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Outcome of the India-Africa Hydrocarbon Conference and Exhibition

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Note prepared by the UNCTAD secretariat

Executive summary

UNCTAD is heavily involved in promoting development and poverty eradication through production and trade in commodities. An integral aspect of UNCTAD's work on the commodity economy involves support for initiatives in the production and trade in energy by developing countries at the national, regional and international levels. This includes South–South cooperation initiatives, which have gained considerable momentum with the growth in South–South trade in commodities. It is in this context that UNCTAD organized this pre-event jointly with the Indian Ministry of Petroleum and Natural Gas Government and the Federation of Indian Chambers of Commerce and Industry, as a contribution to UNCTAD XII deliberations on harnessing the benefits of the commodity economy for development. The conference was attended by representatives of African, Indian and other UNCTAD member States.

Outcome of the Conference

1. Hydrocarbons are by far Africa's largest export – four times as important as all non-fuel commodity exports combined, generating almost \$30 billion more in export earnings in 2004 compared to 2003. This state of affairs would have been impossible without globalization, including increasing interregional South–South trade and cooperation. The revenue windfalls and terms-of-trade gains would probably not have come about without the Chinese and Indian economies guzzling hydrocarbons to power their economic growth. Africa's oil and gas sector is also slated for a rush of foreign direct investment.

A. Complementarities between India and Africa

2. The complementarities between India and Africa were highlighted. For India, Africa is a source of energy security. For Africa, India is a trillion-dollar market. Africa has proven oil reserves of about 16 billion metric tons and gas reserves of about 500 trillion cubic feet. With a population smaller than Asia's, Africa's per capita hydrocarbon resource is significantly higher, putting it in a unique position to export oil and gas to India. India's current oil consumption is about 120 million metric tons, making it the world's sixth-largest oil consumer. Africa, with its huge hydrocarbon resources, and India, with its rapidly rising demand, huge human resources, experience, technology and ability to invest capital, are natural partners poised for further growth.

B. Development-transmitting partnership

3. Ms. Lakshmi Puri, the Acting Deputy Secretary-General of UNCTAD, noted that the emerging partnership between India and Africa in the hydrocarbon sector was vital and mutually beneficial. It would enable India to enhance its energy security, while nurturing Africa hydrocarbons' growth through better investments, institutions, technology, environmental sustainability, local content development, human resources development and employment generation.

4. Mr. Murli Deora, Union Minister for Petroleum and Natural Gas, said that trade between India and Africa, had expanded from less than \$1 billion in 1999 to more than \$9 billion in 2005. He stressed the need to institutionalize cooperation between India and Africa in the hydrocarbon sector in order to promote India-Africa bilateral trade and investment.

5. Mr. Pranab Mukherjee, Union Minister for External Affairs, called for a proactive approach to achieve energy security through long-term, cost-effective and reliable contracts for oil and gas supplies. Cooperation between India and Africa on hydrocarbons would facilitate the evolution of a healthy business environment to further enhance the trade and investment relationships between India and Africa.

6. In the special African ministerial session on "Country-specific overviews", each country presented its hydrocarbon potential. The huge hydrocarbon potential for Indian hydrocarbons in Africa was discussed and African delegations emphasized the importance of partnerships for enhancing the capabilities of national oil companies.

7. In the session on "Capacity-building and manpower development", the acute shortage of technical experts, especially in exploration and production activities, was highlighted. It was emphasized that India's rich human resource capabilities could help Africa to further develop the entire hydrocarbon value chain.

8. The "Project financing" session highlighted the fact that the oil and gas sector in Africa accounted for more than 40 per cent of project finance for major financial

institutions, and is expected to increase further. Revenue from oil and gas would contribute in greater measure to gross domestic product, fiscal revenues and the merchandise exports of the major oil- and gas-producing countries in the future. The innovative structures being used to finance African entrepreneurs were also highlighted.

9. The session on “India-Africa partnership opportunities: gas sector” highlighted the immense business opportunities in the gas sector in India. GAIL (India) Ltd and Reliance Industries – two of the largest gas players in the country – shared their business plans for the growing gas markets in both India and Africa. In both continents, oil exploration had started on land, moved out to shallow waters and was currently largely concentrated in deep waters. Among the possible areas of cooperation identified were deep-water exploration, gas hydrates, gas and oil shale, software development, and India’s expertise in exploration, pipeline-laying and city gas-distribution projects. Indian companies were also looking to source liquefied natural gas, an area in which Africa had great potential.

10. The session on “India-Africa partnership opportunities: EPC (engineering, procurement and construction), services and materials” highlighted Indian project execution capabilities. Indian engineering consultancy companies were able to provide the full range of services from concept to commissioning. Several Indian companies had moved up the value chain to provide comprehensive engineering, procurement and construction services, and were working in Algeria, the Libyan Arab Jamahiriya, Sudan, Ghana and elsewhere.

C. Framework for an India-Africa hydrocarbons partnership

11. A framework was established for cooperation and a partnership between India and Africa at different levels in the hydrocarbon sector. The framework is in tune with UNCTAD’s strategic orientation and could feed into the debate at UNCTAD XII. The framework emphasized the following eight points:

- (a) Hydrocarbon cooperation agreements between India and the various African countries covering exploration and production and downstream policy issues;
- (b) Cooperation between business entities covering joint development of exploration and production and refining businesses through memoranda of understanding;
- (c) Increased oil trade between Indian oil refineries and African oil- and gas-producing nations on a mutually beneficial basis;
- (d) The establishment of joint working groups for focused discussions, where none existed;
- (e) Exchange of visits on an increasing scale between businesses and government delegations on a periodic basis to ensure time-bound progress;
- (f) Cooperation in the areas of research and development and technology transfer;
- (g) Cooperation in retail marketing of petroleum products and lubricants by Indian companies in African markets; and
- (h) Training of technical and managerial personnel from the African oil industry in India.

12. UNCTAD’s role in facilitating dialogue and producing substantive underpinning to South–South interregional and intraregional partnerships in the crucial area of hydrocarbons from a commodity and energy perspective was appreciated by participants.