Uganda's oil industry is delayed, over budget, and its results are likely to fall short of expectations

OVERVIEW

Oil has long been touted for its transformative potential on Uganda's economy by bringing in short-term booms in foreign investment, new government revenues, and trade balance benefits. However, the reality is that project delays, cost overruns, and changes in global energy markets mean that Uganda is unlikely to benefit from the oil industry as expected.

▼ -34%
value loss for foreign investors

▼ -53%
value loss for Uganda, compared with expectation

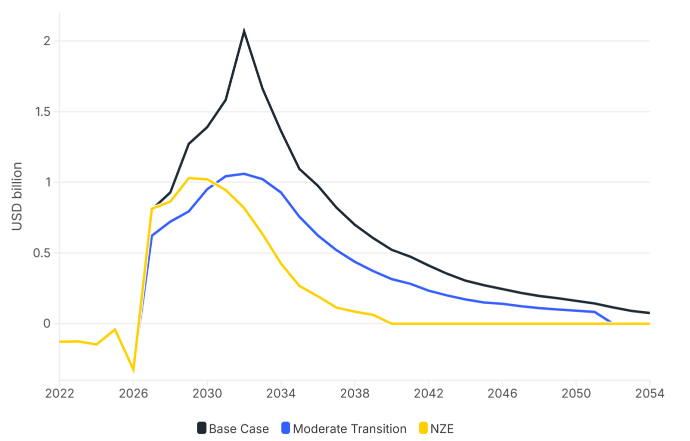
Delays and cost overruns on the project – which includes over 1 billion barrels of oil at the Tilenga and Kingfisher oil fields and construction of the 1,443-kilometer East Africa Crude Oil Pipeline – are not the only financial problem facing Uganda's nascent oil industry. Accelerated global decarbonization could mean the value of Uganda's oil falls as much as 34% for foreign investors and 53% for Uganda, compared with what is expected.

Amid weakening public finances, the transformative long-term potential of Uganda's oil industry appears very uncertain.

A more diversified energy strategy is key to building a more resilient and prosperous Uganda in a decarbonizing world.

Uganda enters oil production with weakening public finances, with public debt now above 50% of GDP and interest payments consuming more than 30% of government revenues, sharply limiting fiscal space for cost overruns or revenue shortfalls.

UGANDAN GOVERNMENT CASH FLOW



The planned refinery and associated infrastructure alone are expected to cost around USD4.5 billion, with Uganda potentially responsible for up to USD1.8 billion—significantly increasing fiscal exposure if costs rise further.

Under current financing assumptions, projected annual debt repayments (~USD 500 million) could exceed Uganda's expected share of refining cashflows (~USD350-400 million), eating into oil export revenues and reducing fiscal space.

With agriculture accounting for around a quarter of GDP and over 60% of employment, fiscal pressure from oil projects risks crowding out investment in more resilient, job-rich sectors.