



7TH

Africa
OIL GOVERNANCE
SUMMIT

2021



THEME:
The Africa Continental
Free Trade Area and
Africa's Oil & Gas Industry:
Opportunities, Threats,
and the Way Forward

VIRTUAL SUMMIT



ACTION POINTS FROM THE 7TH AFRICA OIL GOVERNANCE SUMMIT 2021



CONTENTS

| | |
|--|----|
| Introduction | 02 |
| Guiding lessons for the oil and gas sector to take advantage of the opportunities presented by AfCFTA | 03 |
| Bridging the cross-border infrastructure deficit in the oil and gas industry to optimise gains from AfCFTA | 04 |
| Harmonising the conflicting objectives of AfCFTA and countries' local content policies in the oil and gas sector | 05 |
| Accelerating Africa's participation in the economics of the energy transition through AfCFTA | 06 |
| Sustaining the Gains of AfCFTA in the Petroleum Industry: The Role of Accountability Actors | 07 |



INTRODUCTION

The Africa Oil Governance Summit (AOGS) is the flagship programme of the Africa Centre for Energy Policy (ACEP) to discuss important governance and development issues on the management of oil and gas resources across Africa. AOGS thus brings together stakeholders within the oil and gas sector (public sector, local and foreign companies, academia, civil society, sub-regional, regional and international institutions, development partners, and the media) for these deliberations.

The 7th edition of the Summit (AOGS 2021) was held on 17th and 18th November 2021 in partnership with AB & David Africa, a Pan African law firm, under the theme, "The African Continental Free Trade Area and Africa's Oil & Gas Industry: Opportunities, Threats, and the Way Forward." The Summit focused on the strategies African governments can adopt to leverage the opportunities presented for optimal development of the upstream petroleum industry with the African Continental Free Trade Area (AfCFTA) mechanism. The dialogue also discussed strategies for oil-rich African countries to mitigate the economic threats posed by the energy transition by exploring the possible integration of renewable energy technologies and available markets within the context of AfCFTA.



Guiding lessons for the oil and gas sector to take advantage of the opportunities presented by AfCFTA

The discussions at the Summit highlighted some key lessons that actors in the oil and gas sector must learn to effectively take advantage of the opportunities AfCFTA presents.



A. Bridging the cross-border infrastructure deficit in the oil and gas industry to optimise gains from AfCFTA

- There must be strong collaboration among regional institutions, companies and individual countries. Unfortunately, the experiences across the continent show inherent disunity that undermines the pursuit of common interest among countries and inhibit the development of cross-border infrastructure.
- There is a need for the region to have harmonised multi-country legal and fiscal policies. However, these policies must be driven independently without political interference.
- Gas is essential for industrialisation in Africa. Therefore, investment attraction in pipeline infrastructure is critical to facilitating gas supply at a competitive tariff to other countries. The strategy could also include extending existing pipeline infrastructure such as the West Africa Gas Pipeline (WAGP) to other West African countries.
- The continent is a net exporter of crude oil and regrettably a net importer of refined products. Therefore, investments in refinery capacity expansion can facilitate intra-regional trade of refined products, create jobs, and improve energy security.
- Regional development finance institutions express their readiness to finance the continent's oil and gas infrastructure development. This, however, requires adequate preparation of projects in a way that make them bankable. On the part of development banks, there are steps to support the design of projects to improve bankability.



B. Harmonising the conflicting objectives of AfCFTA and countries' local content policies in the oil and gas sector

- African oil-producing countries have local content provisions which are nationalistic and protectionist in nature and can conflict with the trade liberalisation objectives of AfCFTA. This conflict poses the risks of countries prioritising their national objectives over trade liberalisation. Consequently, governments must align their local content policies and regulations with the objectives of AfCFTA to ensure harmony in implementation.
- Companies must be properly structured to take advantage of AfCFTA through cross-border trade. However, many businesses in Africa are poorly structured with weak corporate governance practices to optimise the cross-border trade opportunities that AfCFTA offers. This will require significant structural reforms within African businesses. Indigenous African companies can begin to form consortiums to grow the requisite technical and financial capacities to participate in the linkages the oil and gas sector offers.
- There can be a mutually beneficial relationship between local content and regional free trade areas. AfCFTA presents an opportunity for a unique pan-African collaboration among companies, governments and other stakeholders. It is essential to identify all the economic activities outside but linked to the oil and gas sector.
- The transfer of people and capital remains a significant challenge to cross-border trade in Africa. Consequently, there is the need for actions that eliminate challenges to the free movement of people and capital across national borders.



C. Accelerating Africa's participation in the economics of the energy transition through AfCFTA

- The energy transition is a technological revolution that can create jobs and contribute to the economic development of African countries. The global market of renewable energy technologies is growing, and Africa is increasingly participating in consumption. However, the continent is not participating at the level of technology development. Therefore, Africa must massively participate in the economics of the energy transition by investing in the development of renewable energy technologies that meet the energy demands from the continent and contribute to global supply.
- Many African countries have industrial mineral deposits such as silica sand, bauxite and lithium, which form the basic raw material requirements for industrial processes along the solar PV value chain. The solar market provides opportunities for value addition and optimisation of these industrial minerals. This requires the actioning of continental mineral policies such as the African Mining Vision.
- Benefiting from intracontinental trade of renewable energy technologies through AfCFTA requires understanding the Rules of Origin (ROO) and product specifications that guarantee the removal of tariff and non-tariff barriers on trade to other state parties.
- There is a disproportionate cost distribution along the solar PV energy value chain. This requires that countries understand their competitive edge and identify suitable areas to participate profitably. For example, polysilicon production is energy-intensive; hence countries with more competitive electricity tariffs are better suited to participate in production and export.
- Africa lacks a definite pathway to the energy transition. Many energy transition-related policies do not reflect the uniqueness of Africa but rather occurrences in the West. Therefore, an essential step for regional bodies is to develop a unified and definite approach towards energy transition.
- Africa's efforts at raising investment towards energy transition place a premium on grants and philanthropic gestures from development partners. There is a need to remodel this approach by focussing on investment attraction and creating an enabling environment for businesses to thrive.

D. Sustaining the Gains of AfCFTA in the Petroleum Industry: The Role of Accountability Actors

- There has been significant discussion on the concept and the object of AfCFTA. However, many people are yet to identify the object and opportunities it provides, particularly those in the business community. For instance, a survey of Small & Medium Enterprises (SMEs) in Nigeria by Nigeria's chamber of commerce revealed that 25% of these SMEs knew about AfCFTA and the opportunities it presents. Communicating the object and concepts of AfCFTA requires a more targeted approach to engage businesses to internalise the opportunities it presents.
- There are non-state actors such as entertainers, sports personnel and filmmakers who can effectively communicate in a language easily understood by Africans. Therefore, a strategy to identify and involve these actors is essential in advancing the object and concepts of AfCFTA.
- The opportunities that AfCFTA presents still require research and policy engagement. Thus, academia, civil actors and think tanks must be deliberate in researching and engaging stakeholders on these opportunities. Further, academic institutions must contextualise teaching on regional integration in Africa.





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