

East African Crude Oil Pipeline (EACOP) Uganda

Sectors: oil and gas, transport and infrastructure

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Status



About East African Crude Oil Pipeline (EACOP)

Approximately 1.7 billion barrels of recoverable oil have been discovered in the Albertine Graben, the basin of Lake Albert, on the border between Uganda and the Democratic Republic of the Congo. Extraction will take place at two oil fields: the Kingfisher field, operated by China National Offshore Oil Corporation Ltd (CNOOC Ltd), and the Tilenga field, operated by Total S.A.

Once extracted, the oil will be partly refined in Uganda to supply the local market and partly exported to the international market via the East African Crude Oil Export Pipeline (EACOP). The 1,445-kilometer pipeline will transport crude oil south from Uganda for export at the Port of Tanga in Tanzania. If completed, it will be the longest heated pipeline in the world.

Both the extraction sites and the EACOP pose serious environmental and social risks to protected wildlife areas, water sources and communities throughout Uganda and Tanzania. As such, the project is facing significant local community and civil society resistance.

Brief history

Oil was discovered in Uganda's Albertine Graben in 2006 by exploration company Tullow Oil. Production licenses for the oil fields were issued by the Government of Uganda in August 2016 but commercial production has not yet begun, as it is contingent on the completion of the export pipeline. Extraction at the oil fields and the pipeline are therefore associated facilities, which should be regarded as interconnected components of one project.

EACOP is currently under development by the three oil companies; Tullow, Total, and CNOOC; in partnership with the Ugandan and Tanzanian state-owned oil companies.

The Inter-governmental Agreement between Uganda and Tanzania was signed in May 2017, securing the pipeline route.

The Front-End Engineering Design (FEED) for the pipeline was conducted in early 2018 by US firm Gulf Interstate Engineers, and an [Environmental and Social Impact Assessment](#) (ESIA) has been handed over to the National Environmental Management Authority (NEMA) in January 2019.

The pipeline's projected completion date is 2020, allowing full-scale oil extraction to commence shortly thereafter in 2021.

Debt financing for the pipeline (amounting to approximately USD 2.5 billion) is currently being arranged by Stanbic Bank Uganda and Sumitomo Mitsui.

What must happen

This project presents unacceptable risks to local people through physical displacement and threats to incomes and livelihoods; unacceptable risks to water, biodiversity and natural habits; as well as representing a new source of carbon emissions the planet can ill afford. As such banks should avoid financing this project and instead seek opportunities to finance genuine renewable infrastructure to help meet the region's energy needs in a clean and rights-compatible manner in the decades to come.

Issues

Social issues

Large scale land acquisition and resettlement in relation to oil extraction, pipeline construction and associated infrastructure is necessary on both a temporary and permanent basis, as the pipeline route traverses a number of heavily populated districts in both Uganda and Tanzania.

Land acquisition within the oil extraction zone and along the pipeline corridor will likely force resettlement of entire communities. These changes, if not managed well and with extensive community consultation and consent, could lead to increased land conflict and the erosion of cultural heritage, especially in indigenous communities. New infrastructure such as roads and settlements will likely disrupt existing community livelihoods by fuelling conflict or restricting access to natural resources along the pipeline route.

Additionally, issues of resettlement and compensation are very sensitive in countries such as Uganda and Tanzania, where land titles and rights are complex. Rights often go unrecognized and undervalued when extractive industries enter customary owned territories. Without extensive community

consultation and consent over projects that concern their lives and resources, violations regarding land ownership, resettlement and compensation are likely.

Harassment and irregularities in the land acquisition and compensation process are already **being reported**. Local community representatives report being harassed, forced to sign different forms without clear explanation, stamp and sign empty forms, and fill valuation forms using a pencil but sign in ink.

Oil extraction is expected to have a profound impact on livelihoods, including those reliant on agriculture, livestock rearing, and fishing communities at Lake Albert, where oil extraction will occur. The pipeline also poses a threat to the fresh water basin of **Lake Victoria** and to the wetlands of Tanzania, through which the pipeline is expected to run, which directly supports the livelihoods of more than 30 million people in the region.

The project also threatens the region's thriving tourism sector, which is a source of livelihood and pride to many in East Africa. This includes the Murchison Falls National Park, Uganda's largest park and a popular tourist destination, where 40% of Lake Albert's oil is located. Tanzania, where 1,149 kilometres of the pipeline will be built and operated, is a country heavily dependent on tourism and on its wetland ecosystem for transport, fishing, agro-pastoral activities, hydrological processes and irrigation. For this reason the possibility of a pipeline leak leading to degradation of these key ecosystems, protected areas and wildlife habitats is not only an environmental threat, but a severe socio-economic one as well. Employment benefits brought by the pipeline project (expected to provide a total of 5,000 jobs of which only 300 will be permanent) is far **overshadowed** by the potential loss of jobs in the tourism sector and the social, environmental and socio-economic costs of disruption of those ecosystems resulting from the project.

Environmental issues

Extraction at the oil fields in Albertine Graben will most directly impact the Murchison Falls National Park, posing a serious threat to biodiversity and rare and endangered species. Moreover, important tributaries of the Nile flow nearby, and oil spills and other pollution affecting the river could have profound impacts as distant as North Africa. Pollution of these rivers can put severe pressures on all users - from individuals, to businesses and governments - leading to an increase in cross-border conflicts.

Pipeline

According to a preliminary environmental and socio-economic threat analysis conducted by **WWF**, the pipeline also poses far reaching and extensive environmental threats to the East African region, including:

- Nearly 2,000 square kilometres of protected wildlife habitats, including the Biharamulo Game Reserve and Wembere Steppe Key Biodiversity Area, will be negatively impacted by the EACOP project
- Approximately 500 square kilometres of important wildlife corridors for the Eastern Chimpanzee and the African Elephant species are likely to be severely degraded
- Freshwater pollution and degradation are at high risk, as over 400 kilometres of the pipeline will traverse the Lake Victoria basin
- Two important Ecologically or Biologically Significant Marine Areas (EBSAs), the Pemba-Shimoni-Kisite site and the Tanga Coelacanth site, are at high risk given the huge amount of oil to be transferred offshore at the Tanga Port. These EBSAs host several Marine Protected Areas (MPAs) as well as Mangrove Forest Reserves.

The probability of a pipeline oil spill is high, given that about a third of the pipeline is located in the Lake Victoria watershed, an active seismic area.

Ramsar Wetlands

Both components of the project will directly impact several Ramsar Wetlands of International Importance. (The Ramsar Convention is an international treaty for the conservation and sustainable use of wetlands.) Oil extraction will take place within the Murchison Falls-Albert Delta Wetland System, a Ramsar site that plays an important role for wildlife in the National Park and is a spawning ground for indigenous fish species. The pipeline will also run near or through a number of Ramsar sites that lie just west of Lake Victoria, including Mabamba Bay, the Lake Mburo-Nakivali System, the Lake Nabugabo System, the Nabajuzi System, and the Sango Bay-Musambwa Island. (Several potential financiers, listed below, have policies restricting them from financing operations that adversely impact Ramsar sites.)

Gender aspects

Oil extraction often causes disproportionate impacts on women, who often carry the burden of relocation and change in society while not benefiting from new employment opportunities. It has also been reported that where extractive industries operate there is often a rise in levels of prostitution and gender-based violence. According to **ActionAid's** report on the human rights impact of Uganda's oil sector, the sex trade in Hoima, where extraction at Lake Albert will occur, has significantly increased over the last several years due to the discovery of oil.

Governance

Applicable norms and standards

China Green Credit Directive

Equator Principles

IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

IFC Performance Standard 2: Labor and Working Conditions

IFC Performance Standard 3: Resource Efficiency and Pollution Prevention

IFC Performance Standard 4: Community Health, Safety, and Security

IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement

IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

IFC Performance Standard 7: Indigenous Peoples

IFC Performance Standard 8: Cultural Heritage

International Labour Organization Convention 169

OECD Guidelines for Multinational Enterprises

Ramsar Convention

UN Guiding Principles on Business and Human Rights

United Nations Global Compact

Bank policies

The following bank investment policies apply to this project:

Standard Bank

Environmental & Social Risk Management

Apr 2 2016 | Standard Bank

Updates

International Call on Banks: Don't finance the East Africa Crude Oil Pipeline

Jun 3 2019

In May 2019 a coalition of African and international organisations wrote to South Africa's Standard Bank and Japan's Sumitomo Mitsui Banking Corp (SMBC) calling on the banks to withdraw from financing the East Africa Crude Oil Pipeline. [Download the letter here](#). The letter was raised in a question by JustShare at Standard Bank's AGM, with the bank's CEO Sim Tshabalala responding that the bank would meet with local people opposed to the pipeline. [The question and response were reported here](#).

Tullow and Ugandan government agree on tax payments over Tullow's farm-down

Feb 27 2019

Tullow [agreed](#) to pay \$167m capital gain tax to the Uganda Revenue Authority for its farm-down in the East African Crude Oil Pipeline. In January 2017, Tullow signed a sale purchase agreement to sell 21.57% of its 33.33% share to CNOOC (China National Offshore Oil Company) and Total E&P. Tullow bargained over tax for almost two years with the Ugandan government until it found an agreement in February.

EACOP financial deal expected by June 2019

Feb 20 2019

Stanbic Bank Uganda and Sumitomo Mitsui Banking Corp expect to raise USD 2.5 billion funding for the 1,455km East Africa Crude Oil Pipeline [by June 2019](#). The remaining 30% of the total costs of the pipeline (USD 3.5 billion) will be provided by the equity investors in the project. The banks previously planned to raise \$2.5 billion.

The [Environmental Social Impact Assessment](#) (ESIA) report for the pipeline has been finalized and handed over to the National Environmental Management Authority (NEMA). A summary can be found [here](#). Meanwhile the [governments](#) of Uganda and Tanzania have agreed on several issues but will still need to decide on arbitration. Production is likely to start in 2022.

Financiers

The East Africa Crude Oil Pipeline (EACOP) is expected to cost approximately USD 3.5 billion, 30% of which will be provided by the equity investors in the project. The remaining \$2.5 billion will be provided via project finance loans, which are currently being arranged by two Equator Principles Financial Institutions: **Sumitomo Mitsui** of Japan and **Stanbic Bank Uganda** (local subsidiary of South Africa's Standard Bank, which currently chairs the Equator Principles Association Steering Committee). As project finance arrangers, Stanbic Uganda and Sumitomo Mitsui are tasked with finding other banks to join the loan, a process now underway.

Banks

Standard Bank South Africa profile	Details ▼
Advisor	
Sumitomo Mitsui Banking Corporation Japan profile	Details ▼
Advisor	

Recent financiers of CNOOC and Total include:

- Agricultural Bank of China
- ANZ
- Bank of America
- Bank of China
- Barclays
- BNP Paribas
- China Construction Bank
- China Development Bank
- China International Capital Company
- Citi
- Credit Agricole
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- Industrial and Commercial Bank of China
- JP Morgan
- Morgan Stanley
- OCBC Bank
- Royal Bank of Canada
- Societe Generale
- Standard Chartered
- UniCredit
- UBS
- United Overseas Bank

Related companies

China National Offshore Oil Corporation (CNOOC) China
Total France
Tullow Oil United Kingdom