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Image courtesy of Eni

Powering Progress

Addressing energy security across Africa

Energy use and development in Africa varies widely across the continent. Some African countries export energy to neighbors or the global market, while others lack even basic infrastructures or systems to acquire energy, while others are simultaneously huge energy exporters but suffer from energy poverty. According to the World Bank, over 900 million Africans lack access to clean cooking fuels and over half a billion people in sub-saharan Africa are at risk of being left behind without electricity access by 2030. The continent is rich in crude oil, natural gas, sun and wind resources, indicating that there are many possible solutions to this problem, and each of Africa's 54 countries has taken a different approach to tackling the issue.

At the 2024 Sub-Saharan Africa International Petroleum Exhibition and Conference (SAIPEC) in Lagos, Omar Farouk Ibrahim, the secretary general of the African Petroleum Producers' Organisation (APPO) kicked off with an impassioned speech, rallying the ministers, CEOs of national oil companies, executives and oil and gas industry professionals in attendance to pursue hydrocarbon extraction for the economic benefit of Africans everywhere, regardless of the pressure to abandon fossil fuels being applied from the West. The speech was met with a standing ovation – a clear indication that Africa's energy leaders have no intentions of slowing down oil and gas production anytime soon.

APPO and the African Export–Import Bank (Afreximbank) recently inked an agreement to establish an Africa Energy Bank (AEB) in Brazzaville this year to fill the financing gap for oil and gas projects in Africa. Due to increasing global pressure on global financial institutions to cut funding for fossil fuel projects, industry stakeholders will have to look increasingly inward to source funding for oil and gas projects and pan-African collaboration and initiatives such as the AEB will be necessary to mobilize the billions of dollars needed to exploit Africa's untapped natural resources. "A study conducted by APPO established that no one African country has everything it takes to address the challenges identified for the industry by itself. However, when APPO countries pool their resources together, they can surmount all the challenges," said Ibrahim.

Needless to say, Africa's energy leaders are conscious that hydrocarbon resources are finite and contribute to the ever-worsening climate crisis – a crisis that many climate scientists predict will disproportionately impact Africa. "The proposed Bank will support the implementation of an Africa-led energy transition and development strategy. The entity will accelerate Africa's economic development, promote the continent's transition to cleaner energy options in the long-term and align with the core objectives of the African Union Agenda 2063 – the Africa We Want, and the Sustainable Development Goals (UN SDGs)," said Eric Intong, regional COO, Anglophone West Africa, Afreximbank.

The strategy here is to leverage hydrocarbon resources to solve energy poverty, industrialize and generate income to be able to eventually domestically produce the equipment and expertise to exploit renewable energy resources, thus avoiding repeating the historical mistakes of being overly reliant on foreign financing – a problem that is currently rearing its head for fossil fuels projects across Africa. "A major challenge for Africa is that most African utilities are technically bankrupt and dependent on overseas funders who have a strong preference for renewable energy technologies," said Martin Mkhabela, director, energy, WSP in Africa.

The realization by Western states that fossil fuels can be wielded as a political weapon by hostile states has added even more pressure to end their reliance on foreign states for their energy needs. In the short term, this can open export opportunities for many African nations. "With the war in Ukraine disrupting Europe's access to cheap gas, Nigeria stands at a crucial juncture to position itself as a reliable gas supplier. Additionally, the anticipated shift in the U.S. energy landscape, with a potential decrease in reliance on Nigerian crude oil, highlights the imperative of prioritizing gas production," said Cheta Nwanze, lead partner, SBM Intelligence.

As Europe rushes to wean itself off Russian fossil fuel imports, a once in a lifetime opportunity presents itself for frontier oil and gas markets like Namibia or Sierra Leone. The challenge now is to prove to European financiers and IOCs that they are stable and reliable partners, business-friendly and open to investment. "We have observed a shift in attitudes following the Russia-Ukraine conflict; companies show increasing willingness to venture into Africa due to energy constraints," said Foday Mansaray, director general of the Petroleum Directorate of Sierra Leone.

However, this door may not be open for very long as in the long-term Europe appears determined to achieve energy independence and cut out fossil fuels entirely. The shift is well underway, with aggressive renewables targets in place, evidenced by a -49.1% YoY decrease in the worth of EU energy product imports in Q3 2023. All this points towards a decreased appetite for European fossil fuel imports in the long term – from Africa or elsewhere. The AEB's proponents are all too aware of this, so the bank will also support the development of renewables within Africa so the continent is prepared for the day when fossil fuels eventually become economically and politically unviable. "The proposed Bank will support the implementation of an Africa-led energy transition and development strategy," explained Intong.

> *"Natural gas plays a vital role in Africa's energy transition, with increasing prominence in our production mix. Africa's growing energy demands make gas development crucial for regional and global energy security."*
>
> Mario Bello,
> Head of Sub-Saharan Africa Region,
> Eni

African-led initiatives like the AEB are key to reducing Africa's dependence on the West for financing. However, the success of these initiatives hinges on stable government and strong relationships between nations. Nevertheless, tensions have been brewing, particularly in francophone western Africa which has seen six coups since 2020 – resulting in three nations leaving the ECOWAS bloc, which will undoubtedly set back efforts to promote inter-African energy trade and infrastructure projects. Austin Avuru, executive chairman of AA Holdings, sees a solution however: "By fostering willing buyer-seller relationships, commercial ventures can transcend governmental hindrances. For instance, the West African Gas Pipeline project has faced challenges due to political disagreements among the involved governments, highlighting the need for private sector-driven initiatives."

The AEB has already raised US$5 billion in initial capital, but the International Energy Agency (IEA) estimates that delivering modern energy to the entire continent will require up to US$25 billion in annual spending until 2030. Signatories of the AEB are unlikely to be able to raise this gargantuan sum relying solely on government coffers – individuals and private firms across Africa will need to be convinced to risk investing their money closer to home: "Looking at Sub-Saharan Africa, you will find pension funds with approximately 70% of their capital invested outside of Africa, demonstrating low confidence in local markets," shared Ejike Egbuagu, group chief executive, Moneda Invest Africa.

The rallying call is being sounded by Government officials, CEOs and pan-African organizations like APPO and the African Energy Chamber. Now it remains to be seen if African governments and private institutions can unite to plug the financing gap and exploit the continent's vast hydrocarbon resources before the world starts losing its appetite for fossil fuels. "The problem is that Africa, unlike the Middle East, often does not have the funds to develop its resources and we always look to the West to raise the necessary funds. However, we are waking up and figuring out ways to help ourselves. I am also advocating for our capital markets across the continent to come together to invest in the oil and gas sector for the benefit of all Africans," said Heineken Lokpobiri, Nigeria's minister of state for petroleum resources (oil), during his interview with Global Business Reports.

With Africa being responsible for less than 4% of global emissions, many energy leaders feel it is unfair for developed nations to point fingers and shun, or even punish the use of fossil fuels in Africa, especially when many continue to aggressively produce and consume fossil fuels. "After COP 26 in Glasgow, European countries and the US continued to pursue oil drilling, despite advocating for fossil fuel phase-outs. This hypocrisy undermines their credibility. Africans recognize the need to develop natural resources for industrialization and refuse to adhere to colonial structures that perpetuate poverty. It is our time to grow and industrialize, regardless of Western or wealthy nations' preferences," said NJ Ayuk, executive chairman of the African Energy Chamber.

The energy industry, particularly hydrocarbons, is a complex, and politically and socially charged sector. There is no clear solution to the problem of balancing energy security and the need to industrialize on the one hand with sustainability and climate concerns on the other. The term 'ESG' or 'environmental, social, and governance' is a broad term that is increasingly used in many business environments but, when it comes to extractive industries like oil and gas, it can be especially difficult to determine which elements to prioritize. "The term ESG has been used very freely globally, and one could argue that the meaning of ESG in the West is slightly different from the meaning of ESG on the African continent. In the West, the emphasis is on the 'E', whereas in Africa, the 'E' is important, but it is the 'social' and 'governance' part that really needs to be bolstered," said Osam Iyahen, senior director, natural resources, Africa Finance Corporation.

Executive Insights

On energy security

"Africa has only contributed 3% of total GHG emissions globally, and while we should continue to be environmentally responsible and reduce emissions, we also have to put it in the context of our particular situation where we need energy security on the continent. We will have to continue to exploit our resources but do so responsibly."

Osam Iyahen, Senior Director, Natural Resources, Africa Finance Corporation (AFC)

"Energy security will be a derivative of the investments being made in areas like LPG facilities and refineries. Africa is at a time where it is less about the 'how' and more about 'who' is willing to invest in the roadmap that the continent is executing."

Peter Gaius-Obaseki, Partner, McKinsey & Company

"The Africa Energy Bank will play an important role in addressing the financing challenges to the realization of Africa's energy transition objectives, and accelerate the quantum of investments in renewable projects across the continent."

Eric Intong, Regional COO, Anglophone West Africa, Afreximbank

"The decision to venture into the energy sector stemmed from a recognition of the pivotal role energy plays in empowering African communities."

Osa Igiehon, CEO, Heirs Energies

Gabon

Blessed with 2 billion barrels of proven oil reserves, Gabon enjoys a GDP per capita four times that of most African nations and the country is heavily reliant on oil, with the petroleum sector being responsible for 50% of GDP and 80% of exports. In August 2023, a coup d'état ended the 56-year-long rule of the Bongo family over Gabon – the eighth successful coup to occur in West and Central Africa since 2020.

The dramatic change in government has rocked the country's oil and gas sector, with the new transitional government declaring its desire to restructure the oil sector by embarking on a mission to acquire oil and gas assets from IOCs and private companies. This has involved the national oil company, Gabon Oil Company (GOC) taking over the majority interests of Carlyle Group's Assala Energy as well as Sinpoec's Addax Petroleum's oil and gas interests in Gabon. "The Gabonese State and the national oil company GOC are entitled to hold a mandatory participating interest in a petroleum contract of up to 15%, and any acquisition by the state in excess of 15% must be purchased at market price," said Nicolas Balesme, managing partner, Gabon and regional leader, Central Africa, Deloitte.

The rapid political upheaval in the nation has understandably brought uncertainty for many foreign investors. Even before the coup, FDI inflows into Gabon totaled US$1.1 billion in 2022, compared to US$1.5 billion one year earlier, and Lloyds Bank anticipates another drop after the coup. Despite this, its GDP grew by 2.3%, fueled by new oilfields, low OPEC+ restrictions and global demand. As such, many players feel there is still opportunity in the country. Additionally, it is not unusual for OPEC countries to own most of their oil assets, so for many, it was no surprise that the new transitional government is aggressively snapping up oil assets. "Many African countries have a sovereign vision of their oil and gas sector. In Gabon, policies have been put in place at the state level to have more control over the energy and resources industry," continued Balesme.

Despite the political uncertainty, it appears many stakeholders still have confidence in Gabon, evidenced by Anglo-French player Perenco recently signing an MoU to commence the first phase of a 20MW gas-to-power project in Mayumba to be completed in 2025. "We are working on opportunities in Congo and Gabon, focusing on presenting solution-based opportunities rather than just seeking contracts. Our plans include providing more solutions and new technologies, especially in gas-to-power," said David Pappoe Jr, CEO of Energas West Africa, a provider of engineering services and gas-to-power solutions across the continent. ■

Heineken Lokpobiri

Minister of State for Petroleum Resources (Oil), Government of Nigeria

Can you introduce the Federal Ministry of Petroleum Resources and outline its current objectives?

The current administration came into power in 2023 with the objective of unlocking the energy sector for the benefit of Nigerians. The main agenda of the new government is to increase hydrocarbon production to enable the government to stabilize our Forex and generate the money we need to finance our budget. I would say Nigeria is more of a 'gas' country than an 'oil' country, as it is home to the largest volumes of natural gas deposits in Africa.

The first step to ramping up production is to ensure that the right fiscal framework is in place to attract foreign investment. Nigeria's inability to produce more is not due to a lack of production capacity, but rather due to aging pipelines, which have made it easy for vandals to damage pipelines and steal crude, harming the security and environment of the Niger Delta. Nigeria currently produces over 2 million bpd, and within the next year, we should be producing 2.5-3 million bpd.

How will the Nigerian government's desire to increase oil and gas production fit into the global energy transition?

Africa only accounts for 3% of global total emissions and is therefore the real victim of climate change. Africa suffers from energy poverty and Nigeria, like many other African nations, should prioritize energy security. Every country with fossil fuels is seeking to use them. Thus, we should absolutely not stop fossil fuel production either. The problem is that Africa, unlike the Middle East, often does not have the funds to develop its resources and we always look to the West to raise the necessary funds. However, we are waking up and figuring out ways to help ourselves. One of which is the African Energy Bank that is about to come on stream.

Do you have a final message?

From a policy standpoint, President Tinubu's government has a new way of doing things. We want to tell the world that Nigeria is offering the best fiscal and regulatory terms and is willing to resolve all issues that may arise in the course of doing business. ■

Tom Alweendo

Minister of Mines and Energy, Government of Namibia

Can you introduce the Ministry of Mines and Energy and outline its mandate and goals for Namibia's mining and energy sectors?

I have overseen the Ministry of Mines and Energy since April 2018. The Ministry serves as the custodian of Namibia's minerals and energy resources. Mining is one of the most significant sectors of the Namibian economy, contributing over 50% of our revenue and up to 15% of our GDP. Energy, particularly with the recent oil discoveries, is becoming increasingly important as well, potentially eventually overtaking mining in terms of its significance to our economy. We seek to leverage these sectors as catalysts for broader economic development.

What are Namibia's plans for exploiting recent oil discoveries?

Our nation, like many others in Africa, faces pressing issues such as high unemployment rates and inadequate livelihoods. Therefore, the discovery of this oil resource is incredibly exciting for us, as it has the potential to help solve some of these socio-economic challenges. We are committed to learning from the experiences of other countries where oil discoveries failed to translate into sustainable economic development.

How is mining activity translating into benefits for Namibians, and how could that be replicated in the energy sector?

Our resources have been exploited without generating equivalent benefits for our people. Recognizing this, Namibia is redefining its approach to resource management. In the case of critical minerals like lithium and rare earths, we are taking proactive steps to ensure that value addition occurs within our borders. This means evaluating and processing these minerals locally before export, thereby maximizing the economic benefits for Namibia.

For oil and gas, we are applying similar principles. We are advocating for regional refinery projects to retain more value within the continent. This strategic shift is not about resource nationalization; it is about ensuring that our resources contribute meaningfully to our economic development. ■

Omar Farouk Ibrahim

Secretary General, African Petroleum Producers' Organization (APPO)

Can you share some recent developments and milestones at APPO?

In 2015, many African oil and gas-producing countries' leaders signed the Paris Agreement, but soon after realized that they should be in no hurry to abandon oil and gas. The subsequent reflection prompted African leaders to reconsider how the implementation of the global energy transition would affect their countries and peoples. It was that concern that informed the decision to reform APPO to identify the challenges that the energy transition shall pose to our members. That was why immediately after the reform, the first assignment given to the Secretariat by the Ministerial Council was to conduct a study of the future of the oil and gas industry in Africa in light of the global energy transition and formulate proposals on how to tackle these challenges. One of APPO's proposals was to establish the Africa Energy Investment Corporation (AEICORP). However, AEICORP was only funded with US$1 billion, which is nothing in the giant oil and gas sector. As a result, APPO went into partnership with Afreximbank to establish the Africa Energy Bank, AEB, with a startup capital of US$5 billion instead. To address the technology challenge, an audit of all the oil and gas research, development and innovation institutions in member countries was undertaken to establish regional centers of excellence in the various sectors of the industry. As for the markets, we are working on establishing cross-border and regional energy infrastructure across the continent. That way, instead of exporting our energy, we will use it to develop our continent.

How do you view Africa's energy security in the context of the global energy transition?

In our view, the global energy transition could be a great opportunity for us to change the face of our continent and its people. No country or society has been able to develop without energy. We should not stop producing oil and gas because the markets that we have relied on are closing. To us, energy poverty poses a more immediate existential challenge than climate change. ■

NJ Ayuk

Executive Chairman, African Energy Chamber

What are some recent developments at the African Energy Chamber and where have your advocacy efforts been focused?

Our primary focus involves addressing energy poverty issues directly in African countries and finding practical solutions that benefit everyday people. We are particularly invested in increasing gas production and ensuring more access to LPG for Africans, particularly for clean cooking. Currently, 900 million Africans lack access to clean cooking technologies, while 600 million lack access to electricity.

How do you view natural gas as a transition fuel for Africa?

We are committed to sustainability and decarbonization, but we also recognize the imperative for industrialization. Instead of Africans migrating to Europe in search of opportunities, we should be creating jobs and industries right here. Natural gas can fuel our industrialization, from petrochemicals to fertilizer production, boosting agriculture and creating employment. It is about giving our youth a chance to compete globally and to have access to education and opportunities.

How do you perceive the stance of international bodies such as the UN or the IPCC on Africa's decarbonization?

I believe they are out of touch with Africa and everyday Africans. No nation has ever achieved industrialization solely through wind or solar. When the crisis in Russia and Ukraine emerged, wealthy nations like Germany did not opt for solar panels; they sought coal from countries like South Africa, Tanzania, and Mozambique. This highlights the necessity of baseload energy for development. The IEA's projection of 65% EV usage by 2030 ignores the reality of energy poverty in Africa. After COP 26 in Glasgow, European countries and the US continued to pursue oil drilling, despite advocating for fossil fuel phase-outs. This hypocrisy undermines their credibility. Africans recognize the need to develop natural resources for industrialization and refuse to adhere to colonial structures that perpetuate poverty. It is our time to grow and industrialize, regardless of Western or wealthy nations' preferences. ■


Image courtesy of Savannah Energy

Unlocking Nigeria's Upstream

IOCs divest, indigenous companies invest

For the last decade, IOCs have been gradually divesting their onshore and shallow water assets in Nigeria, focusing instead on their deepwater and downstream assets. There are a number of reasons for this, ranging from environmental issues, technical challenges, oil theft and pipeline vandalism, but the process is well underway with billions of dollars worth of assets slated to come off the majors' books. A recent example was announced in late 2023, when Eni agreed to sell its Nigerian Agip Oil Company (NAOC) subsidiary to Oando PLC, a leading indigenous energy company, for an undisclosed sum. "This acquisition is significant as it nearly doubles our current production capacity, representing a monumental step forward for us," shared Ainojie Alexander Irune, executive director, Oando PLC and COO, Oando Energy Resources.

This presents a historic opportunity for indigenous companies to snap up these assets, some of which have been under IOC ownership since the 1960s. "The IOCs shifting to deep water exploration and selling their onshore and swamp assets presents significant opportunities for indigenous companies. This transition allows local firms like Dovewell Oilfield Services to acquire and operate these assets, enhancing indigenous production capacity," said Tunde Ajala, founding executive director, Dovewell Oilfield Services.

The process has not always been easy, however, with deals marred by delays, bureaucracy and legal disputes. "This transition should have been smoother. Regulators needed to identify capable entities to take over and ensure a seamless transition, but that did not happen," said Austin Avuru, executive chairman, AA Holdings.

This limbo has created great uncertainty for many in the industry as stakeholders across the entire value chain wait to see which assets and projects will pause, resume or even stop operations altogether, and has been one of the factors leading to Nigeria's declining oil production and missed OPEC+ quotas. This dearth in production has a knock-on effect down the value chain, with refiners struggling to source crude and petrol stations running dry. "One would have thought that a country like Nigeria, which produces crude oil would be able to supply crude to our refinery, but we are still faced with a lack of supply. To mitigate this challenge, the government needs to create a solid platform for the supply of feedstock to refineries in Nigeria," said Momoh Oyarekhua, chairman, OPAC refineries.

This in turn contributes to the ongoing currency crisis and upsets the trade balance. "By reducing the need for Forex allocations to import refined products, local production can alleviate pressure on public sector finances. This contributes to a more sustainable balance of trade and strengthens our economic resilience," said Abiola Lukman Lawal, managing director and CEO, Eterna Plc.

For the assets that have already been successfully divested by IOCs, such as OML 24 that was sold by Shell to NewcrossEP for US$600 million, the new indigenous asset owners will still have to contend with the issues that prompted the IOC owners to sell in the first place. "Our main challenge has been security, particularly regarding our pipeline network's integrity. We encountered issues with pipeline evacuation and experienced significant losses around 2022, reaching 100% at one point. To mitigate security risks, we have implemented alternative evacuation systems," said Victor Sodje, managing director of NewcrossEP.

Another indigenous upstream player, Heirs Energies, acquired the OML 17 lease from Shell (SPDC), TotalEnergies and Eni for US$1.1 billion in 2021. Like many operators, Heirs Energies faced challenges with insecurity, at one point losing 95% of its production to theft and vandalism. However, with new ownership comes new perspectives and like NewcrossEP, Heirs Energies had to take drastic new measures to tackle the challenges the IOCs were unable to overcome. "We decided to temporarily suspend production to address the underlying issues comprehensively. During this hiatus, we collaborated with stakeholders, including the government, to implement robust security measures and repair infrastructure, including the pipeline," said Osa Igiehon, CEO, Heirs Energies.

For indigenous service providers like Telmek Global Resources (TGR), the IOC's shift in focus to deepwater operations has been a double-edged sword. "The challenge arose as investments dwindled in onshore activities, impacting on our workload. However, this situation also spurred opportunities. We recognized the offshore market and sought partnerships to capitalize on it," said TGR's managing director Thelma Chukwu.

With increased IOC focus on the offshore, the expectation is that investment and operations will increase. There have already been signs of this, with Shell Nigeria recently announcing plans to prolong the life of the Bonga FPSO by 15 years. Offshore, particularly deepwater, operations are known to be more technically complex and capital intensive than onshore operations, meaning that there might be more work and more capital to allocate to offshore service providers as the divestment process unfolds. "While some may perceive this as a decline in investment, it signifies a continued flow of foreign direct investment (FDI) into the country. This shift creates long-term opportunities for us, as offshore projects typically involve substantial investment and require comprehensive TIC services," said Jean-Michel Perret, district chief executive and managing director, Bureau Veritas Nigeria.

The shift also presents local content opportunities, as more assets will now be owned by Nigerians, and hopefully, this will result in even more local participation in the industry. "Historically, energy development in Nigeria has been driven by IOCs focusing on their global portfolios and moving primary energy resources. However, this approach neglected local market development," shared Christopher Nwokolo, group CEO, Ace Energy Group.

"The divide between American and Nigerian business cultures begins with a fundamental difference in the level of trust. In Nigeria, trust must be meticulously established through tangible proof and demonstration."

Bolutife Odusanya, Managing Director and CEO, TREXM Holdings

"The organized private sector needs to create more pools of African capital for investment in value chains. There has been some progress in mobilizing capital for upstream production, but we still have a long way to go."

Ejike Egbuagu, Group Chief Executive, Moneda Invest Africa

In addition, it is hoped that new indigenous ownership will be better suited to overcome sensitive community issues around the onshore and shallow water fields that lead to conflict, theft and vandalism – problems that the foreign majors were unable to solve in over 60 years of onshore operations. "African companies are best placed to bear the operational and commercial risk of investments in Africa, as they are better able to respond to situations and have the relationships to sort out issues as they arise," said Dipo Salimonu, CEO, Moteriba Group.

By disbursing the highly consolidated onshore IOC assets to a greater number of diverse, smaller companies, new processes can be implemented and there is more room for experimentation. "The gradual shift in focus to offshore assets and operations by the IOCs offers advantages such as reduced community-related challenges and greater control over production processes. This shift has resulted in increased business opportunities as onshore assets are sold to smaller companies, creating a more diversified market landscape," said Kenneth Okeiyi, CEO, Eunisell.

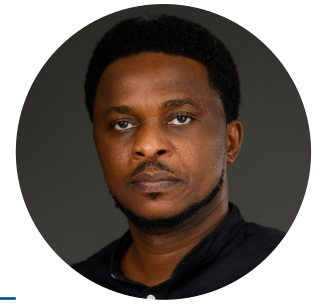
Regulation and the PIA

Nigeria's President Bola Tinubu has pledged to provide interventions in the country's oil and gas investments in accordance with the Petroleum Industry Act, 2021 (PIA). The PIA resulted in a significant restructuring of the regulatory framework around oil and gas, with the NNPC becoming a private entity and the establishment of regulatory bodies like the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA). The PIA has been welcomed by many in the industry and it is hoped it can reduce community tensions, boost local content, improve infrastructure and promote oil and gas investment. "Overall, the PIA has brought positive changes and addressed industry challenges by improving the regulatory approval process, facilitating smoother operations, and providing clearer guidelines for investors," said Nicholas Okafor, partner and head of energy & infrastructure practice, Udo Udoma & Belo-Osagie.

However, the PIA has also introduced uncertainty for E&P companies, with stakeholders asking for clearer guidelines in some areas to ensure compliance. "In response to these challenges, industry stakeholders, including ourselves, have actively engaged in dialogue and advocacy for amendments and clarifications to address these discrepancies and ensure regulatory coherence. The PIA has a strong focus on the upstream, with many provisions being 'cut and pasted' for the mid and downstream, which has posed some problems," said Iyunola Adekanye, partner, Dentons ACAS-Law.

One of the measures the PIA introduced is the Host Communities Development Trust, which aims to help host communities impacted by oil production by providing a framework for managing funds to support community development. The fund is a step in the right direction, and it is hoped that empowering and supporting host communities will address the root causes of insecurity, vandalism and theft. "The implementation of the Host Community Development Trust Fund represents a significant milestone in enhancing security and promoting sustainable development and is a positive step forward for the industry," said Steven Fadeyi, group managing director, Pan Ocean Oil Corporation (Nigeria) Limited.

"Measures such as ensuring stable pricing mechanisms and currency stability can significantly support service providers like us, by providing a conducive business environment for planning and investment."



Walter Ojimba, CEO, Craigwal Petroshore Limited (CPL)

"To stimulate growth, there should be tax incentives and tax holidays tailored for the energy sector to encourage investment, foster innovation, and spur economic growth in Nigeria."

Nelson Kosile, Managing Director, Ikosh Nigeria

Trust funds for host communities are not a particularly new phenomenon, with many asset owners engaging in outreach programs to appease local communities for years. The new framework will bring more formality and transparency to the process. "The main change this regulation has resulted in is that there is a more formal process for engaging with the community, but the reality is that many companies have been following comparable processes for a long time. The first time I ever heard of an oil company having a trust set up with the host community was in 1997," said Gbolahan Elias, partner at G. Elias.

Some would say that instead of developing entirely new laws and policies, the authorities' efforts could be better spent implementing and enforcing Nigeria's existing laws. This is especially true when it comes to local content regulation, as evidenced by the recent failed proposal of an expatriate employment levy. "The introduction of an employment levy in the oil and gas industry, particularly amidst a push for revenue generation, raises concerns about its potential impact on investor sentiment. While there may be intentions to promote local participation, the levy could deter FDI, which is crucial for industry growth," said Taiwo Afonja, managing partner, Dentons ACAS-Law.

The unpopularity of the proposed levy and the subsequent backlash led to its rapid suspension, indicating the government's responsiveness to industry feedback. "There is already an almost natural transition happening from IOCs to indigenous companies and we do not want to see external factors, like the levy, impact this. It is important to not scare away foreign investors," said Josephine Udonsak, partner, Dentons ACAS-Law.

The PIA also introduced a new tax regime that companies can opt into, including differentiated tax rates for petroleum mining leases and prospecting leases, alongside provisions such as the Hydrocarbon Tax (HCT). "Operators in deep offshore fields have notably benefited from the PIA regime, experiencing a reduction in corporate tax burdens from about 50% to 30%, while onshore, shallow water and marginal field players have faced difficulties in determining the fiscal advantages of transitioning to the new regime," observed Ayo Salami, partner and head, energy & natural resources group, KPMG West Africa.

What is clear is that the new government has not been shy to introduce new laws. The PIA, the end of the fuel subsidy, and creation of new institutions like the NUPRC all indicate that the Nigerian government is serious about reforming the oil and gas sector and achieving its production targets. With a tumultuous

“Independents, having learned from past experiences, are better equipped to manage community relationships effectively.”

Austin Avuru,
Executive Chairman,
AA Holdings

“Communities play a significant role in pipeline security, and therefore, proper community engagement, education and management are critical.”

Samuel Alabi,
Chairman and CEO,
Seven Oceans Oil and Gas

macroeconomic environment characterized by a wildly fluctuating currency and the highest headline inflation rate since 1996, Nigeria needs its oil and gas revenues more than ever. “The main agenda of the new government is to increase hydrocarbon production to enable the government to stabilize our Forex and get the money we need to finance our budget,” said Lokpobiri, Minister of State for Petroleum Resources.

Talent

Although Nigeria is renowned for its pioneering local content policies, the country struggles to fill skilled roles, an issue that will likely become more pronounced as operations expand and new projects come online to meet government production targets. Although Nigeria has the largest population of any African country at 223 million, certain skilled oil and gas positions require years of training and are becoming increasingly difficult to fill, particularly as IOCs pull their skilled employees away from the onshore. “We are currently witnessing a massive exodus of executives in the industry. More and more experienced talent is being lured away by higher salaries and safer working conditions in places like the Middle East. This detrimental combination of millennials' unique work style preferences and the unabating ‘brain drain’ creates a talent shortage and a disruption in knowledge transfer for organizations in the industry,” said Foluso Aribisala, managing partner and CEO, Workforce Group.

There is, however, an opportunity for the industry to tap into an overlooked half of the talent pool – women. Women in Energy Network (WIEN) is an initiative dedicated to fostering a gender-balanced and inclusive energy sector in Nigeria. Current estimates suggest that female representation in the energy industry is below 20%, so there is a long way to go to achieve a more equitable gender balance. “While there are currently no specific regulations targeting female participation in the energy sector in Nigeria, WIEN is actively engaged in advocating for gender-inclusive policies and initiatives. We collaborate with government agencies and regulators to highlight the importance of promoting women's participation in the industry and to advocate for the development of gender-specific policies and programs,” said Eyono Fatayi-Williams, WIEN’s president.

Service providers represent a key fountain of wealth creation, knowledge creation and employment opportunities for the country, and Nigeria’s service industry is a pioneer in pushing the boundaries of local content forward, aided by the PIA, which established the Nigerian Content Development and Monitoring Board (NCDMB) to promote and foster local content and indigenous participation within the country’s energy industry. Encouraging local content is critical given the country’s massive untapped labor pool, as Bolutife Odusanya, managing director and CEO of TREXM Holdings explained: “Nigeria boasts of a young population, with an average age of 18 and around a million graduates a year, and it has a high unemployment rate.”

Currency

2023 and 2024 have been challenging and transformative years for Nigeria’s oil and gas service providers. A challenging economic climate, featuring rampant inflation and wild currency fluctuations, has put many companies in a financially challenging position. Elections in 2023, which ushered in a new government led by President Tinubu, contributed to the uncertainty. “Nigeria had a political transition period between 2022 and 2023, which shifted focus away from industries like oil and gas, and the good global market dynamics we saw, such as high commodity prices, did not immediately translate to the Nigerian environment,” commented Akeem Ariyo, managing director and CEO of AOS Orwell.

The currency fluctuations have been a particular concern. Since Tinubu’s government floated the naira on global markets by removing currency controls, inflation and borrowing costs have skyrocketed. For service providers who rely on imports of high value, dollar-priced equipment, there has been much concern. “A falling domestic currency can create uncertainty regarding future raw material import costs, which makes financial planning and budgeting more complex,” said Walter Ojimba, CEO of Craigwal Petroshore Limited.

This sentiment was echoed by many in the industry, though there is also a sense that it has been a great equalizer, as nobody has been spared. “Currency fluctuations have indeed affected everyone. Initially, we thought that having income primarily in dollars would shield us, but it has had knock-on effects and increased OpEx and the cost of doing business,” said Thelma Chukwu, managing director of Telmek Global Resources.

Security

Nigeria's service providers are largely based in the Niger Delta, a prolific, oil-rich geological area that has been the center of Nigeria's oil and gas industry since Shell first pumped oil there in the 1950s. Despite the vast fortunes that have been made in the region, this wealth has not been distributed equitably, and the ecological destruction that was part and parcel of the oil and gas industry in its early days has sown the seeds for historic mistrust, resentment, and armed conflict between locals and producers. As Ikenna Oranye, CEO of GCA Energy explained: "Insecurity in the Niger Delta, crude oil theft, and the attendant oil spills have caused a significant reduction in production volumes for our clients, a key underlying cause for Nigeria not meeting its OPEC+ production targets in recent years."

Insecurity is a problem faced by operators across the value chain, from producers to service providers. Chike Uchendu, managing director of Future Oilfield Services Limited, an oilfield services company with a footprint in Port Harcourt, Warri and Lagos, said: "A particular challenge for our industry in Nigeria has been security concerns; the cost burden of security measures can sometimes account for 40% of total project costs."

Though the IOCs have decided that offshore production mitigates risk, security issues remain, and for some offshore service providers, it has resulted in a boom in demand as IOCs ramp up their deepwater activities. "The Gulf of Guinea has recently experienced a significant shift towards maritime security, characterized by increased awareness and proactive measures to combat ever-evolving maritime security risks plaguing the region," said Bassey Alorye Adie, managing director of Loyz Marine Services Limited.

Piracy in the Gulf of Guinea has been a longstanding concern for operators, impacting the entire West African littoral. The International Maritime Bureau Piracy Reporting Centre reports that between January and March of 2024, six ships were boarded in the Gulf. "Key industry players have responded by deploying security personnel strategically and implementing dedicated security measures, resulting in a notable reduction in operational risks within the maritime domain," continued Adie.

Service providers

Beyond increased offshore security services, others in the industry have witnessed an uptick in demand for various offshore services. Anamelechi Onwuegbu, country director in Nigeria for Kavod Offshore, a company that supplies DNV-certified offshore containers, baskets, racks, and tanks for the transportation of equipment offshore, said: "As offshore activities intensify, our role becomes increasingly crucial in facilitating the movement of tools and equipment while mitigating associated risks."

A flurry of sales of IOC assets to homegrown companies has resulted in a proliferation of marginal field operators and new, Nigerian independent E&P companies. Saddled with aging pipeline and well infrastructure built by the IOCs decades ago, onshore oilfield service providers are also experiencing heightened demand. "We envision playing a pivotal role in supporting the growth and development of marginal field operators, as they are the future of Nigeria's energy landscape," said Nelson Kosile, managing director of Ikosh Nigeria.

"Local entities have proven their competence and expertise, establishing themselves as strong competitors for onshore assets previously held by IOCs."

Ainojie Alexander Irune, Executive Director, Oando PLC and COO, Oando Energy Resources (OER)

One of Nigeria's most important geological attributes is the abundance of relatively small but easily accessible hydrocarbon reserves, allowing for marginal field operators to proliferate. There are also challenges associated with the transition, however. According to Kayode Thomas, CEO of Substrata Oil and Gas: "While the empowerment of local players is commendable and fosters indigenous participation in the sector, the transition has presented challenges in terms of operational efficiency and asset management."

As sub-Saharan Africa's most mature energy industry, decades-old infrastructure presents a unique opportunity for oilfield service providers. Future Oilfield Services Limited's Uchendu said: "We have built our business around overcoming Nigeria's onshore/offshore technical challenges. Aging infrastructure in many oilfields presents significant technical hurdles, as these facilities were designed decades ago and are not equipped to handle current production demands."

Another source of demand in the industry has been for green-proofing services, as legislation and global pressure have caught up with the oil and gas industry in Nigeria. Once a prolific gas-flaring country, the government launched its Nigerian Gas Flare Commercialization Programme to combat this ecologically and economically wasteful practice. Spearheaded by the IOCs that operate in the country, including TotalEnergies, which in February 2024 became the first Nigerian E&P company to eliminate routine flaring, others in the industry have followed suit, across the value chain. The rush to eliminate flaring by the 2030 government deadline has also created opportunities for Nigeria's service providers. "One of the areas we are particularly enthusiastic about is our sustainable energies division, which focuses on converting flared gas into environmentally friendly products, specifically gas to methanol solutions," shared Kayode Adeleke, CEO of RusselSmith, a technology and oilfield services provider.

The embrace of sustainable practices and principles is being replicated across the industry. Chinwe Uchendu, executive director and chair of the board of directors at Poseidon Energy Services, said: "The need for filtration services has grown as operators prioritize environmental sustainability and regulatory compliance." ■

Image courtesy of Asiko Energy

Nigeria's Crossroad

The 'Decade of Gas' approaches its mid-way point

With over 200 Tcf of proven natural gas reserves, Nigeria is a natural gas giant, among the top 10 countries in proven reserves globally, and the top in Africa. For much of its hydrocarbon-producing history, gas has been a sideshow; while Nigeria's oil was pumped for export markets, the associated gas that was produced from the Niger Delta's prolific oil wells was flared off, at a great social and ecological cost. In recent years, the narrative and conversation around natural gas, its uses and advantages has changed. Global political debates on climate change, energy insecurity brought about by regional conflicts, and in Africa widespread energy poverty, have changed the commercial calculus on natural gas. Countries from the UAE to the United States are pouring enormous resources into expanding natural gas capacity and are reaping the benefits.

There are 600 million people lacking access to electricity in Africa according to the International Energy Agency, and 900 million without clean cooking facilities. Natural gas presents a historic opportunity for the continent. Nigeria's energy industry, spearheaded by government initiatives, has been at the forefront of warming up to gas and its economic potential. In 2021, the government of then President Buhari declared the 2020s as the 'Decade of Gas', signaling the Nigerian government's open embrace of natural gas production and exploitation.

Now approaching the mid-way point in Nigeria's 'Decade of Gas', the results have been mixed. On the one hand, federal and state governments have been slow to develop accommodating legislative frameworks, ineffective in improving the country's physical infrastructure, and have, at times, been paralyzed by internal and social conflict. There is also a dearth of natural gas exploration. The current administration, led by President Tinubu, has introduced reforms with very immediate and impactful consequences, including the removal of fuel subsidies and floating the naira on global currency markets. As IOCs have withdrawn from Nigeria's onshore, the federal government's slow approval of these sales has been extremely cumbersome, damaging the country's foreign investment climate.

Despite these challenges, there is a palpable feeling among industry players that natural gas is Nigeria's fuel of the future. Throughout Global Business Reports' round of interviews across Nigeria's energy industry's value chain, natural gas was a hot topic, and many players have made significant forays into this sector. Nigerian companies are recognizing the role natural gas will play not just to boost export earnings, but also to materialize the country's long-standing desire to industrialize and provide access to energy for all of its population.

Despite the lofty ambitions of the Nigerian state, an assessment of the natural gas landscape in Nigeria mid-way through the 'Decade of Gas' is far more sobering than one would expect. Budgetary constraints and bureaucratic quagmire have resulted in lackluster

> *"Fundamentally, gas will be the only catalyst for economic development in this country."*
>
> **Steven Fadeyi, Group Managing Director, Pan Ocean Oil Corporation (Nigeria) Limited**

state support for gas projects. "Nigeria has historically grappled with lengthy contracting cycles, averaging around 24 months, leading to cost discrepancies due to fluctuating prices," said Olumide Esan, partner and energy & chemicals Leader at Deloitte Nigeria.

In Nigeria alone, 100 million people lack access to reliable energy. Given the scale of energy poverty in West Africa and Nigeria, gas provides an intriguing opportunity. According to Joseph Ezigbo, founder and managing director of Falcon Corporation, a gas distributor currently constructing West Africa's largest LPG storage facility: "West Africa is generally starved of LPG and desperately needs more capacity. In our country there is still a rampant use of firewood for domestic use. Our LPG storage facility is part of a national effort to transition Nigeria's energy consumption towards gas."

Despite its abundant gas resources, of the four main cooking fuels—firewood, kerosene, charcoal, and LPG—LPG is the least used in Nigeria. Despite a five-fold increase in Nigeria's per-capita LPG consumption, Nigeria still lags far behind other West African nations like Ghana and Senegal, and significantly behind that of other developing nations like Egypt. "With a population of around 210 million and current consumption at 1.8 million metric tons, we see a huge gap compared to Morocco's 5.5 million tons of consumption with just 60 million people. The key is infrastructure. The use of more terminals and filling plants is increasing consumption, and as we deploy more infrastructure, we expect even higher usage," said Oladimeji Edwards, chief executive, Hyde Energy.

Despite the slow progress, some advancements in infrastructure improvement have been made, with the Nigerian National Petroleum Corporation (NNPC) expecting to complete the US$2.8 billion Ajaokuta–Kaduna–Kano (AKK) gas pipeline project in July 2024. The 614 km connection is expected to advance domestic and regional gas utilization for power generation and industrial use. "Despite the challenges, recent developments in the gas market offer promising opportunities for growth and investment. For example, the completion of a major trunk line reduced the distance to transport gas from our fields, making it more economically viable," said John Anim, managing director, Platform Petroleum Limited.

The advantages of adopting gas in homes and businesses across the country are becoming increasingly hard to ignore, as Peter Gaius-Obaseki, partner at McKinsey & Company, explained: "For Nigeria specifically, the development of the gas industry kills two birds with one stone, as you are transitioning your fuel consumption to a cleaner source while also creating a viable pipeline for energy security as most of the power demand in Africa will be for gas power."

The shift towards gas as a transition fuel has been seen not just in Nigeria, but across the whole continent, with many IOCs prioritising gas projects in their portfolios. "Natural gas plays a vital role in Africa's energy transition, with increasing prominence in our production mix. Africa's growing energy demands make gas development crucial for regional and global energy security," said Mario Bello, head of sub-saharan Africa region, Eni.

For the few energy industry stakeholders who are hesitant to jump on the gas bandwagon, the choice might be made for them, as the pressure from foreign investors and environmentalists mounts. "There is a trend of countries transitioning away from oil-fired engines or what is called 'Heavy Fuel Oil', especially considering global financial institutions sanctioning thermal power plants that are not gas-fired," shared Gaby Hanna, SVP - head of region Middle East and Africa, MAN Energy Solutions.

Though boosting natural gas production and consumption seems the obvious remedy, challenges abound. Falcon Corporation, like many companies in the energy sector that have undertaken large capital-intensive projects, has had to contend with extreme currency fluctuations in 2023/2024. Nigeria's reliance on imports for critical materials and equipment makes it particularly vulnerable to changes in the value of its currency. The country's reliance on imports reflects a lack of indigenous infrastructure. Samuel Alabi, chairman and CEO of Seven Oceans Oil and Gas, an Abuja based company with operations across up, mid and downstream, echoes the sentiments by many leaders across the private sector, that despite the government's statements, there are very serious physical impediments to developing Nigeria's gas sector: "The main challenge in the downstream gas sector is that there is an infrastructure deficit as the pipelines do not

"Initiatives like the 'Decade of Gas' and local content requirements are positive steps in the right direction. However, it is crucial for the government to focus not only on introducing policies but also on effective implementation."

Thelma Chukwu, Managing Director, Telmek Global Resources

cover the entire country. To effectively enable gas utilization across the country, pipelines will have to be extended and there will be a necessity for gas stations every 200 km, which will require significant investment."

On a continent hampered by financing constraints, the answer to some is private-public partnerships, not only to unlock capital but also combat public perceptions on gas, as according to Alabi; "the government and the private sector need to work together to promote the adoption of gas by educating society on the benefits of gas and removing unfounded fears that exist around this product."

The benefits of exploiting Nigeria's vast gas reserves are multi-faceted, and private players across the industry are pursuing domestic, regional and global market demand for their product. UTM Offshore is one of these companies and is currently developing Nigeria's and Africa's first indigenous-owned FLNG project. Julius Rone, UTM Offshore's group managing director and CEO said: "With global gas demand soaring, particularly evident in recent European supply disruptions, Nigeria is emerging as a pivotal supplier."

The development of gas assets has become so attractive in the industry precisely because of the pent-up demand that exists for natural gas across different markets. In addition to the high value export market for LNG to resource hungry markets like Europe, there are other incentives closer to home. Rone continued: "Once we achieve self-sufficiency in LPG, we can explore opportunities to export surpluses to neighboring countries."

Before gas players look to export their surpluses across West Africa, they should look to the enormous pent up demand within Nigeria. Abisoye Adebayo, COO of Gasland Nigeria, a prominent indigenous LPG distributor, said: "There has been exponential growth in the use of LPG in Nigeria, and over the past 10 years we have seen country's usage increase from approximately 200,000 metric tons annually to about 1.4 million metric tons in 2023."

Despite this observable trend, Adebayo added that in addition to the sub-par pipeline infrastructure, other obstacles limit the country's gas sector: "A challenge limiting the adoption of LPG in Nigeria is poor road infrastructure making it hard to transport products."

The scale of Nigeria's domestic market for gas, and the demand that exists for gas, is underestimated by official figures. According to Savannah Energy's managing director Pade Durotoye: "A significant portion of this demand is met by decentralized, off-grid sources, primarily diesel and petrol generators. This reliance on inefficient and polluting energy sources underscores the need for a transition to cleaner alternatives, such as gas."

Industry players are leveraging their experience in natural gas to engage with the authorities and implement their gas dreams. Tosin Thompson, founder and CEO of Mezovest, a Nigerian LPG and CNG player, shared his company's approach: "Partnering with the government, we aim to drive CNG adoption for vehicle and electricity generation through infrastructure development and demand stimulation."

Executive orders introduced by Tinubu's administration in March, including tax credits for gas greenfield developments and other measures to promote the commercialization of gas, have been welcomed by the industry. "The recent introduction of executive orders aimed at facilitating negotiations for commercial terms in gas development is a positive step forward," said Abiola Ajayi, managing director of Energy and Mineral Resources (EMR).

These recent orders come at a crucial time for the industry. Despite Nigeria's abundant proven gas reserves, and speculation of even larger, unproven deposits, there has been a dearth of exploration and production activity in the country. This inactivity is directly related to a regulatory framework that, so far, has not gone far enough to encourage production. According to Ajayi: "Clarifying fiscal terms and providing a conducive regulatory environment could significantly stimulate investment and unlock the vast potential of Nigeria's gas reserves."

The share of Nigerian gas being exported to global markets has dropped significantly in recent years, despite government intentions. "Despite the increasing focus on gas, there remains a significant need for exploration to unlock new gas reserves and identify untapped potential," said Kayode Thomas, CEO of Substrata Oil and Gas, a geophysical service provider based in Port Harcourt.

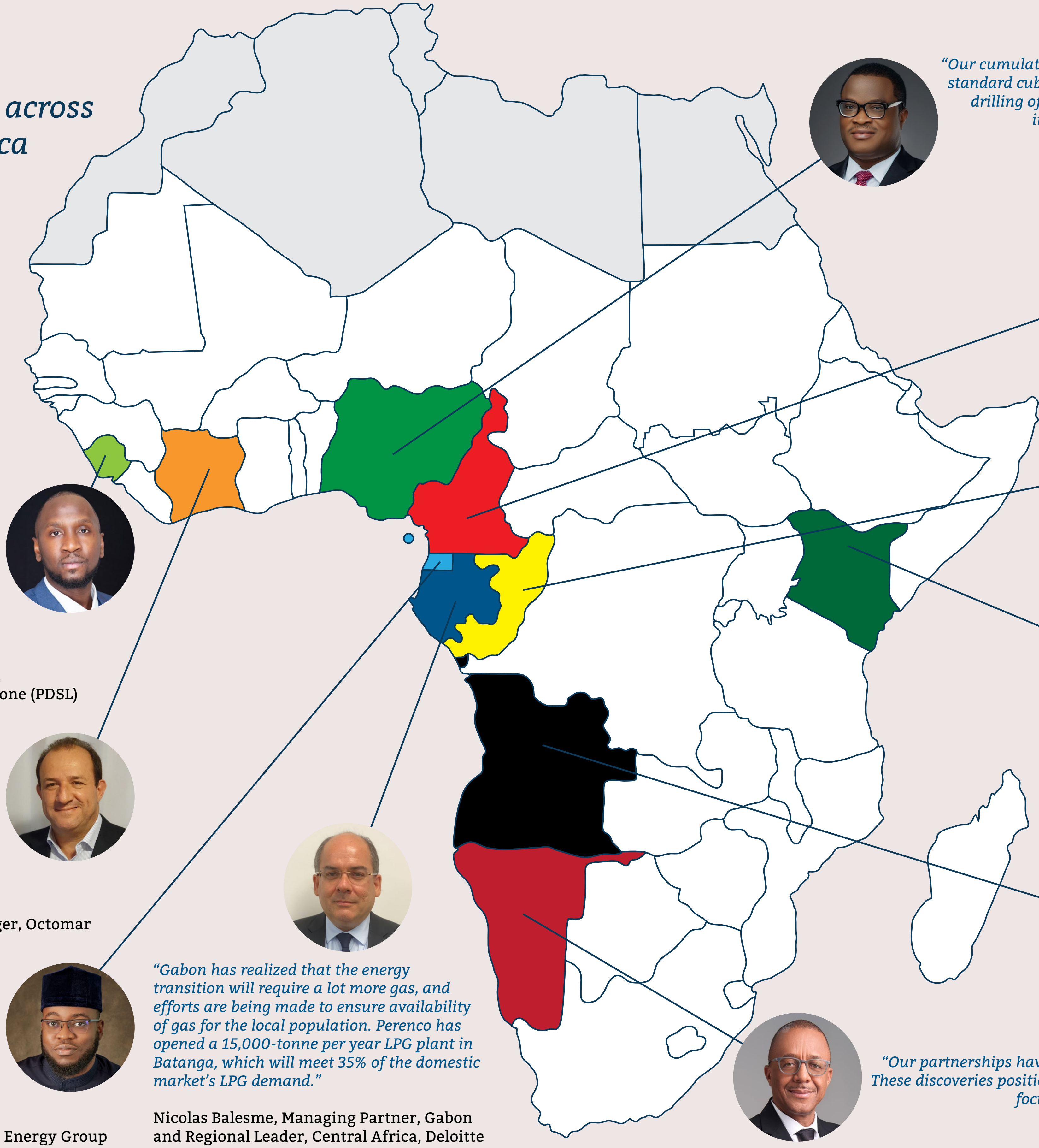
Nevertheless, on the domestic front at least, there is welcome news in the proliferation of projects focused on the domestic market. As Bolaji Ososami, managing director of Triumph Power and Gas Systems said: "We are witnessing a surge in domestic gas-related projects such as the Anoh Gas plant, AKK project and Brass Methanol Plant. The government is actively addressing issues surrounding gas supply agreements to facilitate the progress of such projects."

This comes on top of the state-owned Nigeria-LNG's flagship Train 7 project, an expansion of non-associated gas supply to NLNG's Bonny Island Terminal, generating demand for private service providers across the country. "Looking ahead, we see opportunities in multiple projects, which are meant to provide gas to NLNG's Train 7 project," said Jude Abalaka, managing director of Tranos, a Nigerian engineering and manufacturing company currently contracted on the Train 7 project.

Felix Ekundayo, managing director of Asiko Energy, a downstream gas distributor that is constructing a large tri-fuel gas storage facility in Lagos, is clear about the upsides of gas exploitation: "Looking ahead, the data suggests that natural gas will remain a significant part of the energy mix. Nigeria's abundance of gas resources positions us well to align with or even exceed this trend."

Perhaps most importantly, natural gas could be the missing puzzle piece to unlocking Nigeria's nascent manufacturing sector. According to the United Nations, Nigeria could be the planet's third most populous nation by 2050. This demographic explosion could trigger an unprecedented economic boom for the country, or precipitate a political and social crisis if Nigeria's youth cannot be gainfully employed. To Olakunle Williams, CEO of Tetracore Energy Group, a natural gas and power delivery company, industrialization will be a critical factor, and the seeds of this future industrial base are being sown with natural gas: "Demand for gas is particularly pronounced in regions with nascent industrialization efforts. Currently, only about 7% of our gas production is utilized for manufacturing purposes, which underscores the urgent need for industrialization." ■

Energy players share key projects across Sub-Saharan Africa



"With our extensive seismic and well data, including over 11,000 km2 of 3D and 16,009 km2 of 2D data, we seek to market these resources globally to entice investors. Additionally, we plan to reprocess this data to provide a more up-to-date picture of our hydrocarbon potential."

Foday Mansaray, Director General, Petroleum Directorate of Sierra Leone (PDSL)

"In 2023, we executed our first international project, which involved providing 24-hour diving services to support the installation of the first FPSO in Côte d'Ivoire. Working in a new country poses challenges, but our thorough planning resulted in a smooth and successful operation."

Ricardo do Amaral, General Manager, Octomar

"In Equatorial Guinea, we are involved in small-scale domestic LNG supply projects aimed at serving local industries. Our goal is to expand the natural gas footprint not only in Nigeria but also in selected markets across Africa."

Olakunle Williams, CEO, Tetracore Energy Group

"Gabon has realized that the energy transition will require a lot more gas, and efforts are being made to ensure availability of gas for the local population. Perenco has opened a 15,000-tonne per year LPG plant in Batanga, which will meet 35% of the domestic market's LPG demand."

Nicolas Balesme, Managing Partner, Gabon and Regional Leader, Central Africa, Deloitte

"Our cumulative production has surpassed 12 million barrels of oil and 100 billion standard cubic feet of gas, surpassing the initial reserve estimates. The successful drilling of new wells and workover of existing wells have contributed greatly to increased production and optimum field development over the years."

John Anim, Managing Director, Platform Petroleum Limited

"In Cameroon, we are progressing the up to 95 MW Bini a Warak hybrid hydroelectric and solar project, and have a ~41% interest in the Cameroon Oil Transportation Company."

Pade Durotoye, Managing Director – Nigeria, Savannah Energy

"Our recent contract with TotalEnergies Congo for the maintenance and repair of pumps and compressors is a testament to our growing influence. The Congo office/workshop, staffed by 65 professionals specializing in rotating mechanical equipment, is poised for expansion."

Paula Dantas, Managing Partner, Prometim

"We are integrating African countries into the biofuel value chain, utilizing agri-feedstock from degraded land. Vegetable oil production began in Kenya in 2022, and recently, the IFC and the Italian Climate Fund have announced a US$210 million investment to support this project in the country."

Mario Bello, Head of Sub-Saharan Africa Region, Eni

"Our immediate priorities involve completing a seismic acquisition in Angola by year-end, processing, and interpreting data in 2025, with drilling commencing by early 2026."

Domingos Freitas, Board Member, Effimax Energy

"Our partnerships have yielded significant discoveries in blocks such as PEL 39, 56, and 83. These discoveries position Namibia's offshore as a global exploration hotspot. Currently, our focus is on appraising discovered oil and developing a production plan."

Ebson Uanguta, Interim Managing Director, NAMCOR

Executive Insights

Major capital projects in Nigeria turning the 'Decade of Gas' into a reality

"Our most significant venture is our Floating LNG (FLNG) project, a collaborative effort with the Nigerian National Petroleum Company (NNPC)... Our project aligns with Nigeria's 'Decade of Gas' initiative and will be the first African-owned FLNG facility, demonstrating the capabilities of African-owned companies in executing such projects."

Julius Rone, Group Managing Director and CEO, UTM Offshore

"Currently, we are constructing West Africa's largest LPG storage facility in Port Harcourt, with a capacity of 15,000 t, which is due to be completed by November 2024. West Africa is generally starved of LPG and desperately needs more capacity."

Joseph Ezigbo, Founder and Managing Director, Falcon Corporation

"We are currently constructing a tri-fuel LPG, LNG and propane facility in Lagos, which will substantially address domestic demand for gases."

Felix Ekundayo, Managing Director, Asiko Energy

Image courtesy of Octomar

Angola

Crude ambitions: A deep dive into oil & gas

Angola boasts a rich history in the oil and gas industry as Africa's third largest oil producer. The country's oil production journey began with a boom in oil production in the early 2000s, spurred by the end of a brutal 27-year civil war and fueled by prolific deepwater fields. Diamond and crude oil exports shot Angola's economy forward to the point that the country had the world's highest annual average GDP growth between 2001–2010.

Today, Angola stands as a major player, with Nigeria and Libya being the only African nations to outproduce Angola in 2023. However, beneath this 21st-century success story lies a complex landscape of challenges and opportunities.

New projects ramp up

As the shock of the Covid pandemic becomes a distant memory to Angola's oil and gas sector, new opportunities are arising as pre-pandemic projects that were paused are brought back online. Much like Nigeria, Angolan players are also looking to diversify away from oil, forming the New Gas Consortium (NGC) composed of Azule Energy, Sonangol, CABGOC (Chevron) and TotalEnergies to develop the Quiluma and Maboqueiro fields. With first gas planned in 2026, the NGC project will become Angola's first non-associated gas project. For Petromar, a pre-eminent fabricator of subsea structures formed as a JV between Sonangol and Saipem, this has meant finally being able to put their newly expanded yard in Ambriz to use. "We entered an agreement with Azule Energy to fabricate a full platform (Quiluma) for their NGC development project. This is the first time our Ambriz yard has undertaken the fabrication of a jacket and deck simultaneously, which required us to bring in particular crawler cranes from another Saipem yard," shared Frédéric Heintz, Petromar's general manager.

Crude oil, however, has certainly not been forgotten in Angola and will remain the bread and butter of its energy industry for some time yet. In 2022, TotalEnergies announced a final investment decision of US$850 million for the launch of the CLOV Phase 3 development in offshore Block 17, further adding to the workload of Angola's fabricators. "Sonamet identified a gap in the market and invested US$12 million into establishing a spool base facility, the only one of its kind in West Africa, which will facilitate more work onshore. TotalEnergies' CLOV project will require approximately 20 km of pipeline, which will be manufactured at our construction yard by around 300 Angolan workers," said Sandro Ferreira, sales and marketing manager, Sonamet.

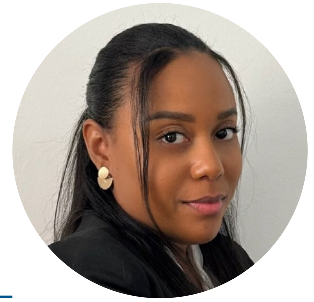
With projects restarting and new ones being announced, the resulting boom in fabrication demand will allow Angola's fabricators to expand their capacity and justify investments into facilities like Sonamet's new Lobito Bay spool base. This increased capacity should provide Angola's fabricators a springboard to venture into new markets abroad. "Our focus is currently on expanding to Namibia, and because Angola has a more mature oil and gas industry than Namibia, we believe our expertise, knowledge and training capabilities can be a great benefit to the country and the growth of its industry," said Sonamet's CEO Domingos Augusto.

In May 2018, the Angolan government published a decree with new incentives for the development of marginal fields. While billion-dollar mega-projects like the NGC continue to draw headlines, behind the scenes, Angola's oil and gas players have been hard at work bidding for, exploring and developing these fields. Effimax Energy, a renewables and oil and gas E&P company, recently successfully bid for a stake in the onshore KON 13 block and has plans for a seismic acquisition by year-end, with drilling commencing by early 2026. "Complex geological formations pose exploration challenges that will require innovative approaches and new technology. Moreover, while offshore infrastructure in Angola is robust, inland areas lack support for transportation and storage, possibly necessitating state assistance," shared Domingos Freitas, board member of Effimax Energy.

As oil fields mature and financiers shy away from hydrocarbon investments, Angola will have to tap into its vast renewable energy potential – estimated at 16.3 GW for solar and 3.9 GW for wind power. The challenge, however, is expanding grid infrastructure to reach remote rural communities that often lack access to electricity. The Angolan government aims to expand electricity access to 60% of the population by 2025, and private companies are stepping in to help meet these goals. Portuguese MCA Group is one such company, having recently completed the fourth out of seven planned solar parks. Elisabete Alves, MCA Group's COO for international infrastructure, told us about their ongoing rural electrification project, which aims to provide 60 communities with solar panels, batteries, and corresponding infrastructure while building out mini-grids: "Extending the national grid to such a large territory would not be economical, and this mini-grid solution allows us to bring power to more communities in Angola in a cost-efficient manner."

"Working in Angola is challenging; our oil and gas market was initially designed to favor foreign companies. Enagol is part of a group of indigenous oil and gas service providers that are advocating for more opportunities for local companies."

Janice Faria, CEO, Enagol



Liberalization

Since Lourenço's government came into power in 2017, Angola has undergone a transformation as the government undertakes its 'PROPRIV' program in Angola, which aims to reduce the state's intervention in the economy, promote entrepreneurship, and facilitate the privatization of state-owned assets and enterprises, including the national oil company, Sonangol. This has been welcomed by many businesses and investors, both indigenous and foreign. However, regulatory hurdles still remain for some foreign-owned companies: "There have been challenges, particularly with regards to changes in regulations related to local content policies, which have created difficulties for companies with foreign ownership structures, such as ours," said Ognen Andreevski, operations director at ISQapave, a testing and inspection provider founded in 2005.

The recent changes have caught the attention of foreign independents such as Afentra, a UK-headquartered upstream company that is seizing the opportunity to develop Angolan assets and compete in a jurisdiction that has always been dominated by the supermajors and Sonangol. "There is a concerted effort to attract new investors, which has significantly altered the investment landscape. The government's proactive measures have instilled confidence among industry players, facilitating smoother engagements and transactions. In essence, Angola's evolving investment climate has transformed it into an appealing destination for oil and gas ventures," said Afentra's CEO Paul McDade.

Battle for local content

Like many developing nations, Angola has relied heavily on the resources and technical expertise of large IOCs and multinational oilfield service providers to tap into its oil and gas that lies thousands of meters below sea level. Recognizing the need to include its population in arguably the most important sector of the economy, the government has passed various local content laws, ranging from procurement requirements to 'Angolisation' policies, to ensure local participation and the transfer of knowledge. Cognizant of this, Angola's ecosystem of indigenous service providers has stepped up to support the sector through training, procurement and logistics services, among other offerings.

While the liberalization of Angola's oil and gas sector will bring about new opportunities and open the country to more foreign investment, indigenous companies will likely face even stiffer competition from large, established international players as the economy opens up. Paula Dantas, managing partner of Prometim, a fast-growing indigenous company providing maintenance services to the oil and gas sector, shared her thoughts on how regulators can give younger local companies a fighting chance against international behemoths: "It would be prudent to establish a policy that exempts local companies from the obligation to present substantial bank guarantees when bidding on contracts, or support them on the obtention of such guarantees. This change would level the playing field, particularly in scenarios where multinational corporations are not subjected to the same financial stipulations."

In addition to the stiff international competition, local companies are having to contend with currency fluctuations and inflation, with Angola's Kwanza being Africa's weakest currency against the dollar as of mid-2023. For large internationals, this is less of an issue as they can rely on their vast reserves of foreign currency and have alternative sources of income that can hedge against a poor performing Kwanza. "One significant hurdle is the requirement for prepayment by overseas suppliers coupled with client demands for extended credit terms, averaging officially 30-45 days, but often spanning 90-180 days. This places considerable strain on our financial capabilities, especially in an environment marked by very high inflation and high interest rates," said Francisco Monteiro, chairman and CEO, BRIMONT.

While Angola's indigenous companies are advocating for more equitable local content policies, they are not asking for handouts or for the government to punish foreign companies simply for being foreign. "We do not want to get business simply because we are an indigenous company, but rather because we deliver high-quality services and solutions to the market," said Msuega Tese, executive director at IT-solutions provider Integrated Solutions Angola.

Angolan companies are making their voices and concerns about local issues heard by engaging with authorities such as the ANPG, the national regulator of petroleum, gas and biofuels. Enagol, a 15-year-old indigenous non-destructive testing provider that has successfully bid for onshore exploration blocks, is one such company: "Enagol is part of a group of indigenous oil and gas service providers that are advocating for more opportunities for local companies. While progress is being made with local content laws, many foreign operators still question the quality of local companies. Many foreign companies come with pre-existing contracts from their home countries, favoring their own nationals. The battle for local content is hard," said Janice Faria, Enagol's CEO.

Although many feel there is a long way to go on the regulatory side to promote Angolan content within the country, regulations can only go so far. In a technically complex field like offshore oil extraction, certain skills will need to be transferred from the private sector. "The [skills] gap can be filled in many different ways, such as through government initiatives and local content laws, but ultimately it is the private sector that must make long-term investments in training local workers to shift away from the expat recruitment model," said Andrew Schnitzer da Silva, co-founder and board member of Ascending, an HR service provider focused on workforce management solutions.

In the past, there was a requirement for foreign companies that wanted to enter the Angolan market to set up JVs with local partners, which generally led to these companies wanting to work with people with high-level contacts and influence, often creating a grey area in terms of business integrity and compliance. The liberalization and relatively stable framework of Angola's oil and gas sector has undoubtedly contributed to attracting foreign investment, as evidenced by TotalEnergies' recent decision to invest US$6 billion in Angola instead of Nigeria. However, amidst the excitement, authorities must not forget that indigenous companies need support and attention as well. "Unfortunately, being a 100% Angolan company has not resulted in much support or benefits. We often find that foreign companies are easily able to enter the Angolan oil and gas sector without much investment in the country. This is one reason behind our decision to internationalize the company to ensure the company's long-term sustainability," said Ricardo do Amaral, general manager, Octomar.

Angola will need to attract foreign firms with the know-how and resources to undertake complex and expensive projects if it is to boost oil and gas production. However, it must also find a way to include its citizens in the oil and gas sector, which accounts for a third of its GDP, over 90% of its exports and is the backbone of its economy. ISQapave employs over 200 staff in Angola today, with around 85% being Angolan, showing that in the case of local content, it might yet be possible for Angola to have its cake and eat it too. "Overall, while the investment climate in Angola is improving, the government needs to strike a balance between promoting local content and encouraging foreign investment," continued Andreevski.

In the face of stiff international competition, Angola's service providers will have to rely on proven track records and deep local knowledge, as well as long standing client relationships that date back to when Angola's oil production took off in the early 2000s. "One of our first customers in Angola was BP, starting with a contract to provide end-user training followed by contracts to provide technical resources for their help-desk," shared Ivan de Sousa, managing partner, Menshen.

Looking at the bigger picture, pan-African cooperation, potentially through existing institutions such as the African Petroleum Producers' Association (APPO) or the African Union, may also help Angola and other African countries strike this balance. "The Nigerian minister of petroleum resources (oil) stated that African countries should have similar policies to enable us to solve the continent's energy problem. With similar policies across the continent, foreign companies would be able to better understand local content laws," said Alves Michael, managing director of Angolan marine consulting firm AFC Mercy. ■

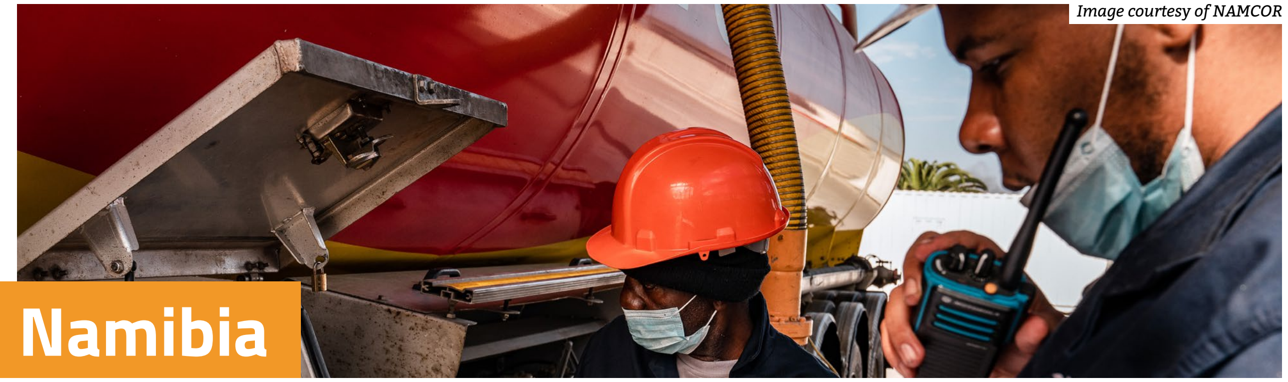


Image courtesy of NAMCOR

Namibia

From deserts to discoveries: The new energy frontier

Sandwiched between Angola to the north and South Africa to the South, Namibia is blessed with a 1,572-km Atlantic coastline, abundant wind and sunshine, as well as an impressive mining industry. Now, fueled by a slew of recent significant oil discoveries and a groundbreaking US$10-billion green hydrogen initiative, the country is poised to emerge as one of Africa's main energy hubs.

In 2022, TotalEnergies announced the Venus-1 discovery, 290 km off Namibia's southern coast. With an estimated 1.5-2 billion barrels of oil, Venus-1 became the company's largest-ever Sub-Saharan oil find and its largest discovery in approximately 20 years. Subsequent discoveries led to IOCs increasing their stakes in Namibian blocks and service providers rushing in from Angola, South Africa and beyond to establish a presence in the country. Unlike many African oil-producing nations, Namibia has enjoyed continual political stability and security since gaining independence in 1990, evidenced by the speed at which many international companies have been able to establish a foothold in the country.

In his interview with Global Business Reports, Tom Alweendo, Namibia's minister of mines and energy, explained the country's ambitions to exploit these hydrocarbon resources as sustainably as possible and ensure that value addition occurs within the country. "We are deeply committed to learning from the experiences of other countries where oil discoveries failed to translate into sustainable economic development. Our primary objective is to ensure that the newfound oil resource benefits the Namibian people and accelerates our journey toward becoming a fully developed economy," he said.

NAMCOR (the National Petroleum Corporation of Namibia) has been forging partnerships with the IOCs, most recently announcing a farm-out Agreement with Chevron in the Walvis Basin. "Our partnerships have yielded significant discoveries in blocks such as PEL 39, 56, and 83. Currently, our focus is on appraising discovered oil and developing a production plan," shared Ebson Uanguta, NAMCOR's interim managing director.

With no history of commercial oil production, Namibia will be heavily reliant on IOCs for their expertise and resources, especially as many of Namibia's discoveries are ultra-deepwater fields, with deposits as deep as 6 km. Robust infrastructure will need to be rapidly built out to tap into these deposits. "Currently, Namibia's infrastructure, both onshore and offshore, is underdeveloped for large-scale oil and gas production. To address this, partnerships with the Namibian government, IOCs, and private investors are essential," continued Uanguta.

First commercial oil production is anticipated by 2030, but Namibia is getting the ball rolling now by signing partnerships, hosting conferences and providing a regulatory framework for environmental matters, local content, and petroleum revenue management. Ndapwilapo Selma Shimutwikeni, founder and CEO of Namibian strategic advisory firm RichAfrica Consultancy, was involved in the drafting of the National Energy Policy and shared her advice for foreign companies looking to enter the Namibian market: "Companies should plan for varying conditions across the country. The process of business registration and obtaining necessary permits is thorough, ensuring companies are well-prepared to operate."

With a population of around 3 million, Namibia is the second least densely populated nation in the world, behind only Mongolia. Despite its small population, Namibia boasts many universities and vocational training centers that produce world-class technicians, welders, pipe-fitters and other workers, some of whom may already have experience working in the country's long-standing mining industry, which is responsible for over 50% of government revenue and is the largest contributor to GDP. Now it is a matter of tapping into this skilled talent pool by closing the small skill gap and certifying and training these workers for offshore operations. Some of Namibia's service providers are already rising to the challenge. "APOS is establishing a state-of-the-art Training and Certification Center. Our mission is to equip workers, companies and stakeholders with the essential skills, knowledge and certification required to enter, excel, and progress in the oil and gas industry," said Veronique Herman, CEO, Africa Provider Offshore Services (APOS).

Luckily, Namibia will not have to look far for technology and knowledge transfers, with its northern neighbor Angola having a well-established oil and gas industry and its southern neighbor South Africa being the largest economy on the continent and serving as the Africa HQ for many international conglomerates. Angolan fabricator Sonamet has not wasted any time, having already stepped up to share the expertise it has gained over its 25-year history. "Angola has a more mature oil and gas industry than Namibia, and we believe our expertise, knowledge and training capabilities can be a great benefit to the country and the growth of its industry. We have already started to train 30 Namibian welders," shared Domingos Augusto, Sonamet's CEO.

Due to the immense publicity around Namibia's discoveries and the lull in oil and gas activity in Mozambique due to the ongoing insurgency, Southern African players are all-in on Namibia. "Although it is still a young sector, we believe now is the time to enter as competition is rife. Due to Namibia's past relationship with South Africa, there will be significant competition from South African companies that will be able to easily set up in the country," said Ricardo do Amaral, general manager, Octomar.

Support is coming from as far as Nigeria, exemplified by the recent JV between Moneda Invest Africa (Moneda) and the Namibian government, wherein Moneda acts as a financial and technical partner for local companies to assist them in accessing financing and to guide them through tendering processes. Namibia can lean on other African nations with long histories of oil and gas production and learn from their mistakes and successes, particularly when it comes to local content and adding value within the country. “The IOCs are interested in getting resources out as quickly as possible with minimal stress, and would rather give contracts to Western companies that have a track record. In this, the African country loses the real benefit of the resource,” said Moneda’s group chief executive Ejike Egbuagu.

Aside from oil and gas, Namibia aims to foster its budding renewable sector, signing MOUs with the EU and Japan on green hydrogen cooperation. The US$10 billion Hyphen project is due to start construction in 2025, with off-takers in Germany expecting delivery as soon as 2027. Green energy projects opened up a whole new area of opportunity for service providers in Namibia, and unlike with fossil fuel projects, developers will likely face fewer challenges in sourcing funding. “Namibia is also focusing on green hydrogen which is an attractive area for Fugro, and with the country being accessible for service providers like us, we intend to further expand our presence in this market,” said Robert Hawkins, commercial director - Africa, Fugro.

However, Namibia will have to balance the short-term gains from exporting green hydrogen with longer-term opportunities presented by using it domestically. “We are optimistic about our role in transitioning to renewable energy. We will be careful not to produce green hydrogen solely for export. We want more value to be produced within the country,” said minister Alweendo. ■

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If you wish to be interviewed for the report, please contact Margarita Todorova (mtodorova@gbreports.com)

Senior Project Director: Margarita Todorova
Business Analysts: Micah Lanez and Eneko Johnson
Executive Editor: Mungo Smith
Graphic Design: Özgür Ergüney
Operations Director: Miguel Pérez-Solero
General Manager: Alfonso Tejerina

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