The power of information
Etienne Dieudonné NGOUBOU
Minister of Petroleum and Hydrocarbons

Enterprise development
Gabriel TCHANGO
Minister of Small and Medium-Sized Enterprises, Crafts, Industry and Commerce

Totally flared up
Benoît CHAGUÉ
General Manager
TOTAL GABON
Gabon’s new hydrocarbons code was finally published in September 2014, giving the state significant power over the country’s resources and putting Gabonisation at the top of the agenda. It is clear that the government intends to take an active role in the domestic oil and gas industry, but there are fears that this control goes too far and will adversely impact the country’s ability to attract foreign investments.

**Diplomacy & Politics**

Though the hopes stirred by Total’s pre-salt finds in 2013 have not been entirely dashed, they have been significantly tempered by the lack of major discoveries in 2014. August saw the signing of new production-sharing contracts, but these were negotiated under the terms of the country’s earlier hydrocarbons code, which has now been replaced. Any new discoveries will have to be quite large if they are to overcome investor worries about the new code’s provisions.
The Gabon Oil Company (GOC) has been growing quickly and is beginning to establish itself as a major oil and gas business in the country. GOC, created in 2011 by presidential decree, is the first time Gabon has had a state-owned hydrocarbons company since 1987. GOC has fast been gaining the industry experience needed to compete with global oil companies.

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**Banking, Finance & Legal**

Gabon relies on the hydrocarbons industry for about 56 percent of its GDP, making it vulnerable to price shocks and commodities fluctuations. The country now seeks to diversify its economy by implementing a series of reforms, such as changes to the hydrocarbons code and supporting small businesses. However, after recent high-profile disputes with global oil companies, doubts have started to emerge about Gabon’s commitment to investment.

**Downstream & Gas**

Gabon faced fuel shortages in June 2014, highlighting the inadequacy of its ageing Sogara refinery, scheduled to be replaced by a new facility in 2016. Meanwhile, the government is attempting to diversify the country’s downstream output through the construction of a new fertiliser plant. Gabon is also taking steps, albeit small ones, to put its natural gas resources to work for electricity generation.

**Oilfield Services**

**ASSOCIATED SERVICES**

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**The Year’s Focus: Gabonisation**

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128 Marine & Logistics

Gabon depends on maritime transportation to move goods within the country and export the natural resources that form the base of its economy. The $15.5-billion Emerging Gabon programme includes the construction of new ports roads, freezones and railways by 2016. Processing time at the Libreville port has been halved, and Port-Gentil is set to undergo similar improvements. Expansion of the road network should reduce dependence on river transport.

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94 Oilfield Services

Gabon’s 2013 licensing round, which the industry hopes will help to reverse the country’s declining production rates, saw many new companies enter the market. The government has raised local content requirements in the new hydrocarbons code and held its first national forum on oil sub-contracting in May 2014. A qualified local workforce that can compete with international companies is developing, but will need more training and funding.

108 Associated Services

The Gabonese government is pushing to encourage the development of small and medium-sized enterprises, which will be crucial to helping the country diversify its economy away from the oil and gas industry. Better training and education are also needed for the local workforce to be able to compete with foreign companies and employees and bring down the local unemployment rate of 20 percent.

GABON 2014
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Ali BONGO ONDIMBA
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Collective momentum

Elected president in 2009, Ali Bongo Ondimba has begun an initiative to diversify Gabon’s economy. The president has prioritised local companies and the domestic workforce, ensuring that Gabonese citizens benefit from the oil and gas industry. He talks to TOGY about the purpose of the government’s hydrocarbons legislation and efforts to make Gabon an attractive investment destination for foreign companies.

How can the government of Gabon help to promote the development of domestic small and medium-sized enterprises (SMEs) in the country’s oil and gas industry?

Gabon is developing an economy that is not only attractive for international investors, but also supports and encourages the growth of the SME sector. Specifically, the government is promoting local SMEs using two approaches: the growth of an industrial base and the strengthening of national capacities.

In encouraging an industrial base, our aim is to support the development of local SMEs that provide services to multinational companies in the oil and gas industry. To further this initiative, the government organised a national forum for oil and gas subcontracting work in May 2014.

Strengthening national capacity also makes up a crucial part of our policies. It is with this in mind that we established the Oil and Gas Institute in Port-Gentil in January 2014. This institute will serve as a constant source of locally trained, qualified and competent workers.

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How can the oil and gas industry assist in furthering national development and what are the government’s goals in this regard?

The oil and gas industry already contributes greatly to the progress of the country. Profits coming from oil production allow us to reinvest in other sectors, such as healthcare, infrastructure and education. With the creation of the Gabon Oil Company, we are ensuring that the industry is beneficial for Gabon’s citizens in the long term.

How will the new hydrocarbons code strengthen the foundations of Gabon’s oil and gas industry and how will that assist development?

The legislation established in 1962, which guided the activities in the oil and gas industry into 2014, was outdated and no longer reflected the conditions of the market.

The new hydrocarbons legislation regulates the playing field by ensuring that all the companies involved in the industry respect the same rules. These laws also take into account Gabon’s international responsibilities in other sectors, notably banking regulations and environmental protection, including issues such as gas flaring.

This new hydrocarbons legislation contains various incentives for the use of gas and the exploration of oil in deep waters. Additionally, the laws simplify Gabon’s fiscal regime, so as to avoid overwhelming oil companies.

What key oil and gas projects and initiatives will benefit other sectors and contribute to the diversification of Gabon’s economy?

Encouraging gas development is part of the government’s strategy to produce more electricity in Gabon.

Profits coming from oil production allow us to reinvest in other sectors such as healthcare, infrastructure and education.

IN FIGURES

- Oil and Gas Institute in Port-Gentil established January 2014
- National forum for oil and gas subcontracting work took place May 2014
- Convention for the professional advancement of young graduates in Gabon took place May 2014
The year in review

Interview

The Who’s Who of the Global Energy Industry

OIL & GAS YEAR | GABON 2014

THE YEAR IN REVIEW

from power plants in Libreville and Owendo, as well as the special economic zone of Nkok. The impact of these projects will bring about increased benefits nationwide and across all sectors of the economy. The government’s main objective is diversification and the creation of a competitive industrial base. Oil revenues, belonging to the Gabonese people, must benefit and be redistributed across all the sectors of the economy. We are financing the construction of the new airport in Port-Gentil, set to be complete by September 2015 and have also been able to fund the construction of an internationally recognised medical research centre, the International Centre of Medical Research of Franceville.

When do you expect Gabon’s economy to become less dependent on oil and gas revenue?

Depending on the precise date for the exhaustion of our oil and gas reserves is impossible. However, it is undeniable that they will run out one day. To this end, we have based Gabon’s growth on three fundamental pillars. These are environment, industry and services. This strategy for sustainable development has been named Emerging Gabon. The green pillar is based on the sustainable development of our ecosystem through agriculture, fishing and forestry industries. The industrial pillar favours the local transformation of raw materials, the export of value-added products and the diversification of the national economy. Finally, the services pillar aims to develop infrastructure and Gabon’s human resources. Initiated in 2011, this strategy is already well advanced. We have made significant developments across various sectors such as tourism, agriculture and livestock farming, wood, fishing and aquaculture. Our economy has already started to diversify itself to become less dependent on oil and gas.

How is Gabon making itself a more attractive investment destination for foreign companies, notably in the hydrocarbons industry?

Gabon is experiencing a sustained growth rate and presents minimal political or economic risks, while offering attractive investment opportunities. The country offers the potential for high profitability, alongside economic diversification.

The country continues to benefit from a long period of political and social stability, has the advantage of a strategic position in the heart of the African continent and offers a protective framework for businesses. Our flagship policies includes renewed sector-specific legislation, the creation of special economic zones and free trade zones offering numerous fiscal advantages, the creation of a centralised services centre for establishing companies, the reinforcement of endeavours to combat corruption and fund misappropriation.

These are all core elements to attracting foreign international companies to Gabon. We are continuously seeking to create an economy and a country that is reliable and offers interesting and attractive investment opportunities.

How can Gabon support the Economic and Monetary Community of Central Africa (CEMAC) region through oil and gas activities?

The growth of the CEMAC region is strongly linked to political, economic and social stability, not only within the community, but also across the continent as a whole. Our nation is a model for stability and growth – in part due to our oil and gas industry activities – and can contribute to the development of the region.

However, Gabon alone will not be able to support the entire CEMAC region. We need, first and foremost, genuine regional co-operation between the six member states of CEMAC.

IN FIGURES

Legislation that previously guided oil and gas activity in Gabon established

1962

New hydrocarbons code came into force

2014

The legislation established in 1962, which guided the activities in the oil and gas industry into 2014, was outdated.

The legislation established in 1962, which guided the activities in the oil and gas industry into 2014, was outdated.

Regional reserves-to-production ratios (years)

COMPARISON

Source: BP 2014 Statistical Review
What are the government’s expectations regarding the potential of oil discoveries in Gabon’s deep offshore?

The government conducted 2D-seismic surveys prior to the October 2013 licensing round. Based on the results of the survey, the government believes that within five or six years Gabon will increase its oil production by an additional 200,000-400,000 barrels of oil per day (bopd). A number of interesting prospects were found in block C11, in the country’s deep offshore.

In September 2014, Paris-based CGG Veritas conducted 3D-seismic surveys to confirm prospects that were highlighted during the 2D-seismic surveys. Once we have a better understanding of the prospects in the blocks we are putting up for auction, we will ensure that these blocks are allocated to companies that are able to produce the resources there.

We are anticipating a new licensing round in September 2015. This will provide us with enough time to complete the 3D-seismic survey. The interpretation of the 3D-seismic acquisition should be completed in August 2015. Interested companies will be asked to submit their bids for the new blocks in January 2016.

The Ministry of Petroleum and Hydrocarbons has been conducting a 3D-seismic campaign to better understand its prospects ahead of a potential bidding round in 2015. Minister Etienne Dieudonné Ngoubou discusses the survey and the considerable expectations placed on the country’s oil industry.

Perenco, an exploration and production company, has made two discoveries in Gabon in the past few years. Offshore discoveries also offer potential. The decline in Gabon’s oil production, which dropped from 232,587 bopd in 2012 to 220,276 bopd in 2013, could be lessened by discoveries of new oil and gas deposits in offshore Gabon. This means that our oil production could potentially stabilise at around 250,000 bopd.

President Ali Bongo Ondinba’s willingness to develop the petrochemicals industry was made clear in his development programme, through which he aims to diversify the economy and make the country economically competitive by 2025.

What potential do gas discoveries hold for the country’s energy mix?

We are working towards building the gas market, as it will be used for energy production across the country by feeding power generation plants. A productive gas market would also help us develop the country’s agricultural market, as we could use petrochemicals to produce fertiliser. This will be beneficial for the diversification of Gabon’s economy, and it would also enable us to reinforce our gas network.

In the coming months, Gabon will start developing a national gas market, allowing investors to begin industrial gas and power generation projects. As oil companies now aim to have zero gas flaring, we expect our various producers, such as Total and Perenco to feed associated gas into the network.

Gas has a lot of potential in Gabon. This will offer new opportunities for the hydrocarbons industry, especially while we wait for the big oil discoveries in Gabon’s deep offshore, which we envision happening within the next seven or eight years.

How does the government envision the development of the oil and gas industry for Gabon in the coming years?

Firstly, the conventional domain has been explored intensively, but it is still revealing new possibilities. For example, British-French
Gabon has offered the energy industry a stable operating environment for decades, but in 2014 the country found itself struggling to maintain it.

At a time when the government would like to boost new investment and ensure that new production compensates for the decline from ageing fields, it has become clear that the legal regime for oil and gas dating to 1962 no longer reflects the current situation of Gabon’s energy industry.

In response to the challenge, the government drafted a new hydrocarbons code and a new agency to publish energy industry data. In early 2013, Gabon was delisted from the Extractive Industries Transparency Initiative (EITI) when it failed to provide a number of documents in the given time frame. Although not necessarily off-putting to investors, Gabon needs to get back on the list in 2015 to ensure transparency standards for the extractive industries are recognised.

For producers, the problem has been felt in the awarding of blocks. Bidding rounds have been perceived as unfair, as winners have been decided based on individual negotiations between government and interested parties. Operators present, as well as foreign investors outside the energy industry, also complain of delays in reimbursements for value-added taxes paid, which are supposed to be paid monthly. With the taxes at a rate of 18 percent, and with refund delays of reportedly as much as five years, the problem has grown.

The new code was initially proposed in 2011, and was officially published in September 2014. Details of the drafts were made public on two occasions before official publication, highlighting a lack of order in the government.

The code’s finalised contents include an optional 15-percent stake in all hydrocarbons projects for the state-run Gabon Oil Company purchased at market price, local content obligations that cap foreign workers in the oil and gas industry at 10 percent of each company’s workforce, a reduction in gas flaring by up to 90 percent so that associated gas can be used for electricity generation, and the newly formed transparency agency. This transparency agency publishes corporate and government information on production volumes, tax payments, equity stakes and reserves estimates.

The majority of the oil companies’ revenues will now be placed in local banks, rather than being expatriated to foreign bank accounts. What is the role of the government in the development of Gabon’s oil industry? How do its responsibilities differ from companies? It is the responsibility of the Ministry of National Education to provide the country with competent executives who are prepared to enter the oil and natural gas market.

It is then the duty of the Ministry of Professional Training to provide the necessary skills to labourers. The Ministry of Petroleum and Hydrocarbons is then accountable for training young Gabonese in employment opportunities for the oil and gas industry.

Once these conditions have been met, oil operators will be able to play a role in the development of Gabon’s industry. More importantly, the Ministry of Commerce and Small and Medium Enterprises is in charge of actively supporting smaller businesses so they are able to create a source of wealth for the economy. The responsibility belongs first and foremost to the government, followed by oil and gas companies.

“...The majority of the oil companies’ revenues will now be placed in local banks, rather than being expatriated to foreign bank accounts.”
The Who’s Who of the Global Energy Industry

THE YEAR’S AWARDS – GABON 2014

Founded in 2012, oilfield services provider Foraserv, a sister company of Impact Environment Gabon, has become one of the few homegrown companies directly involved in upstream operations in the country’s oil and gas industry, providing workover services for mature onshore fields through contracts with upstream operator Perenco. Foraserv marked its entry into the hydrocarbons industry through an initial deal in 2013 and has set a strong example for local services companies by reinvesting around 20 percent of annual turnover in training personnel.

WOMAN OF THE YEAR

Jacqueline BIGNOUMBA

President of the Gabon Oil Union Jacqueline Bignoumba has played a critical role in representing the domestic oil and gas industry’s interests and concerns, while also playing a key part in bridging the gap between administration and industry. The union has been instrumental in the establishment a new hydrocarbons code, which was published in September 2014. The code ensures greater participation of the government in oil and gas developments, while taking into account the country’s international responsibilities in other sectors, including banking regulations and environmental protection. Bignoumba has also worked to converge local content initiatives between state and energy industry.

LEGISLATION OF THE YEAR

After three years in the making, Gabon’s Ministry of Petroleum and Hydrocarbons successfully pushed through the much-anticipated new hydrocarbons code, published in the Official Gazette in September 2014. The new code replaces legislation that was established in 1962 and had guided domestic oil and gas activities through 2014. Included in the code is a minimum participation of 20 percent for the Gabonese government in exploration and production activities, with the Gabon Oil Company delegated a minimum share of 15 percent.

UPSTREAM COMPANY OF THE YEAR

Anglo-French company Perenco maintained average output in Gabon of more than 50,000 barrels of oil per day in 2013. As of 2014, it operates 28 production licences and seven exploration licences. Since establishment in Gabon in 1992, Perenco has drilled 350 onshore and offshore wells. Oil production aside, the company has streamlined the provision of gas for power generation, supplying the Power and Water Company of Gabon in Port-Gentil with all of its feedstock. It will also use its gas production capacity to support industrial development projects.

PROSPECT OF THE YEAR

On July 31, 2014, Eni Gabon, the local division of Italian multinational Eni, confirmed a major gas and condensates discovery at the Nyonie Deep exploration prospect, with initial estimates of 500 million barrels of oil equivalent. The discovery at the Nyonie Deep-1 well revealed a 320-metre hydrocarbons zone in a more than 40-square-kilometre structure. Eni Gabon is conducting preliminary studies relating to commercial development at the asset, which is located 13 kilometres offshore in block D4 and is part of the prolific North Gabon Basin.

LOCAL CONTENT DEVELOPER OF THE YEAR

In 2003, partnering with the government, Total Gabon financed the construction of the Centre for Professional Specialisation to provide national workers engaged in hydrocarbons activities with the necessary technical skills. In 2010, the company joined Gabon’s government again as the primary investors in the Oil and Gas Institute at Port-Gentil under a public-private partnership that also incorporated Perenco and Shell. As of August 2014, the institute had graduated 55 production operators and had inaugurated a new campus in January that year.

GABONESE COMPANY OF THE YEAR

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POLITICS

- **Official name:** The Gabonese Republic
- **Political system:** Presidential republic
- **Head of state:** Ali Bongo Ondimba
- **Date of independence:** August 17, 1960
- **Official language:** French
- **Ethnic groups:** Fang, Punu, Nzebi, French, Mpongwe
- **Population:** 1.67 million (2013)

GEOGRAPHY

- **Area:** 267,667 square kilometres
- **Capital:** Libreville
- **Terrain:** Extensive rainforests, coastal plains and mountainous areas
- **Climate:** Equatorial

ECONOMY

- **Currency:** Central African Franc, XAF ($1: XAF483.243)
- **Natural resources:** petroleum, magnesium, gold, cocoa, timber
- **GDP (official exchange rate):** $19.97 billion (2013 estimate)
- **Real GDP growth rate:** 5.9 percent (2013)
- **Inflation rate:** 0.5 percent (2013)
- **Budget deficit:** 7.9 percent of GDP (2013 estimate)
- **Public debt:** 23.2 percent of GDP (2013 estimate)

Sources: World Bank, BBC, CIA World Factbook
The Gabon 2014 Investors Index

In the wake of Total Gabon’s Diaba block discovery, which in February 2013 saw the first deepwater pre-salt well spud in the country, anticipation of increased offshore activity has been ratified. Yet this initial upstream optimism has, for a part, been met by ensuing scepticism.

Eni Gabon has been able to somewhat reassure the market, after a 500 million-barrels-of-oil-equivalent gas and condensates pre-salt discovery, marking the first and only local discovery of 2014. Onshore, the country’s large mature assets have helped industry players maintain their oil and gas portfolio.

The downstream sector saw a little more turbulence than usual when a four-day fuel shortage affected Gabon in June 2014. The Sogara refinery had to import 300,000 barrels of oil from Côte d’Ivoire to boost supply.

FOGGY VISION: In assessing national economic and political stability, 82.3 percent of respondents to the Gabon 2014 Investors Index had an optimistic outlook.

However, events that include the transfer of operating rights from China’s Addax Petroleum to the Gabon Oil Company in 2013 as well as Total and Addax’s audit for tax evasion and breaches of contractual obligations have led investors to maintain their stance that Gabon still lacks in transparency.

A 64.5-percent share of TOGY interviewees qualified the country as non-transparent. Combined with preparations for the 2016 elections, investor confidence in the country is waveri. Still, a share of 58 percent of interviewees saw 2014 as a good time to invest in the domestic hydrocarbons industry, with a similar portion (56.5 percent) believing that this would be the case into 2015.

BUSINESS INCENTIVE: When asked about the government policies with regards to business in Gabon, 22.6 percent of respondents considered these to be pro-business, with 61.3 percent opting for “pro-business but restrictive,” while 3.23 percent and 12.9 percent described the government’s policies as anti-business but accommodating and anti-business, respectively.

Small and medium-sized enterprises have been an important topic of discussion in the industry, led by the Ministry of Petroleum and Hydrocarbons and the Ministry of Small and Medium-Sized Enterprises, Crafts, Industry and Commerce. A total of 62.9 percent of interviewees believed that it is difficult to start an oil and gas business in the country.

ABOUT THE INDEX: The TOGY Investors Index is a figure out of 100 (61.9 in the case of Gabon) that embodies confidence among oil and gas investors as expressed in their level of spending in any given market. The index is valued based on responses to a survey conducted by TOGY.

A reading above 50 on the index represents a positive perception among oil and gas investors, while a reading below 50 indicates more of a pessimistic outlook. The Gabon 2014 index is based on the responses of 62 different investors.

The Who’s Who of the Global Energy Industry
THE YEAR IN REVIEW

THE YEAR IN ENERGY

1 Gabon raises $1.5 billion through Eurobond and partial buyback to fund infrastructure and power projects.

5 Gabon agrees to drop veto rights to any change in Maurel & Prom’s shareholding.

14 Maurel & Prom acquires drilling activities from Tuscany International Drilling in Africa.

21 Addax Petroleum and the Gabonese government sign a 10-year production-sharing contract (PSC) for three fields: Tsiengui, Obangue and Autour.

4 Vaalco Energy receives a $65-million reserve-based loan facility from IFC to support oil and gas development on the Etame Marin block offshore Gabon.

18 Ophir Energy begins drilling operations on the Padouck Deep-1 well in the Ntsina block offshore Gabon, using the Vantage Titanium Explorer drillship.

19 Ophir Energy drills a dry well in the Padouck Deep-1 well in the Ntsina block to 3,297 metres.

28 Vaalco Energy completes the first scheduled maintenance works on its rented FPSO vessel for the Etame Marin block.

5 Gabon raises $1.5 billion through Eurobond and partial buyback to fund infrastructure and power projects.

16 Addax Petroleum, a subsidiary of Sinopec, concludes a $400-million settlement for an oil dispute with the government.

21 Addax Petroleum and the Gabonese government sign a 10-year production-sharing contract (PSC) for three fields: Tsiengui, Obangue and Autour.

24 Gabon grants Maurel & Prom a new 20-year PSC to replace the Omoueyi permit, in order to meet new development objectives.

27 Gabon agrees to drop veto rights to any change in Maurel & Prom’s shareholding.

10 Total Gabon is fined $805 million in taxes owed between 2008 and 2010.

19 Ophir Energy drills a dry well in the Padouck Deep-1 well in the Ntsina block to 3,297 metres.

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1 Tata Chemicals pulls out of Olam International’s Gabon ammonia-urea fertiliser project.

4 Vaalco Energy receives a $65-million reserve-based loan facility from IFC to support oil and gas development on the Etame Marin block offshore Gabon.

14 Maurel & Prom acquires drilling activities from Tuscany International Drilling in Africa.

1 Oil India signs new nine-year contract with Gabon for the Shakhti block.

11 Total Gabon announces that net income fell by 8 percent to $302 million in 2013. However, revenues amounted to $1.81 billion in 2013, 6 percent higher than the 2012.

18 President Ondimba officially inaugurates Gabon’s Institute of Oil and Gas campus in Port-Gentil.
2 The government launches national forum for oil and gas subcontracting work.

7-10 The country faces a three-day nationwide shortage of retail fuel at most petrol stations.

21 Harvest Natural Resources declares commerciality and exclusive exploitation authorisation for the Dussafu block offshore Gabon.

27 Ophir Energy announced no significant discovery of oil and gas at its Affanga Deep-1 well offshore Gabon, the second well drilled in the exploration campaign.

24 Perenco makes discovery of around 20 million barrels at the Nziembou licence.

8 The government signs offshore PSCs with six companies, including Noble Energy, Marathon Oil, Impact Oil & Gas and Petronas.

13 The Sogara refinery output falls to 600,000 barrels per day and Gabon is forced to import 300,000 barrels from Côte d’Ivoire.

14 Gabon drops Noble Energy, Cobalt International Energy and Elenilto from a deepwater oil-licensing round, after they were deemed unable to meet investment requirements.

3 Total Gabon’s tax fine is reduced to $400 million.

14 Perenco’s Sputnik-1 well in Gabon’s Arouwe block hits non-commercial hydrocarbons pay.

23 Vaalco Energy shuts down production at its rented FPSO for the second set of scheduled maintenance works.

26 Ophir Energy ends a disappointing exploration campaign after drilling a third dry exploration well.

30 BGP completes 1,500 square kilometres of 3D seismic acquisition offshore for Perenco.

23 Vaalco Energy shuts down production at its rented FPSO for the second set of scheduled maintenance works.

8 The new hydrocarbons code is published in the Official Gazette.

31 Eni makes a gas and condensate discovery of 500 million barrels of oil equivalent in Gabon’s pre-salt.

11-14 The National Assembly and Senate of Gabon adopt new hydrocarbons code.

29 Vaalco Energy resumes production at its rented FPSO after maintenance works.
15 **Defeat the drop**

17 **Comprehensive dialogue needed**
Jacqueline BIGNOUMBA
President
UPEGA

18 **European connections**
Jean-François DESMAZIERES
Former French Ambassador to Gabon
Defeat the drop

Gabon’s most recent legislation concerning hydrocarbons has served as a mechanism to understand the state of the country’s affairs and the missing links in its trek towards becoming a developing nation. With a rapidly growing economy that is set to expand by as much as 7.8 percent in 2014, Gabon is attempting to give a boost to all of its industries.

Gabon is aiming to become an emerging economy by 2025 and has put its efforts in high gear by restructuring its fiscal priorities, diversifying its economy, attracting foreign investment and attempting to Gabonise the oil and gas industry. The country needs a sound economy and outside interest in order to fund its €25.5-billion infrastructural plans. However, Gabon’s hopes for significant economic advancement are likely to be realised later, rather than sooner, due largely to the country’s declining oil production, bureaucratic inefficiencies, unattractive tax laws and overall lack of transparency. Growth is still in the cards and Gabon is to make economic reforms in due time.

DEPENDENT ECONOMY: Hydrocarbons are a central to Gabon’s wellbeing. The industry comprises up to 90 percent of the country’s total export earnings, of which 80 percent is crude oil exports. Meanwhile, revenue for oil makes up approximately 56 percent of the total government income. According the BP Statistical Review 2014, Gabon has 2 billion barrels of proven oil reserves, the fifth largest in Sub-Saharan Africa. Today, the country is the seventh-largest oil producer in Africa.

Despite Gabon’s efforts to shift away from oil as its predominant source of income, the state remains dependent on it. The government is working to further strengthen the industry, especially as oil output dwindles, since it still remains the key to Gabon’s survival. From its peak at 370,000 barrels of oil per day (bopd) in 1997, the country’s oil production dropped to 220,276 bopd in 2013.

NEW CODE: To help raise output and attract investors, Gabon has also been restructuring its energy industry, starting with the creation of the state-owned Gabon Oil Company in 2011. In early 2014, Gabon confirmed that a new hydrocarbons code was underway, ready to change the face of the country’s energy industry and reaffirm its hydrocarbons future. The code has been in the works since 2010 with the goal of replacing legislation from 1962. The code has become a cause for concern in the industry, bringing into question the extent of the state’s control in energy matters, uncertainties surrounding transparency and ease of bureaucracy in Gabon and the level of diversification taking place at all levels of the country’s economy.

DEFEAT THE PURPOSE: A drop in oil production means the government must back its energy industry with a sound regulatory framework in order to encourage oil and gas operations as well as attract foreign investment to the country.

When the code was first posited, stakeholders were unclear about the exact contents of the bill’s draft, with many pointing to the delays and uncertainty surrounding the bill as a larger indication of the incapacity of the government to manage its affairs swiftly and transparently, a bottleneck tarnishing the otherwise politically and economically stable region. At one point, two separate drafts were circulating. Nevertheless, the Gabonese Senate and Parliament each approved the code in July 2014.

The bill introduces provisions aimed to ensure transparency in the energy industry. It will set up a new agency to publish information regarding output volumes, tax contributions, equity interests and detailed reserve estimates of companies. The code also reinforces local content quotas, requiring 90 percent of workers be Gabonese.

HIGH STAKES: One of the most contentious stipulations included in the bill is that the Gabon Oil Company will be allowed to take a 15-percent equity stake in all assets. The state will have a mandatory 20 percent. This point has critics wondering if the bill allows the state to meddle too much in energy affairs and profit more than is reasonable, defying the code’s original, investment-friendly intent.

President Ali Bongo Ondimba had brought in the new reform as a way to attract foreign investment, but it has instead given extra control to the government to take part in and dictate energy affairs. With each dollar earned by a company generating...