



Veolia's Guinea management contract offers new model for utilities

Executives from French giant Veolia will be given a free hand in deciding how Guinea's power utility is managed under a new-style management agreement structured by the World Bank Group and approved by President Alpha Condé. It could provide a model for other electricity supply industries in states where privatisation is not an option for practical or political reasons, writes **Dan Marks**

A World Bank-backed management services contract awarded to Veolia in Guinea represents a new model for running utilities, the French water and electricity giant's chairman and chief executive for Africa and the Middle East Patrice Fonlladosa has told *African Energy*. Under a contract drafted with the International Finance Corporation (IFC), senior Veolia executives will take over national utility Electricité de Guinée (EdG)'s management. Although Veolia intends to work closely with local staff, "ultimate responsibility for decisions at EdG will rest with the nominated manager", Fonlladosa said on 6 July: "This is quite unique. I have never experienced it in Africa."

Veolia Africa and the government signed a four-year contract on 19 June worth €11.3m (\$12.6m) to provide management services to EdG, a key element in the World Bank's Power

Sector Recovery project (*AE 303/13*). Fonlladosa said it was much more than a standard management services contract, representing instead an evolution in the way utilities contracts in Africa were structured. "For us, this is a very important contract, not because of its value, but because it is an iconic, exposed contract which we are going to put a lot of resources into," he said.

The agreement adopts a new structure which emphasises remuneration by key performance indicators (KPIs), to some extent borrowed from examples of utilities in Riyadh and New York, but going much further in terms of the authority vested in the operator. Veolia director Augustin Lovichi will be nominated as EdG director-general by presidential decree,

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Mind the gap

Budget data show an overall improvement in the economy, but investors are concerned that Egypt's finances are insufficiently robust to support the government's energy sector ambitions. Data published in the 2015-16 draft budget leave important questions about how major energy sector and other high-profile infrastructure projects will be financed. The headline figures suggest a gradually improving situation, but the details reveal a worrying dependence on a combination of external financing and the success of major development projects.

— SEE PAGE 18

Gas laws

The Tanzanian government has passed three new laws aimed at improving regulation and governance in the oil and gas sector, though the speed with which they were processed has been criticised by opposition MPs and civil society groups. There had been concerns that the legislation would have to wait until after the October elections, further delaying investment decisions on big schemes such as BG and Statoil's plans for a liquefied natural gas export plant.

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More Russian LNG for Egypt

Rosneft has followed Gazprom by signing a large liquefied natural gas (LNG) import deal with Egypt outside the competitive tender process. Starting in Q4 2015, it will deliver 24 cargoes over two years. Egyptian Natural Gas Holding Company (Egas) has already contracted to purchase 35 cargoes from Gazprom over the next five years. The first LNG supply tender issued by Egas in January was for 70 cargoes for delivery to the Höegh floating terminal at Ain Sokhna. Trafigura committed to deliver 33, Vitol nine, and Noble Group seven. BP's initial commitment of 21 cargoes was reduced to 16. Sonatrach separately agreed to six cargoes

and supplied the first in April. Egas plans to install a second floating unit adjacent to the first by December, and has opened a tender for the delivery of a further 40 cargoes (*AE 300/17*). The deadline is 27 July.

On 7 July, Rosneft chairman Igor Sechin and Egyptian General Petroleum Corporation (EGPC) chairman Tarek Mulla also agreed a deal for the import of diesel, gasoline, fuel oil, liquefied petroleum gas and bitumen. Rosneft said it expected a binding agreement based on the term sheet to be signed in Q3 2015. Over the past three months it has won the right to supply 425,000 tonnes of oil products worth some \$150m to EGPC.



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Veolia's Guinea management contract

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ensuring that the appointment has support from the very top of the state. Seven other Veolia employees will take senior management positions.

The authority vested in the operator is designed to allow Veolia to attain KPIs on which its remuneration is partly based. These include reducing the interruption of services, while improving the quality of customer services and governance indicators. A government-nominated independent auditor will monitor performance on a monthly basis.

Management services contracts have been criticised for allowing contractors to walk away with fees for producing reports which are never implemented, with little risk for the private company or incentive to deliver meaningful recommendations. However, Fonlladosa believes the EdG contract's remuneration structure overcomes these problems, with "a regime of penalties and rewards associated with medium- and long-term KPIs [which] makes a big difference... It encourages the operator to be committed and involved with bottom-line results."

The contract's structure is intended to enable the government to retain considerable control over utility assets at the same time as benefiting from the operator's management expertise and technology. It could allow Guinea to begin to resuscitate its faltering electricity supply industry, which is stuck in a cycle of underinvestment and poor performance.

Installed capacity is insufficient to meet demand, while generation and distribution assets have rapidly deteriorated in recent years, not helped by weak planning and supervision capacity at the Ministry of Energy and Water. EdG's power plants are only available 68% of the time due to frequent breakdowns, while only 44% of demand is served, according to the World Bank.

It is recognised that necessary increases to tariffs to pay for investment are difficult to justify given the poor quality of service. Non-payment for energy is tolerated; households are often not metered but charged a flat rate. Lack of income has caused financial turmoil at EdG. Roughly 58% of electricity generated is billed, while only 77% of bills are collected, resulting in a loss to EdG of around \$0.07/kWh generated in 2012 and only 45% efficiency for the sector as a whole. Theft is a major problem: while EdG had 227,027 registered customers at end-2013 (65% of them located in the capital Conakry), there are estimated to be around 100,000 more illegal connections.

Veolia will look in large part to technology to augment revenue collection and generate new income streams. "New technologies will be an absolute must," Fonlladosa said. The company has seen good results in similar situations. "In one African country where we introduced SMS payment in September last year, the payment method now accounts for almost 20% of our revenue." Technology will be introduced to reduce the number of illegal connections, although Fonlladosa

Guinea's power politics

Veolia's management contract with Electricité de Guinée (EdG) revives hopes for an end to the power supply problems that have dogged Guinea for decades. But in the process, the French company will have to tackle one of the country's biggest systems of fraud and embezzlement.

President Alpha Condé, who makes no secret of his lack of confidence in Guineans' ability to manage strategic sectors, was closely involved in negotiation of the contract, whose success is important both for energy-starved Guineans and for his chances of re-election in October. An audit carried out under the direction of Mines Ministry secretary-general and former EdG head Nava Touré uncovered a vast system of fraud and over-invoicing that absorbed some €25m (\$27m) between July 2011 and April 2013. The investigation implicated Abdoulaye Keïta, Touré's predecessor as EdG director-general. Close to Condé and a fervent supporter of the president's Rassemblement du Peuple de Guinée, Keïta, who was sacked for poor performance, has not been the subject of a formal judicial investigation.

"The over-invoicing covered office furniture bought at inflated prices, and fuel intended for the generators, not to mention numerous outright thefts. It was all tolerated and it has left EdG virtually bankrupt," a senior official told *African Energy*.

Trade union leaders have expressed concern about the deal, recalling a previous management contract granted to Hydro-Québec International, Saur and Electricité de France in 1994. The companies were forced to pull out in 2001, saying the government of president Lansana Conté had failed to make a serious response to their recovery proposals (*AE 41/12*). "We need a company that invests, not a company that will come in to manage what's already there," said union leader Laye Kouyaté.

Veolia can appoint its own staff to senior posts, provided their deputies are Guinean, but will face a delicate political task in winning over its new colleagues. With elections approaching, tensions and expectations will be high. EdG has already taken delivery of 100,000 prepayment meters, but is under orders not to install them until after the elections so as to avert an angry reaction from consumers used to ignoring bills or using illegal connections.

While at EdG, Touré lobbied unsuccessfully for the appointment of a foreign partner but failed to win the president's support at the time. He was, however, able to ensure some power supply by negotiating a 50MW supply contract with Aggreko in 2013. This contract is close to expiry and officials say the company is owed some \$8.2m by the state. Coincidentally, virulent attacks on the temporary power provider have started appearing in the pro-government press, denouncing its "incompetence" and supposedly excessive tariffs. Aggreko is said to be threatening legal action.

The government has contracted Groupe AON, owned by Mauritanian businessman Abdallah Ould Nougueid, to bring into production three power plants that had been bought by the state but could not be connected to the grid (*AE 297/12*). The three plants are Kaloum 1 (20MW), which is already operating, Kaloum 2 (26MW) and Kipé (50MW). Another contract was signed with K Energy, owned by Guinean businessman Ibrahima Kassis Dioubaté, for a 50MW thermal plant, expandable to 75MW.

An EdG official said tests on the turbines at the 240MW Kaléta dam had proved successful, but there were problems with the low water level in the reservoir, as well as the sensitivity of the new equipment, which has a tendency to cut out in a storm.

admits that better enforcement is also needed. “We have no police means to enforce collection of fees,” he said.

Privatisation may have its limits

Some analysts believe contracts like Veolia’s EdG agreement mark an acceptance that privatisation has its limits: while the management contractor has considerable autonomy – and may make decisions for EdG that local politicians have previously avoided – the structure retains the state utility at the centre of the power sector. Such ideas have made a return to economic policy in many countries, in some cases linked to the developmental state model in which authoritarian governments like Ethiopia and Rwanda (and China) have won support by delivering accelerated economic growth (*AE 281/24*).

IFC and other World Bank Group officials were not available to comment on this as *African Energy* went to press.

Management contracts are sometimes seen as bypassing the reforms and decentralisation of power which can be necessary to create viable concession agreements. While concessions are made to the operator by giving responsibility for day-to-day decisions, the government retains ownership of the assets, as well as control over the utility’s direction by setting KPIs.

According to Fonlladosa, “performance contracts” like the Guinea deal are “something that I see growing”. He said: “At least, what I see growing is really an orientation now of the people who are drafting the contracts, including many of the large donors.”

The adoption of concession contracts has been less successful than was expected in their heyday in the mid-1990s and 2000s, although functioning examples of this model do exist. Meanwhile, ad hoc private sector involvement is becoming much more frequent, and procurement programmes for independent power producers, especially in renewable power generation, have become almost commonplace in jurisdictions that encourage them. As a result, debate among stakeholders about the most appropriate and advantageous models of utility development and electricity supply organisation in Africa is again warming up.

Lack of investment

Lack of investment remains a major problem that is not generally addressed in management services contracts. “One of the critical elements at public utilities is investment,” a senior industry source told *African Energy*. “The most established model that properly incentivises the private sector to invest in capital expenditure is the concession model. There are different structures for concessions, some which strongly and directly incentivise the private concession holder to invest in capex, for example the Umeme distribution company in Uganda.”

With huge investment needed in power systems across the continent, governments are hard pressed to provide anything close to the quantity of finance needed. Consequently, management services contracts may be better suited to countries in which the sector is already very advanced and substantial investment is not needed. Indeed, management contracts – loosely defined – have a chequered record in poorer

countries, partly because the contract incentivises the operator to be efficient but not to invest.

“If you are at the stage where the utility needs to be run for efficiency, that’s one thing, but if you’re looking for growth and you have a management contract, then the burden of capital investment rests with the government. This is difficult for a government to meet on an annual basis in addition to all of the social requirements of a developing country, especially where the country’s income is largely dependent on commodity prices,” the source argued. “Substantial, well planned and systematic investments are necessary for a sustainable energy sector.”

In Guinea, investment is largely funded by development finance institutions; in larger developing countries, the scale of investment required may not be achievable with this model. Countries that have achieved lower middle income status – such as Cameroon, Côte d’Ivoire, Ghana, Kenya and Senegal – are no longer eligible for certain types of concessional funding but remain constrained by their limited budget. There is an opportunity cost in terms of investment in sectors such as education and health, when government funds are used for investing in infrastructure and private capital is available. The use of project bonds such as those issued by the Ethiopian government for the Grand Renaissance Dam is one response to this.

The question persists whether management contracts can have a major impact without incentivising private investment in the underlying assets. The system is common in the water sector, but it is relatively new in energy and is so far untested in Africa. Veolia’s contract in Saudi Arabia may serve as a model, with the French operator working in Riyadh for six years. Guinea will thus serve as a test case. “We strongly believe that the type of contract which is being designed now under this contractual scheme needs to prove their results,” Fonlladosa said. “After that, if they are as positive as we expect, I don’t see why it shouldn’t be expanded across the continent.”

For Fonlladosa, public ownership of the asset is important. “I think, generally speaking, the perception of most stakeholders today, and especially of local populations, is that they want the public ownership of assets because it gives them some confidence in the long-term sustainability of systems. Managers and operators can improve efficiencies, but the assets themselves cannot be sold or taken over. This is something which has been a challenge for the concession contractual scheme,” he said. “It may be that a concession contractual scheme is appropriate for a segment of activity, like the production of electricity for example, where you have a long-term concession, because there is a high level of investment on the basis of which the concession is awarded. But generally speaking, for me, having infrastructure in the hands of public bodies and capitalising on the fact that it can finance directly from state or local bodies at a much lower price, is something which makes sense.”

There appears to be some appetite for this type of arrangement. Although cash-strapped local authorities in Morocco ultimately decided against exercising their right to buy back water and electricity assets last year, they opposed the sale of the assets in

Tangier-Tetouan and Rabat by Veolia (which was seeking to divest) to Actis (which wanted to invest). Veolia has since been renegotiating the economic basis of its concessions with the government as allowed for every five years in the terms of its concession. The renegotiation process for rebasing its Tangier-Tetouan concession is almost finalised and should be submitted to a vote by local authorities by the end of August.

In Gabon, where Veolia has held a 51% stake in water and

energy utility Société d'Énergie et d'Eau du Gabon since 1997, Fonlladosa thinks the concession model is likely to be "transformed and re-evaluated" when the concession ends in mid-2017. "There will be a much more rationalised approach driven by the public company owning the assets and probably an operator running the commercial part of the activities in the future. The state wants to get the assets back on its balance sheet," he said.

European Union to invest over €2bn in sub-Saharan African projects

The European Commission has big plans to invest in energy projects in sub-Saharan Africa to 2020. Funding will include soft and hard financing components, with a focus on policy planning, project support and technical assistance, writes **François Misser**

The total earmarked for energy projects to be funded by European Union (EU) development co-operation has risen tenfold for 2014-20 compared to 2008-13, from €350m (\$382m) to €3.5bn, of which €2bn will be spent in Africa. The highest amounts are for Zambia (over €240m), and Rwanda (€200m), followed by Tanzania (€180m) and Burundi (€105m), although a European Commission source stressed that these are indicative figures.

The source told *African Energy* that energy funds spent in Africa by the EU will come from four sources: countries' individual National Indicative Programmes (NIPs) financed by the 11th European Development Fund (EDF), the Regional Indicative Programmes, the PanAfrican Programme and an Intra-ACP Programme covering African, Caribbean and Pacific states.

These funds will include soft financing components (for technical assistance and establishing regulatory frameworks) which are 100% financed by grants, and hard components (for power plants, transmission lines, grids etc) which are financed through a blend of EDF grants and loans from the European Investment Bank (EIB), bilateral European financial institutions such as Germany's KfW and the Agence Française de Développement (AFD), or loans from the African Development Bank (AfDB).

Various forms of financing are envisaged, ranging from classic project funding to direct budget support to the energy sector where countries are eligible. Budget support, already in place in the 10th EDF (2008-13), may be used in more countries under the 11th EDF (2014-20). One country that has requested budget support is Rwanda, which wants a €100m grant for its domestic private sector to enable it to provide services for power projects in the country. Tanzania Electric Supply Company has requested a similar amount to fund rural electrification projects. Here, however, there are discussions between the utility and the European Commission's Directorate-General for Development Co-operation (Devco), which thinks it would be more appropriate to introduce off-grid solutions than build costly transmission lines.

Devco is forecasting a significant impact from EU funding in the coming years. With an estimated leverage ratio of 1/15 for each euro invested in a project, it says the total amount invested from public and private sources in Africa could reach €30bn.

The funds are available, but disbursement depends on the beneficiary countries' political will. Most of the funds will go to 13 African countries that have chosen energy as a key sector in their bilateral co-operation with the EU for 2014-20. The list, which may be expanded as not all NIPs have yet been signed, includes – in addition to Rwanda, Tanzania, Burundi and Zambia – Benin, Côte d'Ivoire, Ethiopia, Lesotho, Liberia, Madagascar, Nigeria, Seychelles and Togo. Countries such as Angola, Guinea, Malawi and Senegal, which have included rural development in their NIP, could get funding for rural electricity access projects.

Political engagement

As well as capacity building and project implementation, the European Commission attaches huge importance to the political aspect of energy planning. It is encouraging the signing of joint declarations with African states to improve co-ordination in the energy sector, and the introduction of appropriate regulatory frameworks to encourage investment.

EU commissioner for international co-operation and development Neven Mimica signed two joint declarations in May during the Sustainable Energy for All Forum in New York, committing the EU to work more closely with Sierra Leone and Uganda in the field of energy (*AE 301/12*). Mimica said the declarations showed the EU's "political determination to work closer in partnership" and "will set out a concrete roadmap of action to fight energy poverty". These joint declarations bring the total number of political agreements signed so far to seven. Similar agreements, setting roadmaps to energy development, are being prepared with 20 more countries, including the 13 African countries that have selected energy as a priority for their co-operation with the EU.

During the Forum, the EU announced the launch of a €270m initiative called ElectriFI, which will combine with other EU resources to help ensure access to affordable energy services for poor households in rural areas.

As well as being a financing mechanism, ElectriFI puts forward an innovative business model to leverage more private investment and involve more key stakeholders in all areas of expertise. The Commission says it has the potential to take donor funding and increase it five or ten fold. Through the ElectriFI initiative, EU grants will complement private financing, bridging the potential financial gap to make a project bankable.

This will provide security for investors and banks, and thus boost investments, says the Commission. If the investments are successful, the grants will be converted into loans at a concessional rate, and the EU will be reimbursed. It will then be able to reinvest its funds in new projects, allowing more people to access electricity services.

The Commission also has €60m available for technical assistance programmes for three regions: Western and Central Africa, Eastern and Southern Africa, and Latin America and Asia. This money can be used to finance studies, expertise, and long-term advisory services to energy ministries. All countries are eligible for the financing, and Liberia, Cape Verde, Nigeria, Tanzania and Ethiopia have expressed an interest.

From Itezhi Tezhi to Ruzizi III

A huge pipeline of EU-financed projects is already lining up to come on stream in the next few years. Zambia's Itezhi Tezhi dam on the Kafue River is due to be completed in mid-2016, according to Devco. The power generation component is being prefinanced by a joint venture of Zesco and India's Tata Group (*AE 274/1*). Sinohydro is constructing the civil works and Alstom is providing generators, turbines and further equipment. Its total cost is estimated at €267m, and the EU contribution consists of a €600,000 grant for technical assistance to Zesco and an interest rate subsidy of €17.6m for an EIB loan of €50m, and a €36m loan from the AFD.

Another project due on stream next year aims to increase electricity access in Benin's Atlantic Province, through rehabilitation and extension of distribution networks in urban and peri-urban districts of Abomey and a rural electrification programme to connect 80 municipalities. The EU is providing up to €20m through the EU-Africa Infrastructure Trust Fund for the €53m project. A tender for the works was launched in March 2015 and the contractor should be chosen in the coming weeks.

Renewables

The EU is particularly keen to back renewables and innovative technologies, and the Commission is providing up to €7.5m for the 10-12MW Tendaho geothermal power plant in Ethiopia (*AE 263/6*), estimated to cost €39.1m. The funding consists of €4.5m of EU-AITF technical assistance and a €3m investment grant. The works are planned to be concluded by the end of 2017. Due to an internal procurement delay at

Ethiopian Electric Power in recruiting a geothermal consulting company to carry out the technical assistance work, the project has been delayed by six months.

The EU is also supporting the €625m, 310MW Lake Turkana Wind Power project in Kenya, through a €25m capital contribution to the project developers.

Another project which could be finalised within two years is the 135km, 220kV Masaka-Mbarara transmission line in Uganda, whose total cost is estimated at €50m. Sources at the EU, which is financing the feasibility study with up to €800,000, told *African Energy* that the procurement process for the feasibility study, the environmental and social impact assessment and the regulatory assistance project were taking longer than expected, and the project had been delayed by about 24 months. The feasibility study started in September 2014 and should take nine months. Construction work is expected to begin in H2 2016 and be finalised in 2017.

The Commission expects construction work on the Rusumo Falls hydropower scheme to start next year, and that the dam and the 80MW hydropower station will be completed by end-2018 (*AE 299/8*). Devco's energy specialists said EU participation in this €368.8m project consisted of a €250,000 contribution to finance technical assistance for studies ordered by the AfDB, and a €12.75m grant to soften the AfDB loan terms. An invitation for prequalification was issued in January 2015 with a deadline of 27 March. The list of prequalified bidders has not yet been released.

The EU is also involved through various instruments in the €370m Côte d'Ivoire-Liberia-Sierra Leone-Guinea interconnection project (*AE 300/9*). Work is expected to start in early 2016 with expected completion by 2019. The EU is providing up to €4.75m for technical assistance for the pre-investment studies, a €12.5m interest rate subsidy for an EIB loan of about €70m, and €10m for AfDB funding of rural electrification in Sierra Leone.

A number of other significant projects are in the pipeline, but the Commission is not yet able to provide a completion date. One is the 147MW Ruzizi III hydropower plant in Democratic Republic of Congo, which represents an investment of €398m (*AE 285/7*). The EU has disbursed a €4.2m technical assistance grant for the feasibility and institutional studies, which were completed in 2013. Talks are under way between Burundi, DRC and Rwanda, and Energie des Grands Lacs and the selected private developer Sithe Global, with the aim of signing the project agreement soon, according to the Commission source. A €25m interest rate subsidy is in the pipeline for supporting the implementation phase.

Mozambique backbone project

The Commission had intended to be part of one of Africa's largest interconnection projects, the €2bn Mozambique backbone project (*AE 300/10*), which is supposed to bring power from the Tete coal basin and the planned 1,500MW Mphanda Nkuwa and 1,250MW Cahora Bassa North dams on the Zambezi River to Maputo. Work had been expected to start

in 2016 for completion in 2018, but the entry of a new investor, State Grid Corporation of China, has put in jeopardy the previous agreement reached on the shareholding structures of the Mphanda Nkuwa and backbone projects, Commission sources said.

The Commission is not yet getting involved in the \$12bn Inga 3 hydropower project in DRC, despite the EIB's readiness to invest up to €800m, according to European External Action Service sources. There is no opposition from Devco, but clearly less enthusiasm. "The Commission looks at everything which is proposed. Its involvement would be on the preparation of

the project, technical assistance. If the EIB puts in a loan, the Commission could contribute to make it concessional," a Commission source told *African Energy*.

Following years of debt problems, the International Monetary Fund and some other donors oppose countries returning to the market to borrow at full commercial rates. So the Commission might consider introducing further mechanisms to close the gap. However, this too is problematic as it is Commission policy to use grants for poverty alleviation, while leaving other financing to the market where possible.

Power cuts squeeze Zambian economy

Zambia's economy is showing increasing signs of strain, with load-shedding introduced to tackle a power deficit of close to 600MW. The government has been forced to back down on tax changes for the key mining industry, and ratings agency Standard & Poor's has raised the alarm over the growing budget deficit, writes Chiwoyu Sinyangwe in Lusaka

Zesco has introduced load-shedding following a significant drop in water levels at Lake Kariba and Itezhi Tezhi. The Itezhi Tezhi dam, where Zesco and Tata Africa Holdings are close to completing a 120MW power station, is also the holding dam for the 990MW Kafue Gorge hydropower station.

Zesco has an installed capacity of 2,200MW but is generating only 1,600MW. By end-June, Zesco is said to have lost \$120m in revenues as a result of load-shedding. "We can generate power at full capacity but our hydrologists have advised that, with the amount of water we have received this year, we can run dry as early as this August and that will reduce our generation capacity to zero," a Zesco engineer told *African Energy*. "So this decision to cut power generation is purely meant to ration the limited water to the next rain season around November/December."

Kariba North Bank power station manager Samuel Sinkala said the Kariba reservoir was 43% full, compared to 80% this time last year. He said the lake had been continuously dropping and was now just six metres above the minimum operating level.

"The water level in the lake is lower than the normal operation level, hence reduced power generation to 500MW from the normal 1,050MW," Sinkala said. "So there is not enough water in the lake to enable us to generate power normally. Therefore, we urge our esteemed customers and the general public to support the limitations or load-shedding exercise and the 'switch and save' programme."

The start-up later this year of the 300MW Maamba coal-fired plant developed by Nava Bharat is expected to help alleviate the power crisis. The first 150MW unit is due on stream in November, with the second to follow in February 2016 (*AE* 278/6).

Oliver Saasa of the Economics Association of Zambia think tank said the power cuts would translate into price rises for essential commodities and services, as well as hurting the vital

mining sector. "It's inevitable that these energy shortages will eventually hit our economy the hard way," Saasa said. "This crisis goes to the very core of this economy and of course threatens the popularity of the government. In no time it will be a political crisis and, whichever way you look at it, the ripple effects of the current power outages are extremely scary."

Restrictions have been placed on the copper mining sector, which consumes about 46% of Zambia's power output. Industry sources say Zesco has told mining companies it will reduce their power supply by 16%. "They have been informed of the challenge we are facing at the moment, and we have told them we are scaling down by 15% to 16% in order to help mitigate this situation," said a Zesco source.

Energy minister Christopher Yaluma said Zambia was hoping to arrange the import of 150MW from Mozambique. "If there is an electricity deficit, it will shrink the economy and disturb the social and economic structure of the country," he said. "As for the mines, we are not forcing them; they know what we are in and they have to sacrifice."

Copperbelt Energy Corporation, the biggest supplier of power to the mining companies, said it was looking for alternative sources of supply, but, with the whole Southern Africa region facing power shortages, it is not clear where more power could come from. Zambia has always relied on Democratic Republic of Congo for immediate power supplies, but available supply is diminishing as the Congolese mining sector expands.

Faced with protest from the industry, the government has rowed back on a tax increase for mining companies introduced in January. The populist Patriotic Front-led government had eliminated corporate tax on mining and raised royalties to 20% in open-cast mines and 8% in underground mines. A 28.8% rise in electricity tariffs in April 2014 had already squeezed miners' profitability, and, following industry lobbying, the cabinet announced in April that, with effect from 1 July, the royalty tax rate for open-cast mining would be cut from 20%

to 9%, while corporate income tax on mining operations would be reintroduced at 30%. The move was welcomed by the International Monetary Fund in its May Article IV report.

“Mining was hurt when the government tinkered with the mining fiscal regime, so, as government attempts to correct that taxation issue, these power challenges are coming and expected to reverse whatever possible corrections we are making as a country,” said Saasa.

On 1 July, Standard & Poor’s Ratings Services lowered its long-term foreign and local currency sovereign credit ratings to B from B+, while maintaining its B short-term foreign and local currency ratings. S&P said it was concerned about the widening budget deficit.

“We now expect the 2015 fiscal deficit, on a gross cash basis, will widen to approximately 10% of GDP, versus our previous estimate of 6%. Including arrears, we expect the 2015 deficit will be about 14% of GDP. We think that financing this deficit will lead to increased external indebtedness and higher related interest costs. With the next round of elections scheduled in September 2016, we view the likelihood of deep-rooted fiscal reform that could tackle weakening public finances as limited,” the agency said.

It said Zambia’s fiscal position had become increasingly strained, with government spending rising by some 4% of GDP between 2012 and 2014 to 26% of GDP, while revenues remained generally stable at 20% of GDP over the same period.

The government estimated in its June economic and budget review that 2015 expenditures, including partial arrears payments, would increase by some 8% of GDP, while revenues, mainly related to the mining sector, would decline. “In addition to the extra cost likely to be incurred for the 2016 elections, we think the potential for a deep-rooted rebalancing of public finances before this time is limited and that fiscal deficits will remain elevated as a result,” S&P said.

The government plans to finance the deficit by issuing another Eurobond this year, despite concern about the state’s ability to service its existing debt.

SOUTH AFRICA

Eskom tariff rise rejected but future revisions still possible

The National Energy Regulator of South Africa (Nersa) has rejected Eskom’s application to increase electricity tariffs. The utility had asked for the 12.69% rise already approved for this year to be increased to 25.3% to pay for diesel to fuel peaking power plants, its short-term power purchase programme and an environmental levy to limit load-shedding (*AE 303/7*). The application would have given Eskom more than R52.8bn (\$4.22bn) in additional revenue over the remainder of the multi-year price determination (MYPD), which runs to 2018.

Nersa will release its Reasons for Decision document around mid-July after it has worked out confidentiality issues with Eskom. But members of the Nersa board made it clear at the

announcement and public hearings that the application had a number of deficiencies. The regulator requested that Eskom submit instead either “an application to make adjustments in the allowed revenue in accordance with MYPD methodology” or “a new application for the period 1 April 2016 to 31 March 2019 with indicative projections for the period 1 April 2019 to 31 March 2021”. Nersa board member for electricity Thembanani Bukula said that any application would need to be submitted at least six months before the date of the tariff change to allow time to consider it and hold public consultations.

The timing of the application threatened to create a substantial financial burden for municipalities, who under the Municipal Public Finances Management Act are no longer able to alter tariffs for the financial year beyond 15 March. Finance minister Nhlanhla Nene extended the date to 15 May, but, in a Municipal Budget Circular, the National Treasury said that municipalities would not be able to pass on any increase approved after this date until the 2016–17 financial year, which begins on 1 July 2016. As a result, any price rise would have resulted in municipalities having to make up the difference out of their budgets unless the deadline was extended further by the treasury.

Eskom’s application for a partial reopening of the MYPD was criticised for including too little information. Participants at the public hearings on 23 and 24 June called for a full reopener, in which all of Eskom’s project costs and revenues would be submitted for assessment, or an application to make up limited unforeseen costs through the regulatory clearing account. Energy analyst and EE Publishers managing director Chris Yelland, who spoke against the increase at the hearings, told *African Energy* the application did not include savings made in other areas of the company’s operations, such as those created by not operating plants in its long-delayed build programme. Instead, it only included costs, meaning that it was impossible to assess whether the tariff increase would be appropriate or not.

Nersa chairman Jacob Modise said: “Eskom is still free to come and submit an application that provides all the information that allows us to make a decision... So the door is not closed to Eskom.” Bukula said that “from the application and what we understand, we are not at a point where we are saying that it’s a choice between load-shedding and increased electricity prices”. Yelland argued that alternatives were not explored, for example, improving the poor availability of the existing generation fleet, integrated demand management, power buybacks, temporary power such as power ships, demand market participation and aggregation, industrial cogeneration and domestic time-of-use tariffs.

The South African Local Government Association welcomed Nersa’s decision, saying in a statement: “Eskom had failed to submit sufficient information to make a proper analysis upon which conclusions could be drawn – which led to the rationale that Eskom was requesting customers to pay for its own operational inefficiencies – inefficiencies which Eskom acknowledged in the application.” The statement went on to argue that Eskom’s application “would have meant that local government was going to be forced to absorb the impact

within the approved municipal operating budget – thereby subsequently having to pass additional increases on to the consumer. This would have had serious implications for the financial viability and sustainability of municipalities.”

Yelland suggested that Eskom should deal with the core issues it faces, namely a lack of accountability, maintenance (in terms of quality and the backlog) and bringing Medupi, Kusile and Ingula on line as quickly as possible. He advocated raising additional equity by bringing in strategic equity partners, partial listing on the stock exchange or selling assets.

Eskom chief executive Brian Molefe has said equity sales could be made at a much higher price once the new power plants come online, but Yelland said that “buyers would like to buy now, and if you need the money now, you need the money now. Beggars can’t be choosers.” When it comes to Eskom’s financial options, “I don’t think they’re constrained at all, except ideologically”, he said.

No immediate jeopardy

The implications of the decision for load-shedding are not yet known, but it is unlikely to have any immediate effect on the utility’s finances. The government has sold its 13.91% stake in telecommunications group Vodacom to the Public Investment Corporation and the proceeds are expected to more than cover the budget-neutral R23bn equity injection it had promised Eskom in addition to the conversion of its subordinated loan. Primary Eskom analyst at Standard & Poor’s Karim Nassif told *African Energy* that, with the anticipated government support, the utility was likely to be able to service its debt for the coming year, provided there are no large and unexpected capital expenditure requirements resulting from further delays at the new build projects.

“[Eskom] has managed to swap out a number of debt repayments over the course of this year. The major ones, as far as we know, have been extended or refinanced and so, with the government money coming in, it does give them some relief,” Nassif said. “But I don’t think they’re out of the woods. We have them on CCC+ on a standalone basis which means we do think there are risks in terms of their financial position and liquidity which they need to manage over the course of the next six to 12 months. So it is a company which we are monitoring very closely on a standalone basis but, in terms of government support, I think that the steps that the government is expected to take in the coming weeks are what we expected and they seem to be very much still willing and open to further support.”

The lack of a tariff increase is unlikely to mean that substantial finance raising is required over the next year. “It will depend to some extent on the speed with which this government support comes in and also the degree of capital expenditure rollout. We’ll have to see how much they are actually spending and their projections for the year to be able to really have a view on the funding gap,” Nassif said.

The revenue requirement is set out in the MYPD3 and most costs are well known, aside from the eventual bill for the mega projects. Maintaining a certain level of cash buffer is also a

concern for the ratings agencies alongside the ability of the company to raise new debt in good time. The cost to Eskom of borrowing has already risen noticeably since the announcement, indicating a perception of increased risk in the utility on the market. The utility is understood to be in discussions with development finance institutions about raising new debt. “There is definitely pressure on liquidity, they are on negative outlook, it is going to need constant monitoring. So, what I’m not saying is that we are comfortable that their funding position is absolutely adequate – it isn’t adequate – what we’re saying is they have received some government support in terms of what we had expected them to achieve and they are monitoring the situation to look at ways to address the liquidity challenge. So, for the time being, we haven’t changed the CCC+ standalone rating or the overall rating and the likelihood of support remains the same,” Nassif said.

MOROCCO

Fes landfill starts generating power

The city of Fes has started generating over 1MW of electricity from a biogas plant at an innovative landfill facility developed by the US’ Edgeboro International and local partners. The group has a 20-year waste disposal contract and has negotiated contracts to supply power to local utility Régie Autonome Intercommunale de Distribution d’Eau et d’Electricité de la Wilaya de Fès (Radeef).

The US/local grouping began their co-operation with the City of Fes – seen in Morocco as a model for African urban waste management – in 2001. With environmental engineers Sadat Associates, Edgeboro drew up a comprehensive waste management plan for the historic city, which was supported by the US Trade and Development Agency. The landfill consists of a natural clay impermeable liner, leachate collection system, methane collection system and enclosed flare, and an onsite unit now generating 1.128MW. Edgeboro is working with local company Ecomed, also its partner for landfill work in Casablanca.

Fes expects eventually to generate 5MW from its biogas unit; the city’s current demand for public lighting is 3.5MW. The bioelectricity unit cost around MD100m (\$10.3m) and the landfill – which has overcome the pollution problems of its old Oudayas municipal dump – was a MD75m investment, Casablanca daily *L’Economiste* reported on 24 June.

After what first deputy mayor Allal Amraoui called “years of negotiation” with the Ministry of Interior, the power is sold directly to Radeef, rather than passing through the Office National de l’Electricité et de l’Eau Potable (ONEE) grid. Radeef is paying a preferential tariff of MD0.8/kWh, which compares with MD0.45/kWh proposed by ONEE. Amraoui said the city paid less than MD50/t of waste, “which is the lowest price compared to other cities who have concessioned management of the sector at more than MD100/t of waste”.

COUNTRIES AND MARKETS

COTE D'IVOIRE: Azito starts up phase 3

Azito Energie on 30 June marked the commercial start-up of phase 3 of its 430MW combined-cycle gas turbine (CCGT) power plant in Abidjan with a ceremony attended by President Alassane Ouattara. The original simple-cycle facility of 290MW has been converted to a 430MW CCGT power plant via the addition of a condensing steam turbine, powered by the gas turbines' exhaust heat. Azito is now one of the most modern, efficient power plants in West Africa, and provides 25% of Côte d'Ivoire's total electricity capacity. Including the expansion, carried out by Hyundai Engineering and Construction Company as engineering, procurement and construction contractor, total investment to date in Azito amounts to \$615m. Phase 3 was financed by shareholder equity, and loans from international and bilateral development agencies. Azito, which has operated since 1999, is now owned by Globeleq and IPS WA, a subsidiary of the Aga Khan Fund for Economic Development.

DR CONGO: Katanga PV developers sought

Société Nationale d'Electricité (Snel) has called for expressions of interest from solar developers to install solar photovoltaic power plants of 100MW-200MW to link into the high-voltage grid in Katanga Province. The state utility says the mineral-rich province is facing a 765MW generation deficit and, although it has already held talks with some developers, more investment is needed. To help overcome this challenge developers must commit to completing projects within 24 months. Expressions of interest (in French) for AMI No 01/SNEL/DG/DAM/DDM/MEQ/2015/SC must be received in Kinshasa by 22 July, when there will be a public opening. Successful bidders will be invited to negotiate directly with Snel.

Contact: snel_dg@yahoo.fr, gboutin@mih.ca, malecif@yahoo.fr, kkibwilakifilugilbert@yahoo.fr.

EAST AFRICA: Regional power bodies co-ordinate

A two-day meeting of East African power organisations concluded on 26 June in Kigali, with the regional bodies agreeing to closer collaboration to integrate their power systems. The main aim of the meeting was for the power organisations to agree on co-ordination arrangements and frameworks to avoid duplication and overlaps, and to develop a way forward to accelerate completion and commissioning of ongoing projects. The organisations represented were the Nile Equatorial Lakes Subsidiary Action Programme, Energie des Grands Lacs, the Eastern Africa Power Pool and the East African Community.

KENYA

Ground-breaking for Lake Turkana wind scheme

President Uhuru Kenyatta officiated at the ground-breaking ceremony for the 310MW Lake Turkana Wind Power project on 2 July. The Lake Turkana Wind Power project company said in a statement that between 50MW and 90MW of capacity would be ready for commissioning by September 2016, with full commercial operation by June or July 2017.

Evacuation of power from the €625m (\$690m) project is dependent on completion of a 428km 400kV transmission line being built by the Kenya Electricity Transmission Company (Ketraco) using €110m concessional funding from the Spanish government and €32m from the Kenyan national budget. The

MOROCCO: Safi wind farm

The Ministry of Energy, Mines, Water and Environment is in the process of approving the construction of an eventual 300MW capacity privately financed wind farm at Safi, Casablanca monthly *Economie Entreprise* reported. The estimated MD3.5bn (\$358.6m) wind farm is planned by the Belgian-owned Compagnie Marocaine des Energies (CME), which expects to supply high-voltage industrial clients. Locally registered CME was created by Heverlee-based WindVision in 2012; its other shareholder is Euronext Brussels-listed Compagnie d'Entreprises CFE.

SENEGAL: Senelec HV connection to boost Dakar supply

Société Nationale d'Electricité du Sénégal (Senelec) has received Islamic Development Bank financing for its project to build a 225kV underground high-voltage line over 22km between the Kanoune and Patte d'Oie substations. The project is intended to raise supply to Dakar from 370MW in 2015 to 690MW in 2019. Senelec will issue international tenders for an engineering, procurement and construction contractor for the transmission line and work on the Kanoune and Patte d'Oie substations; for a consultant to undertake environmental impact and social studies; an inspection and certification contractor; and an auditor.

Contact: *Directeur de l'Equipement et de l'Environnement, Senelec, ligne.kounptedoie@senelec.sn.*

SUDAN: 500MW Kosti thermal power plant commissioned

India's Bharat Heavy Electricals Ltd (BHEL) has commissioned the 500MW Kosti thermal power station, comprising four 125MW units fuelled using crude oil imported from South Sudan. BHEL was the engineering, procurement and construction contractor, and designed, supplied and installed the entire plant with associated civil works. All major equipment was manufactured in-house by BHEL. Funding was provided via a \$350m line of credit from the Export-Import Bank of India. The plant is BHEL's largest oil-fuelled power plant outside India, and follows the inauguration of its 28MW Nyabarongo hydroelectric power plant in Rwanda and 40MW cogeneration facility at the Tendaho sugar factory in Ethiopia. The company is involved in two further power plants in Africa; the 64MW Katende hydropower plant in Democratic Republic of Congo (*AE 302/11*) and an 18MW heavy fuel oil plant in Comoros.

line will also connect Samburu, Marsabit and Turkana counties to the national grid and facilitate the evacuation of power from geothermal plants in the Rift Valley. Lake Turkana wind farm incorporates a 40,000 acre site in Loyangalani district in Marsabit West County and will comprise 365 850kW wind turbines expected to operate at a load capacity factor of around 68%. The project includes the upgrading of a 204km road from Laisamis to the site. Power will be sold to the grid at 8.42c/kWh.

Debt is being provided by the African Development Bank, the European Investment Bank, South Africa's Standard Bank, Nedbank, Dutch development bank FMO, France's Proparco, the East African Development Bank, PTA Bank, Danish export credit agency EKF, Triodos Bank and Germany's DEG. KP&P Africa and the UK's Aldwych International, which will oversee construction and operation of the facility, are co-developers of

the project as well as investors. Other equity investors include the Finnish Fund for Industrial Co-operation, the Industrial Fund for Developing Countries, the Norwegian Investment Fund for Developing Countries and Sandpiper. Google is reported to be interested in investing in the project. Speaking at the ceremony, Kenyatta said: "Grab a copy of our Wind Atlas (developed in 2003) and do not hesitate to invest your money in Kenya." Businesses near the wind farm are expected to receive cheaper electricity tariffs similar to those enjoyed by companies near the Olkaria geothermal sites.

National utility Kenya Electricity Generating Company has also been talking up the potential for a wind farm generating up to 400MW in Meru county near the Isiolo International Airport. The project is currently expected to deliver 50MW capacity in its first phase at a cost of around €100m and is likely to be developed by KenGen in collaboration with the county government. German development bank KfW confirmed to *African Energy* that it is looking at financing the project following a commitment by the German government. No financial agreement is yet in place. The Agence Française de Développement is also thought to be assessing the project. KenGen business development manager Moses Wekesa is reported by Kenya's *Standard Digital* as saying that the facility would occupy an 18,700 acre site of trust land formerly owned by Nyambene County Council, which is now defunct. "We have since engaged consultants who have determined a potential of 400MW and we are likely to get into a partnership with the county government," he is reported to have said. Designs and approval processes have been completed and bids for construction will be invited once financiers are identified.

According to Marsabit governor Ukur Yattani, speaking at the ground-breaking of Lake Turkana, six sites for wind power projects have been identified in the county.

DJIBOUTI

MoU for wind farm

Energy minister Ali Mahmoud Yacoub has signed a memorandum of understanding with Shanghai Electric for the construction of a 60MW wind farm, in line with Djibouti's commitment to becoming the first African country to generate all its energy from renewable sources by the next decade.

Feasibility and data collection studies for the project were carried out by Djibouti Electricity Authority. The wind farm will be constructed in two 30MW phases, and the project will include the construction of two 230kV power transmission lines in northern Djibouti. Estimates of the country's wind potential suggest that up to 5,000kWh/yr could be generated, especially at sites such as Ghoubet, Assal, Gali Maaba and Bada Wein.

Projects to develop wind, geothermal, solar, and wave energy capabilities are all under way in Djibouti, and geothermal is a priority for the government (*AE 281/12*). The Japan International Co-operation Agency completed a survey of 13 potential geothermal sites last year, and the Ministry of Energy expects four exploratory wells to be drilled near the caldera at Asal-Fiale within the next year. Other sites that have shown potential include Hanle-Garabbayis, North Goubet and Gaggade. Spain's Fotowatio Renewable Ventures is developing a 50MW solar project at Ali-Sabeih, in the south of the country.

This wind farm is the second energy project by Shanghai Electric in Djibouti. The first was the construction of a 63kV power line for the railway to Addis Ababa, signed in December 2013.

Uganda to shortlist companies in bid round

The government has received 17 valid requests for qualification for its bid round of six blocks of relinquished acreage in the Albertine Graben, and hopes to make awards by year-end, writes **William Macpherson**

The Ministry of Energy and Minerals has received 17 valid applications to prequalify for its licensing round for six blocks in the Albertine Graben. A 1 July statement said the bids would be evaluated and qualified companies would be announced on 10 August.

The government will issue bid documents and the model production-sharing agreement to qualified applicants on 20 August. The applicants will then be invited to lodge their bids following a mandatory visit to the data room at the Directorate of Petroleum in Entebbe. "Government has planned to award new petroleum, exploration, development and production licences before the end of this year if all goes according to the planned licensing roadmap," said permanent secretary Fred Kabagambe-Kaliisa.

The blocks on offer are made up of acreage relinquished following past exploration, and the bidders are a mix of

established and relatively unknown players. The closing date was extended from 29 May to 30 June, and Kabagambe-Kaliisa said the 17 valid applications presented "a significant milestone given the several challenges the entire oil and gas industry is going through". A ministry spokesman told *African Energy* Thailand's PTTEP and Dubai-based Dragon Oil had submitted invalid bids and failed to prequalify.

The prequalified bidders include Tullow Oil, which has faced no shortage of challenges in negotiating a production licence for its existing acreage (*AE 296/1*), and a Russian consortium called Africa Global Resources, comprised of Telconet Capital, Tatneft and Rostec, which are also in talks with the government to build a refinery after emerging as preferred bidder in February (*AE 302/21*).

Other bidders are India's ONGC Videsh, which has acreage in neighbouring South Sudan and stands to benefit from an

eventual regional export pipeline, Mubadala Petroleum, part of the Abu Dhabi sovereign wealth fund Mubadala Development Company led by Crown Prince Mohammed Bin Zayed Al-Nahyan, and South Africa's Sasol, whose main overseas activities are in Mozambique.

Lesser-known players include Texas-based Glint Energy, which was awarded a block in Zambia's 2009 bid round and is looking to expand into Democratic Republic of Congo, Republic of Congo and Eritrea, and a small private Norwegian company called Petrica Energy. Rift Energy Corporation, which operates onshore Kenyan Block L19, where it is seeking a farm-in partner, was also shortlisted.

Nigerian companies featured prominently, including Atlas Petroleum and Oranto Petroleum, owned by Prince Arthur Eze, which are active in West Africa and Namibia, as well as Niger Delta Exploration & Production, whose board includes former Department of Petroleum Resources head Augustine Olorunsola, and Waltersmith, which has operated the producing Ibigwe field on OML 16 since 2003.

Other bidders are South Africa's Rapid African Energy, led by former Energy Africa executive Rhidwaan Gasant, Hong Kong-listed Brightoil Petroleum, owned by billionaire Sit Kwong Lam, Australia's Armour Energy, and Swala Energy, which holds licences in Tanzania, Zambia and Kenya, and private Turkish company Petoil Limited, which has operations in Kurdistan.

Faced with a flurry of interest after the first Lake Albert discoveries, the government suspended new licensing until a proper legal framework could be developed. Officials say they offered the relinquished areas because they had existing data, and future rounds will offer new acreage once seismic surveys can be carried out.

TANZANIA

Government pushes through oil laws

The government has passed legislation aimed at improving regulation and governance in the oil and gas sector, though the speed with which it was processed has been criticised by opposition MPs and civil society groups. The Petroleum Act was passed on 5 July, followed by the Oil & Gas Revenue Management Act and the Tanzania Extractive Industry (Transparency & Accountability) Act the following day. Opposition parties accused the ruling Chama Cha Mapinduzi party of pushing through the legislation without giving parliament time to adequately consider its contents.

There had been concerns that the legislation would have to wait until after the October elections to be passed, further delaying investment decisions on big schemes such as BG and Statoil's plans for a liquefied natural gas export plant (*AE 292/1*).

The Petroleum Act establishes several new institutions and clarifies the roles of existing institutions in an attempt to streamline governance of the sector. In general, its provisions appear to be more thoroughly drafted than in previous versions.

There is one major alteration, however. The industry had been anticipating a separate Gas Act to regulate the downstream sector, but its provisions have been incorporated into the Petroleum Act.

One new institution is an Oil & Gas Bureau within the Office of the President, which is intended to advise the cabinet. The Dar es Salaam branch of law firm Clyde & Co said the Bureau would give specialists a more prominent role in guiding the government's dealings with the private sector. Clyde & Co said the final Petroleum Act placed far more emphasis on the minister's decision-making requiring cabinet approval at every turn.

The Petroleum Act establishes Tanzania Petroleum Development Corporation (TPDC) as the national oil company, meaning it will take a more prominent role in commercial ventures from the start of the project cycle. It establishes the Petroleum Upstream Regulatory Authority (Pura) as an independent regulator with a role in advising the minister in licence negotiations with oil companies. The Energy and Water Utilities Authority's role has been redefined to include regulation of midstream and downstream activities.

Clyde & Co noted that company obligations regarding domestic supply remain poorly defined. The licence holder has the obligation to "satisfy [the] domestic market in Tanzania from their proportional share of production". But it is unclear how this will operate in practice.

The Tanzania Extractive Industries (Transparency and Accountability) Act provides a legal framework through which payments between governments and oil companies can be tracked. Its main feature is the establishment of an independent committee which is required to produce an annual reconciliation report, comparing payments made by companies with government receipts.

Pura has the right to disclose information on agreements signed with companies if the licence holder gives consent, but the law does not specify how transparency provisions will interact with confidentiality clauses in production-sharing agreements. In December 2014, the national debate over contract terms led to two senior TPDC officials being temporarily arrested after refusing to give a parliamentary committee details of confidential contracts signed with national oil companies (*AE 289/15*).

Opposition MPs excluded

The three acts were passed while over 40 members of the opposition were excluded from parliament by the speaker for disrupting earlier debates. "The main issue was that the time to discuss the bills was insufficient, so we started questioning the government: why are you trying to pass three bills in that period of time? These are bills which are very important," one of the expelled MPs, Moses Machali, told *African Energy*. "According to parliamentary regulations, for a bill to be discussed, they are supposed to be gazetted twice, at least. These bills were only gazetted once, so the procedure has not been observed... It was pure rubber-stamping, because no members of parliament who were critically discussing the contents of these bills were there."

In a 26 June statement, a group of civil society organisations praised the government “for its efforts and determination to manage this national wealth effectively and strategically for the benefit of the current and future generations of this country”, adding, however, that they had major concerns with the content of the legislation and the way in which the government was seeking to rush its passage.

“We do not appreciate how the government has gone about this matter. They have excluded other stakeholders when developing laws, we do not even know the content,” Tanzania Human Rights Defenders Coalition national co-ordinator Onesmo Olungurumwa told *African Energy*. Asked about the expulsion of opposition MPs, he said: “They were expelled because they were resisting. They were protesting because there should have been wider consultations – we need time to go through the content.”

SOMALIA

Africa Energy Corporation pulls out of Puntland

Africa Energy Corporation, the former Horn Petroleum, has given notice to the authorities in Puntland that it intends to withdraw from the January 2007 Nugaal and Dharoor production-sharing agreements (PSAs) with immediate effect. Horn suspended its operations in Puntland in February, and relaunched in March with a new name and new corporate strategy (*AE 296/1*).

“In its notice to the Puntland Petroleum and Minerals Agency, the company cited the uncertainty of the current political climate in Somalia, especially in respect of the disagreement between the Federal Government of Somalia and the regional government of Puntland, Somalia over the legitimacy of the PSAs, and potential territorial claims on the Nugaal Block, as the principal reasons for its decisions,” a statement said. Horn drilled two wells on the Dharoor Block in 2012, of which Shabeel-1 encountered oil and gas shows but Shabeel North found only water.

NIGERIA

Buhari sacks NNPC board

President Muhammadu Buhari on 26 June dissolved the ten-member board of directors of Nigeria National Petroleum Corporation (NNPC) headed by outgoing petroleum minister Alison Diezani-Madueke. NNPC has long been accused of large-scale corruption, and former central bank governor Lamido Sanusi said in late 2013 that \$20bn of oil money had disappeared from its funds. An independent audit ordered by the government in 2014 found only a \$1.48bn shortfall, though auditors PwC said they had not had access to the full accounts. Buhari has promised to shed further light on the issue.

Inaugurating the National Economic Council on 29 June, Buhari declared that NNPC, Nigeria LNG and other state bodies such as the tax and customs services should pay all their

COUNTRIES AND MARKETS

EGYPT: IFC invests in Pico

The World Bank's International Finance Corporation (IFC) is providing a \$50m loan to Cheiron Finance Limited, a subsidiary of Egypt's Pico International Petroleum, in an effort to bolster domestic energy supplies. The loan is part of a \$200m financing package arranged by IFC, the European Bank for Reconstruction and Development and HSBC. It will help Pico, one of Egypt's leading independent producers, expand operations and optimise production at its oil and gas fields in the Gulf of Suez. Those fields help supply Egypt's oil and natural gas-fired power plants, which provide the vast majority of the country's electricity. Pico, Egypt's largest locally owned oil and gas company, specialises in developing the smaller, more mature concessions that are a vital component of the country's oil and gas sector, and owns 11 fields and one exploration concession across Egypt, Mexico, and Romania.

MOROCCO: San Leon contracts rig

San Leon Energy has signed a rig contract with Entrepouse Drilling for the El Aaiun-4 well on the Tarfaya licence. The Cabot 750 rig is expected to spud the well in the second half of August 2015, and it will take around 30 days to reach total depth at around 2,000 metres. The well is targeting Tertiary channel sandstones, at a location some 14km from a potential gas market, the El Marsa phosphate processing plant, near Foum El-Oued. San Leon executive chairman Oisín Fanning said the well was located updip of gas encountered in an older well, with other nearby similar channel targets for follow-on wells.

revenues into the Consolidated Revenue Fund and then submit an expenditure budget, instead of withholding what they plan to spend and remitting the rest to the fund.

“All revenue-generating agencies such as the Nigerian National Petroleum Corporation, Nigeria Customs Service, Federal Inland Revenue Service, Nigerian Ports Authority, Central Bank of Nigeria, Nigerian Maritime Administration and Safety Agency and the Nigerian Liquefied Natural Gas, amongst others, shall comply with stipulated financial regulations and administrative instructions in their remittances into the Consolidated Revenue Fund,” news reports quoted him as saying.

Buhari, who has yet to appoint a cabinet, has been criticised for lack of action in the early days of his presidency, though the first weeks since he took office on 29 May have been taken up with establishing a wider regional initiative to tackle the Boko Haram insurgency, bringing in Chad, Niger and Cameroon to a multi-national joint task force. An 800-page report delivered by the 19-member Transition Committee established to oversee the handover is being translated into an action plan. Buhari said in an interview on 14 June that the government was functioning normally with ministry civil servants in charge while he assessed the numerous challenges confronting his administration (*AE 298/1*). He told reporters on 22 June that he had inherited a virtually empty treasury from the previous administration of President Goodluck Jonathan. Oil income has fallen sharply, and large amounts of foreign currency reserves have been spent on propping up the falling naira (*AE 293/20*).

Buhari's All Progressives Congress is a coalition of three main opposition parties, not a single party, so the president has a

number of interests to consider when making ministerial appointments. There are suggestions that, like his predecessor Olusegun Obasanjo, he may keep the oil portfolio for himself to ensure full control of the sector, while appointing a trusted technocrat as minister of state. Another challenge for ministerial appointments is that the 32 portfolios have to be filled by one minister from each of Nigeria's 32 federal states.

EQUATORIAL GUINEA

New appointments at ministry, GEPetrol

The Ministry of Mines, Industry and Energy has announced new appointments and department mergers in a bid to streamline its operations. Minister Gabriel Mbaga Obiang Lima has named Jose Manuel Abaga Mba as his chief of staff, replacing Lucas Nguema Mbulito, who recently became chief executive of state power company Segesa. Mercedes Eworo Milam has been named director of petroleum economics, replacing Tomás Felix Ongo Ehapo, and will retain her position as director-general of hydrocarbons, representing a merger of the hydrocarbons and petroleum economics portfolios.

Lima, who became minister in May 2012, has been seeking to reform the ministry to give it more autonomy from the presidential family, which has historically controlled service companies and employment agencies. Tightening of corporate governance rules has increasingly posed problems for international oil companies operating in the country, who cannot do business with politically connected entities.

The ministry has merged the departments of industry and the Extractive Industries Transparency Initiative (EITI). The director of industry will now be Cesar Augusto Hinestrosa Gomez, who has overseen Equatorial Guinea's application to become an EITI member. Oscar Vicente Garcia Berniko is the new director of national content, replacing Agustin Mba Okomo. Leoncio Amada Nze has been named director of company relations.

There have also been changes at state oil company GEPetrol, where Antonio Engonga Oburu has been appointed general director, replacing Candido Nsue Okomo, who was appointed secretary of state in the Ministry of Youth and Sports in April. Vicente Abeso Mbuy has been named deputy general director, and Gabriel Mbaga Nchama is second director.

CAMEROON

Golar and Perenco agree terms for floating LNG scheme

Golar LNG has agreed commercial terms and conditions with Perenco and state oil company Société Nationale des Hydrocarbures (SNH) for a floating liquefied natural gas export project. The Bermuda-registered company announced on 24 December that it had signed a heads of agreement with SNH and Perenco (*AE 292/21*). Golar said the tolling agreement which defines the material commercial terms and conditions

African Infrastructure Investment Survey

The African Development Bank-based Infrastructure Consortium for Africa (ICA) has launched a new survey that aims to capture private sector views on the challenges of financing and implementing infrastructure projects in Africa.

Managed by Cross-border Information (Cbi), the survey is aimed at all private sector participants in infrastructure projects – equity investors, project developers, lenders and professional services providers.

For each of the first 200 completed and verified survey responses Cbi will donate US\$10 to the charity **Practical Action**.

Results will be published and shared with participants in the fourth quarter of 2015.

Read more

Please click here to take part in the survey – it should only take a few minutes. You may skip any questions that are not relevant to you.

(Information will be used and displayed only in an aggregated form. Individual responses will remain confidential.)

For any queries about the survey, please contact Nick Carn. Email: nick@cbi-research.com



for the project is now subject to finalisation with SNH, and government approval. The midstream gas convention setting out the regulatory and fiscal regime governing FLNG operations in Cameroon is being progressed in parallel with the tolling agreement and is also now subject to finalisation with the government. "It is anticipated that final approval by all parties (including the government in Cameroon) for the tolling agreement and the midstream gas convention will take place late Q3 2015," Golar said.

The project is based on the allocation of 500bcf of natural gas reserves from offshore Kribi fields, which will be exported to global markets via the GoFLNG vessel Hilli, under construction at the Keppel shipyard in Singapore. Golar will provide the liquefaction facilities and services under a tolling agreement to SNH and Perenco as parties of the upstream joint venture. The Kribi fields are expected to produce 1.2m t/yr of LNG, representing some 50% of the vessel's nameplate production capacity, over an eight-year period. Production is expected to start in Q2 2017.

The scheme has a flexible tolling structure which correlates to Brent crude oil prices ranging from \$60/bbl to \$102/bbl. The marketing of LNG from the project remains the responsibility of Perenco and SNH.

Upstream update: Renewed optimism in Gambia, Guinea-Bissau and Senegal

Further drilling in Senegal, coupled with more work to firm up a big gas find off Mauritania, is awaited with some anticipation after finds in the St Louis Offshore Profond and Cayar Offshore Profond blocks suggest the Mauritania-Senegal-Guinea-Bissau Basin is a very substantial new play, providing the economics and governance can be made to work

The region has delivered false dawns before, as the reserves and production potential of fields initially believed to be 'word class' have fallen short of expectations, but Kosmos Energy's Tortue discovery (now called Ahmeyim) offshore Mauritania suggests that the Mauritania-Senegal-Guinea-Bissau (MSGB) Basin could finally emerge as a significant upstream play. Adding to the MSGB impetus are bullish signals coming from initial exploration across the border in Senegal, where operator Cairn Energy says its Sangomar Offshore Profond, Rufisque Offshore and Sangomar Offshore blocks contain at least five prospects and 18 leads.

"Utilising modern 3D seismic data and drilling capability, Cairn's recent programme and success in Senegal has opened up a new and emerging hydrocarbon basin," the Edinburgh-based company said in a May corporate statement. Estimating a mean risked resource base of 1bn-plus barrels from the 2014 SNE-1 and FAN-1 oil discoveries, plus identified prospects and leads, Cairn plans to develop SNE-1 through a floating production, storage and offloading vessel, with expansion capability for satellite tie-backs to integrate any nearby discoveries. Cairn has submitted a three-year evaluation work plan to President Macky Sall's government, and contracted the Ocean Rig Athena drillship for an initial three firm and three optional exploration and appraisal wells; drilling is scheduled to start in Q4 2015 for completion by H2 2016.

This prospectivity has persuaded US major ConocoPhillips to take 35% stakes in Cairn's Senegalese concessions, and Chevron Corporation to farm into St Louis Offshore Profond, operated by Kosmos, with Timis Corporation subsidiary Petro-Tim Senegal as a 30% partner.

Other acreage is being offered for farm-outs. Elenilto Group, advised by London-based Simco Petroleum Management, is looking for a partner to finance a 1,400km² 3D survey in its Offshore Sud Shallow Salt Basin, in the Casamance region.

The wave of optimism has reached even Guinea-Bissau, where business activity has been constrained by the former Portuguese colony's descent into political chaos and criminality. As a degree

of order is restored, international oil companies are looking for an upturn. In a statement on its website, Svenska Petroleum Exploration said: "Exploration success in deep water off Senegal in a setting similar to our blocks in Guinea-Bissau has caused us to rethink the exploration strategy in Guinea-Bissau. A planned 3D seismic acquisition was delayed until 2015 and drilling is likely to happen in 2016."

More exploration is expected in coming months across the region, which will firm up these finds. If more gas discoveries emerge, questions will be asked about how to monetise them. *African Energy's* soundings of a range of upstream and power industry sources suggest that either floating liquefied natural gas or gas-to-power (GTP) options might emerge.

There is a precedent for GTP operations, with US entrepreneur Rogers Beall's Fortesa International Senegal operation, whose Gadiaga and Sadiaratou production concessions produce up to 11mcf/d of gas for the domestic market.

Senegal also has shale gas potential in its onshore Paleozoic Basin, where Irish player T5 Oil & Gas operates the Louga licence following its acquisition of Blackstairs Energy Senegal. Other entrants in this zone are Nigeria's A-Z Petroleum Products and Romania's Tender Group.

Governance issues

Companies report keen interest in upstream developments from Sall, a geologist who served as energy minister and head of national oil company Société des Pétroles du Sénégal in Abdoulaye Wade's government before falling out with the former president and founding the initially small Alliance pour la République (APR) party.

Sall in June appointed a new energy and renewables minister to replace Maimouna Ndoeye Seck, one of several officials seen to have failed in solving the country's mounting electricity supply problems. New minister Thierno Alassane Sall was infrastructure and transport minister in 2012-14 and is a senior official in Sall's APR party; an aviation and telecoms specialist, he is formally responsible for the hydrocarbons sector.

GAMBIA

- **Overview.** Limited offshore potential, but four open blocks being marketed by GNPC. Gambia offers six-year exploration period, which can be extended for another ten years; GNPC can back in to 10% of any licence. Ministry of Petroleum oversees sector operating under the Petroleum Amendment Act of 2004 and awards licences; it has a model PSA draft (from 2010) and model petroleum exploration, development and production licence (2014). *AE: 183/12, 143/15.*

- **Blocks A1 & A4.** Deep-water blocks licensed to Frank Timis vehicle African Petroleum, which is looking for a farm-in partner. Originally licensed to Buried Hill Energy, African Petroleum farmed in in Sep 10, taking a 60% stake and

operatorship of both blocks. Alhambdullah prospect on A1 is a four-way dip closed structure with five stacked reservoir units. Government rescinded licences in Jan 14 for failure to fulfil work commitments; Buried Hill relinquished but African Petroleum in Nov 14 announced agreement to reinstate licences, now with 100% interest and revised exploration period, to expire on 1 Sep 16. By then, the company must drill one well on either of the blocks and reprocess 3D seismic over Block A4. Equity: APC (operator, 100%). *AE: 269/15, 194/1, 183/12, 143/15.*

- **Blocks A2 & A5.** Offshore blocks (2,666km² combined area) in 600-1,000 metre water depths, licensed to Erin Energy (the former Camac Energy). Chevron's 1979 Jammah-1 well in A2 had gas shows. Polarcus acquiring

Upstream update

1,540km² 3D survey over A2 and A5 in Jul 15. Farm-in partner sought. Equity: Erin Energy (operator, 85%), GNPC (15%). *AE: 302/15, 291/15, 232/18, 224/15, 143/15.*

- **Lower River Onshore.** Open block formerly held by Oranto Petroleum, which signed permit in 2010. Licence was rescinded in Jan 14, though Oranto said it had decided to withdraw. *AE: 269/15.*

GUINEA-BISSAU

- **Overview.** Petroleum Code (Law 2/82) regulates exploration and the exploitation of liquids and gas, and sets out the tax regime for activities on the continental platform and Guinea-Bissau's Exclusive Economic Zone. Model contract offers initial five-year exploration licence (with one optional two-year extension) and 20-year production licence (with one ten-year extension); NOC Petroguin has standard 10% carry. Recent activity constrained by political instability, but some seismic carried out and operators looking to an upturn in 2015-16, encouraged by wider MSGB Basin and Transform Margin developments. Earlier licensing rounds were promoted by Petroguin in partnership with First Exchange and CGG Veritas; and now by GeoPartners and Polarcus. Shared AGC acreage held jointly with Senegal. *AE: 183/12, 143/15.*

- ◊ **Historic exploration.** Exxon drilled four wells in the 1960s and Elf drilled GBO-1 well in 1984. Shell Pecten drilled three wells (1987-90), all reported oil and/or gas shows, two tested tilted fault blocks. Monument acquired 3D (1997-98) until force majeure terminated work programme. From 2001 Premier Oil explored sub-salt overhangs; Sinapa-1 well (Block 2) encountered significant crestal live oil shows in the Maastrichtian that confirmed a working petroleum system, but failed to reach the primary sub-salt closure in the Albion.

- ◊ **3D dataset.** Petroguin, Polarcus and GeoPartners have 8,000km² of new high-density multi-client 3D seismic data offshore Guinea-Bissau, acquired in two phases over two years. Both phases are being processed by DownUnder GeoSolutions, with phase one data available and phase two due Q3 15. The dataset covers five of the ten offshore licences.

- **Block 1 (Corvina).** Licensed to Cap Energy and Trace Atlantic Oil, a private-equity backed spinoff of Singapore-based seismic company Rex International. 4,800km² shallow offshore block in max 100 metre water depths. Historic Elf well identified structural traps formed by salt diapirs. Reinterpretation of legacy 2D seismic (1,150km) identified eight leads; 1,500km of new 2D acquired 2011 and 2D infill survey in 2013. Equity: Atlantic Petroleum Guinea-Bissau (operator, 65%), Cap Energy (35% – acquired 85.7% stake in former operator Sphere Petroleum Feb 13). Petroguin is carried through the exploration phase but can back in in the event of a commercial discovery. *AE: 302/18, 252/16, 183/12, 143/15.*

- **Block 5B (Becuda).** Licensed to Cap Energy and Trace Atlantic Oil, under same terms as Block 1. 1,500km of 2D seismic acquired in 2011 and 2013; reinterpreted 1,000km of legacy 2D. 1,530km 2D survey in 2013. *AE: 302/18, 252/16, 143/15.*

- **Blocks 2, 4A & 5A.** Offshore acreage held by Svenska Petroleum Exploration, which bought Occidental Petroleum's West African assets in 2007. Former operator Premier Oil drilled the non-commercial Sinapa discovery (Block 2) and dry wells on the Espinafre and Eirozes prospects (blocks 4A and 5A) before pulling out in Dec 07. Australia's FAR agreed Dec 09 to acquire Delek International Energy's 15% in each block. Plans to acquire 3D (following 250km of 2D acquired Dec 09). Svenska now plans 3D acquisition in 2015, potentially followed by drilling in 2016. AGR Well Management contracted Aug 13 for 2014 drilling, but plans slowed by political instability and difficulties securing operating base. Equity: Svenska (55%), FAR (15%), Petroguin (30%) carried. *AE: 291/15, 260/15, 183/12, 143/15.*

- **Block 3.** Ecologically sensitive shallow water area, spanning two national parks. *AE: 183/12, 143/15.*

- **Block 4B.** Licensed to Impact Oil & Gas.

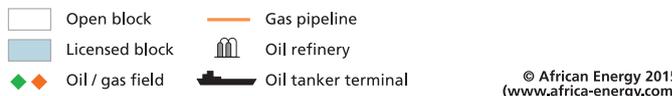
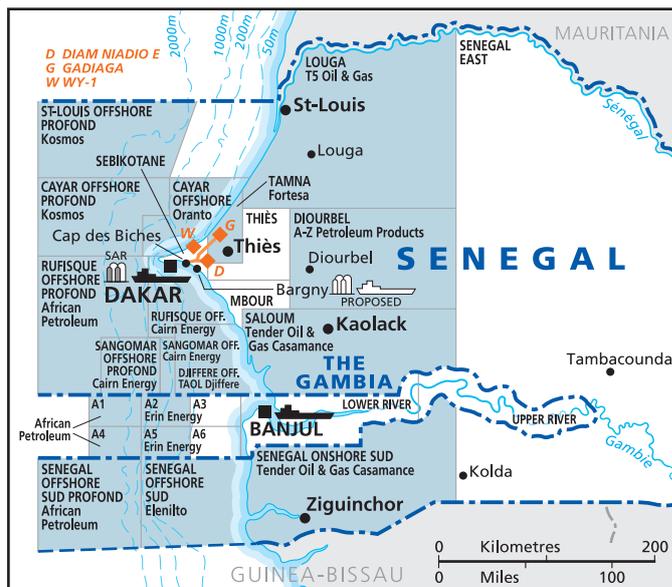
- **Blocks 6A & 6B.** Licence held by Dubai-based Larsen Oil & Gas; acquired 588km 2D seismic over 6A and 1,250km² 3D seismic over 6B in 2008, fulfilling commitments for initial exploration phase. *AE: 183/12, 143/15.*

- **Block 7A.** Awarded in 2008 to privately owned Sociedade de Hidrocarbonetos de Angola. *AE: 143/15.*

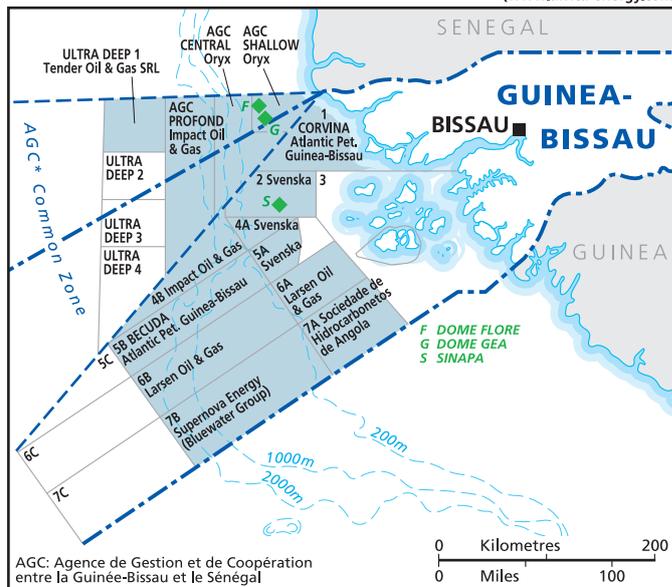
- **Block 7B.** Held by Supernova Energy (Netherlands' Bluewater Group). Awarded in 2007, company looking for farm-in partner. 3D seismic acquired by Polarcus over deeper part of 8,736km² licence in 2013. Equity: Supernova Energy (operator, 90%), Petroguin (10%). *AE: 183/12, 143/15.*

GUINEA-BISSAU/SENEGAL – REGIONAL

- **Agence de Gestion et de Coopération.** AGC runs Guinea-Bissau's joint development area with Senegal, in the central part of the Casamance-Bissau sub-



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basin. Lack of finds has discouraged exploration, but 3D data now available – from Polarcus/GeoPartners 1,025km² multi-client study (processed by DownUnder GeoSolutions) over AGC Profond and AGC Central blocks; includes 2D tie line through Kora-1 and Guinea-Bissau-1 wells.

- **Dome Flore.** Licence expired in Jan 08. Dome Flore and Dome Gea heavy oil deposits are not economically recoverable but there are hopes that deeper drilling may find light oil. Former equity: Markmore (55%), Sterling Energy (30%), Entreprise AGC (15%). *AE: 183/12, 143/15.*

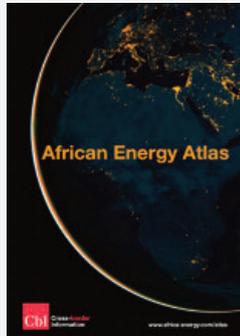
- **AGC Central.** Oryx Petroleum Corporation acquired 85% interest (Oct 14) in 3,150km² PSC in water depths of 100-1,500 metres; initial three-year exploration phase, including commitment to acquire 750km² of 3D. Area previously included AGC Profond licence. Equity: Oryx (operator, 85%), Entreprise AGC (15%). *AE: 287/11.*

- ◊ **AGC Profond.** Incorporated into AGC Central (2014); formerly held by Ophir Energy but relinquished (2014). Ophir drilled Kora-1 well (2010-11) in large salt-cored, four-way dip closed structure; failed to encounter commercially viable hydrocarbons, plugged and abandoned. Former equity: Ophir Energy (operator, 63%), Rocksource (25%), Entreprise AGC (12%). *AE: 214/12, 191/13, 174/3, 143/15.*

African Energy Atlas

First published in December 2008, the African Energy Atlas has become an indispensable resource for all energy industry professionals, policy makers and academics with an interest in the continent.

All the maps in the 2014/2015 edition have been revised and updated. In the power sector our east and west SAPP region maps have been split into new individual country maps for Angola, Botswana, Namibia, Zambia and Zimbabwe. Oil and gas maps include a new oil map of Niger, Chad and Central African Republic and a whole page dedicated to Cameroon.



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- **AGC Shallow.** Operator Oryx plans well targeting Dome Iris prospect (Maastrichtian formation in Cretaceous reservoir); originally scheduled for H1 15 but pushed back to H2 15 and then to 2016. Equity: Oryx Petroleum Corporation (operator, 85%), Entreprise AGC (15%). [AE: 291/15](#).
- **AGC Ultra-deep Block 1.** Licensed in Jun 12 to Tender Oil & Gas, owned by Romanian businessman Ovidiu Tender, and Entreprise AGC.

SENEGAL

- **Overview.** Deep offshore finds are breathing new life into MSGB play. Kosmos Energy sees St Louis Offshore Profond and Cayar Offshore Profond blocks as key elements in a new outboard Cretaceous petroleum system offshore Mauritania and northern Senegal, which has already produced the big Ahmeyim gas find in Mauritania. Senegal ceased oil production in 2001 after starting output in 1987, but has modest gas output used in domestic market. [AE: 302/18, 300/14](#).
- ◊ **Petrosen and sector regulation.** NOC created in May 1981 under government supervision through Ministry of Energy and Renewable Energy. Petroleum law, model EPSA, concession agreement and JOA all date from 1998. Ministry prepares, negotiates and signs all petroleum conventions and PSCs. Petrosen signs JOAs, acts as partner in upstream and downstream ventures. It operates Petroleum Data Bank created in 1992, containing data collected for over 50 years.
- **St Louis Offshore Profond.** Licensed to Kosmos Energy. Previously awarded to Dubai's Kampac Oil ME (Nov 05), withdrawn 2009. Purchased in 2014 as open acreage by Kosmos, abutting its deep-water permit off Mauritania where it had the play-opening Ahmeyim gas find (Apr 15). Equity: Kosmos (60%), Timis Corporation subsidiary Petro-Tim Senegal (30%), Petrosen (10%). [AE: 302/18, 284/1](#).
- **St Louis Offshore.** Block formerly held by Tullow, Dana Petroleum and Petrosen. 650km² of 3D seismic acquired over Ibis and Flamingo leads 2008. [AE: 183/12](#).
- **Cayar Offshore Profond.** Licensed to Kosmos Energy. Previously held by Al-Thani, relinquished 2008. Acquired 2014 by Kosmos. Equity: Kosmos (60%), Timis Corporation subsidiary Petro-Tim Senegal (30%), Petrosen (10%). [AE: 284/1](#).
- **Cayar Offshore.** Licensed to Oranto Petroleum Dec 09; previously held by Al-Thani (relinquished 2008).
- **Sangomar Offshore Profond, Rufisque Offshore & Sangomar Offshore.** Long held by Australia's FAR. Shell funded CSEM data acquisition and geophysical evaluation programme in 2009, but decided not to proceed. Hunt Oil Company

GLOSSARY

COMPANIES AND INSTITUTIONS

AGC – Agence de Gestion et de Coopération (Senegal-Guinea-Bissau). GNPC – Gambia National Petroleum Company. Petrosen – Société des Pétroles du Sénégal. Sencap – Senegal Cap Energy. TAOL – Trace Atlantic Oil Ltd.

ABBREVIATIONS

CSEM – controlled source electro-magnetic. EPSA – exploration and production-sharing agreement. FPSO – floating production, storage and offloading vessel. JOA – joint operating agreement. JV – joint venture. MSGB – Mauritania-Senegal-Guinea-Bissau Basin. NOC – national oil company. PSA – production-sharing agreement. PSC – production-sharing contract.

partnered FAR but pulled out in 2008; in 2011, Ophir opted not to take up an option for a 25% stake. Cairn Energy farmed in in Mar 13, taking operatorship and 65% in return for funding an exploration well. ConocoPhillips farmed in Aug 13, agreeing to pay for a second exploration well. Cairn began two-well programme May 13, spudding FAN-1 well on Sangomar Block before moving on to SNE-1. Cairn announced oil discovery with FAN-1 Oct 14. Appraisal and exploration programme of up to six wells due to start Oct 15 using Ocean Rig Athena. Development via FPSO planned. Equity: Cairn (operator, 40%), ConocoPhillips (25%), FAR (15%), Petrosen (10%, with option to increase to 18% once development sanctioned). [AE: 302/18, 300/14, 298/16, 287/11, 276/19](#).

- **Rufisque Offshore Deep & South Senegal Offshore Deep.** Acreage licensed to African Petroleum Dec 11. 10,000km² 2D seismic acquired over acreage, plus 3,600km² 3D (completed May 12) over South Senegal (previously held by Al-Thani). 1,800km² 3D acquired from Petrosen over Rufisque (formerly licensed to Edison and Petrobras). Equity: African Petroleum (operator, 90%), Petrosen (10%). [AE: 221/1](#).
- **Djiffère Offshore.** Partner UK-based Cap Energy says 4,459km² shallow water block is similar to Cairn's Rufisque Offshore. Cap subsidiary Sencap acquired 49% in Trace Atlantic Oil Ltd subsidiary TAOL Djiffère Ltd Feb 14. Antelope structure identified as most prospective. Equity: TAOL Djiffère Ltd (45.9%); Sencap (44.1%); Petrosen (10%). [AE: 302/18](#).
- **Offshore Sud Shallow Salt Basin, Casamance.** Licensed to Elenitlo Group under Nov 12 EPSA. Acreage comprises almost 8,000km² in Casamance sub-basin. Elenitlo looking for partner to initially finance 1,400km² 3D survey in 2015. [AE: 278/10](#).
- **Tamna.** Exploration acreage licensed to Fortesa International (*see below*).
- **Sebikhotane.** Potentially gas-prone open block. Previously licensed to M&P (90%) and Orchard (10%) in Jul 02, after Tullow withdrew, M&P pulled out Q1 15 after exploration disappointments and international arbitration over purchase of Orchard stake.
- **Senegal Onshore Sud.** Block previously held by Al-Thani, awarded Jan 15 to Tender Oil & Gas Casamance, owned by Romanian businessman Ovidiu Tender. Equity: Tender (90%), Petrosen (10%). [AE: 183/12](#).
- **Saloum Onshore.** South Senegal block relinquished by Oranto Petroleum, awarded to Tender Oil & Gas Casamance Jan 15. Equity: Tender (90%), Petrosen (10%). [AE: 183/12](#).
- **Louga.** 27,000km² onshore block in Paleozoic Basin with shale gas potential. PSC signed with Ireland's Blackstairs Energy (2013); Ireland's T5 Oil & Gas then acquired Blackstairs Energy Senegal and Louga PSC (ratified by President Jul 13). Licence commitments to acquire 1,100km² 2D and drill one exploration well to 3,000 metres by Jul 16; drilling another well in exploration period two (to Jul 18) and two exploration wells by Jul 20. Equity: T5 Oil & Gas (90%), Petrosen (10%). [AE: 183/12](#).
- **Diourbel.** Onshore Paleozoic Basin block with shale gas potential. PSC signed with A-Z Petroleum Products, subsidiary of Nigeria's Chicason Group (2013). Equity: A-Z (90%), Petrosen (10%). [AE: 183/12](#).

SENEGAL GAS PRODUCTION

- **Pipeline network.** Links Gadiaga field (via 32km of 4.5-inch pipeline) and Diamniadio fields (9km of 3-inch double pipelines) to Kabor gas terminal; Kabor connected to Cap des Biches power plant through 10km of 6-inch pipeline.
- **Fortesa International Senegal.** Producing up to 11mcf/d of gas for domestic market from the Gadiaga and Sadiaratou production concessions (Tamna Block). Cayman Islands-registered Fortesa was founded 1997 by US oilman Rogers Beall to focus on onshore E&P in Senegal; part of Texas-based Africa Fortesa Corporation; investors include Paris-based 4D GEA and BVI-registered Gemini Oil and Gas.

NIGERIA

Oando sells 49% stake in downstream business

Oando has agreed to sell a significant stake in its downstream business to Vitol and Helios Investment Partners, enabling it to focus on its upstream and midstream businesses. The Nigerian company said it had agreed with HV Investments II BV, a joint venture owned by a fund advised by Helios and Vitol, to acquire 49% of the voting rights and 60% of the economic rights in Oando's downstream businesses. The other 51% of the voting rights will be held by Oando and a Nigerian Helios affiliate in the ratio of 49%:2%.

"The divestment enables Oando Plc to focus on its upstream and midstream businesses. Even as proceeds of the sale will be applied almost entirely to reducing Oando's leverage, we underscore the portfolio rationalisation achieved alongside the balance sheet optimisation," said group chief executive Wale Tinubu.

Oando completed the acquisition of ConocoPhillips' upstream oil and gas business in Nigeria last year, leaving it with a much-

expanded upstream business but also significant debt. The sale of the downstream assets had been expected for some time, and trader Aiteo denied in 2014 that it was a buyer (*AE 288/15*).

The Oando downstream businesses mainly consist of Oando Marketing Plc, a petroleum product retailing and distribution company with over 400 retail outlets, and terminals in Nigeria, Ghana and Togo; Oando Supply & Trading Limited, which trades large-volume cargoes to major oil marketers and independent marketers in Nigeria; Oando Trading Limited (Bermuda), which trades crude oil and refined petroleum products in international markets; Apapa SPM Limited, a marina jetty and subsea pipeline system at Apapa, Lagos; and Ebony Oil & Gas Limited, a Ghanaian supply and trading entity with a provisional bulk distribution company licence.

Helios, which is backed by financier George Soros, has already partnered Vitol to distribute Shell-branded fuels and lubricants in 16 African countries.

The total consideration of \$461.3m will be funded by a \$276.8m cash contribution from HV Investments and \$184.5m in preference shares issued to Oando, subject to purchase price adjustments, including working capital and long-term debt.

Egyptian budget data show Sisi bounce, but details point to tough times ahead

Budget data show an overall improvement in the economy, but there are good reasons for investors to be concerned that Egyptian finances are insufficiently robust to support the Sisi government's proposed energy sector projects, writes **John Hamilton**

Business is piling in behind President Abdel Fattah El-Sisi's promise of an investor-friendly high-growth Egypt (*AE 302/8, 301/16*), but data published in the 2015-16 draft budget leave important questions hanging over Cairo about how major energy sector and other high-profile infrastructure projects will be financed. The budget's headline figures suggest a difficult but gradually improving situation overall, but the details reveal a worrying dependence on a combination of external financing and the success of major development projects. Meanwhile, the ambitious programme of power sector expansion is forging ahead, seemingly disconnected from the country's financial constraints but following the more bullish mood in the markets, reflected in the pricing of Egypt's new \$1.5bn sovereign bond (*see Finance and policy pointers*).

African Energy's analysis suggests that if all the proposed new generation projects being planned or developed by the government, its various agencies and private sector partners are implemented, they will significantly exceed the capacity the country needs and can afford by 2020. At the same time, significant increases in gas production are unlikely to cover rapid increases in demand – mainly from power generation.

According to the budget, the Sisi administration is aiming for "a genuine leap forward in the level of the Egyptian economy and the living standards of Egyptians". It put forward what it said

were "a set of policies, projects and programmes which aim to restore confidence in the Egyptian economy and bring about a qualitative leap to reclaim its place on the world financial map". It said this would be achieved through a package of economic reforms and restructuring, combined with strategic projects that include the privately funded Suez Canal mega-project, a huge programme of construction (including a logistics centre in Damietta and a commerce and marketing city in the Gulf of Suez), plus a revitalisation of the broader energy sector (*see box*). The new canal is scheduled for completion in August. The Suez Canal Authority says its revenues will grow by 149% (from \$5.3bn now to \$13.2bn in 2023) by doubling the waterway's capacity and increasing fees. The Ministry of Finance expects tax revenue from the canal to increase 18.5% to £17.6bn (\$2.2bn) in the coming 12 months.

Cairo will certainly need the revenue. Energy sector developments are based on credible plans to accelerate upstream gas field developments in the near term and, in parallel, a massive increase in the provision of power generation capacity (*AE 299/10, 297/8, 293/8, 284/12*). The largest quantities of extra gas will come from deep-water offshore projects operated by BP, Eni and BG off the Nile Delta, with smaller contributions coming from DEA Group, Dana Gas, Edison and Royal Dutch Shell onshore (*AE 298/18, 297/21, 296/17*). Cumulatively,

these developments are vital to provide feedstock for the new power plants, but they will also generate revenue for the budget. For instance, taxes on the profits of Egyptian General Petroleum Corporation (EGPC) are expected to increase 8.1% to E£40bn.

Difficult questions about gas supply

There is little consensus among analysts about how much gas output is likely to increase. According to the International Energy Agency (IEA) *Medium Term Gas Market Report* published in June, production is “expected to increase moderately until 2020 at an average annual rate of 1.2% due to a projected, gradual improvement of the country’s investment climate”. The IEA expects output will reach 5.22mcf/d in 2020. The IEA also estimates that gas demand will increase by 4%/yr to reach 5.61mcf/d in 2020 – making it certain that, in five years’ time, Egypt will have to import larger quantities of gas than now.

Not everyone agrees, however. Observatoire Méditerranéen de l’Energie director of hydrocarbons Sohbet Karbuz told *African Energy*: “There are field development projects still ongoing and some recent discoveries. Many of them will go online in early 2020.” He estimated that these, combined with a backlog of delayed developments, meant Egypt could again become a net exporter of energy in the decade until 2030 before definitively returning to imports. “They have already increased the prices and are paying the arrears,” Karbuz said. According to media statements by energy sector officials, EGPC had repaid \$9.37bn to international oil companies in the nine months to March. It intends to repay the outstanding \$3.5bn by mid-2016, a year later than planned. (*AE 292/18*).

While overall energy consumption is increasing much faster than production, gas demand will rise more slowly and represent a progressively smaller share of overall consumption, as industrial users switch to coal, and power generation also diversifies away from gas.

One problem that makes forecasting likely outcomes for the energy sector particularly difficult is that there is little consensus even on the present situation and its fundamental dynamics. The Ministry of Petroleum has told Egyptian media that production is still declining, falling below 4.395mcf/d, significantly less than even the IEA’s 2014 estimate of 4.84mcf/d.

The relentless downwards progression has led to some discussion about the natural decline of fields, a phenomenon that Karbuz says has not yet started to kick in. “Egypt doesn’t need to be in this position. Many people think that Egypt’s production has peaked. I do not share that view. The problem is that they could not put the reserves into production in time because of above-ground reasons – politics. They have been paying the price of this and will pay for the next five years,” he said.

If there is no consensus over likely gas production, there is even less clarity about the power sector’s likely development. According to *African Energy*’s analysis of the power projects pipeline, peak load in 2020 is likely to be approximately 45GW, while the implementation of only the most likely generation projects could take installed capacity above 60GW, which is well beyond even the generous 27% upper limit of the government’s target reserve margin.

Budget details: cost of subsidies rises

Launching Egypt’s draft 2015–16 budget, finance minister Hani Qadri Demian promised a classic policy mix of austerity and largesse. Demian said his main aims were to reprioritise public spending to improve basic services and strengthen social protection, while at the same time reducing the overall size of the budget. The deficit for the fiscal year 2015–16 is forecast at E£251bn (\$32bn) – equivalent to 8.9% of GDP. This means the government is expecting the deficit to reduce by 4.6% from E£263bn in FY2014–15 on the back of a 27.7% increase in revenue to E£622bn and a substantially slower 17.4% increase in expenditure to E£868bn.

Based on these figures, released in Demian’s official statement, Egypt will remain highly dependent on the financial aid and loans provided by its allies in the Gulf states (*see AE’s sister publication Gulf States News 996/21*). And even given this fiscal support, the detailed projections for the energy sector reveal how difficult it will be for Demian to achieve his objectives. Despite the overall forecast of an improved position, and last year’s large increases in fuel prices, the total cost of subsidies and social payments is expected to increase from E£200bn to E£231bn. This is partly explained by the continued growth in the cost of supporting cheap electricity for the population, during a period when the government has saved money from the combined effects of falling oil prices and the increases in fuel prices it introduced last year.

The 2014–15 budget increased the price of diesel by 64%, octane 80 gasoline by 78% and octane 92 by 41%. Partly as a result of this, spending on petroleum products subsidies fell from E£70bn in FY2013–14 to E£61bn in 2014–15. The expected fall (based on a projected oil price of \$70/bbl) is even greater when compared to the forecast E£100bn cost of petroleum product subsidies originally projected in the 2014–15 figures.

By contrast, the cost of supporting the electricity sector will increase from E£28.75bn in FY2014–15 to an expected E£31.07bn in 2015–16. According to the draft budget, the rapid increase in the amount of installed capacity as part of the emergency power generation programme meant that gas consumption would also go up. The addition of 3.5GW of new capacity “will require an increase in the amount of fuel needed to generate power at these plants, and for the first time this year natural gas is being imported. This is expected to continue at a higher rate during the next financial year as well as an increase in the consumption of diesel and fuel oil.”

While some renewables projects can theoretically be implemented extremely rapidly, it is nevertheless likely that a number of gas-fired plants will also progress quickly to initial commercial operation, and the introduction of more cost-effective coal-fired generation is also planned. Working out which project will succeed and which will fail is a major challenge for commercial risk analysts. Inevitably some projects will not go ahead, however well supported they currently appear.

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Sousse attack challenges Tunisia subsidy reform

The likely impact of the Sousse attack on an already fragile economy could threaten the government's bold reform efforts, notably an attempt to tackle energy subsidies. Increased security spending, coupled with a likely fall in tourism receipts, could reverse the gains made so far, writes **Bill Law**

The Islamist attack that claimed 38 lives in Sousse on 26 June will put further strain on the government and a still fragile economy struggling with the implementation of International Monetary Fund (IMF) mandated reforms. A significant element of the measures, and one where Tunisia is showing clear regional leadership, is an ambitious programme aimed at trimming energy subsidies.

Tunisia, the one modest success story to emerge from the Arab Spring uprisings that started in Tunis in December 2010, has been quick to grasp the IMF nettle, slashing subsidies for oil, gas and electricity. Street protests forced former president Zine El-Abidine Ben Ali to step aside in 2011, and the Islamist Ennahda party took over, but was defeated in 2014 elections won by the secular Nida Tunis party and its presidential candidate Beji Caid Essebsi.

Just before the Sousse attack, Moody's Investors Service had given Tunisia a moderately positive Ba3 stable rating, noting that the reduction in energy subsidies, aided by lower oil prices, would allow for more capital expenditure. Some of that spending is intended for what the IMF calls "a targeted social protection system", welfare programmes designed to ease the burden of subsidy cuts for the poor.

However, the assault has forced the government to raise security spending and left the tourism industry reeling. Tourism is a key economic driver, representing 7% of GDP and employing an estimated 400,000 Tunisians. Now, as the hotel cancellations pile up, many Tunisians are being thrown out of work. Even before the attack, unemployment in Tunisia was running at 15%, with youth unemployment estimated at 25%.

In a 2014 report, *Subsidy Reform in the Middle East and North Africa*, the IMF argued that "generalised price subsidies are neither well targeted nor cost-effective as a social protection tool". The report said that it was the better off, those who needed subsidies least, who were benefiting most, adding that "subsidies are not only inefficient in supporting the poor, but they also impose a much heavier burden on the public finances than more targeted social protection tools".

Subsidies distort prices, encourage overconsumption and discourage investment in the energy sector, the report said. In short, subsidies do not make good economic sense.

Elisa Parisi-Capone, the author of the Moody's report, told *African Energy*: "The impact [of the attack] is significant and we do expect an important setback." She noted that energy subsidies peaked at 5% of GDP in 2013, but declined to 2.9% of GDP in 2014 as the reform programme took hold.

"According to the IMF, in 2014, the interim government

initiated a programme to reduce oil subsidies through adjustments of petroleum product prices and electricity and gas tariffs, especially for energy intensive sectors, including cement factories. Subsidies to these industries were reduced by 50% in January 2014, and fully removed by July 2014. This year, electricity tariffs will be increased by another 7% for industrial and low-voltage consumers. That follows a 10% [subsidy] reduction in January 2014 and another 10% in May 2014. Fuel prices will be adjusted upwards," she said.

The measures were expected to generate savings of 0.4% of GDP in addition to the 0.3% saved in 2014. Now those expectations have been thrown into doubt. Jason Tuvey, a Middle East specialist with Capital Economics in London, said that, having just come through a period of political volatility, the coalition government led by Prime Minister Habib Essid needs to push ahead with economic reforms. But he said passing on further energy cost increases to consumers would be difficult in the wake of the attack. "The government may be a bit more cautious and slow the pace at which the subsidy cuts are implemented," he said.

Should that happen, it will put Tunisia at odds with the IMF programme and could further imperil the development of a sustainable economic model. In an April 2015 statement, the IMF urged Tunisia to "achieve a better composition of public expenditures by increasing growth-supporting investments and social spending, which includes spending for social safety nets, through controlling the wage bill and reducing ill-targeted subsidies. The recent decline in oil prices provide an opportunity to complete subsidy reforms."

All of this is now in jeopardy as the government finds itself placed in a cruel dilemma by the Sousse attack. London-based analyst Imad Mesdoua described the massacre as "opportunistic, very rational and strategic". He said: "Tunisia is a weak state and terrorism thrives on weak states", adding that more attacks in the tourism sector were likely despite tighter security. "These lone-wolf attacks are a new phenomenon. They are very difficult to predict, to stop, to understand."

The government has been forced to divert more resources into security just as a collapsing tourism industry throws more Tunisians out of work and leaves them even more vulnerable to rising energy costs. However, keeping reforms on track should be a priority. Tuvey said he expected the IMF to be "particularly understanding" in that regard. "Tunisia is a country that has made great strides to democracy, a fact that the US government will remind the IMF of should any reminding be necessary," he said.

INVESTMENT

KENYA: New mining framework

A new mining bill, intended to replace 70-year-old legislation, is expected to pass through the Senate in July and will be signed into law by October, mines minister Najib Balala said in London on 25 June. In parallel, the government has created a transparent minerals cadastre portal to ease entry for investors and has cancelled 65 mining permits awarded to cronies by previous administrations (of whom only five appealed the loss). At present, minerals account for only 1% of Kenyan GDP, but the target is to reach 3% by 2020, Balala told the Mining on Top Africa conference in London. The improved investment environment will be supported by major new infrastructure including the upgraded Lamu port and Mombasa-Nairobi railway, he said.

CAPITAL MARKETS

EGYPT: Bond pricing reflects improved risk perceptions

Improved perceptions of political and economic risk were reflected in pricing of the \$1.5bn sovereign Eurobond, which closed on 4 June, and could be apparent when Egyptian borrowers return to the market in coming months. With the proceeds to be used for general budgetary purposes, the ten-year bond was priced at a coupon rate of 5.875%, compared to an initial guide price of 6.25%. Lead managed by a US-French grouping of BNP Paribas, Citigroup, JP Morgan, Morgan Stanley and Natixis, it marked Egypt's return to the international debt market after a five-year hiatus. Fitch Ratings assigned the bond (maturing 11 June 2025) a B rating.

EGYPT: NBE looks to set dollar benchmark

Senior commercial lender National Bank of Egypt (NBE) has chosen five banks as joint lead arrangers of a series of meetings with fixed-income investors in the Middle East and Europe to showcase a potential US dollar-denominated bond issue. The bond would set a benchmark for

NBE, which expects to be rated B-/B by Standard & Poor's and Fitch, *Reuters* reported. To achieve this, it would seek to raise at least \$500m. The mandated banks are Citigroup, Deutsche Bank, HSBC, National Bank of Abu Dhabi and Standard Chartered Bank. The bond could be issued in 2015, depending on market conditions.

TRADE FINANCE

AFREXIMBANK: New president for pan-African ECA

Benedict Oramah has been appointed to replace Jean-Louis Ekra as head of the Cairo-based export credit agency African Export-Import Bank. Oramah, a Nigerian national, joined the bank as an analyst in 1994. Presently executive vice-president in charge of business development and corporate banking, he will take over the leadership in September as the institution's third president since it was founded in 1994.

IFC: New West and Central Africa director

The World Bank's International Finance Corporation (IFC) has named Vera Songwe as regional director for West and Central Africa, based in Dakar. Songwe, a Cameroonian national who joined the World Bank Group in 1998, was previously World Bank country director for Senegal, Cape Verde, Gambia, Guinea-Bissau and Mauritania. Her appointment is effective from 1 July and she replaces Saran Kebet-Koulibaly, who joins IFC's management team in Washington as vice-president for corporate sustainability and risk.

GHANA: Usual success for Cocobod syndication

While international financial institutions and business developers worry about the cedi's weakness and Ghana's fragile macroeconomic position a year from elections, one mainstay of the country's finances remains robust: Ghana Cocoa Board (Cocobod)'s syndication of its annual pre-export financing, linked to the sale of the 2015-16 cocoa crop, closed heavily oversubscribed on 19 June. Cocobod easily exceeded the \$1.8bn demanded, reflecting its prompt repayment record over 22 years.

CHAD

US DoJ pursues shares held by Chadians

The US Department of Justice on 30 June filed a complaint in the Columbia District Court for the civil forfeiture of £22m, the value of shares in the former Griffiths Energy International used to bribe Chad's former ambassador to Washington, Mahamoud Adam Bechir.

Griffiths Energy was fined C\$10.35m by a Calgary court in January 2013 for violating the Canadian Corruption of Foreign Public Officials Act. The company renamed itself Caracal Energy and was bought by Glencore in 2014 (*AE 276/16*).

In 2009, Griffiths' founder Brad Griffiths, who later died in a boating accident, and his business partner Naeem Tyab agreed to pay Bechir and his associates \$2m in currency and shares for their help in influencing the award of oil acreage in Chad. It was agreed that Bechir's company Ambassade du Chad would receive \$2m if Griffiths secured the rights to the Doseo and Borogop blocks, although the deal was dropped after Griffiths' lawyer advised it would be unlawful.

Bechir's wife, Nouracham Bechir Niam, later set up another company, Chad Oil Consultants, to obtain the \$2m payment.

The complaint says that, upon the creation of Griffiths Energy, Bechir's wife was issued 1.6m shares for a nominal fee, while another 1.6m shares were given to Adoum Hassan and 800,000 to Ikram Saleh, the wife of Chad's then deputy head of mission in the US, Youssouf Hamid Takane.

Hassan was an associate of Bechir and his wife, and eventually transferred his shares to Niam, leaving her with 3.2m shares in Caracal (Saleh still had her 800,000). Together Niam, Hassan and Saleh held some 10% of the company's shares. One month after the trio obtained their holdings in Griffiths, the company signed a memorandum of understanding with Chad's Ministry of Petroleum and Energy.

When Caracal was bought last year by Glencore, Niam and Saleh's shares were liquidated at £5.50/share, meaning Niam's shares, bought for \$3,000, are worth £17.6m, and Saleh's shares, bought for \$745, are worth £4.4m. Both hold accounts at Royal Bank of Scotland. "The total value of these shares, approximately £22m, is subject to forfeiture as criminal proceeds of a foreign bribery case," the complaint says.

TANZANIA

Former ministers jailed

Former finance minister Basil Pesambili Mramba and energy and minerals minister Daniel Ndhira Yona were jailed for three years on 6 July for issuing illegal tax exemptions to an international company and also arbitrarily awarding a contract to audit gold, costing the government millions of dollars of lost revenues.

Both politicians are from the ruling Chama Cha Mapinduzi party and issued the exemption certificates in the early 2000s. "The accused acted arbitrarily in granting tax exemptions to a gold audit firm, totally disregarding advice by taxation and legal authorities," the court judgement read.

Yona, in particular, has long been surrounded by controversy. He served in the government of President Benjamin Mkapa, in which senior figures involved themselves in tendering processes, especially in the energy and mining sectors, for personal financial gain.

In 2009, Yona and Mramba were accused of abuse of office by granting illegal tax exemptions to Alex Stewart International, a company hired to audit the gold mining sector, causing the government an estimated Sh11.7bn loss. After leaving office

following the election of President Jakaya Kikwete, Yona joined the board of Dominion Petroleum, later bought by Ophir Energy, but had to stand down following the 2009 allegations. Yona was said to have played a useful role for the government in introducing middlemen who could act for foreign resource companies.

ZAMBIA

Banda acquitted

A Lusaka magistrates court on 30 June acquitted former president Rupiah Banda, who had been accused of personally benefiting from a \$2.5m oil deal with Nigeria's Sarb Energy (*AE 261/22*). Magistrate Joshua Banda ruled that the prosecution had failed to prove its case, and called the prosecution's evidence inconsistent and contradictory.

Banda had been charged with one count of abuse of authority of office and stripped of his immunity from prosecution by his successor, the late Michael Sata. Banda's lawyer said the trial was a political prosecution and a "vestige of a political grudge from Sata, combined with a prosecutor who spent more time worrying about trying to slay political opponents than he did about rule of law".

27-28 August: East African Power Industry Forum, Nairobi

Web: <http://www.eapicforum.com>

27-29 August: Oil & Gas Tanzania, Dar es Salaam

Web: www.expogr.com/tanzania/oilgas

23-24 September: Ethiopia International Mining Conference

To be held in Addis Ababa. Web: http://miningethiopia.com/?utm_source=Eimec

23-25 September: International Forum on Madagascar Mining & Petroleum 2015, Madagascar

Web: www.theenergyexchange.co.uk

28-29 September: Africa Investment Exchange: Transport and Logistics, London

Organised by African Energy publisher CbI. Tel: +44 (0)1424 721667. Web: <http://africa-investment-exchange.com>

28-30 September: South Africa Gas Options, Cape Town

Web: www.energynet.co.uk/event/south-africa-gas-options-2015

30 September-2 October: Africa Electricity, Johannesburg

Web: www.africaelectricity.com

6-8 October: ECOWAS Mining & Petroleum Forum, Accra

Web: http://ecomof.com/?utm_source=Ecomof&utm_medium=banner&utm

15-16 October: iPAD DRC Mining & Infrastructure, Kinshasa

Web: www.ipad-drc.com

20-21 October: Katanga Mining Week, Lubumbashi

Web: www.ipad-katanga.com

26-30 October: Africa Oil Week, Cape Town

Web: www.globalpacificpartners.com/events/?fa=overview&id=937

16-18 November: Africa Oil & Gas Sustainability Summit

To be held in London. Web: <http://www.aogss.co.uk/>

19-20 November: AIX: Power and Renewables, London

Organised by African Energy publisher CbI and sponsored by Actis, the second Africa Investment Exchange meeting on power and renewables brings together private and public sector investors and developers to discuss progress, address issues of concern and draw together recommendations for the future of the sector. Proceedings will be held under the Chatham House Rule and structured round a series of interactive panel-led sessions and roundtable discussions to encourage an open exchange of views. African Energy subscribers are eligible for a 35% discount. Email: nick@cbi-publishing.com. Web: <http://africa-investment-exchange.com>

25-26 November: West African Power Industry Convention

To be held in Lagos. Web: www.wapiforum.com

1-2 December: Global African Investment Summit, London

Web: <http://www.tgais.com>

7-9 December: 10th Annual North Africa Oil & Gas Summit 2015, Algeria

Web: www.northafricasummit.com

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Miners, minnows short of equity as commodities cycle resists upturn

Hard-pressed producer government treasuries, operators and investors across the natural resources industries have one big question in common: has the global downturn in prices that followed the long mega-cycle as hard and soft commodities boomed before the global financial crisis reached its bottom-most point? An upturn would signal hope for the many smaller companies listed on London's Alternative Investment Market (AIM) and similar stock exchanges that their anaemic share prices might start to recover – or that bigger companies feel sufficiently confident to buy them out and develop their assets. And with an upturn, many more infrastructure contracts linked to mining and energy schemes – such as those huge hydroelectric power projects and railways that need a big commercial 'anchor investor' to be viable – might move towards their final investment decisions.

One of the latest minnows to blame market conditions for its woes was Ireland's Petrel Resources, which has acreage in Ireland and Iraq and a legal dispute over a licence in Ghana. It opened its preliminary results statement on 25 June with the words "The lack of interest in junior explorers continues," complaining that its share price had declined from 15p to 3p over the past year

The gloom was apparent at the annual Mining on Top Africa conference in all but the most optimistic statements of African government officials, looking to attract investment to exploit their geology, and the relatively few companies that have sufficient funds to develop resources, such as Toro Gold, which presented its Senegal operation. 2014 was a fairly dreadful year for Zambia's copper mines, and the indications are that investment in gold and other minerals is down in 2015, industry consultancy SNL Metals and Mining director Chris Hinde told delegates in London on 25 June. Investment and project finance flows for African mining projects remain sharply down. "We must be near the bottom [of the cycle] but I've said that in the last two quarters," Hinde said.

With few exceptions, the junior market credit crunch has meant few firms being able to raise substantial equity finance. One notable exception was AIM-listed Hummingbird Resources' purchase last year of Gold Fields' assets in Mali, including the 1.8m ounce Yanfolila gold project. Patrick Pittaway, an associate director at broker Cantor Fitzgerald, said that "in 2006 the levels of equity raised on AIM would have been in multiples" of the 2014 numbers; and in a moribund market, new "capital adequacy restrictions push the bar even higher". While there was potential for mergers and acquisitions activity, the market remained in a mood of "absolute negativism", Pittaway concluded.

International oil companies may take some heart from crude prices stabilising around \$60-65/bbl, after Brent crude had fallen to a six-year low of \$47.60/bbl in mid-January, from its June 2014 peak of \$115/bbl (*AE* 292/27). But the market's fragility was underlined by Brent's fall in the wake of Greece's 'no' vote in a 5 July referendum on its European Union debt deal, with market confidence also shaken by a run on Chinese shares. The marker crude closed down \$3.78 (6.3%) on 6 July, at \$56.54/bbl on the ICE Futures Europe market, its biggest one-day dollar decline since 27 November. Futures traders betting on another slump in crude prices were delighted.

Critical for commodities-related investments could be China's ability to manage its over-heating, under-performing economy – the global motor of growth through the post-crisis years and, of course, a key driver of natural resources and infrastructure development in sub-Saharan Africa. There are concerns that the last month's crash in the Shanghai Composite Index has much deeper causes than just the manipulations of margin traders and other abuses of naïve investors, which might point to a deeper slump in China. This would add to the woes of all investors who are looking to climb out of the commodities down-cycle, to create new wealth by developing their assets.

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