

AFRICA RISK CONSULTING

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France-based Total SA announces that it has signed a technical evaluation agreement with the Office National des Pétroles (ONAP) (national oil bureau) to study deep and ultra-deep offshore areas. The International Monetary Fund (IMF) reaches a staff-level agreement with the government that could lead to an extended credit facility (ECF) programme. Residents of Kérouané (Kankan Region) protest against the government, demanding the construction of a motorway from Kérouané to the regional capital, Kankan.

Total signs a technical evaluation agreement to study offshore areas

France-based **Total SA** announced on 9 October that it has signed a technical evaluation agreement with the **Office National des Pétroles (ONAP)** (national oil bureau) to study deep and ultra-deep offshore areas within a 55,000km² area.¹ The announcement is surprising, especially in view of **United States (US)-based Hyperdynamics Corp's** failure to discover hydrocarbons at the **Fatala-1** well (see *ARC Briefing Guinea September 2017*). Hyperdynamics had expected to discover 'world-class oil'² at Fatala-1, but its failure to do so undermined confidence in offshore exploration prospects.

Hyperdynamics' partner, **Nigeria-based South Atlantic Petroleum (SAPETRO)**, also exited the joint operating agreement (JOA) after the failure to find oil.³ It appears that Total's study and possible exploration activities will lean towards ultra-deep oil blocks, as Total senior vice-president **Kevin McLachlan** said,

*"By taking this position on a new under-explored area, Total pursues its exploration strategy targeting deep offshore prospective basins. Therefore, Total has the opportunity to evaluate a very large area, located in an extension of the prolific Mauritania/Senegal basin."*⁴

The total value of the agreement was not made public. However, ONAP did confirm that Total will have a year to assess the potential of basins, using existing data on the area.⁵ At present Guinea produces neither oil nor gas, despite several companies exploring since the late 1960s.⁶

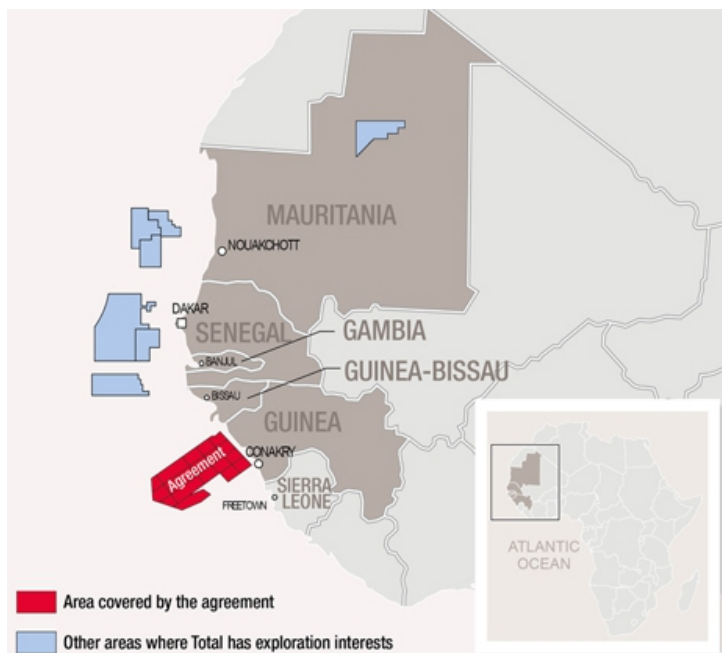


Figure 1: www.total.com

¹ www.total.com

² www.hyperdynamics.com

³ www.hyperdynamics.com

⁴ Offshore Technology, 11 Oct 2017.

⁵ www.total.com

⁶ www.eiti.org

To address ONAP’s lack of in-house expertise. Total has agreed to develop ONAP employees’ technical skills through training.⁷ Capacity building agreements are fairly frequent in the oil sector, as they are mutually beneficial for governments (building their capacity to manage and maximise benefits from the oil and gas sector) and companies (ensuring a more stable investment environment).

At the end of the study period, Total will select three licences in order to begin exploration, of which two will be through production sharing agreements (PSAs).⁸ Reportedly, Total had initially sought to have access to as many as 10 licences, but failed to obtain ONAP approval.⁹ Total will, however, have the right to participate in tendering processes for other offshore oil blocks, with a right of pre-emption if Total’s offer is equal to that of other bidders.¹⁰ ONAP is reportedly in discussions with another oil & gas major, and will conclude negotiations by the end of 2017.¹¹

Total has been marketing oil products in Guinea since 1992 through its local subsidiary **Total Guinée SA** and a retail network of over 150 petrol stations operating across the country.¹² Total is the single largest distributor of oil products in Guinea.¹³ It also has a 47% stake in the national oil company, the **Société Guinéenne des Pétroles (SGP)**.¹⁴

Total should have completed its study on the potential for oil extraction in offshore Guinea by the fourth quarter in 2018. Considering the extent of recent offshore hydrocarbon discoveries in neighbouring Mauritania and Senegal, significant reserves appear likely.

IMF reaches staff-level agreement with government

The **International Monetary Fund (IMF)** reached a staff-level agreement with the Guinean government on 17 October.¹⁵ The government had sent a delegation to **Washington D.C. (US)** for the IMF and **World Bank’s** annual fall meetings.¹⁶ The agreement could fall under the extended credit facility (ECF) programme, and would likely relate to economic reforms for the duration of the programme. The Guinean government and the IMF held discussions between 31 July and 15 August before finalising the staff-level agreement at the annual meetings.¹⁷ The agreement will be submitted to the IMF executive board in November 2017.¹⁸ IMF mission chief for Guinea **Giorgia Albertin** said that the credit programme aims to,



Figure 2: www.imf.org; www.mbudget.gov.gn

“ ... strengthen the resilience of the Guinean economy, increasing public investments in infrastructure to foster growth while preserving medium-term debt sustainability, bolstering social safety nets to reduce poverty, and fostering the development of the private sector.”¹⁹

⁷ www.total.com
⁸ www.total.com
⁹ Source, journalist, Conakry
¹⁰ Source, journalist, Conakry
¹¹ Source, journalist, Conakry
¹² www.total.com
¹³ www.total.com
¹⁴ www.total.com
¹⁵ www.imf.org
¹⁶ www.imf.org
¹⁷ www.imf.org
¹⁸ www.imf.org
¹⁹ www.imf.org

The IMF also said that the programme would target the accumulation of foreign exchange reserves to strengthen against external shocks. With regard to government finances, the IMF will target a fiscal surplus, and ensure medium-term debt sustainability.²⁰

During the IMF's last visit to Guinea, it noted economic growth of approximately 6.6% in 2016, increasing to 6.7% in 2017.²¹ The Guinean government completed its previous ECF in September 2016, which was for a total of \$198.9m.²² The government had already extended the three-year ECF for a further year, until September 2016, to help offset the sluggish economic recovery after the Ebola outbreak.²³ The

IMF noted political risks, such as tension with the main opposition **Union des Forces Démocratiques de Guinée (UFDG)**, as a possible source of volatility in economic growth.²⁴ The government made significant improvements to its public finances in 2016, and has managed to reduce the deficit to pre-2013 levels (see *Figure 2*).

In its October **World Economic Outlook**, the IMF projected that Guinea will surpass the regional average growth rate by 200-300 basis points in the next five years; the IMF forecasts that Guinea's growth will remain above 5% annually for this period.²⁵

It appears likely that the IMF and the government will sign a credit agreement over the coming weeks. The size of the loan is currently unclear, although it appears that it could be as large as \$200m, considering the previous ECF programme. IMF lending remains an attractive source of credit due to low interest rates and the indirect economic effects of successful implementation of IMF policy stipulations.

Kérouané residents demand construction of road to Kankan

Residents of **Kérouané (Kérouané Prefecture, Kankan Region)** protested against the government, demanding the construction of a motorway from Kérouané to the regional capital, **Kankan**.²⁶ The protest is significant because Kérouané Prefecture is a ruling **Rassemblement du Peuple Guinéen (RPG)** stronghold, where the party obtained 97% of votes in 2015 presidential elections.²⁷ Therefore, the RPG would not want to risk giving the opposition UFDG a platform to contest their electoral dominance in the region, as unlikely as this may seem. The protests are a threat to the credibility of the RPG in Kankan Region too, as inadequate management of the situation could lead to further protests. According to residents, the current road quality means the 140km journey between Kérouané and the regional capital Kankan takes 10 hours, or an average speed of 14km per hour.²⁸

Protesters blocked roads, and halted the activities of public administrative buildings, schools and businesses, holding up signs with the slogan "*the road, the road*".²⁹ Local media reports estimate that such a road, depending on the quality, could cost the government between FCFA 150-200 billion

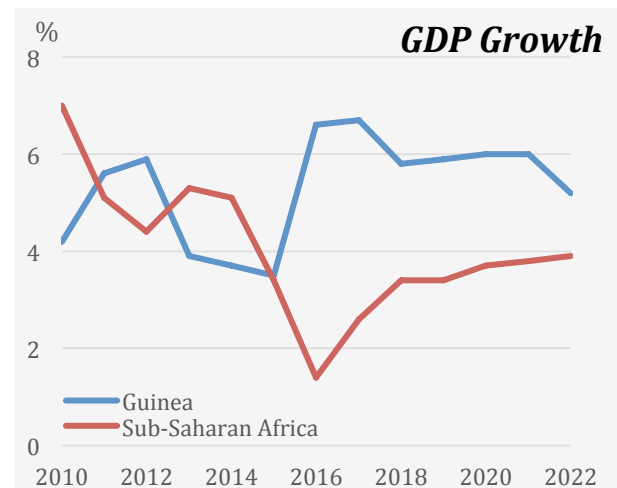


Figure 3: www.imf.org

²⁰ www.imf.org

²¹ www.imf.org

²² www.imf.org

²³ www.imf.org

²⁴ www.imf.org

²⁵ www.imf.org

²⁶ *Guinée Matin*, 9 Oct 2017.

²⁷ Multiple sources: www.ceniguinee.org; www.stat-guinee.org.

²⁸ *Guinée Matin*, 9 Oct 2017.

²⁹ *Guinée Matin*, 9 Oct 2017.

(\$268m-358m) – it does not appear to be a cost that the government could afford outside of its usual budget.³⁰ It is unclear whether measurable improvements could be made to the transit time with a partial rehabilitation of the road, or a cheaper alternative to construction of a new motorway. President **Alpha Condé** (2010-present) had visited Kérouané a few days earlier to inaugurate a health centre in **Banankoro**, but did not make any statement regarding the state of the road link between Kérouané and Kankan.

Road infrastructure is one of the most significant factors for economic development, especially in underdeveloped economies such as Guinea. Historically, high quality road infrastructure has been coupled with the development of mining interests in Guinea. However, Condé should be concerned with the protests, especially in an electoral stronghold such as Kankan Region, in light of the local elections, which are likely to take place in 2018.

Planner

Q4 2018 **Offshore (Guinea)** *Press Release*. France-based **Total SA** subsidiary **Total Guinée SA** will complete its offshore study of a 55,000km² area;

9 May 2018 **Conakry (Guinea)** *Press Release*. The **Symposium Mines Guinea 2018** (international mining conference and exhibition) begins;

4 Feb 2018 **(Guinea)** *AFP*. Tentative date for local elections;

Q4 2017 **(Guinea)** *Press Release*. Tentative deadline for agreement of lending agreement with the **International Monetary Fund**;

Chronology

22 Oct 2017 **Conakry (Guinea)** *BBC*. A short-circuit in the **Alpha Yaya Diallo** military barracks in Conakry leads to several explosions and a fire;

21 Oct 2017 **(Guinea)** *Pakistan Today*. President **Alpha Condé** meets the **Pakistani** prime minister, **Shahid Khaqan Abbasi**, at the 9th **D-8 Summit** in **Istanbul (Turkey)**;

17 Oct 2017 **(Guinea)** *Press Release*. The **International Monetary Fund** reaches a staff-level agreement with the government on a programme of economic policies and reform, which may be accompanied by an extended credit facility arrangement;

13 Oct 2017 **(Guinea, Guinea-Bissau)** *RFI*. President **Umaro Sissoco Embalo** meets with President **Alpha Condé** in **Conakry**;

9 Oct 2017 **Conakry (Guinea)** *Press Release*. France-based **Total SA** and the **Office National des Pétroles de Guinée** (national oil bureau) sign an agreement for study of offshore areas covering 55,000km²;

9 Oct 2017 **Kérouané (Guinea)** *Guinée Matin*. Residents of Kérouané put up roadblocks in protests that demand that government build a 145-kilometre motorway from Kérouané to **Kankan**;

4 Oct 2017 **Conakry (Guinea)** *Guinée News*. The opposition **Union des Forces Démocratiques de Guinée** resumes protests in the capital;

27 Sept 2017 **(Guinea)** *Africa Guinée*. President **Alpha Condé** arrives in **Moscow (Russia)** for a

³⁰ Guinée Matin, 9 Oct 2017.

state visit;

26 Sept 2017 **Conakry (Guinea)** *AFP*. The **Commission Électorale Indépendante** (electoral commission) suggests 4 February 2018 for local elections;

25 Sept 2017 **Boké (Guinea)** *Reuters*. Mining companies resume normal operations after 10 days of protests;

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