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Africa must end foreign dependence, says Appo

Regional energy body pushes for new strategies to develop the continent's resources

Africa has enormous hydrocarbon reserves and yet the majority of the continent's population has only limited access to energy. Despite that disparity, critics in the West condemn new oil and gas projects in Africa in the name of the environment and the energy transition, even as European governments and IOCs look south with renewed interest, believing African resources can help ensure security of supply in the post-Ukraine invasion world. The African Petroleum Producers' Organization (Appo), meanwhile, has its own pro-development agenda, emphasising a move away from dependence on the West. Appo secretary general Dr Omar Farouk Ibrahim spoke to *Petroleum Economist* about those plans and the wider outlook for oil and gas in the region.

What are Appo's goals and does the organisation have specific development targets?

Ibrahim: Appo is an intergovernmental energy organisation made up of 18 member countries across the various regions of the African continent. Established in 1987 by eight oil and gas producing countries as the African Petroleum Producers' Association (Appa), its initial objectives were modest: to promote cooperation among its member countries in the field of hydrocarbons, increase understanding of the energy situation and policies in member countries with a view to meeting domestic needs, and study ways and means of providing assistance to net oil-importing African countries to meet their energy needs. It was essentially a forum for cooperation, especially to assist other non-oil producing African countries.

"We cannot continue looking to the IOCs and international investors that have already made up their minds—whether voluntarily or forced to do so—to abandon fossil fuels"

Over time, however, as the global energy scene changed, so did the focus of the association. The global paradigm shift away from fossil fuels to renewable energy, euphemistically called the energy transition, which started in the last quarter of the 20th century, began to gain a lot of momentum at the turn of the century, such that by 2015 some 150 world leaders gathered in Paris and signed the Paris Agreement, which sought to eventually end fossil fuel use. That decision jolted countries that have, over the years, become highly dependent on oil and gas export revenues to meet their governmental obligations. Appa governments realised that, for the decades their countries have been producing oil and gas, they have been depending heavily on foreign technology, foreign expertise, foreign funding and foreign markets. With the resolve of the countries on whom they have depended to abandon fossil fuels, African oil and gas producing countries are faced with serious challenges. Chief among these challenges are the funding for oil and gas projects, technology and expertise acquisition, and securing markets for their oil and gas.

What is Appo doing to tackle these key challenges posed to African oil and gas revenue dependent countries?

Ibrahim: To address the finance challenge, Appo believes that we need to change strategy. We cannot continue looking to the IOCs and international investors that have already made up their minds—whether voluntarily or forced to do so—to abandon fossil fuels. We are looking elsewhere, but first within our continent. We believe that, with some prioritisation, Africa can raise the required funds to sustain oil and gas operations in the continent. Already we are into negotiations with [multilateral African financial institution] Afreximbank to establish the African Energy Bank, the focus of which shall be to provide the funds for the African energy industry, with the focus on oil and gas projects. The bank is going to be a continental development financial institution. African governments, national oil and gas companies, sovereign wealth funds and other investment institutions, as well as non-African NOCs, shall invest in the African Energy Bank. All investors must share our philosophy of the energy transition, which is that Africa cannot abandon oil and gas in a hurry.

How can the energy transition be conducted in a manner fair to Africa, when the continent has contributed so little to global emissions and so many of its people live in energy poverty?

Ibrahim: The energy transition agenda was not developed by Africa. It was developed and is being championed by the very people that are responsible for the problem. And interestingly, they did not just wake up to the realisation of this problem. They knew about the effects of greenhouse gas (GHG) emissions on the atmosphere more than 150 years ago, when they started using oil in their industrialisation process. Their own scientists conducted research that proved that GHGs from the burning of fossil fuels pollute the atmosphere. But because these countries wanted their industrialisation to continue, they ignored the findings. Thus, oil and gas were used to empower their economies and societies by raising the standard of living of their people. Now that their economies are no more dependent on industrial production but on artificial intelligence and service delivery—and our countries are on the verge of industrialisation—they came up with what they had known all along.

“In the coming decades, the world, and Africa in particular, will continue to depend on fossil fuels for its energy needs”

Our position is that, given the level of energy poverty in Africa, where more than 600mn Africans have no access to electricity and some 900mn have no access to modern forms of energy for cooking and domestic heating, where millions are dying from the inhalation of smoke from cow dung and other impure and inefficient forms of energy, oil and gas are still much more

environmentally friendly than what most of our people use today. We need energy to be able to change the lives of our peoples. We have oil and gas, and we should not be constrained from using it.

If the developed countries that are actively pushing for the abandonment of oil and gas, and who are responsible for the environmental challenges the world faces today really care about the environment and the people of underdeveloped countries, the solution is not to compel them to abandon oil and gas but to increase their efforts in creating the technology that will make oil and gas more environmentally friendly. Where there is a will there is always a way.

Has Appo seen renewed Western interest in African hydrocarbon projects since the start of the Ukraine war?

Ibrahim: Yes, and we take that interest with caution. The same people that just over a year ago were telling us to abandon oil and gas are now rushing to us to say that they want to invest in oil and gas. What has happened? The answer is simple. Their interest is affected. So long as the oil and gas is to be produced for them, then it is acceptable. But if it is to be produced for someone else, then it is dangerous to the atmosphere. The hypocrisy is just too much.

Africa cannot be fooled twice. That is why we are committed to looking within to solve our problem, not waiting for hand-outs from people whose primary objective is to make use of our people and our resources.

Are concerns about the energy transition still limiting access and investment, even after Ukraine highlighted security of supply issues?

Ibrahim: In the coming decades, the world, and Africa in particular, will continue to depend on fossil fuels for its energy needs, unlike developed countries.

There will certainly come a time when the world will move away from fossil fuels and turn to something else. For now, it is said to be renewable energy. The challenge in Africa today is not how or when to move from fossil fuels to renewables, from what we have in abundance to uncharted territory, our challenge is how to provide energy to the more than 900mn of our 1.3bn people who live without access to modern energy, and how to provide electricity to nearly half of our population who live without access to electricity. Despite established fossil fuel technologies that have been under development for over a century, and Africa's more than 125bn bl of proven crude oil reserves and over 500tn ft³ [14.2tn m³] of gas, hundreds of millions of people still live without access to modern energy.

Africa is blessed with sun, water and minerals that produce renewable energy. We are not against the development of renewable energy.

What role can African financial institutions—such as Afreximbank—play in upstream developments?

Ibrahim: African financial institutions and national sovereign funds have a big and critical role to play at a time when the traditional sources of financing in the African oil and gas sector are fast drying up. We welcome these institutions to come and invest in the African Energy Bank.

Are there other potential sources of upstream funding, for instance in the Middle East or east Asia?

Ibrahim: The African Energy Bank is not limited to Africa when it comes to fund raising. We welcome investments from all countries and interests that share our vision of the role of oil and gas in the global energy transition. And there are many of them across Africa, Asia and the Middle East, and even Latin America.

Should African nations focus on oil and gas export projects, or upon satisfying domestic energy needs? Or can/should countries pursue both?

Ibrahim: Currently, Africa exports about 70pc and 45pc respectively of the crude oil and gas it produces. At the same time, we are the continent with the largest proportion of its population living with energy poverty. All we need to do is to create the market for the energy we produce, and we shall come to find out that all the oil and gas that we export could find use on our continent. And that will be the beginning of the economic transformation of our continent and its people.

What can African governments do to develop domestic gas markets and gas-to-power projects to supply much-needed energy?

Ibrahim: Change the structure of the oil and gas industry from foreign-market-focused to Africa-focused. Develop the required energy infrastructure that will make it possible to readily transport energy from areas of production to areas of need within Africa. Build pipelines for oil and gas and crude. Create oil and gas hubs in various regions of the continent. Create oil and gas markets for the continent. Establish more refineries and petrochemical plants across the continent. We do not need each African country to have a petrochemical plant or a refinery. But a cluster of countries can be served by big refineries and plants. Cross-border pipelines will ensure delivery of energy from refineries to all parts of the continent.

“We are also working on the development of energy infrastructure that will enable the creation and development of regional and continental energy markets”

Appo is working with the Central Africa Business Energy Forum on the Central Africa Pipeline System (Caps), a project that aims to link by pipeline 11 central African countries with a combined population of nearly 200mn. The uniqueness of Caps is that, unlike other pipelines on the continent, it will be an integrated pipeline system carrying oil, gas and products. So it will comprise a number of pipelines running parallel across these countries.

Our target is to develop the required energy infrastructure, and that will pave the way for greater inter-regional and inter-boundary trade in energy. The interconnectivity of all African pipelines will resolve the energy challenge and create a regional market.

Is there enough cross-border cooperation between African governments? And what is Appo doing to foster cooperation?

Ibrahim: Appo has established a framework agreement for cooperation and mutual assistance that defines the main areas of cooperation between the ministries in charge of hydrocarbons, NOCs, economic operators and institutes or research and training centres in the field of hydrocarbons among Appo member countries. We have five main objectives:

- To pool technical and scientific capacities from upstream to downstream.
- To join forces with NOCs, other oil companies and service companies to bid on tenders and contracts for hydrocarbon projects and related industries and activities in Appo member countries and/or other countries.

- To implement programmes for the exchange of information and experience.
- To develop and implement mutual technical assistance programmes through the secondment of highly qualified personnel in the field of hydrocarbons and related activities.
- To provide targeted technical assistance on environmental aspects of hydrocarbon development, such as gas flaring reduction and oil spill management.

As the voice and adviser of its member countries, Appo's secretariat conducts studies on various topics related to the entire petroleum value chain and presents findings and recommendations to its member countries to facilitate reforms to optimise revenues from the exploitation of their oil and gas resources.

We are also working on the development of energy infrastructure that will enable the creation and development of regional and continental energy markets.

The Caps project, which will connect 11 central African states, is an example of what we are doing.

What can established African producers such as Nigeria do to turn around declining production?

Ibrahim: Intensify oil research; develop and put into production the fields discovered; assist the wells in production by enhanced oil recovery methods; do workovers on wells and/or drill new horizons; domesticate research and development; develop or upgrade energy infrastructure; empower its population; add emission recovery methods to the existing system.

What advice does Appo have for frontier countries yet to establish an upstream industry? Can other African NOCs provide guidance, for example? I am thinking here of recent agreements between Angola and Sierra Leone.

125bn bl – Africa's proven crude reserves

Ibrahim: Be part of Appo and benefit from the collective experience of the organisation and its member countries. That is the whole essence of Appo: cooperation and collaboration in the oil and gas industry. This is even more important for the new players now, given the changing global energy environment, where the traditional financiers of our industry as providers of technology have resolved to abandon us. Since we cannot abandon oil and gas at this stage, we need to come together to find a lasting solution to what are truly collective challenges. Together we can overcome. Individually, we cannot.

Are African countries running out of time to develop their hydrocarbon resources? Is the energy transition closing that window? Or will gas (whether liquefied or piped) have a much longer usage life than oil?

Ibrahim: Africa will run out of time if we continue with the same old strategy of depending on foreign interests to exploit our resources. But we are not doing that now. We are committed to looking within Africa and elsewhere for the requirements for finding, developing, producing, processing and utilising our oil and gas resources. With this commitment, and our belief that we need all forms of energy to be able to get our people out of poverty, we do not see any window closing on us. We have the population to create the market for our resources and are determined to empower our people to buy energy with which to enhance their economic productivity.

What is Appo's view on the large-scale pipeline projects across the continent, such as the Trans-Saharan Pipeline, the Morocco-Nigeria pipeline and the East African Crude Oil Pipeline?

Ibrahim: These are very good projects that will increase the energy infrastructure on the continent. These pipelines will bring energy closer to the people. By the time communities along the right of way of the pipelines are able to access the energy from the pipelines—either through building power plants or powering factories and cottage industries—the economies of African countries shall change significantly.

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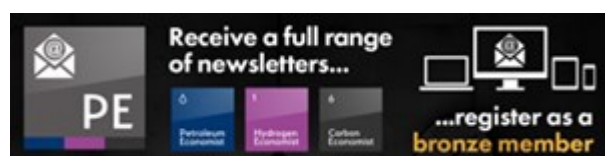
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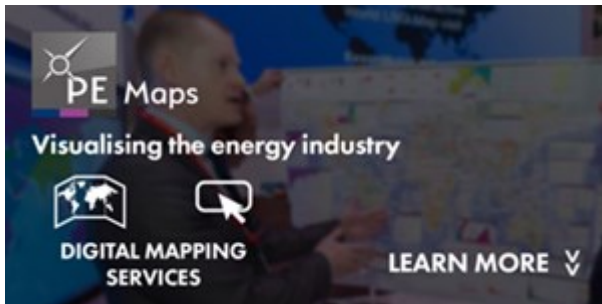
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