

Ensuring transparency

INTERVIEW WITH HILARY ONEK

MINISTER FOR ENERGY



HILARY ONEK

was born in the Lamwo Constituency, Chwa County, Kitgum District. He studied engineering at university, specialising in hydrology. He was first elected to Parliament in 2001 and served as Minister of Agriculture, Animal Industry & Fisheries from 2006 until the beginning of 2009. On 16th February of this year he was made Uganda's Minister of Energy & Minerals.

What is Uganda's current status as an oil producer and what direction will the government's policies take?

Over the past three years we have been looking for oil, and have found deposits in the Western Rift Valley region. The results are very promising. We have now explored about a third of the region where oil has been found.

We are now planning to start production and our main objective is to process oil in Uganda and export finished products. Uganda is at the heart of Africa and our geographical position puts us at an advantage to process and refine oil products locally. We will refine here for the domestic market and export the surplus to our regional neighbours. The regional market that currently depends on oil imported from the Middle East will, in future, be supplied by us.

In the meantime, exploration continues, and we expect to find more. Also, we are training our oil industry professionals in new technologies and our government is opening an institute to train people.

More oil may well be found. Are you inviting other companies to tender for exploration?

The field is still open. We have room for other companies to come in. Only 30 per cent of the oil region has been explored, so yes, we will invite tenders through the ministry. We will also create an enabling environment for investment.

Oil has been the curse of some economies. How is the government planning to develop and manage Uganda's oil reserves?

The most important thing is that oil revenue is handled transparently. The Ministry of Energy's budget proposals for the financial year 2009/2010 are being debated in Parliament. The aim is to share resources. Central Government will take about 80 per cent and the local administration 17 per cent. The Government share will go to developing facilities and to boost development. Three per cent will go to the owners of land where oil is found.

Is an energy fund being set up to use oil revenue for non-budget purposes, and what are your spending priorities?

We will set up an energy fund outside the budget to develop our resources. Parliament will discuss different

models on managing money, and will advise the government. The whole process will be carried out in Parliament to ensure transparency. We are aware of the problems that oil causes in other countries.

Oil revenue must be used to benefit the economy, and that means the development of agriculture and infrastructure. We have a 20-year business plan to develop the sector. The government wants to attract the private sector, and will spend oil revenue to create the conditions for private investment. One example of this would be hydro-electric generation. It is hard to borrow money locally to develop this kind of infrastructure, so oil will pay initially.

When do you think Uganda will be able to start refining?

Building a refinery is very capital-intensive. We are looking for companies to undertake such a project. The bidding process is under way, but so far we haven't reached a deal with anybody. The Iranians are interested, so are the Italians, as well as the Libyans, who are laying a pipeline to Kampala from Mombassa.

Can you tell us a little about the electricity market?

We have a generating shortfall, even though we do export some electricity. We made mistakes during the early phase of privatisation. Some companies have exploited this, and as result, electricity is very expensive. The private sector is selfish. That is its way. We have to re-examine the private sector's involvement in energy. Too many investors only want quick profits and high returns. We need the kind of 1 per cent development loans that China or the World Bank offer.

At the same time you have to be careful not to scare investors off...

We only want investors who have fair plans. It is not possible to make a 100 per cent profit. We think that 20 per cent is fair. If companies make more then it means that somebody else is suffering.

My view is that the sector must be highly regulated. The Government must have a majority stake in the electricity utilities because currently electricity is being sold privately at up to 36 cents a unit, among the most expensive in the world. **F**