The ENERGIZER
AFIEGO's Monthly Newsletter
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UGANDANS, WE MUST STOP FAILED ENERGY PROJECTS TO ADDRESS RISING DEBT BURDEN

AFIEGO staff with some refinery-affected children in Hoima. In 2012, these and children and their famileies were displaced from their land in Kabaale-Hoima. Government promised to provide them with electricity, land titles, clean water, health services, education and others. Todate however, the above promises are unfulfilled. Government claims that it has no money to fulfil the commitments. Yet government collects revenues and borrows money to implement projects such as the oil refinery one. However, most of the collected revenues and borrowed money are spent on failed projects.

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Editorial

This month, the Auditor General (AG) released his 2018 annual report to parliament. The report indicated that Uganda's public debt had increased by 22% within one financial year, growing from Shs33.9 trillion to Shs 41.3 trillion. The AG, who expressed worry that Uganda's borrowing is unsustainable, also revealed that 65% of revenues collected by government in the 2018/2019 financial year were being spent on debt repayment.

To soothe Ugandans, Hon. Matia Kasaija, the minister for finance, told the nation during a media briefing on January 8, 2019, that because the biggest share of the money that has been borrowed has been invested in productive sectors of the economy including the roads and energy sectors, the debts would drive economic growth and would pay off.

Was the minister right in the above assertion? In our **Word from the CEO**, we show you that he was not. Between 1986 todate, over $3.86 billion has been invested in construction or renovation of big dams such as Karuma, Isimba, Bujagali, Owen Falls and Kiira with the view of increasing power accessibility, reliability and affordability to drive economic development.

However, power access remains low, standing at only 20.4%. Further, Uganda's electricity remains unaffordable and some of the most expensive in the world. For instance, a unit of electricity from Bujagali costs 10.5 US cents, making it some of the most expensive in the region and the world. The power from Karuma and Isimba will also be nearly five times more expensive than that of dams such as Ethiopia's Grand Renaissance dam.

In addition, electricity supply is so unreliable that between 2016 and 2018, Uganda experienced seven power blackouts. During the Power Forum organised by the Ministry of Energy in Kampala in September 2018, Ms Thozama Gangi, Eskom's Managing Director, noted that the above blackouts are unacceptable as at the worst, only one in 20 years is permissible.

The above sums up the cycle of Uganda's energy sector debts. Trillions of shillings are borrowed and invested in the energy sector with the promise that economic growth will arise from increased power access, reliability and affordability.

However, the money borrowed and invested by government does not result in increased power access, reliability and affordability. Ugandans are therefore left saddled with debts which have not enabled them to increase their economic productivity to pay off the acquired debts.

What must Ugandans do especially when one considers that government plans to further borrow and invest over $20 billion (Shs 71 trillion) in the oil sector? Infrastructure such as an oil refinery, crude oil pipeline and finished products pipeline among others are going to be set up.

The above question is also important when one considers that while appearing before a parliamentary committee in December 2014, the permanent secretary for the ministry of finance, Mr Keith Muhakanizi, said that should Uganda borrow $8 billion for the Standard Gauge Railway (SGR) project, the country would go bankrupt. What Mr Muhakanizi did not tell Ugandans is the impact of the planned oil projects on the economy and citizens' livelihoods because oil projects will require more loans than the SGR project.

It should be noted that the challenge in Uganda is not the acquisition of loans per se but rather corruption in government that messes up the would-be productive investments. The above is made worse by weak civic competence which sees Ugandans failing to hold their leaders accountable.

In our **Word from CEO** therefore, we show that citizens must stand up to address corruption and stop energy and other failed projects if Uganda's debts are to improve livelihoods.

Further, this month, we implemented a number of activities and documented a number of outcomes of our work. You will read about these in our **pictorial** section.

In our **lobbying** and **in the media** sections, we show you the lobbying and advocacy materials we disseminated in addition to the newspaper articles written by staff that were published in the national media respectively.

We hope you enjoy the newsletter

Editorial team:
1. Diana Nabiruma
2. Samuel Okulony
3. Balach Bakundane

IT'S TIME FOR CITIZENS TO RISE UP AGAINST FAILED ENERGY PROJECTS

In 2018, I participated in a workshop on just energy transition in Maputo-Mozambique. In the workshop of over 50 participants from over 20 African countries, there was consensus that Africa has continued to lag behind in development majorly because of investing in failed energy projects in sectors such as oil, electricity and others.

Failed energy projects are those that fail to meet their objectives such as increasing power access, reliability and affordability to drive socio-economic development.

Participants at the workshop noted that development of almost all big energy projects in Africa is characterised by fraudulent procurements, single sourcing, delayed completion of projects, inflated costs, human rights abuses in form of community displacements without fair compensation, endless court battles and others.

As a result, energy projects including dams, transmission lines, oil pipelines, oil refineries and others do not create returns to enable the concerned countries pay back loans using the returns from the said projects.

When the Auditor General (AG) shared his 2018 annual report with parliament on January 4, 2019, I was reminded of the above meeting.

Why? The AG's report indicated that Uganda's public debt had increased by 22% within one financial year, growing from Shs 33.9 trillion to Shs 41.3 trillion. The report further showed that 65% of revenues collected by government in the 2018/2019 financial year were being spent on debt repayment. The roads and energy sectors contribute the most to Uganda's debt, Hon. Matia Kasaija, Uganda's minister of finance, says.

Through this newsletter, I show you how corruption and poor leadership has failed energy sector investments in Uganda. This has had negative impacts on the economy and citizens' livelihoods.

FAILED ENERGY PROJECTS AND THEIR IMPACTS

Corruption in the Bujagali dam project and its impact on the tariff: Over $1.2 billion was invested in the 250MW-Bujagali dam and the Jinja-Kawanda transmission line. Government promised Ugandans that Bujagali power would be sold to citizens at a cost of 6 US cents per unit to promote economic opportunities in line with the Uganda's power reform programme.

However, completion of the dam delayed for over ten years due to corruption and other challenges in government. The delays and other challenges pushed the cost of the dam from the original estimated cost of $530 million to over $1.2 billion.

Despite the delays and increased cost, government continued to promise Ugandans that electricity from the dam would be sold at only 6 US cents per unit. However, when the dam was commissioned in 2012, power tariffs increased.

To reduce the cost, the president and his government waived taxes for Bujagali Energy Limited (BEL) in the 2017/2018 financial year. This waiver was followed with government borrowing more money to refinance the dam claiming that this would bring down the tariff. However, the tariff remained high.

Because of high electricity tariffs, Uganda's population of over 42 million cannot consume the power being produced in the country. The president boasts about the above saying that for the first time in its history, Uganda has excess power.

However, the president does not tell Ugandans the impact of energy projects such as Bujagali that fail to deliver affordable power as promised. Such dams consume the country's little resources while failing to result in the promised socio-economic development. As a result, there is little or no money left to prevent the deaths of over 14 mothers who die during child birth everyday and address the over 83% youth unemployment rate.

In addition, thousands of young Ugandans end up being enslaved and girls are abused in the Middle East –this is disguised by government as labour export. Further, over 1.5 million children drop out of school before they reach Senior Four and many other ills are experienced in the country.

The youth unemployment rate remains high because of failed energy projects --Photo credit: Eagle Online

The inflated Karuma and Isimba dams: Government is currently constructing Karuma and Isimba dams with loans from China Exim Bank. The combined cost of the dams is over \$2.267 billion. This means that on average, the cost of each megawatt from both dams will be over \$2.8 million. A megawatt from Ethiopia's Grand Renaissance dam will cost \$800,000.

Yet the above cost does not take into account the fact that completion of the dams is being delayed. Government is also facing land acquisition challenges for the transmission lines. The more the delays, the higher the costs of the dams. As such, the promised cheap power, at 4.97 US cents and 4.16 US cents per unit respectively, from Karuma and Isimba dams will not materialise.

As a result, over 90% of Ugandans will continue to use dirty firewood and charcoal for cooking. Moreover, Ugandans will be taxed to pay back the Chinese loans yet Karuma and Isimba power will fail to expand economic opportunities and growth.

It is noteworthy that while government says that the excess power will be consumed by industrial parks, the growth of the parks is slow. Further, with the East African Power Pools projects, Ethiopia's cheaper power will be more attractive to export markets such as Kenya, Rwanda, Tanzania and others.

The main underground access tunnel of Karuma dam. Source: Daily Monitor

The underperforming Kiira dam and its implications: Kira dam was one of the first major projects by the NRM government. Over \$326 billion was borrowed and invested in the dam to produce 200mw. Its completion was supposed to increase electricity generation in the country to 380mw. The dam's 200mw was supposed to be added to Owen Falls (Nalubaale) dam's capacity of 180mw.

Unfortunately, completion of Kiira dam in the 2000s did not result in increased power generation in Uganda. Instead, the country suffered the biggest electricity crisis ever where for weeks and sometimes months, the country would remain without power.

Against recommendations by experts, government constructed Kiira dam parallel to Owen Falls. This meant that Lake Victoria could not supply the two dams with enough water to generate power. As such, instead of producing 380mw as planned, Kiira and Owen Falls dams could only produce 134mw. That is when Uganda is experienced the above power crisis.

To mitigate the impact of the power crisis, government introduced over 150mw of thermal power which cost the country over \$623 million in the period between 2005 and 2012! The money spent could have been used to improve education, health and other services.

Thermal power plants: At the commissioning of Bujagali in 2012, government promised that all thermal plants would be decommissioned because the three dams (Owen Falls, Kiira and Bugajali) would provide enough power in the short and medium term. However, despite government including the president saying that the country has excess power, Ugandans continue to pay for the existence of Electro Maxx and Jacobsen with no benefits.

Government says that the two thermal companies continue to exist to provide emergency power should it be needed. However, since the commissioning of Bujagali in 2012, no forensic audit has been done to provide independent evidence on the necessity of the plants, why payments for the thermal plants are made through supplementary budgets, who owns the plants and what are their terms and conditions? These kinds of investments continue to undermine the country's efforts to improve the lives of the citizens amidst a rising debt burden.

Disbanding of UEB and contracting of UMEME and other electricity entities: Enactment of the 1999 Electricity Act eliminated the monopoly of Uganda

Electricity Board (UEB). It was hoped that liberalisation of the electricity sector would attract the best investors and that this would increase electricity access, affordability and reliability due to competition among investors.

Indeed, UMEME and entities such as ESKOM, UEGCL, UETCL, UEDCL, the Rural Electrification Agency (REA), the Electricity Regulatory Authority (ERA) and others came on board after the liberalisation. However, 20 years after the disbandment of UEB and coming on board of the above companies, the promised increased electricity access, affordability and reliability remain a myth.

The major reason for this is that the removal of UEB only enabled corrupt government officials to negotiate selfish deals that benefitted them and private companies. Indeed, the president, the 2009 Tariff Review Commission headed by Gen. Salim Saleh and the 2013 parliamentary investigation of UMEME showed that the concession signed with UMEME only benefitted it while burdening Ugandans with high power tariffs.

Over 90% of Ugandans rely on firewood and charcoal because of failed energy projects. This leads to environmental degradation and climate change. –Photo credit: Flickr

Oil sector failures: In 2008, the Early Production Scheme (EPS) failed and since then, government has had to shift timelines for oil production several times. The production deadline was pushed from 2018 to 2020 and today, government says that first oil will be produced by 202. However, it is unlikely that oil will be produced in 2021.

Yet the above is not the only failure. In the oil refinery project, government failed to successfully negotiate with Russia's RT Global Resources -negotiations collapsed in 2016- and South Korea's SK Engineering & Construction to construct an oil refinery.

There have also been disagreements between government and the major oil companies in Uganda regarding the best oil development option. While the companies prefer and are willing to invest in the oil pipeline, government prefers the refinery.

These disagreements have delayed oil production which will see oil projects estimated to cost the country over $20 billion procured through loans failing to be profitable to benefit Ugandans.

It should also be noted that if oil production commenced today, the sector would be operated in a system lacking transparency and good governance.

Oil evenues would be collected by corrupt officials and politicians who care about their own selfish interests rather than the citizens would be governing over the sector.

As a result, loans acquired for the oil refinery and pipelines would only worsen the already bad situation regarding the national debt.

A table showing some of power projects and the debts incurred

Dam	Total cost in USD	Amount borrowed/to be borrowed in USD
Karuma (600MW)	$1.7 billion	$1.4 billion
Isimba (183MW)	$567.7 million	$483 million
Bujagali (200MW)	$1.2 billion	$702 million
Owen Falls/Nalubale (180MW)	$220 million	$220 million
Kiira (200MW)	$326 million	$326 million
Free connections policy	$212 million	$212 million
Planned oil refinery, oil pipeline and oil facilities	$20 billion	$20 billion

RECOMMENDATIONS

Citizens must stop failed energy projects. To do so, the following must be done:

i. All processes relating to the negotiation and signing of power purchase agreements, concessions and licenses in the energy sector should be open to the public and discussed in parliament to ensure transparency. This will ensure that only the best deals for the country are signed.

ii. No power project above $10 million should be procured through single sourcing. Foreign governments including China should not be allowed to use their influence to cause single sourcing. Fair competition among companies will help government to choose the best company with the best terms for profitable projects.

iii. The Electricity Act 1999 should urgently be amended to create liabilities such as imprisonment and or confiscation of assets from government officials who cause financial loss to government through entering into unfair contracts on behalf of government.

iv. Further, the Electricity Act which is being amended should contain a provision that says that even when a sitting president enjoys immunity from prosecution during the presidency, he/she should be made answerable for illegal acts committed during his/her presidencywhen he/she when is out of power. This will instill discipline as Uganda's problems have been as a result of presidents who use their dominance to undermine democracy and good governance in the energy and other sectors.

v. Plans by the government to build both an oil pipeline and a refinery or one of the two should be presented to parliament and made public with evidence to show the value for money for both projects. This should be done before developments of the above infrastructure commences.

vi. Further, an independent firm should be contracted to work with the Auditor General to investigate and present a report to parliament on the implications of a poor and heavily indebted country like Uganda borrowing $20 billion to produce oil by 2021. The report should be made public to allow citizens discuss and participate in the oil development decisions.

vii. The free connections project should be halted until a forensic audit is done to provide evidence as to whether or not such projects are relevant to the poor. To date, there is no evidence that shows that rural electrification and free connections enable poor rural households to consume Uganda's expensive power to improve their livelihoods.

viii. The thermal plants must be decommissioned and government should invest in sustainable renewable energy such as solar, if it is true that we need emergency power options. The over UGX100 billion paid to thermal companies per year is enough to generate any amount solar power to act as capacity charge. This proposed new investment should be done by the government and not private companies.

Dickens Kamugisha
CEO, AFIEGO

Pictorial of our activities

AFIEGO KICKS OFF 2019 WITH STRATEGIC MEETING, BOARD APPROVES 2019 WORKPLAN AND BUDGET

On January 7, 2019, AFIEGO kicked off the new year with a reflection meeting. Staff reflected on key achievements and challenges in 2018. They also planned for 2019.

Oil exploitation remains a big threat to communities including children, women and land owners. It also remains a threat to food security, water provisioning, harmonious transboundary relations and others. As such,

AFIEGO will focus on protecting community rights and ensuring the effective conduct and implementation of the Environmental and Social Impact Assessments (ESIAs) for the Tilenga, Kingfisher and crude oil pipeline projects to promote environmental conservation and community livelihoods amidst oil developments.

Focus will also be put on promoting accountability in the electricity particularly renewable energy sub-sector.

NEMA AND PAU MEET WITH REFINERY-AFFECTED COMMUNITY AFTER AFIEGO AND PARTNERS' ENGAGEMENT

On January 17, 2019, NEMA's board members and officials from Petroleum Authority of Uganda (PAU) visited the refinery-affected community that was relocated by government to Kyakaboga, Hoima.

They were led by the Hoima district Environment Officer, Ms Joseline Nyangoma (bottom picture, in green).

The visit followed a training organised by AFIEGO and our partners under the Shared Resources, Joint Solutions (SRJS) programme in September 2018.

The training enabled participants such as Ms Nyangoma to appreciate the negative impacts of oil activities on communities.

NEMA committed to work with the Ministry of Energy to resolve the environmental challenges the refinery-affected people are faced with.

The NEMA and PAU officials including NEMA's board chairperson, Prof. Sandy Stevens Tickodri-Togboa (top picture, C, in flowery shirt), can be seen in the pictures.

REFINERY-AFFECTED PEOPLE DEMAND FOR LAND TITLES AMIDST NEW DISPLACEMENTS

Just over a year after they were relocated to Kyakabiga, eight refinery-affected families are set to be displaced again as Total E&P (U) acquires land for feeder pipelines.

The people are set to be displaced without their land titles, putting them at risk of receiving low compensation.

On January 15, 2019 AFIEGO facilitated the people to hold a meeting (top picture) and devise strategies on how to get their land titles from the Ministry of Energy. The people have been demanding for the titles since 2014.

The people resolved to engage the RDC of Hoima and use the media to demand for the land titles.

The people wrote to the RDC, through the chairperson of their association, Mr Innocent Tumwebaze.

In the bottom picture is the chairperson, Mr Tumwebaze (R), with AFIEGO's Hoima field officer, Ms Sandra Atusinguza (L), after writing and delivery of the letter to the RDC of Hoima.

AFIEGO SENSITISES COMMUNITIES FOR TILENGA IMPACT MITIGATION PLANS TO BE PUT IN PLACE

On January 18, 2019, AFIEGO organised a community meeting in Ngwedo sub-county, Bullisa district to sensitise communities on the dangers of undertaking oil activities without mitigation plans.
In October 2018, NEMA shared the Tilenga oil project's ESIA report with the public. The report did not have mitigation plans to address the project's impacts on water, land, wildlife, tourism and other aspects.
The meeting brought together over 100 participants from Ngwedo, Uduku and Kisomero among others.
The meeting's participants committed to engage NEMA and Total to defer the project until the mitigation plans mentioned in the ESIA are put in place.
In the top picture is AFIEGO's Mr Dickens Kamugisha (standing) and participants during the meeting.

EFFECTIVENESS OF PARTNERSHIPS UNDER GLA PROGRAMME EVALUATED

Since 2016, AFIEGO and her partners from Uganda, the Democratic Republic of Congo (DRC), Nigeria and the Netherlands have been implementing a project to promote a just energy transition under the Green Livelihoods Alliance (GLA).

Effective donor to CSO, CSO to CSO, CSO to government and CSO to beneficiary partnerships are important to enable success of the projects under the GLA.

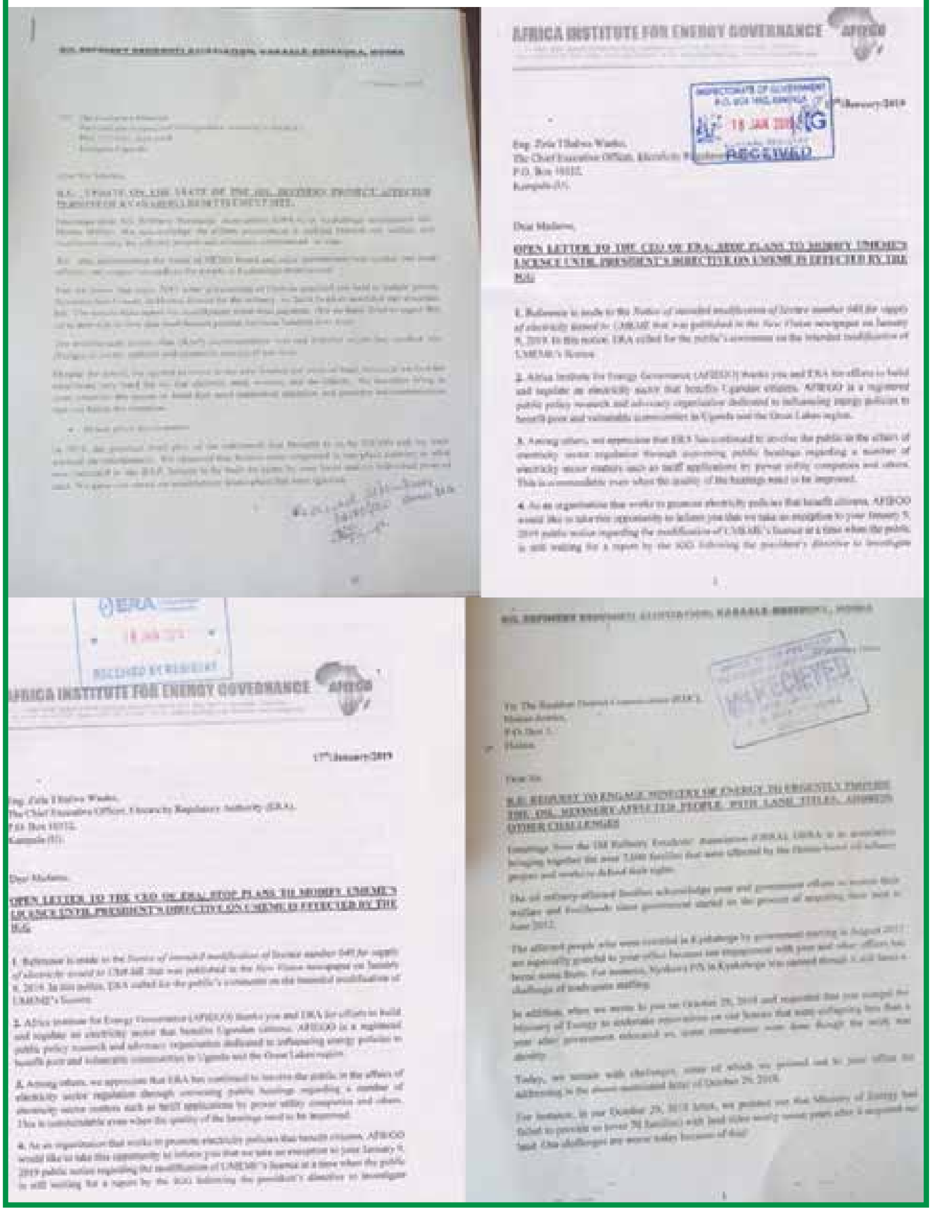
On January 28, 2019, AFIEGO and other GLA partners participated in a meeting in which the effectiveness of the GLA partnership and the new funding model under which the GLA programme is running were assessed.

It was found that the GLA partnership was effective and conformed to principles including complementarityof partners' goals, flexible financing, accountability and autonomy.

In photo is AFEIGO's Ms Diana Nabiruma (L) during a presentation on how AFIEGO views the GLA partnership.

Lobbying

This month, AFIEGO engaged in efforts to address corruption in the electricity sector for lower power tariffs. AFIEGO wrote to the president and ERA to halt the process of renegotiating and modifying UMEME's concession and licence until the IGG releases a report that will guide on how to end corruption in the electricity sector.
In addition, AFIEGO facilitated ORRA to write to the RDC of Hoima to demand that the Ministry of Energy issues the people with their land titles before their land is acquired for the feeder oil pipeline. AFIEGO also circulated a press statement issued by ORRA on the same subject.


AFRICA INSTITUTE FOR ENERGY GOVERNANCE

Dear Madam,

OPEN LETTER TO THE CEO OF ERA: STOP PLANS TO MODIFY UMEME'S LICENCE UNTIL PRESIDENT'S DIRECTIVE ON UMEME IS EFFECTED BY THE IGG

In the media

Staff and research associates wrote three newspaper articles which were published in national newspapers including the Daily Monitor, The Observer, and the New Vision. Some of the published articles are captured below.

Debt: Borrowing for energy sector has not benefitted Ugandans

DIANA NABIRUMA

Oil production to affect climate

EDITOR: Uganda seems to have focused more on oil production for financial gain and given a blind eye to the negative externalities that it will come with it hence making the production of oil a very dangerous venture.

Climate Change is real and if we don't use our nature resources wisely, we could trigger natural calamities.

Oil production will increase climate change in the way that the smoke from production and other oil production related activities will increase the amount of carbon oxide which affects the ozone layer bringing dangerous sun rays to the earth and hence change in climatic conditions and increase in the number of skin cancer related diseases.

However, the oil production will not only affect the health of Ugandans, but will also affect tourism. There has been a decrease in the amount of snow on Mount Rwenzori due to the climate change and when the oil production starts, there will be more landslides and floods because of the snow that will melt constantly hence reducing the water for agriculture and home since most of the water is got from highlands. The huge funds planned for oil production can be channeled into agricultural research and health.

Therefore, I think before we invest in oil production, we should first look at the negative side of investing in oil production in relation to the changes in the climate.

Edwin Fanta Mumbere,
AFIEGO Field officer, Kasese

Kiira Motors should opt for solar

Recently, the media reported that Kiira Motors Corporation (KMC) has taken its second version for road test of the Kiira EVS motor vehicle. This is a good step towards reducing the exportation of cars. Uganda spends about $550m in foreign exchange annually through importation of cars. Besides, at a time when global warming is threatening our future, Uganda is moving closer to start production of vehicles.

However, this is not the first time KMC is launching its cars in the country. On November 24, 2011, KMC launched its first electric vehicle, Kiira EV POC. In 2014, it launched its hybrid electric vehicle Kiira EV Smack. In 2016, launched the Kayoola Solar Bus.

Greenhouse gas emissions primarily come from burning fossil fuel for our vehicles. With all these achievements, there is fear that Uganda is moving back to produce fossil fuel vehicles. Recently, international bodies adopted a common agenda to ban fossil fuel vehicles to reduce on the impact of climate change.

Uganda is signatory to United Nations Framework Convention on Climate Change and the objective is to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system.

Around the world, people are experiencing both the subtle and stark effects of climate change. These include gradual changing weather patterns, rising sea levels and more extreme weather events. All these are clear and devastating evidence of a rapidly changing climate.

The impact of climate change affects all countries in the world. The increased frequency and intensity of extreme weather conditions such as drought, threaten food supplies, drive people from their homes, separate families and jeopardise livelihoods. And all these effects increase the risk of conflict, hunger and poverty.

In Uganda, 80 per cent of the population rely on agriculture for survival. Seven out of 10 ordinary Ugandans rely on agriculture and natural resources for life sustenance.

Therefore, any escalation of the effects of climate change will worsen water and food availability. Every year, many farmers in Uganda cope with the hunger gap, a period when the year's food stores get depleted, while the next harvest is not in sight. Climate change has lengthened the dry season, and with it, the time when families must go without food.

I will recommend that Uganda and KMC should focus on producing electric and solar vehicles. This will go a long way towards reducing the impact of climate change.

Cyrus Kabaale,
AFIEGO Research Associate

Upcoming Events

February 1, 2019; Hoima: Petitioning of Hoima environment office by refinery-affected people over an unclean and unhealthy environment in refinery resettlement

February 11-15, 2019; Buliisa: Training of local councils, women councillors and youth for effective implementation of Resettlement Action Plans (RAPs) to protect land rights

February 21-22, 2019; Kampala: Training of CSOs on negotiating and building consensus with the private sector for environmental protection amidst development

February 28, 2019;Nwoya and Hoima: Sensitisation radio talkshows on the National Environment Bill (2018)

About Africa Institute for Energy Governance

Africa Institute for Energy Governance (AFIEGO) is a public policy research and advocacy NGO dedicated to influencing energy policies to benefit the poor and vulnerable. Based in Kampala, Uganda, the organisation was born out of the need to contribute to efforts to turn Africa's energy potential into reality and to ensure that the common man and woman benefits from this energy boom. Through lobbying, research and community education, AFIEGO works with communities and leaders to ensure that energy resources are utilised in a way that promotes equitable development, environmental conservation and respect for human rights.

Our Vision
A society that equitably uses energy resources for socio-economic development

Our Mission
To promote energy policies that benefit poor and vulnerable communities