

Total offshore find could bring R1-trillion to SA economy

The find is significant because it could represent a sea change in investor sentiment

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Picture: REUTERS/REGIS DUVIGNAU

A significant gas-condensate find off the coast of SA will provide a significant boost for the economy of R1-trillion over the next 20 years.

Total, a French multinational oil and gas company, announced on Thursday that it has opened up a new “world-class” oil and gas province off the coast of Mossel Bay at its Brulpadda prospects on Block 11B/12B in the Outeniqua Basin.

Success in the nation’s first deep-water well is a potential boon for SA, which imports most of its oil.

“We are very pleased to announce the Brulpadda discovery, which was drilled in a challenging deep-water environment,” Kevin McLachlan, senior vice-president of exploration at Total, said

in a statement on Thursday. “Total has opened a new world-class gas and oil play and is well-positioned to test several follow-on prospects on the same block.”

Total now plans to acquire 3D seismic data before drilling as many as four more exploration wells at the licence.

Stephen Larkin, expert in Southern Africa oil and gas exploration and CEO of Africa New Energies says the discovery, which could hold 1-billion barrels of gas-condensate, will bring at least R1-trillion to the SA economy over the next 20 years.

Larkin’s calculation is based on the estimated 1-billion barrels of gas-condensate (which estimate he believes to be conservative) and the current price of gas-condensate — a prized hydrocarbon that trades at a premium of between \$5 and \$10 to the oil price.

The find is significant because it could represent a sea change in investor sentiment.

“Southern Africa has just become the hottest destination for hydrocarbon exploration in the world,” Larkin said. “It’s a catalytic find,” Niall Kramer, CEO of the SA Oil & Gas Alliance (SAOGA), an industry lobby group, said, adding that the country has only drilled in shallow waters before, with little to show for it. “There’s nothing that has been on this kind of scale.”

Kramer said the foreign exchange, tax, energy, security implications for SA are significant. Larkin said that if the government plays its cards right, the find could reduce the budget deficit by 30%.

Exxon and Eni

The find, according to consultant Wood Mackenzie, has drawn interest from explorers including ExxonMobil and Eni, which also hold stakes in the waters.

“It’s probably quite big,” Total CEO Patrick Pouyanné said on Thursday. “Having said that, the region is quite difficult to operate: huge waves, the weather isn’t very easy.”

Total was drilling about 175km offshore in the Outeniqua Basin to a final depth of 3,633m. The discovery, which also includes some light oil, could prompt a rush of activity offshore by other companies, especially as new oil and gas legislation is due out later in 2019 that is aimed at spurring exploration.

Africa as a whole has seen an increase in drilling, with oil and gas rigs around the continent topping 100 in recent months, according to Baker Hughes data. The count was as low as 77 in 2017.

Total has a 45% working interest in Block 11b/12B, Qatar Petroleum holds 25%, CNR International 20%, and Main Street — a South African consortium — 10%.

Kramer said the news is also potentially very big for the nascent services industry. “We now need to ensure we are developing our readiness in terms of skills and capacity for South Africans to participate fully. SAOGA has a large focus on skills development and mapping future skills and I see this find as a very positive first concrete step. We have always said good data helps us make good decisions and now there is empirical data emerging.”

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