



# Biggest not always the best

By Benedikt Mees & Jon Woodward

**West Africa continues to offer some of the best international trade opportunities for UK-based companies. The focus of attention has always fallen on Nigeria as the largest sub-Saharan producer of oil and gas and on Angola that also has massive oil reserves and has developed rapidly since the cessation of its civil war. However, some of their neighbouring countries also have oil and gas industries on a smaller scale that still offer foreign companies substantial opportunities to showcase leading edge technology products and services. Two such countries are Equatorial Guinea and Cameroon both of which are working hard to provide a favourable legislative and fiscal trading environment conducive to attracting new foreign investors.**

## Equatorial Guinea

Equatorial Guinea is one of the smallest countries in continental Africa with an area of 28,000 sq km and 504,000 inhabitants. Located in West Middle Africa the official languages are Spanish and French. Society is based on a tribal structure subdivided into clans with each clan having its own language or dialect. The majority of the people are of the Fang tribe. A Spanish colony until independence in 1968 the country is now a republic and the current president is Teodoro Obiang Nguema Mbasogo.

The country is one of the largest producers of oil in sub-Saharan Africa and it is one of the most promising hydrocarbon regions in the world. Bordered by Cameroon and Gabon, two other important oil countries, the capital, Malabo, is home to all the country's operating companies. Over the last 10 years the discovery and exploitation of oil and gas reserves has contributed to the doubling of the city's population.

Oil production has risen from 220,000 bpd up to 500,000 bpd in only two years.

Since 2000 crude oil exports have accounted for more than 90% of the country's export earnings. Oil and gas exports have increased substantially and will continue to form the core of the national economy for the foreseeable future with some observers suggesting that production could increase by as much as five-fold during the next 3 - 5 years.

The main oilfields in Equatorial Guinea are the offshore Zafiro and Ceiba fields. The major operators on these fields are Exxon Mobil Corporation, Government of Equatorial Guinea, Ocean Energy Equatorial Guinea Corporation and Amerada Hess Corporation.

The per capita Gross Domestic Product (GDP) is estimated at more than US\$50,000 in 2006 making it the fourth highest in the world although widespread poverty still exists among many of the population and major parts of the country are still underdeveloped and lack modern infrastructure. Other important components of the GDP are fishing, farming, forestry, and coffee plantations.

## Cameroon

Often referred to as 'Africa in miniature' because of its geological and cultural diversity, the Republic of Cameroon is also located in West Middle Africa has a population of 17,800,000 living in an area of 475,500 sq km.

Between 1960 and 1961 Cameroon, a former French and UK colony, became independent but strong influences remain with Cameroon's present legal system largely based on French civil law. The country is now a republic with the present President Paul Biya located in the capital Yaounde in the south west of the country.

There are more than 130 different ethnic and linguistic groups each having its own language or dialect. Cameroon is bordered by the Central African Republic and five other important oil nations; Gabon, the Republic of the Congo, Equatorial Guinea, Nigeria and Chad.

Cameroon itself is the smallest producer of oil in sub-Saharan Africa and is regarded as a maturing province with plateau production. First discovery of oil was in 1985 but since then the exploration and development of reserves has peaked. Much of the production decline is seen as a result of poor inward investment rather than lack of natural exploitable reserves. During the last eight years Cameroon has consistently produced around 90,000 bpd which is in stark contrast to the levels of production of its neighbours Equatorial Guinea and Nigeria.

The recent windfall revenue resulting from increased world oil prices has prompted competition in exploration and exploitation amongst Douala-based companies such as PECTEN Cameroon, ELF SEREPCA, PERENCO and EUROIL. The National Oil Refinery (Société Nationale de Raffinage du Cameroun - SO.NA.RA) situated at Cape Limbo has upstream responsibility too and has constituted authority to undertake national and international contracts.

The National Hydrocarbons Corporation (better known by its French abbreviation, SNH) is a key player in the exploitation of oil and gas. The Corporation was created with the aim of promoting

Cameroon's hydrocarbon resources and also to manage its investments. Capital investment in indigenous petroleum companies is encouraged through the creation of joint ventures with foreign partners.

Historically, regulations applying to the oil and gas industry in Cameroon have been based on accepted international standards to encourage greater foreign investment, enhance efficiency and productivity through competition and of course to maximise government revenue.

The present government is acutely aware of the need to introduce new legislation to further reflect the country's dependency on foreign technologies and investment. Cameroon is firmly committed to maximizing the output from the lucrative Rio Del Rey Basin, Douala/Kribi-Campo basin, Ndian Basin, Deep Sea Zones and other basins. The International Court of Justice ruled in favour of Cameroon in its conflict with Nigeria over the Bakassi Peninsula territorial dispute and this has opened another oil-rich basin to potential investors.

Special taxation dispensations are being allowed on the development of 'marginal fields' where the volume of exploitable hydrocarbon reserve is below 20 million barrels. Favourable production sharing agreements are also being offered to encourage major contractors and operators to enter into long-term development contracts. Expenses incurred in drilling and seismic surveys will be tax deductible if the subsequent exploration activity fails to give rise to commercially viable production levels.

The present Cameroon government is more committed than ever to opening up its remaining oil and gas sector to finance the demands of its domestic economy and infrastructure and to meet the demands of foreign investors looking for an attractive rate of return. ■

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