

Q&A with Angola's new African Energy Chamber president

Production levels in Angola are expected to soar by 2020 following the reorganisation of the state oil company Sonangol, and a drastic revision of country's legislation related to oil and gas. The recently appointed president for Angola of the African Energy Chamber (AEC), Sergio Pugliese, discusses where his country's energy sector is headed.



Sergio Pugliese, AEC president for Angola

Pugliese most recently worked with BP and Statoil as top executive before founding Angola-focused oil and gas services companies Motiva LDA and Amipha LDA.

There was an announcement this year by the Angolan Government that it will create a regulatory body for the hydrocarbons sector – What do you expect this move to encourage within the local oil and gas sector?

The creation of the new Angola National Petroleum and Gas Agency (ANPG), officially launched through Presidential Decree 49/19 in February 2019, is one of the most significant reforms since 2017.

More importantly, it will be acting as Angola's national concessionaire for hydrocarbon licenses and be in charge of regulating the industry and implementing government policy. The creation of the agency is part of Angola's efforts to streamline and overhaul the governance of its hydrocarbons sector. Up until now, state-owned Sonangol was responsible for such licensing activities. Setting up the ANPG puts Angola at par with best oil and gas industry practices, and is a positive move to promote good governance and transparency within the Angolan industry. We expect foreign investors and

operators to respond very positively to this measure.

What strategies does Angola have to further encourage the financing of expansion of SME's in its petroleum sector?

The government of Angola currently runs a number of programmes, some of them, jointly funded with multilateral organisations which offer soft loans to SMEs in all sectors of the economy. These loans are accessible via state-owned banks but have especially since the 2014 financial crisis stringent criteria for access attached to them. The Africa Energy Chamber continues to advocate for such loans to be made available to local entrepreneurs who are likely to employ more people in good-paying jobs whenever they have access to the right kind of financing. In the near future, I will lead a delegation to Europe, America and other African countries to see what they have done right and will build more coalitions to help the Angolan sector.

Are there any specific local content projects that Angola will be highlighting?

I think the current approach by the Angolan government to encourage and strengthen local companies via tools such as offering them soft loans, rather than legislate them into projects is the best way of building local companies in a competitive manner. That is, they are more likely to be capable of competing with internationally active companies and hence ensuring their survival in the long-term.

What in your view are the common challenges in implementing strong local content policies in the oil and gas sector?

Some of the common challenges include the absence of capital, technology and deep industry know-how for local companies to carry out the high paying services in the industry. This eventually leads to local content being relegated to low paying and low jobs that do not in the long run help develop the kind of capacity needed to run the industry in the future with reduced dependence on foreign staff or capital.

What is the importance of working with local companies across the value chain?

Local companies are the ones that support the local economy and create the most jobs. Engaging, partnering and working with them promotes technology, skills and know-how transfers. It is also beneficial for robust national employment growth. More importantly for business perhaps, local companies are the ones with the deepest and most relevant knowledge of the local market environment, its dynamics and the way to do business. Setting up a joint venture with a local company or partnering with them has proven a very sustainable and profitable business strategy for many foreign investors. The Chamber will be pushing for more joint ventures and encourage a lot of technology and skill transfer. Local companies have to also do their best to meet the industry demands and standards.

How can this strengthen capacities and transfer know-how and increase local capability?

Exposing local companies to best international practices, be it on an operational or managerial level, is very beneficial. National oil companies have grown a lot this way, by having stakes in licenses operated by international oil companies, and acquiring de facto the technology, know-how and practices that they now use to operate their own blocks. This move wouldn't have been made possible without their prior association with major IOCs and international oilfield services providers. The same thinking applies to engineering, procurement and construction, manufacturing and the overall value chain. Equatorial Guinea's Minister Gabriel Obiang Lima has been very vocal about this and we will work with the Angolan oil sector to ensure this happens.

Given the highly technical and technological demands of the oil and gas industry, is the Angolan workforce ready to accommodate the growth of a local E&P industry?

Yes, certainly so. Similar to Nigeria's experience, where the government created the right kind of enabling environment to

spur the growth of local E&P companies, Angolan companies can do the same if provided the same opportunities. Nigeria can now boast of names like Oando, Sahara, Aiteo, Shoreline, Atlas Oranto and Seplat amongst others which are now respected brands in the region. Angolan banks have to develop capacity in terms of understanding E&P, be willing to lend to local players at reasonable rates and the government has to encourage joint ventures between Local and international companies. The Africa Energy Chamber strongly advocates for such measures to be taken.

What, in your view, is the most pressing problem for Angola's energy sector?

Angola desperately needs more exploration, including in marginal fields to stem the declining oil production. This is currently being addressed by the government which set up a technical committee that includes IOCs and government stakeholders to discuss existing hindrances to investment in the sector. This committee is already bearing fruit with Total announcing that it will invest hundreds of millions into Angola, including towards the increasing of production in block 17. The government also set up an independent petroleum and gas agency which is tasked with action as a regulator in the industry and implementing government policy in the sector. The agency has already announced that it will carry out an auction for block licenses this year in an attempt to spur exploration in Angola.

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