

AFRICA RISK CONSULTING

Senegal Monthly Briefing January 2020

Senegal Summary 20 January 2020

President Macky Sall (2012-present) states he will not make a declaration on whether to run for a third presidential term in 2024 because it will hamper government action and lead to protests. The government approves the exploitation plan for the \$4.2 billion Sangomar (former SNE) oil field and grants Canada-based Iamgold a mining exploitation licence to operate the Boto gold project. Senegal does not present significant operational risks in the course of 2020, however the spill-over effect of violent extremist attacks in neighbouring Sahel nations and increasing incidents of drug trafficking may cause concern to individuals and institutions with interests in Senegal.

President Sall remains mum on third presidential term

President **Macky Sall** (2012-present) continues to dodge questions about whether he will run for a third presidential term when his current mandate ends in 2024.¹ In a press conference with Senegal's national press on 2 January, Sall was ambiguous and gave no clear indication of his intentions.² President Sall's non-disclosure of his intentions will not hamper government action or cause political unrest, however, his continued silence is likely to fuel speculation that he intends to pursue a third term. President Sall said he has not designated a successor and wishes to avoid succession wars within his party:

"If I say I will not be a candidate, the members of government will no longer work, everyone will be trying to position themselves. If I say that I will be a candidate, a lively controversy will ensue."³

The vice-president of the ruling coalition **Benno Bokk Yakaar (BBK)** parliamentary group, **Papa Biram Toure**, supported Sall's statement, saying it was "*consistent with the position that the president has held so far*".⁴ Toure added that it is important to give priority to achieving the goals the president has set for his second mandate.⁵

The topic of President Sall undertaking a third mandate has been taboo amongst the Senegalese ruling class.⁶ In October, **Sory Kaba** was removed from his position as director of the Senegalese diaspora at the ministry of foreign affairs after he gave an interview in which he said the constitution allows the president to serve only two terms.⁷ While the public and the ruling class will clearly have to wait to get a definitive answer, failure to clarify his position will increase suspicion that Sall intends to pursue an additional term. Such a scenario is likely to lead to protests and affect political stability.

Senegal approves first oil development and exploitation plan

The government has approved the exploitation plan for the **Sangomar** (former **SNE**) oil field, thus authorising the country's first oil development.⁸ This decision will provide greater clarity for the

¹ Sud Quotidien, 2 Jan 2020

² Sud Quotidien, 2 Jan 2020

³ RFI, 3 Jan 2020

⁴ RFI, 3 Jan 2020

⁵ RFI, 3 Jan 2020

⁶ Sud Quotidien, 21 Oct 2019

⁷ Sud Quotidien, 21 Oct 2019

⁸ Reuters, 9 Jan 2020

project operators and enable them to pursue the necessary investments for the \$4.2 billion project.⁹ The government approved the exploitation plan on 8 January for the **Rufisque Offshore, Sangomar Offshore** and **Sangomar Deep Offshore (RSSD)** oil fields and the exploitation of the Sangomar oil field, located 100 km south of the capital, **Dakar**.¹⁰

The Sangomar development plan will establish a standalone floating, production, storage and offloading (FPSO) facility with 23 subsea wells and supporting subsea infrastructure. The infrastructure will enable the oil field to produce 100,000 barrels of oil from the estimated reserves of 485m barrels.¹¹ The FPSO facility will enable different phases of the oil fields' development in future, such as the transportation of oil and gas onshore and to future submarine networks.¹²

The concession's joint venture operators submitted the Sangomar oil field development plan in December.¹³ The operators include **Australia-based Woodside Energy (35%), Capricorn Energy Senegal**, a subsidiary of **United Kingdom (UK)-based Cairn Energy (40%)**, **Australia-based FAR Ltd (15%)** and **Senegal public oil company Petrosen (10%)**.¹⁴ Woodside CEO **Peter Coleman** noted the company's future investment was contingent upon securing government approval for the project.¹⁵ Woodside had already awarded **United States (US)-based Halliburton** nine drilling contracts in August, in phase one of the Sangomar development.¹⁶ Production at Sangomar, which was the biggest hydrocarbons discovery in 2014, is expected to begin from 2022 to 2023.¹⁷

Two of the joint venture partners, Woodside and FAR Ltd, are embroiled in a legal battle.¹⁸ Woodside bought US-based **ConocoPhillips'** stake in the Sangomar oil field for \$350m in 2016.¹⁹ However, FAR Ltd, a junior oil company, claims it was denied the right to pre-empt the sale of ConocoPhillips' stake in the joint venture.²⁰ The matter is expected to be resolved early this year.²¹

The government's authorisation of the Sangomar exploration plan will serve as a catalyst for investment in Senegal's increasingly important hydrocarbons sector. According to the **International Monetary Fund (IMF)**, Senegal is projected to generate 7% economic growth in 2020 and 2021 (see *ARC Briefing Senegal October 2019*). Senegal aims to make the hydrocarbons sector an important contributor to its positive growth trajectory. The **Grande Torture Ahmeyim (GTA)** offshore gas field between Senegal and **Mauritania**, which is currently exploited by US-based **Kosmos Energy** and UK-based **British Petroleum**, has received significant investor interest, although the first exports are only expected by 2022 (see *ARC Briefing Senegal November 2019*).

Iamgold wins mining permit to exploit Boto gold project

The government has granted **Canada-based gold miner Iamgold** an exploitation licence to develop and exploit the **Boto** gold project.²² This development indicates growing foreign investor interest in Senegal's mining sector in general and its gold industry in particular. Iamgold's licence was awarded on 14 January and is valid for an initial period of 20 years.²³ The Boto gold project is one of Iamgold's most promising ventures.²⁴ According to company estimates, the mine will be able to produce

⁹ Reuters, 9 Jan 2020

¹⁰ NS Energy, 3 Dec 2019

¹¹ Agence Ecofin, 9 Jan 2020

¹² Agence Ecofin, 9 Jan 2020

¹³ NS Energy, 3 Dec 2019

¹⁴ NS Energy, 3 Dec 2019

¹⁵ NS Energy, 3 Dec 2019

¹⁶ NS Energy, 3 Dec 2019

¹⁷ Agence Ecofin, 9 Jan 2020

¹⁸ Reuters, 9 Jan 2020

¹⁹ Reuters, 9 Jan 2020

²⁰ Reuters, 9 Jan 2020

²¹ Reuters, 9 Jan 2020

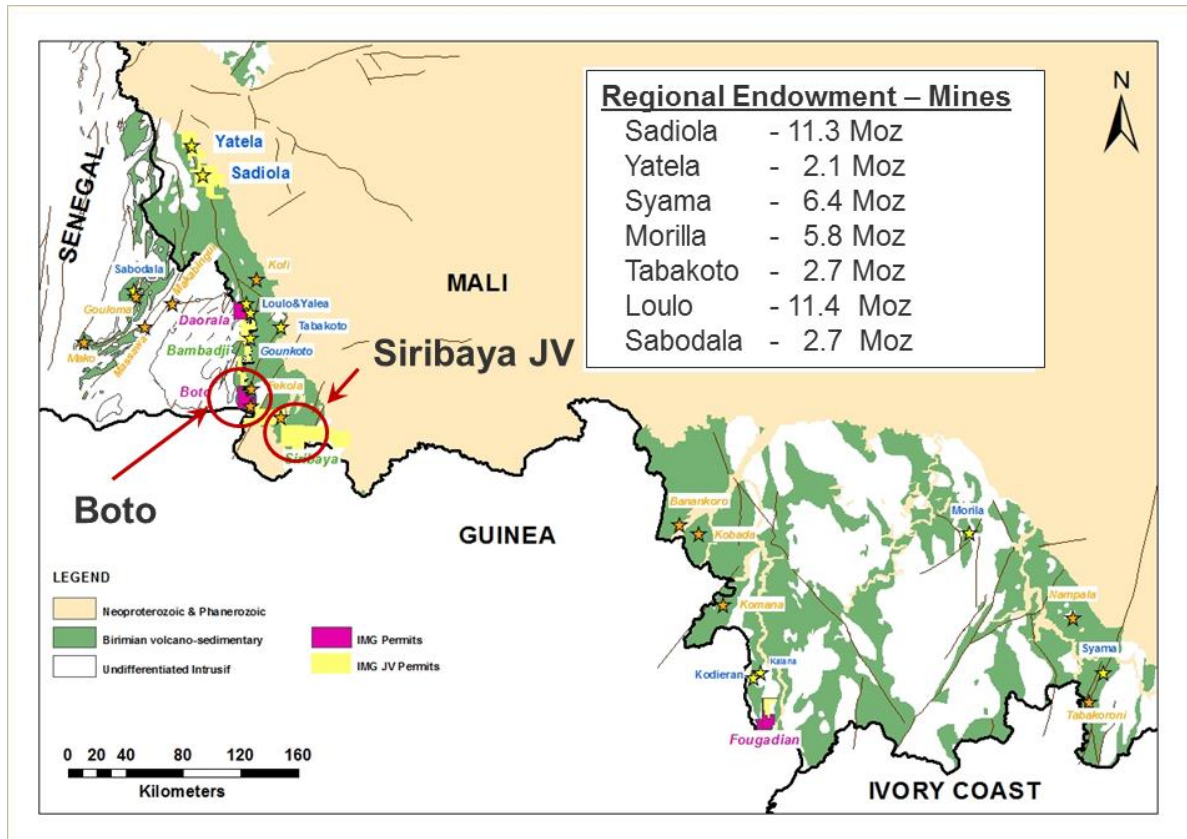
²² Agence Ecofin, 14 Jan 2020

²³ Agence Ecofin, 14 Jan 2020

²⁴ Agence Ecofin, 14 Jan 2020

160,000 ounces of gold during the first six years of exploitation.²⁵ Production will drop to 130,000 ounces per year for the remaining 11 years of the mine’s lifespan. The project has an after-tax net present value of \$219m assuming a price of \$1,350 per ounce.²⁶ Iamgold’s initial expenditure on the project will amount to \$271m.²⁷ Iamgold president and COO **Gord Stothart** said:

“The Boto project generates impressive returns and margins and we are pleased to now have the exploitation permit. We thank the government of Senegal for their ongoing support for this project.”²⁸



Source: Iamgold website

The project is located in the **Boto-Karita-Diakka** gold region, with indications of significant potential for further gold discoveries.²⁹ Gold production is increasingly becoming an important economic activity in Senegal. The **Extractive Industries Transparency Initiative (EITI)** national committee reported on 8 January that Senegal’s gold production rose by 73% from 7.25 tonnes in 2017 to 12.57 tonnes in 2018, generating revenue of 270.54 billion FCA in 2018.³⁰ The positive results were largely attributed to increased production by the **Moko** and **Sabodala** gold mines, which are operated respectively by UK-based **Toro Gold** and Canada-based **Teranga Gold**.³¹ The positive trend is set to continue, following Teranga Gold’s December acquisition of the **Massawa** gold project from Canada-based **Barrick Gold Corp** for \$430m (see *ARC Briefing Senegal December 2019*).

²⁵ Engineering News, 14 Jan 2020

²⁶ Agence Ecofin, 14 Jan 2020

²⁷ Agence Ecofin, 14 Jan 2020

²⁸ Engineering News, 14 Jan 2020

²⁹ Engineering News, 14 Jan 2020

³⁰ Agence Ecofin, 8 Jan 2020

³¹ Agence Ecofin, 8 Jan 2020

Security outlook in 2020

Senegal is regarded as one of **sub-Saharan Africa's** most politically stable countries. President Macky Sall comfortably won the presidential election in February 2019 (see *ARC Briefing Senegal March 2019*). Although the election was void of violence, Sall has called for a national political dialogue, commencing on 14 January, to address tensions that arose during the course of the election campaign.³² Current security risks include significant political tensions that may arise from the non-restitution of the political rights of former minister **Karim Wade** and former mayor of Dakar, **Khalifa Sall**. Both were imprisoned on charges of corruption, but subsequently granted amnesty by President Sall. However, they were not permitted to run as candidates in the presidential election because of their criminal record (see *ARC Briefing Senegal October-November 2019*). Their supporters have called for their political rights to be reinstated to allow them to run in this year's local elections, which will take place on a date yet to be determined.

In the domain of security, the **Mouvement des Forces Démocratiques de Casamance (MFDC)**, which has been fighting for the independence of the **Casamance Region**, has significantly lost influence. This is due in large part to peace negotiations that President Sall initiated in 2012 and the removal of former **Gambian** president **Yahya Jammeh** (1994-2017), who used to provide the group with support (see *ARC Briefing Senegal May 2019*).³³ Senegal could nevertheless be exposed to a spill-over effect of increased violence by jihadist groups in the **Sahel** against Senegal's neighbours, **Burkina Faso, Mali** and **Niger**.³⁴ Senegal is also increasingly becoming a conduit for drug trafficking. In June, Senegalese authorities seized 1 tonne of cocaine worth \$77.6m to \$133.1m at the port of Dakar over the course of four days.³⁵ A subsequent joint operation by the army and customs authorities saw the seizure of 43 kg of cocaine, 100 km off the coast of Dakar.³⁶ The 2018 **Institute for Economy and Peace Global Terrorism Index** ranked Senegal as the 93rd least prone country to terrorist attacks.³⁷ This puts Senegal ahead of regional counterparts such as **Ghana** (86th) and **Cote d'Ivoire** (72nd).³⁸

Planner

28 Jan 2020 **Dakar (Senegal)** Oil licensing cycle promotion

19-20 Feb 2020 **London (United Kingdom)** Oil licensing cycle promotion

24-25 Feb **Houston (United States)** Oil Licensing cycle promotion

22 Oct-9 Nov 2020 **Dakar (Senegal)** *International Olympic Committee* Youth Olympic games 2020
Dakar (Senegal) Municipal elections;

2022 **Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin.

Chronology

17 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. Senegal experienced a \$217m reduction in exports of goods and services in November 2019, compared to the previous month;

16 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. The ministry of petroleum and energy announces the petroleum licensing cycle for 2020 will begin on 28 January in Dakar;

³² RFI, 14 Jan 2020

³³ Jeune Afrique, 30 April 2019

³⁴ Agence Ecofin, 13 Jan 2020

³⁵ Jeune Afrique, 16 Oct 2019

³⁶ Le Figaro, 31 Oct 2019

³⁷ Global Terrorism Index, Nov 2019

³⁸ Global Terrorism Index, Nov 2019

- 16 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. The **Aéroport International Blaise Diagne** (Blaise Diagne international airport) registered 2.4m passengers in 2019;
- 15 Jan 2020 **Dakar (Senegal)** *Sika Finance*. The **Agence Nationale pour la Promotion de l'Investissement (APIX)** (national agency for investment promotion) reports Senegal attracted 1217.5 billion FCFA (\$2 billion) in investments as of September 2019;
- 14 Jan 2020 **Dakar (Senegal)** *RFI*. Senegal launches national political dialogue despite boycott by leading political figures including former president **Abdoulaye Wade** and 2019 presidential election candidates **Ousmane Sonko** and **Idrissa Seck**;
- 13 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. Senegal intends to invest 50 billion FCFA (\$84.5m) in railway development;
- 13 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. **Australia**-based petroleum firm **Woodside Energy** has awarded an underwater construction contract valued at \$500m-\$750m to **Subsea Integration Alliance**, a joint venture between **OneSubsea**, a subsidiary of **Schlumberger** and **Subsea 7**, to carry out first phase development of the **Sangomar** oil field;
- 10 Jan 2020 **Dakar (Senegal)** *RFI*. A third protest march takes place in Dakar against a 10% increase in electricity tariffs;
- 10 Jan 2020 **Dakar (Senegal)** *Jeune Afrique*. Senegalese-**American** rapper **Akon** intends to invest in an ecotourism project in Senegal;
- 9 Jan 2020 **Dakar (Senegal)** *RFI*. The **International Olympic Committee (IOC)** announces the **Youth Olympic** games will take place in Dakar from 22 October to 9 November;
- 9 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. The Senegalese government approves a plan for the development of the **Sangomar** offshore oil field;
- 8 Jan 2020 **Dakar (Senegal)** *Sika Finance*. **Extractive Industries Transparency Initiative (EITI)** reports Senegal increased its gold production by 73% from 7.25 tonnes in 2017 to 12.57 tonnes in 2018;
- 8 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. **Canada**-based **Teranga Gold** reports it produced 288,768 ounces of gold for the year 2019 compared to 245,230 in 2018, an 18% increase due to the "excellent performance" of the **Wahgnion** mines in **Burkina Faso** and **Sabodala** in Senegal;
- 7 Jan 2020 **Dakar (Senegal)** *RFI*. President **Macky Sall** condemns attacks by locals against **Chinese** peanut farmers;
- 3 Jan 2020 **Dakar (Senegal)** *Agence Ecofin*. President **Macky Sall** states that the government intends to invest 600 billion FCFA (\$1 billion) in rural electrification until 2023;
- 19 Dec 2019 **Dakar (Senegal)** *Agence Ecofin*. The **African Development Bank (AfDB)** approves a \$47.8m loan to support the **Agropoles Sud** agricultural development plan in the **Casamance** region;
- 17 Dec 2019 **Dakar (Senegal)** *Agence Ecofin*. **United Kingdom**-based **Lekela Power** announces that the **Taiba N'Diaye** wind power plant is now connected to the national electricity network and is supplying 50 MW;
- 16 Dec 2019 **Dakar (Senegal)** *RFI*. **United States**-based NGO **Human Rights Watch (HRW)** accuses the Senegalese government of not doing enough to protect young boys attending Koranic schools, who are routinely forced by their guides to beg on the streets;

About Africa Risk Consulting:

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