

Huge growth forecast for Africa's oil sector

Africa's oil and gas industry is poised for momentous growth despite regulatory and political challenges, according to a PricewaterhouseCoopers (PwC) report released on Wednesday (19 June)



The report claims that the oil and gas industry has been grappling with the severe stresses of a challenging economic and political environment on the African continent fuelled by poor physical infrastructure, corruption, an uncertain regulatory framework and a lack of skills.

Chris Bredenhann, PwC Africa oil and gas advisory leader, said: "The challenges facing oil and gas companies in Africa are diverse and numerous. Political interference, uncertainty and delays in passing laws, energy policies and regulations are stifling growth, development and investment in a number of countries."

PwC's Africa Oil and Gas Review analyses what has happened in the last 12 months in the oil and gas industry in major African markets.

The survey draws upon the experience and views of companies in Africa, including international oil firms operating on the continent, national oil companies, service companies, independent oil organisations and industry commentators, to provide insight into the latest developments affecting the industry.

Oil and gas finds boost production

The review shows that the oil and gas industry in Africa is poised for momentous growth after recent large gas finds in East Africa. "Large gas finds in Mozambique and Tanzania and oil potential in Uganda and Kenya, have sparked a flurry of exploration activity across the continent," said Bredenhann.

Africa supplies about 12% of the world's oil, boasting significant untapped reserves estimated at 8% of the world's proven reserves. The continent has natural gas reserves of 513-trillion cubic feet with 91% of the annual gas production of 7.1-trillion cubic feet coming from Nigeria, Libya, Algeria and Egypt.

The major challenges identified by organisations in the oil and gas industry have remained largely unchanged with the top

four issues in 2010 continuing to remain the biggest challenges in 2012. Poor infrastructure and an uncertain regulatory framework were the two top challenges identified by companies in new emerging markets, particularly in Uganda, Ghana, Tanzania, Nigeria and Kenya.

"Governments around Africa are reviewing or developing their energy policies. Many countries are investigating changes in the government fees, taxation regulations and state participation," said Bredenhann.

"SA has until recently been regarded as having a transparent and independent process with the Petroleum Agency of SA and marketing of local acreage and assets. However, proposed amendments to the Mineral and Petroleum Resources Development Act will see its functions devolved to the Department of Energy. This could create an uneven playing field for competitors and allow for state interference," claims the report.

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