East African Crude Oil Pipeline (EACOP)  Uganda

**Sectors:** Oil and Gas Extraction, Pipeline Transportation of Crude Oil

**Active**
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By: BankTrack
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**Project website**

**Status**

<table>
<thead>
<tr>
<th>Planning</th>
<th>Design</th>
<th>Agreement</th>
<th>Construction</th>
<th>Operation</th>
<th>Closure</th>
<th>Decommission</th>
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</table>

**Sectors**
Oil and Gas Extraction, Pipeline Transportation of Crude Oil

**Location**

**Website**
http://eacop.com/

**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.

**Why this profile?**
The East African Crude Oil Pipeline (EACOP) is a proposed 1,445-kilometer pipeline from Hoima, Uganda to the port of Tanga in Tanzania. Construction of the pipeline threatens to enable the opening up of critical ecosystems including Murchison Falls National Park to oil extraction. In addition it is expected to cause large-scale displacement of communities and pose grave risks to protected environments, water sources and wetlands in both Uganda and Tanzania.

**What must happen**
This project presents unacceptable risks to local people through physical displacement and threats to incomes and livelihoods; unacceptable
Issues

Human rights and 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. People's properties along the pipeline have been assessed and valued and communities were consequently instructed to cease any activity on the demarcated lands. This prevents them from putting up new developments on their land, including graves, and growing crops. Additionally, compensation for the land has still not been paid and is expected to be postponed until the financial investment decision has been taken. The delays in paying compensation and the restrictions on using the land has already impacted people's livelihoods and the continuation of everyday life.

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.

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.

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 risk 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.
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. In fact, there are already several accounts of oil spills or seepages in the Albertine Graben region, including one at the Kiboro hot springs on March 29, 2020.

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-Nakivale System, the Lake Nabugabo System, the Nabajjuzi System, and the Sango Bay-Musambwa Island (e.g. see Daily Monitor, August 2019). Several potential financiers have policies restricting them from financing operations that adversely impact Ramsar sites.

Climate change: The EACOP pipeline will carry 216,000 barrels of crude oil per day at ‘plateau production’. This oil is likely to result in CO2 emissions of over 33 million tonnes each year, significantly greater than the combined emissions of Uganda and Tanzania, at a time when the world’s scientists are telling us that new fossil fuel developments need to stop if we are to tackle the climate crisis. According to a report from the Carbon Tracker Initiative, none of the Total and CNOOC projects in Uganda are compatible with the Paris Agreement.

Governance

Bank policies

The following bank investment policies apply to this project:

<table>
<thead>
<tr>
<th>Standard Bank</th>
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<tbody>
<tr>
<td><strong>Environmental and social management system</strong></td>
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<td>Apr 26 2019</td>
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<table>
<thead>
<tr>
<th>Sumitomo Mitsui Banking Corporation (SMBC)</th>
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<tr>
<td><strong>Approaches for environmental and social risks</strong></td>
</tr>
<tr>
<td>Date listed represents date as accessed on website</td>
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Applicable norms and standards

<table>
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<tr>
<th>China Green Credit Directive</th>
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<tr>
<td>Equator Principles</td>
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<tr>
<td>IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts</td>
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<td>IFC Performance Standard 2: Labor and Working Conditions</td>
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<td>IFC Performance Standard 3: Resource Efficiency and Pollution Prevention</td>
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<tr>
<td>IFC Performance Standard 4: Community Health, Safety, and Security</td>
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<tr>
<td>IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement</td>
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<tr>
<td>IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources</td>
</tr>
<tr>
<td>IFC Performance Standard 7: Indigenous Peoples</td>
</tr>
<tr>
<td>IFC Performance Standard 8: Cultural Heritage</td>
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CNOOC opts out of Uganda pre-emption

May 28 2020
CNOOC Uganda will not pre-empt the sale of Tullow Oil's stake in Lake Albert to Total.

Tullow announced the Chinese company's decision, saying that this paved the way for an agreement on tax. Total and Tullow announced a deal had been struck on April 23. The French company was to pay $575 million for Tullow's 33.33% stakes in Blocks 1, 1A, 2 and 3A and the East African Crude Oil Pipeline (EACOP). Tullow is the operator of Block 2. CNOOC had pre-emption rights for a 50% stake of Tullow's sale. The Chinese company's decision not to become involved allows the deal to go ahead as set out, with no changes to the transaction or timeline, Tullow said.

The deal should be completed in the second half of the year.

Total acquires Tullow entire interests in the Uganda Lake Albert Project

Apr 23 2020
Total and Tullow have entered into an Agreement, through which Total shall acquire Tullow's entire interests in Uganda Lake Albert development project including the East African Crude Oil Pipeline. The terms of the transaction have been discussed with the relevant Ugandan Government and Tax Authorities and agreement in principle has been reached on the tax treatment of the transaction.

Under the terms of the deal, Total will acquire all of Tullow's existing 33.3334% stake in each of the Lake Albert project licenses EA1, EA1A, EA2 and EA3A and the proposed East African Crude Oil Pipeline (EACOP) System. The transaction is subject to the approval of Tullow's shareholders, to customary regulatory and government approvals and to CNOOC's right to exercise pre-emption on 50% of the transaction.

African Development Bank strongly rebuts claims that it plans to provide financial support to the East African Crude Oil Pipeline Project

Apr 22 2020
The African Development Bank (AfDB) has publicly responded to the letter sent by a coalition of civil society organisations asking the bank not to fund EACOP. In their response, the AfDB denies that it ever considered funding the East Africa Crude Oil Pipeline. The announcement of the AfDB in which they clearly say no to this disastrous project and emphasise its commitment to aligning its energy investments with the Paris Agreement presents another blow to the oil companies behind EACOP and a win for the planet and the people of Uganda, Tanzania and DRC.

Oil spill in the Albertine Graben region

Apr 16 2020
On March 29, during the drilling of a well at Kibiro hot springs in the Western District of Hoima, there was a blow-out resulting into an uncontrolled discharge of gas, drilling fluids, geothermal fluids and sediments. According to the Ministry of Energy, a small amount of oil was also detected on the sediments but this did not affect the ecology and aquatic species. It is not the first time oil seepages are registered in the Albertine region and residents fear that the spill poses a risk to their livelihood and health and threatens the hot springs.

Ugandan government close to deal with Total and partners

Mar 11 2020
A new wave of talks were initiated to seek agreement on the sale of Tullow shares to the joint venture partners Total E&P, and China National Offshore Oil Corporation (CNOOC). A $900 million deal for Tullow Oil to sell 21.5% of its stake in the project to its partners expired last year following long delays over agreeing fiscal and commercial terms with the government. According to Sarah Opendi, the Minister of State for Mineral Development, Tullow "promised to finalise the process with joint venture partners in three weeks before the FID is signed". Other agreements that still need to be signed before reaching a FID are The Host Government Agreement (HGA), The Shareholding Agreement and The Tariff and Transport Agreement.
The National Environment Management Council (NEMC) of Tanzania has endorsed the Environmental and Social Impact Assessment (ESIA) for the Tanzanian part of the East African Crude Oil Pipeline (EACOP). While its Ugandan counterpart the National Environment Management Authority Ugandan (NEMA) already approved the ESIA’s for the Tilenga and Kingfisher oil fields that will provide the oil going through the pipeline, approval of the ESIA for the Ugandan portion of the pipeline is still pending.

TOTAL suspends work on EACOP after collapse of deal with Tullow

All work on EACOP has been suspended after Tullow Oil’s plan to sell a stake in the project to Total and CNOOC was called off last week. “All East African Crude Oil Pipeline (EACOP) activities including tenders have been suspended until further notice because of the collapse of the deal,” an official told Reuters.

Highly critical independent review of EACOP ESIA published

The Netherlands Commission for Environmental Assessment (NCEA) has carried out an independent quality review of the Ugandan part of the Environmental and Social Impact Assessment (ESIA) of the East African Crude Oil Pipeline (EACOP) project, following a request from the Ugandan National Environmental Management Authority (NEMA). The NCEA concluded that “the ESIA report does not yet provide enough information for sound decision making”, citing exaggerated claims about jobs and other economic benefits; significant potential negative impacts to wetlands due to open trench water and wetland crossings; unsubstantiated claims of negligible impacts on land ownership; and insufficient treatment of energy/CO2 impacts. NCEA also notes that the cumulative CO2 emissions of all oil development projects (Tilenga, Kingfisher, Refinery, EACOP etc.) have not been presented.

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

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. 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.

Standard Bank CEO challenged on EACOP at bank AGM

Moneyweb reports:

“Environmental activist Greer Blizzard of Just Share pointed out that Standard Bank is one of the lead arrangers for a US$2.5 billion loan to support the East Africa Crude Oil Pipeline through Uganda and Tanzania, which the bank claims will unlock East Africa’s potential. However, the oil to be transported through this pipeline will emit more carbon than the whole of Uganda and Tanzania currently does each year. Thousands of people will be displaced, and the pipeline will run for several hundred kilometres though the Lake Victoria Basin, putting the drinking water of millions at risk.

A coalition of African and international environmental activists recently wrote to the bank urging it not to proceed with financing the project. They point to several studies showing major opportunities for financing renewable energy infrastructure which would meet the region’s energy needs in a clean and rights-compatible manner, which would represent a much less destructive use of the bank’s finances.

“Will the bank agree to meet with local people and listen to their concerns about the East Africa Crude Oil Pipeline?” asked Greer.

Tshabalala said he would, adding that the bank supported the Task Force on Climate-related Financial Disclosures (TCFD), joining more than 500 organisations around the world committed to improving climate-related disclosures.

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

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.

Three banks are understood to be involved as advisors: Sumitomo Mitsui Banking Corporation of Japan; Stanbic Bank Uganda (local subsidiary of South Africa’s Standard Bank); and ICBC of China. According to The Citizen, Stanbic is advising Uganda and Tanzania, Sumitomo Mitsui is advising Total E&P, and ICBC is advising Cnooc. Stanbic and Sumitomo Mitsui are also understood to be acting as joint lead arrangers for the project loan, according to Reuters.

Banks

**Industrial and Commercial Bank of China (ICBC)** China [profile](#)

Debt – project finance

ICBC is acting as adviser to Chinese oil company Cnooc for the EACOP project loan [source: The Citizen](#)

**Standard Bank** South Africa [profile](#)

Advisor

Stanbic Bank Uganda (a local subsidiary of Standard Bank) is advising the governments of Uganda and Tanzania regarding the project loan. Standard Bank is understood to be acting as joint lead arranger for the project loan, according to Reuters.

**Sumitomo Mitsui Banking Corporation (SMBC)** Japan [profile](#)

Advisor

SMBC is advising Total E&P regarding the project loan, and is also understood to be acting as joint lead arranger with Standard Bank, according to Reuters.

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
In April 2020, Total reached an agreement with Tullow to acquire its entire interests in the Uganda Lake Albert Project, including the EACOP pipeline. This agreement will leave Total owning two-thirds of the EACOP project, and CNOOC with the remaining one-third. See Updates for more details.

### Project sponsor

<table>
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<th>Country</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>France</td>
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### Other companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
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</thead>
<tbody>
<tr>
<td>China National Offshore Oil Corporation (CNOOC)</td>
<td>China</td>
</tr>
<tr>
<td>CNOOC owns 33.3% of the project equity.</td>
<td></td>
</tr>
<tr>
<td>Tullow Oil</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Tullow Oil owned one-third of the project equity, but in April 2020 reached an agreement to sell this stake to Total.</td>
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