



**Being Keynote Address to the 16th Nigerian Association for Energy
Economics/International Association for Energy Economics with the theme:
Energy Evolution, Transition and Reform:
Prospects for African Economies**

Delivered by

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Abuja, Nigeria 10 July 2023

Protocols:

1. I should like to express my appreciation and those of the two organizations that I represent, the 18 Member Country African Petroleum Producers' Organization, APPO, and the over 90 Member Country World Energy Council, WEC, the former as Secretary General and the latter as Vice Chair for Africa, to the Nigerian Association of Energy Economics, an affiliate of the International Association of Energy Economics, for the invitation extended to me to give a Keynote Address at its 16th Annual International Conference, with the theme: Energy Evolution, Transition and Reform: Prospects for African economies.
2. I would like to begin by noting that energy transitions are not new to mankind. Indeed, the world energy system has been in perpetual evolution and transition from time immemorial. However, the contemporary global paradigm shift away from fossil fuels to renewable energies, euphemistically called the energy transition, is unique in a few important respects. Contemporary energy transition has been uniquely characterized by global coordination and mobilization, indoctrination and threat, a rush for speedy transition and a dose of hypocrisy*.
3. What explains the speed at which contemporary climate activists are pushing the world away from fossil fuels to renewable energies? Is it, as we are told, because of the imminent catastrophe that the continuous emission of GHG pose to humanity? If that is so, then it means that the world only recently got to know about the dangers that burning fossil fuels pose to the atmosphere, and by extension, to humankind . Perhaps from the last quarter of the last century, but especially since the Paris Climate Agreement, because it is from that period that climate activism became most strident.
4. But that cannot be correct as it is on record that as far back as the 19th century climate scientists from today's developed countries had established the relationship between burning fossil fuels and GHG emissions, highlighting the dangers to the atmosphere. John Tyndall and Scott in 1859 and

Svante Arrhenius a Swiss in 1896 both published studies to that effect. But these studies were hidden from the public because these societies were industrializing and needed all the energy they could get to consolidate their industrialization and make the lives of their people better. So, for over 150 years the world continued to burn fossil fuels, with over three quarters being burnt in Europe and America, while the rest of the world burnt only one quarter.

5. If these people had known about the dangers of fossil fuel emissions since the 19th century and had continued to use it, what changed to make them to now champion the drive for a global paradigm shift away from fossil fuels?
6. Two developments since the last quarter of the last century could explain the paradigm shift. The first is globalization which changed the structure of the global economy as it was known. And the second is geo-politics, namely the shocking oil embargo placed on the USA and some European countries by some Middle East oil producing countries in the wake of the Arab-Israeli war of 1973.
7. This second event, more than any other, explains the timing and the speed of the latest push for energy transition. Until 1973, Europe and the USA had comfortably believed that oil from around the world was going to flow to their economies for as long as their IOCs are in business. But the never-anticipated decision of some Middle East countries to come together and use oil as a political weapon against the USA and some European countries, for their support for Israel, changed everything. For the first time since World War 2, fuel was rationed at filling stations in the USA and some European cities. And these societies were not used to fuel rations.
8. In response to this unprecedented action from the Middle East, US President, Richard Nixon, in November 1973, announced Project Independence. America resolved to wean itself from dependence on foreign oil. And that policy has been espoused and pursued, in various degrees, by all successive US Presidents to date. The initial plan was to make the US self-sufficient in oil production. Many strategies were adopted including manipulating global oil prices to make shale production competitive.* It was the eventual

realization that shale cannot compete with conventional crude, that made these countries to switch focus to some other source of energy.

9. Are we denying the science of climate change and the dangers of fossil fuel emissions to the atmosphere and by implication to mankind? No. We are not contesting the science of climate change.
10. What we are saying is that had the oil embargo of the 1970s not taken place, the global paradigm shift away from fossil fuels to another form of energy would have taken much longer time to occur, and the pressure to quicken the transition would also have been much less than it is today.
11. In other words, today's climate activism is driven more by the quest for energy security by the developed countries than by concerns about the environment. A very good demonstration of this reality is the response of today's champions of energy transition to the use of fossil fuels in the wake of the Russia-Ukraine war. The very people that announced an end to funding oil and gas projects especially in Africa, ostensibly because they are considered dirty fuels and dangerous to humanity, sent high powered delegations to our countries offering to fund oil and gas projects that for decades were begging for investors. Of course, the condition was that the oil and gas should go to the investors. In other words, Africa is encouraged to produce oil and gas only if they are meant for export to developed countries to ameliorate their special circumstances due to the war, but the production of that same oil and gas is dangerous to humanity if it is meant to be burnt in Africa.
12. Put differently, oil and gas are harmful today because they are foreign controlled. If the West was the place endowed with so much fossil fuels, the emphasis would have been on developing and perfecting the technology to make fossil fuels environmentally friendly, not on rushing to end fossil fuel use*.
13. It is interesting to note that these countries that have used fossil fuels to grow their economies, have largely succeeded in moving their economies from relying on industrial manufacturing for their wealth creation, to reliance on services, the manufacture of knowledge and Artificial

Intelligence. These modes of wealth production do not require intensive energy use, like factories and industrial plants. On the other hand, Africa and other developing countries are now on the verge of industrialization and shall need a lot of energy to make that a reality.

14. Lest we are misunderstood. APPO does not contest the science of climate change. Nor are we against energy transition. However, we want the champions of climate change to admit the fact that fossil fuel induced climate change did not start in the last 50 years, nor did the knowledge of the dangers that fossil fuel use pose to the atmosphere only come to light during this period.
15. Ladies and gentlemen, our position at APPO is that measures and policies introduced to check climate change should not be uniformly imposed on all societies without regard to their special circumstances, like their levels of socio-economic development and energy poverty.
16. To say that the global climate challenge is a universal challenge that requires the full commitment, contribution and sacrifice of all and sundry is implicitly saying that we are all equally responsible for the mess that has been created by the few. But that is not true. Those responsible for creating the mess should take full responsibility for cleaning up the mess. There is a school of thought that believes that if the earth's atmosphere is a collective heritage of all the inhabitants of this earth, any group that selfishly destroys it should be made to make reparations to the other victims of its destructive activities. And this is especially so where it can be established that the destruction of the common patrimony gave the destroyers advantage over the other owners of the common patrimony.
17. Distinguished ladies and gentlemen, I would now like to discuss the prospects and challenges of the energy transition to African economies. Since I am speaking for APPO, I believe it is important I say a few things about the Organization, in order to put my discussions in proper context.
18. Founded as the African Petroleum Producers, Association, APPA, in Lagos in 1987 by eight Oil and Gas producing African countries, with the modest objective ``to foster consultation and cooperation among African petroleum

producing countries in the areas of hydrocarbon resources development” this Association underwent major reforms after the Paris Climate Agreement was signed. The Paris Climate Agreement sent the a red signal to APPA Members, whose governments are dependent on petroleum revenue to meet the basic obligations of the state, that the industry on which their economies depended is threatened. The quest for a reform thus begun and by 2019, APPA and its objectives were replaced by the African Petroleum Producers’ Organization, APPO, with a new focus, new aims and objectives, new organizational structure as well as new policy direction and decision-making structures and processes.

19. The aim was to prepare APPO to address the challenges that the global energy transition shall pose to African countries that have for decades depended heavily on oil and gas revenue and also to work towards creating an enabling environment for Africa’s energy security, mindful of the fact that our continent has the largest proportion of its population living in energy poverty.
20. Given the backdrop to the reform, one of the first decisions taken by the APPO Ministerial Council was to commission a major study on the **Future of the Oil and Gas Industry in Africa in the Light of the Energy Transition**. The study, which was completed in 2021 identified four imminent challenges that the energy transition poses to the oil and gas industry in Africa. These were: funding, technology, expertise/skills, and markets.*
21. Addressing these four challenges has been the preoccupation of APPO since the reform.
22. How is APPO responding to these imminent challenges in practical terms? Can APPO do it alone? What can Members of this Association, the Nigerian Association of Energy Economics who, according to the invitation letter from its President, Professor Yinka Omorogbe, SAN, a lady I have had tremendous respect for from the very first day I met her some 13 years years ago, comprises the largest assemblage of lawyers, engineers, economists, scientist, and other professionals working or interested in the broad area of energy economics in Nigeria. She adds that NAEI also provides a forum for exchange of ideas, advancement and professional experience in energy

economics, promote the development and education of energy professionals, foster and improve understanding of energy economics and energy related issues by all interested parties and provide a forum for contribution to national discourse on energy policy issues in Nigeria, Africa and the world at large.

23. With these credentials, I believe you have a big role to play in turning the challenges of energy transition to opportunities in Nigeria and indeed, in Africa and I will tell you how. Before then however, permit me to tell you what practical actions APPO is taking to overcome the challenges.

24. Regarding the funding challenge, APPO has gone into partnership with the Afreximbank to found the Africa Energy Bank. An MoU to this effect was signed in Luanda in May last year and negotiations on the Establishment Charter, and preparations of the Host Country Agreement as well as other founding documents have reached advanced stage. We hope to be able to present the final documents to the next Ordinary Session of our Ministerial Council for approval. The focus of the AEB shall be the provision of funds for oil and gas projects on the continent, in addition to other forms of energy. Shareholding in the bank shall be open to all APPO Member Countries and the National Oil Companies as well as other investment institutions. Shareholding is also open to non-APPO African countries and NOCs across the world. But all investors must share the philosophy of the bank. It might interest you to know that Nigeria is one of the five countries that have expressed interest in hosting the Headquarters of the AEB.

25. In addition to establishing the AEB to tackle the funding challenge, APPO is also taking other measures to cut operations cost in the industry across the continent. We are all aware that oil and gas operations in Africa is uncompetitive. Working with the Forum of the CEOs of APPO NOCs, we are establishing a procurement platform to enable all our NOCs to have access to information on industry procurement in various NOCs and globally.

26. On the technology and expertise challenges, APPO is working with our Member Countries and their NOCs and Oil and Gas research, training and development institutions to establish regional centers of oil and gas excellence. Such centers shall service the industry for the continent, instead

of the current practice where each country strives to establish institutions but is unable to provide the required research, development, innovation and training facilities to meet the best in the industry.

27. I am pleased to say that towards this goal, we have enjoyed the huge support of the CEOs of our NOCs. Within a period of one year, the Forum of APPO NOC CEOs met four times. Twice hosted by Sonangol in Luanda, once by NNPC in Abuja and once by Sonatrach in Algiers. And attendance was impressive, with 14 CEOs attending the last meeting in Algiers, 2 deputy CEOs and 2 absents due to last minute developments.

28. Only last month, a meeting of the Directors, Provosts and Principals of Oil and Gas Training Institutions in our Member Countries was held in Algiers. It provided these officials a good opportunity for peer review.

29. On the challenge of markets for our oil and gas when those on whom we have for decades depended eventually abandon our oil and gas, our position is that, with over 1.4 billion people on the continent, over 600 million of whom have no access to electricity and 900 million have no access to any form of modern energy for cooking or domestic use like heating, the challenge is not absence of markets, but failure to develop a huge potential market. It is for this reason that APPO is partnering with CABEF for the Central Africa Pipeline System, CAPS, among other cross border energy infrastructure projects. Once we focus on developing cross border and regional energy infrastructure that will allow the movement of energy from areas of plenty to areas of need, and we empower the people to access the energy, we will come to see that we do not need any external markets for our energy. And of course the provision of energy has multiplier effect of raising the level of productive economic activities, raising the living standards of the people and by extension moving Africa from a mere three percent of global GDP to a much higher figure.

30. Ladies and gentlemen, you can therefore see that it is not all lamentations and theorizing. APPO is taking practical steps to address the imminent challenges that the energy transition poses to Africa's oil and gas industry.

31. But as I said before, this is a collective challenge and this is where NAEE with its power to influence the formulation of public policy on the energy transition comes in.
32. To me the success of APPO and other like-minded African institutions in addressing the challenges that energy transition poses to the continent shall be more quickly achieved and also become more enduring if there is a second paradigm shift in the discourse on energy transition. The first paradigm shift has occurred already, namely, the global acceptance of the need for a transition from fossil to renewable energies.
33. That paradigm shift, as we noted earlier, has thrown up four challenges for the African continent, especially countries that rely on fossil fuels for revenue. In their search for solutions to some of these challenges, particularly the funding challenge, most of our professionals, some of who are here today, are caught in the inherent contradictions of accepting the inevitability of energy transition and all that it entails on the one hand, and the mindset or tools they employ in their search for solutions to the challenges that the energy transition has thrown up to the continent.
34. Distinguished ladies and gentlemen, it is these contradictions that call for a second paradigm shift in the discourse on energy transition in Africa in order to decidedly address the challenges posed to the African oil and gas industry by the energy transition.
35. I do not think that I would be far off the mark if I say that most of our economists and financial gurus including the Western Consultancies that we heavily rely on for advice on how to raise funds for oil and gas projects have failed us.
36. These experts have accepted that the world of oil and gas has changed since the advent of energy transition. But they have not come to terms with accepting the fact that what worked for the industry in the pre-energy transition era cannot work today, because the times have changed and so have the principal drivers of the industry. So, instead of a complete overhaul of the old order approach to fund-raising for the oil and gas industry, they go for fundamentally the same solution to what is essentially a new problem.

37. Working on the premise that foreign capital is country blind, these experts tell us that in order to attract foreign capital in today's world of energy transition, our countries should be prepared to give more attractive fiscal regimes. We should be prepared to give more tax holidays, collect less taxes, collect less royalties, give greater flexibility to repatriate funds and so on and so forth.
38. African countries that have just made big finds or have planned big projects are told that they need to quickly offer good deals and have them signed off before the little available capital goes elsewhere. They are told that the owners of the capital are being approached by many other capital seekers and the earlier they inked agreement the better for their countries and peoples. And of course, when these agreements are inked and the countries later come to find out that there were no other competitors for the capital, or that the deals were not the best they could have got, they cannot renege. Any attempt to seek renegotiation is interpreted as an attempt to breach the sanctity of a contract. And our own lawyers are the first to raise the red flag against our countries.
39. Ladies and gentlemen, permit me to highlight some of the fallacies that have conditioned the thinking of our experts, fallacies that inform the analyses that they make and the recommendations they give to us. It is only when we have accepted that these are fallacies that we can start the journey to the second paradigm shift.
40. The first fallacy is that international capital is country blind. But how factual is this assertion? Do Western investors, in particular, make investment decisions solely on rational calculation of profits? Can IOCs, service companies or any Western investor invest in any country of their choice that will give them the highest return on investment irrespective of the positions of their home governments on that country? Can Shell, Chevron, Mobil, Total, or any of these IOCs go and invest in any country that their rational assessment tells them they will make huge profits? The answer is NO. So capital is not country blind.

41. Following from this logic, it makes sense to argue that the imminent financing challenge for the oil and gas industry in Africa is not due to a lack of finance in the global financial system to fund oil and gas projects in Africa. There is a lot of money looking for good and profitable investments. Rather, it is an orchestrated dogma that goes beyond profit and loss.
42. IOCs are wary of investing in Africa not because they do not believe that it makes economic sense to do so, or that they honestly believe that they owe humanity a duty to protect the planet earth, but rather because they are afraid of the consequences of their actions from their home governments, their shareholders and the powerful climate lobby.
43. If this argument is valid, then there is a limit to what African countries can do to attract investments from the West. Even if African governments bring down their royalties and petroleum taxes to the lowest possible level, investments will only be for the short to medium term, and cautiously too. In addition, the principal motive shall be to serve the interest of the fund provider, as we saw last year when powerful countries that, prior to the Russia-Ukraine war, were breathing on our necks to end fossil projects, sending powerful emissaries with pledges to fund fossil projects. The proviso, of course, was that the bulk of what is produced shall go to them, to enhance the living conditions of their people, not to bring our people out of energy poverty.
44. The second fallacy is that capital can only be found from Western financial institutions or governments. I believe we need to re-examine this fixated position. Capital can be found in many other places, including in our own so-called poor countries. It is a matter of prioritizing expenditure. If we are agreed that oil and gas are currently the geese that lay the golden eggs for our member countries, and will continue to do so for some time to come because of the huge reserves we have and the monocultural economy that we operate, then we have a responsibility to grow that industry, to master its technology, to control its finances and develop its markets.
45. Is it correct to say that African oil and gas producing countries do not have the capital to invest in the industry that is the life wire of their economies? I do not think so, and for the following reasons. Let me give some statistics of

oil earnings at two different times by these countries in recent years. The first period was 2003-2008. Oil prices rose from an average of about 23 dollars per barrel in 2003 to about 120 dollars per barrel in 2008. During the same period, crude production rose from about 82 mbd to 86 mbd, with almost all African countries' production rising. Nigeria, for example, recorded its highest ever oil production of 2.5 mbd during this period, in 2005. This is crude oil alone, excluding condensate. With very few exceptions, the story is the same across the continent's oil and gas producing countries.

46. If we agree that the mainstay of our national economies are oil and gas, what did we do to take full control of that industry with the hundreds of billions of dollars in windfall revenue that accrued to the continent?
47. Another example is the recent Covid19 challenge which saw oil prices in the negative territory sometime in April 2020. By the last quarter of 2020 when our countries were finalizing their budgets for 2021, how many oil and gas producing countries in Africa projected oil price of USD 50 for their 2021 budget? How many projected the speed of oil demand recovery in 2021? Yet, by September 2021, oil prices were over USD 80 per barrel and many countries were producing not less than what they were producing pre-covid.
48. A third fallacy is the magnitude of capital needed for the industry. We are told that the magnitude of capital needed for industry projects are too high for African countries to raise. Agreed, the industry is capital intensive. But what we are not told is that it will be less so if we work on addressing issues of corruption, of inefficiencies in production, non-digitization of processes, finance and administration etc in the industry. Put differently, we need so much capital because so much is wasted through corruption, mismanagement and inefficiencies.
49. The point I am trying to make is that if we set our priorities right, we shall be able to raise the needed funds to operate the industry. Instead, the bulk of the windfall revenue goes to the importation of goods and services that do not add much value to the local development of the industry.
50. If our leaders are to take a collective decision to invest an agreed percentage of any windfall revenue from oil and gas sales for a period of 7—12 years in

the industry, we will not need to go looking elsewhere for capital. We will not need to be sending our oil and gas technicians and scientists and innovators outside Africa to study. We can pool resources together and have regional centers of excellence in oil and gas research, development, innovation and training, while middle level research and trainings are still conducted by individual countries.

51. A second paradigm shift shall require us to jettison the fixated ideas received from years of biased socialization into believing that our salvation can only come from the West. That Africa is poor and therefore must look to the West for finance.

52. In APPO, we believe that Africa's salvation lies in the hands of Africans. We appeal to our economics and finance experts to begin to think outside the box as they search for solutions to the funding challenges posed to Africa by the energy transition. Don't keep telling us that our salvation lies with more dependence on others.

53. I thank you all for your kind attention.