

SOUTH AFRICAN OIL & GAS ALLIANCE

WAITING IN THE WINGS



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The next big expansion of Africa's oil and gas production will be on the east, and South Africa is ideally placed to play a key role in its support and development

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Oil rig in the ocean bay of
Cape Town, South Africa



For all South Africa's undoubted bounties in terms of minable minerals, the same can't be said for its oil & gas resources—at least not yet.

“Take a look at the map of exploration leases,” says Warwick Blyth, executive director of the South African Oil & Gas Alliance (SAOGA), “and you will see that there is little or nothing left to be bagged by exploration companies, which is a considerable change over a year ago. Nevertheless, while South Africa's most significant production area in Mossel Bay is winding down, the rest of the country essentially remains in the early exploration stage. There is a lot of activity but tangible results are some years away.”

That doesn't mean, though, that the industry is in hiatus. Oil & gas projects are going full steam ahead in neighbouring countries and SAOGA is deeply involved in ensuring that South African companies get a share of the action.

SAOGA is a non-profit organisation representing the interests of South Africa-based suppliers of upstream products and services to the oil and gas industry. It currently has a membership of around 170, many of which are local operations of foreign companies. “We are realistic enough,” says Blyth, “to realise that although the country has some very capable engineering and manufacturing companies, they don't have the experience, resources or clout to be considered as tier one suppliers. Therefore we need the involvement of overseas specialist suppliers and that's why SAOGA is

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SAOGA is working on a definitive directory of local companies suitable for potential oil & gas projects

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open to any business which has a base here.”

With signed-off projects in Mozambique and Tanzania, the race is on to get geared up. “These projects are located in totally undeveloped regions of Africa,” says Blyth. “There is literally nothing there. Everything will have to be built in order to make the projects work—harbours, road and rail links, offices, warehouses. We might not be eligible to supply the most critical equipment needed

on production platforms or LPG plants but there is an enormous amount of support work that we can do.”

The last 12 months has also seen a spate of acquisitions as overseas specialists seek to gain an

African foothold. In this respect, SAOGA is taking a proactive role by talking to its opposite numbers in the UK, US and Norway, actively working towards alliances of one kind or another. “The aim is not to provide takeover targets,” says Blyth, “but rather to bring together overseas operations which complement local businesses and then it is up to the parties involved to decide how that partnership might be formed.”

To facilitate this meeting of minds, SAOGA is working on a definitive directory of local companies with the capabilities suitable for potential oil & gas projects. In this respect, the value chain is much longer than

170
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Member companies
of SAOGA

might initially be considered. “The whole process starts with the acquisition of licences, which calls for legal and business consultancy services familiar with the way different African governments and their licensing authorities work. Then there are all the services related to exploration which cover the full spectrum from seismic vessels to food provision and security. Boats and equipment need to be repaired and maintained. The list is endless and anyone serious about being in the oil & gas business should be represented in our directory.”

The most advanced of the Mozambique projects is the Anadarko LPG project which could become one of the half dozen largest fields anywhere in the world. Although construction is at least 12 months away, Blyth is conscious that there is plenty to do preparing the land and sea for the eventual extraction process and is keen that his members play a part.

The other great initiative occupying SAOGA, and which is inextricably linked to any oil & gas developments whether in South Africa or further afield, is the creation of a “free zone” based around the Western Cape port of Saldanha Bay. “It remains to be fully worked out,” says Blyth, “exactly what constitutes a free zone but at the very least there will be a customs free area where the flow of material and equipment can take

place with as little paperwork as possible and without the payment of duty or VAT. This will then become the hub for work related to oil & gas exploration and production.”

Prior to the selection and the study that has just been completed there, the debate was whether or not a hub on the east side of South Africa might have been better, bearing in mind that the focus of attention was on East Africa. However, Blyth is sure that Saldanha Bay is the best option. “It’s a natural deep water harbour,” he says,

“which lends itself to a floating dry dock and has plenty of room for development. It also has the advantage of being within easy access to Cape Town and all the city has to offer.”

And, of course, if the exploration taking place on the west coast and development of Namibia’s Kudu gas field comes to fruition, then Saldanha Bay will be ideally situated.

In summary, then, SAOGA is being both realistically practical and optimistic about South Africa’s role in the development of southern African oil & gas projects. The security and stability there must come as a welcome alternative to the chaos in Nigeria. The established road, rail, sea and air routes that already exist in South Africa makes it the ideal logistics base.

It has experienced engineers and factories of every size and level of sophistication, offering a broad base of suppliers. At government level, there are already good relationships with neighbouring countries and although the wheels of government might be just as slow as in other African nations, within South Africa there are plenty of advisers with experience of getting things done in the most productive way.

For newcomers to South Africa, all of this information and more is available via the SAOGA directory. **BE**

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IN THE OIL & GAS BUSINESS SHOULD
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For more information about
South African Oil & Gas Alliance visit:
www.saoga.org.za



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