African Association of Energy Journalists and Publishers

AJERAP

AFRICA ENERGY OUTLOOK

SECOND HALF 2024

Table of Content

Preamble

In line with our mission to provide accurate reports and incisive analyses, including data to stakeholders and the public from an African perspective, we release this intelligence - AJERAP Second Half 2024 Africa Energy Outlook - to light the path of everyone in the next six months.

Specifically, we provide an insight into key areas, including the following:

- *Global oil market*
- *Exploration and production*
- *Refining and distribution*
- *Gas development*
- *Solid minerals*
- *Power supply*
- *Just energy transition*
- *Green hydrogen*
- *Local content*
- *Community development*

Also, we present the interview with the Managing Director of IBC Consultancy, Haddison Etchou, who provides a deep insight into Africa's energy space, and the African Energy Week, AEW, as a must-attend event this yea*r.*

Global Oil Market

The prices of many crudes hovered at more than $80 per barrel in the global oil market during the first half (January – June) of 2024.

In the second half of the year (July - December), the oil market will be unstable with prices hovering between $70 and $90 per barrel, due to dynamics, especially the forces of demand and supply as well as unexpected developments around the world.

The price level will be sufficient to meet the budget 2024 targets of many African nations, including Nigeria, the continent's leading producer that had budgeted to produce 1.70 million barrels per day and earn $77.96 per barrel in 2024.

Other African-producing nations, including Angola, Algeria, Congo, Equatorial Guinea, Gabon and Ghana also stand to earn sufficient foreign exchange from oil exports as the world economic growth forecast for 2024 and 2025 remain at 2.8% and 2.9%, respectively.

But unforeseen circumstances, especially disruptions in operations that could disrupt production, export and prices remain high, especially in Libya and Nigeria's Niger Delta. This will continue to be fueled by communal disturbances, pipeline vandalism, oil theft, oil spillage and illegal refining, which are still the sad realities in Africa.

The Organisation of Petroleum Exporting Countries, OPEC, working with non-OPEC producing countries and other stakeholders appears technically ready to initiate options that would restore global market stability.

Exploration and Production

Oil and gas exploration and production will continue in many African nations because of their need to actualize energy security as well as generate foreign exchange to fund development projects and programmes.

Many exploration and production activities should be expected in African nations, especially Angola, Algeria, Congo, Equatorial Guinea, Gabon, Ghana, The Gambia, Senegal, Uganda, Tanzania and Nigeria.

The developed Western world will continue to condemn Africa's commitment to developing its oil and gas potential, mainly through the much-politicized energy transition.

African countries that heavily rely on natural gas as their transition fuel will execute their energy transition programmes during the period.

However, lack of adequate funds remains a major constraint as global financial institutions and their partners are opposed to the continued funding of fossil fuel projects. This and other constraints could reduce the number of rigs deployed for operations in many African oil and gas countries in the second half of 2024.

Unlike the United States, Canada and Mexico, which recorded 602, 120 and 47 as their rig counts (an index of measuring upstream activities), in May 2024, African nations put together would find it difficult to deploy up to 100 rigs in the remaining part of 2024, based on historical trend.

Algeria's rig count in May 2024 stood at 42, indicating a 2.3 per cent slide from 43 recorded in the preceding month of April while Nigeria's rig count slid to 16 in May, from 19 recorded in April 2024, indicating a drop of 23 percent.

Similarly, the rig count of Congo, Gabon and Libya remained flat at one; four and 18, respectively, during the period, meaning that no significant improvement should be expected in the short term.

The governments of African nations, investors and others would consider new ways and means of funding their projects while harping on the 'Just energy transition.'

Hopefully, such could go a long way to enable them to execute projects, targeted at making new oil and gas finds as well as increasing reserves and production capacities in African nations.

The African Petroleum Producers Organisation, APPO, and African Export-Import Bank, Afreximbank, will make progress in the establishment of their $5 billion African Energy Bank, AEB. The establishment of structures and systems of the bank would enable it to commence operations in Abuja, Nigeria head office. President Bola Tinubu of Nigeria has already approved the contribution of $100 million from four agencies in the Ministry of Petroleum Resources and some members are expected to make their financial contributions in the second half of 2024.

The continent's oil and gas production will not witness much increase in the second half of 2024, especially in Algeria, Congo and Nigeria, where some parties, especially the NNPC Ltd and Tantita Security Services are currently waging the battle against oil theft. According to unofficial sources, the output of Nigeria, Algeria, Congo, Equatorial Guinea, Gabon and Libya stood at 1.4 million bpd, 903,000 bpd, 256,000 bpd, 63,000 bpd, 220,000 bpd and 1.2 million bpd, respectively in May 2024, excluding condensate. Also, the IoCs would continue to sell some oil and gas assets, especially on land and shallow waters while concentrating on deep waters and gas assets. Such is expected to continue in Nigeria, where the NAOC-Oando divestment and EQIONOR–PROJECT ODINMIM project divestment have already been concluded. The Oil Mining Leases, OML 145 – Nsiko field and OML 118 – Bonga Southwest/Aparo field present substantial investment opportunities.

Refining and Distribution

The continent's refining capacity will likely expand slightly in the second half of 2024, due to the expected completion of plant rehabilitation in some countries, including Nigeria. Also, the coming on stream and successful operations of the $20 billion 650,000 bpd Dangote Refinery will impact Africa's refining capacity, thus reducing the importation of petroleum products from the global market.

This will create many multiplier effects, including additional jobs, wages and taxes to the government while enhancing community development.

It will also negatively impact the businesses of global traders and partners, who have over the years dominated the massive importation of petroleum products to West Africa in particular and Africa in general.

However, inadequate funding, inconsistent policies and other factors remain the major challenges, which are, however, insurmountable.

Gas Development

Africa has great potential for natural gas with North Africa as the major supplier to Europe. Supply would be static in the coming months till ongoing projects in Algeria, Egypt, Equatorial Guinea, Mozambique, Senegal and Nigeria come on stream.

Inadequate funding constitutes a major challenge as Africa needs huge funds to invest in its various gas projects and reap the benefits.

The NLNG Train 7 alone is being executed at the cost of $10 billion and will open up new development opportunities in the industry and boost Nigeria's Foreign Direct Investment (FDI) profile.

The Project is anticipated to create more than 12,000 new jobs during the construction stage, and on completion, assist in diversifying the revenue portfolio of the Federal Government.

Solid Minerals

Africa is a major producer of key minerals like gold, diamond, cobalt, bauxite, iron ore, coal, and copper.
In the second half of 2024, the market will be driven by the Democratic Republic of Congo (DRC), South Africa, Namibia, Zimbabwe, Nigeria and Ghana among others.
Inadequate funding and the prevalence of many artisanal miners, mostly operating illegally with their foreign collaborators will pose problems for the governments of African nations

Power Supply

From West to North, and from East to South and Central Africa, inadequate power generation, transmission and distribution and limited funding remain the challenges in many African nations.
About 600 million people, or 43% of the total population, lack access to electricity, most of them in sub-Saharan Africa even though some countries like Ghana, Kenya and Rwanda have plans to achieve full access by 2030.
This means that most parts of the continent will remain in darkness in the second half of 2024, thus hindering the growth of businesses and other businesses.
However, Africa's inadequate power continues to present a huge business opportunity for local and foreign energy service providers and their partners, including financial institutions.

Just Energy Transition

Despite their least contributions of about 3 per cent to the global emission of Carbon dioxide (CO2), African nations have and will continue to demonstrate commitment to tackling climate change and other related issues.
Consequently, at the continental level, the African Energy Transition Programme, AETP, will witness improvement in the second half of 2024 to foster economic growth, wealth creation, poverty eradication, and inequality reduction in the continent.
The execution of the programme will provide a clear understanding of transformations of the energy system needed in the short, medium and long term to achieve the energy transition.
Similarly, at the national level, the implementation of energy transition plans, including the development of green hydrogen will remain on the front burner as many African nations have indicated interest to do so.

Green Hydrogen

The Africa Green Hydrogen Alliance between Egypt, Kenya, Mauritania, Morocco, Namibia and South Africa is expected to make a positive impact.

Indeed, the continent is positioned to become a major producer of green hydrogen as it is endowed with huge solar and wind potential, currently lying undeveloped.

The European Investment Bank estimates the continent's green hydrogen production capacity to be more than 50 million tonnes yearly by 2035.

With their closeness to Europe, some nations, especially Morocco, Mauritania and Egypt could explore the option of integrating their output into the European hydrogen pipeline network.

Green hydrogen development remains very central as it could assist in creating additional jobs, and diversify the continent's economies while enhancing the growth of industries.

The acceleration of renewable energy development, including the importation of up to ten million tons per year of green hydrogen from Africa will positively impact the continent.

However, Africa still needs to attract more funds required to maximize the benefits of developing green hydrogen and other renewable projects.

The continent and its people will continue to reject every attempt to follow the path of some developed Western climes, which made use of fossil fuels to develop their economies and contribute significantly to global pollution before turning around to point accusing fingers to Africa.

Local Content

African nations have gone a long way in deepening their local content activities and look well-set to make even more progress in the second part of 2024.

More partnerships and collaborations among stakeholders will take place during the period, with parties, especially the Nigerian Content Development and Monitoring Board, NCDMB, sharing ideas and experiences across the continent.

This will culminate in the successful implementation of projects and programmes, targeted at building indigenous capacities and maximizing benefits to individuals, investors, communities and other parties in the domestic economies.

However, inadequate funding, increased politicians' interference and non-commitment of some stakeholders could delay the meeting of targets on record time.

Community Development

Communities will attract many benefits from natural resources domiciled in their areas as some nations have already put in place the regulations, structures and systems to make it work.

However, community agitations will be experienced in some parts of the continent following the disagreement between companies and host communities, thus scuttling production while reducing revenue generation.

The stakeholders, including the government at all jurisdictional levels, investors and communities, can manage any conflicts and move on.

Top Investment Spots

Nigeria

Nigeria is a major energy destination to watch at this time for some reasons.

- First, the nation, which made it first oil discovery in 1956, is naturally endowed with more than 37 billion barrels of crude oil reserves and more than 206 trillion cubic feet of proven gas reserves.
- Second, with over 200 million population, Nigeria presents a single huge market to investors interested in not only oil and gas, but also offering other products and services in the energy value chain.
- Third, the nation has placed about 31 major oil blocks for bidding, thus providing another opportunity for International Oil Companies, IoCs and indigenous companies to venture into business.

Commission Chief Executive, Nigerian Upstream Petroleum Regulatory Commission, NUPRC, Engr. Gbenga Komolafe, said: "Nigeria under President Bola Ahmed Tinubu, as the Minster of Petroleum Resources, has proactively and intuitively vacated barrier to entry for investment in exploration blocks being offered, in both the 2022 deep offshore bid round and the 2024 licensing round, in line with international best practices.

President Of Nigeria
Bola Ahmed Tinubu

“President Bola Ahmed Tinubu and Minister of Petroleum Resources, Nigeria has embarked on a transformative agenda that aligns with the most stringent global standards and commitments. The recent Presidential Executive Orders issued in March this year, aimed at improving the efficiency and attractiveness of Nigeria’s oil and gas sector, were generously targeted to incentivize oil and gas development, introduced measures to balance the implementation of Nigerian Oil and Gas Industry Content Development Act, 2010 to ensure that oil and gas development is not hindered by local content bottlenecks.

The Executive Orders also include directives on the reduction of contracting costs and timelines to enhance the global competitiveness of our oil and gas industry and achieve a higher rate of return on oil and gas investments.

“Nigeria is endowed with an abundance of Crude Oil and Condensate Reserves and of Natural Gas Reserves representing above 30% and 33% respectively of the entire Oil and Gas reserves in Africa aside abundant mix of other renewable energy resources. In a bid to exploit and optimize these abundant Hydrocarbon resources, Section 7(t) of the Petroleum Industry Act (PIA) empowers the NUPRC, the Industry Regulator to conduct bid rounds for the award of PPLs and PMLs under the Act and applicable Regulations.
“It is on this premise that the Federal Government of Nigeria through the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) recently announced the commencement of the 2024 Licensing Round both in-country and outside the shores of the nation. It would be recalled that we commenced the announcement at the maiden edition of the NEITI Dialogue Session, 2024, where the bid processes were thoroughly interrogated by civil society and the media.
“This was subsequently followed by the announcement of the commencement of the bid round at the 2024 OTC in Houston, the roadshow in Miami organized by Zeste Advisory, African Energies Summit in London organized by Frontier Network and Invest in Africa Energy Summit in Paris organized by Energy Capital Power.
The Commission aims to project and attract robust local and foreign investors who will be participating in the bid exercise.
The NUPRC on behalf of the Federal Republic of Nigeria is committed to conducting the licensing round in a fair, competitive and transparent manner and ensuring a level playing field for both indigenous and international investors. Our approach is underpinned by the robust legal framework of the Petroleum Industry Act 2021(PIA), which ensures compliance with best practices to boost investors’ confidence."

The Gambia

The Gambia is an emerging oil and gas province with great promise. Exploration for hydrocarbons in the country dates back to the 1950s, even though the initial efforts were not successful. But the deployment of new technologies, including 3D seismic data gathering has culminated in the making of much impact.

President of The Gambia, Adama Barrow

Further studies are ongoing at various locations, including Block A2-A5 area, located towards the south and along structural trend with the recent discoveries in neighboring Senegal. The Gambia looks forward to welcoming investors interested in investing in the nation.

Under the leadership of Mr. Nani Juwara as Minister, the Ministry of Petroleum and Energy, MoPE, has provided policies and incentives targeted at enhancing investment and development of the nation's oil and gas industry.

The MoPE, created in 2016 following the merger of the Ministry of Energy and the Ministry of Petroleum, has the mandate to use mineral resources, petroleum and energy as a stimulus for economic growth; employment and sustainable development of the nation.

The Ministry also has the mandate to work towards harnessing hydrocarbon and mineral potentials for the sustainable development of power and other sectors of the economy. Similarly, the Petroleum Commission, which has Mr. Jerreh Barrow as Director General, regulates upstream and midstream petroleum activities, including managing petroleum resources, ensuring compliance with laws, policies, and regulations as well as promoting Local content for sustainable national development.

The Commission coordinates upstream and midstream activities, including the licensing of the nation's onshore and offshore oil blocks, receiving applications and issuing authorizations for specific petroleum activities as required under petroleum laws and regulations; supporting and facilitating acquisitions of authorizations from relevant institutions; and assess and approve appraisal programs.

Also, The Gambia National Petroleum Corporation (GNPC) is a state-owned company, established in 2003 under the Companies Act of The Gambia, to conduct petroleum operations on behalf of the Gambian government.

Specifically, the GNPC, having Baboucarr Njie as Managing Director, handles the upstream oil and gas operations in The Gambia on behalf of the government, including conducting seismic surveys, exploring for hydrocarbon resources, developing discoveries into production, and managing the resulting oil and gas production.

Other companies carry out different activities, including Total Gambia Limited, Elton Oil, Castle Oil Limited, Galp Energia, Gam-Petroleum and Jah Oil Company Limited in The Gambia.

The Gambia's location on the Atlantic Ocean makes it one of the most strategic business hubs in West Africa. With only about a six-hour flight from Europe, The Gambia is strategically located and suitable for both regional and global exports as well as a good entry point for the ECOWAS 400 million population market.

In recent years, the government of President Adama Barrow has been focusing investments in road infrastructure, while plans are underway to upgrade and expand the seaport of Banjul and build a deep sea port on the coast, off Sanyang, that would enable deep-sea vessels to take advantage of the country's trading incentives.

As oil and gas exploration in neighbouring Senegal begins to yield fruits this year, the existing infrastructure there gives opportunity for the Gambia, since Australian firm, FAR Oil and the NNPC Ltd engage in oil and gas exploration offshore The Gambia.

Namibia

President of Namibia Nangolo Mbumba

Namibia is another space to watch in the second half of 2024 for at least a reason. The country has already made its major offshore finds by TotalEnergies and Shell (SHELL).

James Parr, vice president for new ventures exploration and development at Woodside Energy, has remarked that "It is one of the newest and most attractive areas being explored by the industry and we are very excited by the discoveries so far.

"The oil is potentially some of the lowest carbon barrels being found currently so on the spectrum of oil its very attractive. There seems to be abundant gas which is also part of our transition and a big focus for Woodside."

On his part, Energy Minister Tom Alweendo, said: "We deserve an energy transition that takes a pragmatic approach to resolving energy poverty by making our own natural resources part of the solution."

Besides oil and gas, Namibia has other natural endowments, including wind and solar energy resources for green hydrogen investors. There are also substantial deposits of minerals. The proximity of Namibia to South Africa also grants investors easy access to maritime transport infrastructure for export and import of goods

Senegal

President of Senegal,
Bassirou Diomaye Faye

Senegal, another African nation is an interesting energy space to watch after making its first oil find. It looks forward to producing 100,000 bpd from the Sangomar deep-water project.
President Bassirou Faye has assured the nation that profits from the sale of the country's oil and gas would be well managed, saying, "We have set up an inter-generation fund for the benefit of your generation and those to come."
Also, Thierno Ly, the general manager of the national oil company, Petrosen, said: "We have never been so well positioned for opportunities for growth, innovation and success in the economic and social development of our nation."
Indeed, it will be interesting to watch how events will unfold in the emerging oil and gas province and how wise and forward-looking investors would key into the nation's plans and shared prosperity.

African Energy Week

[redacted]

There will be many important events in the second half of 2024. But the African Energy Week, AEW, in Cape Town, South Africa, from November 4-8, 2024 stands out. Don't miss it. As a media partner, we at AJERAP and our members from different African nations will be there to report for our African and global readers, viewers and listeners.

INTERVIEW

How to Identify Huge Potentials, Explore Opportunities and Maximise Returns in Africa's Energy Industry

With its massive energy resources, Africa has gradually become a major investment destination. In this interview with AJERAP, the Managing Director of IBC Consultancy, Haddison Etchou, who has many years of experience in global energy consulting, speaks on not only the endowment but also policies, incentives, expectations, while spotting Mozambique, Tanzania, Senegal, Mauritania, Cote d'Ivoire and Namibia as good investment destinations. Etchou also delves into the just energy transition, funding, challenges and solutions.

Globally, are stakeholders investing enough to enable the world to meet increasing energy demand?

When a country develops, its population will require more energy, and the number of people around the world without access to electricity is set to rise. Advances in technology increase the availability of products that require energy. Recent crises from Russia's invasion of Ukraine have increased the number of people without access to electricity.

Population growth and development are the two main causes of the increase in energy demand. The high demand for food leads to more intensive farming which requires more energy for machines, light and heat. Bringing it down to Africa, about 600 million people lack access to electricity.

Kindly comment on Africa's resource endowment

Africa's natural resource endowment presents great opportunities for achieving high levels of growth and development if well managed. In the case of African countries, it is not understandable if resource-rich countries have been able to take their full potential to promote development. It seems as if they have often been outmatched by their resource-poor counterparts. The first possible reason is that these countries cannot design and negotiate exploration and exploitation contracts that maximize their benefits without discouraging private investment. African countries are victimized in their dealings with international companies.

However, the resource-rich African countries should use the revenues from resource exports to invest in human capital development. The low revenue performance among resource-rich countries is the failure to take advantage of resource revenue to develop non-resource activities and expand the taxation base. Developed countries endowed with natural resources were able to grow by diversifying their economies using proceeds from their natural resources. This is how African countries can design strategies that would enable them to use their natural resources to achieve and sustain high growth rates.

Have African nations put in place sufficient policies and incentives to attract and retain investors?

Africa is a continent that holds massive opportunities for private investors. It has a young and growing population and abundant natural resources. Cities are seeing massive growth. Many countries have launched long-term industrialization and digitalization, Crude oil production in Africa is estimated at almost 10 million barrels per day, representing about 10% of global crude oil production. The continent has extensive natural resources, an increasingly educated workforce, more stability in terms of governance, and prospects for economic growth than in the past. For new investors looking for investment opportunities, Africa is the place.

Several African countries offer progressive sliding-scale profit share, royalty and tax relief, which enable faster cost recovery, a key issue for financiers. Nigeria's President Bola Tinubu has signaled a significant shift in fiscal and monetary policy to boost investment with a focus on the oil and gas industry.

In terms of Africa's energy investment, should we expect it to rise or fall in the second half of 2024?

Reports suggest that around USD 110 billion is set to be invested in energy across Africa in 2024, of which nearly USD 70 billion is to fossil fuel supply and power, with the others going to a range of clean energy technologies. Spending trends vary widely across Africa but neither the total amount nor the proportion spent on clean energy is enough to put the continent on track to reach its sustainable development goals.

Debt repayments have increased sharply in 2024, meaning that many African governments have difficulty accessing the funds required for capital-intensive energy projects. Moreover, low sovereign debt ratings further limit access to external funds.

Which African nations would you recommend for investment in the second part of 2024?

Deepwater exploration is extending from its traditional West Africa hinterlands into places like Mozambique, Tanzania, Senegal, Mauritania and more recently, Cote d'Ivoire and Namibia. The success of big discoveries has put Africa firmly on the exploration map. Namibia is at the centre of the action today with eight discoveries from ten exploration wells since Shell's Graff discovery.

How has the quest for energy transition impacted oil and gas funding in Africa?

The African Union adopted a common position on energy access and a just transition that provides a comprehensive approach for Africa's short, medium and long-term energy pathways to accelerate universal energy access and transition without compromising its development imperatives.

Production of oil and gas remains important to Africa’s economic and social development. Despite the rise in oil and gas hotspots, the region still faces challenges presented by an increasing market focus on decarbonising energy systems. With greater corporate attention on resilience and sustainability, future investment levels remain somewhat unpredictable

Kindly comment on the problems that hinder investment in Africa and how they can be solved

Investors continue to face different challenges across the continent. As earlier mentioned, huge debts are one of the main challenges African economies face. Factors such as political and macroeconomic instability, low growth, weak infrastructure, poor governance, inhospitable regulatory environments, and ill-conceived investment promotion strategies, are also responsible for the poor Foreign Direct Investment, FDI, record of the region.

There is a need to develop new strategic ties and partnerships between foreign investors and African governments. Such partnerships should be based on new-generation investment policies that guarantee a balance between investment protection and the right of African countries to regulate public policy objectives. To improve their investment capacities, African governments must improve tax revenues by adapting to the digital transformation.

What advice do you have for stakeholders, especially government and investors?

Many countries have already launched long-term industrialization and digitalization initiatives. The private sector will have to play more roles in economic development if countries are to enjoy strong recovery and avoid economic stagnation. Currently, the private sector is not involved much in financing and delivering infrastructure in the continent, compared to other regions. Public entities, such as national governments and state-owned enterprises, carry out more than 80 per cent of infrastructure projects.

The volume of infrastructure projects with private sector participation has significantly decreased in the past decade, following the commodity price bust. The limited role of private investors is also apparent from an international comparison perspective. Africa attracts only two per cent of global flows of FDI. And when an investment goes to Africa, it is predominantly to natural resources and extractive industries, not health, roads, or water. Conscious efforts should be made to address these and other issues to create more opportunities for African nations, investors and other stakeholders.

Research Team @ AJERAP
+2347077546660
+27605274930
admin@ajerap.org
https://ajerap.org/

DISCLAIMER

AJERAP has done its best to ensure information, including the data contained herein is accurate. However, it should be noted that the Outlook does not constitute a feasibility report. Investors, potential investors and others are advised to conduct their feasibility studies before taking further actions as we shall NOT be held responsible for any consequences resulting from the use of this Outlook.