

Gas/Petroleum

SECTORS IN HIGH GEAR

Seeking to diversify its sources of growth, Equatorial Guinea is betting above all on the oil and gas industry to develop other growth sectors.

Accounting for more than 70% of gross domestic product and more than 90% of export earnings, these figures clearly illustrate the vital importance of the hydrocarbon sector for the Equatoguinean economy. Since exploitation of the country's main oil fields began, its development has found new impetus, and numerous specialized firms, primarily from the U.S., are lining up to boost the activity of the hydrocarbon sector, under strict control of the Government, which takes equity participation via two specialized, government-owned entities. Thus, the national petroleum sector has structured itself around the two state-controlled entities, which are GEPetrol (Guinea Ecuatorial Petroleos) and Sonagas (Sociedad Nacional de Gas). The first one, set up by the government in 2001, manages State interests in exploration and exploitation activities, mainly through production sharing agreements. As for the national gas company, it was created in 2005 and plays the same role, but mostly for natural gas, considering that Obiang Nguema Mbasogo's country is endowed with huge natural gas deposits. The two public firms have therefore to manage an immense potential, inasmuch as petroleum reserves are estimated at 1.7 billion barrels, and potential gas reserves are assessed at 127 billion cubic meters.

After a slight dip in production two years ago, a decline that coincided with the drop in the price of crude, black gold has made a comeback. Equatorial Guinea once again became the third largest African producer of crude, with peak production of 400,000 barrels per day. This increase is expected to follow the startup of new oil fields in the country's territorial waters. By the same token, the outlook for the gas sector is exciting, with annual



November 15th, 2011 in Doha - Qatar. The Equatoguinean Head of state, Teodoro Obiang Nguema Mbasogo surrounded by members of the GEFC, during the 1st summit of Gas.

production already reaching 5.4 million tons. In this sector, Equatorial Guinea does not wish to confine itself to exporting crude products. Here a local hydrocarbon industry is actively being developed, capable of offering processed products to external markets, particularly in the gas sector. Thus, as a specialist explains, "to create more added value and diversify its earnings sources, Equatorial Guinea has committed itself at a very early stage to processing natural gas, which reserves are estimated at 127 billion cubic meters. The Alba and Zafiro fields alone produce 1.092 billion cubic feet per day, which is about half of what is produced by the Nigeria neighbor. The gas is processed into methanol, propane, butane, liquefied petroleum gas (LPG) and liquefied natural gas (LNG)." Indeed, as this expert confirms, since 2007, Equatorial Guinea is one of the fifteen countries in the world to have acquired facilities for the liquefaction and transport of natural gas. According to the same source, "with the aim of turning the country into a regional gas hub, the authorities are planning the start up of a second unit, the LNG Train 2 Integrated Project,

which should become operational by 2016." The existing facilities process gas produced locally, but also production from countries such as Nigeria and Cameroon. As for products processed in this way, they are re-sold to Japan, South Korea and Taiwan. In other words, in this domain, Equatorial Guinea has sufficient technological and economic competitiveness to satisfy the most demanding markets.

The gas and petroleum are produced by Anglo-saxon companies (Exxon Mobil, Marathon, and Noble). As for the Japanese companies (Marubeni and Mitsui), they have minority shares in the liquefaction of gas. Exploration permits have been issued to other companies: Gazprom, Petronas, CNPC (China). Four licenses were granted in 2010: two to Gazprom, a Russian group, one to Glencore and one to Starc Limited, Swiss and British groups respectively, and one to Afex, an Anglo-French group. Two new fields operated by the American firm Noble Energy are expected to increase production.

François Bambou