UGANDA ENERGY OUTLOOK 2026

Road to First Oil

EXECUTIVE SUMMARY

By most accounts, 2026 will be a defining year for Uganda's energy outlook. The country's journey towards producing its first barrel of oil will unlock investments in certain sectors as the ability to meet its debt commitments is strengthened.

There is a likelihood that investments in the mining and electricity sectors could benefit from crude oil sales, even though we believe that could come in the medium to long term as Uganda pays back the loans it had pegged on oil revenues.

In this outlook, we paint a picture of how the energy sector will look like, giving you a progress report of the infrastructure needed before First Oil. We also offer you insights of what will happen in the mining sector, and which electricity projects Uganda is keen on developing.

We end this Energy Outlook by looking at the men and women in the hot seat this year, and the political and business risks in the country.

OIL AND GAS

FIRST OIL IN SIGHT

Uganda is on course to produce its first barrel of oil in the third quarter of 2026. This will mark a historic milestone for a country that announced the discovery of commercial quantities of oil 20 years ago.

Both the Uganda government and the international oil companies have now voiced the same schedule of July 2026 for First Oil. This prediction is premised on the progress of construction works at the three main projects – the Kingfisher Development Area, the Tilenga Project, and the East African Crude Oil Pipeline (EACOP).

Based on the activities in the oil fields, we believe the prediction of the 2026 First Oil schedule is fairly accurate.

We predict that Uganda's oil production will likely be undertaken in a phased manner, with the launch starting at the Kingfisher Development Area Project, which is located at the shores of Lake Albert in Kikuube district. We forecast production at the Tilenga project to start in 2027.

Still, our forecast is for Uganda to start oil production later in 2026.

KINGFISHER TO TAKE THE LEAD

Works at the Kingfisher Development Area, operated by China's CNOOC, are expected to cross over the 80 per cent mark in the first quarter of 2026.

Construction of the major infrastructure at the Kingfisher's Central Processing Facility (CPF), such as facilities for crude oil treatment, associated gas treatment, crude oil storage and export, liquefied petroleum gas production, storage and export, are all expected to be completed within the first three months of 2026.

At least 14 oil wells out of the total 31 at Kingfisher, which are enough to launch oil production, have been drilled using one rig, the LR8001. The Kingfisher will produce 40,000 barrels of oil per day.

The Kingfisher Project will be ready for First Oil in the third quarter of this year.

The Kingfisher Oil Project

TILENGA NOT YET THERE

The larger Tilenga Project, which straddles Nwoya and Buliisa districts, remains behind schedule compared to the Kingfisher. Works at Tilenga, which is operated by France's TotalEnergies, are expected to have approached the 70 per cent mark before the end of the first quarter of 2026.

Using three rigs, TotalEnergies has so far drilled more than 150 oil wells, out of the needed 170, for oil production to start at the field. We expect the company to hit the 170 target, and have the wells ready for production, in early 2027.

Some of the other major activities at Tilenga include the laying of feeder pipelines from the oil wells to Pump Station One at the Kabalega Industrial Park over a distance of 95 kilometers.

Other activities at Tilenga include plans to install a gas-to-power system – a critical component in the powering of at least 29 well pads, and the Central Processing Facility (CPF) at the Industrial Area. We expect the system to be in place within the first half of 2026. Tilenga will produce 190,000 barrels of oil per day at peak.

There have been some confidential discussions over the possibility for TotalEnergies to liquidate a minor stake of its Uganda oil project as the company looks to attract some investment into the country. TotalEnergies has agreed to increase its equity financing for its Mozambique LNG $15 billion project and the EACOP as financial pressures on its different African projects build.

There will be more clarity on TotalEnergies' plans when the company's shareholder meeting is held in Paris in late May 2026.

The Tilenga project should be ready for production by early 2027.

Coated pipelines

EACOP REMAINS ON COURSE

The cross-border connection of the line pipes between Uganda and Tanzania at Kabawo Zone, Mutukula town council in Kyotera district, signified a commitment by the two countries to commercialise the East African Crude Oil Pipeline (EACOP) project.

Construction works for the $3.5 billion EACOP project remain at different stages of completion, with the overall average expected at 80 per cent before the end of the first quarter of 2026.

The closure of a $755 million debt facility in March 2025 helped to ease a big part of the financial burden that the project faced. We also expect the equity partners to honour their financial commitments to the project ahead of First Oil.

Nearly 470 kms of line pipes have been buried into the ground and 192 kms of high voltage cables installed along the pipeline route. The entire EACOP line from western Uganda to Southern Tanzania is 1,443km, with Uganda accounting for 296km of this distance.

The laying of pipes in sensitive areas like at Sigi River in Tanzania was completed in December 2025, where a 1.2km pipeline was buried across the river through horizontal directional drilling. A similar form of drilling is expected at Kagera River, still in Tanzania near the Uganda border, within the first three months of 2026.

While more than 1,000km of pipes are already welded and coated, and ready for laying into the ground, we believe more focus is going to be placed on speeding up works at the two pump stations in Uganda, and the marine tanks terminal at Tanga. Works at the pump stations in Uganda, which are to boost pressure and maintain the flow of oil through the heated pipeline, were barely at 50 per cent in December 2025. Although, works at the other four pump stations in Tanzania were not that far ahead either, with none of them at 60 per cent completion rate.

The marine terminal at Tanga, the final point of the pipeline carrying the crude from Uganda, had just hit the 50 per cent completion works before the end of the year. We expect more pressure on the contractor to ramp up the works, especially on the steel structure erections.

We believe there will be just enough infrastructure in place to allow the flow of crude oil through the EACOP by the third quarter of 2026.

UGANDA SET FOR NEW OIL LICENCING ROUND

Uganda is expected to issue a request for proposals for a couple of oil blocks this year as it launches its third oil licensing round.

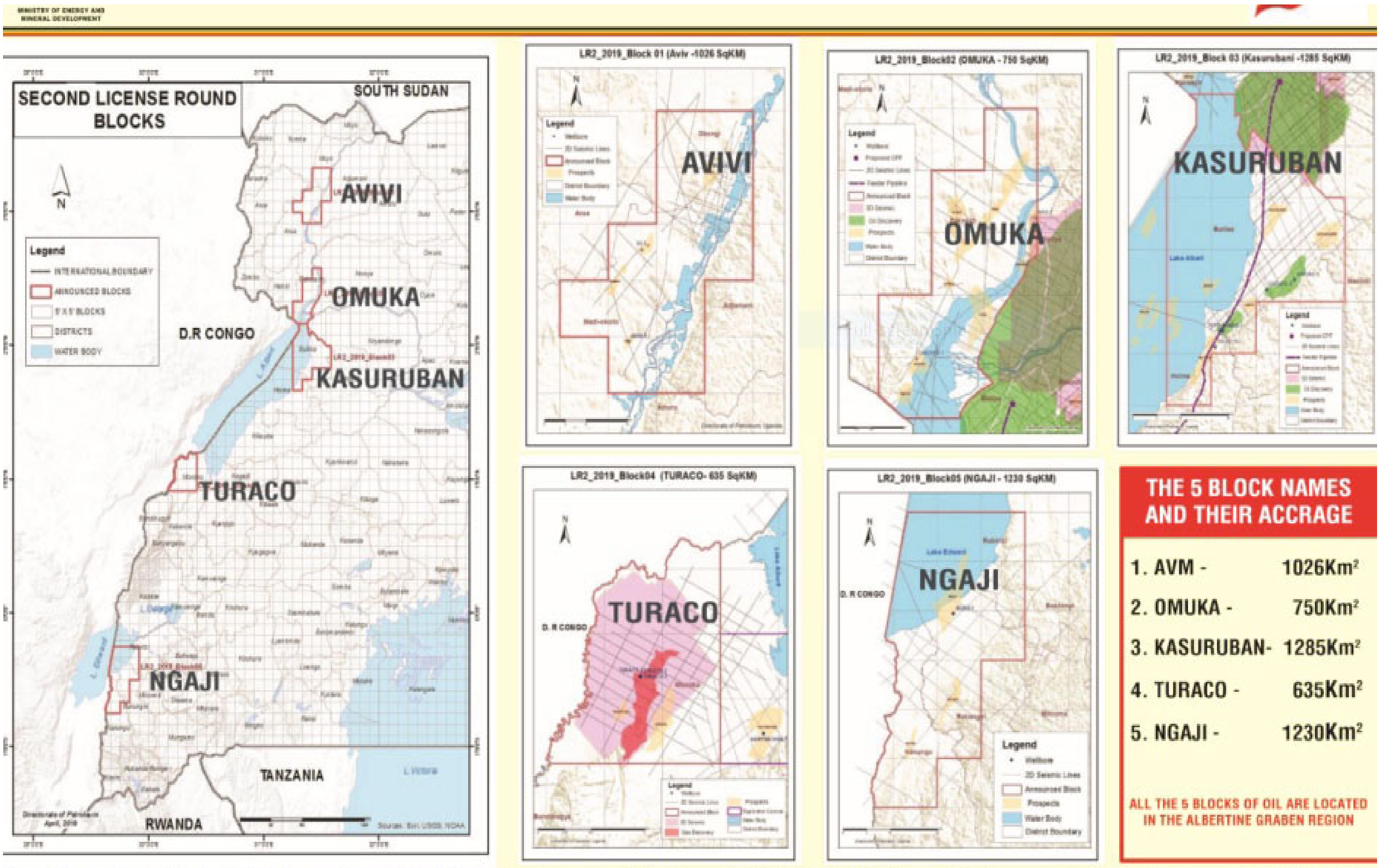
Cabinet is yet to give the Ministry of Energy and Mineral Development the go-ahead to launch the licensing round. The cabinet decision is expected within the first half of this year.

In late 2024, the Ministry of Energy published on its website new oil basins it was considering for exploration. Government is looking at opening up the Kyoga, Moroto Kadam, and Hoima oil basins.

Also, at least three of the five oil blocks that were auctioned in the second oil licensing round in May 2019 were not taken up. The oil blocks – Avivi, Omuka, and Ngaji – might be up for grabs in the third licensing round. Neptume Petroleum explored the Avivi 15 years ago but did not find any commercial quantities of oil, while Total E&P did the same with Omuka in 2012 and also found similar results.

Plans to explore the Ngaji block have courted controversy due to the possible environmental effects on the pristine Virunga area, where it is located closer to the border with the Democratic Republic of the Congo.

Uganda has so far discovered between 1.4 billion barrels and 1.8 billion barrels of commercial oil.



The Five oil blocks for the Second round of licensing launched during the 9th EAC Petroleum Conference in Mombasa on May 8th 2019.

THE MORNING AFTER FIRST OIL...

MONEY IS COMING. IS IT?

On the morning when Uganda finally joins the league of oil-producing countries later in 2026, a billion-dollar industry will emerge.

Government figures point to annual oil revenues of $1.5 billion to $2 billion at peak. The revenues, which will come in the form of oil sales, taxes and royalties, are anticipated to be generated over at least 20 years of oil production.

At the Petroleum Authority of Uganda, the regulators of the sector, oil production will initiate the start of counting the cost of allowable contract expenditures and the recovery of those costs from the sale of crude oil as defined in the Production Sharing Agreements.

After the phased recovery of the capital expenditure costs, the government will then calculate the profit oil based on oil production and sales.

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A DEBT BURDEN BARRIER

Ugandans need to manage their expectations over the anticipated short-term benefits from the oil production.

We don't expect the money from the oil sales to trickle down to the public immediately. Our expectation is that a large part of the oil revenues in the first two to three years of production will be used to reduce Uganda's debt burden.

Uganda has racked up a lot of debt, where the debt-to-GDP ratio had reached 51 per cent by June 2025, exceeding the 50 per cent ceiling set in the Charter for Fiscal Responsibility – a policy guide on how government can prudently balance revenue generation and public expenditure. A lot of this debt was pegged on the anticipated revenues from oil production.

Considering that the start of Uganda's oil production missed a couple of deadlines, the debt has attracted higher interest, making it more expensive to pay. Uganda's interest payments alone will account for 30 per cent of the resource envelope in the 2026/2027 financial year.

On that basis, we expect a sizeable amount of the oil revenues generated in the short term to be used to pay back part of the $32 billion total debt stock that Uganda had amassed by June 2025.

LOCAL CONTENT SHIFT

Uganda's local content benefits will take a final turn when oil production starts. From the immense benefits that came during the labour-intensive oil exploration stage to the early years of the capital-heavy development stage, Uganda will now prepare for a sizing down of activities when oil production starts.

We expect opportunities for local content to be largely centred around maintenance works when oil production starts.

We expect higher cuts on the labour force towards First Oil.

OIL REFINERY

We remain cautious over Uganda's plans to construct an oil refinery. Delays in breaking the deadlock over the signing of a Crude Supply Agreement with international oil companies means that we don't expect construction of the refinery to start in 2026.

For construction of the oil refinery to start, at least three crucial agreements needed to be signed first – the Host Agreement, the Crude Supply Agreement, and the Shareholders' Agreement. After the signing, the project developers will then move to announcing a Final Investment Decision.

Uganda signed a memorandum of understanding with Alpha MBM Investments LLC of the United Arab Emirates in December 2023 for the construction of a 60,000 barrels-of-oil per day refinery.

Negotiations of these key commercial agreements between the Government and Alpha MBM started on January 16 2024 and were expected to be concluded within three months, after which a final investment decision for the project would be announced. We expect the negotiations to continue throughout 2026.

Uganda and Alpha MBM officials sign the Implementation Agreement

MINING

Gold: Mineral Markets and Buying Centres

GOLD: MINERAL MARKETS AND BUYING CENTRES

We expect Uganda to establish its first mineral market and gold buying centre in Uganda in 2026. It is when the mineral market is established that Bank of Uganda's gold buying programme will be initiated.

The mineral markets for gold are expected to be established around gold mining areas. At least four areas in Uganda are popular with gold mining: Busia, Kasanda, Buhweju and the Karamoja region.

The enforcement of gold refining licenses is one of the interventions to watch in 2026 too. In 2025, Uganda issued its first four mineral refining licenses under the new Mining Act. The four companies are: Fargo Commodities Trading Uganda Limited, Feldstein Trading Limited, Euro Gold Refinery SMC Ltd, and Shinewithus Mineral Refinery Limited.

We predict that Uganda will try to subject other gold refineries, which were already operating before the new law came into place in 2022, to request for the licenses under the new law. The new law comes with new licensing terms that allow government to extract more financial value from the gold refineries. We expect to see more mineral refining licenses issued in 2026.

While all these reforms might meet some resistance from an industry that is used to conducting business in an old format, we still expect gold to be Uganda's top export.

African geologists visit Mubende United Miners' Assembly license area in Kasanda district

KILEMBE COPPER MINES

Operations at Kilembe Copper Mines are expected to resume in the second quarter of this year.

Sarrai Group, the company that government chose to partner with in the revival of the copper mines, is expected to sign a Joint Operations Agreement (JOA) with the Uganda National Mining Company (UNMC) in January 2026, a condition it needed before the start of operations.

The government of Uganda holds a 15 per cent stake in the Kilembe copper project, the first mineral production sharing agreement it signed under the new Mining Act.

Sarrai Group plans to invest $230 million before getting Kilembe to full production.

Copper prices are expected to remain high in 2026 amid increased demand for electric batteries and other technologies.

Energy Minister Ruth Nankabirwa at the handover of Kilembe

MAKUUTU RARE EARTHS

We anticipate the shareholders of the Makuutu Rare Earths project in Bugiri district to source for a new partner in 2026. The Makuutu project requires an estimated $150 million in total development capital before a Final Investment Decision is taken.

China's stiff export controls on rare earth metals, a move many see as a retaliation to US President Donald Trump's global tariff wars, has raised the valuation of projects such as the Makuutu.

China is the world's biggest exporter of rare earths, controlling more than 90 per cent of the market. However, recent policy decisions in Beijing, which have disrupted global supply of rare earths metals, have forced consumers of the metals to look elsewhere.

Rare earths metals are listed as critical minerals that are needed in the production of clean energy technologies.

The Makuutu project had a quiet 2025 with the major highlight of the year being the approval of three extra four-year mineral exploration licenses. There was no substantial on the ground work done by the project shareholders – Rwenzori Rare Metals Limited and Ionic Rare Earths Limited.

Ionic Rare Earths Limited spent the biggest part of 2025 building its other business line of recycling where it produces separated and refined magnet rare earth oxides for the western market in Europe and the United States of America. The company is confident it can create a strong supply chain of raw ores from Makuutu to its recycling lines located in the United Kingdom and the US.

ELECTRICITY

UEDCL Needs Financing For Last Mile Network

UEDCL NEEDS FINANCING FOR LAST MILE NETWORK

The state of Uganda's electricity distribution network will dominate discussions this year as the public demands more of better quality of service.

At the end of March 2026, the Uganda Electricity Distribution Company Limited (UEDCL) will make one year of being the main holder of the country's electricity distribution concession.

UEDCL has faced an uphill task since it took over the concession, with limited capital investment in the network creating a state of numerous power cuts, public complaints and squabbles among government officials.

The state of Uganda's last mile electricity network has attracted a number of reviews, which could inform the decision government intends to take in the second half of 2026.

UEDCL reported an additional 18 hours of outages from the set standard, with the outages materialising nine more times above the set standard. The company blamed this on an outdated and overloaded network left behind by Umeme Ltd.

We expect UEDCL to focus on sourcing for financing to improve the network.

In the first quarter of 2026, the company expects the Solicitor General to approve the recent agreement it signed with Absa bank for a five-year loan of $50 million.

UEDCL submitted to the Electricity Regulatory Authority (ERA) an application for $196.6 million in revenue requirement for 2026, which is higher than $146 million of 2025.

Among UEDCL's main priorities for 2026 will be a reduction in the lead time between the manufacturing and delivery of critical components of items for the distribution network.

The company will also try to be aggressive in cutting down the escalating energy losses.

We expect some changes, and enforcement, in the license conditions for UEDCL, as set out by the Electricity Regulatory Authority, as government moves to restore electricity reliability.

The authority has an inbuilt performance mechanism in the license conditions, where there is a reward for UEDCL in the event of good performance, and punishment if the numbers are bad.

There have been suggestions of introducing private sector participation in the distribution network, although we feel this particular decision will require a new policy position and the approval of the president, who remains committed to full nationalisation of the network.

400MW KIBA HYDROPOWER PROJECT TO RECEIVE LICENSE

The government will license the 400MW Kiba Hydropower Project in 2026, with construction expected to start in 2027 at the earliest. This will be the second biggest power plant in Uganda after the Karuma hydropower plant.

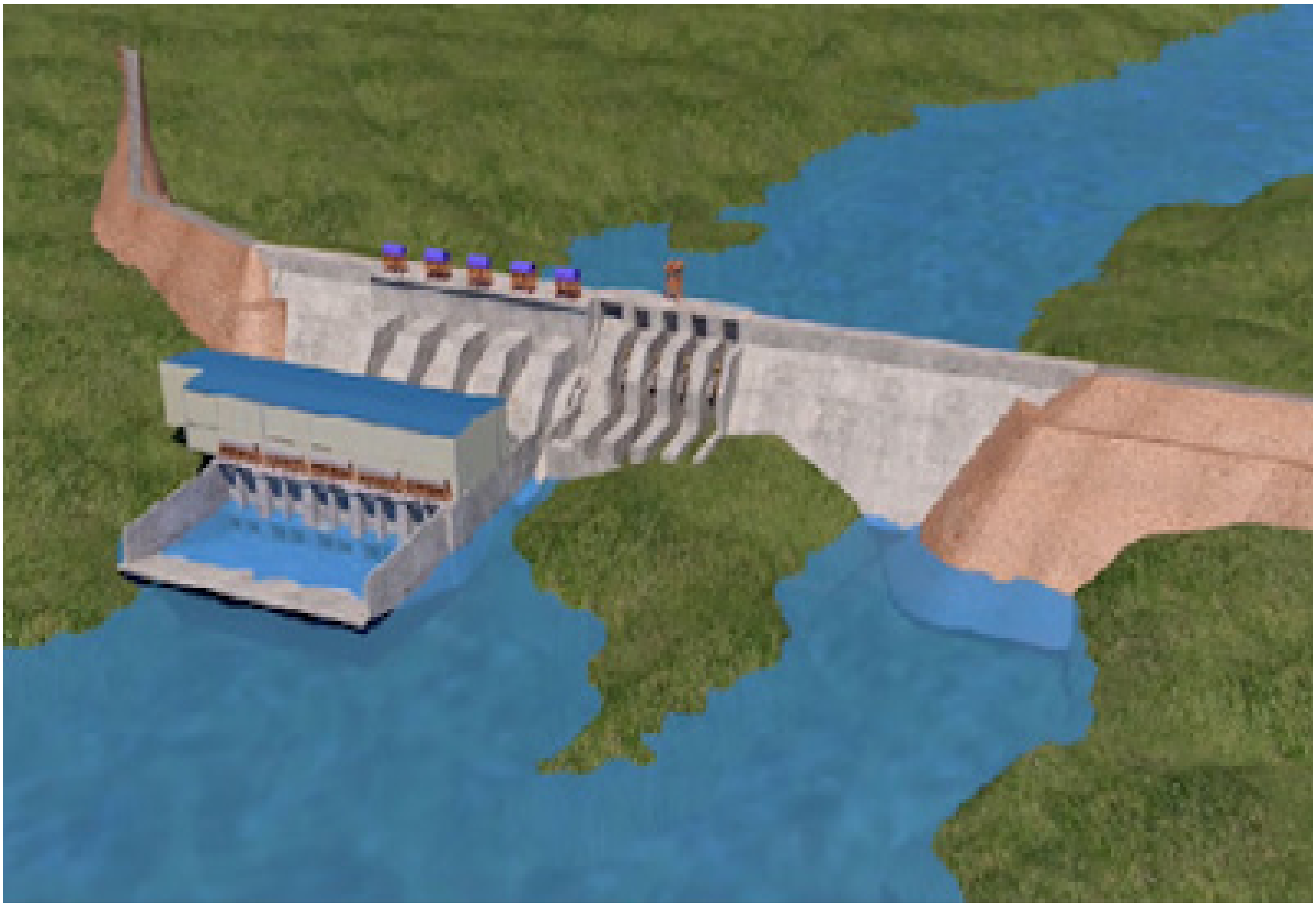
Feasibility studies for the Kiba project, located in Nwoya district, are ongoing. The studies will inform the decision government will take in choosing a partner to construct the project.

Uganda is expected to take the lead in the financing of the early works of the project.

The country urgently needs another large hydropower plant as projections show demand far outstripping supply, which could lead to the return of scheduled power cuts.

The Kiba plant is expected to have five units with a capacity of 80 MW each.

Installed generation capacity has grown in Uganda, reaching 2,098 MW in 2025. At least 65MW of electricity from different sources is expected to be added to the grid in 2026.



GRID STABILITY STUDY COMING SOON

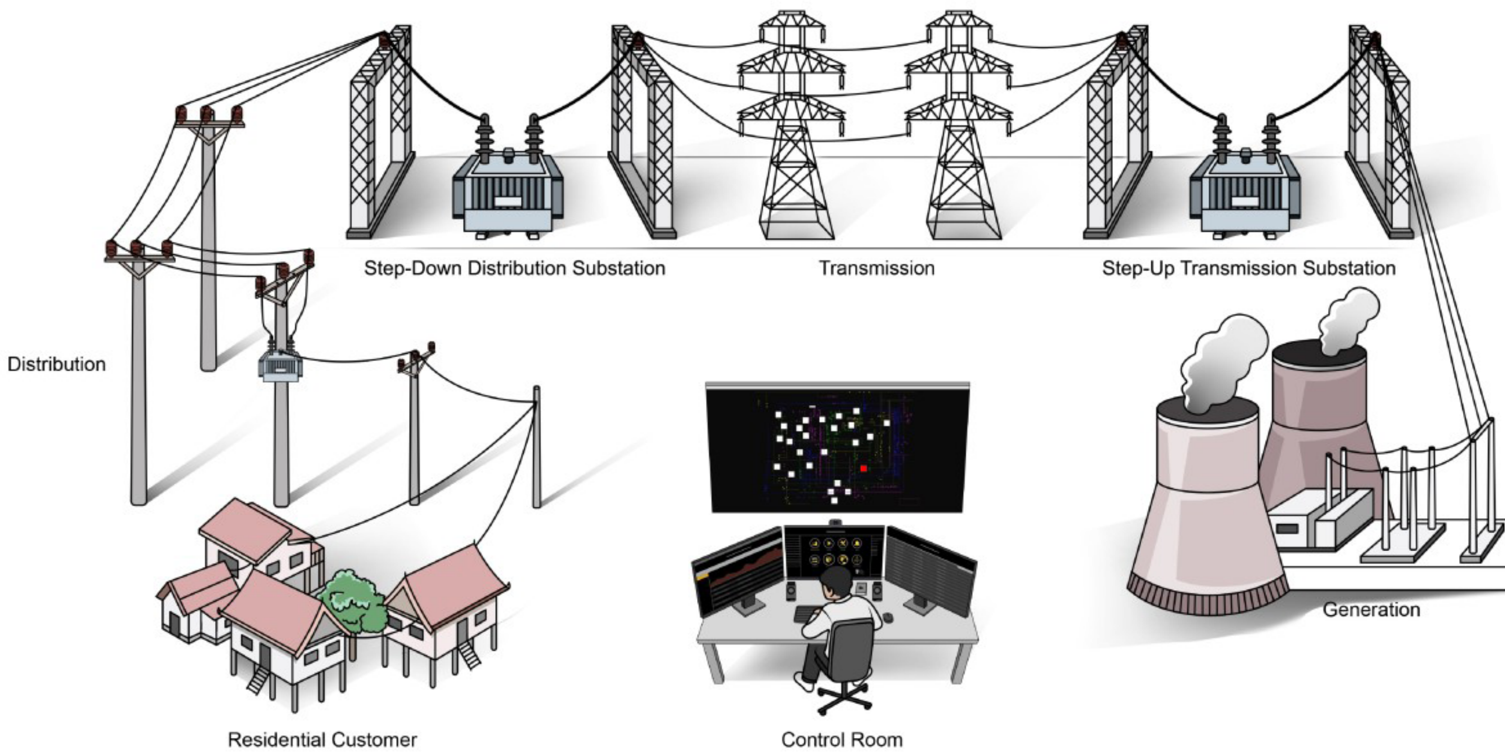
The Grid Stability Study, a government document that will guide how much energy can be connected to the transmission network, is expected to be released in the first quarter of 2026.

The study, which will show the investment requirement in the transmission network up to 2040, will unlock vast energy generation projects in the sector, especially from solar.

Government has stopped issuing any licenses for solar and wind projects until Uganda Electricity Transmission Company Limited (UETCL) releases the final Grid Stability Study.

When the study is released, government will commence the development of at least 500MW of utility scale solar photovoltaic (PV) generation power plants in the Elgon and Acholi regions.

In late 2023, Uganda signed a memorandum of understanding with Masdar from the United Arab Emirates to put up 1,000MW of solar photovoltaic plants. The agents of the company are currently undertaking verification of the proposed site in the Elgon region for a couple of solar projects. That verification is expected to be completed this year, and thereafter inform the compensation of any displaced persons. Construction of the solar project is expected to start in 2027.



THE YEAR OF BATTERY ENERGY AND STORAGE SYSTEMS

The government is expected to be aggressive in the promotion of battery energy and storage systems in 2026. In a recent gazette, the Electricity Regulatory Authority (ERA) said it "will prioritise projects that incorporate hybrid systems or energy storage technologies, where these demonstrably enhance grid flexibility and reliability."

Battery Energy Storage Systems (BESS) store electricity in large batteries for later consumption.

The government has allowed Energy America, with its regional subsidiary EA Astrovolt serving as lead project developer and execution partner, to undertake studies that will lead to the development of a 100MWp solar photovoltaic (PV) power plant integrated with 250MWh of battery energy storage in Kapeeka, Nakaseke district.

Another company, Gomba Power (One) Limited intends to undertake a detailed feasibility study for a project whose proposed installed capacity is 25 MWp for a Solar PV System and 80MWh for a Battery Energy Storage System.

We expect to see more license applications for BESS in 2026 when the Grid Stability Study is released.

THE HOT SEAT

Energy Minister Ruth Nankabirwa

●A new cabinet is expected before June, with the possible exit of Minister Ruth Nankabirwa at the Ministry of Energy and Mineral Development, who desires to focus on her duty in the church.

●The Petroleum Authority of Uganda will have a new executive director this year as Ernest Rubondo's tour of duty comes to an end.

●Towards the end of 2026, government will likely start the search for a new chief executive officer of the Electricity Regulatory Authority as Eng. Ziria Waako Tibalwa winds up her 10-year service at the helm.

●Paul Mwesigwa, the managing director of the Uganda Electricity Distribution Company Limited, has endured a tough nine months of running the distribution concession, with his leadership set to be one of the most watched in 2026.

President Yoweri Museveni

Robert Kyagulanyi

POLITICAL RISK

Uganda heads to the general elections on January 15. There has been a spirited dynamism from Robert Kyagulanyi, the main opposition candidate, throughout a large part of his political campaigns. What was once a peaceful electoral process at the start has degenerated into flashes of violence at the tail end of the campaigns. This has offered Kyagulanyi more room to score political points and rally more supporters. However, we feel that might not be enough for him to break the nearly 40-year rule of the National Resistance Movement (NRM).

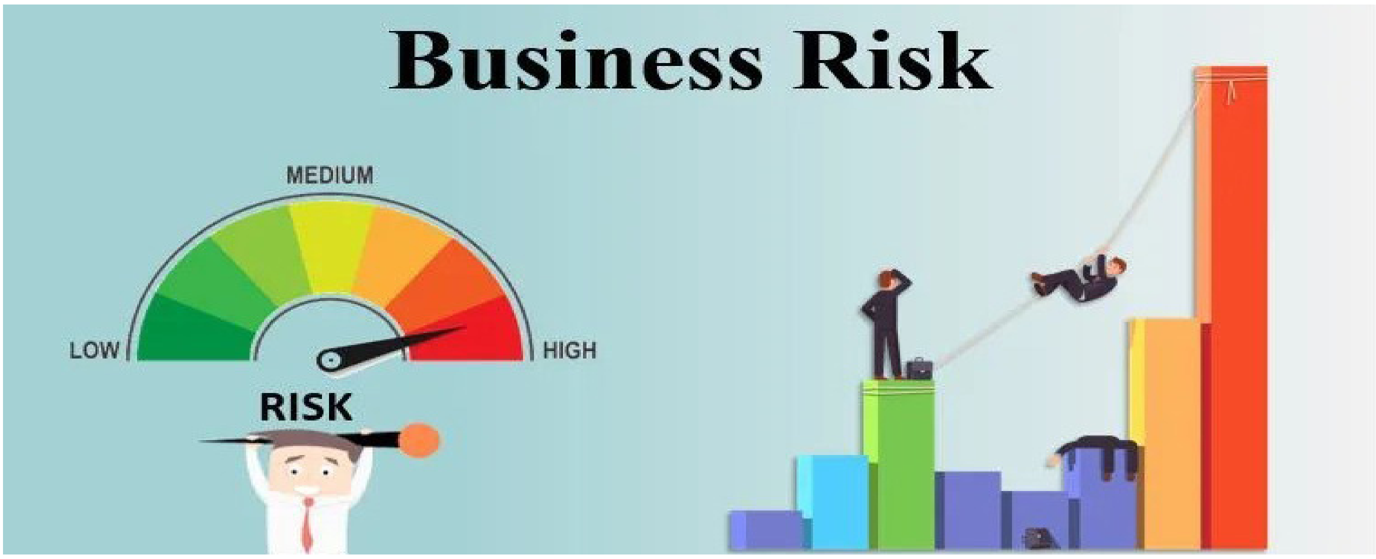
We, therefore, expect the Electoral Commission to declare candidate Yoweri Museveni as winner of the presidential elections, followed by a majority of NRM-leaning candidates dominating the new seats in the House.

We do not anticipate any significant post-election violence to disrupt the business environment largely due to the possible deployment of heavy security forces.

Complaints of vote-rigging will emerge after the elections, followed by different court petitions, although this is not likely to have any major effects on the swearing-in ceremonies slated for May.

Usually, a number of major ministerial decisions are made before the swearing-in as the president prepares to announce a new cabinet. A number of these decisions are partly influenced by fears of impending new appointments at the ministry.

A new cabinet is expected to be announced in late May, where there could be interesting appointments in the Ministry of Energy and Mineral Development. The cabinet will likely be influenced by the early infusions of a new political order amidst preparations of a post-Museveni transition.



BUSINESS RISK

We anticipate some delays in the approval of certain investment decisions as the market, worried about the possibility of electoral violence, awaits the outcome of the general elections. Some of these delays could even be stretched up to May until a new cabinet is announced as investors wait for certainty of who the decision-makers will be.

A number of businesses are likely to face calls of diversification towards cleaner forms of energy, which will require further reconfiguration of different business lines at their own costs. The diversification will not just be about them reducing their carbon footprint, but also increasing their chances of accessing an increasingly sensitive credit market.

Analysts

JEFF MBANGA
Twitter @jefmbanga,
Email:
jeffmbanga@gmail.com

ASSAD MUGENYI
Twitter @AssadOfUganda,
Email:
mugenyi.assad@gmail.com

DESIGN:
Moses Kabuye
0780 209047
kabuyemoses4@gmail.com

www.deepearthint.com