

West African Oil, U.S. Energy Policy, and Africa's Development Strategies

J. Anyu Ndumbe

The volatile political climate in the Middle East and the terrorist attack of 11 September 2001 are forcing the United States to search for new sources of oil. One attractive option is sub-Saharan Africa, which is already in the midst of an oil boom. Production levels are set to double by 2010, and new reserves are being discovered regularly. The Chad-Cameroon oil pipeline project and the early phase of exploration centered on the Atlantic coast in the Gulf of Guinea demonstrate the potential for Africa becoming one of the major oil suppliers to the West within a decade. These developments are shifting the geopolitical and geoeconomic interest of the United States in sub-Saharan Africa, which has been neglected for decades. The increased exploration in Africa has also generated fierce competition among major exploration companies and countries, and at times this has resulted in the subversion of the democratic process in favor of support for military dictatorships.

During the Cold War, U.S. policy was bent on denying Africa to the Soviet Union and combating communism. Consequently, America supported economic assistance programs carried out by international financial institutions such as the World Bank and offered technical assistance through the United States Agency for International Development. This approach was designed to fend off the Soviets and their allies but did not entail a strategic commitment to West Africa. The major players in the subregion were the former colonial masters—France, Britain, and Portugal.

Many African leaders surmised at the end of the Cold War that the West almost totally abandoned Africa. However, the recent renewed interest in Africa by the West illustrates that a combination of economic and geopolitical dynamics can once again raise the continent's position on the international stage. The escalation of the Israeli-Palestinian conflict, the events of 11 September 2001, the increasing anti-Western feeling in many Middle Eastern countries, and the discovery of huge oil reserves in many of the countries of sub-Saharan Africa have precipitated a massive infusion of foreign investment in the oil sector.

After the collapse of the Soviet Union, the United States began changing its policy toward Africa out of recognition of the growing importance of oil to its economy and the discovery of oil reserves in many West African countries. In 2001, the United States imported more than 16 percent of its oil from sub-Saharan Africa. This amount exceeded the amount imported from Saudi Arabia. The U.S. National Intelligence Council estimates that by 2015 the United States will import about 25 percent of its oil from the region.¹ This projection has generated enthusiastic debate among various policy circles in the United States. During the past decade, West Africa—"the neglected stepchild of American diplomacy"—has been at the epicenter of energy policy debates in the United States. Businessmen and some policy analysts have called on the U.S. government to declare the region an area of strategic importance.²

Oil deposits underneath the earth's surface have no territorial confines. However, the quirks of geology and geography have made some nation-states oil producers and others consumers. In an oil-driven global market, oil often dictates geopolitics and geoeconomics. This is nowhere more evident than today in West Africa.

Africa has proven reserves of more than 7.2 percent of the world's total. These reserves amount to 76.7 billion barrels,³ an amount greater than the

1. Reginald Dale, "An African Answer for U.S. Oil Woes," *International Herald Tribune*, 1 February 2002.

2. James Dao, "Quietly Courting Africa, U.S. Likes the Dowry: Oil," *New York Times*, 19 September 2002, at www.nytimes/2002/09/19/international/africa/19AFRI.html.

3. Trevor Johnson, "Threat of Middle East War Spurs Grab for West African Oil," World Socialist Web site, 20 August 2002, at www.wsws.org/articles/2002/aug2002/oil-a20_prn.shtml.

54.2 billion barrels of proven reserves in North America and the 58.4 billion barrels in Eastern Europe and the former Soviet Union.⁴ West Africa alone has reserves of more than 46 billion barrels, and given the extensive exploration efforts under way, this is expected to reach 100 billion barrels by 2007.⁵ Overall production in sub-Saharan Africa is expected to jump from a current level of 3.8 million barrels per day (bpd) to 6.8 million bpd by 2008.

These developments lead David Gordon, a senior CIA analyst, among others, to predict that by 2013 African oil could potentially be more important to the United States than oil from Russia, the Caucasus, or South America.⁶

Along the coast of West Africa from Mauritania to Angola, deep ocean and off-coast exploration is yielding major results that make the region a gravitational epicenter for oil companies. Oil industry experts predict that by 2022 the industry will invest over \$40 billion in the Gulf of Guinea. The region also has one of the fastest growing oil sectors in the world. Of the 8 billion barrels of crude oil reserves discovered in the world in 2001, 7 billion barrels were in fields off the coast of West and Central Africa.⁷ The major suppliers are Angola, Nigeria, Congo (Brazzaville), Cameroon, and Gabon. With time, the arc of countries on the Gulf of Guinea will join them. According to a National Intelligence Council report, supply levels to the United States are expected to grow from the current 16 percent of U.S. oil imports to 25 percent by the year 2015.

Nigeria

Nigeria is sixth largest producer of crude oil in the world and a major supplier of oil to the United States and Western Europe. It has oil reserves of more than 30 billion barrels and currently produces more than 2.7 billion bpd.⁸ Major

4. "World Crude Oil and Natural Gas Reserves," *International Energy Journal*, 1 January 2002, at www.eia.doe.gov/emeu/iea/table81.html.

5. Charles W. Corey, "U.S. Oil Executive Optimistic about Finds in West Africa," *Washington File* (U.S. Department of State), 20 November 2002.

6. Julian Borger, "Oil and Terrorism Drive the Presidential Tour," *Guardian*, 7 July 2003. See also Cambridge Energy Research Information Associates (CERIA), "Potential or Reality: West African Oil and Gas to 2020?" (Cambridge: CERIA, 2002).

7. Paul Maidment, "The Other Gulf," *Forbes*, 10 March 2003.

8. "Shell Increases Nigeria's Crude Oil Reserves," *Alexander's Gas and Oil Connection*, 27 July 2002, at www.gasandoil.com.

production areas include the Delta region, with production levels of 700,000 bpd between 2001 and 2003.⁹ Daily production levels are expected to reach 4 million bpd by 2010. Increased exploration and production in deep water appears promising. Commercial discoveries made by major oil companies including Triton, Chevron, Shell, Exxon-Mobil, and Texaco have also helped to generate interest in the region.

Angola

Angola is second after Nigeria as the region's major exporter of crude oil to the United States. Its oil reserves are estimated at over 7 billion barrels and reputed to be larger than those of Kuwait.¹⁰ Excellent deep-water discoveries in the 1990s and 2000s make the country's potential very positive. More than 40 percent of its oil is exported to the United States. Production levels are projected to reach 2 million bpd by 2008. Angola is the most successful non-OPEC member in the world in terms of exploration. Its reserves increased fourfold in the 1990s.¹¹ In 2002, oil production was more than 900,000 bpd. Major oil companies include Chevron-Texaco, Exxon-Mobil, and BP.

Cameroon

Cameroon is the fifth largest producer of oil in sub-Saharan Africa, producing 115,000 bpd. It has estimated oil reserves of more than 740 million barrels. Important hydrocarbon basins include the Rio del Rey Basin, the Kribi-Camp Basin, the Logone Birini Basin, and the Bakassi Peninsula. Major oil companies including Exxon-Mobil, ELF, and Pecten International carry out most of the "upstream" exploration activity.¹²

9. "Nigeria: Focus on Shift towards Offshore Oil Production," *Africa Online*, 8 July 2002, at www.africaonline.com. See also, "Oil Theft Hits Nigeria," *Upstream*, 16 May 2003.

10. Jessica Lawrence, "Commerce Assistant Secretary for Energy Briefs the Press from Angola," *Washington File*, 4 December 2002.

11. Martin Quinlan, "A Million Barrels a Day in Sight," *Petroleum Economist*, February 2003.

12. "Cameroon: Oil and Gas Industry," *Mbendi, Information for Africa*, at www.mbendi.com.za.

Chad

With estimated oil reserves of more than 1 billion barrels from the Doba field, which includes Boloba, Kome, and Miandoum fields, Chad's peak production would be more than 240,000 bpd after the completion of the Chad-Cameroon pipeline. Other exploration activities are currently being undertaken around the Lake Chad Basin area.

Republic of Congo

The Republic of Congo's (Brazzaville) crude reserves stand at more than 1.6 billion barrels. Its 2002 production levels were more than 283,000 bpd. It is the third largest producer in sub-Saharan Africa. With exploration activities in the Moho and Bilondo oil fields scheduled for 2005, production levels are bound to increase. These fields are a joint effort with Angola and would be managed as a joint development area. The profits would be split evenly between the countries. Estimates indicate that these fields have a crude potential of 1 billion barrels, making it one of the largest potential fields in the Gulf of Guinea. The major companies operating in the region include Chevron-Texaco and Total.

Equatorial Guinea

Equatorial Guinea also is situated in the Gulf of Guinea. It has oil reserves estimated at 12 billion barrels. Production levels are between 250,000 and 265,000 barrels per day.¹³ It is expected that within the next few years, Equatorial Guinea would likely surpass the Republic of Congo to become the third largest producer of oil in sub-Saharan Africa with 300,000 to 400,000 bpd—a level likely to be sustained over the next fifteen years. Most of its oil exploration is offshore. Zafiro is the main oil field, with a daily production level of more than 80,000 bpd. In addition to the Zafiro field, oth-

13. "Oil Triggers Equatorial Guinea Boom," BBC News, 17 August 2001, at news.bbc.co.uk/2/hi/business/1496357.stm; Ian Gary and Terry Lynn Karl, "Bottom of the Barrel: Africa's Oil Boom and the Poor" (Baltimore, Md.: Catholic Relief Services, 2003), 40.

ers include Jade, Topacio, Amatista, Rubi, and Serpentine.¹⁴ Additionally, the Ceiba field in the Rio Muni Basin, an enclave between Cameroon and Gabon, has proven reserves of more than 500 million barrels. The major oil companies involved in exploration and production include Triton, Vanco, and Chevron-Texaco. Equatorial Guinea is very attractive because of low production and operating costs.

Gabon

Gabon is a moderately wealthy country with diverse natural resources. It is also currently the third largest producer of oil in the sub-Saharan region. Its reserves are estimated at more than 2.5 billion barrels. Its total production level is estimated at 350,00 bpd. Gabon's largest oil field, the Rabi-Kounga field, has estimated reserves of 440 million barrels and a daily production level of 150,000 bpd. It contributes 40 percent of Gabon's total production. Increased upstream exploration is estimated to increase Gabon's production level. The country also has a moderate downstream industry in Port Gentil and about one hundred other retail sites.¹⁵

Sao Tome

Sao Tome e Principe is a small island-state off the coast of West Africa. With a population of 160,000, this island nation has estimated crude oil reserves of more than 4 billion barrels.¹⁶ This tiny archipelago in the Gulf of Guinea has the potential of having the biggest per capita income in the world. It has been estimated that by the end of 2003, each citizen of the nation would be worth over \$1 million.¹⁷ It has been suggested that the United States plans on building a military base on this island.

The discovery and exploration of huge oil reserves in the Gulf of Guinea, Cameroon, Equatorial Guinea, Nigeria, and Sao Tome e Principe as well as

14. "Equatorial Guinea: Oil and Gas Industry," *Mbendi*, at www.mbendi.co.za.

15. "Gabon: Oil and Gas Industry," *Mbendi*, at www.mbendi.co.za.

16. Simon Robinson, "Black Gold," *Time Europe*, 28 October 2002.

17. Nick Mathiason, "Oil Bonanza to Make Millionaires of the World's Most Indebted Islanders," *Observer*, 22 June 2003, at www.guardian.co.uk/oil/story/0,11319,982305,00.html.

exploration projects in Chad, Gabon, Angola, and Democratic Republic of Congo are forcing some in the United States to declare the region an area of vital interest.

The U.S. Need for Oil

It is estimated that the ever-increasing demand for oil in the United States will grow significantly, from 19.7 billion barrels in 2001 to 26 billion in 2020, but there will be little growth in domestic production. This means that the dependency on foreign sources will continue to grow. Maintaining a key, stable, and diversified stream of foreign oil will be vital to U.S. national security. According to the National Energy Plan developed by Vice President Richard Cheney's task force in 2001, "Energy security is a fundamental component to national security and a prerequisite to continued economic growth." The report projects that the United States "will import nearly two of every three barrels of oil [it consumes]—a condition of increased dependency on foreign powers that do not always have America's interest at heart."¹⁸

The Bush administration is showing some inclination toward a comprehensive energy policy. In the wake of the 11 September 2001 attacks, the drive to secure new African oil supplies as a means to diversify U.S. energy sources gained impetus. Many African oil promoters in the United States, including the Corporate Council on Africa and the African Oil Initiative Group, have encouraged lawmakers to pay attention to Africa as a source of energy. Many policy makers heeded that request. In 2002, Walter Kansteiner, assistant secretary of state for African affairs, asserted that "African oil is of national interest to us, and it will increase and become more important as we go forward." The Bush administration is continuing with a policy that was followed by the Clinton administration. In 2002, the Bush administration dispatched Secretary of State Colin Powell to Angola and Gabon for a goodwill visit. On 13 September 2002, President Bush met with leaders from eleven West African countries (including Angola, Cameroon, Chad, Democratic Republic of Congo, Equatorial Guinea, Sao Tome e Principe, Gabon, and Nigeria). The discussions encompassed a wide range of issues includ-

18. Gary and Karl, 14.

ing AIDS, corruption, and foreign investment. Additionally, the U.S. energy secretary, during a congressional hearing in June 2002, stated that “energy from Africa plays an increasingly important role in our energy security.”

The strategic importance of the oil-rich West African coast was the subject of a symposium that was organized by the Institute for Advanced Strategic and Political Studies in Washington, D.C., in January 2001. Participants examined the benefit that would flow to the United States as a result of securing African oil supplies while encouraging economic development in Africa. Additionally, participants agreed that “if U.S. energy policy more fully incorporated African oil, the United States could further diversify its energy sources.”¹⁹ The discovery and exploration of oil in the region dictate this dynamic. It should not be surprising to anyone that the United States is actively courting leaders of oil-producing African nations. The National Intelligence Council projections that Africa will capture more than 25 percent of the America’s oil import market by 2015 means that Africa would supply the United States with more oil than the Persian Gulf countries do.²⁰ The development of deep-water exploration in the Gulf of Guinea is as important today for oil companies as was backwater development in the Persian Gulf in the 1960s.

Saudi Arabia remains a giant in oil production and enjoys close ties with the United States. However, this does not preclude the United State from exploring alternative and new sources of oil, which will not only reduce its dependence on Middle Eastern oil but will reduce the leverage that Middle Eastern oil-producing nations exercise on the global economy. The terrorist attack on the United States was one of several factors that precipitated the speedy exploration of other sources of oil supply. The assertive stance of the United States is also driven by the billions of dollars in profits to American oil companies.

19. Barry Schutz, “African Oil: A Priority for U.S. National Security and African Development,” U.S. Department of State Bureau of African Affairs, 13 June 2002.

20. Mike Crawley, “With Mideast Uncertainty, U.S. Turns to Africa for Oil,” *Christian Science Monitor*, 23 May 2002.

Oil Strategy in West Africa

The strategic significance of African oil exploration activities rests on the following factors:

1. The oil off the West African shore can be loaded from offshore and shipped easily without transshipment cost through the Atlantic Ocean to the United States. Offshore exploration also acts as a buffer for any political instability.
2. West African oil is low in sulfur content. Consequently, it provides high gasoline yield, which is the preference of American refineries that are under strict environmental laws.²¹
3. The political risk in West Africa is its underdevelopment and culture of bureaucratic corruption. These factors have greatly contributed to its inability to manage its own affairs. While there is political risk, it is minimal when compared to the Middle East.
4. West Africa is not the subject of combative political culture (radical Islam) and neither is it a ground for competing ideologies such as communism. In January 2002 Robert Murphy, a State Department economist, noted that “political discord or dispute in African oil states is unlikely to take on a regional or ideological tone that would result in a joint embargo.”²²

These offer a logical rationale to American oil companies to invest in the region. It is an undeniable fact that the United States has for decades relied heavily on the Middle East for its oil supply. Paradoxically, the Middle East has been and still is the most volatile area in the world. Instability in the region has grave consequences for the world economy. Considering this, a diversification of sources of oil to the largest economy in the world would be the most prudent and positive policy decision lawmakers in the United States can make.

21. Richard Lowry, “Into Africa . . . and Out of OPEC: New Thinking on Oil,” *National Review*, 17 July 2002. See also S. Douglas Stinemetz, Haynes and Boone LLP, “Changing U.S. Policy toward West Africa,” *Oil and Gas Insight*, at www.oilandgasinsight.com/art_detail.cfm?aid=62.

22. “U.S. Moves to Protect Interest in African Oil,” *Alexander’s Gas and Oil Connections*, 1 October 2002, at www.gasandoil.com.

According to the Energy Information Administration of the U.S. Department of Energy, the United States by 2020 will be importing more than 770 million barrels of oil from Africa. It was expected that U.S. investments in Africa would exceed \$10 billion in 2003, and more than two-thirds of U.S. direct foreign investment would be in the energy sector by 2023. This prospect could lead to an explicit policy pronouncement on a regional energy security and development strategy with West Africa that could drastically reconfigure the traditional geopolitical calculus that was based on oil production and supply. A declassified U.S. Department of Defense conference summary declared that

West Africa is a swing production region that allows oil companies to leverage production capacities to meet the fluctuating world demands. . . . Already Nigeria and Angola provide as much oil to the United States as Venezuela or Mexico, making it of strategic importance.²³

The existence of a new U.S. national security policy for Africa south of the Sahara could facilitate and transform economic and political development. It would yield the desired results for the region if such a policy actively engages African governments to implement policies that would bring about good governance and transparency. At the present, many West African economies are fueled by petrodollars. However, these economies are plagued by corruption and public mismanagement retarding development in the region. Congressman Ed Royce echoed these views during a congressional hearing in 2000:

Let's be frank: oil development has proven to be more of a curse than a blessing for many developing countries. Few have put oil revenue to good use. Oil revenue has often been squandered. In many cases oil revenue has been plundered by corrupt government officials. It is sobering that the average Nigerian is worse off today than twenty-five years ago, despite the \$300 billion in oil revenue generated since then. It is appalling that former Nigerian dictator General Sani Abacha took billions himself. In the worst case, oil has fueled civil war. This has been the case in Angola for

23. See Schutz.

years; over the last few years, oil has intensified the long and brutal war in Sudan.²⁴

Bad governance and lack of transparency force local populations into destitution. Consequently, more and more people resort to armed conflict and illegal means to ensure themselves a basic living. For example, different groups in Angola and Sudan have been using armed conflict and terrorist activities as the only viable means to address their plights.

History has shown that foreign investment and sustainable development become the first casualties of corrupt and mismanaged governments around the world. Human suffering is the result. It is imperative that American oil companies involved in exploration and production activities assist these countries in developing strategies that would compel and encourage meaningful use of oil revenue toward regional growth and the building of sustainable political and economic institutions that would benefit all. In fact, oil companies can help these governments develop revenue management plans similar to the one that the World Bank established for the government of Chad.²⁵ The plan would automatically direct oil revenue to human resource development (health, education, and infrastructure). The existence of such a framework would not only promote sustainable development in Africa and foster U.S. security interests but stifle those factors that often foster destitution and force individuals to see terrorist activity as the only answer to their plight.

Today, West Africa is undergoing an oil renaissance. New suppliers are gradually taking their place on the energy stage. This transformation generates new opportunities for those that traditionally have been neglected. Both offshore and onshore exploration is now demanding global attention. This new attention translates to increased foreign investment and hopefully to economic development. It is projected to spur industrial growth that will have a multiplier effect on the entire subcontinent.

U.S. private-sector investment in West Africa's energy sector will continue

24. Congressman Ed Royce, statement made at a press conference on 12 June 2002, document I.D. 855, at www.royce.house.gov/News/DocumentSingle.aspx.

25. See J. Anyu Ndumbe, "The Chad-Cameroon Oil Pipeline—Hope for Poverty Reduction?" *Mediterranean Quarterly* 13, no. 4 (2002): 83–4.

to grow. This would undoubtedly diversify the U.S. oil supply and reduce its overwhelming dependence on Middle East oil. The glue that has held together and maintained U.S.-Saudi relations has been oil. It is now clear that the seemingly holy alliance between the United States and Saudi Arabia is on the verge of becoming an unholy one. The catalyst behind this has been evidence that fifteen of the nineteen terrorists who orchestrated and masterminded the 11 September attacks were Saudis. And now it is alleged that the government of Saudi Arabia did very little to arrest terrorism. This offers a reason for the United States to look for new sources of oil.

The shift in global energy patterns characterized by new massive exploration and production levels in the Caspian Basin, South America, Russia, and West Africa, coupled with U.S. security interests, offers a compelling argument for a reevaluation of the U.S. energy alliance with an eye toward the diversification of energy sources. U.S. national security interests, oil in West Africa, and the region's development goals are at the verge of a historic and strategic intersection, which could be beneficial to both the United States and the sub-Saharan region. The United States in the process of diversifying its energy sources must be cognizant of its obligation to assist governments of oil-producing countries to effect and implement meaningful political reforms that would pave the way for good governance and transparency. Achieving this would go a long way toward reducing poverty, destitution, and the proliferation of terrorist organizations.

On the other hand, if the oil companies opt for complicity with corrupt leaders and politicians to loot the resources of this region, they would be guilty of nursing fertile avenues for disenchantment that would at some point inevitably manifest itself in terrorist acts. Posterity would hold them responsible for such contemptuous and despicable acts. Oil companies must decry the secrecy that has always surrounded oil contracts and support the growing international campaign to "publish what you pay" to the governments of the regions where they are operating. Angola and Nigeria have for more than four decades produced oil, but there is little to show for how oil revenues were used. These countries stand out as basket cases of what awaits those nations that condone corrupt practices and mismanagement of public funds. It is hoped that other nations in the region learn from the abject failure of Nigeria and Angola.