

Oil-rich Gabon looks to a new future

Africa's fifth-largest producer seeks to diversify its economy in order to reduce its dependence on oil

Gabon, a small country of 1.8 million located in western central Africa just below the Gulf of Guinea, is a discreet nation that has long lived relatively well compared to many other African countries thanks to its oil reserves. It has also been a steadfast ally of the West ever since its independence in 1960 from France, with which it maintains close relations.

With a gross domestic product (GDP) of \$14.6 billion in 2017, according to the World Bank, and a GDP per capita of \$6,600 (2017), it is an emerging economy. But as has happened to other oil-producing countries, the black gold has been both a cornucopia and a curse. Indeed, oil and related activities accounted for 45 percent of Gabon's GDP in 2015, 85 percent of its export revenues and 60 percent of its budget revenues, according to the World Bank, making of Gabon the fifth-biggest African oil producer.

But after decades of bonanza—illustrated notably by the capital Li-



La Baie des Rois, future urban seaside eden in Libreville.

breville's impeccable roads and sleek, modern buildings—the slump in oil prices by about 40 percent since 2014 and the dwindling of reserves have put the country at a crossroads: it must now diversify its economy.

Oil production is stable at some 200,000 barrels per day (bpd) but it is declining and expectations have turned to deep offshore. The large multinational companies that have been present in the country for decades are gradually divesting, paving the way to new, smaller players such as London-based independent company Perenco, which is among the three main producers now operating in Gabon alongside historic operators Total and Shell.

The government is keen to diversify the economy, as outlined in its 'Gabon Vision 2025' development strategy published in 2012. Mining, in particular manganese, and timber already represent important sources of revenue. France's Comilog (Eramet group) and China's CITIC are the two main operators in the mining sector. The government would like both sectors to contribute 10 percent to the GDP in the short term but

Building the new Gabon



The first Gabonese construction company, SOCOBA has been key in building the modern Gabon we know today. Many of the official buildings in the bustling capital, Libreville, and in other major cities were erected by SOCOBA. The company also contributed to numerous large-scale infrastructure projects carried out in the past few decades. "For more than 50 years, we have demonstrated our know-how in the construction of buildings and industrial facilities," says SOCOBA CEO, Jean-Claude Baloche. "Our experience in real estate and industrial building enables us to cater to the specific needs of our clients and to play a leading role in all the major markets."

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Gabon was the first African country to have pledged to reduce its greenhouse emissions as per the 2015 Paris Agreement on climate change.

concerning timber, it is worth noting that Gabon has pledged to abide by the 2015 Paris Agreement on climate change and thus to control and limit deforestation. Indeed, it is the first African country to have pledged to reduce its greenhouse emissions as per the Paris Agreement.

In their Vision 2025 strategy, Gabonese authorities envision to base the country's development on three pillars: industry, including oil and gas, which the government wants to re-launch and optimize; the green economy, and the service sector. In particular, Gabon has huge potential in ecotourism, with miles of pristine tropical forest and a dense fauna of gorillas, chimpanzees, giraffes and forest elephants. The key now will be to protect these precious resources while opening them to foreign interest.



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Unlocking the mining potential

New players operate in the mining sector while the government keeps modernizing the transport network

While oil has been Gabon's main asset for six decades, mining is also an important, albeit lesser source of revenues. In particular, Gabon has rich reserves of manganese and gold, estimated at respectively 165 million and 44 tons.

The government is keen to boost and diversify this sector, notably by increasing the number of operators. In January 2015, therefore, it introduced a new mining code and it has since given out new prospecting or exploration permits for iron, copper, diamonds and other minerals. In 2017, it sold seven additional licenses to four companies involved in gold mining: Alpha Centauri Mining, Gabon Gold, Maxi Gold and the Equatorial Mining Company (SEM).

Alpha Centauri is a good example of a medium-sized private company contributing to the diversification of the Gabonese economy. It says it "chose to invest in Gabon due to its sustained political stability and huge untapped and unexplored mineral resource base." The government hopes to quadruple the mining sector's economic contribution by 2025 as part of its Industrial Gabon development plan. "Gold

Plying a sustainable trade

As tropical hardwoods become ever more scarce, one brand new startup is set to put Gabon on the world map as a leading manufacturer of legal and sustainable tropical plywood. **STARPLY**, established by two second-generation wood-industry professionals who already run a successful veneer plant, is creating high-quality and competitively priced interior, exterior and marine-grade plywood that has all certificates for exports to Europe and the U.S.

Gabon's tropical forests are home to over 400 species, but **STARPLY** only works with the best: *Aucoumea klaineana*, commonly known as Gaboon or Okoumé. With a stunning, mahogany-like appearance, its plywood is sought after for high-end furniture, musical instruments and luxury goods, while its lightness makes it ideal for boat building. Using world-class equipment, **STARPLY** will soon have the capacity to produce 6,000 cubic meters of Okoumé plywood. Given that Gabon has 130 million cubic meters of Okoumé reserves, the new company should be supplying world-class quality products for many generations to come.

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Claude Abdon Tchibinda
 General Manager
 CNNII



Justin Ndoundangoye
 Minister of Transport
 and Tourism

has been classified as a strategic mineral and, according to the Ministry of Mines, a mere 30 percent of the country has been fully explored, which is a low figure in light of the vast mineral wealth of some of Gabon's southern neighbors," says Anand Bajla,

managing director of Alpha Centauri. The company, which is based in Gabon and owned by Dubai and London-based investors, also has an interesting plan to increase production and curb smuggling, which is to "get artisans together and establish co-operatives, teaching them how to mine in the right way and using the right machinery to respect the environment," adds Bajla. This scheme would contribute to reducing smuggling, which Alpha Centauri estimates to be worth some 60 billion francs CFA annually (about \$103 million).

A key condition for increasing mining production and sales is to have a proper transportation infrastructure, notably roads and railways. Gabon's transport network is quite developed, but "the system was in crisis a few years back," acknowledges Minister of Transport and Tourism Justin Ndoundangoye. "We are thus in a process of modernization through a new management model and the upgrading of our infrastructure in maritime transport, railways and roads." The minister says the port of Owendo is a good example of this modernization push. The new port facility near the capital Libreville is a multi-modal rail and marine port with an 11-million-ton capacity mineral terminal connected to the Gabon Special Economic Zone.

"We chose to invest in Gabon because of its sustained political stability and huge, untapped mineral base."

Anand Bajla, Managing Director, Alpha Centauri Mining

Gabon is a coastal country crisscrossed by rivers so maritime and fluvial transportation is a key part of the system. This is the remit of the publicly owned National Company for Internal and International Navigation (Compagnie Nationale de Navigation Intérieure et Internationale, CNNII), whose main routes are by sea Libreville to Port Gentil and Port Gentil to Gamba and Mayumba in the south, and by river Port Gentil to Lambaréné in the center of the country.

General Manager Claude Abdon Tchibinda explains that the main objective now is to offer direct service between Gabon and countries that import its goods: "There are no direct lines with some of the countries of the sub-region, such as Morocco for example. This means our goods need to be sent to Europe and then re-directed to their destination in Africa. This 'triangular trade' is of course costly and time consuming, so our main objective now is to create direct routes and thus boost our trade."

“The new hydrocarbon code is fiscally more advantageous”

Gabon Oil Company’s Managing Director outlines new opportunities for investors in the country’s oil sector

Oil production in Gabon is now stabilized at 200,000 barrels per day. Do you think it will remain at this level?

Patrichi Christian Tanasa: I believe it will start to pick up soon, in particular because Petronas made a very interesting discovery in very deep offshore, which is where the new opportunities lie nowadays.

Last year, Gabon adopted a new hydrocarbon code to replace the previous one, which dated from 2014. What are the objectives of the new code?

The 2014 code was not attractive enough, in particular in terms of taxes—as evidenced by the fact that only two contracts were signed under it. The new code is fiscally more attractive and is also more flexible, in particular concerning exploration and production. Furthermore, it is more transparent, notably as regards tenders. We hope that all these elements make it more attractive for future investors while at the same time guaranteeing the interests of the Republic of Gabon.

Oil is obviously a key engine for the economy of Gabon. What is the responsibility of Gabon Oil Company in the nation’s economy?

Gabon Oil Company (GOC) represents the Gabonese state in the oil sector. In particular, we are responsible for leading exploration campaigns and making fields available. We manage participations in some fields on behalf of the state. For example, not long ago we signed an association agreement with Perenco whereby we enter 32 fields, and we are currently in talks with Maurel&Prom for something similar. But we also act as a national operator. The purpose of GOC is to better manage oil costs and to optimize the country’s revenues.

What are the main challenges for Gabon Oil Company in the short and medium term?

The first one would be to prove our capacity as an operator. We have a field, Mboumba, which currently produces 1,000 barrels per day. The objective, apart from the investments that need to be made to preserve the integrity of the equipment used in this field, is to double production within six months to one year. The second challenge is to take more stakes. A few months ago, we started negotiations with [Norwegian company] BW to acquire 10 percent of the stakes, and the first oil was produced in September. So we are now finalizing these discussions. We also are keen to identify opportunities in other fields and to acquire participations.

The purpose is to strengthen our credibility at national level in order to raise our profile internationally.



What is the role of Gabon Oil Marketing, a subsidiary of Gabon Oil Company?

Gabon Oil Marketing operates in the downstream sector. It was created originally to manage the sale of the products of our refinery. The idea was to have a company that would exclusively manage the supply of petroleum products for the national market.

Today, Gabon Oil Marketing is the link between the Société gabonaise de raffinage, [the national refinery company] and the national market. But the refinery can only meet about half of our needs nationally so we have to import the rest. Gabon Oil Marketing also has a strategic role to ensure we have strategic reserves and there is no break in supply.

How do you assess oil prices at the moment, and how do you think they will evolve?

I think prices are going to stabilize. We are now at \$60 and we hope prices won’t go below. For 2019, I foresee prices stabilising at between \$55 and \$65, which is acceptable insofar as it enables operators to invest.



Patrichi Christian Tanasa
Managing Director
Gabon Oil Company

Driving progress in telecoms

The International Telecommunication Union ranks Gabon as first in West and Central Africa for internet penetration. Gabon Telecom, the country’s global operator and market leader in all sectors, has enabled this by investing over \$300 million between 2014 and 2018 on the development of infrastructure and new technologies, including:

- Extending 4G to cover 83 percent of the population.
- Expanding the fiber optic network in regional capitals, facilitating the launch of a fiber-to-the-home service.
- Increasing international bandwidth to 30 Gbps on the SAT3 submarine cable, with the African Coast to Europe (ACE) cable as backup, giving connectivity to over 128 destinations.
- Developing rural broadband infrastructure.
- Using clean energy based on solar.

Impressively, while carrying out these investments,

Gabon Telecom has been able to reduce its customers’ tariffs by 85 percent.



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