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Should Uganda Give Up Its Controversial Mega Oil Project?

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Fossil fuel phase-out is surfacing conflicts between the Global North and Global South, and sparking debate within oil-rich developing countries. In Uganda, the planned East African Crude Oil Pipeline (EACOP) is raising important questions about development, climate justice, and democracy which have no simple answers.

Uganda discovered commercial oil deposits in 2006, but production won't start until after the construction of EACOP – the 1,443km long pipeline which will run from Hoima in western Uganda to Tanga Port in Tanzania. EACOP is a joint venture between Total Energies (62 per cent), Uganda (15 per cent), Tanzania (15 per cent), and China's CNOOC (8 per cent).

On 13 September 2022, the EU Parliament passed a resolution on EACOP, citing human rights and environmental concerns. Two days later, the Deputy Speaker of the Ugandan Parliament Thomas Tayebwa called the resolution "the highest form of economic sabotage against developing countries" and hypocritical, considering EU member states are expanding their fossil fuel exploitation. From Tayebwa's perspective, the resolution undermines the socio-economic growth and development of Uganda and East Africa, while unfairly shifting responsibility for climate breakdown. While he admits the EACOP will contribute to carbon emissions, Tayebwa draws attention to the EU's outsized historical and current emissions: "[the] EU bloc with only 10 per cent of the world's population is responsible for 20 per cent of global emissions. Africa with 20 per cent of the world's population is only responsible for 3 per cent of global emissions."

These objections to the EU resolution bring into sharp focus distributional questions about the new winners and losers in a decarbonised economy, and address tensions between climate and development ambitions.

Various actors have put forward ways for Uganda to reconcile these ambitions. The country's political elite propose exploitation of fossil fuels for the sake of economic development, with compensation and mitigation measures serving as adequate policies to address climate objectives. Similarly, most Ugandan NGOs consider oil exploitation an economic imperative but propose using oil revenues to support renewable energy development and climate mitigation efforts at a later date. By contrast, a coalition of Ugandan, European, and North American NGOs believes that tackling climate change should be the priority, and advocates for keeping oil in the ground.

These options either fail to convincingly address climate change or do not take into account inequalities between the Global North and Global South, as well as within Uganda. Alternative solutions should offer environmentally and economically sustainable outcomes to countries like Uganda, saddled with ecological and development burdens.

Money and economy above all else

Uganda's political elite defend oil extraction as the key to economic and political liberation. In a New

Year Address in 2011, President Yoweri Museveni argued oil extraction revenues will “free [Uganda] from external influence in the implementation of our investment programs”. The Vision 2040 strategy, which aims to transform Uganda into “a competitive upper middle-income country within 30 years with a per capita income of USD 9,500”, identifies oil as a crucial resource to spur economic growth and development. A 2019 Bank of Uganda report also argued that the country’s ability to manage its growing public debt would have depended on exporting oil by 2023. Indeed, many macroeconomic analyses point to the benefits of oil extraction for Uganda’s economy.

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However, the economic case for oil is far from settled. The economic projections are just that; other factors, such as actual production levels and oil quality, determine real economic gains – and there are no guarantees for these. For instance, Petroecuador expected to produce 200,000 oil barrels daily by drilling in Yasuní, in the Ecuadorian Amazon, but only managed 55,000. Petroecuador technicians testified to the Constitutional Court that oil from Yasuní fields was low-quality and would require high investments in processing before selling.

Moreover, Members of parliament, ministers, and executives from oil companies argue that the adverse environmental impact of oil extraction can easily be managed by choosing a pipeline route that avoids nature hotspots and areas with high population density, and by developing an environmental sensitivity atlas displaying the potential impact of oil projects.

The examples of Nigeria, Ecuador, and Colombia show that exploitation with environmental mitigations and safety measures does not prevent serious and recurring environmental consequences. For the Yasuní oil project in Ecuador, at least 689 hectares were deforested. In the last decade, there have been 1,500 oil spills in the Ecuadorian Amazon – approximately 12 every month. Rivers State in Nigeria saw more than 6,800 spills between 1976 and 2001. In 2022 alone, four spills by TotalEnergies were recorded by the Nigerian monitoring agency NOSDRA.

Besides the oil spills, also corruption, human rights violations, loss of livelihoods, violence, and deaths trail these oil projects. The omission of these social and political risks from the conversation makes the option of oil exploitation in Uganda incomplete and represents a big blind spot in the proposal by political elites. In the long term, these risks could undermine development and result in higher costs.

Oil extraction first, sustainable development second

Members of the Civil Society Coalition on Oil and Gas (CSCO) see oil extraction as a default and temporary option before accelerating the development of renewable energy. This is a classic Kuznet curve understanding of development, suggesting a curvilinear relationship between pollution and economic progress. In the early stages of industrialisation, pollution levels surge as people prioritise employment and financial gains over environmental concerns such as clean air and water. However, as income levels increase, the focus begins to shift. Industries at the forefront of development adopt cleaner practices, society places greater importance on the environment, and regulatory bodies become more proficient in their oversight.

This view of development is the basis of some NGOs’ rejection of the Stop EACOP campaign. As one executive member of an NGO in Kampala puts it, “We aren’t the polluters. The polluters have polluted and gained money out of pollution and they still are. Now they're telling us that we should leave our oil to become a stranded asset (…) it's better that we get this dirty money and we use it to clean up and increase access to electricity."

This option places more value on environmental protection, but it still has many points in common with the pro-extraction stance of the Ugandan political elite: it prioritises financial gain from extraction and delays climate action; it overestimates our ability to keep global warming below 1.5 degrees Celsius with new fossil fuel infrastructure; and it overlooks the socio-economic and political challenges related to oil extraction in Uganda, include fair revenue allocation within the population, tax avoidance and reductions by and for international oil companies, difficulties to keep economic value within the country, land evictions and speculation, as well as participation by locals in the governance of projects. Scholars have shown that these challenges add up to the "resource curse", whereby abundant mineral resources turn out to be a curse rather than a blessing for developing countries.

The environment above the economy

To avoid the curse, address climate change, and prioritise environmental protection, a coalition of Ugandan, European, and North American NGOs are calling for oil to become a "stranded asset" – left in the ground, unexploited. This option is being promoted by the transnational coalition Stop EACOP, which has been campaigning around the world and putting pressure on public and private banks that are considering funding EACOP. Over the last two years, they have managed to get financial institutions, including Barclays, Crédit Suisse, BNP Paribas, Deutsche Bank, and JPMorgan Chase to withdraw from the project. But government officials maintain that this will not affect the project, also thanks to the participation of a Chinese bank.

Aside from vague calls for promoting tourism and renewable energy, advocates of the stranded assets model have yet to present a convincing alternative for a thriving economy not dependent on oil revenues. The coalition fails to convincingly address the macroeconomic consequences of keeping oil in the ground and avoids the key discussion on the institutional mechanisms needed for such a decision. As shown by the idea of a Fossil Fuel Non-Proliferation Treaty, these mechanisms include multilateral coordination, solidarity and coalition building.

The road not (yet) taken

It is well documented that the average per capita emissions of the so-called least developed countries is 10 times lower than developing countries and about 40 times lower than developed countries. Additionally, the top 10 per cent of the population in Sub-Saharan Africa emits less CO2 than the bottom half of the North American population. It takes only four days for a person in the United States to emit as much CO2 as a person in Uganda in one year. Advocates demand ecological debt payments from the Global North based on this difference in contributions to the climate crisis.

The Yasuní-ITT initiative in Ecuador trialled one form of ecological payment – monetary compensation by Global North countries for Ecuador leaving oil in the ground. The proposal by indigenous and green organisations aimed at attracting 3.6 billion dollars in donations from the international community. Regrettably, only 0.37 per cent of the pledged amount was collected, resulting in Ecuadorian President Rafael Correa's decision to cancel the initiative.

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Another project taking a different approach to the ecological debt idea sought to use an OPEC-managed tax on the sale of oil for sustainable development and to fight poverty in Ecuador. However, this project too was doomed by the low level of funding and ended up perpetuating unequal power relations between foreign donors and states within the Global South.

Both cases demonstrate that when climate protection, the relinquishment of fossil fuel, and development in the Global South hinge on financial support from the Global North, action stalls and could even be harmful. What then are the options for resource-rich developing countries, and how could their partners support them in a meaningful way?

No silver bullet solutions

Any strategy devised to tackle these challenges must avoid four mistakes. The first is failing to address the structural power imbalance between developed and developing countries. The second is trying to leave the oil in the ground in Uganda through one policy. The third is a compensation policy entirely dependent on state and/or energy sector contributions as well as unpredictable and temporary sources of revenues such as a windfall tax on fossil fuel profits, which political leaders from small island states are strong advocates of. The fourth is ignoring the global financial system's role in the climate crisis.

Indeed, while fossil fuel extraction is done by energy companies, their enablers are banks and financial institutions. In 2022, 71 per cent of financial support for fossil fuel developers in Africa came from banks that are members of the Net Zero Banking Alliance, a coalition of banks owning 40 per cent of global banking assets who are committed to aligning their lending and investment portfolios with the mid-century net-zero emissions target. This contradiction must be addressed.

Central banks and public financial institutions need to move beyond the logic of derisking investments for big transnational private corporations. While France and the United Kingdom's decisions to no longer fund overseas fossil fuel projects are encouraging, they are insufficient to achieve "a green macro-financial regime". The European Central Bank could lead this shift.

Six policies would avoid these pitfalls: a just transition partnership, a fossil fuel extraction levy, an air passenger/ticket levy, a financial transaction tax (FTT) at the global level, a tax on second-hand clothes, cars, and used electronic equipment imported in Uganda, and a debt for climate or nature swap tailored to Ugandan specificities and needs.

Just Energy Transition Partnerships (JETPs) are a financing mechanism agreed between a group of industrialized countries and a developing country, to help a selection of heavily coal-dependent emerging economies make a just energy transition. The goal is to support these countries' self-defined pathways as they move away from coal production and consumption while doing so in a way that addresses the social consequences for affected workers and communities. While such measures have so far been implemented with many shortfalls, they offer valuable lessons to countries considering oil exploitation in the near future, including Uganda.

The precise contribution of a tax on second-hand clothes, cars, and used electronic equipment imported into Uganda remains unclear (renowned economists working on the global politics of inequalities, such as Thomas Piketty, or specialists in development economics, such as Ha-Joon Chang, might take on the challenge) but it has two advantages in the Ugandan case. First, it is based on existing policies supported by the State in Uganda and neighbouring countries. Second, it targets activities directly related to CO_2 emissions and unequal trade between developed and developing countries (e.g second-hand clothes imports associated with "waste colonialism"). Part of the tax revenue could be transferred to Global South countries that renounce fossil fuel extraction.

None of these policies alone is a magic bullet: they need to be combined and subjected to political debate.

A debt swap is also being promoted by several Ugandan journalists and environmental activists because it addresses the triple crises of rising debt, climate change and rapid biodiversity loss while recognising the climate debt owed by the North to the South. Ecological debt swap, a policy that gained traction over the last years with implementation in Africa, South America, and Asia must cover historical emissions, in a context where developing and least developed countries choose to forgo fossil fuels and therefore prospective emissions. It must also consider the unequal international monetary and financial system that curtails the ability of developing countries to decarbonise. Presently, climate-vulnerable countries, such as the 58 nations members of the Climate Vulnerable Forum (Uganda among them), pay an average of 117 basis points more to borrow capital than other countries. As researcher Soyoung Oh explains, debt swaps "allow countries to reduce their debt obligations in exchange for a commitment to finance domestic climate projects with the freed-up financial resources". The rationale behind such a policy could be borrowed to reduce the debt of Uganda while supporting investments in renewable energies without extracting oil.

None of these policies alone is a magic bullet: they need to be combined and subjected to political debate. Some require bilateral cooperation between EU member states and Global South countries (e.g. the Just Transition Partnership), while others demand global negotiations (e.g. the FTT and the debt for climate and nature swap). Then, these policies can be distinguished in terms of whether they concern a small range or a larger set of actors (e.g. the air passenger/ticket levy vs. the FTT). Finally, research has demonstrated that some measures (e.g. the Just Transition Partnership and tax on second-hand clothes import) are more achievable than others (e.g. the FTT).

Implementing such policies will require a great deal of coalition building to overcomeobstruction by "climate-forcing" asset holders and transnational financial actors. The past is full of examples of cross-country and cross-sector coalitions around a justice framing of loss and damage, to support emission trading markets (e.g. between trade unions and environmental NGOs, between climate and immigrants' rights activists) and Global South countries can wield influence in global governance bargains. These coalitions could be wide such as the ones supporting biofuels or narrow such as the recent proposal of an OPEC of rainforests between Brazil, Indonesia and Congo, or the one about an OPEC for lithium or battery metals.

An opportunity for Uganda's democracy

The question of fossil fuel extraction is often considered through a deterministic approach, but geology is not destiny. We therefore need to think over the many possible worlds that can exist with or without oil extraction. This confrontation between different alternatives raises the democratic question which Ecuador and Colombia have chosen to resolve through public vote at the national or local levels.

In the case of Uganda, the average citizen's opinion has been missing. Some would argue that citizen opinions have been sufficiently represented through student associations' protests against the EU resolution. Others may point to recent surveys that show that Ugandan citizens want government actions to mitigate climate change. However, the demonstrations of September-October 2022 in Kampala only constitute the tip of the iceberg, while the surveys quoted do not tell us how Ugandans see the dilemma between climate protection and the right to development.

To open the black box and provide a democratic answer to the question of oil exploitation, Uganda could follow Ecuador's or Colombia's footsteps by holding a public vote. Oil exploitation is a very important decision that is going to generate long-term consequences and eliminate specific options from a range of political possibilities. It must therefore be considered cautiously. Uganda's approach could either turn it into a cautionary tale or an example for other countries in the Global South facing similar dilemmas and conflicts around resource extraction.

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