

Joint Sector Review 2017

Opening Remarks by HE Ambassador Susan Eckey

Theme for Review:

**“Energy and Mineral Resources for Employment Creation, Value Addition,
Industrialization and Local Content Development”**

Hon. First Deputy Prime Minister

Honourable Minister for Energy & Mineral Dev.

Honourable Members of Parliament.

Mr. Chairman, Ag. Permanent Secretary (Robert Kasande)

Development Partners

Distinguished guests

All Protocol observed

OPENING

Norway has the honor to represent the international partners in the energy and mineral sectors at this seventh Joint GOU/Development Partner’s Energy and Mineral Sector Review. Uganda and its international partners are fully aligned on this theme: “Energy and Minerals for Employment Creation, Value Addition, Industrialization and Local Content Development”.

I would like to compliment the GoU and the Ministry of Energy and Mineral Resources for organizing this seventh Joint Sector Review. It has become an important annual event. Our appreciation also goes to all those who have worked hard to prepare the Review.

Many important achievements have been made since the last Joint Sector Review. Challenges have also been encountered. And the future priorities are being outlined. This Review is an essential part of the dialogue among sector stakeholders and it will continue to address key priorities in the sector.

KEY MESSAGES

My own country, Norway has become one of the wealthiest countries in the world as a result of its abundant natural resources. But far more important, Norway ranks high on statistics such as Human Development Index and Happiness Index. This suggests the revenue from our vast natural resources

has provided benefits to the whole population. Energy and mineral resources have become a blessing. Commercial development of natural resources has facilitated the development of industry, created jobs, developed a well functioning universal health and education system, and provided shared prosperity. Uganda has set the same goals and priorities for managing their natural resources, through various National Plans and Policies, including Vision 2040. The theme of last years' Joint Sector Review was *"Towards Middle Income Status with Sustainable Development of Energy and Mineral Resources"*. The international partners contributing to this sector are here to support Uganda. It is extremely important that this support is coordinated amongst the international partners, and most important - to be aligned with Uganda's priorities and interests.

POWER GENERATION

Electric power is a prerequisite for establishing efficient industries and jobs. When Norway started generating electricity some 150 years ago, it provided the start of a long journey of industrial development. This ensured job creation. Which again ensured that Norwegian households could afford to connect to electricity.

Guided by the "National Vision 2040", it is estimated that Uganda will require an installed capacity of more than 40,000 MW by 2040. This is indeed an ambitious goal.

We welcome that the Government of Uganda gives high priority to developing Uganda's hydro power resources. I visited Karuma last year, and I was impressed by the size of this development. Such energy projects will be the foundation stones for future industrial developments. The operation of these large plants will require expanded skills development. International partners will have an important role to support Uganda to meet these challenges.

The "Get Fit" program has proven to be an important and successful initiative to attract private investors to develop renewable energy power plants. Under this scheme, the second grid-connected solar power plants in Uganda, was commissioned last week, and I will visit this plant next week. The Get Fit program is an excellent example of job creation. The 17 projects planned to generate 157 MW will provide jobs for 4,200 people. In addition, tens of thousands of jobs will be created from industrial development resulting from subsequent electrification.

ACCESS TO ELECTRICITY

Power generation, power transmission and distribution to the users have to be developed hand-in-hand. Today, the power generation capacity exceeds the distribution capacity. It is a challenging task to synchronize the development of power generation, transmission, distribution and access. It is an enormous and long-term, if not impossible task to reach every potential consumer through the grid. Ninety per cent of Uganda's rural population has no access to electricity. And, even if they had, could

they afford it? A study by the Uganda Ministry of Finance, concluded that the average Ugandan household can afford to spend USD 5 or shillings 18,000 per month on energy. How can Ugandans then afford to connect at a cost of 400,000 UGX or pay 700 UGX per unit (1 kW) used? Subsidising electricity is not sustainable. We must continue to explore more efficient and innovative solutions to reduce costs. Reducing electricity losses, theft and vandalism must also be addressed. Not least, Uganda should secure affordability through industrialisation and job creation.

Cost and technical reliability of electricity generated by solar power have made such systems more attractive over the past years. Off-grid solar power solutions, from solar lanterns and home systems to mini-grids, will without doubt be important and necessary in providing electricity to rural areas. Solar power will also play an increasing role in water supply, including irrigation in the agricultural sector. Decentralized off-grid energy solutions are therefore key to enhance access to electricity. They are increasingly lower cost alternatives to grid extension for rural households and businesses. District Local Governments (DLGs) play a key role in supporting the complex planning and coordination of rural electrification. We encourage the Ministry to continue its efforts to establish District Energy Coordination Structures, and involving them in the annual, medium- and long-term planning.

There have been significant improvements in the *regularity* of electricity distribution, from 35% losses in 2009 to 19,5% in 2015. This needs continued attention.

A major challenge in the years to come will be the provision of uninterrupted and affordable power. While international partners should continue their efforts to support Uganda, UETCL, REA, ERA, UEGCL and other stakeholders, the relevant institutions should at all times exercise the necessary diligence, efficiency and not least, transparency in line with best practise principles during the implementation of projects.

I will give you an illustration. ERA recently presented a report to the Energy development partners group (EMDPG) concerning rotting electricity wood poles. This is a significant problem, with severe impact on the regularity of electricity distribution. Tens of thousands of poles need to be replaced after a few years only, in particular in the northern and eastern parts of Uganda. Something needs to be done, and we understand ERA is working to find solutions to these problems.

BIOMASS

A government report has revealed that the country's forest cover has dropped from 12 to 9%, a 3% drop in just two years. This is extremely worrying. The rapid population growth and the extensive use of firewood are the main causes. Biomass represents 90% of the total consumable energy in Uganda. Electricity will not be a substitute for cooking or for transport in the near future. It is therefore

important to address energy efficiency and innovative solutions. Cook stoves with higher efficiency in burning firewood and charcoal is one way, but with an increasing population of more than a million a year, this will not stop the deforestation in Uganda. More efficient biomass cook stoves and other technologies and/or alternative fuels such as LPG, biogas or solar heated cookstoves may provide additional solutions. Such systems are available, and ongoing research, including at Makerere University, may give a step-change in the years to come.

POWER SECTOR REFORM

The Uganda *Electricity Law* was enacted in 1999, which provides a framework for regulation of the sector. The review of the Law is now in process.

The first Uganda review of the *Power Sector Reforms* was finalised this year. The review was a comprehensive and important process – where the international partners were invited to interact with the Ministry. We hope that the implementation of the results from this review will attract investment to the power sector.

OIL & GAS SECTOR

Just after last year's JSR, MEMD granted 8 petroleum production licenses (5 to Tullow and 3 to Total). Together with the CNOOC Kingfisher license, the development of these oilfields will represent huge investments and future income to Uganda.

Norway used revenues from the petroleum sector to develop industry, to create jobs, to improve health and education services, and save in a pension fund. The oil and gas sector itself is not very job intensive. Direct employment in the oil and gas sector in Norway is less than 2% of the labour force, despite our position as the largest producer in Europe. And we are only 5 million. In Uganda, it is estimated there will be 3,000 long term direct jobs in the oil sector, and 100,000 to 150,000 will be indirectly employed (induced jobs). These are small numbers compared to Uganda's work force.

Investing petroleum revenues in other industrial sectors will be key to job creation. Refining petroleum products in Uganda is one example. In Norway, many industrial developments came as a result of petroleum production. Examples are the manufacturing of fertilizers, and the use of carbon dioxide, considered a waste and a nuisance product, as a source for algae growth to provide feed for fish farming.

Uganda has taken some very important steps to secure that the oil and gas revenues will benefit the people of Uganda, such as securing national content and participation in the sector, as stipulated by the Petroleum Act 2012, and the Petroleum National Content Regulations, 2016. As Uganda takes further steps to develop its local content policy, the international partners appreciate the wide

consultations and involvement in this process. We support Uganda's efforts to enhance local content and bring wider benefit to Uganda, but without creating a restrictive investment environment which can stifle foreign investment. Norway is pleased to have provided technical support and cooperation in this sector through the Oil for Development Programme. We look forward to continued cooperation about this.

MINING SECTOR

Uganda's natural resources include large resources of minerals. However, the sector has so far provided limited revenue to the Government. In contrast to the state's revenue from petroleum, the standard rate of mining royalties is only around 3% across the African continent, among the lowest in the world. The President has recently made the mining sector a priority and the government has been working with the WB to reform the mining law. As international partners we support Uganda's efforts to increase the capacity of the agencies responsible for the mining sector.

The Lusaka Declaration of the International Conference on the Great Lakes Region of 15th December 2010, commits the signatory countries, including Uganda, to:

- fight the illegal exploitation of natural resources through national, regional and international legal means; and among other elements, promote the Extractive Industries Transparency Initiative.

There is a need to improve state control and the regulation of the mining sector. It is estimated that there are around 50,000 unofficial gold miners in Uganda, possibly mining around 3,000 kg gold a year. This number suggests that the potential for jobs in the sector is large, and many more jobs can be provided in the mining sector than in the petroleum sector. In order to maximize this potential the sector needs to develop a short, mid and long term mining plan (Mining Master Plan). Such a plan, if well formulated and implemented could make Uganda a mineral processing and refining base for legitimate minerals from the region.

Extracting minerals for industrial use has an impact on the domestic economy by transforming local livelihoods and national revenues. The current efforts supported by the EU-UNDP to optimize these minerals and materials through skills development, sustainable extraction and rigorous regulatory oversight should continue. This will contribute to better economic and human development outcomes.

CHALLENGES

The challenges are many – but Uganda is blessed by abundant resources – and security – more than most African countries. Challenges:

- High population growth, of more than one million a year represents a major challenge. In addition, Uganda has a large influx of refugees.
- Wayleaves and compensation for land rights impose tremendous challenges to infrastructure projects. Important infrastructure projects for the development of Uganda are severely delayed due to ongoing disputes with private landowners. The Government of Uganda is now addressing this. We encourage you to find a solution which takes into account the rights of all involved. This must include the rights of women to hold and have access to land.
- I mentioned earlier the challenge of synchronizing the development of power generation, transmission, distribution and access. I also mentioned the important process of the review of the Power Sector Reform. It may be appropriate to consider updating or preparing a *Master Plan for the Electricity Sector*. Such a plan could harmonise the elements needed for providing electricity and energy. The Energy Policy for Uganda, which is currently reviewed, should provide the overall guiding framework. It should provide clear and realistic targets until 2030. International Partners are ready to support the Government of Uganda in these processes.
- Preserving the environment in this beautiful country is a key priority. Power stations, transmission lines, petroleum and mineral development take part in some of the most beautiful areas of Uganda, and some of the most environmentally sensitive areas in the world. The National Environment Bill – and related environmental regulations have been finalized, and the Law will hopefully be enacted soon. Hopefully it will be in place before the petroleum developments takes off. The government and stakeholders must all ensure that this legislation is implemented.

CLOSING REMARKS

Over the next two days, we will have the opportunity to discuss the challenges and potential in the energy and mineral sectors. We will ask critical questions and make constructive proposals. It is a great opportunity to find the best paths for Uganda! The international partners will do our best to align with the Government's priorities and provide efficient support wherever we can.

I wish us all fruitful deliberations and a successful Joint Sector Review 2017.

THANK YOU!