

# The future looks bright for African oil & gas

 By [NJ Ayuk](#)

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Africa holds around 7% of the world's proven crude oil and natural gas reserves, yet the continent remains largely under-explored. It's safe to say that the motherland is far from having exploited its full potential. For this potential to bear fruit and translate into economic development and jobs, several things need to happen. Good thing is, they are slowly taking shape.



NJ Ayuk, chairman of the African Energy Chamber

## The rise of the African continent

For example, it is encouraging to see African oil and gas companies becoming more and more a part of the continent's economic empowerment story. In this context, 2020 is likely to see a continuation in the rise of the African private sector's contribution to supporting industry growth and jobs creation.

An emergence of strong African oil companies (AOCs) across the value chain, from field operators to services providers, is a key emerging trend for the sector. Many companies from West Africa particularly are seeking regional expansion across the continent and driving regionalisation. As most countries strengthen their local content regulations, the trend is likely to accelerate.

## Regional and international cooperation

This year will prove whether African nations have learned how to cooperate on transnational energy deals and infrastructure for the benefit of all involved. It could see the unlocking of multi-billion-dollar opportunities through transnational energy cooperation and projects. This applies to planned and stalled pipeline projects in need of revival such as the East African Crude Oil Pipeline for instance, but also to upstream investments and developments, especially in the Gulf of Guinea. Similarly, the way African Continental Free Trade Area (AfCFTA) impacts intra-continental trade could be a boost to the energy sector if properly utilised.

On the international stage and under the leadership of Secretary General Mohammad Sanusi Barkindo, Opec has welcomed more African producers - Equatorial Guinea (2017) and the Republic of Congo (2018) being the latest ones. As the organisation further expands the Opec/non-Opec outreach across Africa to find consensual solutions to market stability while offering technical assistance to upcoming producers, 2020 might be the year a new addition of an African oil-producing country as Opec member.

## **Expanding midstream and downstream infrastructure**

New refinery and petrochemical complexes are being constructed and existing ones will be expanded in the near and medium term. The continent is likely to see the emergence of regional hubs and markets with the strategic ambition of procuring petroleum products and natural gas. Examples include Equatorial Guinea's LNG2Africa initiative and the Akinokien import and regasification terminal, the Dangote Refinery in Nigeria, and Ghana's Tema LNG terminal project, among others.

Market access is also increasing on the back of several pipeline projects such as the Lokichar-Lamu Crude Oil Pipeline in Kenya, and the intensifying talks over the 5,660km pipeline that could supply gas to as many as 15 West African countries between Nigeria and Morocco. Niger also signed the Transport Convention on the construction and exploitation of the Niger-Benin Export Pipeline, key to Niger significantly increasing its crude oil production over the next five years to as high as 100,000bpd. In East Africa finally, Ethiopia and Djibouti have reached an agreement on a gas pipeline that will offer an exit route for Ethiopia's gas fields and help unlock tremendous value in gas export potential.

## **Africa is transitioning to gas**

There is a promising outlook for the African gas sector. Countries without substantial gas resources will be turning to liquified natural gas (LNG) imports to power their homes and industries. Ghana, for example, will be installing a new floating regasification unit in 2020. Ivory Coast, Morocco and South Africa have also looked at installing these units in the near future. The urgent need for rapid industrialisation will create tremendous opportunities for gas to fuel African economies in a more cost effective and environmentally sustainable manner. The race is on.

At the end of the Gas Exporting Countries Forum's 2019 Summit, Equatorial Guinea launched the Declaration of Malabo – a document affirming the importance of retaining rights of member countries for natural gas resources – which will lead to the securing the energy transition Africa needs and to meeting sustainable development goals and attracting investment into gas infrastructure projects.

## **Technology**

Africa's potential for innovation and leapfrogging is slowly affecting its hydrocarbons sector – we are finally seeing the adoption of sophisticated software and tools such as artificial intelligence (AI) and machine learning (ML) in oil and gas. New ways to drill wells and handle equipment are being adopted, new seismic data collection techniques and petroleum data management tools are being designed.

The trend is also helping the industrial and manufacturing sectors to save cost and address the logistical and power challenges of operating on the continent.

We definitely see international technology providers investing and collaborating with African companies to drive efficiency and environmentally-friendly production methods in 2020 and beyond.

## Security concerns

We are likely to see an increase in African governments and oil companies doing more to protect the security of energy infrastructure and assets on the continent. Oil & gas resources and commodities are prone to security risks – leaving countries victims to energy theft, vandalism, piracy. Such acts cost Africa's oil & gas sector several billion dollars a year in losses and reparations. With insecurity now spreading to East Africa, the industry has taken as a responsibility to seriously address the issue.

## Regulatory reforms

With hundreds of blocks and acreages up for grabs in 2020 and a widening energy infrastructure gap, sub-Saharan African countries are increasingly competing for investments and technology. Countries like Senegal, Benin, Gabon, Algeria and Cameroon have already implemented structural and regulatory reforms in 2018/19 to attract new investment. Several others are still restructuring their energy policies to provide more incentives to develop domestic oil & gas reserves (associated and non-associated), fuel for thermal generation and both expand and diversify their energy infrastructure.

## ABOUT NJ AYUK

Ayuk is founder and CEO of Centurion Law Group and the executive chair of the Africa Energy Chamber of Commerce (AEC).

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