

**Keynote Speech at the 11<sup>th</sup> Annual Sub-Saharan Africa Oil/Gas Conference Held at Westchase, Houston 26<sup>th</sup> April, 2018**

**TOPIC: Measures Sub-Saharan African Countries Must Take To Leverage And Maximize Potential Opportunities Presented By Oil And Gas Exploration And Development**

CEO of Energy and Corporate Africa, Sir Sunny Oputa, Government Representatives, CEOs and Heads of Oil Companies present, distinguished ladies and gentlemen good morning to you all.

I am making this presentation today on behalf of Hon. Minister of Petroleum and Energy of the Republic of The Gambia, Mr. Fafa Sanyang who is not able to attend due to prior engagements. I am therefore honored to be on this podium today.

I am equally honored to have this simple responsibility of preaching to the converted. I use that expression because many present here particularly from Sub-saharan Africa, came from countries either producing oil or are at more advanced stage in the exploration cycle than The Gambia.

While being a newest comer is not the most enviable position, in resource exploitation it does provide the benefit of hindsight and pool of lessons to learn from. We have been reminded this over and over during a recent study tour to Ghana on Local Content. During the same trip in a conversation with **Hon. Dr. Kwabena Donkor**, the former Deputy Minister of Energy of Ghana he noted that we were in the right place, and at the right time, meaning we were in Ghana, to learn how to do it right. He reminded us that, Ghana did the study tours on local content much later, and joked that, when they were about to develop their local content legislative framework, they also went to learn from Nigeria, but instead of learning how to do it right, they went to understudy how not to do it wrong.

As Gambians we could not comment on that, since Ghana and Nigeria are Big brothers and when they are at it, we normally stay neutral!

Having said that, I will now set the stage for the key measures that I feel need to be undertaken to optimally benefit from our oil resources. I have to admit that this list is by no means exhaustive.

Many decades of experience in exporting minerals from Sub-Saharan Africa particularly oil have taught us that simply being blessed with these resources and the revenues they generate will not automatically change the plight of our people and graduate them from poverty to riches or even improve their well being. On the contrary, it is common knowledge that, if the resources and the revenues they generate are not well managed, the consequences could be entrenched poverty, frequent social strife, environmental degradation, political instability, wars and ruined dreams. These possibilities have particular resonance and should serve as valuable lesson for the new cohort of countries coming on-stream for the first time in the Petroleum Sector. Such countries include Ghana, Senegal, Kenya, Uganda and hopefully very soon The Gambia. We cannot afford to repeat mistakes of the past. To avoid this, I believe the following measures must be taken, but before coming to that I'll make the following statement about The Gambia.

The Gambia you may all be aware is at the early stage of exploration, and is using these initial and early phases of engagement with companies to test our existing institutional structures and identify shortcomings. We are also using this period to lay the foundation and rules, establish and consolidate best practices for an upcoming Petroleum industry. We believe these will give IOCs comfort and confidence that, we are partners they can work with.

Now on the measures:

1. **Enhancing Geological Knowledge:** without understating the importance of numerous other expertise and skills needed for resource beneficiation, I want to focus on this specialty, mainly because of geology background.

We all know Petroleum is a gift of nature or God (if you want), and is in-fact the most important determinant of countries' attractiveness to investors. While we cannot change the actual prospectivity, we can indeed change the understanding and perception, principally through increasing our knowledge of the geology. The significance of this is due to the fact that with a good understanding of the geology, we are able to convincingly tell our story in promoting our geological potentials and prospectivity.

When the investors arrive, again the depth of our knowledge and understanding of the value of petroleum resources will inform our negotiating position and ultimately impact contract types and terms. Lopsided deals or contracts are not just potential sources of conflicts between the IOCs and the Government, but are a recipe for exploitation with little or no benefits to the populace.

In The Gambia, our efforts to mitigate this knowledge asymmetry include securing the services of an International law firm to assist in the negotiation.

2. **Strengthening Institutional Capacity:** Strong Petroleum management institutions with clearly defined mandates must be established. We must have a lead institution that works with other institutions. The working relationship between these institutions should be equally well established.

- a. **Intra and Inter-sectoral Collaboration:**

It is common knowledge that implementation and management of petroleum contracts is a cross-cutting challenge and therefore to get it right we must ensure active and enduring horizontal communication and knowledge sharing across and within sectors. This will not only facilitate contract development and execution but also result in best value for our resources.

Good coordination among government agencies has many oversight and monitoring merits if institutional responsibilities are clearly defined.

In this area what we are doing in The Gambia is that, we recognized our reality, namely: a small country with limited human resource capacity at an early stage of petroleum exploration in a highly prospective MSGBC basin. Therefore started by identifying institutions with roles, responsibilities, and mandate over matters affecting Petroleum exploration and Exploitation. We then constituted a multi-discipline Expert Committee called, National Petroleum Committee comprising of key national institutions such as the Ministry of Petroleum and Energy, Ministry of Justice, Ministry of Finance, The Gambia National Petroleum Corporation, The Geological Department, National Investment Agency and the National Environment Agency. This has availed us the broad spectrum of expertise needed to manage such a knowledge driven industry with cross-cutting implications. Furthermore, it brings us buy-in from these relevant institutions .

3. **Policies, Laws and Regulations:** We must have robust and unambiguous policies, legislative and regulatory regimes in place. But even more important than that, they must be practical, workable and implementable. This means our laws must be tailored and adapted to our realities. In addition, we must also develop and maintain the capacity to enforce the legislations and regulations. If we have these in place the investors will be rushing in. This is rational and logical. Before one plays a game you need to know what the rules of the game are, especially if the cost of losing that game is measured in millions or billions.

In this respect, in The Gambia, we have a Petroleum Exploration, Development and Production Law enacted in 2004. It is a progressive and unambiguous law.

It has provided the framework for the formulation of the model 'Petroleum Exploration and Production Licence Agreement'. This model is currently being reviewed through a consultancy funded by African Development Bank. This will indeed modernize the model licence and align it with international best practices and recent development.

- a. **Local Content:**

The Extractive Industry is notorious for being an enclaved one (politically and economically detached), particularly deep offshore operations. It is important to point out that, this is by no means through design, but rather due to its inherent high capital intensiveness, specialized goods and services input, and technologically demanding nature. Each of the above often creates barriers to local participation, especially for new entrants to oil producer's club.

In addition to the above, petroleum resources' being finite and non-renewable require adoption of conscious efforts and deliberate policies to create spillovers from its often internationally procured inputs, into the local economy.

However it is imperative that, in our drive to design and implement Local content policies, we are mindful of introducing complex regimes that may not only be difficult to be adhered to by the IOCs but also impossible for local institutions to monitor their application. In other words they must be smart and simple in design for integration of the petroleum sector into the fabric of the national economy.

To this end, in the development of The Gambia's third generation of exploration licences, we are bringing greater clarity and focus on Local Content. In this quest we have just drafted a local content policy and in the process of enriching this document have undertaken a study tour to Ghana and Nigeria. These have provided an insight into the broad framework how should look like. It will be followed by gap assessment of skills and capacity for understanding the set of appropriate Local Content laws and regulations to be adopted.

Again I will have to emphasize that we never loose sight or cognizant of our reality.

4. **Governance and transparency in petroleum resources management:**

Public oversight, reporting requirements and guidelines on how the resources are managed in all transactions from contracting to spending is a vital measure to ensuring that good natural resource governance. In particular;

- a. **Fiscal Policies need to be robust:** Revenues from petroleum resources often serve as an underlying force that can shape the political processes in ways that can bring about either positive or negative results. Such revenue management needs to be guided by a public finance policy that stipulates how natural resource revenues are spent to avoid them being arbitrary being mismanaged.
- b. **Transparency:** Social network platforms such as Facebook, Whatsapp and similar applications are new form that are now playing critical roles for transparency promotion. These should be complemented by Parliamentary oversight committees and civil society organizations. These could further deter public officials engaging in unscrupulous and corrupt acts.

In The Gambia under the new dispensation, we frequently inform the population about the processes being undertaken and how the government is interacting with IOCs. Each major step in our current licensing process is publicized at the Ministry's website as well as on all major national newspapers.

We believe this will enhance public acceptance of any resulting contract and hence planned to continue with this, by disseminating information on every milestones reached during the contracting process. This will include when the final contract are signed, the estimated amounts the government expected to receive, as well as the volumes of petroleum that will be produced. We view these social media and platforms, whether new or traditional, as playing vital and useful roles in transparency and accountability rather than a mere nuisance.

The response and reaction to such an openness so far from the IOCs bidding for Gambian acreages has been very positive. They have shown confidence in our institutions and processes.

To conclude I will re-emphasize the following:

- Enhance Petroleum Resource governance by instituting laws, regulations and rules and adhere to them;
- Promote and heighten transparency in the management of Petroleum resources;
- Build and reinforce institutional capacity to achieve better negotiation terms during with engagement with International Oil Companies; and
- Make efforts to integrate natural resources sector into the local economy

Thank you for your attention

By: Commissioner for Petroleum  
Jerreh Barrow 26/4/18