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**African Petroleum Producers Association (APPA):
Promoting investment in Africa's oil and gas industry
through regional cooperation**

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Through Regional Cooperation.***

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1. INTRODUCTION

The idea for the creation of the African Petroleum Producers Association (APPA) was born out of the need for African Oil and Gas Producing Countries to have a coordinated strategy for influencing the sustainable development of the oil and gas industry in Africa.

In its over 27 years of existence, APPA has served as a veritable platform for promoting regional cooperation among the Member Countries and investment in the development of the oil and gas industry.

After a brief presentation of the Association, we will present the various initiatives by the Association to promote investment in the oil and gas industry in Africa followed by the challenges of promoting regional cooperation in Africa.



2.0 BRIEF PRESENTATION OF APPA

The African Petroleum Producers Association (APPA), was created on 27 January 1987 in Lagos (Nigeria) by eight (8) African Countries (Algeria, Angola, Benin, Cameroon, Congo, Gabon, Libya and Nigeria).

The vision of the founding members is to make APPA a **powerful instrument of regional cooperation** for the effective promotion and sustainable development of their hydrocarbon resources in order to individually and collectively maximise the socio-economic value from the oil and gas industry.

To achieve this vision, the Association fixed the following objectives:



2.1 Objectives of APPA

1. Regional co-operation in exploration, production, refining, petrochemicals, technology acquisition and adaptation as well as in the legal frameworks and human resources;
2. Promotion of technical assistance among Member Countries in areas where each has acquired relevant experience;
3. Co-ordination of industry policies and strategies of Member Countries through exchange of information and data with a view to better manage their non-renewable resources and ensure maximum value added;
4. Contribute to the understanding of the energy situation and policies of Member Countries with a view to meet national energy needs;
5. Assist African net oil importing countries with a view to meet their energy needs.



2.2 Regional Distribution of APPA Members.

- ❖ The Headquarters of the Association is located in Brazzaville, Congo.
- ❖ Currently, the regional distribution of the 18 Members of APPA are as follows :
 - North Africa : 5
 - West Africa : 5
 - Central Africa : 7
 - Southern Africa : 1
- ❖ The East African emerging producers (Kenya, Uganda and Tanzania) have indicated their interest in joining the Association as soon as they start production.



2.3 Geographical Presentation of the 18 APPA Members.



2.4 Organization of APPA

A. Governance Organs:

1. **Council of Ministers:** the supreme decision-making organ headed by a President with a mandate of one year in rotation among the Member Countries ;
2. **Committee of Experts:** An advisory organ that evaluates documents before they are submitted to the Council of Ministers for adoption.

B. Executive Organs:

1. **The Secretariat** : the organ for executing the decisions and recommendations of Council of Ministers, placed under the management of the Executive Secretary;
2. **The APPA Fund for Technical Cooperation**, responsible for financing the projects and studies of the Association, under the management of the Executive Director/CEO;
3. **The African Petroleum Institute (AFPI)**, created in 2011 for human capital development based in Egypt and headed by a Managing Director.

C. Non Permanent Organ:

1. Conference of Directors of Training Institutes and Heads of Training Departments of Petroleum Ministries for human capital policy coordination;
2. National Oil Companies Forum for experience sharing and strategic collaboration;
3. Ad hoc Committee of Legal Experts to provide legal advise to the Association.



3.0 INITIATIVES BY APPA TO PROMOTE INVESTMENT IN THE OIL & GAS INDUSTRY

- 1) Harmonisation of oil and gas legal frameworks in Member Countries;
- 2) Study of stratigraphic nomenclatures of Sedimentary Basins to promote the development and Exploration activities;
- 3) Promotion of regional infrastructure projects to boost intra-African oil & gas trade;
- 4) Promotion of gas to power projects to reduce gas flaring;
- 5) Regional approach to local content promotion to enhance local participation and value added;
- 6) Establishment of African Petroleum Institute for capacity building;
- 7) Collaboration with regional and International organisations to promote the oil & gas industry.
- 8) Development of a regional oil and gas databank for better coordination of data dissemination and management to promote investment in the sector.



3.1 Harmonisation of Oil and Gas Legal Frameworks in Member Countries.

- The objective of the study is to allow the implementation of the most suitable legal, fiscal and contractual frameworks that will enhance investment in petroleum exploration and exploitation in the APPA Member Countries. Specifically, it focuses on:
 1. The regulatory framework, the types of Contracts and compliance with contractual obligations that are authorized by each APPA Member Country.
 2. It examines the institutional structure of the upstream petroleum sector, and in particular, the organization of the administrative structures in charge of the petroleum sector, the role of the National Oil Companies and the granting of petroleum rights in the Member Countries of APPA.
 3. It addresses the fundamental objectives of the State in safeguarding or prioritizing, through its petroleum regimes. That is financial objective and non-financial objectives of control over petroleum operations, monitoring compliance with safety and local content development.
 4. It discusses the key investors concerns in the upstream such as the monetization of production, stability of applicable.
 5. The harmonization of all types and the development of a standard Production Sharing Contract (PSC) that will enable members to better negotiate with investors and operators.



3.2 Study of Stratigraphic Nomenclatures of Sedimentary Basins to Promote Investment in Development and Exploration Activities.

The studies are subdivided into 4 geographic zones as follows:

- North Africa Sedimentary Basins
- West African Sedimentary Basins.
- Golf of Guinea Sedimentary Basins.
- Intracratonic Sedimentary Basins.

The objectives of these studies are:

- To avoid undertaking the same geological, geophysical works in countries that shares borders in order to accelerate exploration, development and production activities.
- To promote available blocs in the sedimentary basins of the Member Countries.
- To standardise the classifications of identical geological formations in conformity with the International Union of Geological Sciences (IUGS) code.
- To establish the geological correlations between the sedimentary basins to facilitate exploration and development of oil and gas resources.



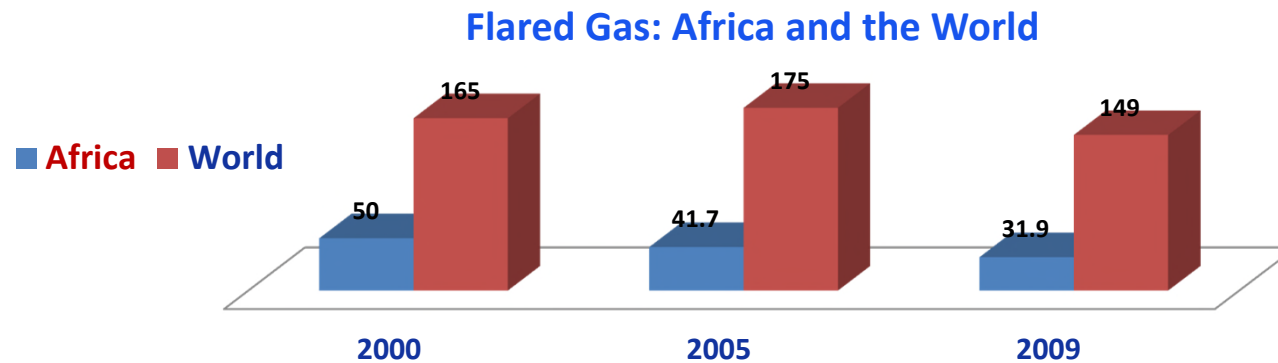
3.3 Promotion of Regional Oil & Gas Infrastructure Projects to boost intra-African Trade in Oil & Gas.

- Promoting and supporting regional oil and gas infrastructure projects such as:
 - Regional Oil, Gas & LNG Projects
 - Regional pipeline infrastructures
 - Regional Storage Tank farms, etc.
- For example, Equatorial Guinea is spearheading the construction of a regional storage centre for both refined products and crude oil to supply local and regional agendas.



3.4 Promoting Gas to Power Projects to Reduce Gas Flaring

- Despite the huge Oil and Gas resources in Africa, power generation still remains very low at less than 10% of global power generation. There is the need for investment in gas to power projects to utilize the associated gas from oil production for power generation. The trend of global and Africa flared gas is shown below:



- APPA is currently collaborating with the World Bank for the monetization of gas in African through the development of gas to power projects that will harness the flared gas to feed national and regional power plants to enable Africa improve its power generation capacity and thereby sustain investment and economic performance.



3.5 Regional Approach to Local Content Development to enhance Local Participation and Value Added.

APPA is studying Local Content in Africa's Oil and Gas industry. The study is motivated by the low local value added of the oil and gas industry in Africa as revealed by the followings facts:

- *Local content is 20% on average in the oil and gas industry in the APPA Member Countries compared to 70% in Brazil, 70% in Malaysia and 50% in Norway;*
- *Jobs created by ancillary services in the oil and gas industry in Western Countries are 150 times more than employment generated in the APPA Member Countries that possess the oil and gas resources.*

The study is aimed at:

- ❖ *The promotion of development and utilisation of local services and products in the oil and gas industry in Africa;*
- ❖ *Increase in the use of available local human resources in all the value-chain of the oil and gas industry;*
- ❖ *The creation of local infrastructures for a sustainable development of the industry and overall economic development of the countries.*



3.6 Establishment of African Petroleum Institute for Capacity Building

- One of the critical challenges of the local value added in the oil and gas industry is the dearth of competent human capital within the Member Countries of APPA. To assist the Countries to overcome this challenge and provide a regional approach to human resources development, APPA established the African Petroleum Institute in 2011 and it is based in Cairo, Egypt.
- Specifically, the objectives and responsibilities of the AFPI are as follows:
 - *The preparation of trainees and trainers in different aspects of the oil and gas sector through the provision of the latest educational and training methods;*
 - *Research and studies on modern methods in industrial organization and management and the harmonization of training programmes and policies in APPA;*
 - *Provide a centralized system for information and documentation on the level of Member Countries and the development of technological knowledge in education, training and industrial management;*
 - *Contribute to coherence between training Centres and Institutes of Member Countries to facilitate the exchange of experience among them;*
 - *Develop a network of professionals and training experts in the oil and gas sector of Member Countries of APPA and domicile training spending in Africa.*
 - *Provide advisory services on training and human capital development policies to the government and national oil companies of Member Countries of APPA.*



3.7 Collaboration with Regional and International Organisations to Promote the Oil & Gas Industry.

- APPA is collaborating with regional and international organizations to promote the development of the oil and gas sector in Africa. Strategic partnerships through MOUs are being established by APPA with:
 - *African Union Commission* for regional energy cooperation in terms of regional policy coordination and project implementation;
 - *World Bank* for the development of regional gas master plan and gas to power projects that will supply the regional power pools the needed gas to boost the generating capacity of power plants
 - *Latin American Energy Organization (OLADE)* for capacity building in the areas of human capital development and data management.
 - *Organization of Arab Petroleum Exporting Countries (OAPEC)* for technical assistance and experience sharing.



3.8 Establishment of a Regional Oil & Gas Databank

- In the quest to promote investment in the Oil and Gas sector of the Member Countries, APPA recognized the need to collect, process and disseminate data and information on the activities of the sector. Moreover, most data on the operations of the oil and gas sector in Africa are obtained from external sources which, in some cases, do not reflect the real situation of the sector.
- Therefore, APPA created the regional databank which centralized data on exploration, production and commercialization activities of the oil and gas sector.
- The databank is domiciled in South Africa with each country directly linked to it through a network of country databank administrators which are being coordinated by the Principal databank administrator at the Executive Secretariat.
- The databank is currently undergoing test runs to ensure that it is compatible with international standards of data presentation and analysis before it is launched and made public.



4.0 The Challenges of Regional Cooperation for Investment in the Oil & Gas Industry in Africa

- Governments have the responsibility of providing a conducive investment climate characterised by adequate legal and regulatory policies to mitigate risks:
 - *Stability of legal and fiscal environment*
 - *Adequate regulatory frameworks that enhance investment*
 - *Avoid bureaucracy in policy implementation*
- Absence of regional investment policies in the oil & gas industry to facilitate investment by local and foreign investors;
- Lack of regional institutions, projects and infrastructures that will promote regional trade and investment in oil & gas products;
- Low regional capacity development in human, technical and financial resources needed for investment and development of the oil and gas industry in Africa.



5.0 Concluding Remarks

- The oil and gas industry is very strategic to the Member Countries of the African Petroleum Producers Association (APPA) because it accounts for a very high percentage (averaging between 50-80%) of their export revenues and foreign exchange earnings.
- It is in realisation of the strategic importance of the oil and gas industry that the APPA was created to serve as a platform for promoting a coordinated development and investment in the industry through regional cooperation.
- Since its creation, the Association has been able to undertake some initiatives for enhancing the investment climate in order to attract local and foreign investors in the oil and gas sector through policy harmonization, institutions and strategic partnerships with regional and international organizations.
- With growing number of oil and producing countries through promising exploration and discoveries, there is the need to promote investment in the sector to maximize its contribution to the sustainable development of the producing countries.



Food for thought:

“For too long, too often, the world has talked about Africa and poverty. What Africa needs is finance (*investment*), opportunity and jobs”.

- Kofi Annan

African Progress Panel Report, December, 2013.



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