

Australia-Africa Mining & Energy News Brief

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Africa - General

Raw materials: Africa affected by Sino-US trade conflict

In its annual report, the Cyclope Group of specialists expressed their concerns on the short-term prospects for natural resources markets, most especially those originating from the African continent. Cyclope is a think-tank that specialises in the analysis of global raw materials and commodities markets and takes its name from the Cyclope Yearbook published every year since 1986 by Editions Economica. The Cyclope Groupe is headed by Philippe Chalmin, professor at the University of Paris-Dauphine, and functions as an international networking group that brings together more than fifty market specialists from around the world.

The 2019 edition of the Cyclope report on the evolution of commodity markets is not at all optimistic. Presented in Paris on 15 May and entitled "Lost Illusions", it discusses the doubts that persist over the short-term prospects of most mineral, hydrocarbon and agricultural markets.

Report based on source: 'Matières premières : l'Afrique affectée par le conflit commercial sino-américain'. Jeune Afrique, 16 May 2019, by Christophe Le Bec

https://www.jeuneafrique.com/775861/economie/matieres-premieres-les-perspectives-peu-optimistes-du-rapport-cyclope-2019/?utm_source=newsletter-ja-eco&utm_medium=email&utm_campaign=newsletter-ja-eco-16-05-19

Raw materials: slowing Chinese demand weakens Africa

Africa, which principally exports raw materials, is the first victim in the slowdown of Chinese growth because of its increasing dependence on China, that country having become its first trading partner and its greatest investor. In 2020, China plans to increase its trade with the continent to US\$ 400 billion. However, this plan may be thwarted as it has seen its annual growth rate drop from 14% in 2007 to around 6% for 2018.

This slowdown will weigh heavily on global growth, and on African growth in particular.

It must not be forgotten that it is China that triggered the super-cycle of raw materials demand that begun in 2000, by devouring almost half of global sales of ores, energy products and industrial agriculture. It is this fierce appetite which caused a 140% increase in metal prices between 1998 and 2008.

Africa, which exports mainly raw materials, has much benefited from this environment which has supported its growth rate at more than 5% per year over the past ten years. The slowdown of the Chinese 'dynamo', a slowdown which promises to continue for a while, significantly modifies the global economic situation. There are several likely causes for the slowdown: The trade war that the American president is leading on China (but that is not the only possible cause); the consolidation of China's financial sector that has reduced available credit, and; the coming of age of an economy that is now concentrating on domestic demand.

Indeed, the World Bank calculated that a 1% decline in Chinese growth causes an average fall of 6% in raw material prices over the following two years.

Report based on source: 'Matières premières : le ralentissement de la demande chinoise fragilise l'Afrique'. Jeune Afrique, 16 May 2019, by Alain Faujas

<https://www.jeuneafrique.com/696303/economie/matieres-premieres-le-ralentissement-de-la-demande-chinoise-fragilise-lafrique/>

Criticism of China's 'environmental degradation' is unfounded

There is no doubt that China's significant entry into Africa since the early 2000s has left an indelible mark on the development of the continent, especially in rectifying the poor state of the infrastructure in several African states. The 'Belt and Road Initiative' (BRI), a major infrastructure and trade program aimed at physically and financially connecting China to other countries in the world, is an important global developmental initiative that very much affects in a positive manner the development of the African continent.

The BRI has, however, been widely criticised as posing serious environmental risks to beneficiary countries, criticism most especially coming from the USA and the ex-colonial powers, the UK and France.

According to African economist Benard Ayieko, nothing seems to be further from the truth, even if the critics of this transformational initiative must have a say. In April 2019, China hosted the second "Belt and Road" Forum for International Cooperation in Beijing. At the forum the question of the cynics' linking BRI projects to negative environmental impacts was addressed. It was emphasised that, in the first place, all projects within the BRI are subject to Strategic Environmental and Social Assessments (SESA). SESA reports provide a systematic assessment of the environmental consequences of proposed projects, ensuring that concerns are taken into account from the very beginning of the decision-making process. SESA assessments not only ensure that projects comply with international environmental standards, but also that they take into account the economic and social consequences specific to individual beneficiary countries. SESAs are regularly applied in China as in that country, they are a critical requirement for any major economic development activity, and it is a practice adhered to by all major Chinese companies. Secondly, Chinese professionals have been briefed and trained to work closely with indigenous and local environmental regulators. They ensure that appropriate and credible environmental impact assessments are carried out prior to the implementation of projects and that all proper in-country measures are in place and approvals granted to avoid irreparable environmental and social damage from the beginning of any project.

Although critics have painted a negative ecological picture of China's BRI in Africa, there is no doubt that Africa remains one of the biggest beneficiaries of Chinese development.

Report based on source: 'Respectueux de l'environnement'. Jeune Afrique, 18 May 2019 pp. 46-47, by Benard Ayieko

Jihadist Threat: West Africa remains in a state of emergency

The jihadist threat is inexorably spreading towards the south and now concerns all coastal countries and what was feared has eventually happened!

At the end of March, when the first mango rains fall on Ouagadougou, Burkinabe security officials began to worry about the spread of the jihadist curse towards their coastal neighbours. For several weeks now, they have gathered evidence that some fighters based in forests in the East of the country, regularly seek refuge and sometimes set up more permanent camps with their relatives on the other side of the border in Benin, Togo or Ghana.

The National Intelligence Agency (ANR) noted that some individuals placed under surveillance are increasingly making phone calls to these three countries, while their telephone contacts abroad until recently had been limited to Malian and Nigerian numbers. With the launch of Operation Otapuanu, an anti-terrorist exercise launched in early March in the East of Burkina Faso, the ANR fear that jihadists will take shelter within their neighbours' borders. The ANR has therefore warned authorities in these neighbouring countries and invited them to control any such incursions on their territory.

Report based on source: 'Menace jihadiste : l'Afrique de l'Ouest en état d'urgence'. Jeune Afrique, 20 May 2019, by Benjamin Roger

https://www.jeuneafrique.com/mag/776655/politique/menace-jihadiste-lafrique-de-louest-en-etat-durgence/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-21-05-19

Algeria

Does General Gaïd Salah threaten the revolution?

Since the fall of the Bouteflika clan, it is the all-powerful army chief of staff, General Gaïd Salah, who in reality holds all the power. The people are not happy.

Report based on source: 'Algérie : le général Gaïd Salah menace-t-il la révolution ?'. Jeune Afrique,

21 May 2019 by Farid Alilat https://www.jeuneafrique.com/mag/777416/politique/algerie-le-general-gaid-salah-menace-t-il-la-revolution/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-22-05-19

Angola

The country is working hard at emerging from a recession

The GDP of Africa's second-largest producer of black gold could see very modest GDP growth of some 0.3% for 2019; less than that expected at the end of last year, but better than the three last years. After three consecutive years of recession, will Angola's GDP decline turn around? The outlook for 2019 is not as strong as that predicted by the IMF in November 2018 (+ 3.1% for 2019!) but the country is now at least on the upward curve... at long last!

Report based on source: 'L'Angola s'achemine vers une sortie de récession'. Jeune Afrique, 21 May 2019 by Marjorie Cessac https://www.jeuneafrique.com/777913/economie/langola-sachemine-vers-une-sortie-de-recession/?utm_source=newsletter-ja-eco&utm_medium=email&utm_campaign=newsletter-ja-eco-21-05-19

Eni discovers new light oil offshore Angola

Eni has made a new light oil discovery in Block 15/06, in Angola's deep offshore. The well was drilled on the Ndungu exploration prospect. The new discovery is estimated to contain up to 250 million barrels of light oil in place, with further upside. The Ndungu-1 NFW well is located a few kilometers from Eni's West Hub facilities, and has been drilled by the Poseidon drillship in a water depth of 1076 meters and reached a total depth of 4050 meters. Ndungu-1 NFW proved a single oil column of about 65 meters with 45 meters of net pay of high quality oil (35° API) contained in Oligocene sandstones with excellent petrophysical properties. The result of the intensive data collection indicates a production capacity in excess of 10,000 barrels of oil per day.

Source: Africa Business Communities

Burkina Faso

Sarama Resources and Acacia Mining part ways

TSX-listed Sarama Resources has executed a definitive agreement with Acacia Mining to terminate the 2014 earn-in agreement between the two companies regarding the South Houndé Project in Burkina Faso. The Agreement provides for Sarama to resume operatorship and regain a 100% interest in the Project, which is contiguous to Sarama's neighbouring 100%-owned ThreeBee Project. "We are very pleased to have executed the agreement to finalise Acacia's exit from the South Houndé Project and look forward to resuming full ownership and management," says Sarama's President and CEO, Andrew Dinning. "Acacia's exit is fundamental to consolidating our regional position and allows us to finally start advancing our key assets up the value curve and towards mine development."

Source: *Mining Review Africa*

Côte d'Ivoire

A presidential election with several unknowns

Seventeen months to the 2020 presidential election and only Guillaume Soro, the ex-President of the National Assembly, seems to be preparing for the event. On the other hand, the three major Ivorian political parties – Alassane Ouattara's Rally of Houphouetists for Democracy and Peace (RHDP), Henri Konan Bédié's Democratic Party of Côte d'Ivoire (PDCI) as well as Laurent Gbagbo's Ivorian Popular Front (FPI), remain behind a smokescreen of uncertainty, giving no hints as to their presidential intentions.

Do they not remember that this strategy of stalling was the downfall of Emmanuel Ramazani Shadary in the DRC? Ouattara, Bédié or Gbagbo do not seem to see that, whatever their designated candidates, timing is critical? In the DRC, Joseph Kabila named Ramazani Shadary his successor only four months before the late December 2018 presidential election. Was he hoping to present the other candidates with a 'fait accompli', compelling them to gather around him after an election win by his favourite?

If it was, the tactic was a complete failure (...maybe?).

Report based on source: " En Côte d'Ivoire, une présidentielle à plusieurs inconnues". Jeune Afrique 21 May 2019 by André Silver Konan

https://www.jeuneafrique.com/mag/776648/politique/analyse-en-cote-divoire-une-presidentielle-a-plusieurs-inconnues/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-22-05-19

Ivory Coast awards Tullow two new oil and gas blocks

Ivory Coast has awarded four new offshore oil and gas blocks, two to France's Total and two to Italy's ENI, government spokesman Sidi Toure said. Ivory Coast, the world's top cocoa producer, is seeking to develop its long-neglected oil sector. "The government adopted a communication regarding talks on four contracts to share production with companies Total and ENI," Toure told journalists. Total will operate offshore blocks CI-705 and CI-706, while ENI will operate blocks CI-501 and CI-504. The investment will total USD185-million, including USD90-million from Total and USD95-million from ENI during the exploration period, he said. Ivory Coast's Petroci Holding would retain 10% of the consortium on each block, he said.

Source: Energy Mix Report

Fayez al-Sarraj's forces receive dozens of armoured vehicles to counter Marshal Khalifa Haftar

The forces of the Tripoli-based Government of National Accord (GNA) announced on Saturday 18 May that they had received dozens of armoured vehicles to assist in reining in Marshal Khalifa Haftar's troops who are carrying out an offensive against the Libyan capital.

"The GNA is providing kits to armed forces defending Tripoli, with armoured vehicles, ammunition and weapons systems, in preparation for a major operation to annihilate rebels attacking Tripoli with the war-criminal Khalifa Haftar," the media office said on its Facebook page. The "Volcano of Anger" is the name coined for this GNA counter-offensive.

The GNA office has published photos of dozens of armoured vehicles being offloaded at the port of Tripoli. A spokesman for the GNA forces confirmed the arrival of a significant amount of military equipment, without giving details of its origin. Other photos circulating on social networks show vehicles being unloaded from a cargo freighter named 'Amazon'. According to the 'Vesselfinder' website, a ship of that name flying the Moldavian flag recently left the port of Samsun in northern Turkey. The unrest in the region is getting complicated!

Report based on source: " Libya : les forces de Fayez al-Sarraj reçoivent des dizaines de blindés pour contrer le maréchal Haftar". Jeune Afrique 19 May 2019 by Jeune Afrique with AFP

<https://www.jeuneafrique.com/777088/politique/libye-les-forces-de-fayez-al-sarraj-recoivent-des-dizaines-de-blindes-pour-contrer-le-marechal-haftar/>

Violent battles to the south of Tripoli believed to signal the beginnings of a 'long' civil war

Fighting has intensified south of the Libyan capital, Tripoli, as Ghassan Salamé, the UN envoy for Libya, warned the UN Security Council against "the start of a long and bloody civil war".

More than six weeks after the beginning of their assault on Tripoli, Marshal Khalifa Haftar, the strongman from the east of the country, and his self-proclaimed National Libyan Army (NLA), is still facing strong resistance from the forces loyal to Libya's Government of the National Accord (GNA), based in Tripoli and the authority recognised by the international community.

This battle "could lead to the permanent division of the country," warned Ghassan Salamé. "Libya is about to fall into a long and bloody civil war," he added. The UN envoy for Libya has also urged the Security Council to stop the flow of weapons arriving in the country.

Report based on source: 'Libye : de violents combats au sud de Tripoli font craindre une « longue » guerre, selon l'ONU'. Jeune Afrique 21 May 2019 by Jeune Afrique from AFP

https://www.jeuneafrique.com/778104/politique/libye-de-violents-combats-au-sud-de-tripoli-font-craindre-une-longue-guerre-selon-lonu/?utm_source=newsletter-ja-actu-abonnes&utm_medium=email&utm_campaign=newsletter-ja-actu-abonnes-22-05-19

Mozambique

Rovuma LNG Development Plan Approved by Mozambique

Government

Mozambique Rovuma Venture said today (14 May 2019) that the government of Mozambique had approved its development plan for the Rovuma LNG project, which will produce, liquefy and market natural gas from three reservoirs of the Mamba complex located in the Area 4 block in the Rovuma basin, two of which straddle the boundary with neighbouring Area 1.

“The development plan approval marks another significant step toward a final investment decision later this year,” said Liam Mallon, president of ExxonMobil Upstream Oil & Gas Company. *“We will continue to work with the government to maximize the long-term benefits this project will bring to the people of Mozambique.”*

The Rovuma LNG project will work to build the local workforce through focused recruitment and skills development.

“This is the third development plan approved in this five-year period to enable the sustainable development of the huge natural gas reserves discovered in the Rovuma Basin and represents the Government’s commitment to ensure the implementation of projects that will drive the development of Mozambique,” said Ernesto Elias Max Tonela, Minister of Mineral Resources and Energy.

“We want Mozambican entrepreneurs and Mozambicans to be the main beneficiaries of the various business opportunities made available by the multinationals, because we believe that these companies should grow with the national businesses and with Mozambique,” added Tonela.

The marketing effort for the LNG produced from the Rovuma LNG project is jointly led by Eni and ExxonMobil. Sales and purchase agreements for 100% of the LNG capacity for trains 1 and 2, which together will produce more than 15 million tons of LNG per annum, have been submitted to the government of Mozambique for approval.

“The expected production from the Area 4 block will generate substantial benefits for Mozambique and the Area 4 partners,” said Alessandro Puliti, Eni’s Chief Development, Operations & Technology Officer. *“The development plan details our commitment to train, build and employ a local workforce and make gas available in support of Mozambique’s industrialization.”*

The Rovuma LNG partners have developed a series of plans to support community development in line with the government’s priorities. During the production phase, the Rovuma LNG project expects to provide up to 17,000 tons of liquefied petroleum gas (LPG) per annum in Mozambique from Area 4 resources, which is currently about 50 percent of the country’s LPG imports, and will dramatically improve access to energy. The Area 4 partners also plan to distribute up to 5,000 LPG burners and cooking stoves in the Afungi area to replace the burning of wood.

Area 4 is operated by Mozambique Rovuma Venture S.p.A. (MRV), an incorporated joint venture owned by Eni, ExxonMobil and CNPC, which holds a 70 percent interest in the Area 4 exploration and production concession contract. Galp, KOGAS and Empresa Nacional de Hidrocarbonetos E.P. each hold a 10 percent interest.

Eni Rovuma Basin will lead construction and operation of upstream facilities on behalf of MRV and ExxonMobil Moçambique Limitada will lead construction and operation of natural gas liquefaction and related facilities.

Report based on source : 'Mozambique: Exxon's Mozambique LNG project plan gets approval'. Reuters, "Big Story" Report 10 May by Shanti S Nair <https://www.reuters.com/article/us-exxon-mobil-mozambique-lng/exxons-mozambique-lng-project-plan-gets-approval-idUSKCN1SK1UP> and

'Mozambique: Rovuma LNG Development Plan Approved by Mozambique Government', ufficio.stampa@eni.com segreteriasocietaria.azionisti@eni.com investor.relations@eni.com

Hidden debt: the former Finance Minister Manuel Chang will be extradited back to Mozambique

On 22 May, South Africa announced its decision to extradite back to Maputo former Mozambican Finance Minister Manuel Chang, arrested in Pretoria in late 2018 in relation to the scandal of hidden debt that is undermining Mozambique's economy.

"The accused, Mr. Manuel Chang, would be extradited back to Mozambique to be tried in a Mozambican court for the crimes for which he is being prosecuted," Justice Minister Michael Masutha firmly stated in a press release on 21 May 2019. As it stands, Manuel Chang is also being prosecuted for the very same crimes of embezzlement in the United States, which had also asked Pretoria to have Manuel Chang extradited, but to face an American court in the USA.

"I noted that the request by the USA submitted a few weeks before that of Mozambique's. However, I am convinced that the interest of justice will be much better served by acceding to the request coming from the Republic of Mozambique", said the Minister of Justice.

Report based on source: 'Dette cachée du Mozambique : l'ex-ministre des Finances Manuel Chang sera extradé vers son pays'. Jeune Afrique, 22 May 2019 report by Jeune Afrique with AFP https://www.jeuneafrique.com/778179/societe/dette-cachee-du-mozambique-lex-ministre-des-finances-manuel-chang-sera-extrade-vers-son-pays/?utm_source=newsletter-ja-eco&utm_medium=email&utm_campaign=newsletter-ja-eco-22-05-19

Namibia

Debmarine Namibia to invest in first ever custom-built diamond recovery vessel

The Board of Directors of Debmarine Namibia, a 50/50 joint venture between the Government of the Republic of Namibia, have approved the construction of the world's first ever custom-built diamond recovery vessel. The new vessel is expected to cost USD468-million and represents the largest ever single investment in the marine diamond industry. The ship will become the seventh vessel in the Debmarine Namibia fleet and is scheduled to commence operations in 2022. On completion, the vessel is expected to add 500,000 carats annually to Debmarine Namibia's

production, an increase of approximately 35% on current production. The new vessel is expected to create more than 160 new jobs alongside Debmarine Namibia's current workforce of 975 employees.

Source: Africa Business Community

Nigeria

Federal Government to partner Standard Bank and Stanbic IBTC on funding mining

As efforts are on course to reposition the Mining and Steel sector to take its pride of place as first among equals in terms of contributions to national economic growth, the Minister of State for Mines and Steel Development, Hon. Abubakar Bawa Bwari has said that government will continue to collaborate with International financial partners to revamp the sector. The Minister made the assertion while receiving a team from Mining and Metals Corporate and Investment Banking officials of Standard Bank, and Stanbic IBTC in his office. He reiterated the commitment of President Mohammadu Buhari led administration to give the Mining sector the desired priority that would enhance sustainable economic growth.

Source: *Energy Mix Report*

Republic of Congo

Republic of Congo, Trafigura reach agreement on restructuring of oil loans

The Republic of Congo and commodities-trading house Trafigura Group agreed to reorganise several hundred millions of dollars in oil-for-cash loans that the African nation struggled with after crude prices fell, according to people familiar with the talks. The restructuring, which also involves several banks that supported the Trafigura deal, is key for Congo as it will help to unlock financial help from the International Monetary Fund. Congo owes creditors more than USD9-billion and earlier this month agreed to restructure debt owed to China. The deal includes a clause for accelerated repayments if oil prices rise above a certain level. The oil-for-cash loans were channeled via state oil company Societe National des Petroles du Congo, or SNPC.

Source: Energy Mix Report