

A large offshore oil and gas platform is shown at sunset. The platform's complex structure of yellow steel beams and pipes is silhouetted against a bright orange and yellow sky. The sun is low on the horizon, creating a shimmering reflection on the dark water. In the background, several tall, cylindrical smokestacks or chimneys are visible. The overall scene is industrial and dramatic.

# THE OIL AND GAS SECTOR IN WEST AFRICA AND MAGHREB

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INTRODUCTION AND SMALL INSIGHTS

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#### Quick facts on Africa in the oil and gas sector

- ▶ 11 of the top 20 oil discoveries in 2014 were in Africa
- ▶ Oil reserves: 129.2 billion barrels, 7.6% of the world's proven reserves
- ▶ Gas reserves: 499.8 Tcf, 86.2 billion BoE, 7.6% of the world's proven reserves
- ▶ 46.4% Africa's LNG operating capacity in 2014 – rest of world operating capacity 93.7%
- ▶ Potential industry investment in Ghana, Mozambique and Tanzania estimated at USD4 billion per annum over the next few years
- ▶ Africa consumption to increase by 50% over the next 20 years, global consumption only by 20%
- ▶ The West African outlook is being dragged down by structural challenges in Nigeria although frontier exploration in the South Atlantic may hold upside in the long term



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# THE OIL AND GAS SECTOR IN WEST AFRICA AND MAGHREB

**A sector in which the role of sub-supplier or nished solution provider may be the best position for Swedish companies to take.**

The West African economy is heavily affected by, and benefitting from, oil and gas. Overall in Africa, it is estimated that 57% of the export earnings are derived from hydrocarbons. Some of the most oil and gas revenue dependent countries in the world can be found in the region and it is a host to some of the most renowned producers. The developments in oil prices have a large effect on these oil and gas dependent economies, such as Nigeria and Algeria.

With dropping oil prices, a drop that has been relatively sharp since mid-2014, the effects are varying with short term mainly negative economic implications. However, these negative effects also lead to a need for economic diversification in the oil dependent countries. This diversification will most likely be benefitted from once oil prices may rise again, producing a healthier and more diversified economy overall in the country and the region.

Country	Barrels per day (2016 est.)
Nigeria	2,525,000
Algeria	1,885,000
Angola	1,840,000
Libya	1,600,000
Egypt	680,500

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## MARKET SIZE RELATIVE TO THE WORLD

The scope for further exploration in the region is big even though the reserves have been increasing. Although it is difficult to estimate, some sources claim that there may be at least 100 billion barrels of oil offshore Africa still waiting to be discovered. The proven oil reserves are mainly stemming from the four African countries who are members of OPEC (Organisation of the Petroleum Exporting Countries). These are Libya (which has 48.5 billion barrels worth of reserves), Nigeria (37.1 billion barrels), Angola (12.7 billion barrels) and Algeria (12.2 billion barrels). In fact, these four countries held 84.8% of Africa's reserves at the end of 2013. Other countries with notable proven oil resources are Egypt (3.9 billion barrels), South Sudan (3.5 billion barrels) and the franc zone countries of Gabon, Equatorial Guinea, Republic of Congo, and Chad. A number of other countries are however emerging, with some of the most exciting prospects being Ghana, Uganda and Kenya. According to data from the US Energy Information Administration (EIA), 12 African countries had proven oil reserves of more than 500 million barrels at the start of 2014.

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## INDUSTRY STRUCTURE

In general these are heavily regulated sectors within each country. The governmental interest and involvement is large and the red tape can in some case be crippling. As mentioned above the two major actors in the West Africa and Maghreb region are Nigeria and Algeria. These are two countries in which the national oil companies have a significant mandate and an involvement in more or less every step and service in the value chain. In Nigeria it is the Nigerian National Petroleum Corporation (NNPC) that governs, regulates and partake operationally both onshore and offshore. This is in the majority of cases done through joint ventures with international oil companies such as Shell, Chevron, Total etc. In Algeria the equivalent actor is Sonatrach which is a huge company that has power not just in the oil and gas sector in Algeria but also affects the entire economy in a big way. These organisations do everything from exploration and production to retail outlets and oil trade.

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## MARKET OPPORTUNITIES AND POSITIONING

The way for Swedish companies to enter the market can take many different shapes and routes. Whether it is as an oil and gas exploration company or a sub-supplier to drilling contractors or accommodation solutions on the platforms, one will always have some sort of relationship to the national oil company. The opportunities are big and will become even bigger if the oil prices were to rise.

We at Business Sweden can assist you in analysing the industry, providing insights, formulating strategy and opening doors to gatekeepers. Our experience in the region and in the sector provides a potent combination facilitating participation from Swedish companies in the oil and gas sector, and its sub-functions, in West Africa and Maghreb.

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