ensuring the delivery of power that is reliable and affordable to all." The public views are expected to be incorporated in the final document whose timeline is not yet certain.

Preliminary sourcing, however, points to many Kenyans demanding for two things – reliability of power and cheaper tariffs. A number of Kenyans continue to grumble at the slightest power blackout, venting against Kenya Power and Lighting Company, which is responsible for the distribution component.

According to the draft paper, Kenya intends to ramp up its electricity generation to 100GW by 2040, from the current 3GW. One of the solutions to achieving this is by attracting $300 billion in green energy investments.

In achieving its plan, Kenya is looking at scoring points in the climate agenda by focusing on low-carbon projects. The country also wants to halve consumer dependence on unsustainable biomass energy by 2040.

The draft paper also discusses diverse pools of funding for green energy projects, the kind that can whet investor appetite. The funding could jolt Nairobi into designing more creative financial products and further propel the city as the financial hub for Africa.

Of particular interest for investors will be the regulatory environment for the energy projects. The paper discusses the issue of feed-in tariffs and tax incentives that would cushion investors against losses.

Tullow Oil postpones plan for Lokichar oil project

Tullow Oil has postponed its plans of unveiling its field development plan for the Lokichar oil project, delaying Kenya's prospects of becoming an oil exporter.

In a statement, the UK firm noted, "Tullow and its JV partners are seeking an extension of the Field Development Plan (FDP) review period, while constructive discussions with the Energy and Petroleum Regulatory Authority of Kenya and the Ministry of Energy and Petroleum are ongoing."

The company did not mention when it hoped the discussions with the ministry would be concluded, although it has been clear for a long time that the company was not ready to commit substantial money to Kenya's oil project.

In our edition for August, we wrote that a number of oil companies operating in Kenya were looking for partners. Tullow has been courting Capricorn Energy for some time now, with the talks still ongoing.

Africa Oil, Tullow Oil's partner in the Lokichar basin, has also been scouting around for anyone with money, with the Canadian firm warning its shareholders, "there is no guarantee that the Company can successfully conclude a farm-out to new strategic partner(s) on favourable terms."

A field development plan for Kenya's oil project would mainly require access to land, the construction of flowlines from the fields to the central processing facility, and then a crude oil pipeline to the port of Lamu, from where the product would be exported to the international market.

Kenya has so far discovered under a billion barrels of oil, which might not be enough to attract that much investment capital.

UK firm Marula Plc starts work at Kinusi copper site

UK firm Marula Mining Plc says geological sampling of the potential Kinusi copper site in the Dodoma region has started, which, if results turn out positive, could lead to the development stage.

Company officials are also assessing the infrastructure needs that are required to support further exploration on the licensed areas.

In a statement, the company said "Kinusi is a high-grade copper project that the board believes has the potential to be developed into a significant copper project, producing copper concentrate for sale into the international markets."

The company owns a 49 per cent stake in the project, with the local company - Takela Mining Tanzania Ltd - owning the rest.

Marula Mining Plc secured the 49 stake in early October 2022, saying the investment is in line with the company's battery metals focus.

The Kinusi copper project has a seven-year mining license, which expires in September 2029.

Helium One signs up new rig for Rukwa

UK firm Helium One Global has signed an agreement with Exalo Drilling S.A for the supply of a drilling rig for its Rukwa license area, which is expected to be deployed at the site in the first quarter of 2023.

The agreement brings to an end a difficult situation for Helium One, which had earlier chosen another contractor of a rig but only for that contractor to run into a legal dispute in Kenya that brought the shipment of the rig to a standstill.

Now, attention has been focussed on how quickly the rig can get to Tanzania, where Helium One says there is a possibility that the low-carbon helium at its site is one of the biggest discoveries in the world. The company estimates the Rukwa license area to hold 138 billion cubic feet – arguably the largest in Africa. Helium gas is used for, among other things, inflating research and celebration balloons.

Helium One, which is listed on the London Stock Exchange, says the Tanzania government has also agreed to renew its licenses, boosting its drive to commit more capital to the Rukwa investment. Further exploration works will determine how much investment is needed at the project.

TANESCO plans for Zanzibar power line

Tanzania has embarked on studies that will shape its plan of transmitting electricity to Zanzibar, where demand has outstripped supply and led to a spike in the cost of doing business.

Tanzania Electric Supply Company Limited (TANESCO) said it is undertaking feasibility studies that should guide it in putting up a 220kV transmission line with submarine component to Zanzibar, with associated substations. The transmission line is estimated to stretch about 64km.

The studies, which are to be undertaken by a private contractor, will also raise the need to refurbish some substations in Zanzibar.

Zanzibar is a semi-autonomous state of Tanzania.

Faced with a population growth of more than three per cent, according to the World Bank, Zanzibar could face an urgent need for electricity. The proportion of households with access to the electricity grid network grew from 38 to 57 per cent over the 10 years to 2019, according to the World Bank.

Zanzibar's economy depends heavily on tourism, which accounts for just over a quarter of the Gross Domestic Product.

TANZANIA

Tanzania opens up Umba for mining firms

Tanzania is looking for investors that can explore for minerals in the Umba area in Tanga region, opening up new opportunities for the market.

The government is thought to be combing through the companies that applied for prospecting licenses recently with the hope of picking out the best. Among Tanzania's key interest are companies with the "financial and technical capability to conduct geological exploration of the designated areas for the purpose of developing the areas into medium and large-scale mining projects..."

The government, in a notice, said that should any company discover commercially-viable minerals, then that company will apply for a mining license or a special mining license. The notice further added that any company that discovers gemstones, then government will trigger section 8(6) of the Mining Act, Cap. 123. That particular section of the act allows government a participating interest in the mine.

Govt signs addendum on Ntorya gas field

Tanzania has moved an extra step in exploiting gas resources at the Ntorya gas field in the Ruvuma basin, signing on the addendum that allows a group of companies to prepare to drill a couple of holes in what could be an intense exploration campaign.

The signing of the addendum is a strong indication of Tanzania's commitment towards concluding negotiations on signing the Production Sharing Agreement.

The signing is also a strong indication that the government has agreed to some of the fiscal terms embedded within the agreement – terms such as the royalties and taxes to be paid, and the profit share.

The signed addendum covers part of the field being operated by three companies, Ara Petroleum LLC from the Middle East, which holds a 50 per cent stake; and two European juniors Scirocco Energy and Aminex Plc that each hold 25 per cent.

A statement from Scirocco notes that the government is committed to developing additional gas resources as soon as possible, accelerate Ruvuma's gas production and, most importantly, construct a 30km pipeline to tie the Ntorya gasfield into the existing Madimba processing and pumping station in the next six to nine months.

When gas production commences, it will be sold to the Tanzania Petroleum Development Corporation.

Cabinet approves AfDB $83 million electricity loan

Cabinet recently approved government's decision to borrow about $83 million from the African Development Fund (AfDB) to support the country's transmission network and last-mile connections. The money represents 40 per cent of the project cost.

The approval was among cabinet's resolutions passed in October.

Cabinet passed a draft law approving the ratification of the loan agreement between the government of Rwanda and the African Development Fund, relating to the loan for electricity transmission reinforcement and last-mile connectivity. On top of that, the cabinet also approved the draft law for a loan agreement between the government of Rwanda and the African Development Fund as the Administrator of Africa Growing Together, relating to the loan for electricity transmission system reinforcement and last-mile connectivity.

The African Development Bank SAID "the project is to improve network reliability and stability countrywide and increase electricity access for productive users and households in the southern region of the country as well as to reduce greenhouse gas emissions from the energy sector."

The bank noted that there are "no issues identified at this stage that may affect the successful delivery of the project."

Rwanda is targeting to achieve universal electricity access by 2024.

Paul Kagame, President of Rwanda

RWANDA

Italy's Eni close to realising energy project

Officials of Italian multinational company, Eni, were in Rwanda recently to follow up on discussions over possible participation in the country's clean energy space, this time meeting Patrice Uwera, the state minister of Infrastructure, over cooking energy solutions.

The visit follows the memorandum of understanding that Eni and Rwanda signed in April this year, where the two parties agreed to "develop a roadmap to pursue key business opportunities in the energy transition."

The two parties are currently evaluating the feasibility of circular economy projects focused on collecting used cooking oil and waste oils, waste management valorisation and recycling.

Rwanda is trying to position itself as East Africa's main frontier for clean energy by prioritising investments in that space.

Eni, on the other hand, fits the bill, with the Italian company already undertaking similar ventures in Kenya. The company announced that its first cargo of vegetable oil from Kenya was shipped to Gela, Italy, for biorefining. The end product will be biofuel.

Eni appears to be fully invested in getting its project in Rwanda to take off because its Italian refinery, which has a capacity to refine 750,000 tonnes of used vegetable and frying oil, and animal fats and wastes, is still operating below capacity, less than four years after it was launched.

RWANDA

Rwanda moves ahead with nuclear power plans

Rwanda's authorities say building local capacity is one of the critical ways of ensuring that the country's nuclear energy plan is followed to the dot.

The country has over the last couple of months held meetings – both at home and abroad - with officials from the International Atomic Energy Agency (IAEA) on how to prepare the country to start producing nuclear energy.

Eng Deo Muvunyi, acting director general of Rwanda Utilities Regulatory Authority, recently noted that "Adequate cooperation should be enhanced to ensure nuclear smugglers and their networks are uncovered, apprehended, and held accountable. This will be enhanced through building adequate infrastructure, acquiring enough detection equipment, conducting training like this one to acquire an adequate number of personnel as well as having a well-strengthened regulatory infrastructure."

Nonetheless, Rwanda is moving ahead to interest investors who might wish to take part in the nuclear project.

Dr. Fidele Ndahayo, the chief executive officer of Rwanda Atomic Energy Board, said they have already triggered initiatives to build their capacity to handle nuclear power.

In a recent statement from a meeting in Vienna, Austria, he said: "Through this Board, the Government has initiated the process to develop a Centre for Nuclear Science and Technology, and a nuclear power plant based on Small Modular Reactors technologies. The Government of Rwanda is fully aware these SMR technologies are new and mostly under development." He added: "Therefore,

Eng Deo Muvunyi, Acting Director General of Rwanda Utilities Regulatory Authority

Rwanda wishes to establish partnerships with interested companies during the technologies' development process with the objective to accelerate knowledge and technology transfer, and skills development. We salute the Agency's support day to day to reach this aim."

Russia's Rosatom, a company that has scouted opportunities in the nuclear space all over Africa, has expressed interest in building a nuclear power project in Rwanda. Those plans can only be realised, though, after Rwanda gets regulatory approval from the IAEA.

ATI dangles insurance risk products to Rwanda

Moses Manuel, the chief executive officer of African Trade Insurance Agency (ATI), was in Rwanda recently, where he offered the country a number of options to limit the financial risks of energy development projects.

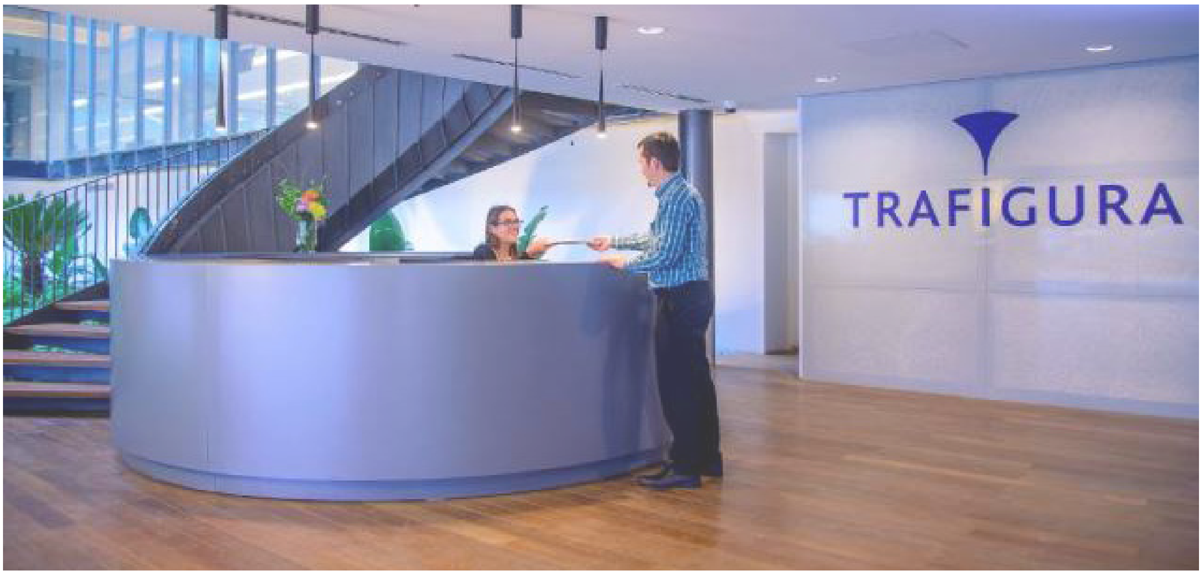
Manuel met Rwanda's Prime Minister Edouard Ngirente, furnishing him some details with the different financial risk packages that African Trade Insurance can design for key energy projects in Rwanda. African Trade Insurance offers risk covers for projects, which ultimately give investors the confidence to move with projects.

Dr. Ernest Nsabimana, Rwanda's minister of Infrastructure, also receive Manuel and his team, with the ministry saying, "ATI can be a potential partner in accelerating energy projects through provision of political risks and risks of non-payment by sovereign and private counterparts."

Manuel understands how to structure financial products for energy projects in East Africa. Before he took the helm at ATI in December 2020, he was the country manager for the International Finance Corporation in East Africa. He took part in the structuring of a $70 million loan to Uganda's main electricity distribution company, Umeme Limited, in 2019, offering the utility firm enough financing to widen its customer base.

Rwanda continues to lure more investors into its energy space as the country strives to meet its target of universal access by 2024.

Trafigura closes $600 million for copper, cobalt mines



Trafigura, a commodity trading company, recently closed a $600 million financing facility that will boost operations at the Mutoshi and Etoile mines in DR Congo.

The financing, which had the Eastern and Southern African Trade and Development Bank (TDB) as a mandated lead arranger, will be used to complete the new mechanised Mutoshi mine and processing plant in Kolwezi, and the expansion of the Etoile mine and processing plant in Lubumbashi, Trafigura announced in a statement. The two mines are operated by Shalina Resources and Chemaf SA. Trafigura, which has a financing and marketing agreement with the two operators of the mines, explained that as the world shifts to a global energy transition, there will be a strong need for minerals such as copper and cobalt – resources used in the manufacturing of electric car batteries.

Trafigura stated, "the Mutoshi mine, which will become the third largest cobalt mine globally, is expected to start production by the fourth quarter of 2023, with a production capacity of 16,000 tonnes of cobalt hydroxide and 48,000 tonnes of copper cathodes per year."

The statement added that "an important component of this agreement involves the enhancement of Environmental Social and Governance compliance and responsible sourcing awareness and implementation, in line with International Finance Corporation performance standards and OECD guidelines."

Socodee electricity plans hang in balance amid DRC-Rwanda tensions

The growing security tensions between the Democratic Republic of the Congo and Rwanda over the growing influence of the M23 rebels could test Socodee SA's plan to import electricity from Rwanda.

Socodee SA, a company based in DR Congo, recently received regulatory approval to import 10MW of electricity from Rwanda, which it could then distribute to more than 7,000 households in DR Congo.

However, tensions between the two countries has spiked in recent weeks, leading to the dismissal of Rwanda's top diplomatic official from DR Congo.

Under the terms of the deal, the electricity would be supplied in Goma, where it is in urgent need.

With DR Congo's electricity regulatory authority giving the nod on the proposal, it was now up to Olivier Mwenze Mukaleng, the minister of Water Resources and Electricity, to sign the license to import the electricity.

It is hard to see how Socodee will be able to achieve its goal amid the current tensions. Further delays to import electricity will see many businesses depending on the costly generators for power.

DR CONGO

Hitachi signs deal to secure key power transmission line

Hitachi Energy, a major European energy company, recently signed a long-term service agreement with authorities of DR Congo to extend the operating life of Africa's longest high-voltage line.

According to the agreement, Hitachi Energy will supply 1,000MW of clean electricity from Inga Falls hydropower plant to the Kolwezi region for a total distance of 1,700km.

In a statement, Hitachi noted: "As part of the agreement, Hitachi Energy will assess the precise service needs of the converter stations and develop a preventive maintenance program and supervise its implementation over the next five years. The agreement includes training, knowledge sharing and expertise enhancement of SNEL service personnel."

Kolwezi is one of the richest mining regions in DR Congo, which also has need for power.

Hitachi is not new to this particular project; the company was part of the designing process of the transmission line.

DRC, Angola in oil refinery talks

Reports coming out of the recent Angola oil and gas conference show that the Democratic Republic of the Congo and Equatorial Guinea have signed an agreement to develop a joint oil refinery and storage facilities.

The reports say the two countries have agreed towards working on a plan that would finance and construct a refinery, which would be located in the DR Congo. However, the refinery would supply both countries and any other country that might require the product.

DR Congo launched its licensing round in August, putting on offer 30 oil blocks in what is expected to attract investors and environments concerned about the location of some areas.

DR Congo is yet to witness a mature oil industry, with Perenco declaring that it is currently the only oil company operating in the country.

Discussions around a refinery are thought to be triggered by DR Congo's pursuit of oil resources.