

OIL AND GAS DEVELOPMENT: IMPLICATIONS FOR THE LOCAL ECONOMY

By

Morris Ogenga-Latigo

B.Sc. (Agric.)(Hons.); M.Sc. (Zool.); Ph.D.

Chair, ATWCOG

**Civil Society Coalition on Oil and Gas (CSCO) Workshop
On Local Participation in the Oil and Gas Sector**

GULU, 12-13th March, 2015

INTRODUCTION

- **Thank Organizers for Invitation**

- **My Presentation is informed by :**
 - a. Theme of Workshop: “Local Participation in O&G Devel.”:
 - What does this mean for one coming from Nwoya, Amuru, Gulu, Kitgum and Northern Uganda generally?

 - b. Nature of Participants: Political Leaders, Entrepreneurs, CSOs
 - How will my presentation benefit you?

 - c. Need to Appreciate Opportunities in O&G Sector
 - How can my presentation help us prepare to participate?

The Broad Context of O&G Development in Uganda

- Once Uganda enters oil production, oil revenue is expected to contribute 10-15% of GDP over 20-30 years.
- This revenue inflow has the potential to stimulate development provided it is managed properly, given in particular the rural-urban poverty disparity (34.3% vs 13.8%), and the high population growth rate with the population projected to reach 100m by 2050 when oil will have been depleted.

- For Uganda, therefore, it is important that oil & gas development and its revenues are used to:
 - create opportunities & generate prosperity throughout and across the country
 - reduce existing poverty
 - reduce existing urban-rural inequalities,
 - narrow regional disparities in development & prosperity
 - ensure lasting gains of oil exploitation in the face of rapid population growth.

Yet, given the experiences of many oil-dependent countries, especially the negative relationship between resource abundance and economic growth that is strongest for oil, the prospects are alarming and have to be objectively confronted and firmly dealt with.

It is thus critical that this workshop bears the above facts in mind as you consider the potential benefit of O&G development to our local economy.

KEY ELEMENTS IN THE O&G DEVELOPMENT

1. Exploration Phase

- Use specialized equipment and skills largely of limited local content
- Provision of Supplies & Services (fuel, food, labour, transportation, waste disposal, accommodation etc.)

2. Production Phase

- Extraction (Oil Cos.- CNOOC, Total, Tullow)
- Refining-Hoima (Foreign and Local Firms)
- Crude Oil Export (Rail, Pipeline)

Local Opportunities in the Production Phase

1. Infrastructure Development

- Wells and associated pipelines and infrastructure
- New public infrastructure (roads, railways etc.)
- Local employment, labour supply and service provisions
- Permanent economic opportunities

2. Economic Activities & Businesses

- Supplies: labour, food, fuel, spare parts
- Social services: education, health, hospitality
- Waste disposal and environment management

Key potentials

1. Huge Discoveries

- 6.5 billion barrels
- Up to 60% may be in Acholi Subregion

2. Extraction Potential

- Oil well sites (employment, supplies)
- Central Processing Facilities (CPFs)
 - construction potentials,
 - associated infrastructures,
 - permanent employment of over 250/CPF

Key Potentials Cont.

3. Refining Potential

- Refinery already fixed in Hoima
- Construction employment & supplies
- Associated infrastructure (roads, airfield etc.)
- Permanent employment of thousands
- Permanent supplies & business opportunities

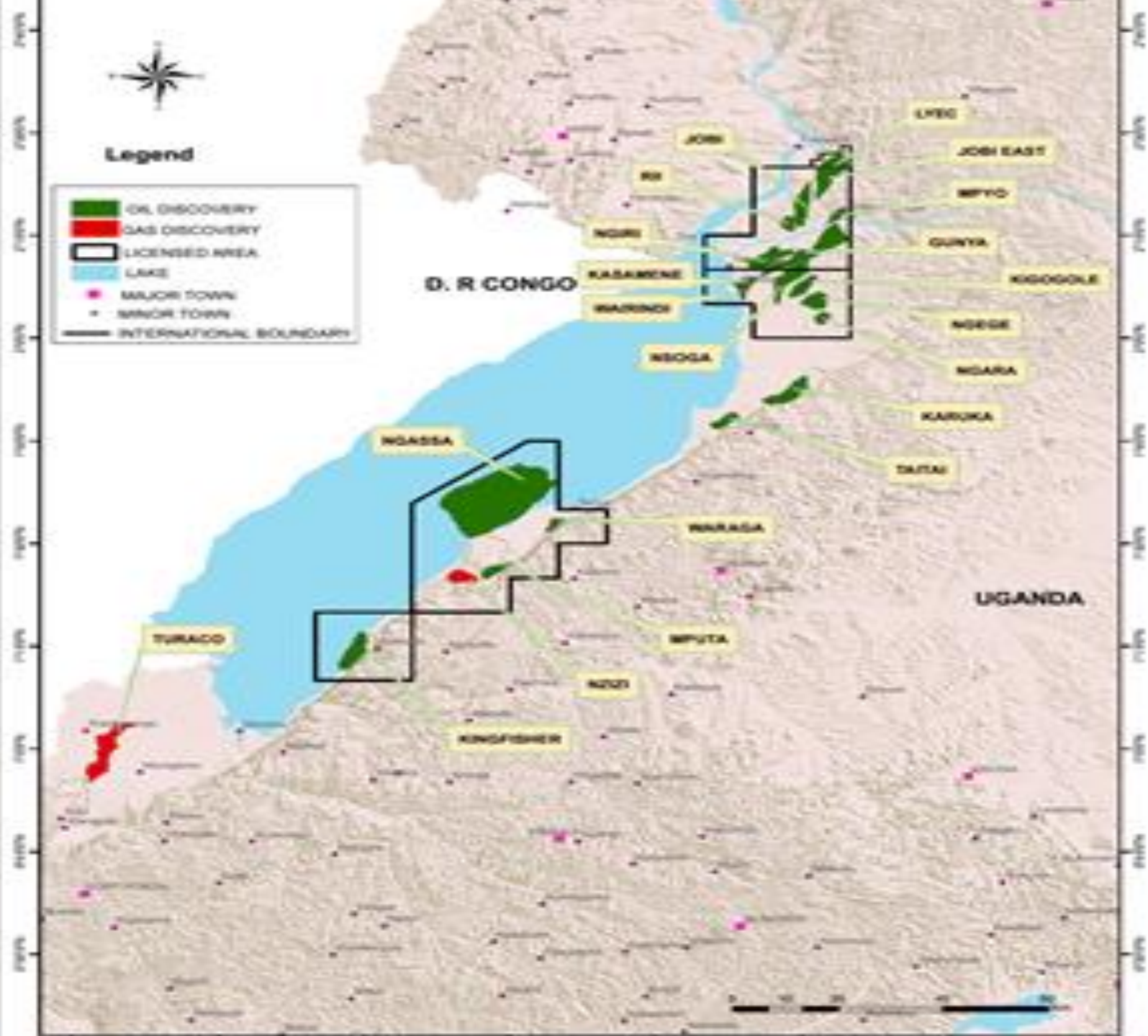
4. Crude Export Potential

- Pipeline construction benefits (labour, compensations, supplies etc.)
- Associated infrastructures (railways, highways, pumping stations, work camps)
- Permanent employment of thousands
- Permanent supplies & business opportunities



Legend

- OIL DISCOVERY
- GAS DISCOVERY
- LICENSED AREA
- LAKE
- MAJOR TOWN
- MINOR TOWN
- INTERNATIONAL BOUNDARY



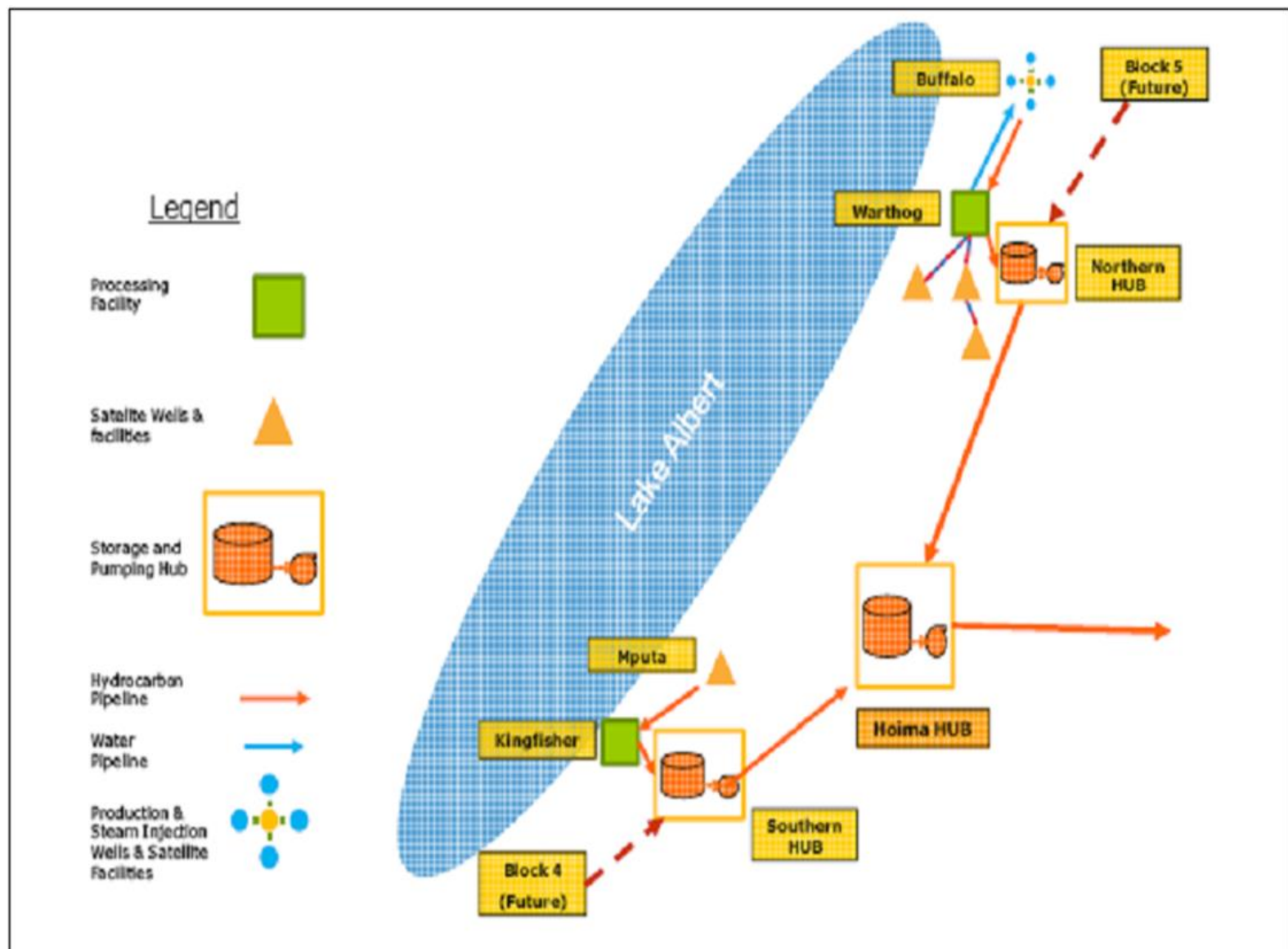
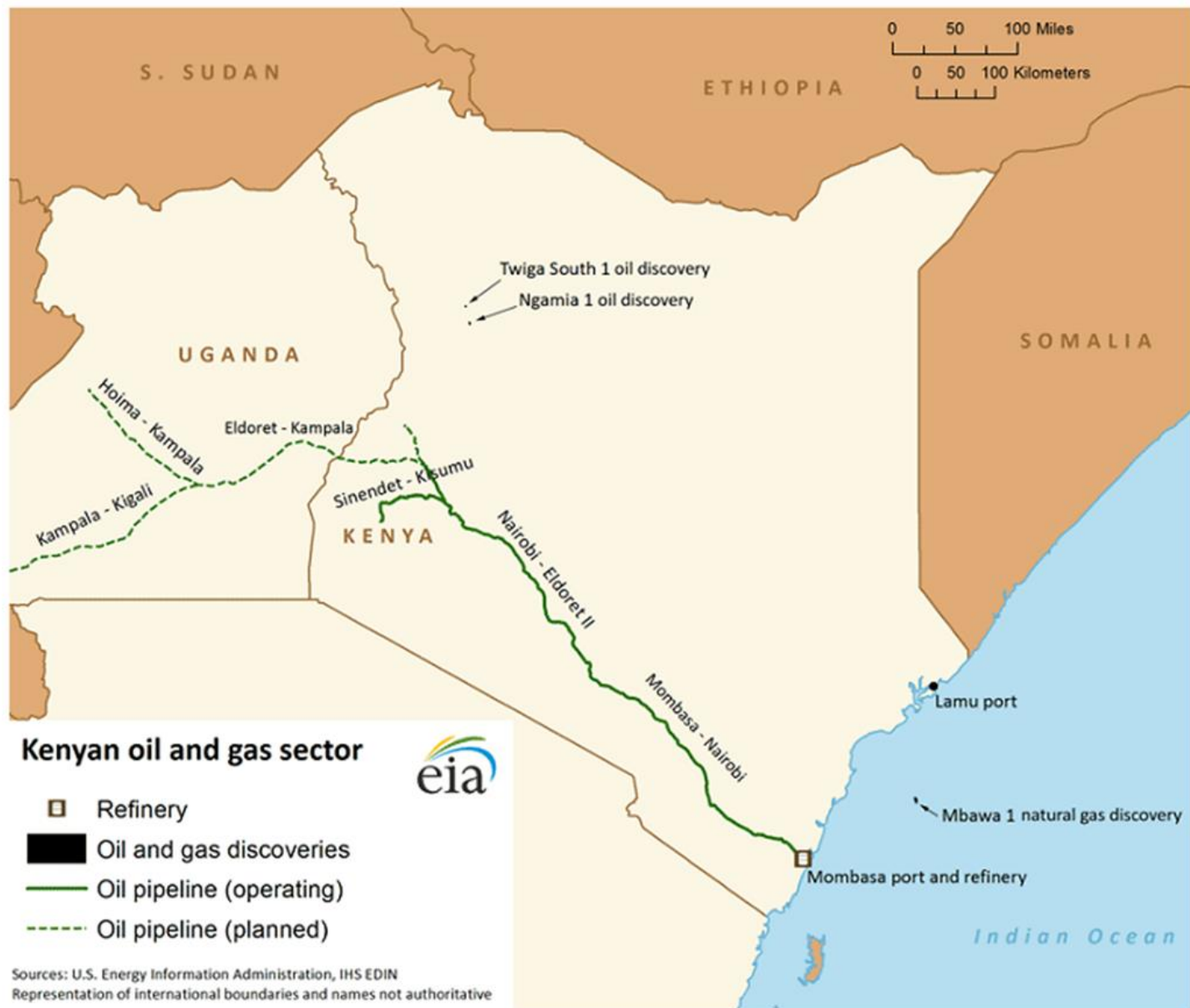


Figure 10: Overall development plan concept (from Foster Wheeler Energy Ltd. Feasibility Study report, 2010).



Kenyan oil and gas sector



- Refinery
- Oil and gas discoveries
- Oil pipeline (operating)
- Oil pipeline (planned)

Sources: U.S. Energy Information Administration, IHS EDIN
 Representation of international boundaries and names not authoritative

What Do Current Plans Mean for Us?

1. Remoteness of Opportunities

- Geographical disadvantage
- Inordinate need to invest in building capacity (skills, management, organization, capital assets)

2. Reconsideration for Equity:

- CPFs located north of Nile with associated benefits
- Trans-North Crude Export Pipeline with associated benefits
- Permanent opportunity for business progression, employment, regional transformation & national integration.

OIL REVENUE INFLOWS

1. Vastly Improved National Income for Develop.

- Potential seen earlier (10-15% of GDP)
- Depends on how resources are used for benefit of all

2. Local Revenue Inflows

- Oil money pumped into local economy as seen above
- Royalty & How we Utilize it
 - Investment in local capacity development
 - Support to local education, manpower & business development
 - Support to local agricultural transformation
 - Enhanced development of local infrastructure (roads).

THE RISKS AHEAD

The potential risk for the “Dutch Disease”; i.e. oil becoming a curse rather than a blessing!

- Consumptive use of oil revenues
- Undermining of agriculture and manufacturing
- Collapse of subsistence agriculture and the rural economy
- Rural-to-Urban migration and associated disparities
- Regional economic and development disparities
- Local discontent and national political instability.

Meaning for our local economy

- Collapse of agriculture that employs over 80% of our population
- Destruction of rural life
- Rendering non-economic traditional, small-scale production of basic crops (food/fibre)
- Abandonment of productive land and rural economic activities
- The extreme local disadvantage due to poor education and manpower development.

CONCLUSION & WAY FORWARD

- 1. Current Oil & Gas Development provides very limited opportunities in our local economy**
- 2. Current planned development has important implications for the local economy and inclusive national development**
- 3. The greatest opportunities in the O&G sector are in low-skill employment and supply of basic goods & services.**
- 4. There is need for a new investment in intensive high value agriculture (horticulture, poultry, piggery, dairy etc.) rather than traditional food production**
- 5. There must be urgent investment in local education, skilling, capital development & manpower development.**

DONE RIGHT,, O&G DEVELOPMENT CAN HAVE INCREDIBLE IMPACT ON THE LOCAL ECONOMY, THE PLAYERS THEREIN AND THE LOCAL POPULATION.

WE NEED URGENT LOCAL COMMITMENT & COLLECTIVE ADVOCACY TO REVERSE/IMPROVE THE CURRENT SITUATION.

I THANK YOU ALL FOR YOUR KIND ATTENTION