

**The Corporate Council on Africa's Oil & Gas Forum  
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Plenary Summaries  
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**2006 CCA Africa Oil & Gas Forum**  
**Thursday, November 30, 2006**  
**8:30-10:00AM**

**Expectations and Reality: A Dialogue between Countries and Investors**

Moderated by **Robert Johnson**, Director, Energy and Natural Resources, Eurasia Group

**Panelists:**

- **Stephen Hayes**, President, The Corporate Council on Africa
- **The Honorable Buyelwa Patience Sonjica**, Minister of Minerals and Energy Affairs, South Africa
- **Dr. Daniel Yergin**, Chairman, Cambridge Energy Research Associates, Inc.

**Introduction**

A combination of record-high global oil prices and growing political instability in traditional Middle Eastern oil producers has recently increased the value of African oil and gas resources in the global marketplace. The United States and major international oil companies have been monitoring these developments with keen attention—and have responded accordingly. Africa is expected to account for 25 percent of U.S. oil and gas imports by 2010. International oil companies have increased their pace of investments in exploration and production on the African continent, generating substantial oil revenues for African producing countries. Given this context, it is vital that African governments begin planning approaches to maximize these endowments for national development goals.

**Key Discussion Points**

The United States currently imports approximately 19 percent of its total oil imports from Africa; this figure is expected to rise to 25 percent by 2010. African governments, however, must stay on track with planned reforms in the political and economic spheres—which are necessary to boost investor confidence—for the projected increase in exports to occur. Higher levels of local participation in the sector and improved infrastructure are also essential if African countries are to fully benefit from oil and gas production.

Regional gas networks can help boost Liquefied Natural Gas (LNG) capacity in Africa as the sector becomes more advanced. Twenty-seven percent of the world's current LNG reserves are located on the continent. African countries export 2.4 million barrels per day (bpd) of LNG to the United States. Resource nationalism and a prioritization of energy security have emerged as two important trends in the global energy market. Tight global oil supplies and the accompanying record-high oil prices have characterized the global market in recent years.

In the past few years, several energy experts have raised the specter of the world's oil reserves being far more limited than standard industry projections suggest. They argue that only officials of the Kingdom of Saudi Arabia—which owns the world's largest oil reserves and is the only producer with the excess capacity required to rapidly ramp up production to smooth bottlenecks in the global market—have precise knowledge of the true size of the kingdom's

reserves. The rest of the world can merely estimate the size of Saudi Arabia's reserves and these estimates may turn out to be quite imprecise. Nonetheless, these concerns stem from underestimating total global energy reserves and discoveries of new oil fields. There is substantial growth for future findings such as oil sands, as well as continued refinements in technology that can help address these fears, for example, gas-to-liquid conversion. Energy problems, however, will become increasingly international in scope in the years to come and the future of energy will be intertwined with environmental issues, global market prices, new technologies, and geopolitics.

**Thursday, November 30, 2006**  
**10:15AM-12:45PM**

### **Coping with Challenges: The African Perspective**

Moderated by **Jonathan Berman**, Director of DAI Business Advantage, Development Alternatives, Inc.

#### **Panelists:**

- **The Honorable Chakib Khelil**, Minister of Energy and Mining, Algeria
- **The Honorable Gabriel Nguema Lima**, Vice Minister of Mines, Industry, and Energy, Equatorial Guinea
- **Dr. Fabia Amakiri**, Group General Manager LNG/Power, Nigerian National Petroleum Corporation

#### **Introduction**

Senior representatives from the Governments of Algeria, Equatorial Guinea, and Nigeria presented on the oil and gas sectors in their respective countries. Challenges experienced in operating environments, factors deemed necessary to facilitate oil production, and areas requiring additional investment were explored. All three presentations stressed the importance of energy partnerships in controlling production costs, sharing risks, and acquiring new skills and technology. The representatives also discussed domestic public sector reforms that the governments had embraced with the objective of engendering business-friendly investment climates.

#### **Key Discussion Points**

##### **Algeria**

Algeria is blessed with some of the richest natural gas reserves in the world. In 2003, the country produced 2.9 trillion cubic feet of natural gas—the fifth largest volume in the world and the largest among the member countries of the Organization of Petroleum Exporting Countries (OPEC). Algeria was the first country to export Liquefied Natural Gas (LNG) to the United States and the United Kingdom in the 1960s. The Government of Algeria has instituted several governance and economic reforms to render its energy sector attractive to international investors. International legal instruments have been adopted to protect investments and the government is currently negotiating to become a member of the World Trade Organization (WTO). Algeria's hydrocarbon industry accounts for 40 percent of Gross Domestic Product (GDP), employing 150,000 people, and generating 95 percent of the nation's hard currency.

International developments and government-led initiatives have shaped the evolution of Algeria's LNG sector. Rapid growth in global demand and physical constraints in the global petroleum services sector have had positive implications for the national gas industry. In 1986, the Algerian Government adopted a set of reforms to encourage domestic growth in LNG. A law that demarcated the role of the state from commercial activities was passed in 2005. In addition, a new institutional framework, free market competition, and increased

transparency have been actively promoted. These reforms are still in progress. Joint ventures in the gas sector were permitted in 1991. Investments in the Algerian hydrocarbon sector amounted to \$8.6 billion in 2006. Sonatrach, which is Algeria's state-owned petroleum company, accounted for 71 percent of these investments. Free competition prevails in the provision of LNG-related services such as engineering, construction, and maritime services. Freer competition in services should strengthen market competition in the country.

### **Equatorial Guinea:**

Although a relatively small country, Equatorial Guinea has quickly gained prominence as an important African oil and gas producer due to its sizeable reserves. U.S. oil companies have invested heavily in the country, with the United States representing the largest foreign direct investor. The government has recently attempted to diversify the oil and gas sector by encouraging investors to participate all along the production chain. For example, the country's upstream producers include ExxonMobil, Amerada Hess, and Marathon Oil Corporation; upstream explorers include Petronas, Rocoil, Atlas, PetroSA, and the China National Offshore Oil Corporation (CNOOC); and key downstream producers are LPG-Alba, Methanol-Ampco, and LNG-EGLNG. Equatorial Guinea recently signed production-sharing agreements with Ophir of Australia and CNOOC.

In terms of long-term strategy, the Government of Equatorial Guinea desires further development in downstream services, especially in natural gas. Secondly, it has declared a policy to eliminate gas flaring within three years. Thirdly, the government has sought technical advice from the International Monetary Fund (IMF) on how best to utilize its petroleum revenues for economic development. Additionally, the state seeks to invest in infrastructure that complements both the oil and gas sector and broader development goals. For instance, the deepwater Luba Port and its corresponding oilfield services logistics base, became operational in 2002. On the other hand, road networks, social housing, and administrative buildings are currently under construction. Social sector reforms such as investments in the healthcare system and educational training are also underway. For example, the government has financed and continues to fund overseas training for students. This is meant to help fill Equatorial Guinea's tremendous gap in educated, skilled labor. Companies such as ExxonMobil and Marathon Oil Corporation have supported the establishment of the National Institute of Technology.

### **Nigeria**

Nigeria is a leading global oil and gas producer and one of four African OPEC members; Angola is the other member<sup>1</sup>. Most of Nigeria's oil and gas reserves, that is, 28 billion barrels and 160 trillion cubic feet respectively, are located in the southern state of the Niger Delta. However, the country also possesses significant deepwater reserves amounting to 5 billion barrels of oil and 27 trillion cubic feet of gas. Nigeria has invested more than \$9 billion in the exploration and production of oil off of the Niger Delta basin's deep and ultra deep waters. The 2005 open round of competitive bidding recently concluded, with 77 blocks of high, high-moderate, and low prospects fields awarded. Nonetheless, many blocks remain available

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<sup>1</sup> Angola will formally become the twelfth member of the Organization of Petroleum Exporting Countries effective January 1, 2007.

for interested companies. Company participation in the 2005 bidding round was diverse; the winners ranged from indigenous and independent operators to major oil companies.

The Nigerian Government has developed a set of objectives for its oil and gas sector and a strategy to achieve them. Among others, the objectives are to increase Nigeria's oil reserves by 4.12 billion barrels to 40 billion barrels and production levels by 1.2 million barrels per day (bpd) to 4.0 million bpd by 2010, and to achieve zero flaring by 2008. The strategy will consist of elements that: 1) encourage capital inflows through an enabling environment and attractive incentives; 2) promote private investment in oil and gas development and gas utilization initiatives; 3) include new, periodic licensing rounds to consolidate gains from 2005; 4) promote joint venture funding; 5) construct new refineries to boost refining capacity; and 6) encourage sectoral linkages to infrastructure development.

Nigeria's national goals for its energy sector are a direct response to the driving forces that currently define the global energy market. Among others, these driving forces include: 1) the rapidly expanding economies of China and India and their accelerating demand for oil and gas; 2) dwindling oil and gas reserves in Europe and the United States; 3) the global search for non-Middle Eastern sources of oil and gas; and 4) Nigeria's abundant resources and relative proximity to the European Union (EU) and U.S. markets. The Nigerian Government, however, also recognizes that it faces major challenges in ensuring reliable oil and gas operations, particularly in important producing communities. Some of the major issues facing the domestic oil industry are community and environmental grievances, infrastructure development, restrictions in production quotas, and balancing the need for local content. In regards to community relations, the most urgent concerns for many communities are a desire for contingency plans for oil spills, compensation for oil pollution, and company operations that adhere to international industry and environmental regulation standards.

**Thursday, November 30, 2006**  
**2:30-3:30PM**

### **Country Study: Investing in Mali's Oil and Gas Potential**

Moderated by **J. Joseph Grandmaison**, Member of the Board of Directors, Export-Import Bank of the United States

#### **Panelists:**

- **The Honorable Hamed Diane Semega**, Minister of Mines, Energy, and Water, Mali
- **The Honorable Ousmane Thiam**, Minister of Investments, Mali
- **Mamadou Simpara**, General Director, Authority for the Promotion of Oil Research, Mali
- **Max De Vietri**, General Director, Baraka Petroleum, Limited

#### **Introduction**

Mali is a politically stable West African country that offers potential opportunities for oil and gas in unexplored basins and wells. Its favorable location adjacent to Mauritania and Algeria provides access to the important markets of North America and Europe. The country is a signatory of the Extractive Industries Transparency Initiative (EITI). EITI promotes improved governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas, and mining. Mali's five sedimentary basins—the Taoudeni, Tamesna, Lullemeden, Gao Garben, and Nara Trough Basins—are currently open for oil and gas exploration activities. Australian company Baraka Petroleum, Ltd. is the first company to have received an exploration license from the Government of Mali. This is an exciting time for Mali's economy. The government signed a five-year, \$461 million compact with the Millennium Challenge Corporation (MCC) in November 2006. Most of the compact's funding will be used to promote economic growth by developing an industrial park, renovating the country's international airport, and strengthening agricultural production. A portion of the funds will also be employed to manage, monitor, and evaluate the program.

#### **Key Discussion Points**

The Authority for the Promotion of Oil Research (AUREP) falls under Mali's Ministry of Mines, Energy, and Water, which is tasked with promoting the country's oil and gas sector with the goal of attracting investment. AUREP was established in 2004 after Mali's Oil Code was revised in 1969 to create a structure of promotion. AUREP's three divisions are the Divisions of Petroleum Geology, Data Bank, and Legal and Financial Services. The Division of Petroleum Geology conducts research programs on oil and natural gas, promotions, and evaluates the oil potential of basins. The Data Bank Division manages geological and geophysical data pertaining to petroleum research, while the Legal and Financial Services Division examines and leads contract negotiations on oil and gas. The latter division also updates related legislative texts and handles all legal matters and disputes.

Mali has experienced three distinct periods of oil exploration activity. Exclusive exploration rights were awarded to the National Society for Mining Exploration and Exploitation

(SONAREM) during the first exploration period of 1960 to 1968. The next phase of exploration spanned the years of 1968 to 2002. During this period, the first national Petroleum Law was promulgated by Ordinance Number 30 in 1969. Non-exclusive exploration rights were provided to SONAREM. Eight licenses were also granted to six petroleum companies, among which were Elf Aquitaine, ExxonMobil, and Texaco. The third and most recent period is that ranging from 2002 to 2006. This period saw a review of the 1969 Petroleum Law, which led to the creation and signing of Petroleum Law 04-037 in 2004. Law 04-037 allowed the subdivision of basins into blocks, the licensing of agreements for exploration, AUREP's establishment, introduced favorable tax systems, and facilitated flexible negotiations. Among Mali's twenty-five blocks, over ten blocks are available for exploration, two are under negotiation, and the remaining are held by:

- Baraka Petroleum, Ltd., ENI, and Sonatrach: Blocks 1, 2, 3, 4, and 9<sup>2</sup>
- Mali Oil Development and Transocean Securities<sup>3</sup>: Blocks 7 and 11
- Markmore Energy<sup>4</sup>: Block 6
- Mali Petroleum S.A./Sphere Investments<sup>5</sup>: Blocks 8 and 10

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<sup>2</sup> Australian Baraka Petroleum, Ltd., ENI of Italy, and Sonatrach of Algeria jointly own Blocks 1, 2, 3, 4, and 9.

<sup>3</sup> Transocean Securities is an Australian company.

<sup>4</sup> Markmore Energy is a privately-held, Malaysian company.

<sup>5</sup> Sphere Investments is an Australian, extractive resources-focused company.

**Thursday, November 30, 2006**  
**3:45-5:15PM**

### **African Voices Address the Changing Landscape of Competition**

Moderated by **Warwick Davies-Webb**, Research Director, Executive Research Associates  
**Panelists:**

- **The Honorable Chakib Khelil**, Minister of Energy and Mining, Algeria
- **The Honorable Emmanuel Nadingar**, Minister of Petroleum, Chad

#### **Introduction**

The plenary session examined growing global competition for African oil and gas, with a special focus on the activities of African countries and their state-run oil and gas companies. Panelists discussed recent trends in heightened demand for exploration and production contracts in African oil producing countries—both emerging and established—which have arisen from a tight global market. Factors that have impacted the global market for oil and gas have had attendant implications for African oil and gas, particularly, in terms of competition, growth strategies for African oil companies, and production partnerships.

#### **Key Discussion Points**

Looming energy crises in large, developing economies such as China and India, security concerns resulting from the need to diversify energy sources after the September 11, 2001, terrorist attacks on the United States, as well as resource control partly explain why foreign national oil companies (NOCs) presently dominate the oil and gas sector in Africa. Some of the still-evolving NOC strategy of engagement involves foreign policy reorientation, reform of state-owned energy companies, and offering the ‘total package’ of institutional leverages. The Chinese have mastered these skills by: 1) providing debt relief; 2) extending cheap financing for infrastructure projects; 3) adopting a non-interference policy in African affairs, particularly those infringing on state sovereignty; and 4) lending diplomatic support through its permanent seat on the United Nations Security Council. Russia has also begun employing similar tactics on the continent.

The Russian Government has recently begun rebuilding the Cold War era African relations it had neglected by reaching out to Angola, Sudan, and Equatorial Guinea. Like China, the Russians are also keen to provide financing for infrastructure development, technical assistance, and are emphasizing a strong bilateral approach. Considering this new reality, greater effort should be made to understand the operations of foreign NOCs. Preliminary steps in this direction might include: 1) increased dialogue between the U.S. government and U.S. businesses on NOC strategy on African oil and gas; fielding more U.S. trade and political delegations to Africa; and 3) forming an energy-driven, private sector development fund.

#### **Algeria**

Sonatrach serves as an example of what African national oil and companies are capable of achieving. It is one of the largest oil and gas producing companies in the world. As a state-owned company, it seeks to maximize the value added to the Algerian state and to be a

leading global oil and gas producer. Established in 1963, the three key objectives of Sonatrach are to: 1) meet Algeria's present and future energy needs; 2) maximize the long-term value of Algeria's hydrocarbon resources; and 3) contribute to national development by generating hard currency revenues. The company's core activities are upstream production, pipeline transportation of gas, downstream services, and marketing. Yet Sonatrach has also successfully branched out into the international trading and shipping of hydrocarbon resources. Sonatrach possesses subsidiary companies in refining (NAFTEC), petrochemicals (ENIP), and hydrocarbon shipping (HYPROC). In 2005, Sonatrach generated \$45.7 billion in exports and drilled sixty-four exploration wells, 32 of which were explored under partnership.

Sonatrach has undertaken several vast infrastructure projects such as the TransSaharan Gas Pipeline, is a member of the MEDGAZ consortium that is constructing a submarine natural gas pipeline from the Hassi R'Mel field to Spain, and has a stake in the GALSI consortium. The GALSI consortium is building a pipeline from Algeria to Italy via Sardinia. These projects illustrate the scope of some of Sonatrach's regional activities. The company's international operations have targeted the United States, UK, the Netherlands, Korea, Peru, Spain, Nigeria, Libya, Niger, Mali, Mauritania, and Egypt. Given the scale of its projects, partnerships will continue to be important for Sonatrach's future growth.

### **Chad**

Chad commenced trade in oil and gas in 1969. Since then, U.S. companies such as Chevron, ConocoPhillips, ExxonMobil, and the UK's Shell Group have been active in the country. Chad is dependent on the Chad-Cameroon pipeline, which runs from the Doba Basin through southern Chad to the Cameroon border, where it continues to Kribi Port to reach international markets. Strengthening government capacity in the upstream and downstream oil and gas industries will be essential to the Chadian energy sector. Regulations governing oil production were recently revised following the Government of Chad's insistence on increasing the proportion of oil revenues allocated to current public expenditures. Consequently, new targets have been established to guide the percentages of revenues that the government will set aside for the national social trust fund. The social trust fund is intended to finance social and economic development projects.

Representatives from the World Bank and the Government of Chad signed a Memorandum of Understanding (MOU) in July 2006 under which the Chadian Government has committed 70 percent of its 2007 budget expenditures to priority poverty reduction spending. In 2007, the country will develop a new Poverty Reduction Strategy with the participation of all relevant stakeholders, which will form the basis for determining future expenditure priorities and be enacted into law. The agreement also provided for long-term growth and opportunity by creating a stabilization fund.

**Friday, December 1, 2006**  
**9:00-10:00AM**

## **Energy Interdependence: Reexamining Expectations and Reality**

Moderated by **Stephen Hayes**, President, The Corporate Council on Africa

### **Keynote Speaker:**

- **The Honorable Samuel W. Bodman**, Secretary, U.S. Department of Energy

### **Introduction**

The keynote address centered on Africa's role in the global, increasingly interdependent energy market, as well as steps that African oil producing countries can take to leverage growing demand for their resources for national development. U.S. Secretary of Energy Samuel W. Bodman spoke to the increasing importance of Africa as an energy exporter to both the United States and the world, as well as some of the new areas of investment that U.S. companies are especially interested in.

### **Key Discussion Points**

Africa is a major energy producer that currently produces approximately 10 million bpd. Robust growth of the African energy sector is important for both current and future continental and global economic prosperity. African oil producing countries account for roughly 12 percent of global oil supply, but they currently supply approximately 19 percent of U.S. net oil imports. Ever-increasing global consumption of oil and natural gas creates several challenges, with the environment topping this list. For example, the United States needs to apply advanced technology and pollution prevention techniques throughout the production to consumption stages of energy.

Algeria, Nigeria, and Angola—which rank among the top ten suppliers of oil and gas to the United States—can assure themselves spots in the global energy system by embracing market principles and pricing. The same applies to natural gas and liquefied natural gas where Nigeria and Algeria are key providers. Equatorial Guinea and Angola are emerging producers in this respect. Equatorial Guinea's LNG facility is expected to come online in late 2007 and Angola's in 2011. The West African Gas Pipeline project, which will connect Nigeria, Benin, Togo, and Ghana, is also expected to commence operations in 2007.

Foreign Direct Investment (FDI) in the Gulf of Guinea is dominated by U.S. companies. Nigeria and Angola have received approximately \$11 billion from U.S. investors. In North Africa, Anadarko Petroleum Corporation is the largest foreign oil producer in Algeria. The Oasis Group, comprising ConocoPhillips, Marathon Oil Corporation, and Amerada Hess recently returned to Libya after departing the country in 1986. U.S. companies also have a strong presence in Chad and Cameroon, where they have invested \$4 billion in the cross-country project. Madagascar, Benin, São Tomé and Príncipe, and Guinea Bissau are some of the new areas that U.S. companies are looking to invest, with Liberia and Sierra Leone not far behind.

**Friday, December 1, 2006**  
**10:15AM-12:15PM**

### **Broadening the Producer-Consumer Dialogue**

Moderated by **Al Hegburg**, Deputy Assistant Secretary, U.S. Department of Energy

#### **Panelists:**

- **Guy Caruso**, Administrator, Energy Information Administration, U.S. Department of Energy
- **David Kirsch**, Oil Markets Department, PFC Energy
- **Dr. Ariel Cohen**, Senior Research Fellow, The Kathryn and Shelby Cullom Davis Institute for International Studies, Heritage Foundation
- **The Honorable Buyelwa Patience Sonjica**, Minister of Minerals and Energy Affairs, South Africa

#### **Introduction**

Global energy consumption is likely to rise in the future, with oil consumption accounting for 33 percent, coal consumption approximating 27 percent, and natural gas amounting to roughly 26 percent of the world's energy market by 2030. Renewable and nuclear sources of energy still constitute important elements of this picture. As political risk in the Middle East increases, Africa's importance as an alternative source of energy is bound to rise. North America currently consumes the most oil in the world, followed closely behind by non-Organization for Economic Cooperation and Development (OECD) Asia. The world's current proven natural gas reserves amount to 6,112 trillion cubic feet. Estimates indicate that 3,671 trillion cubic feet will be consumed from 2003 to 2030. Africa is expected to consume less natural gas than it has in reserves, while OECD Europe, North America, and Asia are projected to consume greater volumes of gas than they possess in reserves.

#### **Key Discussion Points**

Accurate data for the African continent is crucial so as to provide investors reliable information on proven and projected oil and gas reserves. It is an important step in enhancing the competitive advantage of African energy producers. The availability of such data boosts investor confidence and allows stakeholders to better comprehend the type of infrastructure improvements required to both advance the oil and gas sector, as well as overall development goals. Most major African oil and gas producing countries rank poorly in terms of rule of law, regulatory environment, political stability, and government effectiveness. The continent also scores at the bottom of the Heritage Foundation's Index of Economic Freedom. Ensuring that African producers take concrete measures to improve their overall image should help raise regional investment. It might also enable Africa to assume greater significance as a global producer in the oil and gas market.

Various forms of interaction among governments, national oil companies (NOCs), and international oil companies were also discussed. Governments and their corresponding NOCs were categorized as: 1) globalized governments and privatized or competitive NOCs; 2) globalizing governments and public entrepreneur NOCs; 3) populist development

governments and development bureaucracy NOCs; 4) rentier state governments and statist bureaucracy NOCs; and 5) quasi-state governments and facade-mailbox NOCs. NOCs tend to reflect state needs and structures. Hence, while the energy sector in globalized states is privatized and efficient, the same sector in rentier states is used as a means of revenue collection for the government and to address regime concerns. Saudi Arabia, Angola, and the United Arab Emirates (UAE) were mentioned as examples of rentier states and their respective NOCs defined thus: SaudiAramco as a development bureaucracy, Sonangol as a statist bureaucracy, and Adnoc as mailbox-facade.

International oil companies (IOCs) play different roles according to their countries of operation and the types of governments leading those countries. Again, where globalized governments are concerned, IOCs generally operate according to principles of open market competition. However, IOCs have limited freedom to operate in globalizing governments and their role would diminish to oligopoly status in populist governments. International oil companies are usually excluded from rentier states and compete for services in quasi-states. Nonetheless, this is not the only capacity IOCs can assume. For example, under President Vladimir Putin, the rentier state of Russia is characterized by privatized or competitive NOCs, while IOCs operate in a limited capacity. In Nigeria, IOCs act like more or less classic oligopolies.

**Friday, December 1, 2006**  
**12:30-2:00PM**

### **Closing Luncheon**

#### **Panelists**

- **The Honorable Abdul Razak Noormahomed**, Deputy Minister of Mineral Resources, Mozambique
- **The Honorable Ahmed M. Saeed**, Deputy Assistant Secretary for the Middle East and Africa, U.S. Department of the Treasury

#### **Introduction**

Mozambique's oil and gas exploration efforts started in the Mozambique Basin in the 1900s. Concessions were awarded to Gulf, Amoco, Sunray, Hunt, and Aquitaine in 1948. From 1984 to 1986, production sharing agreements (PSAs) were negotiated with BP, Amoco, and ESSO/Shell. A joint concession between the Government of Mozambique and ESSO/Shell was negotiated in the Rovuma Basin from 1983 to 1987. Concessions and drilling activity continued throughout the 1990s. From 2005 to 2006, the Mozambican Government held licensing rounds for acreage and an exploration and production contract was granted to Norwegian company Norsk Hydro. In addition to oil exploration, natural gas production has been a major focus for the government, which has major cross-border pipeline projects with South Africa. Mozambique's Pande/Temane gas fields already produce natural gas for the Mozambican and South African markets.

#### **Key Discussion Points**

Mozambique has continued to award concessions and to conclude PSAs with several oil companies. The Mozambique and Rovuma Basins have attracted investments both onshore and offshore. For instance, an onshore block and four offshore blocks are currently available off the Rovuma Basin. Companies that have received onshore blocks in this basin include U.S. Anadarko, Italian ENI, Malaysian Petronas, and Norsk Hydro. From 2002 to 2005, exploration production contracts were awarded to Petronas/National Hydrocarbon Corporation (ENH), DNO, and Sasol/ENH in the Mozambican Basin.

The Ministry of Natural Resources has led the development of Mozambique's natural gas resources. Natural gas was first discovered in the onshore area of Pande in 1961. Four more discoveries have since taken place in Buzi, Temane, Temane East, and Inhassoro leading up to 2003. Among these, the Pande/Temane gas venture—created by coordinating thirty-four producers—is the most extensive. The project began in 2004 and is expected to last for twenty-five years; Sasol Gas of South Africa is the main purchaser. The gas partnership with South Africa has been a major success for Mozambique. It enabled Mozambique to exploit natural gas for the first time and was completed on time and within budget.

The Institute of National Petroleum (INP) is the Mozambican regulatory authority for all petroleum operations, including exploration, production, and the transportation of hydrocarbons. The National Hydrocarbon Corporation, otherwise known as ENH, is the state-

owned oil company. Established by Law 3/81, the company's main purpose is to participate as a stakeholder in natural gas projects. ENH partners with oil companies in exploration efforts. Previously, ENH held exclusive rights to oil and gas blocks but it has reoriented itself on a commercial basis. Mozambique imposes the following taxes on companies: 1) 32 percent standard corporate tax; 2) 10 percent corporate tax on agriculture; and 18 percent tax on dividends.