



REGULATORY MEASURES NEEDED IN AFRICA FOR OIL & GAS SECTOR SUSTAINABILITY IN RESPONSE TO THE COVID-19 PANDEMIC AND BEYOND

The global COVID-19 pandemic is an unprecedented event that has taken a significant toll on human health and the global economy. Nearly all industries and sectors globally have been adversely affected. The energy sector, especially, has seen dramatic reductions in the price of oil, exacerbated in part by geopolitical tensions. Falls of at least 50% in West Texas Intermediate and Brent Crude futures are creating great uncertainty in the marketplace. There is also concern about the knock-on impacts on the African oil and gas industry.

In this environment, it is critical to take swift action to ensure stability in the African oil and gas industry, especially in the geophysical & exploration (G&E) sector, in order to maintain a pipeline of projects that will maintain or even increase output levels. Ultimately, African countries will continue to depend on this resource for its own affordable energy demand and as a revenue generator for its many needs.

COVID-19 CONSIDERATIONS FOR SUSTAINABILITY

African governments and authorities must work in conformity with national and international health authorities to ensure that essential survey operations continue safely in the current environment by implementing guidance relating to COVID-19. It is paramount, to ensure that the health and wellbeing of offshore workers is not compromised.

To impede the spread of COVID-19, many governments have imposed measures restricting travel, with some exceptions. The exploration industry maintains work crews, both offshore and onshore, consisting of employees of many nationalities, making it imperative that these exceptions be clearly defined and easily understood to ensure adherence to any screening measures adopted by countries.

We urge African governments to work closely with the energy industry to ensure the disruption to onshore and offshore energy workers is minimized, and that their essential travel be facilitated, not prohibited or hindered. Some nations are designating seafarers as 'key workers'¹, granting them necessary exemptions from travel restrictions, while implementing clear protocols for the protection of personnel to limit the transfer of COVID-19 to essential offshore vessels and installations. We support the International Maritime Organization in calling for the United Nations to grant 'key worker' status to all seafarers and thus hasten their crew rotations², which is essential to maintaining a healthy workforce and expedient offshore operations.

IMPORTANCE OF CONTINUED EXPLORATION

Exploration is essential to maintaining a stable energy industry. National Authorities should be working to maintain expected timelines for licensing rounds, including all review periods and award announcements which contribute to business certainty. Geophysical companies have invested billions of dollars in the creation of non-exclusive Geophysical Data throughout the world that have dramatically improved the success rate in finding and developing new oil and gas supplies in Africa. These data (and their derivative products) continue to be available for deployment in Africa despite the downturn and should be encouraged. Energy security for the continent will only be ensured with continued drilling.

REQUESTED MEASURES FOR THE G&E INDUSTRY

In the near-term, exploration companies are likely to see losses mount as production companies curtail budgets, possibly even moving to cancel previous agreements. We encourage African governments to consider extending the periods over which losses can be carried forward. We also request an increase to the percentage of taxable income available for the deduction of losses where no limits to the length of carry forward exist.

¹ <https://safetyatsea.net/news/2020/uk-government-recognises-seafarers-as-key-workers/>

² <http://www.imo.org/EN/MediaCentre/WhatsNew/Pages/default.aspx>

These measures will ensure that government revenue in the long term, coming from oil and gas projects is secured, should activity in the sector be protected. They will also ensure, that jobs in the oil sector are secured through the crisis and beyond. Additional measures we advocate are:

- Waive taxes on service companies for six months;
- Waive withholding taxes, especially for not resident companies, for six months;
- Urge the banks to provide no interest loans and loan guarantees for local service companies with ongoing projects with IOCs;
- Grant extensions on all exploration projects for 24 months;
- Extend the non-exclusive geophysical data confidentiality periods to a minimum of 15 years where such is not already in place;
- Waive part of the work project commitments for exploration companies;
- Set up and implement government and private sector discussions on revising some of the fiscal terms in the PSC that make it difficult for explorers to meet commitments in today's market environment and aid capital fundraising;
- Cut in half (50%) fees due to the state like training funds, surface rental, social projects etc.;
- Be champions of the industry by encouraging various farm-in and farm-out discussions on current licenses;
- Ensure state backing on midstream projects so FID's are not cancelled;
- Make diversification of the economy a priority;
- Look at local content measures that are not working and try to encourage or implement a more regional African content approach;
- Consider cutting departmental spending and reduction of unnecessary travel expenditure.

CONCLUSIONS

As the world faces challenges in dealing with the novel corona virus 'COVID-19' along with geopolitical challenges from reduced demand and an oversupply of oil on the world market, the fundamentals of the energy industry are weakening. Policy decisions today are ever more important and will have lasting impacts on the economy for months, if not years, to come.

The exploration industry provides the key to unlocking energy resources that will allow for rebuilding economies when the COVID-19 virus has run its course. However, in order to rebuild, there must be a viable energy industry when that time comes. Energy is the bedrock of today's civilization, and supports the transportation, farming, medical, and manufacturing industries that are all essential to meet today's challenges, and none are possible without a stable and consistent supply of energy which starts with geophysical and exploration activities.

About the African Energy Chamber

The African Energy Chamber is the voice of the African energy industry and represents companies and organizations in the upstream, midstream and downstream sectors of the energy business in Africa.

About the IAGC

Founded in 1971, the IAGC is the global trade association for the geophysical and exploration industry, the cornerstone of the energy industry. With more than 80 member companies in 50 countries employing an estimated 87,000 people with revenues exceeding 11.5 Billion (USD), Membership includes onshore and offshore survey operators and acquisition companies, data and processing providers, exploration and production companies, equipment and software manufacturers, and industry suppliers and service providers. IAGC member companies play an integral role in the successful exploration and development of offshore hydrocarbon resources through the acquisition and processing of geophysical data.