

## AFRICA RISK CONSULTING

### Gabon Monthly Briefing June 2023

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#### Gabon Summary 5 June 2023

*United States-headquartered S&P Global releases a report in May stating that 98% of the tankers registered under Gabon's flag weighing above 10,000 deadweight tonnes are high-risk vessels under Russian trade and shipping sanctions or have unidentified ultimate beneficial owners. Gabon's ship registry nearly doubles in recent months as it continues to be a haven for vessels that are transporting oil from sanctioned countries Russia, Iran and Venezuela. President Ali Bongo Ondimba (2009-present) inaugurates Raffinerie Gabonaise de l'Or (ROG) on 2 June, the first gold refinery in Gabon and in the Central African region. The development of the refinery is in line with the government's goal of diversifying the economy away from oil and focusing on other natural resources. The ZLMN has a storage capacity of 2,000 containers and will serve as a logistics centre through which to move goods from the factories within the Nkok Investment Economic Zone and the Port of Owendo. Economy minister Lydie Roboty Mbou tells a national conference on rail freight on 25 May that the government plans to triple its rail freight capacity by 2029, from 10 million tonnes per year to 29 million tonnes, to help meet the demand of miners who are increasing production. At the same time, Bongo officially inaugurates the Zone logistique multimodale de Nkok (ZLMN) (multifunctional logistical zone).*

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#### Gabon becomes haven for Russian ships

United States-headquartered **S&P Global** released a report in May stating that 98% of the tankers registered under **Gabon's** flag and weighing above 10,000 deadweight tonnes are high-risk vessels under **Russian** trade and shipping sanctions or have unidentified ultimate beneficial owners.<sup>1</sup> Gabon's ship registry has nearly doubled in recent months as it continues to be a haven for vessels transporting oil from sanctioned countries Russia, **Iran** and **Venezuela**.<sup>2</sup> Gabon is essentially helping these ships, which operate under what is termed a shadow or ghost fleet with most of the oil heading to **India** or **China**, evade sanctions by allowing registration of ships from these countries. While this is not illegal, it reflects poorly on Gabon.

International maritime law provides that any commercial or merchant ship needs to be registered with a country and fly this country's flag to represent its registration. A flag state, the country where the ship is registered, must conduct regular inspections and is responsible for collecting taxes from the ship's owners. Ship owners choose where they register, and do not have to register in the country where they live, or where the ship is from. However, ship owners and operators must follow the maritime policies of the country where their vessels are registered.

Flag states offer incentives to attract ship owners to register with them, and it is not uncommon for ships to change flag states.<sup>3</sup> Gabon is a flag of convenience state, alongside other **African** countries like **Cameroon** and **Djibouti**. A flag of convenience state is generally economically weak and will allow ships to register for a much lower fee, which in turn means less service and less scrutiny.<sup>4</sup> These ships are often old, not insured correctly and at high risk of getting into accidents, causing oil spills or experiencing engine failure.<sup>5</sup>

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<sup>1</sup> Intelli News, 26 May 2023

<sup>2</sup> Intelli News, 26 May 2023

<sup>3</sup> Maritime Institute of Technology, accessed 5 Jun 2023

<sup>4</sup> Foreign Policy, 30 Jan 2023

<sup>5</sup> Business Insider, 9 May 2023

Pressure from **Western** countries has seen registries such as **St Kitts & Nevis International Ship Registry** flagging out ships that are carrying oil from Russia, Iran and Venezuela, forcing them to transfer to a registry that is willing to accept the risk of working with vessels under sanction. Gabon's willingness to register ships from these sanctioned countries has seen the Gabonese flag become the fastest-growing in 2023.<sup>6</sup> India's **Gatik Ship Management** was forced to transfer 36 vessels to Gabon's registry after St Kitts & Nevis International Ship Registry flagged out its vessels. Gatik has become the major carrier of Russian oil since its invasion of **Ukraine** and subsequent sanctions.<sup>7</sup>

These ships' choice of Gabon as their flag state gives the country the reputation of 'looking the other way' and holding ships to a lower standard.<sup>8</sup> Gabon may also see increased Western pressure to pay more attention to adhere to the sanctions against Russia, especially through the **Commonwealth**, which it joined in 2022.

### Gold refinery inaugurated

President **Ali Bongo Ondimba** (2009-present) inaugurated **Raffinerie Gabonaise de l'Or (ROG)** on 2 June, the first gold refinery in Gabon and in the **Central African** region. ROG was established through a partnership between state-owned **Société Equatoriale des Mines (SEM)** and local company **Alpha Centauri Mining**.<sup>9</sup> The development of the refinery is in line with the government's goal of diversifying the economy away from oil and focusing on other natural resources. Many African countries do not have refineries and instead export raw products; however, Gabon will now be able to process its own resources in addition to being a key player in processing gold in the Central African region.<sup>10</sup> The refinery was built to operate in line with international standards and environmental standards.

The refinery is situated in the **Nkok Special Economic Zone (GSEZ)**, 27 km from the capital, **Libreville**. It has a capacity of seven to ten tonnes of gold a year, allowing it to refine all of Gabon's gold output, approximately 2 tonnes a year, and still have the capacity to refine for other countries.<sup>11</sup> The government plans to ban the export of raw gold, forcing gold-mining companies to refine their output locally, allowing Gabon to benefit more from its natural resources.<sup>12</sup>

Gold has become an increasingly important export for Gabon. Its value has climbed in recent years: in 2021, raw gold worth 8.4 billion FCFA (\$13.69m) was exported, up from 1.6 billion FCFA (\$2.6m) in 2020. The government has also taken steps to protect the gold industry, ending artisanal gold mining in 2021 after significant illicit activity and trade were noted within the artisanal sector.<sup>13</sup> According to estimates, up to 90% of Gabon's gold is not declared as it has traditionally been artisanal mining that has dominated the sector, also leading to a lack of data on the sector.<sup>14</sup> Gabon's recently published 2021 **Extractive Industries Transparency Initiative** report also noted that between 2017 and 2021, the mines ministry granted 21 gold prospecting permits, another sign that it wishes to bolster the importance of this sector and encourage investment.<sup>15</sup>

At the same time, Bongo officially inaugurated the **Zone logistique multimodale de Nkok (ZLMN) (multifunctional logistical zone)**.<sup>16</sup> The ZLMN is located adjacent to the **Nkok Special Investment Zone**, where the refinery was inaugurated. The ZLMN has a storage capacity of 2,000 containers and will serve as a logistics centre through which to move goods from the factories within the Nkok Investment Economic Zone and the **Port of Owendo**. The modern facility includes a loading and

<sup>6</sup> Gabon Review, 26 May 2023

<sup>7</sup> Intelli News, 26 May 2023

<sup>8</sup> Trade Winds News, 23 Feb 2023

<sup>9</sup> Gabon Media time, 3 Jun 2023

<sup>10</sup> ARC Gabon analyst

<sup>11</sup> Gabon Review, 2 Jun 2023

<sup>12</sup> Gabon Review, 2 Jun 2023

<sup>13</sup> Le Nouveau Gabon, 18 Apr 2023

<sup>14</sup> L'Opinion, 5 Jun 2023

<sup>15</sup> Le Nouveau Gabon, 25 Apr 2023

<sup>16</sup> Sika Finance, 5 Jun 2023

unloading dock, customs clearance areas, warehouses, and the required transport infrastructure.<sup>17</sup> The goal is to increase efficiency in the movement of goods, which may help transport providers meet the ever-growing demand for capacity and the ability to move goods from inland to the port (see below)

### Plans to triple rail capacity to meet growing demand

Economy minister **Lydie Roboty Mbou** told a national conference on rail freight on 25 May that the government plans to triple Gabon's rail freight capacity by 2029, from 10 million tonnes per year to 29 million tonnes, to help meet the demand of miners who are increasing production.<sup>18</sup> The volume of goods transported by rail in 2022 was 10.9 million tonnes, an 11% increase compared to the 9.7 million tonnes transported in 2021.<sup>19</sup> The **Transgabonais**, the only railway in Gabon which runs from Port of Owendo to **Franceville** further inland, is the only way to transport manganese ore and other resources from the interior of Gabon to ports. The railway has reached its capacity limit and will need several upgrades to help increase capacity. The government is also reportedly looking at developing a new railway line.<sup>20</sup>

Demand for transport capacity will continue to rise as manganese production increases and more companies invest in Gabon's mining sector. The limited capacity of the Transgabonais has hindered national growth; however, the government's acknowledgement that increasing capacity is its priority is a welcome development.

### Planner

TBC 2023 (**Gabon**) Local, national assembly and presidential elections

### Chronology

4 Jun 2023 **Libreville (Gabon)** *Gabon Media Time*. Civil society organisation **Alternance 2023** calls on government to extend the period of revision of the electoral lists, noting that there have been several issues with the process;

3 Jun 2023 **Libreville (Gabon)** *Gabon Review*. President **Ali Bongo** inaugurates and officially commissions the **Gabonese Gold Refinery**, the first gold refinery in the sub-region, which is set to be a green factory that eliminates all forms of pollution;

2 Jun 2023 **Libreville (Gabon)** *Le Nouveau Gabon*. **Agence Française de Développement (AFD)** (French development agency) report on digital freedoms in French-speaking countries in **Africa** ranks Gabon among the 'partially free' countries, also noting that digital freedoms in Gabon are under threat;

1 Jun 2023 **Libreville (Gabon)** *Le Nouveau Gabon*. **French** energy major **TotalEnergies** announces its results for quarter one, registering a turnover of \$105m, 44% lower compared to quarter one in 2022, attributed to the drop in the average selling price of crude oil and a drop in volumes sold;

1 Jun 2023 **Libreville (Gabon)** *Gabon Review*. Chief of staff of investment promotion ministry officially launches the **Guichet Numérique de l'Investissement (GNI)** (digital investment counter), which facilitates economic operators' access to banking services;

28 May 2023 **Libreville (Gabon)** *Gabon Media Time*. **African Development Bank (AfDB)** reveals it expects Gabon's economic growth to reach 2.7% in 2023, slightly down from 3% in 2022. AfDB also warns that potential instability linked to the upcoming presidential election, **Covid-19** and **Russia's** invasion of **Ukraine** could impact this forecast;

<sup>17</sup> Sika Finance, 5 Jun 2023

<sup>18</sup> Le Nouveau Gabon, 26 May 2023

<sup>19</sup> Le Nouveau Gabon, 26 May 2023

<sup>20</sup> Le Nouveau Gabon, 26 May 2023

27 May 2023 **Libreville (Gabon)** *Sika Finance*. **Ousmane Cissé** resigns from his position as general manager of **Société d'énergie et d'eau du Gabon (SEEG)** only 72 hours after his appointment;

25 May 2023 **Libreville (Gabon)** *Sika Finance*. **United Kingdom-** and **France-**headquartered **Perenco** confirms that production of its **Sardine** field will begin in the coming weeks, increasing production per day by 5,000-6,000 barrels;

21 May 2023 **Libreville (Gabon)** *Direct Infos Gabon*. **United States** shipowner **Eagle Bulk Shipping** announces the release of three of its officers whom unknown assailants kidnapped on 2 May while the ship was docked at the port in **Owendo**;

20 May 2023 **Libreville (Gabon)** *Le Nouveau Gabon*. Petroleum ministry officials are considering increasing fuel and diesel prices to save the state from 80 billion FCFA (\$131.85m) in subsidies per year;

18 May 2023 **Libreville (Gabon)** *Gabon Review*. National defence minister **Félicité Ongouori Ngoubili** leads Gabon's delegation to the third edition of the **International Security and Defense Exhibition** in **Madrid (Spain)**, at the invitation of her Spanish counterpart, **Margarita Robles Fernandez**;

17 May 2023 **Libreville (Gabon)** *Gabon Review*. Prime minister **Alain-Claude Bilie-By-Nze** will present at a session titled "*Invest in Gabon*" at the **Africa CEO Forum** in **Abidjan** from 5-6 June;

16 May 2023 **Libreville (Gabon)** *Gabon Review*. Mines minister **Sylvestre Chen Mezui M'Obiang** meets **Swedish** ambassador, **Henric Rasbrant**, to discuss strengthening ties in the mining sector;

11 May 2023 **Libreville (Gabon)** *Agence Ecofin*. **Bank of America** announces it will arrange a debt-for-nature swap worth \$500m with Gabon, a technique which consists of exchanging part of a country's external debt for local investments in environmental protection;

### About Africa Risk Consulting:

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