

Regulation, Financing Move Sharply Into Focus In Run-Up To Africa Oil Week 2019

Johannesburg, South Africa. 26 September 2019. With the attendance at Africa Oil Week (AOW) in Cape Town of South Africa's Minister of Minerals and Energy, Gwede Mantashe, just confirmed, and last week's news that the country's draft oil and gas regulations are expected by the end of 2019, regulation and financing – both topics for discussion at AOW – are moving more sharply into focus.

Olu Ogunfowora, a partner at Nigerian-based energy and infrastructure advisory firm Argentil Capital Partners – made some apposite observations on both regulation and financing in an opinion piece carried recently by leading South African financial daily, Business Report.

Ogunfowora, who is one of the keynote speakers at AOW, is upbeat about prospects for oil and gas in Africa. The continent's upstream resources, he notes, are still relatively untapped and provide an avenue to meet continuing global and regional demand for hydrocarbon-based energy, in spite of the growth in renewable energy.

His observation about a universal need for energy security “driven by global geopolitical uncertainties” has assumed even greater relevance in the wake of the bombing of Saudi Arabian oil refining infrastructure on 14 September.

Its oil and gas prospects notwithstanding, Ogunfowora warns: “Africa remains a high-risk region for various reasons – political risk, regulatory uncertainty, resource nationalism, security, challenges with contract enforcement, militancy, theft, corruption, lack of transparency to name but a few.

“These have translated into reduced availability and higher cost of capital relative to other continents.” While acknowledging that some progress has been made by some African governments, he says a lot more needs to be done.

“Ultimately, they need to play a long-term game which is often difficult against short-term pressures and realities. Simplified laws and regulation, continued deregulation, public/private investment models should remain a key focus.” Some numbers quoted by Ogunfowora are sobering.

“Depending on the forecaster, investment requirements for the African upstream sector range from \$10 billion to \$20 billion a year and are expected to increase.” Referencing PWC's Africa Capital markets Report Watch for 2018, he notes that only \$2.2 billion was raised in Africa via initial public offerings (IPOs) in 2018 and \$6.1 billion through secondary offerings; virtually no capital was raised for the upstream sector.

Platforms such as AOW, Ogunfawora says, are invaluable for all stakeholders in African upstream oil and gas, “providing and opportunity for them to hear each other out of all the issues, and to engage on what is needed to take this important growth sector forward”.