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Nigeria New Oil+Gas Laws

Lukman's defense

Lukman launched a robust defense of the bill, arguing that future petroleum prospecting licenses and petroleum mining leases would be awarded through a truly competitive bidding process, open and accessible to all qualified companies.

"Every company involved in the upstream petroleum industry will be subject to the same system of rents, royalties, and taxes, depending on whether they operate in the onshore, shallow or deepwater, or inland areas," he added.

Pat Utomi, an economist, told the panel that the PIB could boost the gross domestic product of the country. He commended the legal framework, adding that climate change needed to be addressed.

Ajumogobia said that the PIB tried to reconcile all the 16 laws that regulate the petroleum industry.

He called for deregulation. "Nigeria's long-term energy security depends on our ability to deliver petroleum products in the domestic market at cost-reflective prices," he said. "This can only be attained in an environment where clear groundrules are set and oligopolistic market distortions are removed. For an effective and competitive domestic petroleum products market to be developed in Nigeria, the downstream petroleum sector must be deregulated. This will encourage investment in refin-

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China using loan packages to secure oil supplies

Leena Koottungal
Survey Editor/News Writer

China is using its financial reserves to secure oil supplies from a variety of producing countries, according to a recent report by Wood Mackenzie. The Chinese government in recent months has invested in some of the world's leading oil producing countries through loan packages.

In April, China National Petroleum Corp. acquired a 50% share of upstream Mangistaumunaigaz of Kazakhstan for $3.3 billion and loaned $1.7 billion to KazMunaiGas. An additional $5 billion loan was agreed between the China Export-Import Bank and Kazakhstan Development Bank.

Through the deal, CNPC gained an estimated 420 million bbl of reserves and net production of 55,000 b/d. This production could be delivered directly to China with start-up of the Kazakhstan-to-China oil pipeline, expected in 2011.

In February, China Development Bank committed to loan $15 billion to Russia's OAO Rosneft, majority-owned by the government, and $10 billion to OAO Transneft, Russia's oil transport monopoly. In return, China will receive 300,000 b/d of crude from Russia at market prices, starting in 2011.

China Development Bank and Sinopec Corp., China's leading refiner, signed a memorandum of understanding (MOU) with Petroleo Brasileiro SA for loans—reportedly $10 billion—to support future investment in upstream and refining by the Brazilian national oil company (NOC). Plans to increase oil exports from Brazil to China also were outlined with annual trade expected to increase to 100,000 b/d in 2010 and more thereafter.

CHINA'S NOCS: A 2008 SNAPSHOT

	Oil production	Oil reserves	Total assets	Total revenue	Profit
	Million bbl		Million $		
CNOOC	154	1,578.3	30,297.7	18,128.1	6,385.6
CNPC	796.3	14,231.6	264,532.4	183,184.7	13,188.4
Sinopec	296.8	2,841.0	110,277.7	216,201.5	3,770.2

Source: Company annual reports

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Petroleos de Venezuela SA and CNPC agreed to increase oil sales to 80,000-200,000 b/d under another round of accords signed in February. Meanwhile, Sinopec and PDVSA signed an MOU regarding joint study of field development opportunities in Venezuela.

The Angolan experience

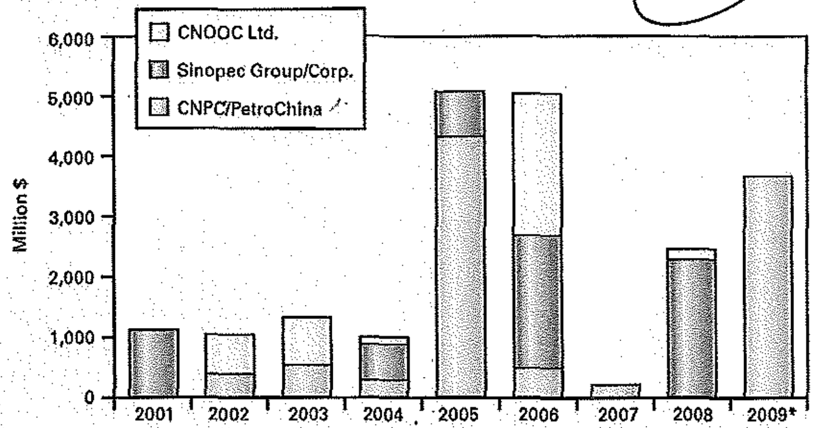
The recent deals mirror Sinopec's successful strategy to obtain upstream holdings in Angola. Loans to the Angolan government and long-term crude supply deals helped Sinopec acquire 50% of deepwater Block 18 via Sonangol's right to preempt.

Sinopec subsequently leveraged its relationship with Sonangol, the Angolan NOC, into new opportunities in development and exploration. In 2005, a Sinopec-Sonangol joint venture took a 25% stake in Block 3/80 upon expiration of Total SA's development license. In Angola's 2006 exploration licensing round, the Sonangol-Sinopec venture was the most aggressive of the bidding companies, submitting three signature bonus bids totaling $3 billion and capturing much of Angola's remaining prime deepwater acreage. Angola is now second only to Saudi Arabia as an oil supplier to China.

Until the deals of 2009, Sinopec's activities in Angola provided the most tangible evidence of Chinese "oil diplomacy" to develop overseas upstream interests. Chinese companies will seek to replicate Sinopec's success in the resource-rich countries that recently

M&A ACTIVITY: CHINESE COMPANY EXPENDITURE

Fig. 1



*As of May 2009.
Source: Wood Mackenzie estimates

(24)

Al-Qaeda threatens China's overseas oil, gas interests

Eric Watkins
Oil Diplomacy Editor

The al-Qaeda terrorist organization has vowed to avenge the deaths of Muslims in the Chinese province of Xinjiang by targeting Beijing's extensive workforce and projects around the globe, including its oil and gas interests, according to a private intelligence report.

"Muslims worldwide have reacted angrily to the situation in Xinjiang, demonstrated for example by protests in Jakarta," said London-based risk analyst Stirling Assynt in a report for its clients. Stirling noted that the first militant group to formally react to the news of violence against Muslim Uighurs is al-Qaeda's Algerian offshoot, al-Qaeda in the Islamic Maghreb (AQIM), which also has a presence in Mauritania, Niger, and Mali.

According to Stirling, AQIM "has pledged to avenge the fallen Muslims in China by targeting the 50,000 Chinese workers in Algeria as well as Chinese projects and workers across North West Africa."

"This threat should be taken seriously," Stirling said, noting that just 3 weeks ago, AQIM forces "ambushed a convoy of Algerian security forces protecting Chinese engineers, killing 24 Algerian security officers."

Stirling said AQIM did not attack the Chinese engineers because the target was the project on which they were working, along with the security personnel themselves.

"Now, future attacks of this kind are likely to target security forces and Chinese engineers alike," the analyst said.

According to independent reports, as well as targeting the police and the army, AQIM has vowed to target the country's commercial and foreign interests—including the increased number of new opportunities in Algeria's oil and gas industry.

Taking no chances

While the group has not yet struck oil and gas networks in Algeria, international oil companies, including BP PLC, StatoilHydro, Repsol YPF SA, and Total SA, are taking no chances and operate under heavy security.

Although AQIM appears to be the first arm of al-Qaeda to state officially that it will target Chinese interests, other al-Qaeda affiliates are thought likely to follow their lead.

"Al-Qaeda in the Arabian Peninsula (AQAP) could well target Chinese projects in Yemen, which are seen to benefit the government of President Ali Abdullah Saleh, whom they are actively trying to topple," it said.

In Yemen, according to independent reports, Sinopec is planning to drill one well on each of its three exploration blocks this year, having announced a gas discovery on Block 71 late in 2008.

According to Stirling, the general situation (and perceived plight) of China's Muslims has resonated among the global Jihadist community.

Stirling said there is an increased amount of internet "chatter" among active Jihadists, who claim they want to see action to avenge the perceived injustices in Xinjiang.

"Some of these individuals have been actively seeking information on China's interests in the Muslim world (locations include North Africa in general, Sudan, Pakistan, and Yemen), which they could use for targeting purposes," Stirling said.

African targets

Even in North Africa, potential targets abound:

- In Algeria, China National Petroleum Corp. recently said its NGS-P-1 well on Block 438B in the Oued Mya basin encountered significant oil and gas flows that indicate a high probability of commerciality.
- In Niger, CNPC said its Faringa W-1 well, drilled on Agadem Block in April and May, hit 30 m of oil. CNPC said it has been drilling a number of evaluation wells since December and has collected significant reservoir data.

Elsewhere in Africa are other possible Chinese targets:

- In Chad, CNPC last month began work on a major oil pipeline in southwestern Chad, due to become operational in 2011, which will transport crude from Koudalwa field 300 km south of N'Djamena to the Djarmaya refinery north of the capital.
- In Nigeria, Sinopec recently acquired Addax Petroleum Corp., described by one observer as a major strategic step forward for Sinopec, giving it control of operations of the large Taq Taq field in Iraqi Kurdistan and highly prospective exploration acreage off Nigeria and Gabon.

"What remains to be seen is the response of AQ's senior leadership, which could be expected in the next 7-14 days, given the usual lag in statements issued by them," Stirling said.

On one hand they do not want to open a new front with China, but on the other their sense of Muslim solidarity compels them to help and to be seen to be helping.

"The most likely scenario is for AQIM and AQAP to be granted sufficient latitude to carry out a number of attacks against Chinese targets in their respective locations," Stirling said.

"This will demonstrate that AQ cares about Muslims in China but precludes the need for AQ Central to commit to a new, unwelcome campaign," the analyst concluded.

Underlining the significance of the Stirling report, in mid-June military units from Algeria, Tunisia, Morocco, and Libya began joint military exercises on methods of intervention in the event of an attack by terrorist involving chemical weapons or chemical related disasters.

The Economist

AUGUST 8TH–14TH 2009 Economist.com

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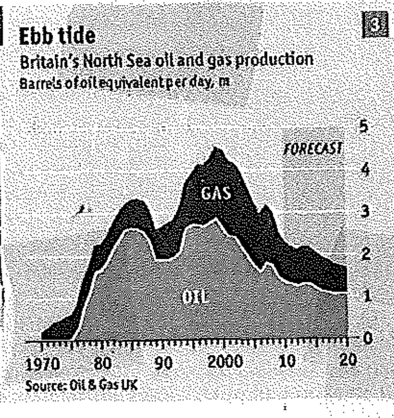

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Britain's energy crisis

How long till the lights go out?

Thanks to its posturing politicians, Britain will soon start to run out of electricity. What should it do?

Uganda's oil rush

Derricks in the darkness

100,000 –
150,000 BBL/Day
Uganda ✓
Kenya X?

KAMPALA

A series of discoveries heralds a new oil province

TULLOW OIL, an Anglo-Irish exploration firm, announced on August 4th that it had struck oil while drilling in Uganda near the shores of Lake Albert. It was the tenth discovery in the area. Indeed, oil firms do not seem able to drill a well in Western Uganda without hitting the stuff. That part of Africa had long been seen as something of a wasteland by oilmen. But now an oil rush is under way.

Tullow and Heritage, an Anglo-Canadian firm, own the most promising drilling rights in Uganda. The pair also hold rights on the Congolese side of Lake Albert, but these have been the subject of much dispute with the government in Kinshasa.

James Arnold of Tullow says there are 700m barrels of proven reserves on the Ugandan side. With likely additions from further exploration, he believes, the figure could eventually reach billions of barrels. Some speculate that, Congo included, the entire Albertine basin may yield even more than Sudan's 6 billion barrels of proven reserves.

The find has been transformational for Tullow, turning it from a bit player in the North Sea into one of the largest independent exploration companies in Europe. The company has always had an interest in Africa and made a big find off the coast of Ghana in 2007. Mr Arnold says Tullow is ambitious to exploit offshore blocks in Côte d'Ivoire and Liberia as well. "Tullow holds the most exploration licences throughout Africa of any oil company," says Thomas Pearmain, an analyst with IHS Global Insight, a research and data firm. It is now an obvious takeover target for a big Western oil company or an ambitious Asian state-owned firm.

Within a few years Uganda could be producing 100,000-150,000 barrels a day (b/d). But where will it go? Some might be used to generate electricity,
da is desperately short. Th
end to persistent blackouts
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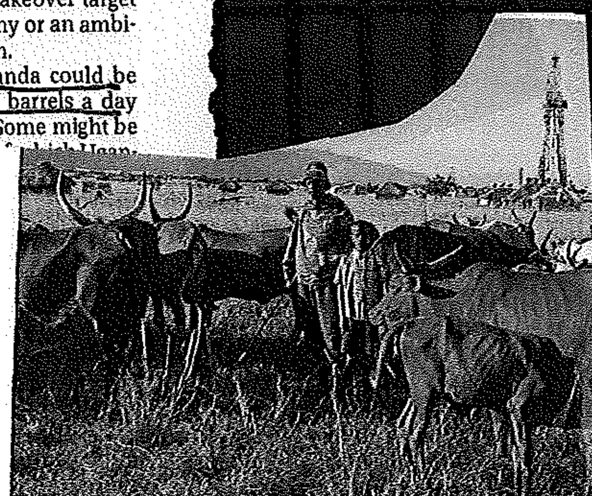

The start of a stampede

Mr Pearmain points o
oil is waxy, and so likely
pipeline unless heated. I
pipeline will cost at least $1.5 billion. Iran has offered to invest, and has been advising Mr Museveni's government. America, too, says it is willing to help. But China seems the likeliest investor. Speculation is rife that Mr Museveni will sign an agreement with one of China's acquisitive state-owned oil firms at an Africa-China summit in November. Meanwhile, in Kenya, which has long lorded it over its poorer neighbour, exploration firms keep drilling dry holes, to Ugandans' delight. ■

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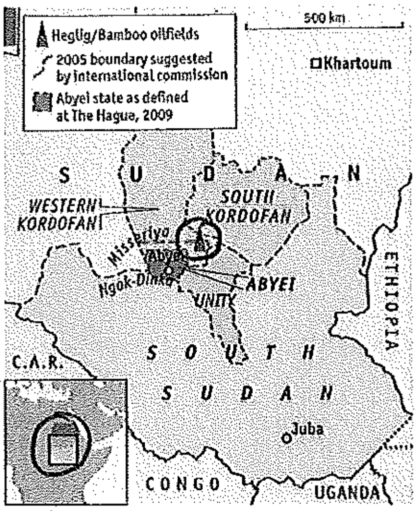

▸ conflict". However, perhaps intoxicated by victory, he then stirred a bit of animosity by suggesting that the government in Khartoum would stop paying half of the oil revenue from Heglig and Bamboo to the south, as it must do under the 2005 peace deal. As South Sudan's government relies on oil for almost all of its revenue, these comments were bound to provoke. Other northerners were more conciliatory. In any case, the north's true position will become clearer after a technical committee of north and south begins work on the border's final demarcation.

Ministers in South Sudan's capital, Juba, at first claimed they had "won the case", then grew puzzled. Then a sense of vertigo set in; perhaps the north had "won" after all. For southerners looking forward to independence, the thought of losing any oil is upsetting. That may explain why this week the south began to claim that the Heglig field has not been granted to the north at all but is still in the south because it extends into Unity state. This blithely contradicts the case South Sudan made at The Hague. "It's a rather desperate measure," admits a well-placed southerner. Even if the south has no chance of winning the oil back, it may drag out legal proceedings to satisfy its hotheads at home.

At least the court ruling pleased the Ngok-Dinka people. When the south votes in the 2011 referendum, Abyei state will exercise a special dispensation (which is nothing to do with the ruling at The Hague) letting it choose whether to stay in a federal Sudan or to secede with the south. As the state is now smaller within its new boundary, the Ngok-Dinka is the dominant tribe in it—so their vote will probably ensure that Abyei goes to the south.

Yet oil has blinded both sides to the question of land. Heglig and Bamboo produce low-quality crude. Oil men say their production is dropping off quickly, to 53,000 barrels a day. That could reduce revenues to less than $300m a year by 2011—hardly enough to go to war over. It is access to land that has always been the more combustible issue in this part of the world.

The Misseriya people, who are Arab pastoralists, had hoped the ruling would give them the right to run their cattle freely through Abyei, as they have long done, often in violent opposition to the sedentary Dinka people. Yet under the court's ruling, the Misseriya may now have to pay grazing fees to the Dinka. A dissenting Jordanian judge on the arbitration court said the ruling makes the Misseriya "second-class citizens on their own land and creates conditions which may deny them access to water." Some Misseriya protested after the ruling. Usually allies of the government in Khartoum, and sometimes its proxy fighters, they say they have been betrayed for a few dry oil wells.

So a mess prevails. People now look forward to the demarcation of electoral districts and the rest of the north-south border for national elections next year and then for the referendum. Both north and south appreciated the openness and speed of the court's mediation. Some say it could be a model for solving the many other outstanding issues between the quarrelsome Sudanese. If only. ■

Islamist attacks in Nigeria

A taste of the Taliban

An Islamist insurgency in the north comes on top of another in the Delta

VIOLENCE has often disfigured religion in Nigeria. Usually, it has been a matter of bloody confrontation between Muslims and Christians in the middle of the country, where the largely Muslim north rubs up against the mainly Christian south. This week, however, Nigeria experienced its most serious outbreak of another kind of religious violence, provoked by Islamic fundamentalists who take their inspiration from the Taliban of Afghanistan. At least 180 people were killed in five days of clashes between militants and the police.

The fighting started on July 26th in Bauchi state after the police arrested several suspected leaders of an Islamist sect called Boko Haram, a local Hausa term that means "education is prohibited". In particular, the group is against Western education and influence. It wants to impose a pure Muslim caliphate on Nigeria. In retaliation for the arrest of their leaders, militants went on the rampage in several northern states, attacking the police with anything that came to hand, from machetes to bows and poison arrows.

The police fought back, killing, so they claimed, 39 militants in Bauchi. Fierce fighting took place in Maiduguri, capital of Borno state, where the sect has its headquarters. On July 28th the army was called in to shell the compound where the sect's leader, Muhammad Yusuf, has been based. As well as killing scores of Boko Haram fighters, the police arrested hundreds of suspected members of the group.

The "Black Taliban", as such groups are dubbed in Nigeria's northern states, have carried out isolated attacks for several years. This time the violence has been more widespread and prolonged. Muslim *sharia* law was introduced in 12 northern states after general elections in 1999, but the states' Muslim rulers have usually been cautious in applying it. This has prompted the militants to demand a more extreme form of Islamist rule and for *sharia* to be extended to the whole of Nigeria.

Nigeria's federal government, along with Western intelligence agencies, has long worried that extremist groups in the north may link up with Islamist terrorist groups elsewhere in Africa, in particular with al-Qaeda in the Maghreb. This outfit grew out of the blood-soaked struggle by Islamists to overthrow Algeria's government in the 1990s. Such connections raise the spectre of a concerted Islamist threat against Nigeria, a close ally of America and a large oil exporter. But the links have not been proved and little is known about groups such as Boko Haram.

On this occasion Nigeria's president, Umaru Yar'Adua, acted swiftly. But it was the exception to his presidential rule. Now halfway through his four-year term, the former governor of the northern state of Katsina has achieved little. His administration is beset by indecision and drift.

This week's violence in the north comes on top of unceasing violence in the southern Niger Delta region, where an insurgency by militants demanding a bigger share of the country's oil wealth continues to disrupt oil exports. By some estimates, Nigeria now exports only half of what it should: Angola has taken over as sub-Saharan Africa's biggest producer.

Despite floating various well-meaning plans to pacify the Delta, the government has failed to stop the region's unrest. The fall in tax revenues, as a result of illegal bunkering and the sabotage of pipelines, means that Mr Yar'Adua has even less chance of tackling his country's other problems, such as a chronic lack of electricity. The insurgency in the Delta has thrived on the back of dire poverty and high unemployment in what should be a relatively wealthy region, were it not so poorly governed. Some fear the Islamist militants in the north may profit from the same lack of opportunities, which saps the morale of young Nigerians and makes so many of them prey to extremists. ■

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the influential Office for Strengthening Unity, Iran's main student organisation, which has remained critical of the regime.

The students at the universities in Tehran who come from the provinces and were living in those dormitories were sent home when the post-election turmoil began and universities shut. Many of them, now poised to return, are keen to revive what they missed. "Since they have no parents around them," says an engineering student at the Islamic Azad University of South Tehran who comes from the north-western town of Qazvin, "they are free to do anything. The atmosphere is highly radical. Students right now can continue the protests in a very good way."

Iran's supreme leader, Ayatollah Ali Khamenei, seems rattled by the prospect of student unrest—and has hinted that the regime may purge universities of professors suspected of "unIslamic" tendencies. On August 30th he complained that the study of social science "promotes doubts and uncertainty", telling a meeting of students and teachers that the study of liberal arts and other humanities had led to a "loss of belief in godly and Islamic knowledge." Perhaps presaging a crackdown on teachers as well as students, Kamran Daneshjou, who ran the interior ministry's election headquarters during the presidential poll, has been appointed minister in charge of universities.

Yet the regime is unlikely to close the universities altogether. This month it may become clearer whether the students can pep up an opposition that may, in the past month or so, have begun to flag. In any event, internecine skirmishing within the ruling establishment is still going on—ensuring that Iran's crisis is far from over. ■

2.7 Million in Camps

The crisis in Darfur

Neither all-out war nor a proper peace

KHARTOUM

New mediators are trying to resolve the conflict in Sudan's ravaged western region

WHEN General Martin Agwai, the outgoing commander of the United Nations and African Union (AU) peacekeeping mission in Darfur, known as UNAMID, said that the war in Sudan's western region had all but dried up, he stirred controversy. Some people are loth to acknowledge that the nature and scale of the violence in Darfur have changed. All the same, violence still rages—and the UN must share the blame for failing to do more to stop it.

In part, the general was stating the obvious. About 300,000 people have died in Darfur as a result of the violence that erupted in 2003 after rebels attacked Sudanese government forces. This year, by contrast, more people have died in inter-ethnic fighting in the south Sudanese state of Jonglei alone than in Darfur, where big clashes have been happening only rarely. The death rate in Darfur, a controversial measure, is widely accepted to be below what aid agencies consider the threshold for an emergency. Especially in America, campaigners who say that genocide is still taking place in Darfur find this hard to admit.

But General Agwai accepted that there was still no peace in Darfur. If anything, the fragmentation of rebel groups, sometimes into little more than gangs of bandits, has left it as dangerous as ever—and less predictable. Aid workers and food convoys are often attacked. Low-level fighting is still creating refugees, who must join the 2.7m others in the camps that litter Darfur. UNAMID has failed to stem this violence.

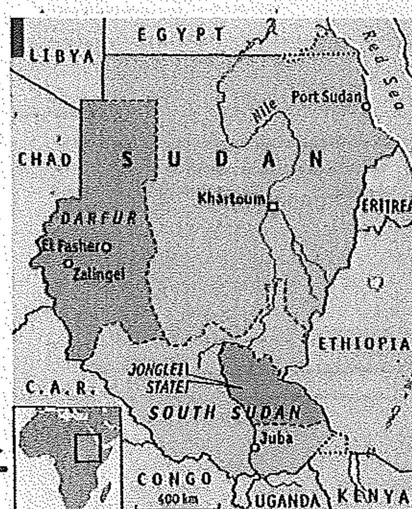
For sure, General Agwai's task has been hampered by circumstances beyond his control. His force arrived at the start of last year but is still less than three-quarters of its mandated strength of 26,000 soldiers and police, the largest such UN peacekeeping force ever deployed. The general also got less logistical support than he wanted. He asked for 18 military helicopters, which are vital in the remote desert region of Darfur, the size of France. So far he has received none. He also faced concerted bureaucratic obstruction by Sudan's government.

Yet UNAMID had substantial assets at its disposal. But it rarely intervenes to stop the fighting. It has done a bit to boost security in Darfur's towns but has provided almost no protection in rural areas. Even in towns, security has been patchy. On August 29th two UNAMID people were kidnapped in Zalingei. "If they can't handle their own security, how can they protect anyone else?" asked one aid worker.

The political head of UNAMID, Rodolphe Adada, a bow-tied Congolese diplomat who also stepped down last week, has been largely ineffective. Others have taken the lead in trying to revive peace talks in Darfur, stalled since the total failure of a conference in Libya in October 2007. On behalf of the AU, Thabo Mbeki, a former South African president, is looking at ways, perhaps involving so-called hybrid courts, to prosecute those responsible for war crimes in Darfur.

The idea is to present an alternative legal framework that Sudan's government might find more palatable than seeing some of its members hauled off to the International Criminal Court (ICC) at The Hague, which has indicted President Omar al-Bashir and two of his top men. Mr Mbeki is expected to report back to the AU later this month. A compromise over the ICC wrangle might possibly let Sudan's government be more willing to make concessions that could lead to a political settlement in Darfur.

At the same time, a variety of other mediators, including the Qataris and a new American special envoy to Sudan, Scott Gration, have been encouraging the disparate rebel groups to resolve their differences and form a more coherent negotiating body. This requires patience. The utter fragmentation of the rebels into warring factions in the past three years is a big reason for the lack of progress towards peace in Darfur. But diplomats are now shuttling between the capitals of Egypt, Libya, Qatar, Sudan and elsewhere. Previous efforts have got nowhere. Recently there has been at least a little spurt of hope. ■



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An East African Federation

Big ambitions, big question-marks

Oil Ports

LAMU

The idea of a United States of East Africa is less far-fetched than it was

WHAT exactly is "East Africa" these days? Certainly, the parts of old British East Africa—Uganda, Tanzania (first a German colony) and Kenya. They have trodden very different paths since colonial days. Uganda has had coups, turmoil under Milton Obote, bloody convulsions under Idi Amin, and long spells of civil strife. Under Julius Nyerere, an incompetent or saintly authoritarian (depending on who you ask), Tanzania strove for a socialist ideal that kept its people plodding and poor but united and peaceful. Kenya was more dynamic and worldly, but more violent and corrupt. It may now be the least stable of the trio.

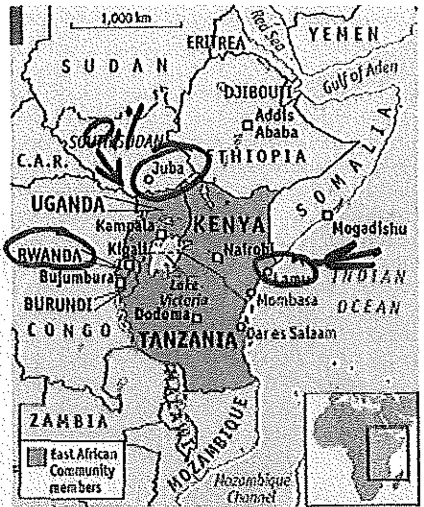
In 1967 these three founded the East African Community (EAC) with a view to federation. Little progress was made; the EAC collapsed in 1977, to general rejoicing among Kenyans, who reckoned they were carrying the other two. In 1999, however, the project was revived. In 2007 it even expanded to include Burundi and Rwanda. Many still doubt whether a European Union-style federation can ever be achieved in the region, despite the EAC's promise to create a single currency by 2015 and to make a customs union work. But recent developments have made further integration more likely.

Tanzania has usually been the one to put the brakes on the EAC, fearing it will be overrun with land speculators and better-educated Kenyans and Ugandans. But Tanzania's president, Jakaya Kikwete, now says his people should stop moaning and prepare for a common market. The head of Tanzania's tiny stock exchange reckons there could be a single east African version in a few years. Work is already under way to create a common trading system.

If Tanzania has lagged behind, Uganda has usually encouraged the federal idea, not least because its president, Yoweri Museveni, has long nurtured a wish to end his career as the EAC's first president.

Paul Kagame, president of tiny, landlocked Rwanda, is also keen to press ahead. His recent rapprochement with Congo, Rwanda's vast, ramshackle neighbour to the west, was made in the hope of increasing trade via the fledgling EAC's market. He is now intent on adding value to Congolese raw materials and shipping them to the world market through the EAC, too.

Congo's government seems willing. China, by some counts the biggest investor in the region, plainly wants Congo's timber, iron ore and other minerals shipped across the Indian Ocean via the EAC.



For that and other reasons, Kenya, for its part, wants to build a new deep-sea port near the island of Lamu, close to the border with Somalia. Kenyan officials have so far brushed aside concerns for the mangrove swamps and nearby marine sanctuary. They say the port, refinery and new city will be built on the mainland to preserve Lamu's heritage and tourist industry. The hope is for roads and railways to Mogadishu, Addis Ababa and Kigali and a pipeline bringing in Ugandan and south Sudanese oil. Funds would flow in from Kuwait and other Arab investors. This would link up east Africa as never before, and a single currency and a customs union would then make much more sense.

And why should an East African federation stop with the club's existing member countries? If defined by the area in which the lingua franca of the Swahili language is used, the range of lorries heading out of the Kenyan port of Mombasa, and the magnet of Nairobi as a hub, east Africa spreads into Ethiopia and includes a chunk of Somalia, a swathe of east Congo, a strip of northern Mozambique and all of southern Sudan, which could become an independent country in 2011, if its people vote in a promised referendum to secede.

The EAC already has 126m people. If it expands, it could add as many as 120m more to that number, making it more than twice as populous as Africa's 28 smallest countries combined—enough, its backers argue, to make a bigger EAC very attractive to foreign investors. The EAC says it would negotiate better deals with the rich world than individual African countries can.

Local businessmen are still sceptical. They argue that the EAC's dream of federation could be botched by a trade row, tribal violence or strangled at birth with red tape by venal politicians and bureaucrats. So the mood is mixed. Could east Africa take off as a regional trading bloc? Or will the idea disappointingly fizzle once again? An early test of the EAC's earnestness will be to see if it can get its member countries jointly to look after Lake Victoria, a common resource that scientists say has been overfished and poisoned by the sewage running off its overpopulated shores. ■

Africa and climate change

A green ransom

NAIROBI

Make the rich world feel guilty about global warming

RICH countries should compensate Africa for all their belching chimneys and exhausts. In a rare fit of African unity, it was decided at a recent flurry of leaders' meetings that the United States, the European Union, Japan and others should pay the continent the tidy sum of $67 billion a year, though it was unclear for how long. Ethiopia's prime minister, Meles Zenawi, is likely to lead a delegation of 53 countries (all of Africa minus Morocco) to the climate-change summit in Denmark's capital, Copenhagen, in December, where he will presumably lodge this demand.

Would the money come, if it came at all, with strings attached or as reparations for damage to Africa's atmosphere? Mr Meles has made it clear he is seeking blood money—or rather carbon money—that would be quite separate from other aid to the continent. If the cash were not forthcoming, the African Union (AU) might take a case to a court of arbitration and ask it to judge overall culpability for climate change.

The AU says it would not administer the carbon cash directly. National governments would get it. But it is unclear how it would be allocated. The UN's Intergovernmental Panel on Climate Change says Africa will be the continent worst hit by higher temperatures. But some bits of Africa may deteriorate more, whereas others may benefit from greater rainfall.

Africa's demand is high, but there is widespread agreement that the continent should get help to adapt to climate change. Some think cash reparations are the right way to go. Others reckon it would be more practical (and less costly) to help to build sea defences for the Niger and Nile deltas and to protect Congo's rainforest.

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China Continues

Tuesday, August 11, 2009 B1

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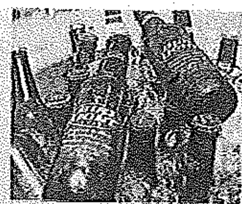
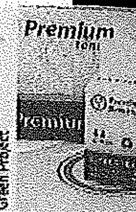


Anheuser Seeks Bud Light Revival

MEDIA & MARKETING B4



Green Project

THE WALL STREET JOURNAL.

Chinese Oil Firms Bid $17 Billion

By Aries Poon

...ina's resource majors have ...ed up foreign oil and other ... recently, as the country ... to lock in energy supplies. ...ina Petrochemical ..., the Chinese state-owned ...mpany known as Sinopec, ...e acquired Switzerland- ...oil explorer Addax Petro- ...Corp. for $7.2 billion. In ... CNPC purchased Kazakh ...oducer MangistauMunai- ...intly with Kazakhstan's ...owned KazMunaiGas for ...illion.

...na's state energy compa- ...e also showing more team- ...in chasing foreign deals ...previously. This year Si- ...and Cnooc have together ... deals for oil and natural- ...sets in Angola and the Car- .... In July they agreed to

...ase turn to the next page

... ...eam op- erations—the exploration for and production of oil—and downstream operations involving oil refining and marketing.

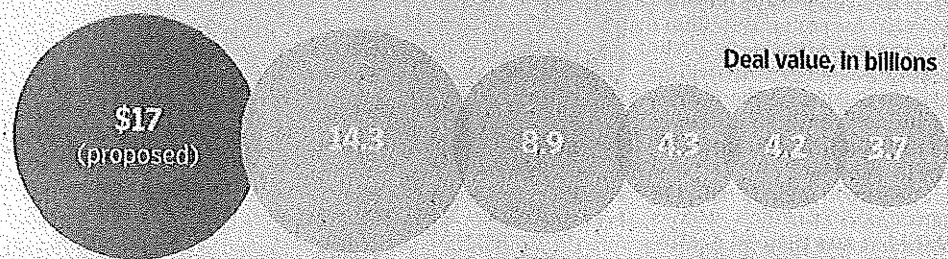
Objections could be raised if it's believed that CNPC, China's biggest state-owned oil firm, and Cnooc, China's biggest offshore oil and gas producer, would have significant influence over Argentina's supply and pricing of strategic natural resources.

The Argentine government holds no financial stake in YPF, but has the right to veto important decisions such as a transfer of ownership.

The Argentine Planning Ministry, which oversees energy, didn't immediately respond to requests for comment.

One of the people close to the

Shopping Spree | China's largest foreign deals for natural resources



TARGET* (Country)	YPF (Argentina)	Rio Tinto (U.K.)	Addax Petroleum† (Switzerland)	Awilco Offshore (Norway)	Petro-Kazakhstan (Kazakhstan)	Udmurtneft (Russia)
ACQUIRER (announced)	CNPC, Cnooc	Chinalco, Alcoa (2008)	Sinopec (2009)	Cnooc (2008)	CNPC (2005)	Sinopec (2006)

*Includes acquisition of partial stakes †Pending

Source: Dealogic

Beijing Auto Hires R&D Ch...

GM, eBay Will Let C... D...

General Motors C... Inc., looking ...

Africa
15 Billion in 3 years 2007-2010
30

Floating production capex to exceed $85 billion 2009-2013

In the current circumstances of global financial instability and turbulent oil prices it is not surprising that people are questioning what the potential impact on the offshore oil and gas industry will be. This forecast examines the expected impact on the floating production systems market.

AUTHOR
Yanina Pavlova, Infield Systems Ltd.

The impact of the current financial situation will have short-term and long-term effects on the floating production systems market segment. The lack of credit and falling oil prices, which are considered short term, are causing a number of problems within the industry — such as project delays and cancellations — and are raising concerns about many operators' financial and operational stability.

Looking at the current market headlines, those companies of greatest concern are highly leveraged independents that are struggling due to the lack of cash flow, especially those that sanctioned projects with peak oil prices in mind. Most of the oil majors, on the other hand, have been less prone to over-optimistic oil price prognoses and are more equipped with cash and positive cash flows. This edge gives them the opportunity to move ahead with those projects that have been sanctioned with more conservative oil prices in mind. Among them, Petrobras is expected to be the most active player with a forecasted US $15 billion of capital expenditure, followed by Total, Chevron, Shell, ExxonMobil, and BP.

In the longer term, tightness in supply and decreasing reserve replacement ratios mean that accessing new hydrocarbon reserves will remain a priority for oil companies even if demand stays stationary. Therefore, it is expected that new offshore oil and gas developments will continue to face strong market fundamentals that will push their sanctioning forward.

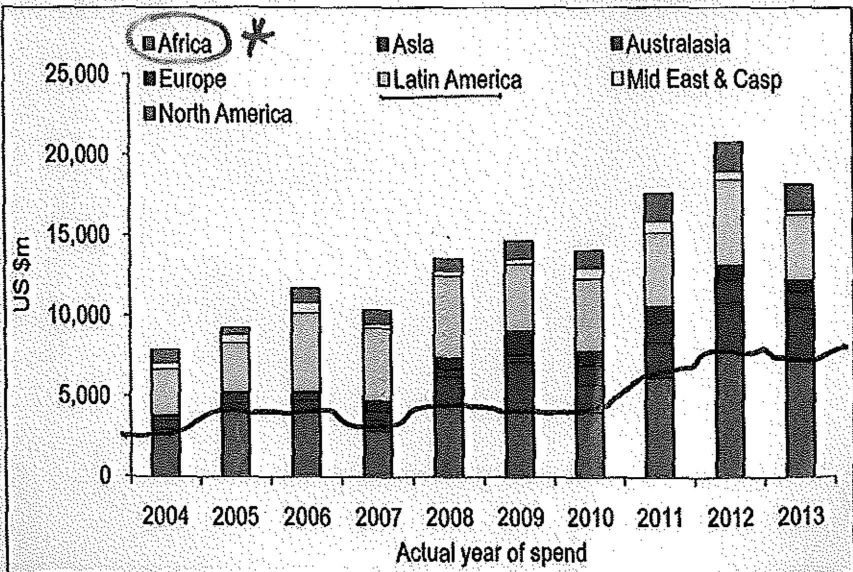
Spending continues

Even with project delays and deferrals, the total global floating production systems market over the period 2009 through to 2013 is set to exceed $85 billion of capital spending, an increase of $32 billion over the previous five years.

During the forecast period 2009 to 2013, Infield expects further growth and capital intensive developments associated with deep and ultra-deepwater projects, which are crucial drivers for floating production market growth. The whole industry is moving toward deepwater and ultra-deepwater developments, in more severe environmental conditions and more remote locations.

Floating production, storage, and offloading (FPSO) vessels will command the majority of the expenditure within this sector, with expenditure likely to reach $48.6 billion, of which 45% will be newbuilds and 55% conversions. This reflects the advantages they offer over other development solutions.

Within the FPSO market, the leasing option is a developing area that gives operators certain advantages. The option to lease rather than commission the building of a new FPSO allows the operator the opportunity to avoid putting this asset onto its own balance sheet and also to pass on the risks associated with construction (in particular, delay) to an FPSO owner, with extreme penalties incurred if deadlines are missed. The FPSO leasing market has recently seen the addition of several new small



Global floating production capex (US $m) spend by region 2004-2013 (Source: "Global Perspectives Floating Production Market Update 2009/13")

E+P May 2009
p.80

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First drilling FPSO goes to work offshore Africa

In 2Q, 2009, Murphy West Africa Ltd, Societe Nationale Des Petroles du Congo, and PA Resources AB will put the world's first FDPSO into operation on the Republic of Congo's Azurite field.

By JUDY MAKSOUD, Executive Editor

The deepwater Azurite field lies offshore the Republic of Congo in 4,600 ft (1,400 m) of water in the Mer Profonde Sud block approximately 80 nautical miles offshore.

The field development program for Azurite consists of a spread-moored floating, drilling, production, storage, and offloading (FDPSO) vessel tied to a subsea manifold. The manifold has 10 slots — six for oil and gas production and four for water injection — and is connected to the FDPSO by three flexible high-pressure risers that were designed, fabricated, and installed by Technip. Two of the risers are production risers, and one is for water injection. Ten enhanced vertical deepwater trees, provided by FMC Technologies, are tied in to the subsea manifold by flexible well jumpers. A multiphase pump will provide artificial lift for the field.

The making of an FDPSO

In October, 2006, Murphy Oil Corp. subsidiary Murphy West Africa Ltd. issued Prosafe a letter of intent for the conversion and operation of the world's first FDPSO. The US $400 million contract that was signed in November 2007 gave Prosafe responsibility for converting the very large crude carrier *M/T Europe* into the *Azurite* FDPSO. The vessel underwent conversion between July 2007 and February 2009 at the Keppel Shipyard in Singapore.

After awarding the conversion project to Prosafe, Murphy selected drilling contractor Nabors Industries Ltd. for the drilling component of the system. Nabors, which supervised the rig fabrication, was to provide and erect the drilling rig on the FDPSO such that the completed vessel would be equipped with a modular drilling package that could be removed and reused elsewhere when the drilling work on the Azurite field was completed.

Murphy's decision to go with a new type of floating production system was based in part on the fact that Azurite would be a fast-track project. With high rig rates and limited availability of suitable mobile offshore drilling units, the company was in a position to consider less traditional options that would allow it to achieve first oil in 2009.

After evaluating a number of production concepts, including a spar/FPSO arrangement like the one used on the Kikeh field offshore Malaysia and a production semisubmersible option like the one being used on Thunder Hawk in the Gulf of Mexico, Murphy decided that the most suitable solution was the FDPSO.

Murphy remained schedule-driven throughout the project and worked closely with the other companies involved to make sure the schedule was kept. One of the keys to success on the project was the focus on interfaces — interaction between operator and contractors and among the contractors working together on the project. Communication and cooperation were critical.

This project marked the first time an FPSO would be developed with a mobile drilling rig. Because no such project had been undertaken before, the construction of the FDPSO brought with it a number of significant challenges.

Dealing with those challenges became the purview of William Jacob Management (WJM) Inc. of Houston.

The company's initial involvement was straightforward — to determine loading limits for the deck and hull for Prosafe. When the time came to place the drilling rig on the deck, however, WJM's role changed.

According to Trevor F. Smith, technical director at WJM, the unique nature

WJM designed and built another deck to support the drilling structure on the FDPSO. (Image courtesy of William Jacob Management Inc.)

(32)

Court ruling leaves key oil fields to Sudanese government

Eric Watkins
Oil Diplomacy Editor

The Permanent Court of Arbitration in The Hague has readjusted the borders of Sudan's oil-rich Abyei region, effectively awarding control of key oil facilities in the area to the Khartoum-based northern government.

The oil fields had been appended to the Abyei region in 2005, after a peace agreement signed between the northern government and the Sudan People's Liberation Movement—a decision that Khartoum disputed.

In 2008, the two parties decided to refer the matter to the PCA after violent clashes in the region left 100 dead, with thousands of others forced to flee the fighting.

Altogether, the ~~PCA's~~ ruling reduced the land mass of the Abyei region by 8,099 sq km by redrawing its northern, eastern, and western borders, while leaving the southern border unchanged.

As a result of the PCA ruling, the Khartoum government was able to boast of significant gains to the north, west, and east of the town of Abyei, particularly in terms of control of oil fields.

"We have made a very important gain in this award," said Dirdeiry Mohamed Ahmed, the Sudanese government representative at the tribunal, adding, "This territory includes the disputed oil fields."

In particular, Abyei's new eastern border means that Khartoum will be able to keep the key Heglig and Bamboo oil fields, part of a block operated by the Greater Nile Petroleum Operating Co., a consortium led by China National Petroleum Corp.

The court ruling effectively awarded the Diffra oil field Abyei, but its production is thought to be falling.

Despite the loss of the key oil-producing areas, leaders of the SPLM, which heads the autonomous regional government in the south, agreed to abide by the court ruling.

SPLM representative Riek Machar said, "We want peace. We think this decision is going to consolidate the peace. We came to see justice and it's a decision we will respect."

Independent observers said ther still potential for long-term proble in particular whether SPLM suppo will accept the loss of Heglig, Ban and other oil fields, once the impl tions of the ruling have been asse

The most immediate effect wi loss of revenues, both to the gove ment of Southern Sudan and to l communities, who were promis proportion of Abyei's oil revenu der earlier interim agreements.

Under a peace deal agreed be the north and south in 2005, Al will hold a referendum in 2011 whether to retain special status north Sudan, or join the south; a simultaneous vote will be he independence.

But the oil fields will remai of northern Sudan, according week's ruling by the PCA, how people of Abyei vote in the fo referenda. ✦

Abu Dhabi awards $9 billion in gas project contract

Abu Dhabi Gas Industries Ltd. (Gasco) has awarded more than $9 billion in lump-sum turnkey contracts for engineering, procurement, construction, and commissioning of its integrated gas development project at Ruwais and Habshan.

Recipients of the contracts include a joint venture of JGC of Japan and Tecnimont of Italy (for $4.7 billion), Hyundai Engineering & Construction of South Korea ($1.7 billion), a joint venture of Petrofac of UAE and GS Engineering of South Korea ($2.1 billion), and CB&I of the US ($533 million).

Elements of the contract are:

- Habshan 5 process plant: JGC and Tecnimont.
- Habshan 5 utilities and off sites: Hyundai.
- Ruwais fourth NGL train: Petrofac of UAE and GS Engineering.
- Ruwais storage tanks: CB&I.

Ruwais complex

The Ruwais fractionation plant, part of the Ruwais Industrial Complex and the Abu Dhabi onshore hydrocarbon chain, receives feedstock from Gasco's NGL extraction plants at Asab, Bu Hasa, Habshan, and Bab, as well as LPG from the neighboring Takreer refinery (Abu Dhabi Refinery Co.).

The plant has two parallel fractionation trains that can process 7.8 million tonnes/year (tpy) of NGL, storage facilities, and a loading jetty ... propane, butane, and paraffinic naphtha.

The two trains send ethane to the neighboring Bourouge petrochemical plant to produce ethylene. The other three products are stored at Ruwais before transfer via the Gasco Ruwais jetty to gas carriers or via the refinery jetty to paraffinic naphtha tankers for markets worldwide.

Construction has been under way since 2005 on a third NGL train at Ruwais to handle 8.9 million tpy of additional NGL produced from Habshan 3, Asab 2, and other projects and to produce about 6,400 tonnes/day (tpd) more of raw ethane for Rouge's petrochemical plant, 6,000 tpd each

Week of Apr. 13, 2009/US$10.00

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WATCHING THE WORLD

Eric Watkins, Oil Diplomacy Editor

Blog at www.ogjonline.com

Showdown in Uganda?

Is a showdown looming in Uganda? The oil and gas industry has heard much recently of developments in the country, not least the desire on the part of Ugandan officials to develop a refinery instead of an export pipeline.

Well, it seems things are coming to a head as the country considers ways of taking more control over its budding oil and gas industry with the establishment of an oil and gas policy, to say nothing of a national oil company.

According to consultant IHS Global Insight, Uganda's Energy and Mineral Development permanent secretary Fred Kabagambe-Kaliisa last week announced the government's intentions with an overhaul of the oil and gas policy to be implemented before the end of the year. The pending Resource Management Law and Revenue Management Law would see the establishment of a new institutional framework separating policy from regulation and commercial activities. It would also see the creation of a state-owned Uganda Oil Co.

Refinery needed

"Uganda's government officials all talk of the country's need to be able to refine its own crude, and it seems intent now on constructing a commercial refinery which would require a multibillion dollar investment," said the consultant.

In fact, IHS Global Insight now strongly believes that "the Ugandan government is unshakeable in its belief that a refinery will be constructed; it is now only a question of how large the facility will be and what product slate it will have."

Apparently the Ugandans are emboldened by the results of a 2007 study conducted by the East African Community that identified regional demand of about 150,000 b/d of petroleum products, a figure that is growing at 5%/year. While IHS Global Insight sees some merit in the idea of a Ugandan refinery, it nonetheless points out that any commercial-scale refinery would cost billions of dollars and would take many years to pay back the investment.

Key concern

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As a result, it says, "this strategy would not benefit Uganda in the short term as the country's key concern is to monetize its assets in order for the country to make progress as quickly as possible."

Another vital issue is the actual size of Uganda's crude reserves, an answer that will not be known until considerable further exploration has taken place over the next few years. Enter the international oil company.

"We can't just go with a 'big bang' solution," said Ian Cloke, exploration manager of Tullow Oil's operations in Uganda. "We've got to understand the reservoirs and how they'll perform," he told a recent conference in East Africa.

Uganda clearly does have a number of key decisions to make over the coming months and years on how best to develop its crude reserves. Before making such decisions, though, the government would do well to know just what its reserves actually amount to.

What's the old saying? The one about not counting your chickens until…? ✦

"No country or region is immune to such attacks or incidents," said Nasma Baghli, the director of security and disarmament at the Algerian Ministry of Foreign Affairs, at the launch of the military exercises in Ain Naadja.

Around the same time, in the first operation of its kind, Malian government forces killed between 16 and 26 alleged AQIM members in an attack on its base in the Timetrine region near the border with Algeria. ✦

Suspected terrorists arrested for plotting attacks in Suez Canal

Egyptian authorities have announced the arrest of 26 men, most of them engineers and technicians suspected of links with the terrorist al-Qaeda organization, on charges of plotting attacks on oil pipelines and ships transiting the Suez Canal.

The Egyptian Interior Ministry allege that the suspects, 25 Egyptians and a Palestinian, who had prepared remote-controlled detonators and explosives, were in contact with the Islamic Army of Palestine and were awaiting instructions from an al-Qaeda operative based abroad.

Egyptian authorities, who confiscated explosives, electronics, and diving suits, alleged that the suspects had prepared the remote-controlled detonators and explosives out of armaments left in the Sinai Desert from Egypt's wars with Israel.

The US Energy Information Administration considers the Suez Canal and the nearby Suez-Mediterranean pipeline as one of the world's seven most important chokepoints or transits for oil, whose closure "would add 6,000 miles of transit around the continent of Africa."

Oil shipments from the Persian Gulf travel through the Canal primarily to European ports, but also to the US, EIA says, adding that more than 3,000 oil tankers pass through the Suez Canal every year, and represent about 25% of the canal's total revenues. ✦

Terrorists target Canada

The Canadian oil and gas industry has been hit by a rash of terrorist attacks in recent years, and the outlook is for much of the same, at least according to a recent risk report.

The report, entitled "Resource Industries & Security Issues in Northern Alberta," states that five groups are considered the most likely to carry out efforts that would hinder development of Canada's petroleum reserves.

The five main threat groups include individual saboteurs, ecoterrorists, mainstream environmentalists, First Nations, and the Métis people, who constitute a distinct Aboriginal nation largely based in western Canada.

"All except the Métis have, at various times, used some combination of litigation, blockades, occupations, boycotts, sabotage, and violence against economic development projects, which they saw as a threat to environmental values or aboriginal rights," said the report's author, Tom Flanagan.

Small-scale attacks

"However, extra-legal obstruction is unlikely to become large-scale and widespread unless these various groups make common cause and cooperate with each other," said Flanagan, a professor of political science at the University of Calgary.

"Such cooperation has not happened in the past, and seems unlikely in the future, because the groups have different social characteristics and conflicting political interests," Flanagan said.

While Flanagan rules out the possibility of such cooperation among the five threat groups, along the way he makes some highly interesting observations about the people likely to carry out attacks on Alberta's oil and gas industry.

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He says the Peace River country of Alberta and British Columbia, as the last homestead frontier in North America, has attracted many highly independent people who want to live undisturbed in remote bush land.

"These people may see roads, seismic cuts, and pipelines as an intrusion on their property rights, and perceive hydrocarbon emissions as a threat to their health," Flanagan said.

Remote homesteaders

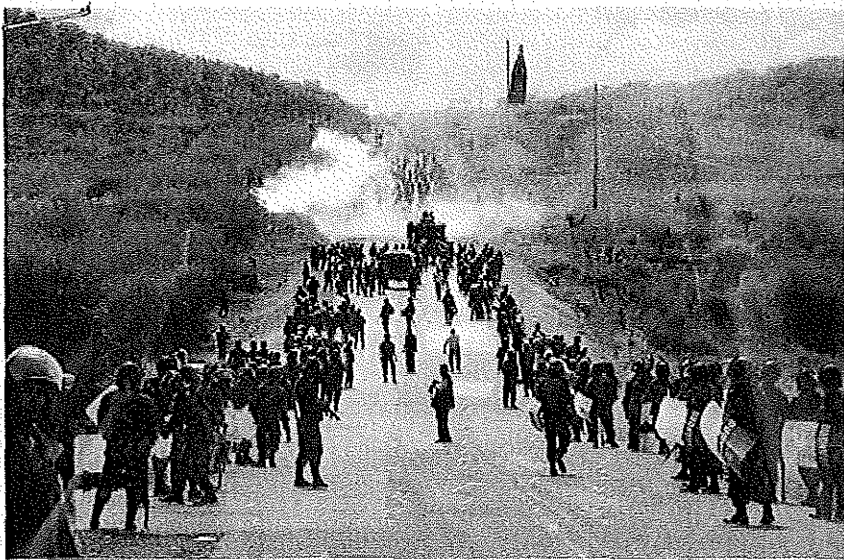
These remote homesteaders are well equipped to carry out acts of sabotage since they own firearms for hunting and self-protection in the wilderness; and they are familiar with heavy machinery because of their work as farmers, ranchers, lumberjacks, drill hands, and truck drivers.

They are not easy to detect and apprehend in such a vast expanse of territory, especially where they have some community sympathy.

"They will probably remain a nuisance factor, imposing extra security costs on natural-resource industries, but not bringing such industries to a standstill," Flanagan said.

If there is a problem with Flanagan's report, however, it is his exclusive focus on domestic sources of terrorism to the exclusion of any threat from abroad—a point noted by writer Andrew Nikiforuk.

"Most terrorism experts would say Alberta has made itself terribly insecure again by rapidly expanding oil and gas pipelines, and by becoming the No. 1 supplier of oil to the United States," said Nikiforuk. ✦



Oil and land rights in Peru

Blood in the jungle

Surface Right. (80.-100 Million Acres of Amazon Rain Forest.

LIMA

Alan García's high-handed government faces a violent protest

FOR seven weeks tens of thousands of Amazonian Indians blocked roads and rivers across eastern Peru. They seized hydroelectric plants and pumping stations on oil and gas pipelines to try to force the repeal of decrees facilitating oil exploration, commercial farming and logging in parts of the jungle. Petroperu, the state oil company, had to shut a pipeline that carries 40,000 barrels of oil each day. Amid threats of energy rationing in eastern towns, the government of President Alan García this month ordered armed police to clear a stretch of road and retake a pumping station near Bagua, in Peru's northern jungle (see map in previous story).

In the ensuing clash at Curva del Diablo—or "Devil's Curve"—on June 5th at least nine protesters and eleven police were killed. The Indians, armed with spears and machetes, went on to capture and kill a dozen more police guarding a pumping station. Their leaders claim that at least 40 Indians were killed and 60 more are missing, though these numbers have not been confirmed.

This bloody confrontation has rocked Mr García's government—and dramatised the failure of Peru's political system to settle the conflict between the government's plans for development and the demands of some of its poorest citizens.

Thousands of Indians brandishing wooden spears continued to block roads near Bagua this week. The government imposed a curfew and placed the army in charge of two provinces in Amazonas department. It has sent police reinforcements to other parts of the jungle and ordered the arrest of Alberto Pizango, the leader of AIDESEP, an umbrella-group of jungle-Indian peoples that organised the protests. Mr Pizango last month briefly called for an "insurgency" against the government, raising alarm in a country that suffered greatly from the terrorist violence of the Shining Path in the 1980s and 1990s. He has sought and been granted asylum in Nicaragua. Mr García has hinted that radical socialist governments in Venezuela and Bolivia were behind the violence, and were manipulating "ignorant" Indians.

While not endorsing AIDESEP's violent tactics, many Peruvians blame Mr García for the violence. *El Comercio*, Peru's establishment newspaper, echoed opposition calls for the sacking of Yehude Simon, the prime minister, and of the interior minister for bungling the dispute. The government is widely condemned for failing to consult properly over 99 decrees it issued a year ago, using legislative powers delegated by Congress. These decrees were ostensibly designed to speed the implementation of a free-trade agreement with the United States, but trade had little to do with the new rules that AIDESEP objects to.

After a first wave of protests by AIDESEP last August, Peru's Congress repealed two decrees which would have made it easier for Indian communal lands to be sold. But congressional leaders failed to conduct a promised review of eight other decrees, prompting a renewal of protests in April. These measures introduce provisions allowing the development of "unproductive" land in the jungle. The recent blocking by Mr García's APRA party of an attempt to repeal one of the eight measures, the forestry and wildlife law, triggered the violence. However, on June 10th Congress voted to suspend temporarily two of the decrees.

Mr García argues that the Indians should not be allowed to block investment in oil and gas that he hopes will turn the country into an oil exporter, benefiting all Peruvians. AIDESEP counters that his decrees ride roughshod over the property rights of the Indians. Peru has some 70m hectares (173m acres) of rainforest—the largest chunk of the Amazon basin outside Brazil. Around 70% of the jungle has now been granted, or offered, as concessions for oil and gas exploration, much of it by Mr García's government. Foreign oil companies, including Spain's Repsol, and dozens of smaller outfits, are operating many of these concessions.

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Much of the land is claimed either as communal by Indian tribes or as private property. One hotly disputed area involves Lot 67, a concession in Loreto in the north-eastern jungle. Perenco, an Anglo-French company, plans to invest up to $2 billion by 2013 to extract 100,000 barrels per day of heavy oil. This partly overlaps a proposed reserve for an Indian tribe that eschews contact with the modern world.

AIDESEP complains that governments have been slow to settle Indian land claims and grant titles, and quick to grant concessions to oil companies and loggers. This makes Indians suspicious and resentful. Some 330,000 of them, grouped in 60 different tribes, live in the Peruvian jungle (where they make up 10% of the population). Many have not joined the protests. Most lack adequate schools and health clinics. More than half the population of the northern jungle is poor, compared with a national average of 36%.

Peru has seen many conflicts between foreign mining and oil companies and local people, who complain of environmental damage and/or a lack of tangible benefits from these investments. The conflicts are often resolved only after protests, and sometimes bloodshed.

AIDESEP says that under the UN declaration on indigenous peoples, which Peru voted for, its member groups have the right to exercise control over their traditional lands and their resources. The problem for Peru is that there is no agreement about how to apply such rights or how to square them with the interests of the rest of the population. Force is not the answer. Instead of bluster, Mr García should be offering Peru proper consultation and vigorous debate about these issues. ■

produce oil overseas rather than simply to *buy* it. Oil security is something that China, like many other powers, takes very seriously.

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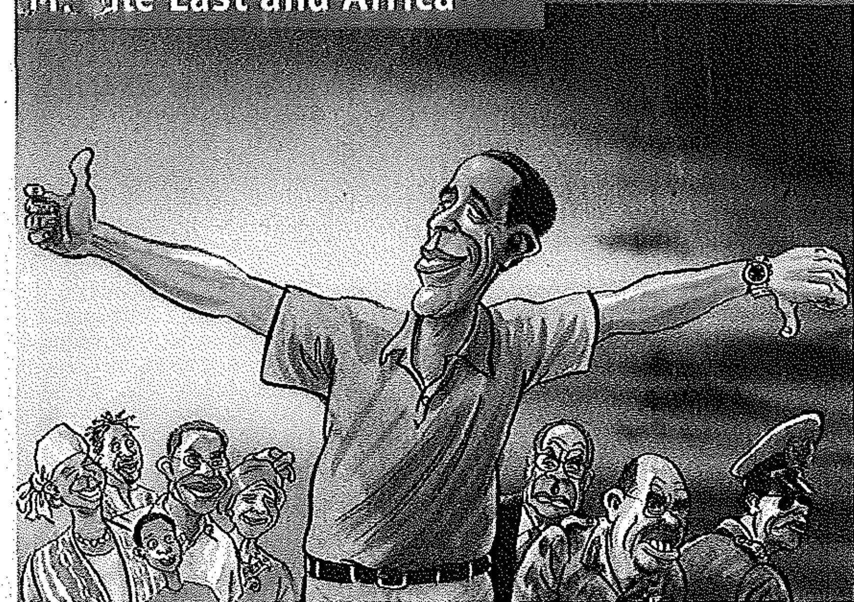
In 1996, China was the second biggest exporter of oil in the whole of Asia. Only nine years later, however, it had become the second largest importer of oil in the world after the United States. The reason was partly the meteoric rise in the number of cars on Chinese roads. In 1999, there were 3 million cars in the whole country, but nearly three times that number were sold in 2007 alone; some expect car ownership to hit the 100-million mark by 2015. Oil consumption projections are, of course, similarly staggering: By 2020, China expects to have to import between 10 and 15 million barrels per day—twice Saudi Arabia's current total production, and equal to production figures for the whole of Africa.

But spare a thought for the Chinese. When you're at the back of the line when the oil companies are dividing up Africa, getting your fair share can be difficult, particularly when you have no former colonial ties on which to draw. Shell, for example, dug in in Nigeria as long ago as 1938 and raked in [illegible] sums from its monopoly there, which lasted until independence in 1960. The French company BRP (Bureau de Recherche de Pétrole) struck oil in Gabon in 1956; this company would develop into the more familiar Elf, which itself later merged with Total, which itself had merged with Fina. The United States wasn't to be left out either, as evidenced by Texaco's presence in Angola, a presence deemed so valuable that Cuban soldiers were sent to protect the company's facilities during the civil war in the 1970s, despite Cuba's having fallen into the Soviet Union's sphere of influence: a highly unusual case of communist soldiers defending the interests of a capitalist multinational. And Africa's importance to the West has only increased in the twenty-first century.

In summarizing this enthusiasm for African oil, John Ghazvinian has noted that "African oil is less expensive and better quality, is more accessible and less dangerous to drill than anywhere else in the world, and every day it looks like there could be more of it."[5] The estimates



Also in this section

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Barack Obama and Africa

How different is his policy?

The Economist July 18, 2009

Barack Obama said all the right things about Africa—and left a few ticklish ones unsaid. The tone may shift a bit but the policy will be similar to George Bush's

"DEVELOPMENT depends on good governance." Said by a white Texan dynast in Ghana, an African country once ravaged by the slave trade, that unexceptionable insight might sound a shade patronising. Said by a son of Africa whose election to the world's most powerful post thrilled the continent, it was taken at its respectable face value. "We must start from the simple premise that Africa's future is up to Africans." In other words, throwing aid at bad governments—and Barack Obama made plain that there were still far too many of them—will not work. The president's candour was well received.

In truth, Mr Obama's Africa policy is unlikely to differ much from his predecessor's, which was viewed favourably by Africans in general and by most pundits of African development. There was little in the speech that could not have been said by George Bush, who poured a cascade of cash—far more than any of his forerunners—into such projects as the President's [illegible]mergency Plan for AIDS Relief (PEPFAR) [illegible]d into his Millennium Challenge Ac[illegible]nts, whose largesse was partly meant [illegible]ward good governance.

[illegible] Obama acknowledged Mr Bush's [illegible] efforts". But he puzzled analysts by [illegible] that his own administration had [illegible]ed $63 billion to meet these chal[illegible] was unclear whether that sum [illegible]ojects under way or was new [illegible]ither way, what it was for and over what period it would be spent.

In several passages he stressed that bad governments, especially corrupt or repressive ones, could not expect his help. "I have directed my administration to give greater attention to corruption in our human-rights reports," he said. He also assailed tribalism, which had, he said, "for a long stretch derailed" his own Kenyan father's career. And he singled out several miscreants for blaming their self-inflicted woes on others. "The West is not responsible for the destruction of the Zimbabwean economy over the last decade," he declared.

The choice of Ghana for his first African visit as president was pointed. Citing its recent success both in economics and democracy, he praised "strong parliaments; honest police forces; independent judges [applause]; an independent press; a vibrant private sector; a civil society." And he lauded "leaders who accept defeat graciously", as they did recently in Ghana, a rare event in Africa. "Africa doesn't need strong men; it needs strong institutions."

Mr Obama's speech was equally notable for what it omitted. Some delicate but pressing issues were mentioned only cursorily. In keeping with his pronouncements elsewhere in the world, he avoided the phrase "war on terror" and skated over America's growing need for African oil: about a quarter of what America requires will soon come from Africa, mainly Nigeria and Angola. He did not mention Nigeria's crisis of security and production in its oil-rich Delta region; this week, rebels for the first time attacked Nigeria's commercial capital, Lagos, killing eight guards and setting oil facilities ablaze.

In fact, though Mr Obama did not wish to dwell on security, his biggest headaches in Africa, as for Mr Bush, do still relate to armed conflict. His worst problem is Somalia, where his closest advisers upbraided Mr Bush for worsening matters by arming Somali warlords who claimed to be fighting militant Islam. More recently, however, Mr Obama won a waiver from the UN to send arms to Somalia's beleaguered government, which is threatened by jihadists ("terrorists", he bluntly called them) with links to al-Qaeda. He is unlikely to let his warships or aircraft bomb jihadist strongholds in Somalia for fear of enraging the civilian population. But equally he is plainly loth to let that failed state slide further into the domain of al-Qaeda.

Rather vaguely, he welcomed "steps being taken by organisations like the Africa Union...to better resolve conflicts." The AU, he preferred not to say, is patently failing to bolster Somalia's government. Several of Mr Obama's closest advisers on Africa are known to be disgusted by the AU's refusal to isolate—let alone encourage the arrest of—Omar al-Bashir, Sudan's leader, who has been indicted on charges of war criminality. "When there's a genocide in Darfur," said Mr Obama, "these aren't simply African problems." "We will stand behind efforts to hold war criminals accountable," he said, without naming names. He failed to deplore the AU's reluctance to co-operate with the International Criminal Court at The Hague, where Mr Obama hopes Mr Bashir will be sent.

Mr Obama's administration may not yet have determined its policy towards Sudan. Several of his team, notably Susan ▸▸

Rice, his ambassador to the UN, and Samantha Power at the National Security Council, have in the past urged more robust action to deter Mr Bashir over Darfur. But Mr Obama's new envoy to the conflict zone, Scott Gration, is seeking diplomatic engagement. It was under Mr Bush's watch that a separate peace accord was hatched between the Sudanese government and a rebel movement in the south that may be offered the option of secession following a referendum promised for 2011. Mr Obama may well be called on to help sort out that mess if conflict breaks out again, as many fear, within the next year or so.

Another awkward area for him is Kenya, the land of his own forebears. Along with the Nigerians and the South Africans, who may get a visit by Mr Obama during next year's football World Cup, the Kenyans were sad to have been passed over. (His secretary of state, Hillary Clinton, is due to visit next month for a big trade meeting.) Mr Obama barely mentioned Kenya in a favourable light. For sure, he is aware that the current president, Mwai Kibaki, is widely thought to have stolen the presidential election a year-and-a-half ago from Raila Odinga, now prime minister in a floundering power-sharing government, who happens to hail from the same ethnic group as Mr Obama's father. Yet the country has long been an American ally in security matters in the region. Mr Obama's moment to try sorting out Kenya's many problems may come. But not yet.

The deeper truth is that Africa is not high on the American president's agenda. His Ghana speech was sensible and stirring. But in the end his message was that African-American relations would see no grand change. ■

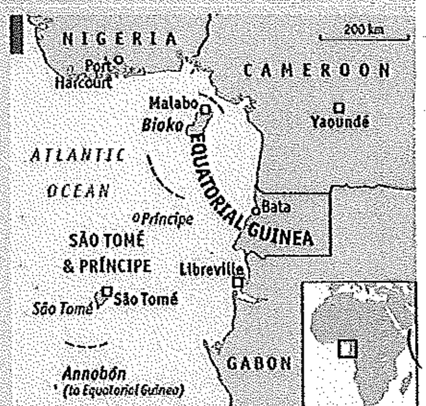
Equatorial Guinea's durable president

Oil makes friends of us all

The Economist July 18-2009

Three decades at the helm isn't long, says a pitiful place's ruthless president

NEXT month Obiang Nguema will celebrate the 30th anniversary of his coup against his genocidal uncle, Macias Nguema. Since then he has shown a deft ability to stay put in the face of numerous coup attempts, bitter rivalry in his ruling clan of the Fang group, and efforts by foreign mercenaries to get rid of him. One of Africa's last "big men", he is the longest-serving leader south of the Sahara, since Gabon's Omar Bongo died last month. But he has barely benefited his 600,000-plus subjects.



The former Spanish colony struck oil in the 1990s and is sub-Saharan Africa's fourth-largest exporter after Angola, Nigeria and Sudan. Its people should be rich and happy, yet they are repressed and mostly poor. "It is the quintessential example of the oil curse," says Alex Vines of London's Royal Institute of International Affairs, who has written a damning report on the country for Human Rights Watch, a New York-based lobby. Last year Transparency International, which monitors graft from Berlin, ranked Equatorial Guinea as the world's ninth-most-corrupt country. Less than 2% of its GDP goes on public health and less than 1% on education. But President Nguema spends vast sums on defence, for example by hiring an American private security firm, Military Professional Resources, to train his army.

A sprightly 67-year-old who has regular health check-ups abroad, Mr Nguema says he has no plans to leave office. He is sure to be declared the winner, by a thumping margin, in a presidential poll scheduled for December. Last year his party won 99 of his parliament's 100 seats. His government runs the press and jails opponents. But things might be worse if Mr Nguema lost control of rival factions in his family. The main one is led by his elder son, Teodorin. If they were let loose, the scramble for oil money could easily turn violent.

Barack Obama shows no sign of dropping Mr Nguema as an ally of America, whose firms pump out much of the oil. China, which has built a big embassy in Malabo, the island capital, is cosying up too. And despite longstanding complaints about Mr Nguema's brutal ways, Spain has also been currying oily favour. Repsol, a Spanish firm with historic Equatorial links, says it is returning to the country after nearly 30 years. And Spain's foreign minister has just flown in to give Mr Nguema a friendly wink.

An election in Iraqi Kurdistan

Change in the air?

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SULAYMANIYAH

A new movement is trying to break an old duopoly

AS IRAQ'S Kurds prepare to vote on July 25th for a regional assembly and a president, the buzzword is *Goran*, meaning change. It is also the name of a new movement that is trying to defeat—or at least to dent—the two parties that came into their own when the Kurds won self-rule in 1991, after the Americans and their allies chased Saddam Hussein out of Kuwait in the south and then prevented him from beating up the Kurds in the north. The elections promise to be the most hotly contested during the Kurds' current golden era of autonomy. As Change's campaign gathers pace, its name and logo, an orange candle on a dark-blue background, is emblazoned on buses, taxis, T-shirts, baseball caps and balloons. The movement is on a roll. Whether this translates into votes in a society where patronage and clan loyalties still largely hold sway is not yet clear.

Change says it wants to improve the lives of Kurds across the region. It castigates the corruption and cronyism of the two main parties: the Kurdistan Democratic Party (KDP), long a fief of the Barzani clan in the north and western parts of the region around Dohuk and Erbil; and the Patriotic Union of Kurdistan (PUK), run by the Talabani clan in Sulaymaniyah province to the east and in the disputed lands to the south around Kirkuk.

Change also says the two established parties have done a poor job at defending Kurdish interests in the federal parliament in Baghdad. Kirkuk, the fiercely disputed city and province which the Kurds claim as theirs, is still in administrative limbo; the Arabs who run the national government in partnership with the KDP and PUK refuse to let it go or hold a promised referendum, though the Kurds control most of the area. Change says it agrees with its Kurdish rivals on territorial goals but would be better at achieving them.

The KDP and PUK, which were once deadly foes but have shared power for the past four years, are running for the region's 111-seat assembly on a joint list. Also in the race is an odd alliance of moderate Islamist and secular parties. There are 24 lists in all, with 11 seats reserved for minorities such as Turkomans and Christians.

Change's leader is Nawshirwan Mustafa, aged 65, who for many years played second fiddle in the PUK to Jalal Talabani, now Iraq's national president. But two years ago Mr Mustafa broke away, saying that a KDP-PUK stranglehold over every as- »

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of 2011. The gas will be used as generation fuel for Sino's 450-Mw electric power station now under construction.

Reindeer field was discovered in 1997 and has a recoverable resource range of 390-610 bcf of gas.

Perth-based engineering and construction company Clough Australia is engaged as engineering, procurement and module fabrication contract for the Devil Creek project.

The $54 million (Aus.) contract is for engineering, design work, and procurement of all permanent materials and equipment plus fabrication and assembly of all modules for the facility.

Apache Energy in West Perth, a subsidiary of Houston-based Apache Corp., has 55% of the project with Santos holding 45%.

Tullow will sell stake to fund Uganda refinery

Tullow Oil Ltd. plans to sell part of its Ugandan assets to finance an oil pipeline project and other production infrastructure, according to state media.

Uganda's state-owned New Vision newspaper said Tullow confirmed it would sell part of its wholly owned Block-2, to finance developments in the Lake Albertine basin.

* "Uganda's oil basin development plan is an integrated project that requires building of a refinery that is linked with pipelines
* to supply local, regional and international markets," said Tim O'Hanlon, Tullow's vice-president for African business.

O'Hanlon said a joint venture undertaking is crucial because "we are an exploration and production company, but not in the pipeline or refinery business. …We need a partner with expertise in this area."

He said Tullow has "received many interested firms, but we are still screening them with the government to get the right partner."

Uganda's President Yoweri Museveni has said he will not allow international oil companies to refine the oil outside the country, saying it must be refined domestically to ensure that more profits are retained in the country.

Meanwhile, the discovery of oil in Uganda and plans to build a refinery could be delaying construction of the planned 320-km Eldoret to Kampala oil pipeline, according to a senior Kenyan ministry official.

Work has yet to begin on the pipeline, which was awarded to the Libyan-backed Tamoil East Africa in 2006, due to concerns that a refinery in Uganda will reduce profitability of their business and require more time to recoup their investment.

"The Libyans are asking for certain guarantees that should Uganda construct a refinery, it will in no way affect the pipeline usage," said Peter Nyoike, Permanent Secretary in Kenya's Ministry of Energy.

In June, Tamoil announced groundwork on the pipeline was expected to begin in July, with completion scheduled for 2011—4 years later than planned. Tamoil will hold a 51% stake in the pipeline, while Uganda and Kenya will jointly hold the remaining 49%. ✦

2006 Cost Benefit Analysis

Transportation — *Quick Takes*

FERC issues final EIS for FGT expansion project

The US Federal Energy Regulatory Commission's staff issued a final environmental impact statement on Florida Gas Transmission Co.'s Phase VIII expansion project just 5 months after it issued a draft EIS on the proposed $2.46 billion project.

The proposed line expansion in Alabama and Florida would add 820 MMcfd of capacity to FGT's system, FERC said. The project would include laying 483.2 miles of multidiameter pipeline, adding 198,000 hp of compression to eight existing stations, building a 15,600-hp compression station, constructing three meter and regulator stations, and upgrading two existing meter stations and building a regulator station, FERC said Sept. 18 in the final EIS.

The proposed expansion, expected to cost $2.455 billion, would start service in Spring 2011, assuming that it receives the necessary permits and approvals, according to FGT. The system is owned by Citrus Co., a joint venture of Southern Union Co., the pipeline's operator, and El Paso Corp.

FERC's final EIS said the proposed project would have limited environmental impacts, with appropriate mitigation measures, for reasons similar to those it listed in the draft EIS on Apr. 17. Commissioners will consider public comments and the final EIS before making a final decision, FERC said.

Golar LNG sign Fisherman's Landing deal

Golar LNG has signed a heads of agreement to sell LNG from the Fisherman's Landing coalseam methane-LNG project near Gladstone to Toyota Tsucho Corp. of Japan.

Toyota has agreed to buy 1.5 million tonnes/year of LNG for 12 years beginning in 2014.

Negotiations are now under way for the Toyota Group trading company to also buy a minority equity interest in the Fisherman's Landing project.

It is the smallest of the five CSM-supplied LNG plants proposed for Gladstone. The $500-million plant, scheduled to come on stream in 2012, is being developed by Golar and Perth Co. LNG Ltd. and will be supplied by CSM from Brisbane-based Arrow Energy Ltd.'s fields in the Surat basin in central Queensland.

Arrow says it has more than enough gas to supply the first LNG train. Site preparation has already commenced and documentation for front-end engineering and design has been submitted. In addition shipping agreements are in place and Toyota has become the foundation buyer.

At the moment LNG Ltd. and Golar each have a 40% interest in the Fisherman's Landing plant while Arrow has the option to take the remaining 20% stake. ✦

Correction

Japan's refiners facing hard choices, must seek alliances to ease closings" (OGJ, Aug. 3, 2009, p. 44) by Tomoko Hosoe, the vertical axis (Million b/d) was inadvertently reversed. The increments should ascend the axis 0 to 6.

OGJ Newsletter
Africa
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May 11, 2009
International news for oil and gas professionals
For up-to-the-minute news, visit www.ogjonline.com

General Interest — Quick Takes

Work begins on Calabar Energy City in Nigeria

Work has begun to create an energy city in Calabar, Nigeria, that will allow oil companies to fabricate some of their required material and ease their logistic and infrastructure issues.

Eyo Ekpo, special adviser on projects in Cross River, told OGJ that the 376 hectares of land in Cross River state will be funded and managed through public-private partnership. The land is swamped and the government has begun to reclaim the site at Ekorinim Peninsula for the industrial area and a portion of Pamol Rubber Estate for residential.

Ekpo said, "We have been doing modeling for the past 6-9 months [and] we're ready to go next year." He said he was holding discussions with the Oil and Gas Free Zone Authority to acquire tax breaks for companies that would establish operations in the park.

Calabar Energy City (CEC) is an initiative launched by Sen. Liyel Imoke, the governor of Cross River state. Ekpo told OGJ that there would be a 25-hectare tank farm complex with a loading jetty, a river parts complex, a heliport, a medical center, and a hotel and business complex. He said a private company would manage the park and he expects there to be strong interest from companies in using its resources.

For the first phase, oil companies will be able to secure 220-hectare plots under leases on the ecoindustrial park to carry out infrastructure and facilities. The second phase, covering 500 hectares north of Calabar, will focus on zones for residential, sporting, religious, and commercial uses. The industrial area is key to CEC, but both parts will be served by utility and infrastructure services delivered to high standards.

Cross River state is within the Niger Delta, and the project will position Calabar as a secure and viable location for the oil industry, Ekpo told OGJ. It will also create job opportunities in the region and beyond.

CEC will take advantage of the federal government's policy that requires 60% of man-hours be carried out within the operating region. This has been difficult to meet in the Niger Delta due to the violence and attacks by militants.

Salazar, Locke restore ESA consultation requirement

The US Interior and Commerce departments are revoking a George W. Bush administration order and requiring consultations with their two agencies that administer the Endangered Species Act (ESA), the two departments' secretaries announced.

Federal agencies will once again have to consult with wildlife experts at the US Fish and Wildlife Service at DOI and the National Oceanic and Atmospheric Administration at Commerce before taking any action which might affect threatened species, Interior Secretary Ken Salazar and Commerce Secretary Gary Locke said on Apr. 28.

The action rolls back an order that Salazar's predecessor, Dirk A. Kempthorne, said would simplify regulations at the two agencies by not making them review every action involving the ESA unless they considered it necessary. Kempthorne said this would make operations more efficient and let the agencies give more attention to truly pressing matters.

Salazar characterized it as another Bush administration 11th hour regulation. "By rolling [it] back, we are ensuring that threatened and endangered species continue to receive the full protection of the law. Because science must serve as the foundation for decisions we make, federal agencies proposing to take actions that might affect threatened or endangered species have to consult with biologists at the two departments," he said.

"For decades, the [ESA] has protected threatened species and their habitats. Our decision affirms the administration's commitment to using sound science to promote conservation and protect the environment," Locke said.

The two secretaries said that US President Barack H. Obama directed them in March to review the previous administration's Section 7 regulation in the ESA, which covers consultation. Congress, in the 2009 Omnibus Appropriations Act, authorized them to revoke the regulation, they added.

Locke and Salazar said the two departments would jointly review the 1986 consultation regulations to determine if any improvements are needed.

Environmental organizations applauded the move. "The Bush rules would have allowed agencies with little or no wildlife expertise to make decisions that could mean life or death for animals like the polar bear. Today's decision restores the important protections for species and their habitats offered by one of our nation's most fundamental environmental laws," said Sierra Club Executive Director Carl Pope.

"For decades, the [ESA] has used sound science as the guide to protect America's most vulnerable plants and animals. Today, the Obama administration reaffirmed that politics should not be the driver of these protections. Our nation needs to start investing in new and better infrastructure projects, and restoring this law will make sure we do so without harming our endangered plants and animals," said Rebecca Riley, a lawyer with the Natural Resources Defense Council's Endangered Species Project. ✦

Exploration & Development — Quick Takes

ConocoPhillips, Anadarko make NPR-A finds

ConocoPhillips and Anadarko Petroleum Corp. reported the discovery and test production from two wells in the National Petroleum Reserve-Alaska (NPR-A).

Pioneer 1, which was tested in March, and Rendezvous 2, which was tested in winter 2008, both lie in the Greater Mooses

7-12-2009

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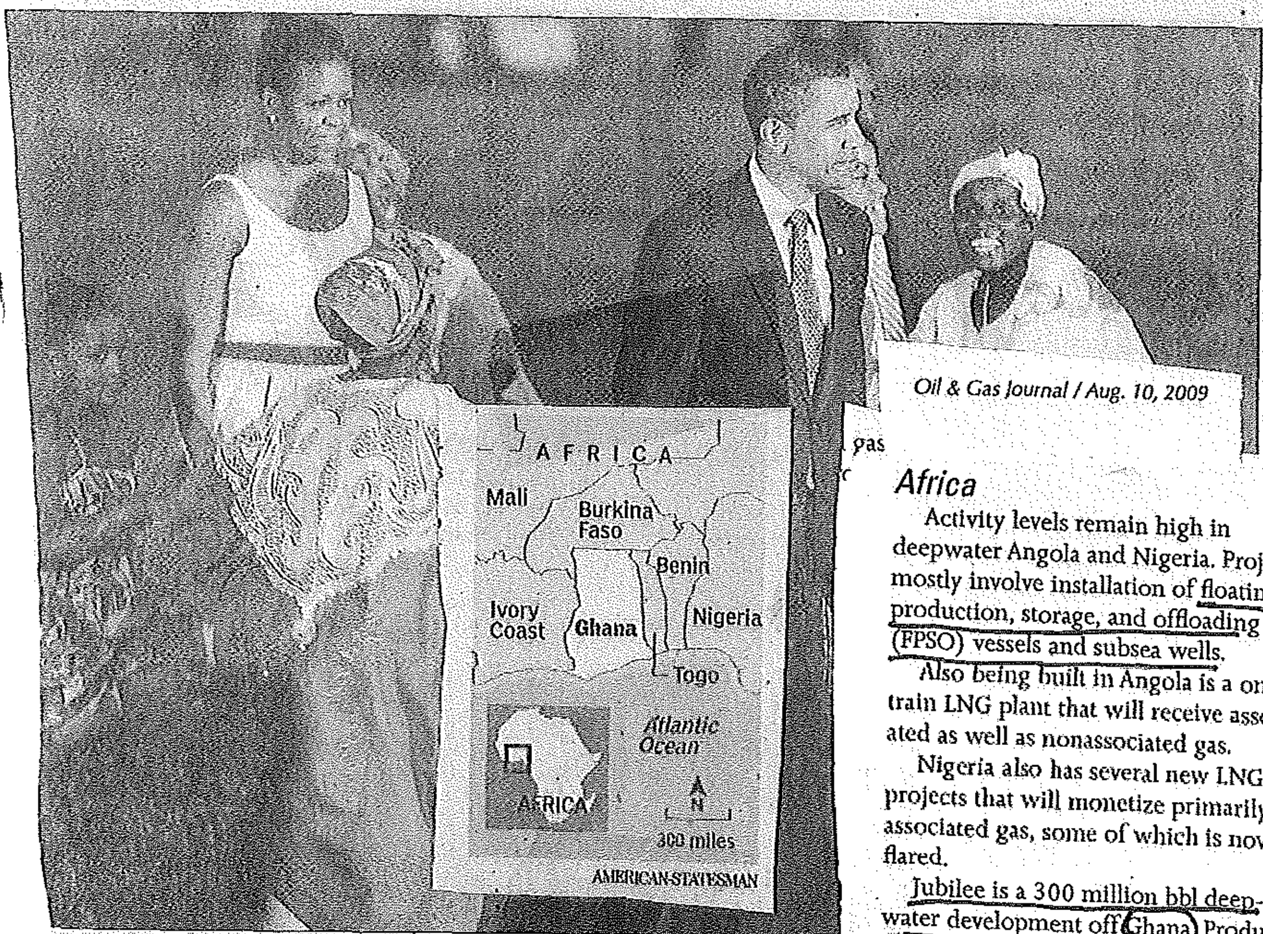
Charles Dharapak ASSOCIATED PRESS

President Barack Obama, first lady Michelle Obama and daughters Sasha, left, and Malia pass traditional dancers during a departure ceremony at the airport in Accra, Ghana, on Saturday. The family also toured a women's clinic as well as a notorious slave port.

AFRICA: Obama presses other nations for $20 billion in aid to combat hunger

Austin American-Statesman **WORLD & NATION** Sunday, July 12, 2009



Oil & Gas Journal / Aug. 10, 2009

Africa

Activity levels remain high in deepwater Angola and Nigeria. Projects mostly involve installation of floating production, storage, and offloading (FPSO) vessels and subsea wells.

Also being built in Angola is a one-train LNG plant that will receive associated as well as nonassociated gas.

Nigeria also has several new LNG projects that will monetize primarily associated gas, some of which is now flared.

Jubilee is a 300 million bbl deepwater development off Ghana. Production will flow to a leased FPSO that can process 120,000 bo/d

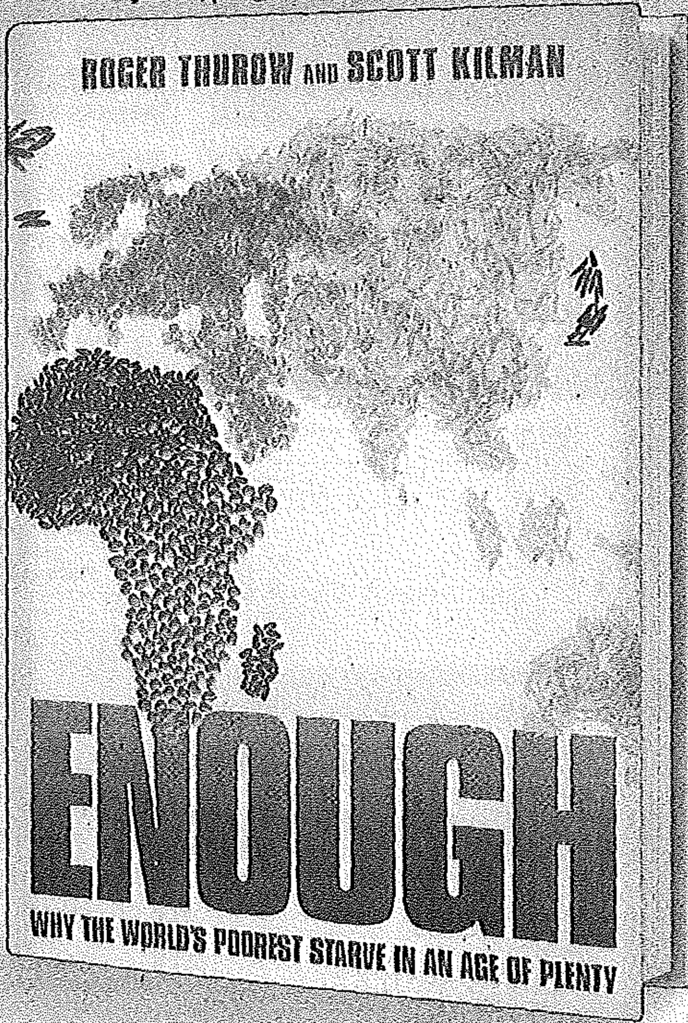
Ghana 120,000 BBLs/Day 1 Field
@ $70/Bbl. 10-2009
$ 8,400,000 US $/Day (100%)
x 365 days
$ 3,066,000 US $/Year Gros $3.066 Billion/year.

WE CAUSE HUNGER.

42

WE CAN END IT.

Wall Street 7-28-2009



A powerful indictment of the economic, political, and social forces that perpetuate hunger and famine—and the inspiring story of the men and women fighting to change them—by *The Wall Street Journal*'s premier reporters on hunger and food aid.

PublicAffairs

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Available wherever books are sold

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Gabon's Long-Ruling Autocrat Is Gone, But His Shadow Looms on Election Day

By ADAM NOSSITER

LIBREVILLE, Gabon — The face of the late ruler's son, Ali Ben Bongo, is plastered everywhere here — on posters and banners every 20 yards outside the airport, on giant flickering television screens by the seaside road and hanging in enlarged photographs down the sides of dilapidated seven-story buildings.

Sunday's presidential election in this Central African nation notwithstanding, weary citizens say, the message of the posters seems clear: El Hadj Omar Bongo Ondimba, the crafty autocrat who ruled for 41 years, may be dead, but his reign is not necessarily over, thanks to his son.

Not physically a candidate for the first time in decades, the elder Mr. Bongo, who died in June, still dominates a noisy campaign many here said they had hoped would be a turning point after years of autocracy.

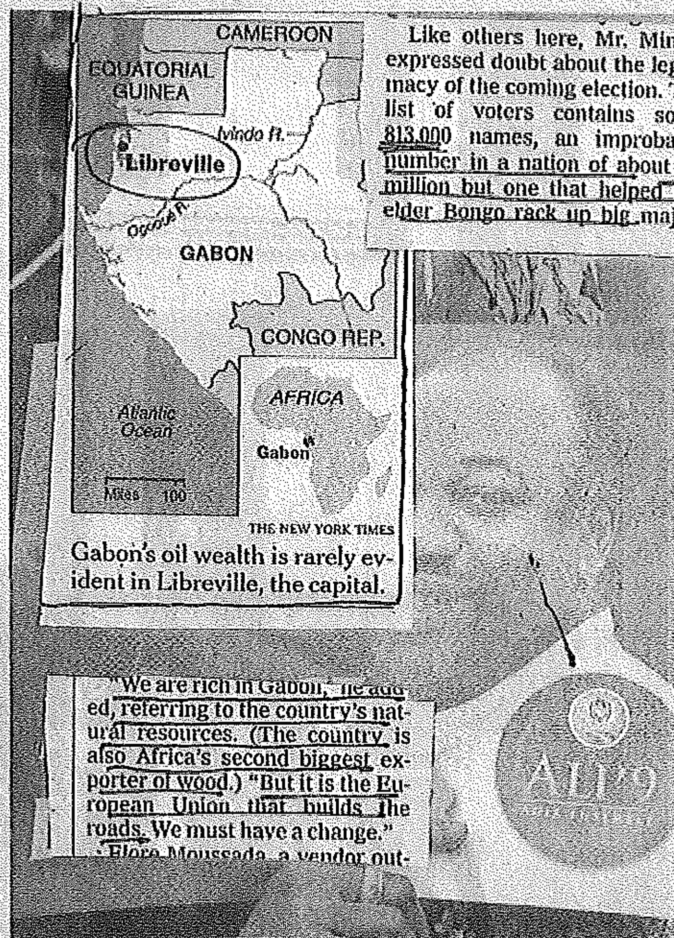
Anger over the dead leader's continued shadowy presence is easily encountered in the disheveled streets behind Mr. Bongo's hulking modernistic palaces, built with the immense oil wealth of Gabon, sub-Saharan Africa's fourth largest producer and a tiny country that punches well beyond its weight as a result.

Oil
4th
Large

Even though Ali Ben Bongo has tried to play down his father's legacy, ludicrously keeping the family name off his campaign posters, the truth is clear. None of the other 17 candidates (five pulled out Friday) can hope to match the power he brings to bear: all-pervasive influence bought and maintained by decades of oil riches.

While the Bongo clan has reveled in its possessions, including more than three dozen of the most sumptuous real estate holdings in Paris, the vast majority of people in Gabon have been left behind in the dust that chokes the sprawling hillside slums here. Some 60 percent live on less than $2 a day, and only 10 percent of the roads are paved.

That legacy is at the heart of the election, even if it is not discussed by the principal candidates, many compromised by association with the elder Mr. Bongo's long-followed strategy of buy-and-rule.



THE NEW YORK TIMES

Gabon's oil wealth is rarely evident in Libreville, the capital.

Like others here, Mr. Mintsa expressed doubt about the legitimacy of the coming election. The list of voters contains some 813,000 names, an improbable number in a nation of about 1.3 million but one that helped the elder Bongo rack up big major-

"We are rich in Gabon," he added, referring to the country's natural resources. (The country is also Africa's second biggest exporter of wood.) "But it is the European Union that builds the roads. We must have a change."

Flore Moussada, a vendor out-

ISSOUF SANOGO/AGENCE FRANCE-PRESSE — GETTY IMAGES

A campaign poster for Ali Ben Bongo, the son of El Hadj Omar Bongo Ondimba, who ruled Gabon for more than four decades.

The Bongos' long-entrenched party, the Parti Démocratique Gabonaise, has an extensive organization throughout this thinly populated country of dense tropical rainforest, savannah and mangrove swamps. Of the remaining four major candidates, only one, Pierre Mamboundou, who was exiled under the Bongo government, has never had ties to the P.D.G.

The younger Mr. Bongo "has the money, and a government that can organize elections," said Gregory Ngwa Mintsa, who helped file a French lawsuit over the Paris properties that embarrassed the elder Mr. Bongo in his final years. His efforts landed

ities in election after election.

The United Nations says that it has received reports that Congolese refugees in Gabon have been pressed to obtain voting cards and threatened with expulsion if they do not use them, and that similar pressures have been put on some in the country's large population of foreign workers.

"The Gabonese think it can't be a real list," said Anaclé Bissielo, the minister of development, public performance, long-range thinking and statistics, who is also a sociology professor at Omar Bongo University. "I think so, too. It can't be real.

"It is objective and undeniable, the fact that the electoral college is too elevated. This element means that, for a number of years, there has been a suspicion about elections here. The Gabo- ... telling themselves that

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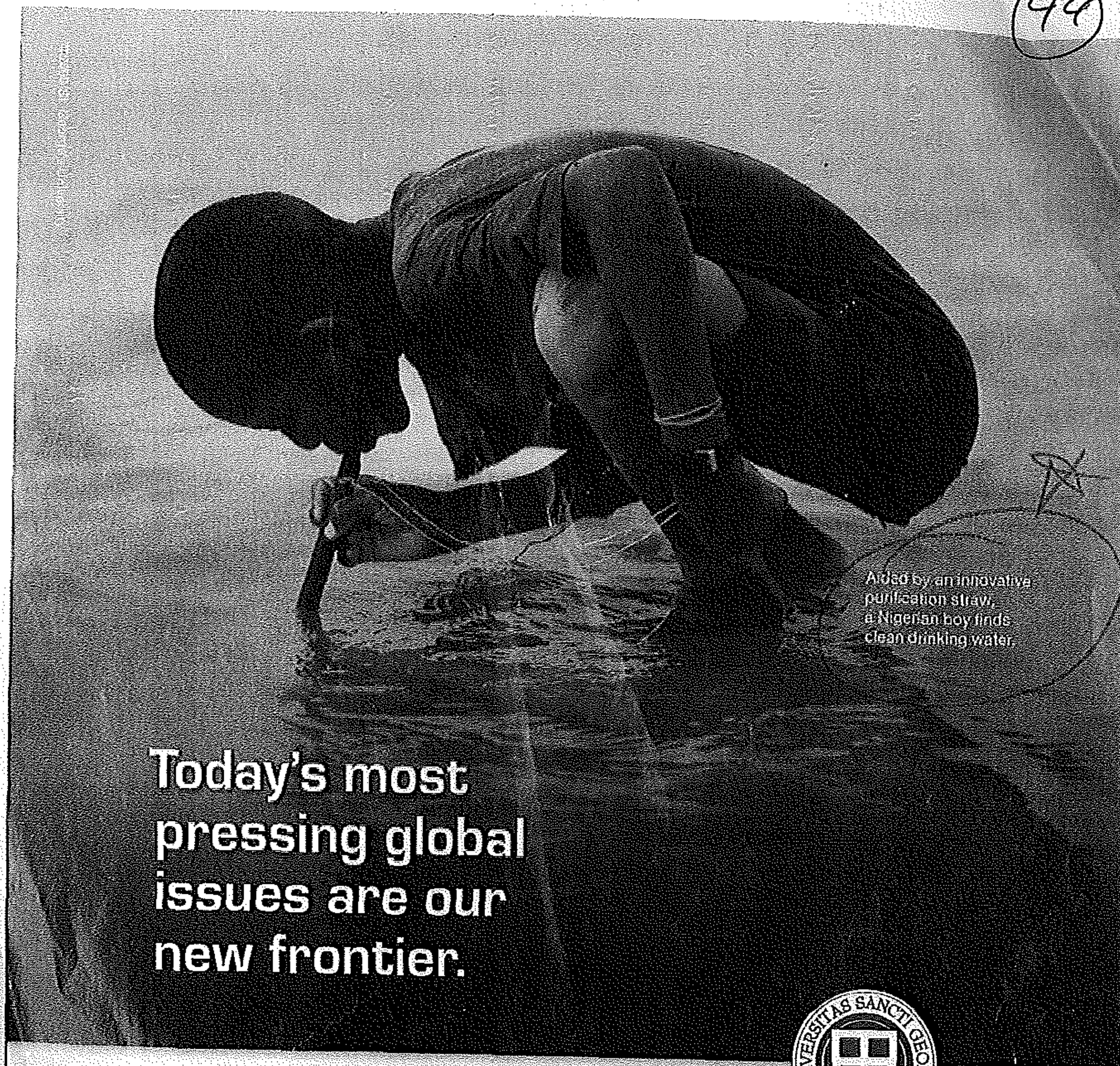
Aided by an innovative purification straw, a Nigerian boy finds clean drinking water.
Today's most pressing global issues are our new frontier.

Senators introduce OCS revenue-sharing bill (45)

Nick Snow
Washington Editor

US Sens. Mary L. Landrieu (D-La.) and Lisa Murkowski (R-Alas.) introduced legislation on July 27 that would guarantee coastal states a 37.5% share of federal revenue from new oil and gas production off their shores.

"This long overdue legislation would recognize contributions of host states, while [providing incentives for] them to undertake new and responsible offshore development," said Landrieu, who has introduced similar bills for several years. "Coastal communities should not shoulder the risks and responsibilities of OCS production without reaping some of the rewards. This bipartisan bill would finally change the inequitable regime that sends 100% of revenue to federal treasury."

Murkowski, the Senate Energy and Natural Resources Committee's ranking minority member, added, "It will serve as the foundation for Alaska and other states to balance local economic and environmental concerns with national energy security. Considering the economic and energy challenges we as a nation face, now is the time to get this right."

The 37.5% share of rents, royalties, and bonuses from new oil and gas development in adjacent federal waters would match the share Alabama, Louisiana, Mississippi, and Texas receive under the 2006 Gulf of Mexico Energy Security Act, which Landrieu and Murkowski's predecessor as ranking minority member, Pete V. Domenici (R-NM), cowrote. That bill opened more than 8 million acres in the gulf for federal leasing.

"As our nation weans itself off foreign oil and transitions to the next generation of energy, we need OCS production in US waters to get us there," Landrieu said. "Coastal states will play a key role in building that 'energy bridge' if Congress can guarantee them their fair share of revenue and conservation royalties. This approach has worked in Louisiana, and it can for other states as well."

Murkowski said, "There are real local costs associated with energy production, from the need for bigger ports and airports to the need for schools and housing for energy workers and their families. Providing more local aid will let Alaskans better handle the costs associated with energy production that benefits the entire nation."

Their bill also would authorize the US Secretary of Defense to annually review the prohibition against oil and gas development in certain parts of the gulf for defense training purposes to determine if the restriction should be lifted. It also would permit leasing of the Destin Dome area near the Florida Panhandle. ✦

Speakers see changed, maybe relocated, US industry

Bob Tippee
Editor

The US oil and gas industry will emerge from its doldrums structurally changed and perhaps relocated, according to a scenario that took shape at the RMI Oilfield Breakfast Forum in Houston July 28.

"This isn't an exploration and production industry any more," declared Jim Wicklund, principal and energy portfolio manager of Carlson Capital LLC, Dallas.

With natural gas abundant and prices low in comparison with oil, publicly owned independent producers have shifted from drilling mainly for gas toward a new emphasis on oil.

Furthermore, Wicklund said, "Gas exploration in the US has ceased" because of the growing domination of shale plays and the consequent reorientation to development and related technologies.

Wicklund called on oil and gas company executives to focus on long-term objectives, saying they "must not let short-term investors dictate strategic direction."

During questions, Wicklund agreed with a fear expressed in a presentation by Larry Dickerson, president and chief executive officer of Diamond Offshore Drilling Inc., of a migration of operating and service companies away from the US.

Dickerson said drilling rigs generally are leaving the Gulf of Mexico because of hurricanes, aging infrastructure, and