



Projects & Infrastructure

Power Guide:
Uganda

ONE REGION
ONE VISION
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Introduction

This Power Guide was prepared by ALN Uganda | MMAKS Advocates (**ALN Uganda**) and provides an overview of the energy sector in the Republic of Uganda. The aim of this guide is to provide useful information to investors and stakeholders on legal aspects of the industry, such as applicable regulatory standards and tariffs.

Uganda has a rapidly growing population and economy. With this growth, its energy needs have risen sharply in the last decade. The Electricity Regulatory Authority (ERA) estimates that as of December 2022, installed electricity capacity in Uganda was 1,402 megawatts (MW) with demand at 843 MW, leaving a surplus of 559 MW. Uganda's largest hydropower project, the 600 MW Karuma Hydro Power Dam is expected to come fully operational in 2024.

The National Energy Policy for Uganda 2023 focuses on expanding the electricity transmission and distribution grid networks; increasing energy efficiency; promoting the use of alternative sources of energy; and strengthening the policy, legal and institutional framework. Uganda has developed several sub-sectoral policies, including the 2008 National Oil and Gas Policy (currently under review), the Renewable Energy Policy (2007), and the Electricity Connections Policy (2018).

Uganda's energy sector is undergoing significant transformation with a focus on expanding access, enhancing generation capacity, and integrating renewable energy sources. There's a growing interest and investment in solar, wind, and geothermal energy.

Governing Law



- The Constitution of Uganda, 1995
- **Statutes**

- Electricity Act, 1999 (Cap 145) Public
- Private Partnerships Act, 2015
- Public Procurement and Disposal of Public Assets Act, 2003

Other Laws, regulations, and policies, including:

- Land Act, Cap 227
- Petroleum (Exploration, Development and Production) Act, 2013
- National Environment Act, 2019
- Income Tax Act, Cap 340
- Uganda National Bureau of Standards Act, Cap 327
- Electricity (Primary Grid Code) Regulations, 2003

- The Electricity (Royalties) Regulations, 2022
- The Electricity (Supply of Electricity in Bulk to Specified Consumers) Regulations
- National Environment (Waste Management) Regulations, 2020
- National Environment (Environmental and Social Assessment) Regulations, 2020
- The Electricity (Safety Code) Regulations, 2020
- The Electricity (Isolated Grid System) Regulations, 2020

Policy

- The Energy Policy, 2002
 - The Renewable Energy Policy, 2007
 - Rural Electrification Strategy and Plan 2013 - 2022
-

Institutional Framework

The Ministry of Energy and Mineral Development (MEMD)



MEMD is responsible for providing policy guidance in the development and exploitation of the energy, mineral, oil & gas resources and creating an enabling environment in order to attract investment in the development, provision and utilisation of energy and mineral resources.

Uganda Electricity Transmission Company Limited (UETCL)



The UETCL's existence is provided for in the Electricity Act Cap 145 that provided for unbundling the Uganda Electricity Board (UEB) into successor Companies and establishment of the Electricity Regulatory Authority (ERA). It is responsible for grid assets in Uganda.

Uganda Electricity Distribution Company Limited (UEDCL)



UEDCL is a government agency that conceded the electricity distribution asset to a private operator Umeme, with an aim of attracting private sector investment (in form of a concession loan) that was required to refurbish the distribution network. Other mandates included operating and distribution of electricity in the off-grid stations of Moyo, Moroto and Adjumani that were running on diesel generation at the time. These areas have since been connected to main grid, and UEDCL continues to be a distribution operator, and managing the pole treatment plant.

The Electricity Regulatory Authority (ERA)



The Electricity Regulatory Authority (ERA) is a Statutory Body mandated by the Electricity Act, 1999, to issue electricity generation, transmission, distribution, sale and import licences, set license conditions and ensure compliance to license conditions and ensure compliance to license conditions by Licensees. ERA was established in the year 2000 and it also mandated to establish a tariff structure and to approve rates of charges.

Electricity Disputes Tribunal (EDT)



The tribunal's mandate is to hear and determine all matters referred to it relating to the electricity sector. The tribunal is composed of a chairperson, a vice chairperson and five other members. The Tribunal sits in panels and can therefore hear or adjudicate over different disputes simultaneously.

The Tribunal was established by the Electricity Act, Chapter 145 of the laws of Uganda, enacted in 1999 and amended in 2022.

Atomic Energy Council



The Atomic Energy Council (AEC) is a government statutory body established by the Atomic Energy Act No. 24 of 2008, Laws of Uganda to regulate the peaceful applications of ionizing radiation for the protection and safety of individuals, society and the environment from dangers resulting from ionizing radiation.

The Uganda National Bureau of Standards



In 1989, the Government of Uganda promulgated the UNBS Act, Cap 327; amended in 2013, to enhance the competitiveness of local industries, promote fair trade, protect the health and safety of the consumers including prevention of trade in sub-standard goods and coordinating the provision of Standards, Metrology, Conformity Assessment and Accreditation services in Uganda.

The Uganda Investment Authority



The Uganda Investment Authority is the agency mandated with promoting investment opportunities, including in the energy sector, in Uganda.

It is charged with Investment Promotion, Investor Facilitation and Aftercare services for investors that have already set up in the country.


Both foreign and domestic companies qualify for an investment license if they meet the threshold. Foreign investors must have a capital investment that exceeds USD 250,000 and USD 50,000 for domestic companies.

Uganda Electricity Generation Company Limited (UEGCL)



UEGCL is the state-owned utility company responsible for project development of large energy projects, including hydro power stations and other renewable energy projects such as the 183 MW Isimba and 600 MW Karuma Hydro Power Projects.

UEGCL was incorporated in 2001 and its main objective initially was to take over as a going concern the generation activities of the now defunct Uganda Electricity Board (UEB).



Power Purchase Agreements (PPA) between Independent Power Producers and the State Offtakers (ONEE or MASEN)

- The term of a PPA is typically 20 years.
- The tariff structures are based on the cost of service and affordability which can vary depending on the source of energy.
- Tariffs are set by ERA and will typically fall within 4 categories i.e., commercial, domestic, heavy industrial and medium industrial.
- Small scale renewable energy projects of prescribed technologies up to a maximum installed project capacity of 20 MW and greater than 0.5 MW may benefit from the REFIT (Renewable Energy Feed-In Tariff) program which offers pre-determined tariffs for different technologies. The PPAs and tariff structures for projects of an installed capacity of more than 20 MW are subject to negotiation with UETCL.
- PPAs entered into are standardised and must be approved by ERA.
- The PPAs between IPPs and the Offtaker typically adopt the take or pay structure with deemed generated energy payments being made during curtailment by the off-taker.
- Payments under a PPA are typically made within 60 days of receipt of the invoice by UETCL.
- The currency for payments under the PPA is subject to negotiation between the parties.

Local Shareholding and Local Content Requirement

- There is currently no requirement for local shareholding in power projects in Uganda, however, under the Investment Code Act 2019 for an investor to qualify for incentives under the Act, they need to, among other things, source 70% of their raw materials locally, directly employ a minimum of 60% of citizens and introduce advanced technology or upgrade indigenous technology.
- It is worth noting, however, that there are restrictions relating to land ownership by foreigners in Uganda which have an impact on the land ownership arrangements for power project companies that qualify as foreigners within the meaning set out under the Land Act.

Renewable Energy Feed-In Tariffs (REFIT) Program

- REFIT program was established by the ERA in 2007 to encourage and support private sector participation in power generation from renewable energy technologies through the establishment of an appropriate regulatory framework.
- ERA established the Uganda REFIT Guidelines in 2007 to provide clarity and guidance to project developers, investors and key institutional stakeholders on the key components and operational structure of the REFIT program.
- The REFIT Guidelines are reviewed every 2 years and currently, the REFIT Guidelines Phase 5.0 (2021) are in place.
- The REFIT program applies to small scale renewable energy systems of prescribed technologies up to a maximum installed project capacity of 20 MW and greater than 0.5 MW.
- The tariffs under the REFIT program are technology-specific and are reviewed at the end of each financial year. These can be adjusted in line with projected levelized costs of production.
- The priority renewable technologies under the REFIT program are:
 - i. hydro projects greater than 10 MW and up to 20MW – USD 0.0751/kWh;
 - ii. hydro projects greater than 5 MW and up to 10 MW – a linear tariff applies;
 - iii. hydro projects greater than 500kW and up to 5 MW – USD 0.0792/kWh; and
 - iv. bagasse cogeneration plants – USD 0.0620/kWh.
- The tariffs for other technologies (i.e. biogas, waste-to-energy/biomass, landfill gas, wind power and solar) are not fixed but a ceiling price and maximum return on equity levels are prescribed in the REFIT Guidelines Phase 5.0 (2021). This is because these technologies are yet to be tested on the national grid. Therefore, bilateral negotiations are allowed while ERA assesses each project on its merit.
- A standardised PPA is used for projects under the REFIT program, and it is a requirement for a project company to demonstrate acceptance of the approved standardized PPA in addition to complying with licensing requirements.
- For larger renewable energy projects that are outside the REFIT program, a standardised PPA is used as a basis of negotiations with the off-taker.

Payment to Off-Taker

- Liquidated Damages: Project developers are typically liable to pay liquidated damages to the off-taker where:
 - i. there is failure to achieve the Commercial Operations within the agreed timeframe. The liquidated damages are paid at an agreed rate for each day that the Commercial Operations Date is delayed; or
 - ii. following achievement of the Commercial Operations Date, the project developer fails to satisfy the prescribed plant availability threshold.
- Costs related to disputed invoices: Where invoices are disputed by the Off-taker and such disputes are found to have merit, the project developer is liable to pay all the direct costs, incurred by the Off-taker which may arise as a result of such disputed invoices.
- In instances where the off-taker is a distributor and/or a private sector player, energy payments would apply based on the applicable tariffs.

Credit Enhancements and Security Arrangements

- The Minister of Finance, Planning and Economic Development has power to issue guarantees for and on behalf of the Government in accordance with the Public Finance Management Act, 2015.
- While government guarantees and support agreements are not uncommon, the terms thereof must be subject to approval by the Parliament of Uganda.
- Partial risk guarantees and political risk insurance have been developed for the Ugandan market by the World Bank, Multilateral Investment Guarantee Agency (MIGA), International Development Association (IDA), Africa Development Bank (AfDB) and African Trade Insurance Agency (ATI).

- The Uganda Energy Credit Capitalisation Company (UECCC) is a government institution that was operationalised in 2009 primarily to facilitate investments in Uganda’s renewable energy sector, with a particular focus on enabling private sector participation. UECCC provides financial, technical and other support for renewable energy projects

and programmes and also administers the Uganda Energy Capitalisation Trust which is a framework for pooling resources from the government of Uganda and development partners for the development of renewable energy projects.

Key Approvals/Licences Required

- Power Purchase Agreements are approved by ERA.
- Electricity Generation Licenses are issued by ERA.
- Support Agreement are approved by the Attorney General and the Parliament of Uganda.
- Environmental Impact Assessment (EIA) approval is from the National Environment Management Authority.
- Land acquisition and necessary consents are obtained from the relevant local authorities.

Governing Law and Dispute Resolution

- PPAs are governed by Ugandan law.
- Uganda is party to the Convention on the Settlement of Investment Disputes between States and Nationals of other States 1965 (the “ICSID Convention”) and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958 (the “New York Convention”).
- Arbitral awards are enforceable in Uganda upon registration with the High Court of Uganda.

A Snapshot of our Power Sector Experience

ALN Uganda has substantial expertise in power matters, spearheading significant transactions within the Country, the region and now expanding its footprint across Africa. Notably, ALN Uganda offers unparalleled firsthand involvement in infrastructure

and energy transactions, particularly within Uganda and other African regions. With a track record including over 15 of Uganda's most substantial power deals, ALN Uganda stands as a trusted law firm in the energy sector in Uganda.



Global Integrated Energy Company:

Advising a global integrated energy company in an auction to acquire 100% of a seller's Uganda Hydro asset. The target had several Ugandan subsidiaries, and the group had a portfolio of operational and development-stage hydro and solar assets in Uganda.



Electro Maxx Uganda:

Advising on the acquisition of a stake in Electro-Maxx Uganda, a company engaged in thermal power generation, by Ciel Capital Investments worth USD 6 million.



Butec Group:

Advising on the acquisition of Engie Services Maroc and Cofely Tangier, the largest transaction of the 17 acquisitions of ENGIE Group in Africa operating in the fields of energy efficiency, maintenance, heating, ventilation and air conditioning, green mobility, multi-technical maintenance as well as facility management. This deal was shortlisted



SN Power Investment Netherlands B.V.:

Advising SN Power Invest Netherlands B.V., a subsidiary of SN Power AS, a Norwegian company that invests in clean renewable energy on a commercial basis on its acquisition of a 49.75% stake in Bujagali Energy Limited and on the disposal of 10% of its shareholding in Bujagali Energy Limited.

by Africa Awards 2022 for the M&A Deal of the year.



ResponsAbility Renewable Energy Holding (rAREH): Advising in connection with the proposed acquisition of two hydropower projects. Conducting due diligence on the targets and including a review of the respective Power Purchase Agreements, construction contracts, Operations & Maintenance agreements, land leases, governmental support agreements.



Waltersmith Petroman Oil Limited:

Advising Waltersmith Petroman Oil Limited, a Nigerian company which has currently been shortlisted by the Ministry of Energy and Mineral Development for the issuance of the next phase of production licenses on the oil and gas sector in Uganda. This included advice on the current regulatory approvals, the applicable tax regimes and incentives and the model production sharing agreement which it will hopefully sign with the Government of Uganda.



Umeme Holdings Limited:

Sale down of its shareholding in Umeme Limited, a company listed on the Uganda Securities Exchange and the sole electricity distributor in Uganda. This is the largest secondary market transaction in Uganda, worth over USD 85 million. The deal saw Investec Asset Management, one of Africa's largest investment funds enter the Ugandan market.



Betts Metals:

Advising Betts Metals, a UK based mineral exploration company on the regulatory framework for the exploration and extraction of helium gas in Uganda.

Key Contacts



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About ALN Uganda

“[ALN Uganda] is a renowned law firm based in Kampala with extensive expertise in both domestic and cross-border matters.” – Chambers Global 2024

MMAKS Advocates | ALN Uganda is a leading law firm in Uganda, ranked as Band 1 and Tier 1 by international legal directories such as Chambers Global, IFLR 1000, WTR and Legal 500.

The firm was formed by a ground-breaking merger of three prominent law firms in 2005, and today stands as one of Uganda’s largest law firms with a total of 30 proficiently trained legal professionals, many of whom have qualified from international universities, whilst others have worked at leading international law firms. Two of the firm’s senior partners are a Barrister and member of the Honourable Society of the Inner Temple, as well as a qualified solicitor of the Supreme Court of England and Wales.

MMAKS has a full service offering with teams specializing in strategically carved out practice areas. The team regularly advises players in the public and private space, allowing us to amass considerable experience on the issues they face, particularly projects, infrastructure, M&A, Private equity, energy,

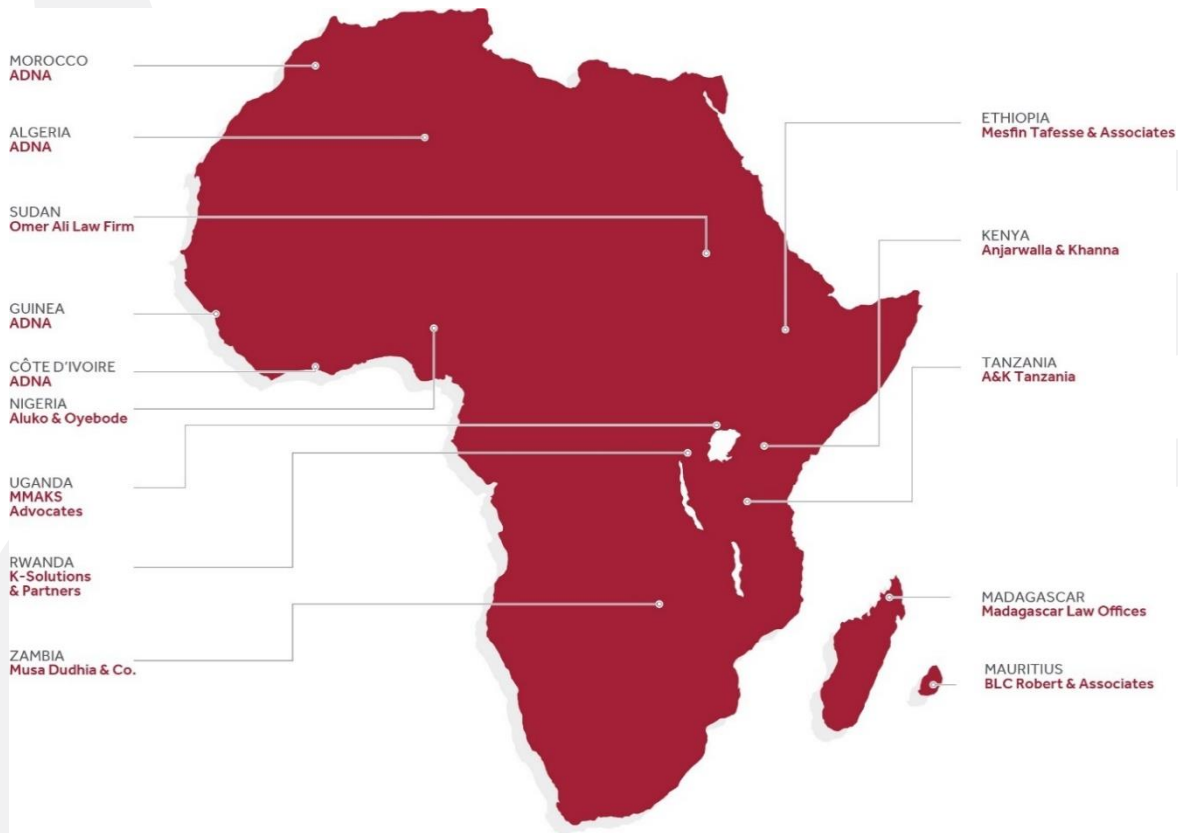
finance and banking, investment advisory, governance and operational or regulatory issues, environment, tax, real estate, public procurements, insurance, intellectual property, information technology, criminal investigations, litigation and alternative dispute resolution.

As a member of ALN, MMAKS has the ability to draw on the skills and expertise of other ALN member firms. The ALN network works on a highly integrated basis, as the member firms have worked together for many years and the partners and associates have personal relationships between them. ALN lawyers are seconded within firms, train together and routinely work together in cross border groups.

MMAKS Advocates is a member of the Employment Law Alliance (ELA), a global partner for HR Legal Solutions wherever you do business. ELA lawyers advise on, among other issues, compliance, employee benefits, discrimination, sexual harassment, or wrongful termination.



About ALN



ALN is an integrated alliance of the preeminent full-service corporate law firms in 14 African countries: Algeria, Côte d'Ivoire, Ethiopia, Guinea, Kenya, Madagascar, Mauritius, Morocco, Nigeria, Rwanda, Sudan, Tanzania, Uganda and Zambia. ALN also has a regional office in Dubai, UAE, which serves as a gateway to the Gulf region and beyond.

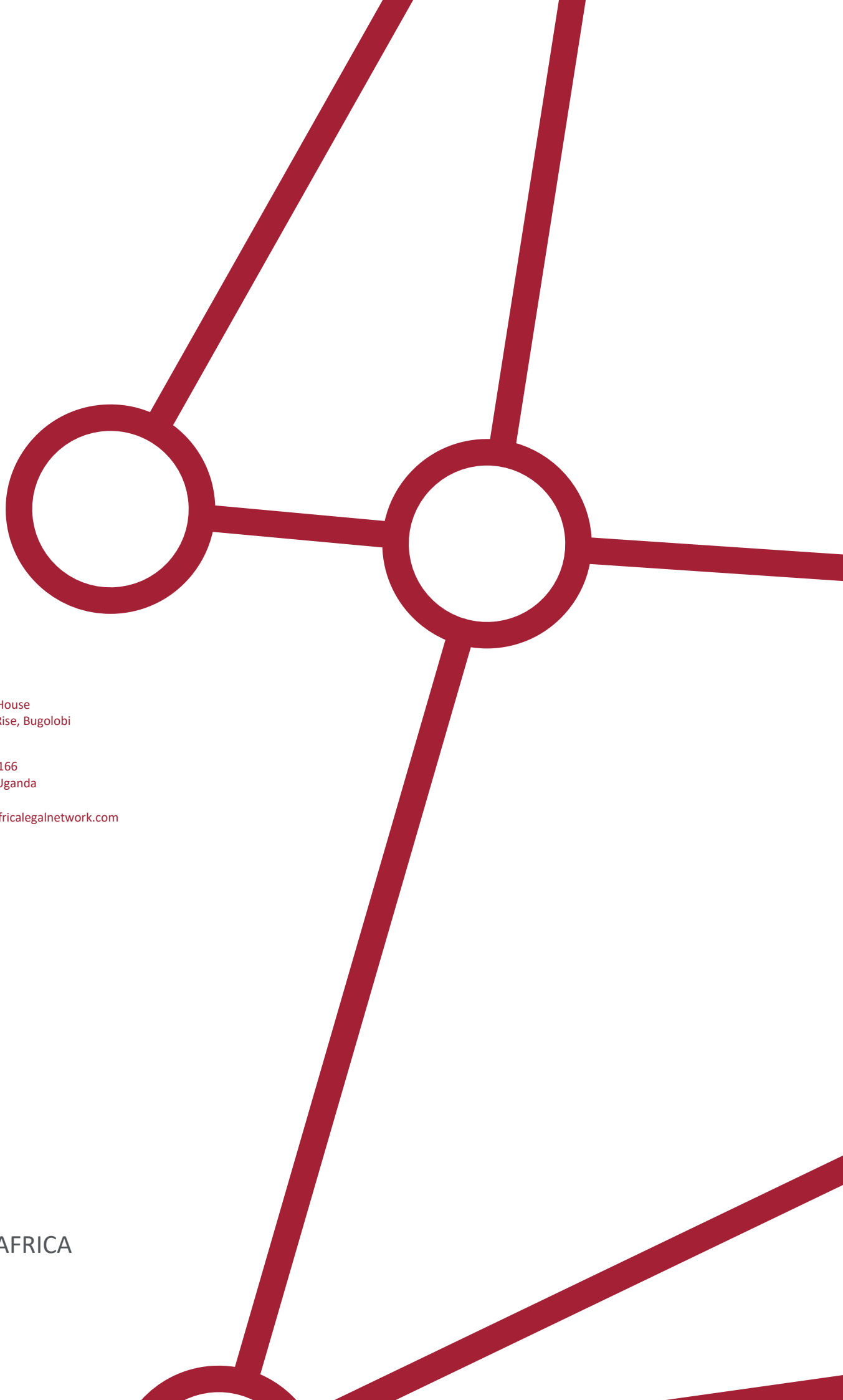
Vision

ALN seamlessly connects the African continent. It brings its global expertise, continental reach and deep local know-how to help its clients navigate the multitude of opportunities and risks in Africa, holistically combining legal, tax, regulatory and commercial advice.

Mission

ALN is dedicated to its clients' success. ALN achieves this by providing world class legal, tax and regulatory advice in a commercial context. ALN's lawyers are aware of the trends and events shaping the continent, deeply networked and respected in their communities as thought leaders and opinion shapers. ALN's lawyers have a Pan African mindset, are down to earth, pragmatic, responsive, innovative and relentlessly determined.





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