

SOUTHAFRICAN OIL & GAS

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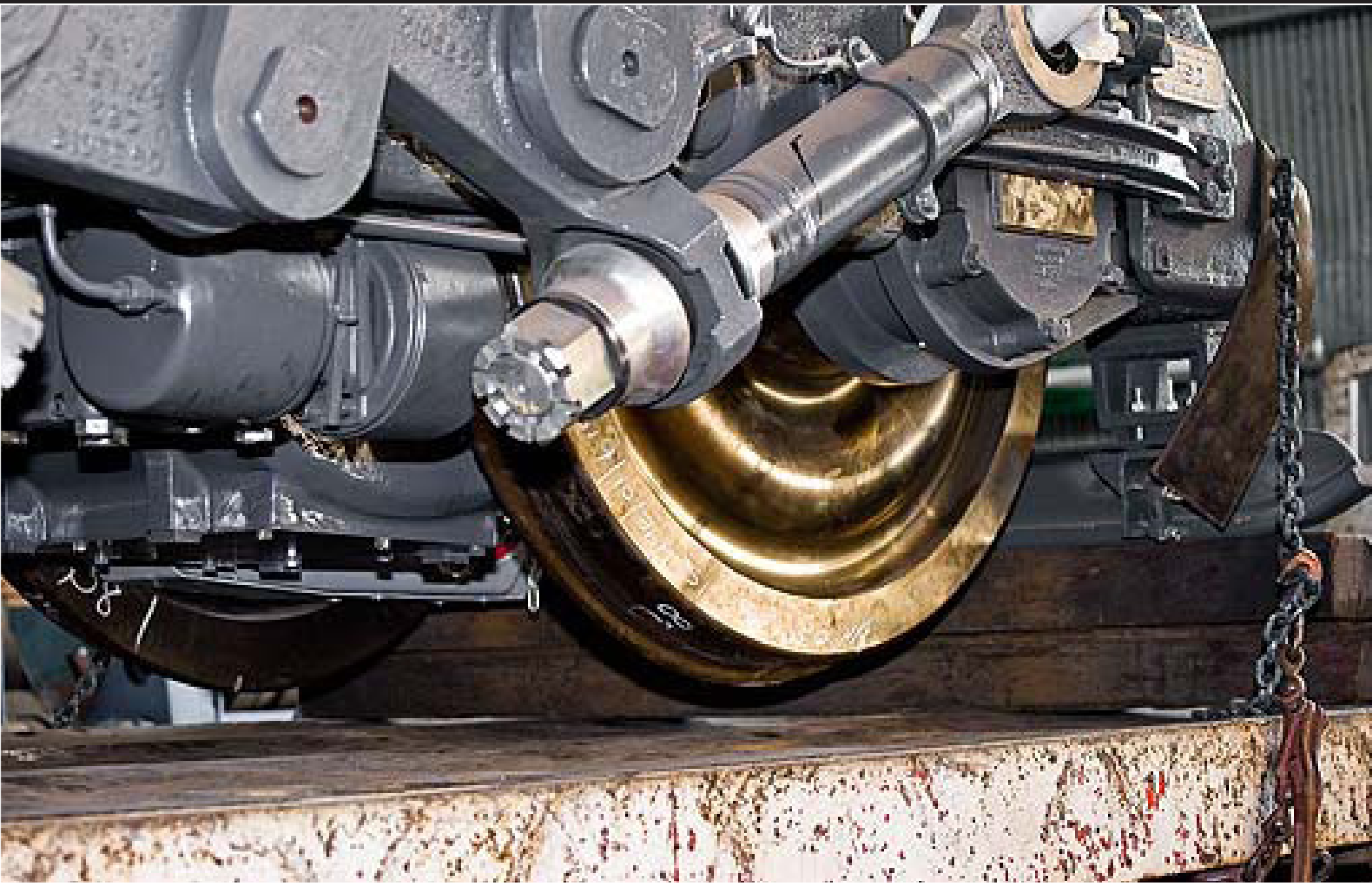
CORPORATE BROCHURE





An upstream journey

Sub-Saharan Africa holds some of the world's biggest hydrocarbon opportunities. Warwick Blyth, executive director of the South African Oil and Gas Alliance (SAOGA) tells Jayne Flannery why South Africa offers the perfect local base for a fast-expanding hub of activity



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owhere on earth is the oil map evolving as rapidly as in sub-Saharan Africa. The initial focus on the Gulf of Guinea has now been joined by an avalanche of new discoveries, most recently off the eastern coast and in the Rift Valley. To date, 25 African states in all have identified oil or gas reserves.

Initial efforts have focused on oil production and proven reserves in sub-Saharan Africa stand at around 70 billion barrels, but estimates are growing all the time and the potential of Africa's vast oil sands has barely been mapped. Gas production is also in its infancy, but it is estimated that there are trillions of cubic feet to be accessed within the continent and offshore.

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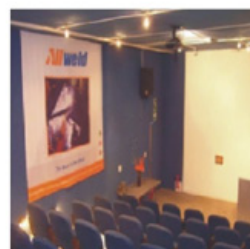
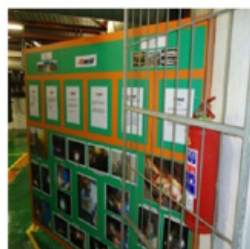
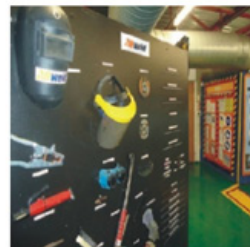
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Allweld, a South African based marine and industrial engineering company, has been servicing the Southern and Western African market for almost 50 years. Traditionally established as a specialized welding and jobbing operation for companies involved in the local industrial and marine industry, Allweld has in the past number of years progressed into the broader sphere of transacting directly with leading local and international companies, Allweld's mantra being: "The Best in the Weld".

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Warwick Blyth is executive director of the South African Oil and Gas Alliance (SAOGA). He is keen to draw attention to the palpable excitement that Africa is generating within the sector. He is also keen to point out that nowhere else compares with South Africa as the ideal base to develop the myriad of opportunities that early exploration is identifying in the SADC region and beyond.

It is the geopolitical character of African reserves that makes the continent attractive in the first instance. Huge strides forward in the political stability of a number of oil-producing states have taken place in recent years. Many high profile conflicts have been consigned to history and there is a new political will among African leaders to leverage their hydrocarbon resources as the key to economic and social development.

"No other environment is as dynamic as this," he states. "Over the last 10 years, Angola has moved up to achieve near parity with Nigeria as an oil producer and there has been a massive increase

in activity in the Mozambique Channel over the last two years. We have significant recent oil discoveries in Ghana, Equatorial Guinea and growth in Gabon. In Uganda, one billion-plus barrels have been identified and proven, which is particularly interesting as it is a major onshore discovery which takes in the whole of the Rift Valley. We don't yet know what lies beneath the vast rainforests of the Democratic Republic of Congo, but it is likely to be something very interesting. Northern Mozambique and southern Tanzania meanwhile have also recently made significant gas discoveries."

South Africa, he points out, offers all the benefits of proximity with equal ease of access along both the east and west coasts. Meanwhile, the maritime focus of its trajectory of development makes it an ideal base for the host of new deepwater projects taking place off Africa's coastline.



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The company was founded in 1984 and has a strong reputation for excellence and service. Matrikon Moore is a medium sized company and employs around 70 people. The company is BEE, ISO and OSH compliant. The company is solution driven and believes in multi-skilling. The business offers a complete range of services from initially scoping the project, system design, engineering configuration, internal testing right through to final commissioning and site acceptance testing.

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Matrikon Moore believes that industrial automation will continue to grow exponentially as the world looks to increase production and efficiencies. The company is therefore positioned strategically to handle these global requirements.

SAOGA, a non-profit organisation, has the remit to promote the development of South Africa-based suppliers of products and services to the upstream oil and gas sectors. The organisation operates as a partnership between the public and private sectors and is publicly funded to carry out a range of industry development activities. It is SAOGA's ambition to see South Africa's contribution to the oil and gas sector move steadily up the value chain, hence the focus on upstream activities where the greatest value is to be realised.

At present, there is a membership base of about 170 private sector companies and Blyth is quick to point out that it is growing the level and scale of upstream activity that drives the organisation, rather than increasing its membership. "Our membership represents a range of sectors," he explains. "One of the biggest is the repair and maintenance sub-sector focusing on ships and rigs, but also on the service and maintenance of equipment, either in situ or by bringing it to South Africa where we have

excellent facilities. We also have a significant fabrication capability which represents another cluster of members along with a number of major upstream global exploration and production companies like Baker Hughes, Schlumberger and Weatherford which have a well-established presence here. A fourth area is general engineering services which takes in many specialisms such as geological and environmental and maritime services and then there are many equipment, logistics and materials suppliers, both domestic and international, which have operations here."

As well as an excellent geographical location, South Africa offers a number of deep ports, including world class facilities at the emerging oil and gas service zone in Saldanha Bay, near Cape Town, which focuses on repair, maintenance and supply activities. South Africa also has the best international air connections anywhere on the continent

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and it benefits from some of the easiest logistics in Africa as a result of the free trade agreements that are in place right across the SADC region.

The strength of the South African economy and its business and institutional infrastructure are unparalleled. Politically and culturally, there are many business advantages. "It is a highly attractive place to locate personnel and to find supporting services and infrastructure. Take rig repair, for example. We can offer high quality, accessible quay space and the whole chain of electrical and engineering expertise needed to underpin operations. As a legacy of our mining industry, South Africa has a world-class engineering capability and a pool of highly skilled people which is simply not to be found anywhere else in Africa," he explains.

South Africa-based companies have built up a rich level of experience in the continent, but Blyth believes the challenges of operating in Africa impact in very different ways. "It is almost as if two distinct industries are operating," he says. "Firstly, there

are the companies that spearhead resource extraction which must overcome the initial barrier of obtaining licences. Then there are the logistical and environmental challenges faced by the service companies that sit beneath."

He believes that the global oil and gas sector has proved adept at managing difficult geographical and political environments. "For example, oil production continued throughout the civil war in Angola. The Democratic Republic of Congo remains one of the biggest challenges because of the weakness of central government, which means that no one is sure who to deal with. The security of licences is fundamental if foreign investment is to be made."

However, almost all countries now recognise the need for foreign expertise and production sharing agreements have become easier to negotiate as governance has improved, leading to the ring-fencing and prioritisation



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of hydrocarbon extraction. “What we see now is increasing pressure on governments by people and electorates for global companies to leave an in-country legacy of a solid industrial and economic base. There are still many barriers to developing domestic industry such as weak supporting infrastructures, limited education and the absence of an entrepreneurial mindset. Trying to drive more diversified economic growth through the use of oil resources is a very complex challenge for African governments, but we are seeing a much greater commitment to making this happen,” he says.

“We believe that we can lead by example in the push towards an indigenous capability. South Africa has a highly developed and sustainable industrial economy and we think we can help to build that capacity elsewhere. To date the oil and gas sectors have largely developed offshore and so to some extent have been isolated from security risk and the wider political and economic implications of their operations, but that is changing as the scale of activity gathers pace.”

He believes that SAOGA can contribute even more effectively to the development of the industry in Africa if it can succeed in attracting a wider global membership and consolidate South Africa’s position higher in the value chain. Blyth explains that most of the activity in sub-Saharan Africa involves ‘mega-projects’ which cost billions of dollars. For example, Chevron’s BBLT Project in Angola comes with a capital investment requirement of \$4 billion. The Jubilee Project in Ghana—a deepwater offshore oil field set to produce 600 million to one billion barrels of reserves—is even more expensive with an investment price tag of \$5 billion dollars.

“This is a big industry in terms of value, but not relative to the supply chain,” he explains. “We are seeing a growing number of upstream mega-projects, but there is enough inherent risk in these hugely expensive projects without adding another level of risk in the supply chain. The higher upstream you progress, the more the sector wants to work with tried, tested and proven suppliers so it is my hope

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that we will see a growing number of South African industry partnerships which twin our local expertise with trusted global names.”

The invitation to establish regional headquarters and distribution and service centres are key current propositions. To add to the country’s many other attractions, the South African government has recently introduced a new ‘headquarters tax regime’ to appeal to global players looking for a base in the region. Blyth believes that the strength of the local skill-set, allied to the opportunity to establish a regional service capability ideally positioned for some of the world’s most exciting discoveries in West and East Africa, will prove a powerful enticement. www.saoga.org.za ■



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Corner of Duncan and Eastern Mole Roads
 Table Bay Harbour
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P.O. Box 6075
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