



CENTER FOR CONSERVATION AND ECOENERGY INITIATIVE

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April 14, 2022

Rt. Hon. Anita Among,
The Speaker of Parliament of the Republic of Uganda,
P.O. Box 7178, Kampala

Dear Rt. Hon. Speaker,

Open letter calling on the Parliament to use its oversight power to stop government from further investing in hydropower dams that have failed to address electricity challenges

On behalf of the undersigned 18 civil society organisations (CSOs), Community Based Organisations (CBOs) and youth in addition to women clean energy groups working for promotion of accessible, reliable and affordable grid and off-grid power in Uganda and my own behalf, I take this opportunity to thank you and your team for the work that parliament is doing in playing its oversight and representative role.

Among others, the undersigned civil society actors appreciate parliament for the work done to amend the Electricity Act 1999 that is intended to address the existing electricity challenges and promote social and equitable development in the country for the common good.

In addition, the interrogation of Uganda Electricity Transmission Company Ltd (UETCL) over corruption and its gross mismanagement of Shs 28 billion to project affected persons on the Namanve-Luzira land for the construction of the 132KV transmission line by the COSASE committee was commendable. We believe that such work to ensure proper management and utilization of Uganda's resources in an accountable and transparent manner in the electricity sector will enable the citizens to equally enjoy the benefits of the electricity power access and its contribution to the country's economic development.

Indeed, like many Ugandans, for over a decade, we have been following events in the electricity sector including government's investments of over \$5 billion in transmission lines and big hydropower dams such as 600MW Karuma, 250MW Bujagala, 183MW Isimba, 42MW Achwa II dams and others. Unfortunately, to date, less than 25% of Ugandans have access to the electricity and over 90% of the population remains dependent on firewood and charcoal for cooking and other key energy needs.

And as you may be aware, currently the country produces over 1,268.9mw of electricity but only 750mw are consumed during peak hours and during off peak only less than 400mw are consumed. It is for this reason that the poor Ugandans are forced to pay exorbitant power tariffs because they have to compensate for the unconsumed power from the different hydropower dams.

It should be noted that in October 2019, the government commissioned the \$78 million 42 MW Achwa II hydropower dam in the absence of a power evacuation lines and to date, government is losing about Shs10million in paying for the deemed energy.

In addition, available evidence indicates that the commissioning of the \$1.7 billion 600MW Karuma dam whose construction was launched in 2013 has been postponed to yet a known date under unclear circumstances. Yet to date, the dam is said to be at 98.9% completion, though available information indicates that the quality of the dam is lacking due to the electro-mechanical installations.

It's absurd that each month of delay costs the government \$12m (about Shs44bn) in expenditures and \$17m (about Shs62.4bn) in lost generation revenue and consequently, a year of delay amounts to \$144m (about Shs535.8bn) in expenditures and \$204m (about Shs759bn) in lost generation revenue which is unfortunately being paid by taxpayers' money.

Such impunity by the government to continue spending spree on hydropower dams has only increased Uganda's indebtedness to over Shs. 46 trillion amidst low power access, high power prices, low job creation and unacceptable destruction of biodiversity. For government to desire to construct another hydropower dam amidst the above situation is terrible and demonstrates a high degree of mismanagement of the energy sector.

Worst of all, in addition to hydro power costs, the government is also incurring debts to exploit oil including the EACOP project estimated to cost over \$3.5 billion, the Tilenga oil project estimated to cost over \$4 billion and Kingfisher oil project estimated to cost over \$3 billion.

Through this letter, the undersigned CSOs are calling on parliament to use the powers vested in the institution under Article 118 of the 1995 Uganda Constitution to stop the executive from further investing in hydropower dams that have failed to increase electricity access to Ugandans.

Below, the undersigned CSOs show why government should opt for another renewable energy sources as opposed to hydropower dams:

- (a) **Surplus power:** Rt. Hon. Speaker, the country is already producing surplus power that can not be consumed by both Ugandans and the industrial sector. While Uganda's total installed generation capacity is producing over 1,268.9mw, only about 750mw is being consumed at peak and over 500mw remains unconsumed. And the failure by Ugandans to consume all the electricity produced in the country has contributed towards ensuring that

power remains unaffordable for the majority of Ugandans and that explains why only 22% of the population have access to electricity. In addition, the levels of corruption by government officials in the Ministry of Energy has also seen bad deals that favor project developers and utility power companies at the expense of Ugandans being signed. These bad deals contribute to high power prices.

(b) Failure to create market for excess electricity: In addition, the government has been telling Ugandans that they will increase power demand through implementing the ‘Free’ Electricity Connections Policy (ECP), construction of an electric Standard Gauge Railway (SGR), development of industrial parks and others. Unfortunately, even before the ECP came to end due to absence of funds by the government, available information shows that electricity distribution companies including the biggest utility, UMEME, failed to attain the 300,000 new customer connection targets that the Electricity Regulatory Authority (ERA) set under the ECP; the utility had only connected less than the targeted people across the country. The industrial sector is also yet to effectively absorb the surplus electricity which remains a burden to the poor Ugandans.

(c) Hydropower dams amidst indebtedness and low power access: Government has invested huge amounts of money to develop, expand or rehabilitate hydropower dams in Uganda. For instance, to develop, expand or rehabilitate the Owen Falls, Kiira, Bujagali, Karuma, Isimba and Achwa power dams, government has spent over \$4.1 billion (over Shs. 15 trillion). The total invested sum is nearly near three quarters of Uganda’s expected Shs. 47 trillion FY 2022/2023 budget. Despite the huge investments made, it is absurd that only 22% of Ugandans have access to electricity.

(d) Bujagali debt refinancing: Rt. Hon. Speaker, it is noteworthy that the Ministry of Energy alongside other stakeholders have been tasked to reduce power prices. Among the measures that were taken was to refinance the Bujagali dam. Ugandans were promised that refinancing of the dam would lead to lower tariffs. However, following the debt refinancing in June 2018, the promised power price reductions were paltry and are being enjoyed by only a few. The power prices came down from 13 US cents to 8.3 US cents for only extra-large industrial consumers! The ordinary Ugandan/domestic consumers was left out.

It should be noted that the government-imposed tax exemptions on Bujagali dam in 2017 has led to financial losses of Shs. 80 billion yet the power tariffs have now reduced to ensure Ugandans have access to electricity. More, the government is further proposing tax exemptions for 2022-2027. This will worsen the cost implications that have to be paid by the poor citizens through high power tariffs and other taxes.

(e) Poor planning and power evacuation: Rt. Hon. Speaker, as the undersigned CSOs write this letter to you, government has commissioned two dams whose power is not being evacuated to the grid. In March 2019, the president commissioned the 183 mw-Isimba power dam and it was envisioned that the dam would result into lower power prices with a unit from the dam being sold at \$4.16 US cents per unit. However, the dam is a burden on Ugandans today as it is only operating at half its capacity and only 90mw is being produced as there are only two turbines that are operating.

In addition, reports also indicate that though the 42mw-Achwa II dam was completed and commissioned in October 2019 however, there is no infrastructure to evacuate power from the dam. Ugandans are paying Shs. 10 million per hour for the unconsumed power. It is clear that the more dams that government develops without creating demand for electricity, is the more the country's budget is affected because the government or consumers have to pay for the excess power.

(f) High levels of corruption during dams' construction leading to financial losses: Furthermore, Rt. Hon. Speaker, the government has lost billions of shillings in corruption scandals during the construction of big hydropower dams. The cancer of corruption has for several years threatened the execution of large dams and other service delivery projects. For instance, during the 250mw bujagali hydropower construction, the AES Nile Power alerted the world Bank that its main construction contractor allegedly bribed a Ugandan government official to suspended consideration of about \$370million of loans and guarantees for the project, halting progress on the Bujagali dam. Further, reports indicated that over Shs 24 billion meant for the construction of Isimba dam bridge was swindled by officials in the ministry of Energy. This creates suspicion to Ugandans by the government of her continued investments in single source hydropower yet it causes financial losses that is being paid by the poor Ugandans.

Recommendations

- i. What should be done?
- ii. **Parliament should use its powers as our representatives to stop government from further investments in hydropower dams:** The executive's insistence on investing in big dams is harmful for ecosystems, livelihoods and for Ugandans because most of the projects are being developed from borrowed funds. Through the Committee on Natural Resources and through the Speaker of parliament, the legislature should use its powers drawn from their representation of the people of Uganda to compel the Ministry of Energy and indeed the executive to stop further investments in hydropower projects.
- iii. **Compel relevant entities to increase funding for renewable energy particularly off-grid solar services:** We call upon you and indeed all MPs representing our districts to lobby parliament's Committee on the Budget, Ministry of Energy and Mineral

Development for increased funding and expansion of renewable energy services across the country.

- iv. Further, parliament should use its powers to demand that government diversifies Uganda's energy mix through putting in place off-grid energy policies such as the Solar Energy Policy, Wind Energy Policy and others to guide government to diversify Uganda's energy mix, increase energy access and affordability.
- v. Investigate ministry of Energy and UEGCL officials to provide details and why they continue investing in projects that have failed to perform to their expectations. This will help to hold ministry of energy and UEGCL officials accountable for mismanagement of public funds in hydropower projects.

We thank you in advance for your co-operation.

Yours faithfully,



Vivian Lunkuse

CEO, Center for Conservation and Ecoenergy Initiative (CCEI)

SIGNATORIES:

1. Guild Presidents' Forum on Governance (GPF OG);
2. Citizens Concern Africa (CICOA);
3. Action Coalition on Climate Change (ACCC);
4. South Western Institute for Policy and Advocacy (SOWIPA);
5. World Voices Uganda (WVU);
6. Oil Refinery Residents Association (ORRA);
7. Great Lakes Institute for Strategic Studies (GLISS)
8. Centre for Constitutional Governance (CCG)
9. Twimukye Womens Organisation
10. Graffen Organisation –Butimba
11. Youth Action for Environment -Kiryandongo
12. LAPOTA –Acholi chiefs
13. Center for Energy Governance
14. African Initiative on Food security and Environment
15. Water and Electricity Consumers' Association
16. Kasese Citizens Coalition to Safeguard Biodiversity against Oil and other threats

17. Katwe Sanitation and Clean Energy Women's Club (Kasese)

CC:

- The President, Republic of Uganda
- The Minister of Energy and Mineral Development
- The Chairperson, Natural Resources Committee of Parliament
- The CEO, ERA