

Vote:312 Petroleum Authority of Uganda (PAU)

VI: Vote Overview

(i) Snapshot of Medium Term Budget Allocations

Table V1.1: Overview of Vote Expenditures

<i>Billion Uganda Shillings</i>	FY2017/18 Outturn	FY2018/19		FY2019/20 Proposed Budget	MTEF Budget Projections			
		Approved Budget	Spent by End Sep		2020/21	2021/22	2022/23	2023/24
Recurrent Wage	0.000	14.600	3.026	14.600	15.330	16.097	16.901	17.746
Non Wage	0.000	15.400	1.665	15.400	17.710	21.252	25.502	30.603
Devt. GoU	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Ext. Fin.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GoU Total	0.000	30.000	4.690	30.000	33.040	37.349	42.404	48.349
Total GoU+Ext Fin (MTEF)	0.000	30.000	4.690	30.000	33.040	37.349	42.404	48.349
<i>A.I.A Total</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Grand Total	0.000	30.000	4.690	30.000	33.040	37.349	42.404	48.349

(ii) Vote Strategic Objective

To monitor and regulate exploration, development and production of petroleum in Uganda

V2: Past Vote Performance and Medium Term Plans

Vote:312 Petroleum Authority of Uganda (PAU)

Performance for Previous Year FY 2017/18

During the financial year 2017/2018, the PAU monitored for compliance the work programmes planned and being undertaken by the respective licensed oil companies. The key milestones achieved include the following:

- Preparations were made for undertaking seismic data processing and seismic data acquisition.
- The Front End Engineering Design (FEED) for the Kingfisher Development Area (KFDA) was concluded.
- The Front End Engineering Design (FEED) deliverables for the Tilenga and Kingfisher Projects were submitted to the Authority on the 30th May, 2018.

The PAU monitored the National Content development aspects in the sector. As at 30th December 2017, the sector directly employed 241 people of which 142 (58%) were Ugandans. During 2018, the companies project to employ 383 people of which 253 (66%) should be Ugandans. A total of 639 procurements amounting, to USD 41,363,861.58, were awarded during the financial year, and of these, \$8,757,196 (21.17%) were to Ugandan companies. During the financial year 2017/2018 the licensed oil companies procured goods and services equivalent to \$41,363,861.58. Out of this, \$8,757,196 (21.17%) went to Ugandan - owned entities, \$2,884,831.03 (6.97%) went to Ugandan companies with foreign ownership, and, the International companies got contracts worth \$29,721,834.05 (71.85%) in value. This is mainly because the biggest cost attached to the FEED contracts, was incurred by the IOC's, as the Joint Venture Partners

The PAU continued monitoring the costs of the Upstream and Midstream Projects, including participation in Cost Recovery audits, updating the Historical Costs database and reviews of the budgets and procurements of the licensees. The total approved budgets for 2018, for the five (05) oil companies licensed to undertake petroleum exploration, development and production in the country, was USD 482,947,240 compared to USD 218,075,000 approved for 2017.

Regarding the development of the East African Crude Oil Pipeline (EACOP) project, the FEED study was concluded and negotiations for a Host Government Agreement (HGA) together with Geotechnical surveys commenced and are ongoing. The PAU has established a working relationship with Energy, Water and Utilities Regulatory Authority (EWURA) of Tanzania over the Development of EACOP. The Authority participated in the preparation of a Statutory Instrument on EACOP to cover Early Project Activities which the Minister, MEMD, subsequently issued. Discussions on the business model and tariff regulations for the EACOP commenced.

The Authority gave technical advise on Tullow's Farm Down of 21.5% Participating Interests in each of Contract Area 1, Contract Area 1A, License Area 2 and the KFDA Production Sharing Agreements (PSAs). Government advised that upon conclusion of the transaction, TEPU should be the successor operator for the Northern part of LA2 and CUL should succeed operatorship of the Southern part of LA2. The review of this transaction is still ongoing

The PAU advised the Minister of Energy and Mineral Development on the issuance of Exploration Licences to Armour Energy Limited (AEL) for the Kanywataba Exploration Licence, and to Oranto Petroleum Limited (OPL) for the Ngassa Shallow play and Deep play Exploration licences, which were granted during September and October 2017.

The following key strategic documents were developed for the good governance of the PAU: Strategic Plan 2017/2018-2019/2020; Board of Directors Manual of Procedures; PAU Human Resource Management Manual; PAU Accounting Manual; PAU Internal Audit Manual
The PAU recruited and filled up to 62 positions on the approved structure. The target was to fill 76 positions during financial year 2017/2018 however this target was not achieved due to inadequate funding.

Performance as of BFP FY 2018/19 (Performance as of BFP)

The following were the key achievement recorded during the first quarter for FY 2018/19;

- a) The PAU Communication Strategy and Plan was finalised and approved
 - b) The PAU Annual Report for FY 2017/18 was developed
 - c) Successfully completed the recruitment process for 25 additional members of staff
 - d) Installed the Fleet Management system in all cars of the PAU to improve the management of transport services in the PAU
 - e) Conducted field visit for the newly recruited staff of the PAU as part of the new staff onboarding programme.
 - f) Organised a workshop and defined the national content "low hanging fruits" which Ugandan enterprises and citizens can take advantage of
 - g) Procured and installed the e-board system to facilitate the PAU Board to effectively execute their mandate
-

Vote:312 Petroleum Authority of Uganda (PAU)

FY 2019/20 Planned Outputs

National Content

National Content Monitoring System developed for effective implementation of the National Content Policy 2018.

National Supplier Database (NSD) upgraded into a Joint Qualification System (JQS) and competitiveness of Ugandan Enterprises to effectively participate in the supply of goods and services to the licensed International Oil Companies (IOC) developed.

Developed and enforced guidelines and strategy for transfer of technology and know-how for the oil and gas industry to Ugandan Citizens.

Cost Monitoring

Cost monitoring framework implemented so as costs are not inflated through inflated work programmes and budgets, uncompetitive procurements, related party transactions and weak controls in field operations.

Economic and financial models developed for assessing cost effectiveness across the value chain.

Exploration

Assessment of the undiscovered petroleum resources by the companies currently licensed to undertake petroleum exploration, regulated.

Additional companies licensed to undertake petroleum exploration, facilitated.

The country's potential for conventional and unconventional petroleum resources documented.

Development and Production

Development of the infrastructure required for the production of the country's petroleum reserves under the Tilenga and Kingfisher projects as approved in the respective designs; monitored, regulated and facilitated.

Petroleum resources in the petroleum fields due for production, understood; and the most efficient methods for their production identified.

Petroleum Refining, Conversion, Transmission and Storage.

The development of the agreed infrastructure to transport the country's crude oil for export; monitored, regulated and facilitated.

Conclusion of the definition of infrastructure required to refine the country's crude oil; regulated and facilitated

Legal and Corporate Affairs

Legislation (Acts and Regulations) for regulating the country's oil and gas sector updated.

Communication strategy and plan for the PAU implemented.

PAU's international stakeholders documented; and an achievable plan on how to engage them developed.

Environment, Data management and ICT

The Health, Safety, Social, Security and Environment aspects of the country's upstream and midstream petroleum activities appropriately regulated.

A modern fit for purpose petroleum data repository set up.

Finance and Administration

Three-year strategic plan for the period 2020/21 – 2022/23 developed

Approved manpower structure of the PAU filled out and all staff facilitated to carry out their work.

Executive Director

Workplans and performance agreements implemented.

Activities of the PAU appropriately audited.

Board enabled to play its policy and supervisory roles.

Medium Term Plans

In the medium term, the PAU will focus on improving her capability (manpower, processes, guidelines and systems, modern IT infrastructure) and building a strong regulatory regime. The investment priorities for 2019/2020 are linked to both the second National Development Plan (NDPII) and the Energy and Mineral Development Sector Development Plan

Efficiency of Vote Budget Allocations

The PAU will allocate funds as follows;

9.70% to Petroleum regulation and monitoring

6.98% to Policy, Planning and Support

67.03% to Staff Salaries

Vote Investment Plans

N/A

Major Expenditure Allocations in the Vote for FY 2019/20

Vote:312 Petroleum Authority of Uganda (PAU)

Staff Costs are the major expenditure allocation .

V3: PROGRAMME OUTCOMES, OUTCOME INDICATORS AND PROPOSED BUDGET ALLOCATION

Table V3.1: Programme Outcome and Outcome Indicators

Programme :	07 Petroleum Regulation and Monitoring						
Programme Objective :	To enable more exploration to increase the resource base; facilitate commercialization of the oil & gas resources; and enhance the impact & sustainability of the petroleum sector.						
Responsible Officer:	Executive Director, Ernest N. T Rubondo						
Programme Outcome:	Efficient and Sustainable Petroleum Resource Management						
<i>Sector Outcomes contributed to by the Programme Outcome</i>							
1. Transparency in the oil and gas sector							
Programme Performance Indicators (Output)	Performance Targets						
	2017/18 Actual	2018/19 Target	Base year	Baseline	2019/20 Target	2020/21 Target	2021/22 Target
• Level of oil and gas operators compliance (upstream and midstream)		100% Compliance of oil & gas operators			100% Compliance of oil and gas operators	100% Compliance of oil and gas operators	100% Compliance of oil and gas operators
Programme :	49 Policy, Planning and Support Services						
Programme Objective :	Create a fully functional institution with efficient structures, systems & procedures; enforce & review the policy, legal & regulatory frameworks; and attract, develop & retain the most competitive talent.						
Responsible Officer:	Executive Director, Ernest N. T Rubondo						
Programme Outcome:	Efficient and Effective Service Delivery						
<i>Sector Outcomes contributed to by the Programme Outcome</i>							
1. Transparency in the oil and gas sector							
Programme Performance Indicators (Output)	Performance Targets						
	2017/18 Actual	2018/19 Target	Base year	Baseline	2019/20 Target	2020/21 Target	2021/22 Target
• Level of Institutional efficiency		High efficiency			High efficiency	High efficiency	High efficiency

Table V3.2: Past Expenditure Outturns and Medium Term Projections by Programme

<i>Billion Uganda shillings</i>	2017/18	2018/19		2019-20	MTEF Budget Projections			
	Outturn	Approved Budget	Spent By End Q1	Proposed Budget	2020-21	2021-22	2022-23	2023-24
Vote :312 Petroleum Authority of Uganda (PAU)								
07 Petroleum Regulation and Monitoring	0.000	3.612	0.437	3.612	6.570	5.404	8.453	9.193
49 Policy, Planning and Support Services	0.000	26.388	4.254	26.388	26.470	31.945	33.951	39.156
Total for the Vote	0.000	30.000	4.690	30.000	33.040	37.349	42.404	48.349

V4: SUBPROGRAMME PAST EXPENDITURE OUTTURNS AND PROPOSED BUDGET ALLOCATIONS

Vote:312 Petroleum Authority of Uganda (PAU)

Table V4.1: Past Expenditure Outturns and Medium Term Projections by SubProgramme

Billion Uganda shillings	2017/18	FY 2018/19		2019-20	Medium Term Projections			
	Outturn	Approved Budget	Spent By End Sep	Proposed Budget	2020-21	2021-22	2022-23	2023-24
<i>Programme: 07 Petroleum Regulation and Monitoring</i>								
03 Petroleum Exploration	0.000	0.525	0.032	0.525	1.657	0.966	0.889	1.866
04 Development and Production	0.000	0.610	0.128	0.610	1.623	0.889	1.365	1.847
05 Refinery, Conversion, Transmission and Storage	0.000	0.900	0.126	0.900	2.237	0.900	2.000	1.747
06 Environmental and Data Management	0.000	0.540	0.069	0.540	0.773	0.738	2.000	0.873
07 Technical Support Services	0.000	1.037	0.082	1.037	0.280	1.911	2.199	2.859
Total For the Programme : 07	0.000	3.612	0.437	3.612	6.570	5.404	8.453	9.193
<i>Programme: 49 Policy, Planning and Support Services</i>								
01 Finance and Administration	0.000	25.583	4.117	25.583	23.770	28.940	33.851	35.705
02 Legal and Corporate Affairs	0.000	0.805	0.137	0.805	2.700	3.005	0.100	3.451
Total For the Programme : 49	0.000	26.388	4.254	26.388	26.470	31.945	33.951	39.156
Total for the Vote :312	0.000	30.000	4.690	30.000	33.040	37.349	42.404	48.349

N / A

Table V4.3: Major Capital Investment (Capital Purchases outputs over 0.5Billion)

N / A

V5: VOTE CHALLENGES FOR 2019/20 AND ADDITIONAL FUNDING REQUESTS

Vote Challenges for FY 2019/20

The PAU lacks adequate funding and will face challenges doing the following:

1. Completing the setup of the critical data centre
2. Acquiring additional critical software required for regulation of licensed oil companies
3. Acquiring additional computer hardware, furniture and motor vehicles
4. Staff will not be trained
5. Paying salaries for 59 staff which will have been recruited in this financial year 2018/2019
6. Recruit the required additional 79 staff

Table V5.1: Additional Funding Requests

Additional requirements for funding and outputs in 2019/20	Justification of requirement for additional outputs and funding
Vote : 312 Petroleum Authority of Uganda (PAU)	
Programme : 07 Petroleum Regulation and Monitoring	
OutPut : 01 Petroleum Monitoring and Evaluation	

Vote:312 Petroleum Authority of Uganda (PAU)

Funding requirement US\$ Bn : 1.340	To effectively monitor and regulate exploration drilling activities in Ngassa and Kanywataba Contract Areas which were licensed to two oil international companies Amour Group and Oranto. Additional funding is also required to develop the design for a high-tech modern laboratory for petroleum Geosciences in Uganda. The laboratory will be used for significantly reduce the analysis of petroleum samples. Currently the samples are exported out of the country for analysis at very costs.
OutPut : 02 Oil Recovery	
Funding requirement US\$ Bn : 17.597	To ensure that Uganda achieves its full share of production by designing and putting in place a metering system for accurate measurement of crude oil produced. This will facilitate accurate measurement of crude exported through the pipeline and crude refined in the Hoima Refinery. UGX 6.690 Bn is for acquisition of critical software for quality control and evaluation of field models submitted by International Oil Companies
OutPut : 03 Refinery, Pipeline and Storage	
Funding requirement US\$ Bn : 1.522	To participate in negotiations for the remaining agreements for the East African Crude Oil Pipeline (EACOP) and negotiations of agreements for the refinery; Monitor FEED, pre-FID and EPC activities for the Refinery.
OutPut : 04 Oil and Gas Safety	
Funding requirement US\$ Bn : 22.735	To monitor and supervise adherence of the International Oil Companies to the health, safety and environmental requirements in upstream and midstream operations. The petroleum industry produces hazardous waste that is toxic to people, flora (plants) and fauna (animals). Countries that have not managed this waste properly are still grappling with the negative effects more 50 years down the road. To complete the setup of the PAU Data Centre (UGX 16.8 billion)
OutPut : 05 Promotion and Enforcement of Local Content	
Funding requirement US\$ Bn : 3.574	The largest benefit of the citizens from the oil and gas industry is in the provision of goods and services. National Content has therefore become critical for most countries. The additional funding is required for implementation of the National Content Policy 2018 and development of the Joint Qualification system to enable Uganda enterprise effectively participate in the supply of goods and services to the licensed oil companies.
Programme : 49 Policy, Planning and Support Services	
OutPut : 12 Policy and Board Affairs	
Funding requirement US\$ Bn : 3.511	To review all oil and gas related policies, laws and regulations and propose amendments; effectively carry out stakeholder consultations and engagements.
OutPut : 17 Estates and Transport	

Vote:312 Petroleum Authority of Uganda (PAU)

Funding requirement US\$ Bn : **7.264**

This is required for office running expenses and maintenance of the PAU Assets. This include electricity, water, telecommunication (voice & internet) fuel, lubricants, legal fees and expenses, insurance and repairs of motor vehicles To procure motor vehicles (UGX 5.12 billion)

OutPut : 19 Human Resource Management Services

Funding requirement US\$ Bn : **29.413**

The current approved structure provides for a total of 239 staff. We are currently operating at only 36% in terms of the required human resource. Human resource capacity is particularly important considering the intensity of activities during the development phase we are in. Staff will need to undertake focused training in various aspects of the oil industry. UGX 2.93 Bn and UGX 0.72 Bn is required for computer equipment and office furniture & fittings respectively