Africa’s common sense energy agenda against covid-19 and the oil price war
The double crisis of the COVID-19 pandemic and the collapse in oil prices is taking a toll on African economies and the African energy industry. An unstable and precarious oil prices environment has resulted in substantial cuts in state budgets and public spending, in losses of contracts and hundreds of thousands of jobs put at risk. Bouncing back from this historic crisis will require strict and bold government action.

The impacts of the current crisis are wide and affecting both Africa’s most promising exploration prospects, but also its multi-billion-dollar landmark projects. While the immediate impact on the continent’s biggest oil & gas project is already being felt, a much bigger one will result from the deferral or cancelling of drilling plans. Across oil & gas basins, drilling projects are being put back on the shelves or terminated.

**Senegal:**
- Greater Tortue/Ahmeyim LNG Project: BP declared force majeure and expects a one-year delay on the receipt of the Gimi FLNG facility.
- Sangomar Offshore Oil Project: Senegal’s very first oil venture was sanctioned in January but will now be facing financing delays.

**Nigeria:**
- Assa North/Ohaji South Gas Project: Shell’s new mega gas project was sanctioned last year but could be hit by delays.
- Bonga South West Aparo Oil Project: Shell’s next big oil project in Nigeria, for which the invitation to tender was released to contractors early last year, could also not see FID this year.
- Additional FIDs at risk: Preowei (Total), Zabazaba-1Etan (Eni), Bosi (ExxonMobil), Uge (ExxonMobil), Nsiko (Chevron)

**Mozambique:**
- Rovuma LNG Project: ExxonMobil is delaying its FID on the $30bn Rovuma LNG project.

**Ghana:**
- Pecan Field Development: Aker Energy cancelled its letter of intent sent to Yinson Holding this year to charter, operate and maintain the Pecan FPSO.

**Angola:**
- Block 15: BP’s Palatina Field Development could be delayed
- Block 31: BP’s Palas, Astraera and Juno (PAJ) project could be delayed
- Block 17: Zinia 2 Development could be delayed

**Cameroon:**
- Etinde Gas Project: FID expected this year by Bowleven could be delayed.

Since the beginning of the COVID-19 pandemic and its subsequent effect on oil demand and prices, the African Energy Chamber has been leading the dialogue between the public and the private sector on advocating for measures to support our industry and its jobs. While the Chamber believes that market forces need to determine the industry’s future and advocates for limited government across the industry, the time calls for urgent actions. We cannot let our companies and industry collapse for the fear of losing jobs and investments that would sustain our economies for decades to come. It is worth bearing in mind, that activity in and income from Africa’s energy sector generates significant amount of demand and services from other non-oil and gas sectors of the economy.

“Our commonsense approach advocates for measures that will support the continuity of business operations and future sector growth. The oil and gas industry will only work for Africans when we set fair policies and treat oil and gas companies as partners who drive our progress.”

As the voice of the energy industry, we will continue to work with the public and the private sector and other stakeholders to revitalize the African oil and sector by putting Africans back to work.”

Nj Ayuk,
Executive Chairman,
African Energy Chamber
The African Energy Chamber continues to call on governments, regulators and private companies to work together on finding the right solutions that work for their country and operations.

For that purpose, the Chamber has outlined an action plan of key measures which we believe need to be implemented across our continent so our industry can get back up. We have the tools in our hands to quickly open new markets for our oil and gas businesses and create new jobs for our continent.

Exploration and Extensions of PSCs

Most exploration and production companies remain at the core of our industry and their investment is key to our future growth, the Chamber recommends an extension of 24 months on all exploration projects in order to provide for ongoing drilling deferrals and delays in drilling schedules. Several exploratory drilling projects have been put on hold, deferred or cancelled and extending deadlines provided within the PSCs would allow for their rescheduling. Supporting exploration needs to be the top priority across the continent.

Work Programs Adjustments

The year 2020 is a difficult one and it makes sense to immediately waive some of the work program commitments for exploration companies in order to give a boost to exploration commitments and support the resumption of exploration activities at the earliest. Companies are in a tight position and should not be put into a corner where they will have no option but to proceed with force majeures.

Petroleum and Natural Gas Fiscal Regimes

Now is the time for a country like Nigeria to immediately pass the famous Petroleum Industry Bill. It will give the industry and the country a massive boost. Other countries should look at their fiscal terms and the regulatory environment. The Chamber believes that Oil and Gas companies and financial institutions want a regulatory and fiscal regime that provides transparency, predictability, and consistency. When it comes to producing operators, we call on a stronger public-private conversation on the revision of fiscal terms within PSCs, especially for contracts over producing areas and fields whose operating costs are higher. Better fiscal terms will enable operators to meet their commitments and keep raising capital even in today’s environment.

Financial Support and Patient Capital with Banking

The banking sector and financial institutions must look at providing no-interest loans and loan guarantees to local services companies who have ongoing projects and commitments with foreign majors.

An urgent establishment of a single window or special regime for companies to facilitate foreign exchange would be beneficial to ease international transfers and allow local companies to compete, especially in the CEMAC region.

Cutting on Non-operational Fees

In light of the oil sector’s contribution to the fight against COVID-19, the Chamber urgently requests a reduction in social fees and fees due to the state such as surface rental fees or fees related to training funds.

For Corporate Social Responsibility expenditure for instance, we believe CSR fees need to be reduced according to a company’s level of operations and be cut by 50% for services companies, 40% for exploration companies and 20% for producing companies. In addition, the obligations for local SMEs to execute social projects should be altogether suspended until 2022.

Promotion of Upstream Investments

African states should actively promote JV’s on current farm in projects. The extension of exploration periods, along with the revision of PSCs’ fiscal terms should be an encouragement for farm-in and farm-out opportunities across the continent, which can result in the resumption of operations and the acceleration of drilling programs when the situation stabilizes.

Africa is competing aggressively for exploration dollars against very attractive regions such as the Middle East and the Americas and its environment needs to become more attractive to ensure capital injections and technology transfers.

Incentives to Critical Infrastructure Projects

Beyond the upstream sector, the Chamber believes governments should offer the necessary state support and government incentives to critical infrastructure projects in the midstream and downstream industries. Such incentives should be given to key infrastructure refining and LNG projects. The Dangote Group’s 600,000 bpd refinery which is due for completion in 2022, is a good example of this, as it is set to increase income generation per barrel produced in Nigeria by more than 50% from current levels. Landmark LNG projects like GTA in Senegal, Train 7 in Nigeria or Mozambique’s LNG projects are additional relevant examples.

Regional Content Development

We must look at a commonsense approach to local content. A clear revision of the industry’s approach to local content development and capacity building is needed. A review of local content regulations is required to revise or drop inefficient requirements.

More importantly, the time has come for African jurisdictions to harmonize their local content regulations and push forward an African regional content approach that will encourage joint-venture and regional expansion within the upstream and services industries.

Women empowerment must be at the front and center of the new approach. Study upon study in Africa has shown the competitive productivity of women vis-à-vis men. The oil and gas sector must therefore not be left behind in ripping the benefits of increased women participation in the sector.

Subsidies Removal

The current situation provides the breeding ground for subsidy reforms across the continent. The Chamber is encouraging all governments to follow the steps of Nigeria and seize the opportunity of the moment to take a bold action on removing fuel subsidies when applicable. Such a reform will allow the saving of several billions of dollars a year and provide a better macroeconomic stability for African economies to recover.

www.energychamber.org
At the Forefront of the African Energy Industry

The African Energy Chamber (AEC) is the voice of Africa’s energy sector.

As the leading chamber of successful networks, transactions and partnerships at the helm of Africa’s growing energy industries, the AEC actively promotes the interests of the African continent, its companies and its people.

Together, we can shape Africa’s energy future.

Find out more about our work and our partners at www.energychamber.org

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