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Conference Summary

Oil Politics in Africa

A joint Africa Programme, Chatham House – African Studies Centre,
Coventry University Conference

Held at St. Mary's Guildhall, Coventry

16 November 2011

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INTRODUCTION:

This short summary draws out the key points from a policy orientated conference examining current government, NGO and academic thinking on the politics around oil and gas production in sub-Saharan Africa and its impacts. The conference considered ways in which oil companies, governments and NGOs can use Africa's oil riches to enhance development and reduce poverty.

This document is not intended to be a full reflection of the specific points made by each speaker. Where available the Agenda at the end of this paper includes links to the presentations of speakers. Video recordings of the keynote addresses by [Hon. Eng. Irene Muloni, Uganda's Minister of Energy and Mineral Development](#), and the [Rt. Hon. Clare Short, Chair of the Board of the Extractive Industries Transparency Initiative](#), are also available.

The African Studies Centre at Coventry University and the Africa Programme at Chatham House co-hosted this international conference. Coventry University has strong oil engineering and international studies faculties and has one of the largest African student bodies in the United Kingdom with over 1,200 African students.

This Conference was supported by the Coventry University African Studies Centre, the Africa Programme at Chatham House, Shell and Tullow Oil.

KEY POINTS FROM THE CONFERENCE

Morning sessions

The early sessions emphasized the positive impacts and opportunities that oil and gas production presents to African states that can effectively manage their resources.

The [Ugandan Minister of Energy and Mineral Development](#) made it clear that despite only having been appointed in June 2011, she and her ministry have a sophisticated understanding of the risks stemming from the development of Uganda's oil and gas resources. She emphasized the need to ensure job creation and a long term approach to development and problem solving. The Minister offered a useful summary of the history and current status of exploration activities in Uganda, and presented plans to build a refinery. Amongst the challenges the Minister outlined, expectation management was the most significant with diverse groups harbouring unrealistic expectations of the speed and scale of benefits that oil wealth would bring.

The first full session took some of these themes to a continental level. An industry perspective from [Tullow](#) described the growing importance for responsible multinationals to have a longer term and broader awareness of how their investments fit into national development goals. Rosalind Kainyah also described the steps Tullow are taking to ensure their investments benefit other businesses, including skills development, within the African states in which they operate. [Christina Katsouris](#) of Energy Intelligence explained how dynamic and fast growing the oil and gas scene in Sub-Saharan Africa had become over the past 10 years, but also how varied. Nigeria's production is increasingly troubled whilst Angola looks ever more promising, and a growing number of smaller producers have just come on-stream or are in pre-production. Christina also outlined the ongoing debate regarding the role of refineries in Africa, pointing out that the only three that have been built in recent years were with Chinese money and have struggled to operate due to disagreements over suitable pricing of products. India also has a significant refinery building programming that will leave African states struggling to compete. Ricardo Soares de Oliveira responded by re-emphasizing the unhappy history of the oil industry in Africa and the importance of 'hard' regulation and repeated the Minister's sentiments regarding expectation management. He also made the point once again that the primary responsibility for oil and gas lies with the state.

The second session began with Jimmy Ahmed from Shell Petroleum Development Company of Nigeria describing the lessons Shell had learnt, saying that Shell took responsibility for the spills it had caused, but also contributed to resolving far deeper

and more complex challenges in Nigeria. Despite the challenges Nigeria expects to be a major player in Nigeria for the next 50 years at least, and contrary to rumours has no plans to divest of anything other than some peripheral licenses.

[Simon Massey](#) from Coventry University followed with a description of oil politics in Chad, and explained how a World Bank sponsored oil management system had failed to prevent Chad's government taking direct control of revenues, and extracted significant concessions from investors, thus demonstrating the limitations of attempts to externally impose regulatory regimes over sovereign governments in relation to exploiting their own oil wealth.

Ian Gary of Oxfam America responded by emphasizing the importance of progressive legal frameworks for new producers, and of a gradualist approach to exploiting reserves to allow other institutions to anticipate and develop in response to the new and often traumatic economic and social impacts of oil and gas production. He outlined various challenges new producers now face including the increasing tendency for African states to put in place sound regulation but failing to enforce it – with Ghana an increasingly worrying example of this. Ian pointed out that transparency is an important measure but insufficient in itself to ensure proper management of revenues, and re-emphasised the point made in the first session – that investors need to take a long term approach to solving local problems in new producers. Short term fixes, including payoffs and bribes have been shown again and again not to work.

Afternoon sessions

The third session of the oil conference dealt with the issue of the resource curse, examining the concept in some detail, looking at practical examples of its impacts and considering ways in which the resource curse might be reversed or avoided.

[Nick Shaxson](#), an Associate Fellow with the Chatham House Africa Programme, noted that defining and dealing with the oil curse is complicated as it is difficult to separate cause from outcome. In general, however, a country is seen to suffer from the resource curse when the population of that country as a whole becomes worse off for the exploitation of the resource. So the resource curse is a paradox, with more money bringing more poverty. Nick went onto outline some of the key causes of the resource curse. These included rent stifling entrepreneurialism; Dutch disease; economic volatility, top-down money flows, crowding out of other economic sectors and authoritarianism. The solutions he proposed included greater transparency, diversification and redistribution of taxation, and oil revenue distribution direct to the population, as well as the effective clamping down of tax havens such as the City of London.

[Uche Igwe](#) of John Hopkins University offered a passionate critique of the negative impacts the oil industry could have based on Nigeria's experience, focusing in particular on how the Nigerian National Petroleum Corporation has become the focus for a convoluted patronage system. Uche asserted that only a long term holistic strategy involving development assistance, and amnesty, local content, a Petroleum Industries Bill, and an independent behaviour audit of all companies would address Nigeria's oil curse.

Russell Pickard of OSF Open Society Foundation emphasised the importance of getting legislation right, and that transparency was only one step in securing a solution. He also pointed out that a lot of the problems of oil that had been pointed out could equally apply to foreign aid.

The fourth session turned in greater detail to resolving governance challenges. Jerome Okolo of GeoQinetiq returned to Nigeria's experience to explain the course of governance failures regarding the oil industry. Jerome noted that in the ten years from 1999 to 2009, the Nigerian National Petroleum Corporation had collected around two hundred billion US dollars, but the country is poorer now than at independence with only 48% of people having access to potable water. Stalled reforms in the oil sector due to delays in enactment of the Petroleum Industry Bill are damaging Nigeria's prospects. Jerome compared Nigeria's resource governance and institutions unfavourably with Brazil's relatively stable and clear regulatory regime and effective NOC in the shape of Petrobras. He suggested that Nigeria could look to Brazil, with its similar population size and challenges, as a positive model. [Douglas Yates](#) followed this with a broader provocative dissection of the inherent dislocating nature of the oil and gas industry and suggested a number of ways of tackling corruption. He suggested selecting individuals for positions of authority on the basis of honesty as much as skills; better information gathering and use of statistical analysis to detect corruption; embedding individuals within teams – which are less liable to corruption; education programmes at all levels to change attitudes towards corruption; visa denial for those suspected of or found guilty of corruption; direct distribution of revenues; and exploring different models of social development.

Joseph Williams of Publish What you Pay responded by describing how the internet was enabling legislation such as Dodd Franks to promote greater transparency, as was the greater cross-listing of multinationals such as Petrobras and CNOCC on stock exchanges such as New York making them accountable under such laws. He also claimed that new technology, such as oil finger printing, could help tackle theft and corruption if utilized in conjunction with a certification regime.

Clare Short, Chair of the EITI Board, closed the conference by reminding the audience that the challenges outlined in the conference do not just impact Africa, and

that there have been considerable improvements in governance across Africa over the past 10 years. Initiatives such as EITI have made a real difference, but management of resources is a global problem and require global solutions as demands for action are growing. There are questions now as to how to build on achievements, and the continued role of initiatives such as EITI. What is clear is that countries such as Ghana and Uganda that are in the early stages of oil exploitation have the opportunity to learn from the past mistakes of others and get practice right early on to avoid entrenching the mistakes that led Nigeria along its recent trajectory.

AGENDA

<p>Welcome and keynote address</p> <p>Keynote address: Hon. Eng. Irene Muloni, Minister of Energy and Mineral Development, Uganda</p> <p>Chair: Professor Bruce Baker, Director of African Studies Centre, Coventry University</p>
<p>Session 1: Africa's Oil and Gas Potential</p> <p>Rosalind Kainyah, Vice President, External Affairs & CSR, Tullow Oil</p> <p>Christina Katsouris, Africa Correspondent, Energy Intelligence</p> <p>Discussant: Dr. Ricardo Soares de Oliveira, Lecturer in Comparative Politics St. Peter's College, Oxford University</p> <p>Chair: Dr. Michael Ngoasong, Academic Tutor, Coventry University London Campus</p>
<p>Session 2: Case Studies</p> <p>Jimmy Ahmed, General Manager of Business & Government Relations, Shell Petroleum Development Company of Nigeria</p> <p>Dr. Simon Massey, Senior Lecturer, University of Coventry</p> <p>Discussant: Ian Gary, Senior Policy Manager for Extractive Industries, Oxfam America</p> <p>Chair: Alex Vines OBE, Director of Regional and Security Studies, and Head of Africa Programme, Chatham House</p>
<p>Session 3: The Resource Curse</p> <p>Nick Shaxson, Africa Programme Associate Fellow, Chatham House</p> <p>Uche Igwe, School of Advanced International Studies, Johns Hopkins University</p> <p>Chair: Russell Pickard, Senior Advocacy Officer, Open Society Foundations</p>
<p>Session 4: Resolving Governance Challenges</p> <p>Dr. Douglas Yates, Associate Professor, American Graduate School in Paris</p> <p>Dr. Jerome Okolo, Executive Vice Chairman, GeoQinetiq</p> <p>Discussant: Joseph Williams, Advocacy and Communications Officer, Publish What You Pay</p> <p>Chair: Professor Hazel Barrett, Associate Dean of the Faculty of Business, Environment and Society, Coventry University</p>
<p>Keynote address: The Rt. Hon. Clare Short, Chair of the Board, Extractive Industries Transparency Initiative</p> <p>Closing remarks: Professor Bruce Baker, Coventry University</p>