



UCMP MEETS INSURERS

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As Uganda eagerly waits for the big decision which will unlock opportunities for businesses, employment and tax revenues in the oil and gas sector, risk has not been one of the things being considered yet oil and gas companies invest massively in mitigating risk and its adverse effects.

The huge investments in safety are a deterrent to the very expensive effects of occurrence that could collapse companies.

How prepared therefore are insurance players in the event of occurrence of any emergency or incident?

The Uganda Chamber of mines and petroleum appreciates the role of insurance, it's why the discussion on the sector's readiness for oil development was prioritized in the UCMP series of breakfast meetings.

The insurers play a central and critical role in making sure that in case of any incidents the financial market profitability, confidence and stability of the companies, government, and other sector players are robust and safe from these shocks of uncertainty and near ruin.

During this discussion Mariam Nampeera the Special Projects Director at Total E &P emphasized that Total E&P invests a lot in safety because the risks in this sector cannot be fully comprehended and these range from fires, explosions, blow-outs, machine breakdowns, corrosion, pollution and so many others. She acknowledged the fact that when such incidents occur the implications are dare hence it is the reason the insurance companies play a big role in securing operations.

The risks range from hundreds to billions of dollars and in the case of Uganda would necessitate insurance sector to venture into joint ventures to be able to cover such risks.

In 2019 the insurance players formed an insurance consortium so that they participate in oil and gas, and by 2020 the consortium had raised a total of \$ 500 million.

According to Azim Tharani, the chairman of the oil and gas consortium in Uganda, so far, the premium raised can cover some of the risks associated with the sector and this has enhanced the capability which for so long has been doubted by government and other players.

This capability of the sector was backed up by Maurice Amogola representing the Insurance Brokers Association of Uganda who said that the sector will ensure that whilst it has International collaborations, it will ensure that risk retention is maximized to the greatest extent with the local consortium taking precedence over and any placements for foreign re-insurance of risks beyond National capacity.

But this has to be backed by the regulatory framework so that the sector players tap into all stages of the sector from upstream, midstream to downstream.

Unfortunately, in the upstream and midstream oil and gas local content regulations, insurance was not among the ring-fenced services for Ugandans and Ugandan entities.

However, Isaac Kabuye the senior legal officer at the Petroleum Authority of Uganda, assured the insurance players that discussions are ongoing to inform the legal and regulatory framework review and a practical possibility will be agreed to enhance the insurance sector's participation even in the cross-border projects.

Bernard Obel, the Director Supervision at the Insurance Regulatory Authority said the oil and gas sector will require more than a written premium of 1 billion shillings but also the risk-based supervisory approach will be applied. This is to ensure that in case of any risk, the companies can be able to cover all the claims.

Elly Karuhanga the chairman of the Uganda Chamber of mines while closing the meeting emphasized the need for the insurance companies to be ready financially because with oil and gas, even when you invest in safety anything can occur and all players must be prepared at all times.

The insurance sector appreciated the turn out and participation and the immediate take away points in furtherance also included the following to inform their action plan:-

- (i) To engage further with Total E & P following their presentation and internalize the standards and expectations therein. These according to them will enable them realign their own expectations and exploit the provisions therein to ensure maximum participation.
- (ii) The sector will continue to engage PAU with even more vigor now to exploit all available avenues that will assist with the ring fencing of their services. The PAU presentation was powerful and cited alternatives with legal citations that support the sector involvement even without ring fencing and these too will be exploited further with intent to ensure that we continue to be relevant within the oil and gas sector.
- (iii) The sector will also seek PAU's support to access the HGA with Tanzania on the pipeline that has the insurance clause to internalize this and exploit participation.
- (iv) The sector pledges to continue with its vigorous pursuit with the IRA on the regulations to satisfy the PAU requirements for ring fencing the services.