

**UNCTAD OILGASMINE
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Statement

**by H.E. Mr. John O. Kakonge
Ambassador Extraordinary and Plenipotentiary
Permanent Representative of the Permanent Mission
of the Republic of Kenya to the United Nations in Geneva
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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD

NOTES FOR USE DURING THE SPECIAL EVENT ON SUSTAINABLE DEVELOPMENT OF OIL AND GAS SERVICES SECTOR- ON THE THEME "INVESTMENT OPPORTUNITIES IN AFRICA'S OIL AND GAS FIELD SERVICES" AT THE WORLD INVESTMENT FORUM, GENEVA 15TH OCTOBER 2014, 3:00-6:00PM.

Distinguished Ladies and Gentlemen,

It gives me pleasure to be part of this special event discussing investment opportunities in Africa's oil and gas field services that is part of a broader subject on sustainable development of oil and gas services sector. I therefore wish to thank the UNCTAD Secretary General, Dr. Mukhisa Kituyi for inviting me.

As you may be aware, Africa has some of the fastest growing economies in the world. A number of them, including Kenya, Mozambique, Tanzania, Uganda and Ghana have recently discovered huge oil and gas deposits. Currently about 16 out of the 54 African countries are oil exporters. Four of African oil producers are also members of the organisation of Petroleum Exporting Countries (Algeria, Angola, Libya and Nigeria). There are about 500 oil companies participating in African oil and gas exploration.

The above scenario only implies that prospects and potential for further oil and gas finds remain exceedingly positive with lucrative investment opportunities.

Let me take this opportunity to also point out that this session, and the reality of huge oil and gas deposits in a number of African countries should be useful in changing the negative image of Africa. Africa has potential and is on the path to development.

Ladies and Gentlemen,

With the existing and new oil and gas discoveries in Africa, it is true that investment opportunities exist in the oil and gas service sector. The opportunities are in the areas of exploration, refinery, manufacturing and related investment in infrastructure among others. In spite of the positive picture of Africa's oil and gas sector, there exist numerous challenges that must be addressed if the oil and gas resources have to greatly contribute to the rapid development and industrialization of African economies. The challenges may be underlined by the fact that not all the highly oil and gas endowed African countries are among the best performing economically.

For instance, in most of the oil and gas endowed countries;

- There is very **limited refinery capacity**. This means exporting crude oil which does not lead to the expected spiral in revenues.

- Lack of asymmetry on the “3 Gs” –**geology, geography and governance**. In many of the African oil and gas rich countries, rarely do all the 3 Gs work in their favour. For example some have good geological setting but not good geography and maybe governance while others may have good governance with poor geology and/or geography. This can be used to summarise the situation in either Uganda and South Sudan that are landlocked, Libya, Angola, Tanzania that are not landlocked but with other challenges etc.
- Lack or limited **human and technological capacity** to manage the oil and gas resource up-stream and down-stream activities.
- The challenge of **sharing of revenues** between the major stakeholders, that is, the governments and the exploration companies, central government and local communities where the resource is located etc. This may go down to challenges of sharing oil and gas revenues among the various sectors of the economy.
- **Transparency and accountability** issues are very critical if oil and gas resources are to be a blessing as opposed to a “curse”.

- Lastly, there is the issue of **managing expectations**. Many expect the benefits of oil and gas discoveries to start accruing almost immediately. In this respect many normally expect employment opportunities, incomes and revenues to increase overnight. Normally this is not the case.

Ladies and Gentlemen,

I can confidently say Yes there are investment opportunities in Africa's oil and gas field services. But the immediate question would be "opportunities for who?" In my view, the opportunities are for the governments, exploration companies, as well as local authorities and citizens.

But for us to ensure a win-win situation, the existing and potential challenges in the oil and gas industry must be addressed in the best ways possible. For instance;

- Domestic policies must be conducive to ensure predictable investment environment. This would include honouring of contractual obligations as well as avoiding frequent policy changes. For example, there are cases where the governments have cancelled or nationalized existing oil and gas contracts.

- Local capacities must be built to enhance local content in entire value chain of the oil and gas industry, including exploration, refinery as well as marketing activities. Frameworks should be made to encourage African entrepreneurs, business people to venture into the sector. Such frameworks should include providing incentives for them to engage and there should included into oil and gas contracts. Moreover, in many of our countries investment incentive structures tend to favour foreign investors.
- Adequate and appropriate human, financial and technological resources must be developed and put to use. In this respect, policies in focused on developing and acquiring requisite human, technological and financial resources for the oil and gas sector should be enhanced. For example, we have a few African oil companies investing not only in Africa but outside (e.g. sonangol, sonatrach etc).
- Good governance, transparency and accountability should be made to work for the oil and gas sector. These are important to instil a sense of confidence to potential and existing investors.
- Due consideration should be given to environmental issues ie, proper environmental assessment should always precede

investment decisions in this area so as to avoid mistakes of the past in some of our countries (e.g. Niger barer delta). Such assessment should take into consideration issues of environmental management, pollution, degradation, among others.

- African countries should learn from best practices within the continent and from other countries in Asia and Latin America that have experience in managing oil and gas industry. Such best practices can be done through South-South as well as triangular cooperation arrangements. For example, Algeria assisted to train nationals from Angola, Gabon and Trinidad and Tobago under the framework of South South Cooperation.
- Education and awareness creation among all the stakeholders must be done to properly manage expectations, and most important the government of the day should make sure that all relevant information, such as the exploration costs, the volume and quality of discoveries and the payment agreement is made public.
- Legal, regulatory and institutional frameworks should be put in place to ensure best practices.

I believe that success in the development of the oil and gas services sector in Africa, just like elsewhere must be a collective effort and shared responsibility amongst all the major players. This can be further achieved through Public private Partnerships as well as regional arrangements for instance for the development of requisite infrastructure for the oil and gas sector (e.g. sharing of refineries.)

Ladies and Gentlemen, let me end by thanking UNCTAD for including this important topic on the agenda of the World Investment Forum. It is my hope that this discussion will not only enlighten governments and investors but it should go a step further to consolidate positive action in the oil and gas service sector in Africa.

Thank You for your attention.