

# *Energy & Utilities*

## The Africa Oil & Gas Survey 2010

Issues and Opportunities facing Oil &  
Gas companies in Africa

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# *Presenter*



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## ***Section 1***

# Survey Demographics & Objectives

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# ***Section 1 - Survey Demographics & Objectives***

## **Survey Objectives & Methodology**

- Gain a first-hand African perspective on the industry
- On-line survey
- Face-to-face interviews
- Focus on the impact of topical industry issues

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# ***Section 1 - Survey Demographics & Objectives***

## Respondent demographics

- 16 Countries
- 70% focus on Exploration & Production sector and 15% are Integrated Marketing Companies
- 55% Upstream, 28% Integrated Oil Companies, 17% Downstream or Oilfield services
- 55% Private Independent Companies, 41% Multinationals and 4% NOC's
- 91% Senior leadership or managerial roles

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## ***Section 2***

### Key Findings

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## ***Section 2.1***

# Impediments to Growth

## Section 2.1 – Impediments to Growth

### Impediments to Growth

#### Top 5 constraints to establish African O&G business

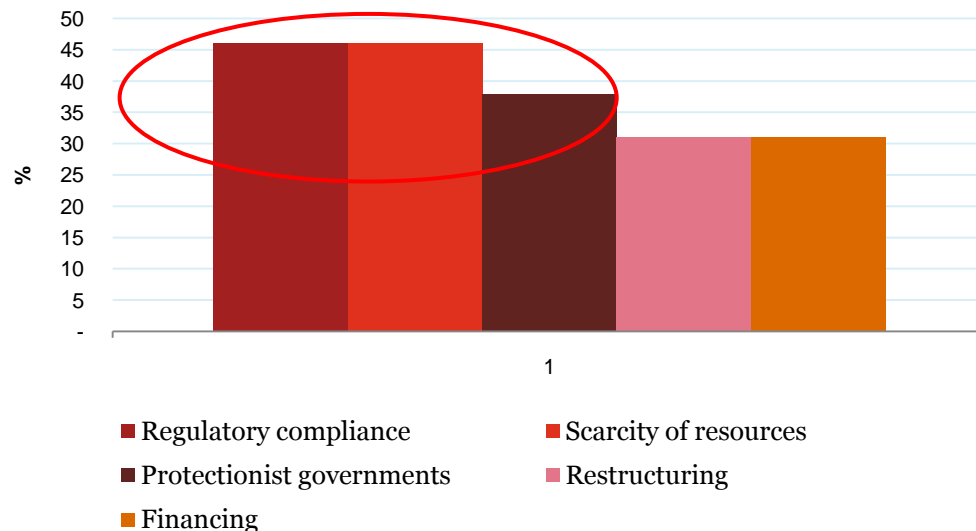
1	Uncertain regulatory framework
2	Poor physical infrastructure
3	Corruption
4	Lack of skilled resources
5	Set-up costs

- Drivers behind findings
  - Regulatory
    - PIB in Nigeria
    - Uganda & Ghana formulating strategy/policy
    - Cleaner fuels in South Africa
    - Reduced/ zero emissions policies under discussion
  - Other
    - Skilled resources seen as key to growth
    - Significant anti-corruption enforcement from US and UK
- Implications
  - Rate of investment may slow
  - Country specific attractiveness
  - Additional compliance costs
  - War for talent will continue

# Section 2.1 – Impediments to Growth

## Impediments to Growth

Highest Impact on your business over next 3 years



- Drivers behind findings

- Heritage Oil in Uganda, Kosmos in Ghana
- Resource nationalisation concerns
- Intense competition in the market

- Implications

- Cost of acreage likely to increase
- Higher taxes and royalties
- Increased local content requirements
- New players entering the market

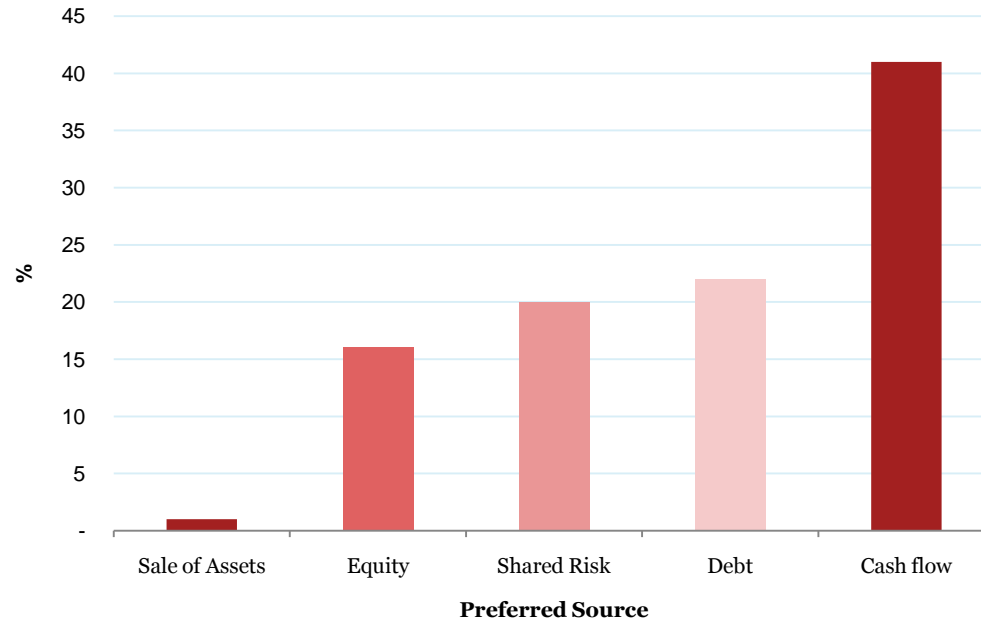
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## ***Section 2.2*** Funding

# Section 2.2 - Funding

## Sources of Funding

### Preferred sources of funding



Ease of Access to preferred Source	
Not challenging	26%
Somewhat Challenging	43%
Very Challenging/ Virtually impossible	31%

- **Drivers behind findings**
  - Upstream businesses still generating cash
  - Reduced access to debt & equity in the market
- **Implications**
  - Focus on cash management and cash preservation
  - Pressure on managing cost base
  - Brand strength and reputation becoming pivotal

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## ***Section 2.3***

### *Investments*

## ***Section 2.3 - Investments***

### ***Impact of Liquidity Crisis***

Impact of reduced liquidity

65% indicated  
no delay in  
major  
projects



72%  
experienced  
little or no  
impact on  
business

Industry seems to  
have weathered global  
recession recently  
well

## ***Section 2.3 - Investments***

### ***Key Investment drivers***

#### **Respondent priority areas**

Obtaining additional acreage (40%)

Securing Crude Supply 21%

Carbon emissions (10%)

#### **Drivers behind findings**

New finds in Uganda and Ghana awakened new interest in E&P

Competitive landscape altered with increased competition for crude supplies from China and India

Increased regulatory focus on reducing environmental impact

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## ***Section 2.4***

### *Operating Environment*

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## ***Section 2.4 – Operating Environment***

### ***Operating Environment***

#### **Anti-corruption**

- 36% say significant room for improvement

#### **Local skills**

- 90% of total workforce local
- 60%+ of senior roles

#### **Industry Charters**

- 51% fully compliant
- 31% nearly there

- **Implications**

- African fraud & corruption perception not improving
- O&G companies making strides towards local skills development and transfer
- 49% still have some work to do to achieve local industry charter compliance & local content requirements

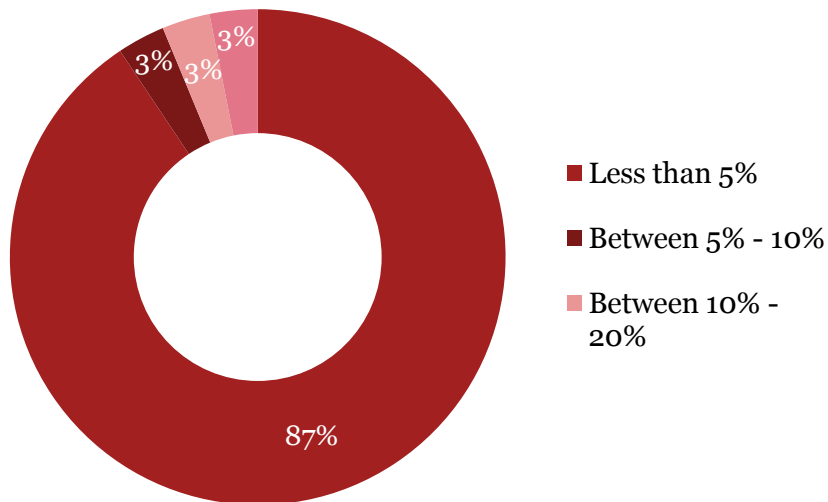
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## ***Section 2.5*** *Environment*

## Section 2.5 - Environment

### Environmental Spend

Capex spend on renewables



Capex spend on Environmental issues	
Less than 5%	47%
Between 5 – 20 %	36%
More than 20%	11%

- **Drivers behind findings**
  - Focus on core business
  - Environmental spend compliance driven by new policies
- **Implications**
  - Greater incentives needed in renewable energy space
  - Oil & Gas will remain key in energy mix for the foreseeable future

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## ***Section 2.6***

### ***Refining & Marketing***

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## ***Section 2.6 – Refining & Marketing***

### ***Refining & Marketing***

- Majors exiting smaller markets in Africa
  - Some deals already concluded with other players
- Refining landscape
  - Need for additional capacity to secure supply
- CNOOC committed \$23-billion to Nigeria for refining expansion
- Angola committed \$8-billion for 200,000 b/d refinery
- Complex debate
  - Security of supply ✓
  - Job creation ✓
  - Reduced forex outflows ✓
  - Cost vs. economies of scale ?
  - Ability to operate ?

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# ***Section 3***

## *Conclusion*

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## ***Section 3 – Conclusion***

- Africa Oil & Gas still growing
  - Significant new finds in Ghana, Angola & Uganda
- Key impediments to growth
  - Uncertain regulatory environment
  - Poor infrastructure
  - Corruption
- Cash primary source of funding
  - Reputation and Brand key to securing 3rd party funding
- Increased capex spend on environmental impact
  - No significant increase in spend on alternative sources of energy
- Refining landscape
  - Need for additional capacity to secure supply and reduce forex outflows vs. cost of additional capacity