



Heritage Oil Plc
 Fourth Floor, Windward House
 La Route de la Liberation
 Jersey,
 JE2 3BQ
 Channel Islands

Date: 10 August 2012

Dear Mr. Buckingham,

We are writing to you as a group of concerned Ugandan and International Civil Society Organisations (“CSOs”) on behalf of Ugandan citizens to ask you to grant us access to the arbitral proceedings in London between Heritage Oil and the Government of Uganda, and to provide us with the copy of any awards or arbitration decisions which may be made in due course.

Oil represents a big opportunity for Uganda but there is also a huge challenge managing the rights and responsibilities of the parties involved. Whilst revenues from the sector have the potential to help lift millions out of poverty, the experience of other resource-rich countries such as the Democratic Republic of Congo, Cambodia, Iraq, Libya and Sierra Leone cautions that resource exploitation can exacerbate existing conditions of conflict, corruption, environmental degradation and unemployment. It is vital that the country’s petroleum sector is managed in a transparent and responsible manner. This should extend to revenues which are generated at all stages, including where profits are accrued from the sale of rights to explore or exploit mineral resources.

Unfortunately, the sector in general has been marked by a lack of transparency and democratic oversight, tax disputes and allegations of corruption. The allocation process for rights to Uganda’s petroleum has, in our view, been shrouded in secrecy since the start, and Ugandan citizens have had limited access to information about how their natural resources are being managed. We believe the current arbitration between Heritage Oil and the Government of Uganda over payment of capital gains tax risks exacerbating these trends.

According to the Ugandan Revenue Authority, the capital gains tax owed by Heritage Oil could be as much as US\$435 million, the equivalent of almost 10% of projected government expenditure for the financial year 2012/2013.ⁱ The decision on whether or not Heritage should pay this tax has far reaching implications for ordinary Ugandans, is likely to have significant political implications and has the potential to shape the future governance of Uganda’s oil sector.

Its significance is understood because in Uganda, the Tax Appeals Tribunal has previously ruled in favour of the Government in relation to this tax dispute. By contrast, there is very limited information publicly available about the arbitration process: we believe the process itself will take place behind closed doors and the decision reached may not be made public. If the Arbitration Tribunal rules in favour of Heritage Oil there is likely to be a feeling of deep injustice and mistrust in Uganda, which cannot be dispelled if these proceedings, and any award, remain wholly confidential to the parties. Secrecy of the proceedings would rob Ugandans of their right to information, and undermine the Government’s ability to carry out their democratic duties to communicate with their citizens.

According to the constitution, all minerals and petroleum in Uganda are held by the Government on behalf of the people of Ugandaⁱⁱ As concerned citizens and CSOs with a vested interest in the future prosperity and stability of Uganda, we have an interest both in the Arbitration Tribunal’s decision and the process by

which the Arbitration Tribunal reaches that decision. We therefore request that the parties agree to give us access to the proceedings and the award.

We understand that the Arbitration Tribunal is due to begin shortly and so we would, therefore, appreciate a response from you **by August 20th 2012**. We reserve the right to publish this letter and any response you provide.

Yours Sincerely,

Mr. Gard Benda Ntegyereize, Executive Director, World Voices Uganda
Mr. Benon Tusingwire, Executive Director, Navigators for Development Association (NAVODA)
Mr. Paolyel MP Onencan, Executive Director, Buliisa Rural Development Initiatives (BIRUDO)
Dickens Kamugisha Executive Director, AFIEGO and Chair of the Oil Watch Network Uganda
Winifred Ngabiirwe, Executive Director of Global Rights Alert and Chair of the Publish What You Pay coalition in Uganda
Onesmus Mugenyi, ACODE, and secretariat for the Civil Society Coalition on Oil
Eleanor Nichol, Team Leader, Global Witness

cc: to the Attorney General, Government of Uganda

ⁱ Annex 1, Page 36, Uganda Budget speech for Financial Year 2012/ 2013, Thursday 14th June 2012, <http://www.finance.go.ug/>. Last accessed 05 August 2012.

ⁱⁱ Article 244, page 62, The Abridged and Simplified Version of the Constitution of the Republic of Uganda, prepared by the Uganda Law Reform Commission, 2006.

http://www.parliament.go.ug/images/abridged_constitution_2006.pdf last accessed 05 August 2012.

ⁱⁱⁱ. The *Oil Watch Network Uganda* is a network of over 110 organizations and individuals committed to ensuring that Ugandans, especially the local communities benefit from their country's oil through good governance.

^{iv}. *Publish What You Pay Uganda* is a coalition of over 50 national and community based civil society organisations advocating for improved transparency and accountability in the utilization and management of extractives and other natural resource revenues for the well being of Ugandans.

^v. The Civil Society Coalition on Oil is a network of member organizations who seek to collaborate in order to ensure that the use of Uganda's country's oil and gas resources contributes to early achievement of poverty eradication and creates lasting value to society