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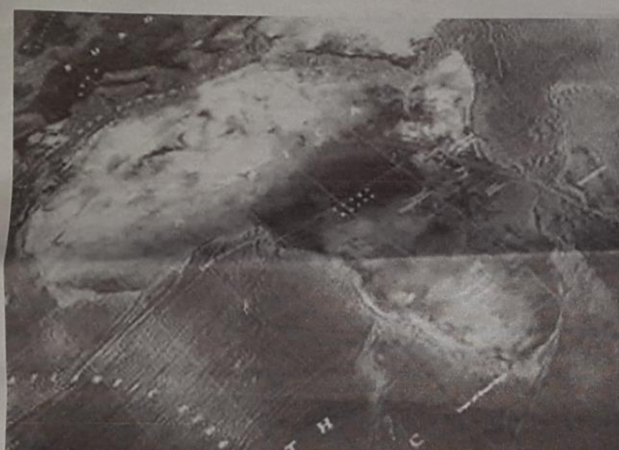
Analysts seek shared experiences for Sub-Saharan Africa upstream



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Sub-Saharan Africa upstream oil and gas can reach greater heights if African oil and gas leaders and their support services providers come together for the purpose of developing and improving best practices in the oil and gas sector. This was the submission of speakers and analysts at the recent summit in Accra, Ghana with the theme; "Unlocking potentials in Sub-Saharan Africa upstream oil and gas".

"As a continent, we can be better than we are through shared experiences right on our soils led by our experts and funded by our investors for the mutual benefit of our stakeholders", said Dapo Ayoola, the chief executive of the Sub-Saharan Africa Upstream oil and gas summit.

The Sub-Saharan Africa oil and gas sector especially the West Africa frontiers has enormous potentials. According to Phillip Chukwu, "it is estimated that over 15 billion barrels of oil equivalent could be discovered in West and Central Africa of which 70 percent of that is expected from West Africa".

Victor Eromosele, chief executive of Mentor Energy, "50 of 55 African countries have hydrocarbons or are searching. Ghana, Mauritania, Cote d'Ivoire, Liberia, and offshore West Africa is lined with hydrocarbon. West African reserves have nearly doubled in 16 years".

Within the sub-Saharan Africa plays, Uganda, Kenya have recorded big finds in oil while Mozambique and Tanzania have shown potential LNG giants. In 2013 three of the world's largest discoveries were from western Africa: Angola, offshore - Lontra, 900 Mmboe (Cobalt); Nigeria, offshore – Ogo, 775 Mmboe (Afren) and Congo, offshore - Nene Marine 700 Mmboe(ENI).

In 2014, Africa still features in big new discoveries with Gabon, Congo and Cote d'Ivoire. At present, Sub-Saharan Africa accounts for about 40 per cent of new discoveries.

Over the past 20 years several world class oil and gas fields have been discovered in the deep offshore off Nigeria and Ghana and that should engender a refocus for deep water play from Mauritania to Nigeria. Some of the deep water projects include Bonga, Akpo, Agbami, Jubillee amongst others.

Bonga Field was discovered in 1995. Bonga-1 well encountered oil in a series of upper to middle miocene turbidite sands in 950m to 1500m of water depth, 120 km offshore. The Bonga North and Bonga Southwest are other discoveries in the same license area. The main Bonga commenced production in 2005 and peaked at 225,000 barrels per day. The Akpo field was discovered in 2000 in 1100 to 1700 m water depth with reserves of 620 million barrels of oil; peak production stands at 175,000 barrels per day. Egina in the same license area has estimated 550 million barrels reserve; expected peak production is 150, 000 barrels per day. Agbami field was discovered in 1998 with oil reserves of 900 million barrels and it commenced production in 2008 with peak production of 250,000 barrels per day. Other significant Nigerian deepwater fields include Usan and Erha (500 million barrels, 140,000 barrels per dayproduction)

For Ghana, it was Jubilee field which is located in 2000m of water depth offshore Ghana in 2007; peak production 104,000 barrels per day. In Cote d'Ivoire, it is believed that if exploration activities are intensified, progress would be made.

However, despite the potentials, challenges exist. "Fifty eight percent of the population in West Africa has no access to electricity. Even in Nigeria that is well ahead of other West African countries, more than half of the country's population do not have access to electricity", Phillip Chukwu said.

To attract technologically sound companies with funds to unlock hydrocarbon potentials, Phillip Chukwu outlined some basic entry considerations the region should satisfy and they include technical, political, economic, social and environmental.

Under the technical considerations is the potential size of hydrocarbon reserves to be found and produced in the region, which depends on availability and accessibility of technical data including regional geologic prospectivity reports, seismic coverage and well data, and the degree of technical challenges facing exploration and production activities in the country of interest.

Major IOCs have been showing interest in this region for over 80 years and governments in the region, in collaboration with exploration services companies, have acquired substantial information including geologic, geophysical and well data, which are readily available and accessible to interested parties. Governments in the region have also demonstrated the desire to attract investors by mapping out exploration blocks and conducting licensing rounds.

The nature of political regime and government stability, boundary settlement, the potential for nationalisation of the oil and gas industry, current embargoes, fiscal stability and predictability and levels of taxation, constraints on repatriation of profits, personnel security, local costs, inflation and exchange rate forecast play a role in unlocking the potentials of the region.

At present most governments of the region are based on constitutional democracy which is sustained by policies of both the African Union and the ECOWAS which do not accept changes in government other than by the ballot box. Acts of nationalisation by governments in the region were last recorded in the mid-1970s, when the Nigerian government acquired equity in the operations of IOCs in both the upstream and downstream.

Funding constraints, where government has challenges meeting its cash-call obligations, could also discourage investment. The preference for the PSC and hybrid arrangements is to mitigate these challenges.

Incidents of kidnapping of oil workers for ransom, vandalism of oil and gas facilities and oil theft still disrupt operations, though on a much reduced scale, leading to losses, and therefore increasing the cost of production.

Dispute between operating companies and indigenous people have led to disruptions and higher operating costs. This is being addressed by government and companies positively engaging with oil producing communities.

A significant proportion of skilled workforce in the region is still externally sourced at high cost. By providing support for higher education and on the job training companies support local skills development; the National Content policy seeks to mitigate this challenge; industry boom and bust has not helped. In addition, precautions needed to protect the environment from harm during operations.

To address these challenges, the following recommendations were made; better security for workers in the oil and gas industry; more effective counter-strategy against oil theft and sabotage; better funding for capital projects and clear pending payments on expenditure; need for more predictability around renewal of oil leases as uncertainty around leases inhibits investment; fiscal stability and predictability, which remain key in ensuring investors can confidently commit to capital projects, government revenues are forecast reliably, and a capable service industry is maintained with a steady work load and managing perceived reputational issues through governments approving public disclosure of contract agreements and all payments to stakeholders, whether in cash or kind.