

## AFRICA RISK CONSULTING

### Senegal Briefing August 2019

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#### Senegal Summary 15 August 2019

*Senegal's oil and gas industry oversight committee, COS-Petrogaz, will not renegotiate oil and gas concessions connected with the "Oilgate" scandal, despite opposition and civil society groups demands. Senegal will organise a second round of oil and gas licensing on the sidelines of the Africa Oil and Power 2019 Conference and Exhibition in Cape Town (South Africa) from 9-11 October. United States-based oil and gas explorer Kosmos Energy confirms it will sell down its stake in the Grande Tortue Ahmeyim offshore gas field off the coast of Mauritania and Senegal, to around 10%.*

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#### Senegal will not renegotiate "Oilgate" oil and gas concessions

Senegal will not change already-awarded gas contracts, despite calls from civil society and opposition groups to rework oil and gas deals following allegations that the government corruptly sold oil and gas concessions to **Australian-Romanian** billionaire **Frank Timis**.<sup>1</sup> Although the continuing "Oilgate" saga may not discourage investment in Senegal's nascent hydrocarbons sector, investors and Senegalese authorities may be more diligent with respect to how they establish agreements in future. In his 30 July statement, government oil and gas oversight committee **COS-Petrogaz** deputy permanent secretary **Mamadou Fall Kane** said the government does not need to revoke the current contract because it will obtain 63% of the profits generated from the oil concessions in question.<sup>2</sup>

A **United Kingdom (UK)**-based **British Broadcasting Corporation (BBC)** documentary released on 2 June alleged that **Aliou Sall**, younger brother of President **Macky Sall** (2012-present), received a \$250,000 bribe from Timis.<sup>3</sup> The documentary alleged that the payment was compensation to Timis for facilitating the award of an offshore oil and gas concession to UK-based **Timis Corporation** in 2012 (see *ARC Briefing Senegal June 2019*).<sup>4</sup> The documentary claimed that Timis Corporation paid Sall \$1.5m over five years and promised him shares in Timis' companies worth \$3m.<sup>5</sup> The report also suggested that UK-based **British Petroleum (BP)** agreed to pay Timis \$10 billion in royalties over 40 years, after Timis Corporation sold its oil and gas concession to BP in 2016.<sup>6</sup>

Kane said that Senegalese opposition leaders, including 2019 presidential candidate and member of parliament (MP) **Ousmane Sonko**, had requested that the government renegotiate the oil and gas contracts awarded to Timis in similar fashion to **Bolivia's** actions in 2006 under President **Evo Morales** (2006-present).<sup>7</sup> Kane said the Senegalese government will not follow Morales' example, but instead will preserve the existing contracts in order to spur development in Senegal's largely unexplored hydrocarbons sector.<sup>8</sup> Kane claims the BBC report was not based on fact and maintains that the government has been transparent in its oil and gas contract negotiations.<sup>9</sup>

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<sup>1</sup> Bloomberg, 30 Jul 2019

<sup>2</sup> Bloomberg, 30 Jul 2019

<sup>3</sup> RFI, 9 Jun 2019

<sup>4</sup> RFI, 9 Jun 2019

<sup>5</sup> BBC, 25 Jun 2019

<sup>6</sup> RFI, 3 Jun 2019

<sup>7</sup> Bloomberg, 30 Jul 2019

<sup>8</sup> Bloomberg, 30 Jul 2019

<sup>9</sup> Bloomberg, 30 Jul 2019

The allegations concerning the award of oil and gas concessions to Timis continue to stir up controversy and comment in Senegal and beyond. The state prosecutor has launched an investigation into how the concessions were originally granted.<sup>10</sup> The **Division des Investigations Criminelles** (criminal investigation division) sent a request to 12 banks to investigate accounts that purportedly belong to Aliou Sall.<sup>11</sup> Although he has repeatedly claimed innocence in the matter, Sall resigned from his position as director general of the **Caisse des Depots et Consignations (CDC)** (deposit and consignment fund) on 24 June (see *ARC Briefing Senegal July 2019*).<sup>12</sup>

The scandal has called into question BP's contract compliance regime and due diligence capacity. BP has refuted the allegations with CEO **Bob Dudley** calling them "*irresponsible and inaccurate*".<sup>13</sup>

*"The really disappointing thing is it perpetuates the idea that British and **European** companies cannot and should not do business in **Africa**."*<sup>14</sup>

Timis – well known for his failed **Sierra Leone** mining ventures **African Minerals** and **Regal Petroleum** – has also denied any wrongdoing.<sup>15</sup> The **London Stock Exchange's** junior market **AIM** fined his **Greece**-focused oil exploration firm **Regal Petroleum** £600,000 (\$726,525) in 2009 for failing to inform investors that drilling results from its well had revealed an absence of oil.<sup>16</sup> Shareholders in Regal lost millions as a result of Timis' actions.<sup>17</sup>

Despite the allegations, Oilgate has not diminished investor interest in the Senegalese hydrocarbons sector. Kane reported that **Netherlands**-based **Royal Dutch Shell**, US-based **ExxonMobil** and **China Petroleum and Chemical Corp. (Sinopec)** have all expressed interest in the sale of seven onshore and offshore blocks which will be launched during Senegal's next licensing round in October (see below).<sup>18</sup>

### New round of oil and gas licensing in October

COS-Petrogaz deputy permanent secretary Mamadou Fall Kane announced on 30 July that the government will carry out road shows in **Cape Town (South Africa)**, **Houston (US)** and **London (UK)** later this year in order to drum up investor interest.<sup>19</sup> Senegal will organise a new oil and gas licensing round from 9-11 October on the sidelines of the **Africa Oil and Power 2019 Conference and Exhibition (AOP)** in Cape Town.<sup>20</sup> The roadshow will allow Senegal to showcase the investment potential of an industry which it is taking major steps to develop. State oil company **Petrosen** CEO **Mamadou Faye** said several "*world-class oil and gas discoveries*" have helped Senegal to build an "*excellent global reputation*" in the energy sector:

*"With a new licensing cycle and investment drive, we look forward to leveraging Senegal's strong record to attract new operators and explore new horizons."*<sup>21</sup>

This will be Senegal's second oil licensing round and its first since a new petroleum code was drafted in November (see *ARC Briefing Senegal November 2018*).<sup>22</sup> Petrosen announced on 2 October that

<sup>10</sup> Bloomberg, 30 Jul 2019

<sup>11</sup> Africa Confidential, 14 Jun 2019

<sup>12</sup> RFI, 24 Jun 2019

<sup>13</sup> Bloomberg, 30 Jul 2019

<sup>14</sup> Bob Dudley quoted in Bloomberg, 30 Jul 2019

<sup>15</sup> Africa Confidential, 14 Jun 2019

<sup>16</sup> Africa Confidential, 14 Jun 2019

<sup>17</sup> Africa Confidential, 14 Jun 2019

<sup>18</sup> Bloomberg, 30 Jul 2019

<sup>19</sup> Bloomberg, 30 Jul 2019

<sup>20</sup> La Tribune Afrique, 26 Jul 2019

<sup>21</sup> La Tribune Afrique, 26 Jul 2019

<sup>22</sup> Bloomberg, 8 Nov 2018

Senegal would launch a licensing round for oil and gas exploration in two blocks, namely the **Senegal Offshore South** and **Deep Offshore Senegal** blocks.<sup>23</sup>

The decision to launch a new licensing round will generate significant interest from oil and gas sector players. Senegal has made eight major oil and gas discoveries since 2014 and aims to launch oil production by 2022, with a daily production estimated at 100,000-125,000 barrels per day.<sup>24</sup> COS-Petrogaz permanent secretary **Ousmane N'Diaye** said Senegal's hydrocarbons sector is promising because of its significant potential to derive a return on investment under normal market conditions.<sup>25</sup> N'Diaye expects an influx of investors to show interest in this licensing round:

*"Senegal is now recognised as a well-established energy market and a destination for investment. Thanks to this new investment effort, we look forward to working to position Senegal for a new era of projects and prosperity."<sup>26</sup>*

The Senegalese government predicts oil and gas exploitation will enable Senegal to attain a growth rate of 9.4% by 2035. President **Macky Sall** (2012-present) has stated his objective to use oil and gas production to help Senegal become a middle-income country by 2035.<sup>27</sup> The government hopes the new petroleum code will attract other major oil and gas investors. BP and US-based oil and gas explorer **Kosmos Energy** already operate the **Grande Tortue Ahmeyim (GTA)** offshore gas field concession.<sup>28</sup> In May 2017, **France**-based **Total** signed two exploration and exploitation agreements with the Senegalese government, which will require an investment of \$100m.<sup>29</sup> UK-based **Cairn Energy's** subsidiary, **Capricorn Oil**, has also been carrying out exploration at the **SNE** oilfield while **Nigeria**-based **Oranto Petroleum** is set to begin exploration at the **St Louis Shallow Block**.<sup>30</sup> Senegal's stable political situation and attractive investment climate may also help it to attract investors. The **2018 African Investment Index**, released in April 2018, rated Senegal as a top 10 investment destination on the continent.<sup>31</sup> Senegal ranked 141<sup>st</sup> in the **2019 World Bank Doing Business** rankings, moving up eight places overall from 148 to 140 in 2018.<sup>32</sup>

### **Kosmos Energy set to sell down Senegal and Mauritania oil and gas assets to 10%**

US-based oil and gas explorer Kosmos Energy has confirmed it will sell down its stake in projects off the coast of **Mauritania** and Senegal.<sup>33</sup> Kosmos Energy's Senegal and Mauritania assets are located at the Grande Tortue Ahmeyim (GTA) natural gas field where it is in partnership with UK-based BP.<sup>34</sup> Kosmos Energy has a 30% stake in the Senegal section of the gas field while it owns 28% of the Mauritanian portion.<sup>35</sup> Kosmos Energy discovered the GTA gas deposits in 2015.<sup>36</sup> BP purchased 62% and 60% of Kosmos Energy's stake in the GTA gas field in Mauritania and Senegal respectively in December 2016. The GTA gas field holds gas reserves estimated at around 15 trillion cubic feet.<sup>37</sup>

Kosmos Energy announced in May that it had begun the process to sell down its interest in the GTA gas field to 10%.<sup>38</sup> Kosmos Energy expects to receive bids by the end of August and intends to

<sup>23</sup> Africa Oil and Power, 4 Oct 2018

<sup>24</sup> CNBC Africa, 26 Jul 2019

<sup>25</sup> La Tribune Afrique, 26 Jul 2019

<sup>26</sup> La Tribune Afrique, 26 Jul 2019

<sup>27</sup> La Tribune Afrique, 26 Jul 2019

<sup>28</sup> Reuters, 5 Aug 2019

<sup>29</sup> Le Parisien, 2 May 2017

<sup>30</sup> CNBC Africa, 26 Jul 2019

<sup>31</sup> African Investment Index, 2018

<sup>32</sup> World Bank, 31 Oct 2018

<sup>33</sup> Reuters, 5 Aug 2019

<sup>34</sup> Reuters, 5 Aug 2019

<sup>35</sup> Reuters, 5 Aug 2019

<sup>36</sup> Jeune Afrique, 24 Dec 2018

<sup>37</sup> Reuters, 5 Aug 2019

<sup>38</sup> Reuters, 6 May 2019

conclude the transaction by the end of the year.<sup>39</sup> In July, Kosmos Energy announced the discovery of additional gas reserves and stated that it would continue exploration activities.<sup>40</sup> Kosmos Energy appears to be taking advantage of the growing interest in Senegal's hydrocarbons and is likely to have many interested parties to take over their interests in GTA.

### Planner

9-11 Oct 2019 **Cape Town (South Africa)** Licensing round for oil and gas blocks;  
 Dec 2019 **Dakar (Senegal)** Municipal elections;  
 2022 **Grand Tortue Ahmeyim (GTA)** offshore gas field: production of natural gas set to begin

### Chronology

13 Aug 2019 **Dakar (Senegal)** *OE Digital*. **Australia**-based oil company **Woodside Energy** awards nine conditional contracts to **United States**-based **Haliburton** at Senegal's **SNE Field**;

12 Aug 2019 **Dakar (Senegal)** *MiningMX*. **Canada**-based mining company **Barrick Gold**'s CEO **Mark Bristow** says Barrick wants to consolidate the **Massawa** gold project with other regional miners into a larger operating complex;

5 Aug 2019 **Dakar (Senegal)** *Agence Ecofin*. **Syndicat des Travailleurs de l'Electricité** (electricity workers union) secretary general **Habib Aidara** says state-owned electricity company **Senelec** owes the state 247 billion FCFA (\$418m);

2 Aug 2019 **Dakar (Senegal)** *Agence Ecofin*. **Australia**-based **Resolute Mining** has reached an agreement to acquire all the shares of **Toro Gold**, which exploits the **Mako** gold project, for \$274m;

30 Jul 2019 **Dakar (Senegal)** *Bloomberg*. **Mamadou Kane Fall**, deputy permanent secretary of **COS-Petrogaz**, the government committee which oversees oil and gas policies, announces that Senegal will not change any already awarded oil and gas contracts;

26 Jul 2019 **Dakar (Senegal)** *La Tribune Afrique*. Senegal will launch a new round of oil and gas licensing on the sidelines of **Africa Oil Power Conference** to be held in **Cape Town (South Africa)** from 9-11 October;

26 Jul 2019 **Abidjan (Cote d'Ivoire)** *Agence Ecofin*. The **Agence Nationale Sénégalaise des Statistiques et de la Démographie (ANSD)** (Senegalese national statistics and demography agency) reports **Cote d'Ivoire** was the largest foreign investor in Senegal during the first quarter, investing 13.51 billion FCFA (\$ 23m) in the Senegalese economy in Q1 2019;

19 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. The **African Development Bank (AfDB)** has approved an €87.6m (\$98.2m) loan to the Senegalese government to increase water provision;

18 Jul 2019 **Dakar (Senegal)** *Agence Ecofin*. The consortium of **France**-based **Proparco**, the **International Finance Corporation (IFC)** and **European Investment Bank (EIB)** have agreed to allocate a €38m (\$42.6m) loan for the construction of two solar plants;

<sup>39</sup> Reuters, 5 Aug 2019

<sup>40</sup> Reuters, 5 Aug 2019

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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