



**AFRICA INSTITUTE FOR
ENERGY GOVERNANCE**



**A HANDBOOK ABOUT
THE EACOP
PROJECT**

MARCH 2025

Introduction

This handbook has been produced by Africa Institute for Energy Governance (AFIEGO), a Ugandan organisation, to strengthen youth understanding about the East African Crude Oil Pipeline (EACOP) project. It is hoped that enhanced youth knowledge will promote evidence-based youth actions to promote climate action, environmental conservation and human rights amidst oil risks.

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Oil discovery

In January 2006, Uganda made its first commercial oil discovery.

Today, an estimated 6.5 billion barrels of oil have been discovered in the Albertine Graben in Western Uganda. Between 1.4 to 1.7 billion barrels are recoverable.



Commercialisation strategy

Following this discovery, the government of Uganda, working alongside TotalEnergies from France and China National Offshore Oil Corporation (CNOOC) from China decided to extract, transport and commercialise Uganda's oil through four main projects.

The projects include the Tilenga and Kingfisher, which are two projects under which oil is supposed to be extracted from the ground. The projects are located in Buliisa, Kikuube and Hoima districts including in Murchison Falls National Park and Lake Albert.



The oil from the Tilenga and Kingfisher oil fields is supposed to be transported to export markets via the EACOP or refined at an oil refinery in Hoima, if one is built.

About the EACOP

The EACOP is planned a 1,443km pipeline that is supposed to be constructed from Hoima district in Uganda to Tanga in Tanzania. The pipeline will cross ten districts in Uganda. Over 86,000 people in Uganda and Tanzania have been displaced to make way for the project.

Majority of the affected people say they were paid low, inadequate and unfair compensation. The Ugandan government also sued some poor families affected by the project so that it could forcefully take their land for the pipeline, which is expected to carry 216,000 barrels of crude oil per day.



Who owns the EACOP?

The pipeline is owned by TotalEnergies with 62% shares, CNOOC with 8% shares, and the governments of Uganda as well as Tanzania with 15% shares each.

The Uganda National Oil Company (UNOC) and Tanzania Petroleum Development Corporation (TPDC) own the EACOP shares on behalf of their governments.



Who is financing the EACOP?

The project has struggled to find finances with 56 financial institutions including 27 banks and 29 (re)insurers from Japan, France, Spain, Switzerland, United Kingdom (UK) and elsewhere saying that they will not finance the project.

To plug the gap, the Ugandan government alongside other project developers have had to cough up more money. While they had hoped to finance the project through a 60:40 debt to equity ratio, the equity to debt ratio today stands at 52:48.



The Ugandan government has to provide 15% of the finances needed for the EACOP. This has negative implications on youth.



Standard Bank

Banks

Standard Bank from South Africa, the International Commercial Bank of China (ICBC) and Sumitomo Mitsui Bank (SMBC) from Japan are acting as financial advisors on the project. Standard Bank operates as Stanbic in Uganda.



It is expected that the above banks, except SMBC, will provide financial support for the project. The Islamic Development Bank and AfriExim Bank have also committed to provide \$300 million to the project.



The EACOP project developers are looking at banks in Europe, the Middle East and China to finance the project, which needs \$5 billion.



How EACOP affects youth

The EACOP project could affect youth in the following ways:

Uganda needs to inject \$750 million (approximately Shs. 2.75 trillion) in the project. This money is being spent on the project while services needed by youth deteriorate. The money can educate 137,625,750 pupils per year (based on the current capitation grants of Shs. 20,000 per pupil per year). It can also educate university students and provide healthcare amidst other youth needs.

The oil projects in Uganda are covering sensitive ecosystems including Murchison Falls National Park, River Nile, Lake Albert, the Lake Victoria basin and others. This raises environmental conservation concerns, not to mention concerns over how sectors such as agriculture, tourism, business and fishing will survive amidst oil risks. Youth in Uganda are employed in these sectors. They could lose jobs, compounding youth unemployment challenges.

The EACOP, which is estimated to produce over 379 million metric tonnes of carbon over 25 years, presents climate risks. Youth and other marginalised populations are said to be more at risk to climate impacts. These impacts include school dropouts, job losses, impacts to health and others.

The promised oil sector jobs will not fully address youth needs. While the sector is expected to provide jobs especially during the construction phase with the jobs reducing after this phase, limited technical skills among other factors undermine youth employment.

What youth can do

Youth can do the following to address the EACOP project risks:

01

Sensitise other youth about the EACOP project risks;

02

Call area and youth MPs and demand that parliament stops providing money for the EACOP; instead, parliament should provide money for health, education, agriculture and other youth needs; and

03

Engage potential funders of the EACOP over the project risks to youth.



The money that government is investing in the EACOP could educate millions of pupils. (Photo courtesy: The Real Uganda)



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