

Roadmap for Angola: 2019 and Beyond

ARNHEM, Netherlands: Angola can in the short term anticipate strong economic headwinds. Fitch Solutions forecasted Angola's GDP real growth at 1.5% down from 2.8%. Fitch anticipates a growth of 2.3% for 2019 and 2.6% in 2020 (Up from an anticipated 2.2%).



Source: pixabay.com

According to Lusa Portuguese news agency, economic recovery will be weaker than previously anticipated due to the declining trend in oil production. The government revised the growth forecast to 2.2% in August, compared to 4.9% in the previous forecast, and the IMF forecast 2.3% of economic growth.

What can we anticipate in Angola for 2019 and beyond?

While optimism is in the air there is also a high degree of impatience. The strategy for determining the direction of Angola's oil and gas industry, which is the piggy bank for economic diversification be that for basic education, housing, drink water and sanitation, and stimulating the agricultural sector, must still be taken and implemented.

Oil and Gas Authority

The newly minted Oil and Gas Authority, now responsible for determining the strategic direction of the sector, is now busy determining the scenarios to follow, this concessionaire role previously the sole monopoly of Sonangol. There is immense pressure for the Oil and Gas Authority to move ahead quickly and with a sharp sense of pragmatism ensuring and sending the message that Angola is open for business.

The New Authority can be expected to be transparent and follow best practices of other like-minded oil theatres, i.e. Offshore Morocco and Senegal, to ensure that they continue to attract the investment monies of the majors, and possibly new companies. The opportunities are many:

Offshore in Blocks 15 and 17 mature projects have been started but innovation is needed to ensure that the life cycle of these projects can be extended. The majors involved here: BP, Chevron, Eni, ExxonMobil, Statoil and Total are interested in further developing their businesses and open to innovative ideas and business propositions. Varying from enhanced oil recovery to natural gas production. All options are on the table. The message is with higher oil prices and a new oil and gas regime in place, we must make hay while the sun shines.

New Exploration Offshore

While exploration has been done in the pre-salt basins to date, the results have been left wanting, yet there is optimism that with additional geological modelling and exploration hydrocarbons can be found. Look to the example of Brazil, which shares the same geological structure. It took a number of years before the huge pre-salt fields were discovered and in hind-sight, it is the pre-salt that is now the backbone of the Brazilian oil and gas industry. Up to 2010 average Petrobras production was approximately 40,000bpd; as of 2016 because of the pre-salt, this has increased 24-fold to 1 million mbpd. There is no guarantee that the results will be the same, but the downside is that: nothing ventured nothing gained.

Imagine that hydrocarbons are found, certainly, a new horizon could be the start of a gas industry which could help become the fuel of choice for future industrialisation. Also for the hydropower sector and industrial and residential sectors.

National Gas Company

A key question is: would it be necessary to set up a separate national Gas Company?

Such a National Gas Company could be instrumental in setting up a national gas strategy. Parallel to such a company it is necessary to have a regulatory regime in place. Ensuring that the National Gas Authority will be even busier.

The notion that Angola can have a budding gas industry is not far-fetched. Given the new gas legislation that is now in place, allowing the industry to monetise the natural gas it now finds. Previously natural gas remained the property of the state (Sonangol) and there was no incentive to prospect for natural gas.

Petro-chemical sector

The black sheep in Angola's oil sector has been the petrochemical sector. Deadlines to expand or build additional refining capacity have in the past come and gone. There are now plans to expand the Luanda refinery which meets 20% of domestic demand. The Lobito Refinery has a long history of planned deadlines and a new date (2022) has been set when it will be up and running.

It is of utmost importance that the National Oil and Gas Authority prioritise the establishment of the petrochemical and refining sector, thereby reducing the huge import costs of shipping hydrocarbon products from abroad.

Conclusions

- Expanded and new projects for Blocks 15 and 17;
- Establishment of a National Gas Company to implement a national gas strategy;

- Expanded projects on existing fields and exploration on new fields will guarantee Angolan production to rise to at least 1.5 mbpd by 2020.
- The strategy to further develop Angola's oil and gas industry is also the key to economic diversification: oil and gas are literally the black gold of how the country can move ahead and at the same time diversify the economy allowing Angola's to find it's place in the sun.

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