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The Supreme Court dismisses a court application calling for the annulment of president José Eduardo dos Santos' (1979-present) appointment of his daughter Isabel dos Santos to chair state-owned oil and gas company Sociedade Nacional de Combustíveis de Angola (Sonangol). The petitioners say they will contest the decision in the Constitutional Court. Pumangol Lda signs an investment agreement with the government's Unidade Técnica para o Investimento Privado (UTIP) (technical unit for private investment) to invest \$295m in fuel storage and distribution infrastructure. Unitel S.A. announces it has increased shareholding in Banco Fomento Angola (BFA), and now holds a 51.9% majority stake. Angola LNG Ltd resumes production after taking its production offline in late December.

Supreme Court clears Isabel dos Santos' appointment as Sonangol head

Angola's Supreme Court officially dismissed a court application on 29 December¹ that sought to annul president **José Eduardo dos Santos'** (1979-present) appointment of his daughter **Isabel dos Santos** as head of state-owned oil and gas company **Sociedade Nacional de Combustíveis de Angola (Sonangol)** in June 2016.² The dismissal of the court application, which 12 lawyers filed in November 2016, shows the difficulty in prosecuting high profile, politically linked individuals in Angola. **David Mendes**, spokesperson for the 12 lawyers who filed the court application, said that the Supreme Court judgment had many shortcomings and did not answer the questions the lawyers had asked.³ According to Mendes, the Supreme Court ruled that

*"the appointment of Isabel dos Santos by her father does not violate the law on public probity or the Angolan constitution."*⁴

Dos Santos announced the appointment of Isabel dos Santos as head of Sonangol in a press release published on 3 June.⁵ Local commentators and international media saw the appointment as nepotistic (see *ARC Briefing Angola June 2016*). As one local lawyer states,

*"In our country, the thing that rules is nepotism. IdS' [Isabel dos Santos] nomination was her father's express wish, otherwise he would have consulted others on this decision... Seeing as Angola is ruled by a dictatorship, there is a unilateral desire to have a sole person rule all aspects of national life. Despite my being an experienced lawyer for many years, unfortunately, I cannot say with certainty that a lawyer will ever reverse the president's decision."*⁶

Mendes said that he and the other petitioners would appeal the decision at the **Constitutional Court**.⁷ Mendes said the decision *"leaves a lot in blank... obviously we will appeal, because the grounds are not satisfactory and we will confidently continue to the Constitutional Court."*⁸ Mendes remains critical of the court's independence,

¹ The Supreme Court's decision was made on 22 December, but the application was only dismissed on 29 December.

² Multiple sources: www.africanews.com; www.gaurdian.ng

³ www.gaurdian.ng

⁴ www.gaurdian.ng

⁵ www.sonangol.com

⁶ Source, lawyer, Luanda

⁷ Rede Angola, 29 Dec 2016.

⁸ Rede Angola, 29 Dec 2016.

“There is no exercise to question the president’s decision. You only need to look at the Supreme Court, which took more than three months to make a decision, which is not normal... We expected this, and therefore we have been preparing the appeal – we already knew that we would have to resort to this.”⁹

Isabel dos Santos had in November stated that she would comply with justice,

“As an Angolan citizen I believe in justice and I believe in the existence of legality. And I am disposed to the justice of my country to respond to any summons and give clarification. Like any Angolan, I have a duty to comply with the law and be accountable if I am acting outside of it.”¹⁰

At the time of writing, Mendes and the group of lawyers appear not yet to have filed an official case at the Constitutional Court. However, the concerns surrounding the appointment of Isabel dos Santos do not go unnoticed, and this appears to increase the unpopularity of the dos Santos regime. Isabel dos Santos’ appointment to this highly strategic role, regardless of the outcome of the court case, will continue to discredit the dos Santos regime.

Pumangol to invest \$295m in fuel storage & distribution infrastructure

Angolan media reported on 22 December that Angola-based **Pumangol Lda** signed an investment agreement with the government’s **Unidade Técnica para o Investimento Privado (UTIP)** (technical unit for private investment) to invest \$295m in fuel storage and distribution infrastructure at the **Luanda, Huila, Benguela** and **Cunene** airports and in fuel storage and transfer facilities at the **Port of Luanda**.¹¹ Pumangol’s investment will enhance the stability of Angola’s downstream refined petroleum product distribution network which is an important part of attracting non-oil and gas sector investment as the government looks to diversify the economy. Pumangol is already a key player in Angola’s fuel storage and distribution business with a total capacity of 236,200m³ across three terminal facilities, four airports and 78 retail sites.¹² Local analysts see this as an important project for transport infrastructural efficiency,

“This is a necessary investment for Angola’s transport system. These facilities are notoriously unreliable – they have been waiting for this for a while.”¹³

Pumangol is a joint venture between Sonangol, Angola-focused **Cochan Group** and Switzerland-based **Puma Energy International**.¹⁴ Through Cochán, Pumangol has high-level links to the presidency. General **Leopoldino ‘Dino’ Fragoso do Nascimento**, a member of dos Santos’ inner circle of influence, owns Cochán. Dos Santos appointed Nascimento, informally known as Dino, to his new role through a presidential decree in September 2010. Cochán is a group of offshore companies with local Angolan registered entities that have stakes in a wide range of investments in Angola, particularly in the oil and gas sector. Nascimento is a powerful former military officer who now straddles the ‘blurred’ lines between a government official and a private businessperson in Angola.¹⁵ The **Financial Times** referred to Nascimento as one of three of the most powerful officials in Angola.¹⁶ Nascimento was formerly head of communications in the presidency. He is now a special adviser to general **Manuel Helder Vieira Dias Junior** (a.k.a. **Kopelipa**), who is chief of the **Casa Militar** (military, security and intelligence office) in the presidency.¹⁷

Puma Energy was formerly a subsidiary of Switzerland-based **Trafigura**, an international commodities trading company. In 2013, Trafigura reduced its ownership in Puma Energy to 49% after

⁹ Rede Angola, 29 Dec 2016.

¹⁰ Rede Angola, 29 Dec 2016.

¹¹ www.macauhub.com.mo

¹² www.pumaenergy.com

¹³ Source, journalist, Luanda

¹⁴ Source, Angola analyst, United Kingdom

¹⁵ Source, Angola analyst, United Kingdom

¹⁶ Foreign Policy, 13 Feb 2014.

¹⁷ Report of the Berne Declaration – Trafigura’s Business in Angola, Feb 2013.

selling a stake in the company to **Sonangol Holdings Lda**, subsidiary Sonangol and **Cochan Holdings LLC**, a **Marshall Islands**-based entity which is part of the Cochán group of companies.¹⁸ Trafigura is an opaque international commodities trading company. **Claude Dauphin**, a **French** national, is the founder and head of Trafigura. Dauphin worked alongside controversial international commodities trader **Marc Rich** at **Marc Rich & Co.** from 1974 to 1993, rising to head oil trading. He led the exit from Marc Rich and Co. and formed Trafigura. Marc Rich & Co. employees from **Bulgaria, Romania, China, Russia** and **Argentina** defected to Dauphin *'en masse'*. Trafigura executives develop close relationships with key government individuals in countries where there are high levels of corruption.¹⁹

The investment in vital fuel storage infrastructure will facilitate investment into Angola. However, continued public officials' personal involvement in private investments raises the investment risks of political exposure. This gives the impression to investors that investments require the involvement of public officials.

Unitel takes up majority stake in BFA

Angola-based mobile operator **Unitel S.A.** announced on 5 January that it has increased its holding in **Portugal**-based **Banco BPI's** Angolan subsidiary **Banco Fomento Angola (BFA)** to 51.9% for €28m (\$30m).²⁰ BPI reduced its interest in BFA, not because of specific Angola-related concerns, but because the **European Central Bank (ECB)** required BPI to reduce its balance sheet risk through decreased exposure to emerging market subsidiaries such as BFA.²¹ The ECB threatened BPI with severe sanctions if it remained with such a high exposure to a market which it claims does not adhere to international banking standards.²² However, Banco BPI has retained a 48.1% interest in BFA.²³

Isabel dos Santos (see above) owns an 18.6% interest in Banco BPI through one of her holding companies, **Santoro Finance**,²⁴ and formerly held indirect control of a 49.9% interest in BFA through Unitel.²⁵ Isabel dos Santos directly controls a 25% interest in Unitel through a company called **Geni**. She is the predominant shareholder and the most influential player in Unitel. Isabel dos Santos has an office on site and leads Unitel's corporate negotiations. Isabel dos Santos had previously opposed an offer to sell her interest in BPI and BFA.²⁶ In 2016, Unitel rejected Banco BPI's plans to sell its **Africa** assets and instead offered to take a controlling interest in BFA.²⁷

Following the announcement, chairperson of the BFA board, **Fernando Ulrich**, and director **José Pena do Amaral** resigned.²⁸ Ulrich is also an executive director of BPI.²⁹ Ulrich and BPI founder and chairperson **Artur Santos Silva** reportedly proposed the sales of its shares in BFA as the only solution to satisfy the ECB's request.³⁰ **Mário Leite da Silva** replaces Ulrich as chairperson of BFA.³¹ Da Silva is also administrative and financial director at **Grupo Américo Amorim**, company of Portugal's wealthiest businessman, **Américo Amorim**.³² Da Silva is also a director on the boards of Portuguese telecommunications company, **NOS S.G.P.S. S.A.**; financial technology investment firm, **Finstar Financial Group** (with \$2 billion worth of assets under management); and Angola-based **Nova**

¹⁸ Trafigura Base Prospectus, 14 Nov 2013.

¹⁹ Source, Angola analyst, United Kingdom

²⁰ Reuters, 6 Jan 2017.

²¹ Reuters, 6 Jan 2017.

²² Jornal de Angola, 20 Jan 2017.

²³ Reuters, 6 Jan 2017.

²⁴ Reuters, 28 Dec 2015.

²⁵ www.makaangola.org, May 2014.

²⁶ Reuters, 6 Jan 2017.

²⁷ Reuters, 6 Jan 2017.

²⁸ Jornal Folha 8, 5 Jan 2017.

²⁹ www.bloomberg.com

³⁰ Jornal Folha 8, 5 Jan 2017.

³¹ www.nos.pt

³² www.nos.pt

Cimangola S.A., a cement producer founded in 1957.³³ Da Silva is reportedly a “right hand man”³⁴ of Isabel dos Santos.³⁵ Local sources confirm that she is becoming increasingly influential in the domestic economy,

“[IDS]’s power in our economy is disgusting. She has her father’s protection and appears to have free rein in the private sector. I wouldn’t be surprised if she started making investments in our diamond mines tomorrow.”³⁶

Moody’s on 20 January reported that BPI’s sale of the 2% in BFA indicated the start of a greater divestment strategy, which Moody’s claims will negatively affect BPI’s bottom line.³⁷ Moody’s claims that the BFA represents an important part of BPI’s revenues and that the sale increases the likelihood of a full exit,

“Moody’s believes that a loss of control of BFA increases the probability that BPI further reduce its share in the Angolan bank, which could be positive in terms of solvency, but will severely affect its profitability indicators.”³⁸

The BPI’s sale of 2% of BFA means Isabel dos Santos’ personal control over the bank is now even greater. She now also has the benefit of a close ally as chairperson, with links to powerful businesses in the Lusophone sphere of influence. The possibility of greater Unitel shareholding in BFA, if BPI were to divest from the company in the longer term, presents further potential for Isabel dos Santos’ conflict of interest.

Angola LNG resume production

Angola LNG Ltd announced on 3 January that it has resumed production of liquefied natural gas (LNG), after its production facility was taken offline in late December.³⁹ Angola LNG’s December shut down, to allow engineers to conduct a “minor intervention”⁴⁰ was yet another setback to Angola’s only LNG export facility which has experienced repeated shut downs that have hindered the smooth development of the LNG sector.⁴¹ In July 2016, Angola LNG suspended LNG exports until mid-to-late August 2016 to carry out scheduled maintenance and testing.⁴² Angola LNG only came back online in June 2016, following an April 2014 shut down to correct design flaws.⁴³ At the time, the facility was expected to come back online in mid-2015.⁴⁴ Since resuming operations in June 2016, Angola LNG has exported a total of four LNG cargoes, well below analyst expectations of between six and nine LNG cargoes.⁴⁵ Angola LNG has a 5.2 million tonne per year capacity, but it is not known when it will return to full capacity.⁴⁶

United States (US)-based Chevron holds a 36.4% interest in Angola LNG, Angola’s first onshore LNG export facility,⁴⁷ which opened in mid-2013.⁴⁸ Sonangol has a 22.2% interest.⁴⁹ Other shareholders

³³ Multiple sources: www.bloomberg.com; www.nos.pt.

³⁴ Observador, 5 Jan 2017.

³⁵ Observador, 5 Jan 2017.

³⁶ Source, journalist, Luanda

³⁷ Jornal de Angola, 20 Jan 2017.

³⁸ Jornal de Angola, 20 Jan 2017.

³⁹ Reuters, 4 Jan 2017.

⁴⁰ Reuters, 4 Jan 2017.

⁴¹ Reuters, 4 Jan 2017.

⁴² Reuters, 21 Jul 2016.

⁴³ www.lngindustry.com

⁴⁴ www.lngindustry.com

⁴⁵ www.lngindustry.com

⁴⁶ www.upstreamonline.com

⁴⁷ www.upstreamonline.com

⁴⁸ www.naturalgaseurope.com

⁴⁹ www.upstreamonline.com

include: France-based **Total E&P** (13.8%); **United Kingdom (UK)**-based **BP** (13.8%) and **Italy**-based **ENI** (13.8).⁵⁰

The Angola LNG project has proven less than satisfactory, missing production target dates and displaying clear structural deficiencies. This undoubtedly has led to losses for stakeholders in the project. This latest series of setbacks does not instil confidence in the future development of the project.

About Africa Risk Consulting:

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