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Exploring a new frontier

Chinese investment and expertise are helping Africa capitalize on its abundant oil and gas resources

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A CNOOC drilling rig at Kingfisher oil field in Uganda's Albert Basin. PHOTOS PROVIDED TO CHINA DAILY

With the prospect of more oil being discovered in Africa, Chinese companies are looking to enhance their investment in the continent's energy sector.

Through the Belt and Road Initiative, which aims to revive the historical Silk Road trading routes, China is encouraging enterprises to invest overseas. Africa's potentially lucrative yet unexploited oil and gas sector offers an opportunity to do just that.

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Already, three major State-owned companies — China National Offshore Oil Co (CNOOC), PetroChina and Sinopec — are actively investing in Africa.

These companies, which previously focused on West Africa, are currently spreading their wings to new frontiers.

East Africa, which has so far not stood out on the global energy map other than as a cash-strapped oil importer, is poised to become one of the world's most interesting energy hot spots, according to a survey by Vision Gain, a United Kingdom-based business intelligence company.

The report said that Mozambique's and Tanzania's substantial offshore gas reserves, and their proximity to Asian demand centers, offer potential for liquefied natural gas exports by the end of the decade. Uganda and Kenya, on the other hand, present opportunities for commercial oil production.

CNOOC already has a presence in Uganda, which claims East Africa's largest reserves. The company has been licensed to extract oil from the Kingfisher oil field in Uganda's Albert Basin, as well as to undertake pre-development activities. CNOOC was the recipient of Uganda's first-ever oil production license in 2013.

Xiao Zongwei, president of CNOOC Uganda, said East Africa presents many opportunities.

"The relationship between Africa and China has been good for decades," he said. "Hence, Chinese companies have a good opportunity to help the continent exploit its energy resources."

At the end of 2016, CNOOC's reserves derived from Africa reached 138 million barrels and production reached more than 80,000 barrels per day. This represented about 3.6 percent of the company's total reserves and 6.2 percent of its daily production.

Ernest Rubondo (second from left), executive director of the Petroleum Authority of Uganda, Stanbic Bank officials, ICBC officials and Chinese investors in the sector at an oil and gas conference in Uganda on Aug 18.

Apart from Uganda, CNOOC also has interests in Nigeria, the Democratic Republic of Congo, Algeria and Gabon.

With a maximum crude oil production capacity of 2.5 million barrels per day, Nigeria ranks as Africa's biggest producer of oil and the world's sixth-largest oil-producing country.

Africa was the scene of Sinopec's first step toward internationalization in the 1990s. Since 1993, the company has been offering oil field services to the continent. In 2012, Sinopec's overseas assets accounted for 36.5 percent of its total assets, and overseas sales represented 31.6 percent of the total.

In November 2014, the company acquired one-third of Apache Corp's Egyptian oil and gas business for $3.1 billion.

Apache is a United States-based upstream oil and gas company. It has 21 years of exploration, development and operations experience in Egypt and is one of the largest holders in the country's Western Desert.

Sinopec has also invested in Gabon, Sudan, Ethiopia and Angola.

In 2013, PetroChina bought a 20 percent share of the Area 4 license block in Mozambique from Italian giant Eni for $4.2 billion.

Between 2003 and 2010, more than half of China's foreign direct investment in Africa was in the oil sector.

The biggest investors were Sinopec, China National Petroleum Corp (CNPC), China State Construction Engineering Corp and China Metallurgical Group Corp. They formed partnerships with state oil companies in Nigeria, Angola, Sudan, Egypt, Chad and Niger.

Although upstream investment is the main focus of Chinese State-owned companies' investments abroad, they have been expanding to construction of refineries and pipelines. In November 2009, for instance, CNPC signed a memorandum of understanding with Sudan's Ministry of Energy and Mining to expand the Khartoum refinery.

In exchange, CNPC gained greater access to upstream projects in the country, in addition to the seven upstream projects it already operated.

CNPC has also invested in downstream projects in Chad, Niger, Egypt, Nigeria and Uganda.

Private Chinese companies are also eyeing the sector. An oil and gas conference organized by the Industrial and Commercial Bank of China, in partnership with Stanbic Bank, on Aug 18 in Uganda brought together more than 30 Chinese companies. All expressed interest in investing, not only in Uganda, but in the entire continent.

Guangzhou Dongsong Energy Group is one such company. According to Jane Guo, its CEO, it is bidding for the construction of a refinery in Uganda and is one of the two pre-

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