Compiled by African Energy Chamber

This year will be key for the advancement of new exploration and production development projects from West to East Africa

After a year of rebound and recovery, Africa's old and new hydrocarbons markets have an opportunity to further entrench the continent's position as the world's hottest oil and gas frontier in 2019. However, the new year also brings a new set of dynamics and challenges set to influence the future of the industry, from presidential elections to megaprojects developments, amidst intensifying international competition.

New African frontiers opening up

Independents are leading the way in exploring and opening up new frontiers across Africa. This year will be key for the advancement of new exploration and production development projects from West to East Africa. Developments to watch notably include Senegal's SNE field development, where FEED works are ongoing and a final investment decision (FID) is expected by Woodside Energy and Cairn Energy this year; Niger's Amdigh oilfield development, where Savannah Petroleum's $5m early production scheme is set to start anytime soon; and the opening up of Kenya's South Lokichar Basin by Tullow Oil, where FID is also expected before year end amidst rising tensions with the Turkana local community.

A year to confirm Africa as a global exploration hotspot

Ongoing bidding rounds in key existing and new African hydrocarbons markets will tell if Africa further confirms its position as the world's new exploration hotspot and manages to attract necessary investment in its oil and gas acreages.

Amongst well-established African producers, OPEC members Gabon and Congo-Brazzaville each have ongoing bidding rounds. Gabon's 12th shallow and deep-water licensing round is set to close in April 2019 and Congo-Brazzaville's License round phase II in June 2019. With both countries struggling to implement their new Hydrocarbons Codes, the success of these rounds will tell if investors have been convinced by policy reforms developed over the past two years.

Two bigger African producers and also OPEC members, Nigeria and Angola, are set to launch landmark and out-of-the-ordinary bidding rounds this year. Nigeria will

auction its gas flare sites under the Nigerian Gas Flare Commercialisation Programme, likely to happen after the February general election, and Angola will hold its Marginal Fields Bidding Round, result of a new May 2018 policy enacted by President Lourenço, and to be launched at the Africa Oil & Power conference in Luanda in June 2019. With the Nigerian Petroleum Industry Bill yet to be signed and the ink still fresh on Angola's new policy regime, both rounds will also be key in assessing investors' interest for both countries' business environments.

Also attracting interest is the newest and arguably one of the upcoming entrants – Ghana – holding its 1st formal licensing round set to close in May 2019 which has reportedly got the attention of 16 oil companies, including majors ExxonMobil, BP, Total and ENI. As a hopeful new East African offshore frontier, Madagascar is also putting 44 concessions on offer until May 2019, none of which has ever been tendered or explored before. For a country without any major oil discovery to date, the ongoing license round is a wager test.

Africa's struggling FLNG industry

After the start of commercial operations at Golar LNG's Hilli Episeyo FLNG vessel in Cameroon in June 2018, hopes were high that Equatorial Guinea would soon move forward with its own Fortuna FLNG project, set to be Africa's first deep-water FLNG development. While Fortuna was to be game changing for the gas industry of Equatorial Guinea and the rest of the continent, the development of the $2bn project has stalled due to a lack of financing. And the clock has been ticking since. The lack of progress on this plan has been so slow that operator Ophir Energy has been denied the extension of its license to operate block R (as of January this year), which contains the giant Fortuna gas discovery. While Equatorial Guinea's FLNG aspirations look more uncertain than ever, 2019 will tell if the country can find the right partners to put the project back on Africa's FLNG map.

Meanwhile, new entrants in Africa's hydrocarbons stage are making remarkable advances towards the development of their own FLNG industry. On December 21st last year, BP finally announced its FID for phase 1 of the cross-border Greater Tortue Ahmeyim development between Senegal and Mauritania, which involves the installation of a 2.5MTPA FLNG facility. It became the third African FLNG project to reach FID after Cameroon's 2.4MTPA Hilli Episeyo and Mozambique's 3.4MTPA Coral South FLNG.

Mega projects on the move

Africa’s come back on the global oil and gas map is not only due to the vast natural resources found in its soil and waters, but also to the continent being home to mega energy projects set to transform the future of the industry.

On the upstream side, the recent inter-governmental cooperation agreement between Senegal and Mauritania, and BP’s FID on its cross-border Greater Tortue Ahmeyim development, bodes well for the future of West Africa’s hydrocarbons industry. The project aims at extracting the 15Tcf of gas estimated to be held in the Tortue gas field, located at a depth of 2,850 metres. However, the ability of both Senegal and Mauritania to work out their differences to ensure a more sustainable development of their offshore reserves and facilities around the MSGBC Basin is a factor to watch out for.

African mega gas projects are not the sole property of the continent’s West coast, with Mozambique moving forward with two landmark projects putting the Southern African nation on the global LNG map. Following the launch of the Coral South FLNG project by ENI in June 2017, a FID is now expected in the coming months for the Anardarko-led Mozambique LNG project, an onshore LNG development initially consisting of two LNG trains totaling 12.88MTPA to export the gas extracted from the offshore Area 1, estimated to contain a whooping 75Tcf.

Sub-Saharan Africa’s biggest petroleum producers, Nigeria, is also moving forward with massive oil development projects in 2019. Last year already saw the launch of Total’s $3.3bn Egina FPSO in Nigeria, where production officially started in the first days of 2019 and is set to peak at 200,000 bopd. FID is now expected on Shell’s Bonga Southwest offshore field in Nigeria early this year, a multi billion-dollars development whose production is expected to reach 180,000 bopd.

International contenders and pretenders

As Africa strengthens its position at the centre of global transformations, it is increasingly becoming the playground for international actors willing to benefit from the continent’s vast resources.

While China has asserted its position of a contender in the continent, will new continental dynamics lead the Asian giant to change its investment strategy or portfolio? With Russia’s intentions on the continent becoming clearer and clearer, will the first Russia-Africa Summit this year translate into more concrete Russian deals across the continent? At the same time, will the US’ “Prosper Africa” initiative

launched in December 2018 be able to counter both rising international competition and declining US influence on the continent?

A complex energy diplomacy dilemma for OPEC in Africa

With a majority of its members made up of African nations since the joining of the Republic of Congo in June 2018, OPEC's evolving relationship with the continent as it strives to manage the global supply glut will be requiring skillful diplomatic ingenuity.

On one side, Africa's biggest producers and OPEC members Algeria, Libya, Nigeria, Angola and Congo-Brazzaville, are striving to boost their domestic output, which makes it harder and harder for the Organisation to negotiate its production cuts.

On the other side, the continent is also home to a flurry of upcoming petroleum producers like Senegal, Kenya or Uganda, or old players making a comeback like South Sudan, some of them part of OPEC's Declaration of Cooperation, whose upcoming or increasing output adds another layer of complexity to the formulation of OPEC's global oil prices management strategy.

An increasing African output from OPEC and non-OPEC member countries only complicates OPEC's maneuver capabilities and increases its dilemma of both providing a stable pricing environment conducive to investments, while avoiding a worsening of the supply glut that would push prices further down.

Africa's biggest petroleum producers casts their ballots

Amongst the series of elections happening in the continent this year, from Senegal to Mozambique, none will be more important for the African oil sector than that of Nigeria this February. The Nigerian presidential election is set to shape the future of the industry, not only because Nigeria is Africa's biggest oil & gas producer, but because what happens in Nigeria impacts the rest of the subcontinent one way or the other. While both Muhammadu Buhari, seeking re-election, and his ally turned rival Atiku Abubakar have committed to the signing of the Nigerian Petroleum Industry Bill, the ability of the future President to get his office in order and get the bill passed quickly will heavily influence investments within Nigeria's hydrocarbons sector for years to come.

North, Algeria and Libya are also entering an election year, with the 2019 Libyan

general election set for the first half of the year, and Algeria's for April. Both countries are on a transformation path. Libyan authorities plan to more than double the country's output to 2.1 million bopd by 2021, providing politics doesn't tamper hydrocarbons governance and the work of the National Oil Company. With Muammar Gaddafi's son Saif al-Islam Gaddafi set to stand for election and the country still divided between West and East, maintaining the stability required by investors will prove challenging.

In Algeria, where a wave of reform is shaking the entire hydrocarbons sector, elections are expected to maintain a relative status-quo, at least politically speaking. The country's national oil company, Sonatrach, has launched an ambitious transformation strategy that will see it investing $56bn over the next four years and internationalizing its operations across major global energy markets. 2019 could even see the state-owned giant and Africa's biggest company further expand south of the Sahara.

Angola's steady road to reforms

Since taking office in the summer of 2017, Angolan President João Lourenço has been implementing a bullish reformist agenda which is drastically transforming the governance of the country's oil & gas sector. Angola is reforming fast, but will market forces allow changes to happen at that pace and yield the results that the government is looking for?

While international investors seem to think so, with Total and BP signing major agreements to boost their Angolan operations over the past few months, 2019 will tell if the international oil industry is being convinced of Angola's return as a competitive African frontier or not.

To showcase the work being done by Sonangol and the Angolan government to generate more investment in the country's oil & gas industry, Angola is backing up an international conference being organized by Africa Oil & Power in Luanda on June 4-6, 2019, where it will be launching the Angolan Marginal Field Bidding Round. This will be the first official investment roadshow organized in Angola under the current administration, and one that is set to unveil a new set of reforms and investment commitments.

South Sudan's march to peace

The major progression in South Sudan, and one on which the entire economy relies, is that of the peace accords. The Sudanese and South Sudanese authorities have time and again demonstrated their commitment to the peace process, which has remained peaceful for the most part. However, will peace deals translate into investment promises and money being invested into the South Sudanese economy this year? Some signals point to that direction, with South Africa's Central Energy Fund committing $1bn to South Sudan late last year, but markets are still skeptics and observers will remain pragmatics and wait to see how the peaceful transition is managed and how oil production resumes before making any concrete moves.

A year to improve market access for East African producers

With Uganda set to join the club of African petroleum producers by the early 2020s, efforts are on the way to develop adequate infrastructure for the evacuation of oil that will be produced from the Lake Albert Basin. The project seemed to be positively moving forward when Uganda and Tanzania exchanged the inter-governmental agreement for the 1,443km East African Crude Oil Pipeline in May 2017. However, the partners in the pipeline's construction, French major Total, China's CNOOC and Tullow Oil, are yet to make a final investment decision on the project. Meanwhile, the Host Government Agreements are to be signed this January, but delays in concluding the pipeline's financial deal have already pushed back Uganda's oil production ambitions from 2020 to 2021. The pipeline is crucial for the further integration of the East African community and to set a positive record of joint planning, financing and implementation of landmark energy projects in the region.