



ANGOLAN OIL BURNS BRIGHTLY

If there is one thing that does not worry Angola, it's oil revenues. Within 15 years, the country could become Africa's number one oil producer and secure a place among the world's top five. Keeping a focus on economic diversification, however, is key to sustaining long-term economic growth.

In 2006, what is considered the Western Hemisphere's largest oil discovery in 30 years was made 250km off the coast of Rio de Janeiro, Brazil. The discovery of the pre-salt Lula field will most likely have tremendous repercussions for Brazil's former geological Siamese twin and Africa's second largest oil producer, Angola.

Tako Koning is a Canadian, Angola-based petroleum geologist and consultant for Gaffney, Cline and Associates. He explains that according to the continental drift theory, 200 million years ago there was one gigantic supercontinent called Pangea. Angola and Brazil were 'joined at the hip' until they had drifted apart some 100 million years ago. Angola's and Brazil's geologies are still almost identical, which leads experts to expect that Brazil's new-found oil wealth could be duplicated in Angola.

Plant and animal material gathered in the rift between the two countries and developed into oil, hidden under a thick layer of salt. Thanks to the discovery of the Lula field, Brazil's 2.2 million barrels of oil per day (bpd) production will most likely double or even triple within the next 15 years depending on the success of further exploration. Last year, pre-salt oil

discoveries were made in Angola by Maersk Oil and Cobalt Exploration.

"These discoveries are viewed as potential game changers for Angola's oil industry," Koning told FORBES AFRICA. Angola is currently producing around 1.8 million bpd.

"That could double to some 3.5 million bpd if its geology truly mirrors that of Brazil."

The country has experienced some pleasant surprises before. Angola's first oil seeps and asphalt deposits were found in the late 1700s. Its first drilling occurred almost a century ago and oil production began in 1955.

"Today the bulk of Angola's oil production is from tertiary age sandstone reservoirs found in the mid-to late-1990s. They already resulted in Angola's oil production approximately doubling in the past decade," says Koning.

Angola was the world's 16th biggest oil producer in 2011 according to BP's annual *Statistical Review of World Energy*. Koning said that if Angola's pre-salt formations prove to be like Brazil's, Angola will replace Nigeria as Africa's number one oil producer and be among the world's top five oil producers within 15 to 20 years.

Let's not forget, however, that there are major downsides and risks to an economy so heavily concentrated on oil.

"An obvious one is the risk of oil price fluctuations such as in 2008, when many private sector actors had to be extremely patient to be paid. There is also the Dutch disease aspect, which makes other economic sectors less

competitive," Markus Weimer, from London-based think tank Chatham House, told FORBES AFRICA.

Angolan oil, however, will not last forever; one day its reserves will dry up. The country does not ignore this reality and is making an effort to diversify its economy. There are still major obstacles, according to Weimer, including Angola's general business environment; access to finance for small- and medium-sized enterprises (SMEs); education; infrastructure deficits and the effects of Dutch disease, all of which are already being addressed to a certain extent.

"To sustain current economic growth in a post-oil scenario, Angola would require a much more vibrant, self-sustaining private sector that does not depend on government and oil industry contracts," says Weimer.

According to Weimer, agriculture and fishery are the key economic sectors to watch.

The current generation with access to good education can expect to live well off of the profits from their country's 'black gold'. Koning, who has 40 years of global experience in the oil industry, occasionally lectures at Angolan universities and leads geological fieldtrips.

"Students often ask me if I think there is a good future in Angola's oil industry. I tell them that I know very well how the geology fits, beneath the ground in Angola and that based on my experience I think the future looks bright. Angolan oil production will continue for at least three or four more decades," he says. 