

Uganda finally creates National Oil Company

Written by Edward Ssekika

Created: 17 August 2015



Uganda's government has finally incorporated the National Oil Company to take charge of the commercial interests of the state within the oil and gas industry.

The company was officially incorporated under the Companies Act, 2012, by the Uganda Registration Services Bureau (URSB) on June, 12, 2015 under the name, Uganda National Oil Company Limited. The company's registration number is 202803.

The incorporation of the company is a step forward in Uganda's journey to taking its oil industry to the next stage of production after years of exploration and grumbling over issues such as tax and the kind of infrastructure the industry needs.

Fred Kabagambe-Kaliisa, the permanent secretary in the Ministry of Energy and Mineral Development, described the incorporation of the company as a milestone.

"Now that we have incorporated the National Oil Company, government is set to take up its position on the business side of the oil and gas industry" he said.

The company will collect the country's share of petroleum received in kind, manage business aspects of state participation and also develop in-depth expertise in the oil and gas industry.

The Uganda National Oil Company Limited will run as a private company and be wholly owned by government. Last year, Michael Werikhe, the chairperson of Natural Resources Committee of Parliament, said the country opted for a private company that could run its business like any other private entity, free from the bureaucracies of government.

As a private company limited by shares, the firm should have shareholding. However, the petroleum act is silent on who shall hold shares on behalf of government.

Gloria Sebikari, a senior communications officer in the ministry of energy, said the newly incorporated company has two shareholders.

The Minister of Energy and Mineral Development (MEMD) owns 51 per cent shares in the company on behalf of the ministry while the Minister of Finance, Planning and Economic Development (MFPED) owns 49 per cent of the share on behalf of the ministry.

The new shareholding is different from the earlier proposal, where the minister of energy was expected to hold 99 per cent, with the minister of finance holding one per cent. It is not clear why the shareholding changed.

Uganda National Oil Company Limited is now a separate and distinct legal entity from its subscribers, and it can sue or be sued in its own name, enter into legally binding contracts, own property and with perpetual succession, among others.

The Production Sharing Agreements that government entered with licensed oil companies provide for government's participation through a carried interest of up to 15 per cent.

The licensed oil companies carry this interest for government during the exploration and development phases of the petroleum value chain. This carry-on ends upon commencement of production when government takes charge of its interests through the National Oil Company.

The new company is also expected to handle government's interests in the refinery through a subsidiary. The state will hold a 40 per cent share in the oil refinery, which is planned to be built on a Public Private Partnership. Government has already selected Russia's RT Global Resources as its preferred partner for the construction of the \$4 billion refinery.

COMPANY BOARD

Last year, President Yoweri Museveni nominated seven people to the board of the National Oil Company. The board is headed by businessman Emmanuel Katongole of Quality Chemicals while Geoffrey Andama, Francis Nagimesi, Stella Marie Biwaga, Grace Tubwita, Francis Twinamatsiko and Irene Batebe are board members.

Although parliament approved all the members last year, they couldn't take office as the company had not yet been incorporated.

The incorporation of the company now paves the way for formal appointment of the board members. Sebikari says the board members will soon receive their instruments of appointment, which will enable them to begin executing their mandate.

With the national oil company in place, government is expected to embark on creating the petroleum authority too. There are a few hurdles to overcome before the authority is created though.

First, Parliament rejected the government's choice of Immaculate Ssemanda Nakimera as chairperson of the board on grounds that she is not assertive enough to head the powerful institution, while another board member, Prof Sande Stevens Tickodri Togboa, was appointed minister of state for education in a cabinet reshuffle.

The petroleum act establishes three institutions, namely: the Petroleum Authority of Uganda, which is a regulator; the Directorate of Petroleum, which is meant to handle policy-making and the monitoring of the sector; and National Oil Company.

The government has already restructured the ministry of Energy and Mineral Development into directorates. Formally, the Petroleum Exploration and Production Department (PEPD) is now a directorate.

ssekika@observer.ug