

Quality. Uganda's crude is low in sulphur and waxy.

Uganda's oil arrives in middle of biggest global supply shock

The pipeline that seemed over-engineered, over-budget and over-delayed has turned out to be pointed at exactly the right ocean at exactly the right moment.

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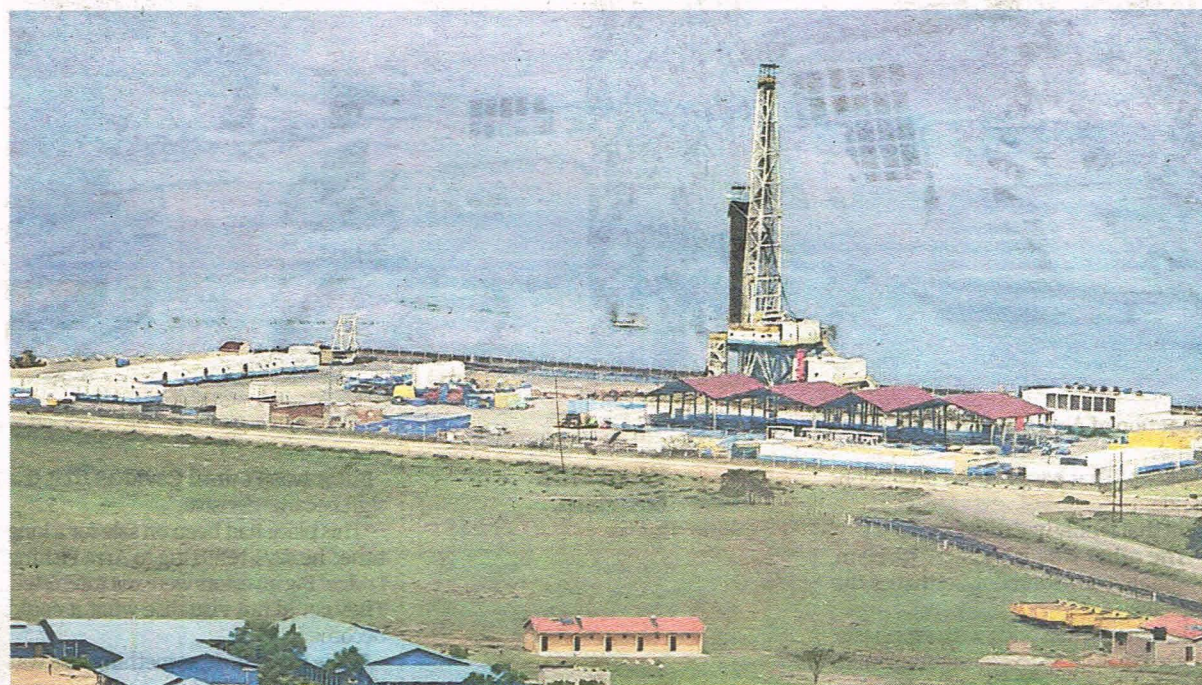
For two decades, Uganda's oil has been a national promise perpetually deferred. When Hardman Resources struck the first commercial discovery well at Mputa in 2006, officials spoke of production by 2008. The deadline passed. New targets—2015, 2018, 2020, 2025—emerged and passed with equal discretion.

More than 200 wells have been drilled across the Tilenga and Kingfisher fields in Lake Albert's western basin as of April, data from both projects' documentation shows. The world's longest heated pipeline, 1,443 kilometres of thermo-insulated steel running from Hoima in western Uganda to the port of Tanga on Tanzania's Indian Ocean coast, is 84 percent complete, with 12,000 workers still on site.

Philippe Groueix, TotalEnergies' general manager in Uganda, said last Wednesday that commissioning would begin before July. A couple of sources from the Energy ministry expect the first export cargo in October 2026. The timing, after 20 years of studied misfortune, turns out to be extraordinary. Not because Uganda planned it that way. It did not. But because on February 28, the United States and Israel launched an air war against Iran, and the world's oil market was never quite the same again.

Each of Uganda's missed production targets corresponded to a different species of bad timing. In 2008, the global financial crisis sent Brent crude from \$144 (Shs244,800 approximate rate in 2008) to \$32 (Shs54,400 approximate rate in 2008) in five months. In 2015, the American shale revolution flooded the market. Consequently, Brent fell below \$30 (Shs102,510 approximate rate in 2016) in January 2016, its lowest since 2003.

Western lenders, already cool on a pipeline through contested Albertine Graben territory, went colder still. Tullow Oil, one of the original partners, eventually sold its entire interest to TotalEnergies and exited Uganda entirely. In 2020, Covid arrived. West Texas Intermediate crude briefly went negative. Brent fell to \$20 (Shs743,000 approximate rate in 2020).



An oil rig at a well pad in Kingfisher Development Area in Kikuube District. The oil fields were expected to start producing oil in 2025. PHOTO/FILE

Even the project's signature achievement, its Final Investment Decision, signed in February 2022, arrived just weeks before Russia invaded Ukraine and Brent spiked to \$139 (Shs512,910 approximate rate in 2022). That windfall did not reach Uganda; there was nothing yet to pump.

By late 2025, the market had softened again. Brent was trading below \$60 (Shs224,101) per barrel. Had Uganda, by some miracle, achieved its 2025 target, it would have entered a buyers' market at the worst price in a decade, attempting to sell a waxy, heavy crude that had already, in a 2018 test sale of a mere 45,211 barrels, failed to attract a credible buyer on its first attempt and took eighteen months to find one on its second.

Accident of geography

Then the Strait closed. The Strait of Hormuz is 34km wide at its narrowest point. Through it passed roughly 20 million barrels of oil per day, approximately 20 percent of global seaborne oil trade, primarily from Middle East producers to Asia. The International Energy Agency called its blockade "the greatest global energy security challenge in history." The World Bank called it the largest oil supply disruption in recorded history.

Brent crude surpassed \$100 (Shs373,000) a barrel on March 8; the first time in four years, rising to \$126 (Shs471,000) at its peak.

Uganda's pipeline terminates at Tanga, on the Indian Ocean—on the wrong side of the world from the blockade. It flows in precisely the opposite direction to the

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disrupted supply chains that Asian and European importers were scrambling to replace. A landlocked country with no navy, no coastline and no exposure to the Middle East conflict had accidentally built its entire export infrastructure around the one geography that the global supply shock had left untouched.

There is no other way to say this: Uganda got spectacularly lucky.

The crude nobody wanted

The luck runs deeper than geography. Uganda's crude is low in sulphur—a quality refiners prize above almost all others, because it determines the cost and complexity of processing. It is also waxy and heavy, which historically attracted a discount.

In 2018, Uganda's test crude found no credible buyer on its first attempt and took 18 months to find one on its second. That crude, in the current market, looks entirely different. In 2024, an estimated 84 percent of crude oil shipments through the Strait of Hormuz were destined for Asian markets. Those buyers are

now urgently seeking alternatives. The defining characteristic they want is low sulphur, because clean-fuels regulations governing their domestic markets have grown progressively stricter.

Uganda's crude is low in sulphur. It flows to a port with direct Indian Ocean access. Faith Musimenta, a senior petroleum economist at Uganda's Petroleum Authority, noted earlier this year that Uganda's oil prices would ultimately be set by international benchmarks, then "adjusted for transport costs and the quality of its crude."

What she could not have fully anticipated, writing before February 28, was that the quality premium for low-sulphur crude would spike as alternative Middle Eastern supply disappeared, or that the \$12.77 (Shs48,000) per barrel pipeline tariff to Tanga would look modest against a Brent price that had risen \$50 (Shs187,000) in eight weeks.

The window and its walls

The crude nobody wanted in 2018 is precisely what Asia needs most now. None of this is permanent. The US Energy Information Administration (EIA) projects Brent falling from a 2026 quarter two average of \$115 (Shs429,000) per barrel to \$88 (Shs330,000) by quarter four, then \$76 (Shs284,000) in 2027. The World Bank sees it reverting to \$70 (Shs261,000) once the most acute disruptions ease.

Uganda's first export cargo loads in October, as the Energy ministry projects. The crisis-price window and the revenue-arrival window do not perfectly

overlap. Under the production sharing agreements, up to 70 percent of output in any period is first allocated to recovering costs, meaning Uganda's share of profit only grows as those billions are repaid.

The Hoima refinery has not broken ground, so the country will export raw oil while importing refined diesel at elevated prices. Bank of Uganda Governor Michael Atingi-Ego told Parliament on April 29 that oil revenue "will not bail us out significantly, given the outflows associated with it."

Those two moments are separated by months and, on current trajectories, by a moderating price environment. The government's own projections place annual oil revenues at \$1.5b (Shs5.6 trillion) to \$2.5b (Shs9.3 trillion) at plateau. Independent modelling by the Natural Resource Governance Institute and Rystad Energy puts the figure at \$1.9b (Shs7 trillion) under a slow energy transition, falling to \$1b (Shs3.7 trillion) if the world moves at a moderate pace.

The Institute for Energy Economics and Financial Analysis goes further, finding Uganda's present value of future revenues falling 37 percent under a moderate transition and 53 percent under a full net-zero pathway, losses steeper than those facing foreign investors, because the production-sharing structure front-loads returns to TotalEnergies and CNOOC during the cost-recovery years, leaving Uganda more exposed as the window narrows. That window—2026 to 2032—may be the last period in which Uganda's cost structure and crude quality command prices sufficient to make those projections credible.

Fortune's geometry

There is a particular cruelty to good luck arriving late. The financial crisis, the shale revolution, the Covid collapse, the Western lender withdrawal each delayed a project that, had it proceeded on schedule, would have delivered oil into conditions ranging from difficult to disastrous. What arrived instead was the Strait of Hormuz crisis: the largest oil supply disruption in recorded history. The world's oil ships were stuck. Uganda's were not; its oil moves overland through a 1,443-km pipeline to Tanga, on the Indian Ocean, thousands of kilometres from the blockade.

Uganda spent \$12.3b (Shs45.9 trillion) on wells, processing plants and that pipeline, and built, entirely by accident, a route that pointed away from the crisis.

Minister Nankabirwa announced a third petroleum exploration licensing round, covering new blocks in the Albertine Graben and frontier basins, beginning this July. But the details of what already exists are sobering. The Kasuruban block, Uganda's largest at 1,285 sq km, awarded to the Uganda National Oil Company (UNOC) in 2023 as the state firm's first independent upstream venture, has spent two years without a joint venture partner willing to share the cost of a single exploratory well. Both TotalEnergies and CNOOC declined.

The licence expires in March 2027. The partner has not been named. Uganda is simultaneously celebrating the oil it is about to produce and struggling to find anyone willing to share the risk of finding the oil that comes next.