PARLIAMENT OF UGANDA

REPUBLIC OF UGANDA

11TH PARLIAMENT

REPORT OF THE SECTORAL COMMITTEE ON TOURISM, TRADE AND INDUSTRY ON THE FUEL CRISIS IN THE COUNTRY

Parliament Buildings
KAMPALA

January 2022

ACRONYMS

ED	Executive Director
UNOC	Uganda National Oils Company
GOU	Government of Uganda
URA	Uganda Revenue Authority
MFPED	Ministry of Finance, Planning and Economic Development
PFMA	Public Finance Management Act, 2015
JST	Jinja Storage Terminal
LTD	Limited
OTS	Open Tender System
PPP	Public Private Partnership
PPDA	Public Procurement and Disposal of Public assets

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1.0 INTRODUCTION

The Committee on Tourism, Trade and Industry has the honour to present its field activity report undertaken from the 20th to 23rd January 2022; in the Districts of Jinja, Busia, Tororo (Malaba), Hoima including western Kenya. Pursuant to its mandate, the committee has undertaken an oversight fact-finding field activity regarding the country-wide fuel crisis, and has agreed to report the following:

1.1. BACKGROUND

Background to the crisis that emanated from the fuel scarcity in the country, and has had dire effects on the business fraternity and all fuel consumers country-wide

Fuel is a key economy driver since the factors of production depend on fuel. The fuel crisis in the country emanated from the alleged fuel scarcity in circulation at the various fueling pump stations, country-wide. The pinch of the fuel scarcity climaxed in the second week of December, when reports on social media reported alarmingly; a litre going for Ugx 15,000/= in the District of Hoima; Western region of Uganda. It is then that the business community reached out and appealed to Tourism Trade and Industry Committee to make the necessary interventions, being the Sectoral Committee that is directly aligned to the responsibility that trade, business and industry activities should run smoothly in the country.

The committee on TT&I then picked up the matter and discharged it as an oversight role; in the bid to dispense its oversight mandate. The committee then reached out to the leadership of Parliament to seek Permission, of which it was granted. The committee was however, directed to include Hoima; Western region of Uganda as it had the worst dire effect of the oil scarcity. The TT&I embraced it as a deserving venture to pursue the matter of fuel crisis of the country to a logical conclusion. The committee had earlier scheduled to visit Uganda fuel reservoirs in Jinja, and the border districts of Busia and Tororo (Malaba); which are the entry points of Uganda's fuel by road transport.

Accordingly, the visit of the eastern region of Uganda was to explore the causes; which would address the "why" and the visit to western region of Uganda, would address the "because", by enlisting the impact the gasoline scarcity has imparted unto the smooth running of business activities, and the running of the day today life of Ugandans as a whole.

However, on the Speaker's directive, Hoima was to be visited too. The committee perceived it as befitting as the field activity would navigate through the causes and impact; thereby becoming a fact-finding mission which would serve as a launch-pad to crafting befitting interventions by all the stakeholders in the matter; both Government and the private sector fraternity, who serve as dealers in that sector. It is then that efficiency in that particular partnership would be modified to serve better the sector and the Ugandan Government.

1.2 Backdrop to the Committee's Oversight Exercise

The Committee pursued its mandate enshrined in Rule 189 (a) (b) (d) (e) (f) (g) of the Rules of Procedure of the Parliament of Uganda and carried out a fact- finding field visit from 20th to 23rd of January 2022.

During the visit, the Committee observed various challenges as regards to fuel reserves, Government release of contributory funds for fuel reserves, entry of trucks carrying fuel into the country, regulating the fuel prices, even distribution of fuel to various fueling stations, fuel hoarding, health hazards that may result from stagnated trucks as a result of delayed clearance and lack of a consumer protection law that has left the private dealers in fuel vending to place prices at will, among other reasons.

The Government appeared to have presented little to no active participation in preserving oil and gasoline in preparation for any eventuality that could befall the country; a state of crisis that the country is facing up to date. The Committee was led to question whether Government has been up to the task of making a minimum contribution of 12,000,000 litres of fuel after UNOC partnering with a consortium of One Petroleum Uganda Ltd, one Petroleum Ltd, and Mbaraki Bulk Terminals Ltd. UNOC was established under the Petroleum Exploration Development and Production Act, 2013; in which it was mandated to handle the state's commercial interests in the petroleum sub-sector. Regarding the reserves for the country, UNOC is to contribute a minimum of 12,000,000 litres (40%) of fuel as the Uganda reserve is meant to be at 30,000,000 liters at all times. This can take the country for 4.5 days in case of a crisis; Uganda consumes 7,000,000 litres daily.

2.0 RATIONALE

The Sectoral Committee on Tourism, Trade and Industry derives its mandate from Article 90 of the Constitution of the Republic of Uganda, and accordingly, Rules 125, 156, 159, 187 and 189 of the Rules of Procedure of Parliament. These provisions enjoin the Committee with the authority and power to, among others, research, investigate and carry out oversight functions with respect to the Ministries, Departments and Agencies (MDAs) under its purview.

Upon visiting the two border posts of Malaba and Busia, the Committee noted with grave concern that, despite the fact that Government established UNOC by a statutory Act and entrusted it with the mandate to manage Petroleum matters as a State Enterprise however UNOC had since privatized the Government reservoir.

The Jinja Storage Terminal (JST) alias Jinja Oil Reserves was leased out to a consortium of One Petroleum Uganda Ltd and Mbaraki Bulk Terminals Ltd. This uses the facility as a storage facility of fuel on transit to the destination of fuel dealers. To the Committee, it appeared questionable whether the joint venture between UNOC and the consortium would soon benefit the people of Uganda, and whether the Government of Uganda would receive positive returns from its investment.

In a bid to ascertain the causes of fuel scarcity in the country, and the subsequent "skyrocketing" prices thereof, and perhaps nip them in the bud, the Committee took the decision to use its mandate under the Rules of Procedure of Parliament, to investigate the goings-on at the border points; volumes of fuel entering the country and the number of trucks cleared at the entry points. The Committee envisaged that it would make recommendations for the House to adopt, in order to heal the fuel scarcity that has plunged the country into a social-economic crisis up to date, and perhaps any future eventualities. This would also protect the Government's interests in UNOC as a Government Enterprise so that they come to fruition for the benefit of the people of Uganda. The lessons learnt could also go a long way to benefit other Government Enterprises that have a similar agenda.

3.0 TERMS OF REFERENCE

The Committee adopted the following Terms of Reference;

(i) To ascertain the causes of fuel scarcity and the "skyrocketing" fuel prices in the country in general and Hoima in particular.

(ii) To examine the contribution of UNOC as a Government Enterprise in propelling the Government agenda in stocking and maintaining fuel reserves that can make interventions in times of need; when there is fuel scarcity in the country.

(iii) To scrutinize the utilization of funds provided by the Government of Uganda to UNOC Enterprise, the accountability for the revenue that accrues from as a Government bulk purchases that are made by UNOC and the strategic plan UNOC has for the country to avoid a repeat of the same mishap; lack of fuel for interventions in a time of scarcity/need.

(iv) To propose recommendations to enable efficiency and effectiveness in the operations of the UNOC as a Government Enterprise in a bid to support it in the achievement of its objectives, and ensure the creation of a positive impact on the people of Uganda.

4.0 SCOPE

This report concerns two border points; which are the entry points of fuel in the country; Malaba and Busia, which are located in the Eastern Region of Uganda. We also visited Hoima district in western region of Uganda, which was hit harder by the fuel scarcity, and a litre cost up to Shs 20,000. The crisis of fuel scarcity engulfed the whole country, however, Malaba and Busia borders, besides JST were scooped out because they are the entry points of fuel into Uganda; by rail, road and water transport

The report takes a close look at the affairs of Uganda Oil Company, a State Enterprise that was established by a statutory instrument and incorporated on June 2015 to implement fuel reserves/storage.

5.0 METHODOLOGY

The Committee employed the following methods of work:

5.1 Field visit

The Committee visited Malaba and Busia border points, Jinja Storage Terminal and Hoima District respectively.

5.2 Meetings with Key Stakeholders

The committee held meetings and heard from a number of key witnesses, several of whom presented written briefs. The witnesses included the leadership of Uganda Oil Companies, One Petroleum Company Limited, Uganda Revenue Authority, area Members of Parliament and local leaders.

5.3 Memoranda

Aside from memoranda received from the above stakeholders who also met the Committee during meetings, the Committee received verbal testimonies from the following stakeholders in Hoima City and Hoima District:

- The LC 1 chairperson of the area;
- The Resident City Commissioner;
- The area Members of Parliament;
- The Chairperson LC 5;
- The Mayor;
- The chairperson of Taxi and boda boda Operators;
- The managers and supervisors of various fueling stations and fuel pump owners.

5.4 Desk Research

The Committee carried out desk research on the general external environment consisting of the political, economic, social, and technological factors that are surrounding the causes of fuel scarcity and the skyrocketing prices, thereof.

5.5 Triangulation of Findings

From the 20th to 23rd January 2022, the Committee visited Malaba and Busia borders and 30 kilometers into Western Kenya, respectively; Jinja Oil Reserves, Hoima City and Hoima District. The Committee subsequently held meetings with stakeholders regarding issues related to causes of fuel scarcity and failure to establish and maintain fuel reserves

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for the country. During those interactions, the Committee got opportunity to juxtapose the situations in two countries; Uganda and Kenya. Whereas Kenya and Uganda benefit from the same Oil Tender System (OTS), why is Uganda suffering the fuel scarcity challenges? Which parties are engaged in the OTS discussion? Why are the prices of fuel prices in Kenya stable and fair?

6.0 CAUSES OF THE FUEL CRISIS

6.1 COVID-19 TESTING AT THE BOADER

Mandatory COVID-19 testing at the border with Kenya as well caused traffic congestion as customs officials struggled to apply the rules amidst opposition from truckers who demanded exemption if they carried proof of a negative test result from Kenya. With little movement at the border, many fuel stations across Uganda ran empty. The build-up of petroleum trucks at the border with Kenya caused a spike in gasoline prices by almost 50% in some parts of Kampala, in the past three weeks.

At the border in Malaba, the Committee was informed by the truck drivers that the testing protocol by Government was not feasible. The Committee observed a queue of trucks over 60 kilometres into Kenya from Uganda with approximately 5000 trucks. The truck drivers were being charged about $30 to be cleared to bring in their fuel. Most of the truck drivers went on strike and refused to bring in the fuel.

During the Committee's interaction with truck drivers who were still stuck across the border on the western Kenya, the following issues were raised that;

(i) The long and rigorous process at the border which would render their Covid results invalid. Some of the drivers testified to having spent over 5 days in the queue;

(ii) That the $30 for the Covid test at the Ugandan border should have been charged on the cargo owners and not the drivers;

(iii) That they underwent free Covid test in Kenya as opposed to Uganda where they were supposed to pay $30;

(iv) That the time spent in queues rendered them vulnerable to contracting Covid 19 and posed a health hazard since the place was unhygienic;

(v) That the long queues caused a security risk in relation to fire, since several trucks with fully loaded petroleum were parked at a minimum of a 1 metre distance apart;

(vi) The high temperatures and endless queue would lead to evaporation of the fuel in the tanks therefore causing them losses (diesel 0.2 %and petrol 0.3%-0.5%);

(vii) The prolonged stay in the queue resulted into mechanical problems that were difficult to rectify given the circumstances in which the trucks were parked hardly a metre apart.

The committee observed that previously, truck drivers were allowed entry into the country based on negative results obtained elsewhere, within a 48-hour timeframe, along their journey. However, with the change in testing, truck drivers started a protest against the new fees, insisting on abandoning the process hence causing a 10-day gridlock. This consequently reduced the fuel supply in the country leading to hiked prices. The Committee notes that it is unclear as to how many of the trucks involved in the strike were fuel transport trucks.

6.2 DEPLETION OF SUPER PETROL BOTH IN KENYA AND TANZANIA

According to One petroleum Uganda Ltd, the fuel crisis was also further compounded by the depletion of super petrol in both Kenya and Tanzania. However, it was observed that diesel was not greatly affected since aside from a diminished number of trucks available for reload, diesel stocks were sufficient in Kenya and only suffered from logistics. Majority of mainland Uganda receives fuel primarily from Kenya while part of western Uganda is supplemented from Tanzania.

In the month of January, both these gateway countries had vessel scheduling challenges;

(i) In Tanzania, owing to the increased demand from Zambia and Malawi on the months leading to December 2021, there was a cumulated backlog of super petrol vessel demand as compared to supply. This impact was felt in January 2022 on the petrol vessels delaying due to other vessels being scheduled before them. The local Tanzanian market had already received enough products in December and as such was spared from the shortage in January.

(ii) In Kenya, there was a mix up in vessel scheduling which wouldn't have been a problem if enough trucks had returned to load the fuel. In Kenya the super petrol vessel line-up was as follows

	Vessel name	Arival date
1	MT CLIO	25TH TO 29TH DECEMBER 2021
2	**MT FRONT FUTURE**	**30TH DECEMBER 2021 TO 2ND JANUARY 2022**
3	MT NAVIG 8 PROMISE	17TH JAN TO 21ST JANUARY 2022

MT FRONT FUTURE was scheduled to arrive between 30th dec 2021 to 2nd January 2022 delivering super petrol to the Open Tender System in Kenya however it was delayed by over 10 days arriving on 12th January 2022.

The committee observed that the vessel delays caused a super petrol supply shortage which happened as companies were depleting their super petrol stocks and customers were panic buying resulting in faster depletion of super petrol stock. It should be noted that as a country we consume about 6.5 million litres a day and yet the existing strategic stocks have the capacity to only hold 10 million litres of super petrol and 20 million litres of Diesel which is only equivalent to three days of the countries stock.

6.3 HOADING OF FUEL

According to the URA commissioner for enforcement, URA has cleared more fuel trucks in January than it did in December. Between 1st December and 31st December 2021, URA cleared on average 122 fuel trucks per day. By 22nd January 2022, the day of the Committee oversight visit, URA had cleared on average 126 trucks in January which is more than the daily average of 122 fuel trucks cleared per day in December and several months before the crisis.

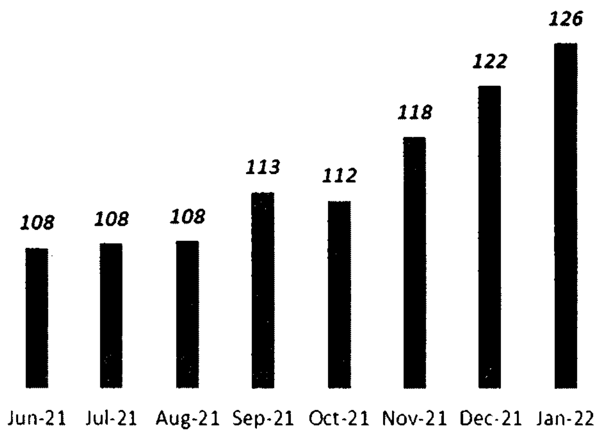

Fig 1: Average daily number of trucks

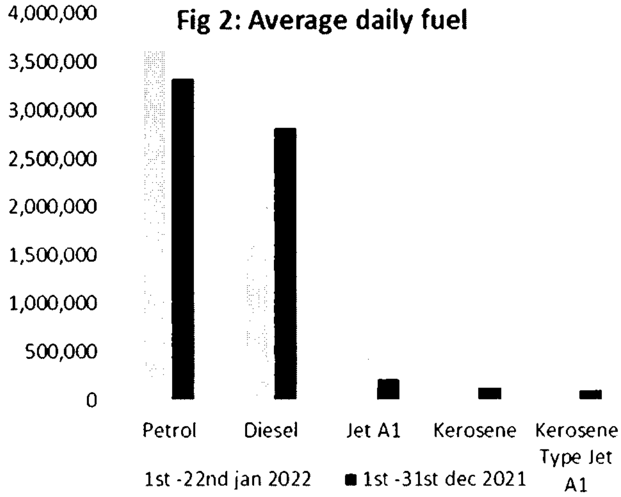

Fig 2: Average daily fuel

BUSIA BOSBP HOME BOUND FUEL TRUCK COMPARISON IN MONTHS(table 2)

DATE	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21
1-Jan	162	98	76	216	109	59	202	202
2-Jan	102	98	98	195	75	61	95	117
3-Jan	80	146	82	109	131	112	162	102
4-Jan	114	146	113	97	133	116	47	183
5-Jan	130	142	108	115	127	137	39	93
6-Jan	120	120	42	130	100	89	93	33
7-Jan	115	126	63	85	71	84	78	64
8-Jan	137	115	96	152	138	31	73	124
9-Jan	113	100	94	118	156	108	123	165
10-Jan	95	99	142	56	140	160	91	210
11-Jan	148	50	191	12	131	148	37	165
12-Jan	37	84	202	43	55	171	64	115
13-Jan	114	93	165	119	28	200	124	53
14-Jan	111	83	114	147	114	131	136	76
15-Jan	155	77	102	146	121	69	152	89
16-Jan	184	171	156	74	128	93	147	218
17-Jan	116	206	197	79	137	117	151	140
18-Jan	200	182	143	70	146	109	82	153
19-Jan	85	126	172	120	77	135	86	143
20-Jan	145	98	91	74	110	160	79	66

21-Jan	206	98	131	46	160	179	81	29
22-Jan	108	191	106	114	105	58	119	84
23-Jan		112	114	98	110	70	107	86
24-Jan		162	116	60	104	85	88	56
25-Jan		150	116	65	73	133	62	118
26-Jan		97	129	133	73	136	84	63
27-Jan		43	127	142	69	14	117	24
28-Jan		108	75	175	175	79	138	16
29-Jan		123	84	177	116	15	138	133
30-Jan		120	88	122	172	89	126	113
31-Jan		106	-	72	-	102	123	-
TOTALS	**2777**	**3,670**	**3533**	**3,361**	**3384**	**3,250**	**3,244**	**3,233**
Daily Average number of trucks	**126.2273**	**122.33**	**117.77**	**112.03**	**112.80**	**108.33**	**108.13**	**107.77**

Importer Name	**Fuel Imports 1 - 22Jan .2022 (Litres)**
Vivo Energy Uganda Ltd KAMPALA	**31,344,628**
TOTAL UGANDA LIMITED. KAMPALA	22,893,296
MOIL (U) LIMITED KAMPALA NAKA	6,924,683
STABEX INTERNATIONAL LIMITED W	6,021,886
NILE ENERGY LIMITED KAMPALA N	5,693,160
GASLINE PETROLEUM ENERGY (U) L	5,371,892
DOLPHIN PETROLEUM LIMITED KAMP	5,151,745
HASS PETROLEUM (U) LIMITED WAK	4,880,966
RUBIS ENERGY UGANDA LIMITED KA	2,707,798
ORYX OIL UGANDA LIMITED KAMPAL	3,516,424
CITY OIL (U) LIMITED KAMPALA	3,494,960
TORCH ENERGY LIMITED KAMPALA	3,445,362

SAMPLE OF THE TOP 12 FUEL IMPORTERS BETWEEN 1-JAN-2022-22-JAN-2022 ABOVE (table 3)

The committee observes that with these statistics it is clear that fuel is actually getting into the Country but some fuel importing Companies and fuel stations are taking advantage of the current situation to hoard and sell the fuel expensively. The Country needs 6.5 Million litres a day which is an equivalent of approximately 180 trucks to meet the daily demand and consumption.

The truck averages and volumes show that Uganda market received more average volumes than in the last 6 months before the crisis. See figure 1, 2 and 3 in the tables above;

6.4 <u>BREAKDOWN OF SCANNERS AT THE BORDER</u>

The scanner at Busia border used by custom officials to check vehicles was knocked in the middle of the truck pile up between Jan.14 and 17.

Uganda Revenue Authority has 6 mobile scanner trucks (NUCTECHMT series) namely: UAA 765T, UAA766F, UBK 998T, UBK 635J, UBK 814X respectively. When the scanner at the border was knocked Uganda Revenue Authority had to request their Head office in Kampala to send a mobile scanner UBK 814k to help replace the Busia scanner that had been knocked however the above equipment moves at a standard 30km/hr therefore taking over 8 hrs all factors remaining constant to reach its destination.

The committee observes that the faulty sanner caused a back log of over 400 trucks cleared daily at the Busia boarder since its temporary replacement was over 8hrs away all factors remaining constant and thus is one of the possible causes of the current 50km plus queue of trucks in western Kenya trying to go through the Ugandan border entry points in Busia and Malaba.

7.0 Underlying factors that have exacerbated the Negative Impact of the fuel shortage

7.1 ABSENCE OF FUEL RESERVES

Importance of fuel reserves to Uganda's economy

During the interaction with UNOC, the Committee was informed that keeping fuel reserves, facilitates the country to mitigate fuel shortages resulting from disruptions in the supply chain. Without reserves, the country can experience uncontrolled fuel shortages, which may result into:

(i) Loss of tax revenue first on fuel imports but also from negative impacts on business revenues.
(ii) Increase in prices of fuel that may translate into high cost of business operations and some commodity price
(iii) Difficulty to access critical social services, like health and security.
(iv) Results into social unrest.

7.1.1 Challenges at the reserve

(i) The Capacity of the National Reserves

The Jinja Reserve was commissioned in 1988, specifically to serve Eastern Uganda and the current fuel consumption per region stands as follows in the Table 1 below thus can't serve the whole country in times of fuel crisis.

Table 1. Regional fuel demand estimates in litres

Estimates of Regions demand

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Central	657	863	973	1,037	1,138	1,278	1,332	1,240	1,379
Eastern	173.32	189.82	214.10	228.23	250.27	281.16	293.04	272.71	303.34
Northern	126.05	138.05	155.71	165.98	182.02	204.48	213.12	198.34	220.61
Western	95.85	104.97	118.41	126.22	138.41	155.49	162.06	150.82	167.75
South western	195.64	214.26	241.68	257.62	282.50	317.37	330.78	307.83	342.40

(ii) Financing

The committee was informed by UNOC that there has been a resource constraint to allocate funding for procurement and stocking of strategic reserves in the country, and funding to strategic petroleum supply infrastructure. UNOC stated that a proposal for funding reserves and strategic petroleum supply infrastructure is being discussed with the Ministry of Energy & Mineral Development and MOFPED for funding

(iii) Legal and regulatory frameworks

The Committee was informed by UNOC that Uganda imports all its fuel through Kenya and Tanzania and that the logistics of fuel supply are affected by regulatory frameworks in these transit countries. 90% of imports are through Kenya Open Tender System (OTS) where sometimes there are inadequate allocations for fuel transiting to Uganda. This is one of the constraints to importing and supplying petroleum products in bulk to the country.

(iv) Transportation

The Committee was informed by UNOC that the absence of bulk and efficient transportation means that the country leaves Oil Marketing Companies with the only option of picking products from Kenya by trucks direct to retail stations. This discourages companies from holding stocks in the Country as they strive to minimize logistic costs. UNOC together with the Joint venture partner has utilized railway transport to bring products to JST via the lake. The current lake transport facility (ferry) can only ship a maximum of 900,000 litres of diesel in 5 days. In addition, the Committee was informed that the Consortium had been contracted in the second addendum to improve on the lake transport through development of an oil jetty and connecting pipeline, and acquisition barges (marine oil tankers). The cost of 2.2 million litre barge is estimated at USD 9 million while the jetty and the pipeline is estimated at USD 7 million. The planned voyage time of 18 hours as opposed to the current one which takes 5 days.

7.1.2 COMPARATIVE ANALYSIS OF KEEPING RESERVES

Different countries have employed different strategies in maintaining reserves depending on capabilities to adapt to different disruptions in the supply chain.

Kenya enhances the security of stocks through keeping stocks in Kenya Pipeline Company and its terminals. This stock is privately owned by Oil Marketing Companies supplying fuel to Kenya and transit countries including Uganda.

In a land locked Malawi, stocks are held by their National Oil Company, in Government terminals across the country. A levy is charged on all stocks imported into the country to fund reserves and petroleum infrastructure. Ghana and Botswana use related policies to fund petroleum infrastructure and reserves.

In international Energy Agency (IEA) countries, especially in Europe and America, the requirement is to hold 90 days of their daily demand as National Reserves. In some countries, like USA, with potential refining capacities, reserves are kept in form of crude oil.

In India, strategic fuel reserves are kept by the state-controlled India Strategic Reserves Petroleum Limited (ISPRL). India is reported to hold 74 days of strategic stocks both at refiners' storage facilities and ISPRL storage terminal across the country.

7.1.3 ***ANALYSIS OF UNOC MANAGEMENT OF THE JINJA NATIONAL RESERVES AND STORAGE TERMINAL***

Uganda has a 30 million litres storage facility at Jinja meant to hold National reserves. This is equivalent to 4.6 days of stocks as per daily demand of 6.5 million litres. Government is meant to ensure that the national reserves have at least 12 million litres (40%) of the total 30 million litres capacity storage facility in Jinja. Government had since March 2012 handed over operation of the national reserves to M/S Hared Petroleum Limited; however, owing to challenges encountered in restocking the facility, the operator returned the facility to Government.

On the 29th May 2017, the Ministry of Energy and mineral Development handed over the National Strategic Reserves facility at Jinja to UNOC and entrusted it with the responsibility of restocking, operating, managing and maintaining to fulfill both national strategic and attendant commercial purposes of the facility for and on behalf of the Government of Uganda in accordance with the Petroleum Supply Act, 2003 and other relevant policy and legislation. The Ministry noted, in its handover letter dated 29th May 2017, signed by Frank Tukwasibwe, Commissioner Petroleum Supply Department, for Permanent Secretary, that it is paramount among others, that UNOC does whatever it takes to effectively run the facility and particularly ensure that 40% of the storage capacity at the facility is available and always stocked with national strategic stocks, if the facility's objective in the Petroleum Supply Act, 2003 is to be fulfilled.

On the 31st May 2017, UNOC entered into a joint venture agreement with a consortium of three Companies which are; One Petroleum Ltd, One Petroleum (U) Ltd and Mbaraki Bulk Terminal Limited for management and operation of the Jinja National Reserves and Storage Terminals.

On 9th May 2017, UNOC sent out invitations to Companies to submit bids to manage the storage terminal. UNOC undertook a joint Venture Agreement with a Consortium of One Petroleum Limited, One Petroleum (U) Ltd and Mbaraki Bulk Terminal Limited to manage and operate the Jinja National Reserves and Storage Terminals.

According to the Agreement clause 8.3, the Consortium undertakes to stock the facility with petroleum products to its full capacity by 31st July 2017 which is 30Million litres. Further still, clause 8.4, the consortium was to ensure that the facility would at all times have no less than 40% of the storage capacity which UNOC would keep as strategic reserves.
Clause 3 of the Agreement provides that the agreement was to commence on 1st June 2017 and to run for a period of 10 years.
On the 1st day of August 2018, UNOC and the Consortium signed the first addendum to the Agreement and extended the same by 5 years.

The parties signed a second addendum to the agreement on the 23rd of August 2021 in which;

- Clause 5.1 and 5.2 were deleted. (The clauses initially provided for payment of 5.5 Uganda shillings per litre stored at the reserve by the Consortium to UNOC, and a renegotiation period of 6 months, respectively.)
- The second addendum requires a renegotiation period of 3 years and provides for revenue sharing to the extent that UNOC will receive

from the consortium on a monthly basis a revenue share of Uganda Shillings 55 Million from commercial activities at the Facility.

Further still, clause 8.4 of the Agreement was deleted in the second addendum to the Agreement.

7.2 COMMITTEE OBSERVATIONS

(i) The Committee observed that whereas the Ministry of Energy handed over the Jinja Storage Tanks (facility) to UNOC on 29th of May 2017, UNOC had on 9th May 2017, (twenty days earlier) already invited bids from Companies to manage the facility which they were not in possession of legally.

(ii)The Committee further observed that UNOC evaluated the Bids and selected a Consortium of One Petroleum Limited, One Petroleum (U) Ltd and Mbaraki Bulk Terminal Limited to manage and operate the Jinja National Reserves and Storage Terminals through a Joint Venture Agreement signed on 31st May 2017, just two days after the handover letter and before receiving the handover report which was due in two weeks' time as per the letter dated 29th May 2017 of Rev. Justaf Frank Tukwasibwe for the Permanent Secretary Ministry of Energy.

(iii)The Committee further still observed that the Agreement was signed on 31st May 2017 for a period of 10 years. The first addendum to the agreement, however, which extended the contractual period by 5 years was signed on 1st August 2018, only one year into the ten year agreement. Section 23(1) of the Public Finance Management Act, 2015 provides that a vote shall not enter into a contract, transaction, or agreement that binds the Government to a financial commitment for more than one financial year or which results into a contingent liability except where the financial commitment or contingent liability is authorized by Parliament.

(iv) The Committee observed that in the second addendum, clause 8.16.1, the Consortium was supposed to design and develop the lake transport developments at the JST for utilization of transport of petroleum products over the lake Victoria at their own cost; these were the facilities stated in clause 1 of the first addendum required to enable transportation of petroleum products over water on lake Victoria from the Port of Kisumu and or any other port on lake Victoria and over land to the Facility including construction of a pipeline, jetty and barges).

(v) **The committee observed** that the Cabinet Minister for Energy and Mineral Development wrote to the Minister responsible for Finance on 18th January 2022, communicating a decision of Cabinet to finance UNOC to a tune of $30 Million for commencing the process of procuring fuel reserves for five days and $8 million for construction of a Jetty and pipeline system so as to connect the terminal to lake Victoria and therefore deliver fuel by barges from Kisumu. It is the considered view of the Committee that this amounts to Government undertaking the obligation of the Consortium under the joint Venture Agreement with UNOC therefore attempting to duplicate and if done tantamount to **causing financial loss** to Government.

(vi) **The Committee observes** that whereas clause 8.4 of the Joint Venture Agreement which was deleted in its entirety in the second addendum, was the cardinal reason as to why Government gave UNOC the mandate to run the Reserves and ensure that the Country has at least 40% strategic reserve at all times, maintained at the Jinja National Reserves; this can no longer be achieved under the current undertaking and is one of the reasons that exacerbated the fuel crisis in the Country.

(vii) **The Committee** was shocked and dumbfounded that the second addendum to the Agreement now requires Government through UNOC to pay to the Consortium for storage in the Facility should they require to store reserves at the facility. The second addendum in fact is a total deviation from the original agreement and renders UNOC unable to execute her mandate under the law.

(viii) **The Committee further observes** between May 2017 and August 2021, clauses 8.3 and 8.4, which were in fulfilment of the Country's strategic reserves requirement were continuously breached but instead the Consortium was rewarded by deleting the clauses which would have been the fallback position for the Country during the current fuel crisis.

8.0 UNREGULATED FUEL STATIONS

In Hoima, it was established that a number of smaller fuel stations without the capacity to import their own fuel were forced to purchase fuel at retail price as opposed to the wholesale price they had been purchasing at. Unregulated fuel stations took it upon themselves to sell fuel at whichever price they deemed fit depending on the demand since there was no regulatory framework to control the prices but rather the forces of demand and supply. This is probably why the prices went up to 20,000 Shs per litre in some areas under the watch of both security and local leaders, who were left with no choice but to lament.

9.0 GENERAL COMMITTEE RECOMMENDATIONS:

(i) The joint venture agreement between **UNOC and the Consortium should be terminated with immediate effect since the second addendum to the agreement is a fundamental deviation from the mandate of UNOC under the Petroleum Supply Act, 2003** and the handover letter of the Ministry of Energy in which the Company is supposed to ensure, at whatever cost, that it effectively runs the facility and particularly ensures that 40% of the storage capacity at the Facility is available and always stocked with national strategic stocks. Further-still, the Consortium breached the following terms of the Agreement;

- Clause 8.3 wherein the consortium undertook to stock the facility with petroleum products to its full capacity 30 million litres by 31st July 2017;
- Clause 8.4 wherein the consortium was supposed to ensure that the Facility will at all times have no less than 40% of the storage capacity which UNOC was to reserve as strategic reserves, breached between June 2017 and August 2021;
- Clause 9.1 of the second addendum wherein the consortium is supposed to meet the minimum throughput.

These breaches warrant termination of the Agreement without causing Government Financial loss.

(ii) That upon termination of the Joint Venture Agreement between the Consortium and UNOC, Government should urgently prioritize and avail the necessary financial resources to UNOC to procure fuel for the strategic reserve as well as development of the necessary water transport infrastructure on lake Victoria which would save fuel transport companies 30 shillings per litre using water transport as opposed to road transport. It would also be less likely to be affected by road transport related challenges and inefficiencies.

(iii) Government should fast track the Consumer protection law which if had been in existence would have protected the Consumer from exploitation through indiscriminative pricing, deceptive weights and measures where pump owners intentionally give less fuel than what is paid for at the pump and misleading fuel price display at the stations.

(iv) The last time the country had a similar crisis was in the days of the post-election violence in Kenya in 2008 when Uganda was cut off from its main supply route and similarly Kenya elections are due this year which may have a repeated effect therefore Government should fast track the construction of the Kampala storage terminal which is to store about 60 million litres of fuel as this would treat the issue of the obsolete oil reserve in Jinja.

(viii) Government should expand the road infrastructure at the border for safety especially at the current highly populated border towns where fuel trucks park in long queues and to improve traffic flow of the Cargo trucks in and out of the Country especially in instances where they are transporting perishable or highly inflammable products like fuel.

(ix) The committee recommends that Government purchases and installs a second scanner at all boarder points to mitigate the economic impact of any seemingly unforeseen related crisis.

(viii) The Government should implement all its directives harmoniously in consultation with all relevant Ministries/Agencies and take into consideration the impact assessment so as to mitigate the challenges.

10.0 CONCLUSION

According the Committee's findings, there are a number of reasons as to why the current fuel crisis still exists as discussed in the report, however, it is pertinent to note that, Uganda has no fuel reserves. This renders it vulnerable to crises as these, being that the Country is landlocked. Also, UNOC has to up its effort to be up to its task, being a State Enterprise; it should jealously guard the interests of Government and Ugandans as a whole.

I beg to report.

ENDORSEMENT OF THE REPORT

Report of the Committee on Tourism, Trade and Industry on the Fuel Crisis in the country

January 2022

No.	Name	Party	Signature
1.	Hon. Mwine Mpaka Rwamirama	NRM	
2.	Hon. Catherine Lamwaka	NRM	
3.	Hon. Afidra, Ronald Olema	NRM	
4.	Hon. Aleper, Margaret Achilla	NRM	
5.	Hon. Amero, Susan	INDEP	
6.	Hon. Amooti, Bright Tom	NRM	
7.	Hon. Atukwasa, Rita	INDEP	
8.	Hon. Awor, Betty Engola	NRM	
9.	Hon. Businge, Harriet Mugenyi	NRM	
10.	Hon. Edakasi, Alfred Elalu-Olale	NRM	
11.	Hon. Gafabusa Richard Muhumuza	NRM	
12.	Hon. Isabirye, David Aga	FDC	
13.	Hon. Kalwanga, David Lukyamuzi	NUP	
14.	Hon. Kayemba, Geoffrey Ssolo	NUP	
15.	Hon. Kemirembe, Pauline Kyaka	NRM	
16.	Hon. Kirabo, Agnes	NRM	
17.	Hon. Koluo, Joseph Andrew	INDEP	
18.	Hon. Koyekyenga, Oliver	NRM	

19.	Hon. Mbwatekamwa, Gaffa	NRM	
20.	Hon. Mugole David Stephen Mauku	NRM	
21.	Hon. Mushemeza, Elijah Dickens	INDEP	
22.	Hon. Nayebale, Sylvia	NRM	
23.	Hon. Odero, Godfrey Were	INDEP	
24.	Hon. Ogwal, Cecilia Atim	FDC	
25.	Hon. Okello, Geoffrey Charles	DP	
26.	Hon. Osoru, Mourine	NRM	
27.	Hon. Ssentayi, Muhamad	NRM	
28.	Hon. Ssimbwa, Fred	NUP	
29.	Hon.Timuzigu, Michael Kamugisha	NRM	
30.	Hon. Wanyama, Michael	NRM	
31.	Hon. Mwijukye Francis	FDC	
32.	Hon. Katoto Muhamad	NRM	