IGU

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Natural gas: Supporting sustainable development in the Gulf of Guinea and Africa

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H.E. Adama Toungara, *Minister of Mines, Petroleum and Energy, Republic of Ivory Coast;*
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H.E. Eng. José Maria Botelho de Vasconcelos, *Minister of Petroleum of Angola;*
H.E. Emmanuel Armah-Kofi Buah, *Minister of Energy & Petroleum, Republic of Ghana;*
Dr Kandeh K. Yumkella, *Special Representative, Secretary General (SRSG) and CEO of the Sustainable Energy for All Program of the United Nations;*

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It is a great honour and privilege for the *International Gas Union* and his President to have been invited to present the views of the Organization at the opening session of the 2013 *Gulf of Guinea Gas Conference*.

IGU is representing the worldwide gas industry, gathering 82 countries, among which 10 African nations, and covers 95 % of the natural gas and LNG global gas market. This conference is an event of outstanding importance for IGU, which has placed the enhancement of the African representation in our Organization and the contribution of IGU to the development of the African gas industry as priorities of its on-going 2012 to 2015 triennium.

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Natural gas development holds tremendous potential and opportunity for Africa, and it should be a major "prime mover" for broader economic and social development. With proven reserves of 14.5 Tcm, Africa still holds a modest 7.7 % share of global reserves, but this picture is rapidly changing, since a series of recent major discoveries are placing Africa as a major actor on the global gas supply stage.

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Africa is indeed a fast growing actor on the global gas arena, with an increase of its proven reserves by 60 % since 2000. Yet, the 2012 figure does not yet take fully into account the discoveries made during the last 3 years in the Gulf of Guinea and off the coast of East and South Eastern Africa. Altogether, according to the United States Geological Survey (USGS), the natural gas reserves of Africa may double before the end of the present decade.

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In a recent report, the International Energy Agency forecasts that African natural gas production will expand, from 200 Bcm in 2012 to more than 400 Bcm by 2035. Through a policy of open access, Africa has attracted a broad spectrum of investors, from the international majors to the large and smaller independent exploration and production operators, as well as national Oil & Gas companies from outside the region.

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As a result of this policy and of highly prospective geological resources, drilling for oil and natural gas has been in constant expansion since 2000, the number of drilling rigs operating in Africa having tripled, which represents a reliable forward indicator for reaching the expected growth targets.

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In a thought-provoking report published in 2011, the IEA asked *"Are we entering a Golden Age of Gas?",* with natural gas being the only fossil fuel whose share of the global energy mix is expected to grow, driven by developments on both the demand side, mainly in China, India and Latin America and on the supply side with a total of conventional and unconventional reserves reaching more than 250 years of consumption. The demand for natural gas is also triggered by environmental constraints, knowing that switching from coal to gas for power generation results in a reduction by 50% of the carbon emissions.

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I therefore believe that the opportunities for Africa presented by the Golden Age of Gas are enormous and that the challenges and risks can be addressed and mitigated, if not always fully overcome. It is of utmost importance for Africa to strike the right balance between exports on the global gas and LNG markets, which constitute a major source of revenue, and the supply of the local markets, with a view to building up a wider energy integration in the region and giving an affordable access to energy for the largest number of people in Africa.

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LNG remains the dominant vector for exporting the natural gas resources of Africa to the global markets. With an installed capacity of 72 Mt/year, Africa accounts for 26 % of the worldwide LNG production capacity and it is expected

that, by 2020, with the development of new projects in the Gulf of Guinea, in Mozambique and Tanzania, the LNG export potential of Africa should more than double, mainly fostered by the demand in China, India and Korea.

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However, it is obvious that a sensible energy policy for Africa is to develop in parallel regional gas and electricity infrastructures interconnecting the national markets and allowing the settlement of regional markets. Such integration is beneficial both for the competitiveness of the African economy and the people's welfare.

The creation of the *West African Gas Pipeline (WAGP)* and of the *Power Pool* in the Gulf of Guinea was an important step in this process. I am aware of the difficulties and delays that have affected these projects; however, their merits will become more and more visible in the long run. Allow me a comparison with the *Eurotunnel* project between the United Kingdom and continental Europe, which had a rather slow and difficult build up, but has now taken the lion's share against air and sea, both for passengers and freight activity.

The underlying objectives of nurturing a regional energy policy are two-fold: firstly to develop exchanges between neighbouring countries and strengthen their economy; secondly to provide the largest number of people with access to electricity by allocating sufficient gas resources to the development of gas power plants enabling electricity to be produced at an affordable price.

A two-tier pricing policy for gas resources, entailing a distinction between exports on the global markets, on the one hand, and sales on the regional market, on the other, is a sensible option in the medium and long term, if we consider the volatility of the international gas prices. This volatility has been amplified by the emergence of shale gas resources, today in North America, but perhaps tomorrow also in China, Europe and Russia. For instance, the gas sales prices from producers to national utilities in Pakistan and Indonesia, for new resources, are at the same level as those now prevailing in the USA.

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Africa is and shall remain for years the largest potential market for African gas; the growth rate of the population and the presently low level of consumption offer immense possibilities for the development of gas based industries and primarily power generation.

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Energy poverty is still too widespread in the world, mainly in Africa: according to IEA, nearly 600 million people have no access to electricity in Sub Saharan Africa and 650 million are lacking of clean cooking facilities.

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With an average electrical capacity of about 50 W/Capita, West Africa, a region larger than Western Europe, and covering a population of almost 300 Million

people, is severely power-deficient. Raising the electrical capacity at 350 W/Capita, about the level of Brazil, would require installing nearly 85 GW of additional power facilities.

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Assuming that such increase would be covered for a 70 % share by power plants using natural gas and for a reasonable 30 % share by renewables, it would require an additional gas supply of about 150 Bcm/year, which would raise the natural gas consumption of Africa from 120 to nearly 300 Bcm/year. Is this target unrealistic? Frankly speaking, I don't think so, with due regard to the expectation, previously mentioned, of an important increase of the African natural gas reserves figure between now and 2020. At least, I think that for the Gulf of Guinea countries, this is an achievable goal.

IGU is adamant to contribute to the promotion of the natural gas industry in Africa, in particular in the Gulf of Guinea. This contribution can materialize on two main areas:

- Firstly, by inviting Benin, Gabon, Ghana and Togo to join Cameroon, Equatorial Guinea, Ivory Coast and Nigeria as members of our Organization: IGU constitutes a platform for exchanges between members and, as an example, we have a Working Group in charge of elaborating the best contractual and regulatory schemes and practices for the development of Independent Power Projects (IPP), which associate governments and private national and international operators;

- Secondly, IGU offers a feedback to its members on a series of important issues. One of the major goals of the 2012-2015 triennium is to create and develop bridges between the gas industry and the academic institutions or the national energy companies of its fellow members' countries, on a wide range of issues such as: identifying the medium and long-term human resources needs in the gas and power sectors, educational activities and sharing R&D programmes with universities. I seize this opportunity for thanking wholeheartedly Dr Yumkella for having associated IGU to the *Sustainable Energy for All* program and, in particular, for his support to the Forum co-organized by UNIDO, UNESCO and IGU on *(the date will have to be mentioned)* in Paris. This Forum will be devoted to human resources and mainly focussed on strategies for enhancing the role and contribution of women at Senior Staff positions in the industrial sectors of developing countries.

Once again, I thank the organizers of the Conference for having invited IGU to present and I hope to welcome you all at the next World Gas Conference that will take place in June 2015, in Paris.