

Oil & gas activities trigger big investments in Namibia, Angola and South Africa

By [NJ Ayuk](#)

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Last spring, the Maersk Voyager, an ultra-deepwater drillship under contract by French supermajor Total, sank a wildcat well to a depth of 3,628 metres (11,903 feet) in Block 48, a massive area with potentially huge oil reserves in the Congo basin offshore Angola.



Maersk Voyager, deepwater drill ship. Photo supplied

The record-setting achievement wasn't a success just for Maersk and Total. It also represented a victory for Angola and state oil company Sonangol in their search for new oil, part of a campaign to reverse a recent trend of production declines. The high-impact concept well was long anticipated, and it didn't take long for other global players, including Qatar Petroleum (QP), to buy in. As part of its bid to expand its exploration portfolio, QP acquired a 30% stake in Block 48 in August, its first venture into Angola's promising deepwater acreage.

If Angola were the only southwestern African nation making oil and gas news, that would still be a pretty good story. But in fact, the coast is home to perhaps the most globally anticipated wildcats of 2020 and 2021 — exploration that continues despite the added challenges of Covid-19, which has constrained operating and capital budgets.

Combined with Block 48, the Venus-1 prospect in Namibia, and South Africa's Brulpadda and Luiperd, the region holds world-class resource potential. The key is translating that potential into real benefits for all Africans.

Production is building momentum in Angola

For nearly 70 years, oil has been a mainstay of the Angolan economy, contributing about 50% of the nation's gross domestic product and around 89% of exports. The country holds the continent's second-largest proven oil reserves and is behind only Nigeria in terms of production. (Angola also has Africa's fourth-largest proven natural gas reserves, although historically it hasn't produced much commercially.)

In recent years, though, the drop in oil prices scared off foreign investment, putting pressure on Angola's well-established oil and gas industry as well as its oil-based economy. Despite its vast resources, not only was production on the downturn, there had not been a major new discovery since 2011. Without fresh finds, consultants Rystad Energy, S.A. said, volumes could drop below 1-million barrels per day by 2025, far below capacity and less than half the 2008's daily output.

That forecast was more than enough to spur Angolan President João Lourenço into action.

Following his election in 2017, he promised Angola an "economic miracle" and immediately began incentivizing participation in the nation's oil and gas industry as part of his turnaround plan.

Lourenço's lures, including better contract terms that would make foreign investment more profitable, paid off. With reforms such as tax relief and a standalone oil industry regulator in place, Total — which has been operating in Angola for six decades — moved quickly in 2018 to take over Block 48 and was awarded Block 29 in the Namibe basin earlier this year; Italy's Eni was awarded neighboring Block 28 about the same time. Angola also awarded several offshore blocks to Norway's Equinor and BP. (There are approximately 50 blocks in the Namibe basin, but whether they will all be put into play remains to be seen.) Eni and its partners also began production at Agogo-1, pumping a modest 10,000 barrels per day. While that may sound small, it contributes to a much larger sum: Taken together, Rystad said, production from new Angolan projects — that is, those begun just in the last five years — should yield 549,000 barrels per day by 2025.

Fiscal regime sets stage for success in Namibia

If early seismic data is to be believed, compared to Angola there is equal, if not even more, promise in new discoveries offshore Namibia. Altogether, more than 11-billion barrels in oil reserves have been found off the Namibian coast, and scientists compare Namibia's geology favorably to the pre-salt fields offshore Brazil, which hold 16 billion barrels of crude reserves. Yet Namibia's basins are considered underexplored, meaning there's ample opportunity for foreign and domestic investment. The possibility of high-impact discoveries has attracted the likes of Total, ExxonMobil, QP, and Kosmos Energy, which has had significant wildcat success in Africa over the past dozen years.

Currently, all eyes are on Total's possibly play-opening Venus 1- prospect, which may turn out to be the largest discovery in Africa in a decade. An ultra-deepwater well in the Orange Basin, which straddles the border with South Africa, Venus-1 is thought to have at least 2-billion barrels of oil in place. If Venus-1 is successful, it's like to attract even more attention to the area. Fortunately, the Namibian government's oil-friendly policies make it easy for foreign companies to do business there. The fiscal regime is positive, and the state-owned oil company, the National Petroleum Corporation of Namibia (Namcor), is a cooperative partner. It also helps that Namibia is politically stable and has some of the best-developed infrastructure on the continent, including a modern electricity distribution grid.

Turning to South Africa

Like its neighbours to the west, South Africa has been the site of considerable excitement over frontier discoveries, including Total's Brulpadda, which opened up the Outeniqua basin in 2019. Brulpadda is considered a world-class oil and gas play that holds as much as 1-billion barrels of oil equivalent of gas and condensate light oil.

Brulpadda is considered an antidote to the cascade of ailments South Africa — like many countries with petroleum

resources — has experienced in recent years: a drop in oil and gas exploration following a decline in commodity prices. It is likely that PetroSA's gas-to-liquids (GTL) plant will provide a ready domestic market for Brulpadda, as will the nearby petrochemical and industrial facilities. It is also possible the discovery will help South Africa accelerate the use of gas for electricity.

Total continues to explore other parts of the Outeniqua basin and just last month discovered gas condensate on the Luiperd prospect, where it is a joint venture partner with QP, CNR International, and an African consortium called Main Street. In an announcement, Total said that the Luiperd well was drilled to a total depth of about 3,400 metres and encountered 73 metres of net gas condensate pay, making it even larger than the main reservoir at Brulpadda. Total and its partners have decided to commercialise the Luiperd gas rather than drill another exploration well in the program.

Africans must realise the benefits

There's no question that these discoveries have made southwestern Africa an exploration hot spot.

Neither is there any doubt that the governments of Angola, Namibia, and South Africa have facilitated and even accelerated the discovery and development processes by making it easy to do business there. (In the case of South Africa, its fiscal terms for oil and gas companies are described as "very generous.")

What remains uncertain is to what degree each country will continue working to ensure its natural resources, whether newfound or long-established, are used to lift people out of poverty. True, African involvement in joint ventures leads us to assume that the best interests of every citizen are being considered.

But this is a time for the oil and gas companies that are involved in these mega-opportunities to redouble their efforts to support local communities and people. These companies are our guests in Africa, but the price of a welcome to our resource riches can't be merely contractual, a handshake between governments and businessmen. The more they profit, the more Africans should benefit.

This idea is at the heart of the concept of shared value, which has been defined as "a framework for creating economic value while simultaneously addressing societal needs and challenges," and as the "practice of profit in a way that creates value for society." Shared value doesn't suggest that businesses should act as philanthropies or charities, giving handouts to those who exhibit need. It goes beyond the idea of corporate social responsibility, which is often based on volunteerism and one-off donations. Perhaps most important, Shared value recognises that companies can only stay in business if they are making money. As consultants FSG described it, the value companies and the community are sharing is "worth," that is, economic value on a financial sheet and societal value in the form of progress on social issues.

Shared value recognises that companies have a responsibility to take on social challenges through the business itself. It is in their economic interest to do this. In Africa, one way they can do that is by supporting capacity-building. As the shared value Initiative noted, despite the substantial economic output of the oil and gas industry, it has "not always translated into societal improvements in host countries and communities... companies are losing billions of dollars a year to community strife," much of it due to underemployment.

As more companies are attracted to southwestern Africa and these exciting new developments, we can only hope that they will recognise that where opportunity exists for them it should exist for everyone. And they have the power to make it so.

ABOUT NJ AYUK

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