

THE RISING CHALLENGE OF FOREIGN NOCs IN AFRICA

November 2006

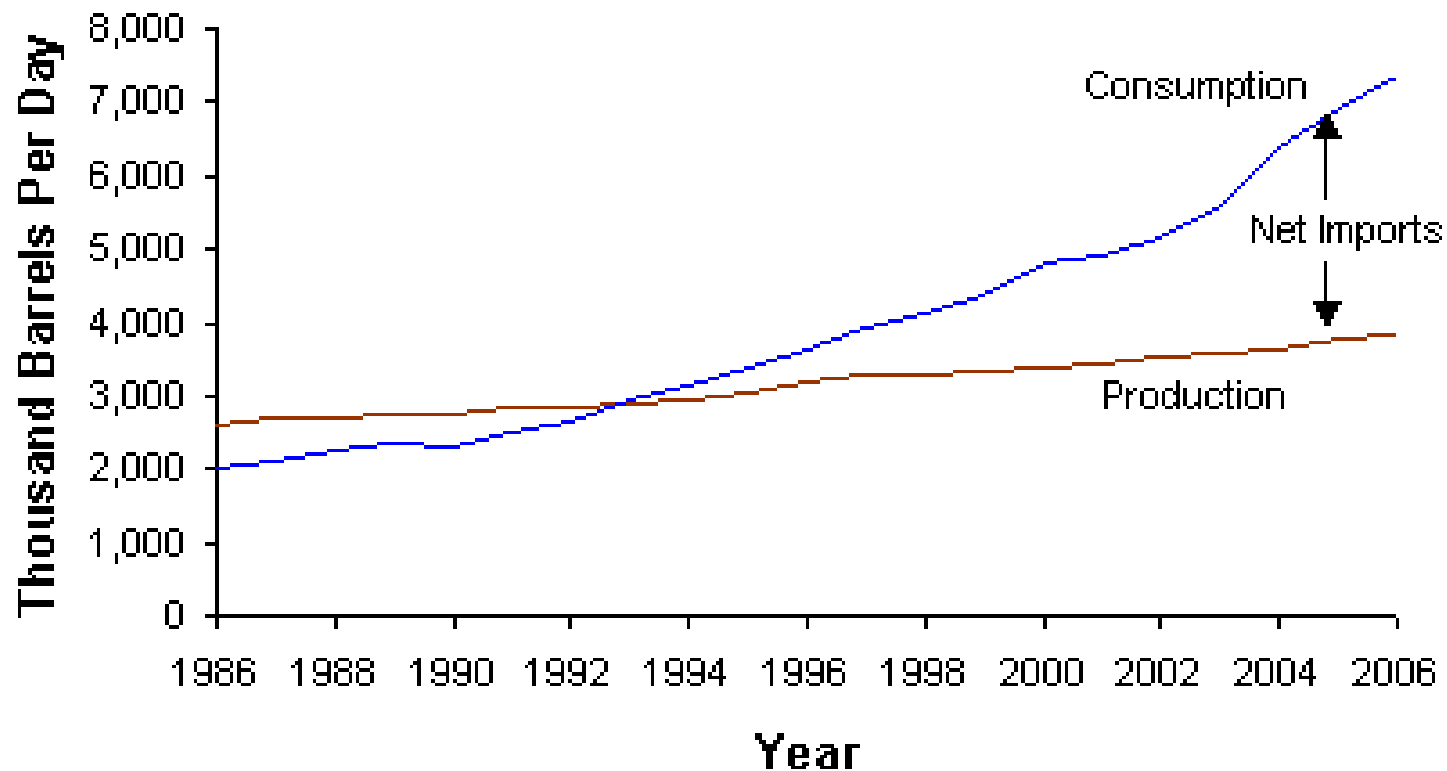


REASONS BEHIND THE RISE OF FOREIGN NOCs IN AFRICA

- **The emerging energy crisis in large developing economies**
 - **1993 – China ceased to be an oil exporter**
 - **2003 – China becomes the second biggest oil consumer – 5,46 million bpd**
 - **2006 – 7,2 million bpd (est)**
 - **2025 – 14,2 million bpd (EIA est.)**
 - **20 million bpd (Chinese motor manuf.)**



China's Oil Production and Consumption, 1986-2006*



Source: EIA *International Petroleum*

*2006 is Jan-Aug only



REASONS BEHIND THE RISE OF FOREIGN NOCs IN AFRICA

- **The Indian dimension**
 - 1996 oil imports – 800 000 bpd
 - Current imports - 1,4 million bpd
 - 2020 projected imports – 5 million bpd

- **Political and security reasons**
 - Diversification of oil supplies (The 9/11 factor)
 - “Lock in” oil supplies
 - Strengthening “south-south” linkages
[The role of oil diplomacy]
 - Resource control



AN EVOLVING STRATEGY OF ENGAGEMENT

- **Foreign policy reorientation**
 - Had to reflect the domestic imperatives of economic growth
- **Reforming state controlled energy companies.**
- **Formulation of a new “united front” strategy of engagement**
 - **multi-levelled approach**
 - **Institutional leverage**



THE CHINESE EXAMPLE

- Late 1990s – Strategic policy meetings held by top Chinese government organs

- PLA meeting on new Africa Defence policy
- MSS
- Foreign Ministry/Moftec (MOFCOM)

[Auspices of the Chinese Research Society on African Affairs (CRSAA)]



Xu Yongue (MSS)



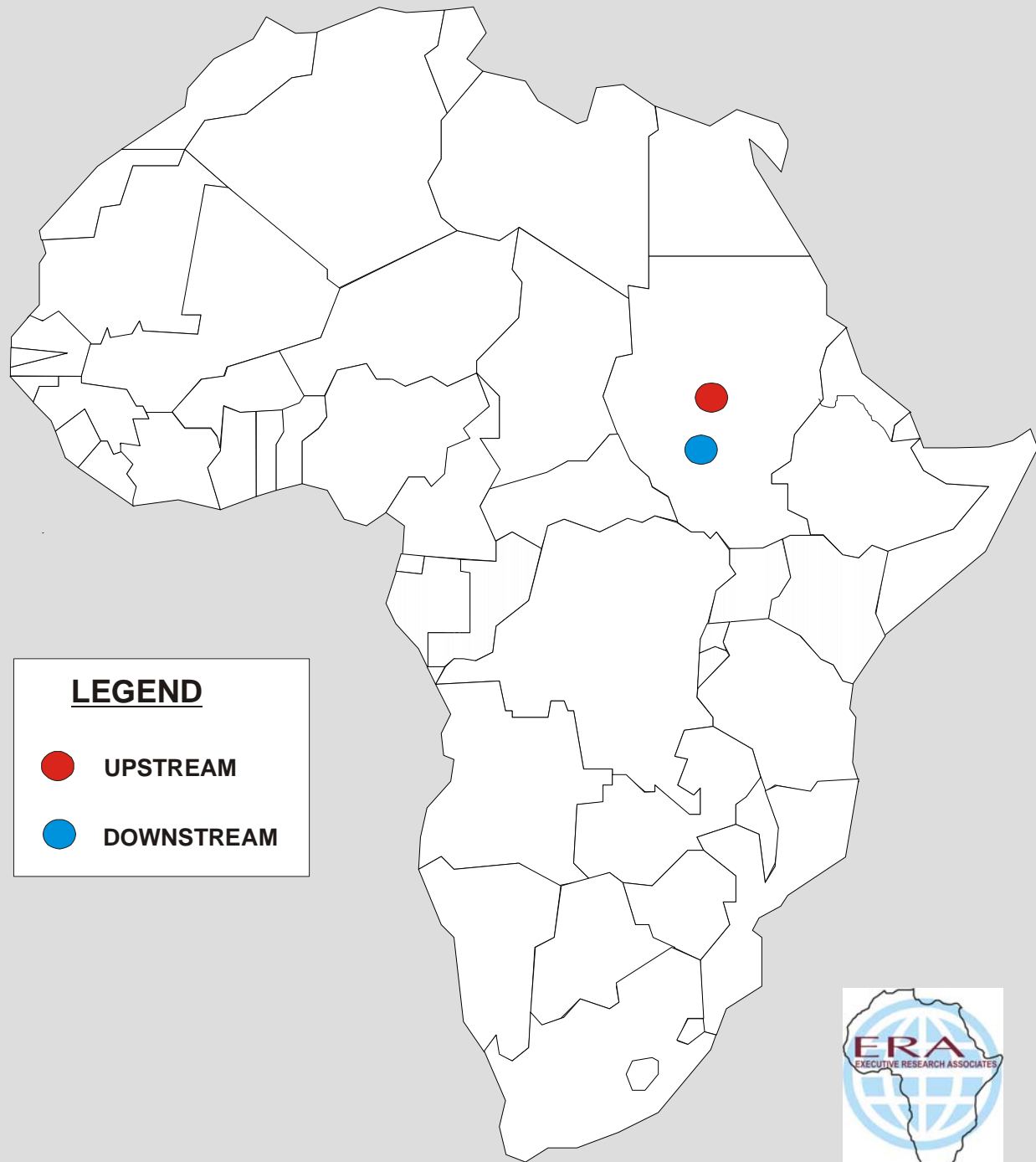
- Precursor of the CACF/CAF conferences
- Application of an integrated approach to fast track China's entry into the African energy sector
 - Targeted debt relief.
 - Participation in peace-keeping operations.
 - Cheap loans linked to infrastructure development.
 - Political junkets for African leaders to Beijing.
 - Support for Africa in global forums
 - Competitive military deals.
 - Political "non-interference"
 - The promotion of "south-south" linkages.
- Africa's new player



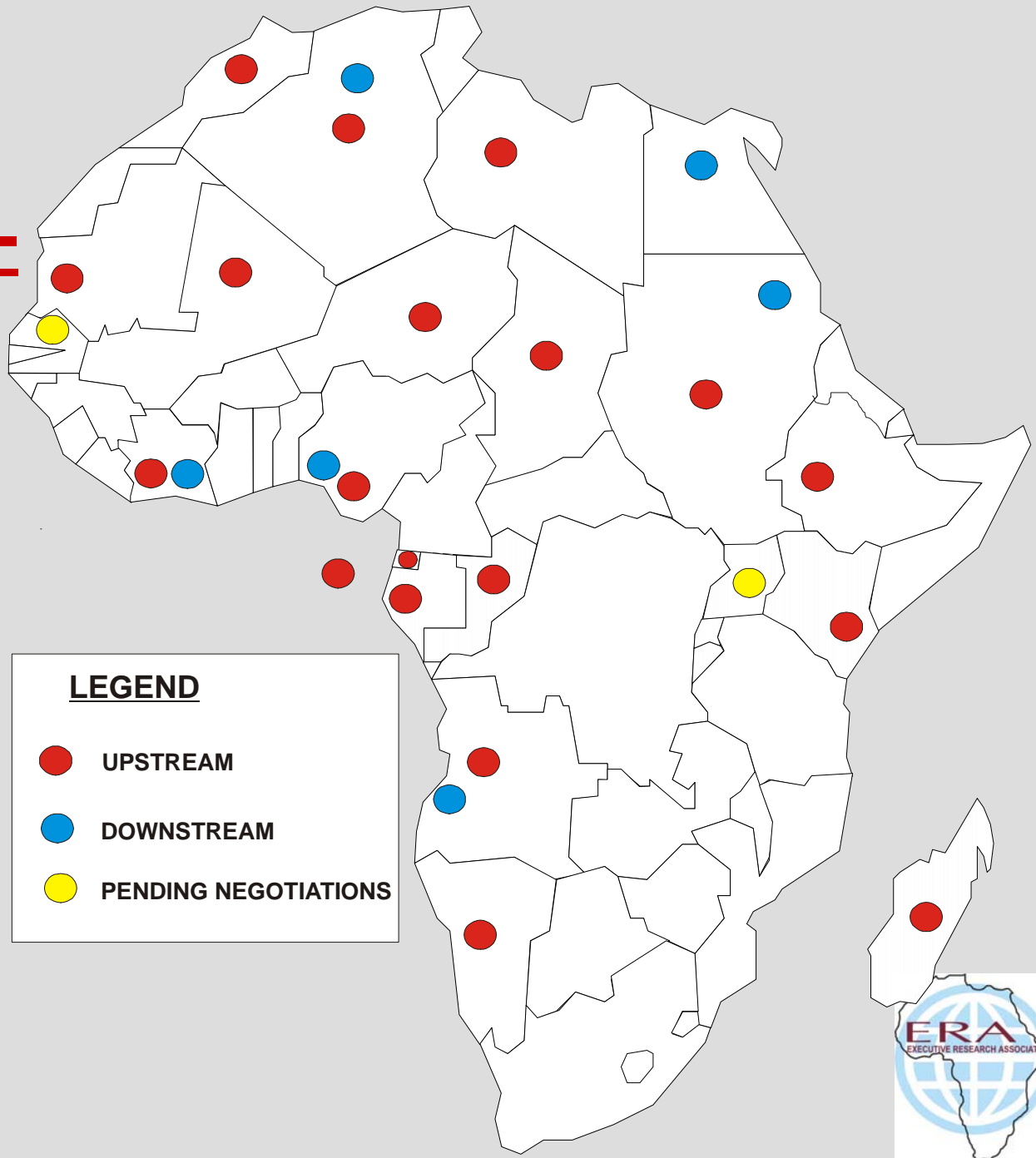
CAF






CHINA'S ENERGY FOOTPRINT - 2000



CHINA'S ENERGY FOOTPRINT - 2006



LEGEND

-  UPSTREAM
-  DOWNSTREAM
-  PENDING NEGOTIATIONS



THE RETURN OF THE RUSSIANS

- **Absent from the continent since 1990**
- **A net exporter of oil and gas**
- **The Putin strategy**
- **The strategic role of gas**
 - **Tightening grip on gas supplies to Europe**
 - **The role of Gazprom – leading the charge**
- **THE AFRICAN EQUATION**
 - **The Algerian card**
 - **Pipeline JV**
 - **Multi-sector inducements**



THE RETURN OF THE RUSSIANS

[Cont.]

- **Oil interest secondary**
 - **Waiting for elections in Nigeria**
 - **Building relations with Angola, EG and Sudan**
- **Building strategic mineral alliances**
- **Strategy of engagement**
 - **Investment in infrastructure**
 - **Strong bi-lateral approach**
 - **Pipeline technology**
 - **State corporations spearheading Russian diplomacy**



THE NOC BUSINESS CHALLENGE

- **Changing the rules of the game**
 - Free markets v. the state imperative
 - Loyalty to the “motherland”.
 - Drive to segment out oil supplies to the open market
- **The new risk matrix for NOCs**
 - Massive institutional support [CAF]
 - The role of the intelligence services
 - The role of financial institutions – CITIC, CDB, EximBank, etc [Leverage funding capacity.]
 - Emerging new development strategies
- **Ringfencing political and economic risk**



THE NEED FOR AN INTEGRATED RESPONSE

- Understanding the competition
- Improved liaison between US oil industry and US government on what NOCs are up to in places like Africa
- More combined business and political delegations visiting Africa. [Showing the flag.]
- Formation of an energy driven private sector development fund

