Africa's Energy Potential: Prospects for India

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Abstract

In recent years, Africa has emerged as a hot spot for energy sources. The reopening of the oil sector in Sudan and the oil discoveries in West and Central Africa has made this possible. There is a growing argument that oil breeds instability in the African and other oil-rich developing countries across the world. While oil wealth has led to an increase in conflicts in Africa, particularly in the case of Sudan and Nigeria, the rising energy demand is pushing major US, European, Chinese and Malaysian oil companies to invest in African oil. Similarly, India's energy security concerns are driving it towards Africa. In fact, India has no option but to turn towards Africa for diversifying its petroleum sources. However, it will have to draw upon its past ties with the oil-rich African countries if it has to gain a foothold.

" Africa, the third principal petroleum source, provides a special opportunity to us"
K Natwar Singh, India's External Affairs Minister[1]

" African oil is of strategic national interest to us"
Walter Kansteiner, Former US Assistant Secretary of State[2]

Introduction

Africa, long considered as poverty stricken continent plagued with conflict and war, has in recent years attracted much attention across the world as a potential source of energy. Africa is in the midst of an oil boom. The discovery of vast energy sources has raised the strategic importance of the continent. Sub-Saharan Africa holds 7 per cent of world oil reserves and has an 11 per cent share of current production.[3] It is estimated that Sub-Saharan African governments will receive over $200 billion in oil revenues over the next decade. The boom has been fuelled by the discovery

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of oil in the Gulf of Guinea region. The US, British, French, and not to forget the Chinese, oil companies are rushing to take a stake in Africa's oil wealth. Nevertheless, there are perils of plenty. There is a growing argument that the oil rich developing countries are worse off than the resource poor ones. Further, there is a concern that oil breeds instability. This is quite true in the African context. Oil may have been the reason for prolonging, if not starting, the conflicts in Sudan, Nigeria and Angola.

In this scenario what are the implications for India? Energy security may be the biggest challenge to Indian policy-making in the coming decades. India's energy consumption has started to rise rapidly in recent years, making the country one of the largest consumers in Asia today. With indigenous production dwindling, it appears that by the end of the decade, India will be importing 90 per cent of its crude oil and natural gas requirements. In recent years, India has been trying to reduce its dependence on the Persian Gulf and has started looking at Africa as an alternate source of energy. How prudent is India's investment in Africa's oil? Will India hit the jackpot of 'black gold' or will it be sucked in by the 'excrement of the devil' as Juan Pablo Perez Alfonso, the former Venezuelan oil minister and co-founder of OPEC, so poignantly warned. This study is limited to the Sub-Saharan African countries and addresses only the oil resources in the energy basket of these countries. It is organised in three sections. The first deals with Africa's oil potential, the second with India's energy security concerns and the last with the prospects for India.

I

Africa's Oil Potential

Of the 8 billion barrels of crude oil reserves discovered worldwide in 2001, some 7 billion are in West and Central Africa. According to the Energy Information Administration (EIA), exploitable reserves in Sub-Saharan Africa may expand significantly over the next decade. The Gulf of Guinea region, which covers West and Central Africa, is currently the world's premier hotspot in oil industry parlance. According to some estimates it has up to 24 billion barrels in reserves.[4] There is a prediction that oil production in Sub-Saharan Africa will jump from the current output of 3.8 million barrels per day (bpd) to 6.8 million bpd in 2008. The EIA conservatively estimates that the region will be producing 9 million barrels per day by 2030.

Sub-Saharan Africa is home to eight oil exporters – Nigeria, Angola Congo- Brazzaville, Gabon, Equatorial Guinea, Cameroon, Chad, the Democratic Republic of Congo and Sudan. Other countries with limited oil production capacities are Cote d' Ivories, Ghana, Benin, Senegal and South Africa (Table 1).

Table 1: African Oil Production by Country, 1993-2003 (thousand barrels/day)

	1993	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Angola	504	557	633	716	741	731	745	746	742	905	885
Benin	3	2	2	2	1	1	1	1	1	~	~
Cameroon	130	115	106	110	124	105	95	88	80	72	68
Chad	~	~	~	~	~	~					40
Congo Brazzaville	185	185	180	200	225	264	293	275	271	259	243
Congo (DRC)	25	25	28	30	28	26	24	25	24	23	22
Equatorial Guinea	5	5	7	17	60	83	100	113	181	237	249
Gabon	305	337	356	365	364	337	340	327	301	295	240
Ghana	~	6	6	7	5	5	6	6	6	6	6
Ivory Coast	~	~	6	16	14	10	10	7	5	10	20
Nigeria	1985	1988	1998	2138	2303	2163	2028	2104	2199	2013	2185
Senegal	^	^	^	^	^	^	^	^	n/a	n/a	n/a
South Africa	8	9	9	8	15	15	32	32	23	20	16
Sudan	2	2	2	5	9	12	63	174	211	233	255

^ Less than 0.5

Source: *Oil and Gas Journal* (various years)

Some of these countries, like Nigeria and Angola, have been producing oil for many years now. Nigeria is Sub-Saharan Africa's largest oil producer and plans to increase production to 3 million bpd while Angola, the second largest producer, plans to increase it to 1 million bpd. Discoveries in Angola in the last decade have earned it the title of "oil jackpot of the 21st century". Others like Sudan and Equatorial Guinea have only recently begun exporting oil. There are also countries like Sao Tome and Princepe, which has large proven reserves and has set up a joint development zone with Nigeria. At the same time, Gabon and Cameroon have reached the tail end of their oil boom. Several others like Gambia, Guinea-Bissau, Niger, Liberia in West Africa, the Central African Republic, Uganda, Kenya, Djibouti, Ethiopia in Central and Eastern Africa, and Tanzania and Namibia in Southern Africa are busy exploring for oil in the hope of hitting a bonanza.

Perils of Plenty: African Petro-States

Becoming the hot spot of the world oil industry will not necessarily imply better prospects for Africa and the Africans. As economists Jeffery Sachs and Andrew Warner enquire in a well-regarded 1995 study of resource rich developing countries, "Is there a curse to easy riches?" A number of quantitative studies in recent years have shown that oil-exporting countries have done worse economically than the others have.[5] More importantly, the oil boom has led to instability and authoritarianism.[6] Oil rents have tended to impede democratisation and have sustained a long line of autocratic rulers. Collier and Hoeffler find that oil has a link with civil wars, particularly secessionist civil wars.[7] Fearon, Latin, and De Soya report that oil exports are significantly linked with the onset of civil war.[8]

Why should oil exports lead to civil war? Many scholars have sketched out incentive based theories of oil and war arguing that rents available from the oil sector give the concerned actors necessary financial incentives to initiate conflicts. Collier and Hoeffler suggest that the allure of claiming ownership of a natural resource discovery gives populations in the peripheral regions an incentive to establish sovereign states. Others argue that the hypothesis of economic allure of oil rents is at fault. Fearon argues that oil predicts civil war risk not because it provides an easy source of rebel start-up finance but probably because oil producers have relatively low state capabilities given their level of per capita income.[9] Thus, he argues that oil wealth leads to state weakness, which in turn causes civil war. Klare argues that the extraction process in itself can lead to community level grievances and contends that these may lead to larger violent conflicts.[10]

Thus, study after study demonstrates that countries that depend upon oil exports are among the most economically troubled, the most authoritarian and the most conflict-ridden states in the world today. What has been the African experience? It appears that Africa provides prime examples of the perils of petro wealth. The following section takes up the case studies of two of Africa's prominent petro-states.

Nigeria

Nigeria is Sub-Saharan Africa's largest oil producer and the fifth largest in OPEC after Saudi Arabia, Venezuela, Iran and the United Arab Emirates. The proven oil reserves of the country are approximately 30 billion barrels and it produces approximately 2 million barrels per day (bpd) of crude oil. With a per capita gross national product of only $320 a year, Nigeria is one of the poorest countries of the world today.[11] The discovery of oil in 1956 transformed Nigeria's political economy and it has earned around $340 billion over the past 40 years. The country's dependence on oil revenues is immense. It accounts for 90-95 per cent of export revenues, over 90 per cent of foreign exchange earnings and 80 per cent of government revenue.[12] Yet, instead of turning Nigeria into the most prosperous state in Africa, these natural resources have enriched only a minority, while a vast majority has become increasingly impoverished. Also, successive governments have mismanaged the wealth earned through oil. Today, Nigeria has become virtually synonymous with corruption and unstable governments. Over the years, Nigeria has been witness to a virtual game of musical chairs between military and civilian rule. In addition, most governments have been authoritarian and repressive. This has given rise to militancy, most prominently in the oil rich Niger delta.

According to the Nigerian constitution, all minerals, oil and gas belong to the federal government, which negotiates the terms of oil production with the international companies. European and the US oil companies operating on joint ventures with the Nigerian National Petroleum Corporation (NNPC) carry out most of the exploration and production activities. The NNPC came into being in 1956 primarily as a vehicle for partnership with foreign companies and has an ownership stake of 55 or 60 per cent. Though there are several multinational companies operating in the upstream and the downstream sectors in Nigeria, the biggest corporate player is Shell Petroleum and Development Company (SPDC), the Nigerian affiliate of the Royal Dutch Shell group. In Nigeria, SPDC is the joint venture holder with a 30 per cent interest in NNPC. It accounts for about 50 per cent of the crude oil production. In a country where oil accounts for 90 per cent of foreign exchange and 80 per cent of government revenue, it is quite natural that a company like Shell plays a high profile role. In fact, some posit that " …in Nigeria, Shell is the state; the real state is a shell."[13]

Oil production has also adversely affected the environment of the entire region. The Niger delta is one of the largest wetlands in the world, encompassing around 20,000 sq. km. It comprises of mangrove forests and has a high level of bio–diversity, typical of extensive swamp and forest areas. Available evidence shows that oil-led development has seriously damaged the environment in the delta and that in turn has endangered the livelihood of the communities living there. Therefore, indigenous communities, prominently the Ogini and the Ijaw, have taken up arms against the government and the oil companies.[14] They have been demanding a share in the revenue earned through oil, particularly since oil spills have led to the loss of livelihood of most of these communities.

The Ogini struggle began with the launch of Movement for the Survival of the Ogini People (MOSOP) in 1990. This movement reached its climax with the hanging of their leader Ken Saro Wiwa and his eight kinsmen by the Abacha regime in 1995. The Ijaw population is close to three million and is the fourth largest ethnic group in Nigeria. The Ijaw are present in over six states from the Ondo State in the extreme south-west to Cross Rivers State in the farthest south-east. The Ijaw territory is primarily riverine while the Ogini territory is located on easily accessible hinterland. This is one of the reasons that helped the Nigerian government crush the Oginis resistence in the mid-1990s. Against this, the Ijaw have proved to be quite elusive. Ijaw nationalism began in the pre-independence days. The main initiator of the struggle was Isaac Adaka Boro and his Niger Delta Voluntary force that held the state and the oil companies at ransom for over 12 days. Subsequently, the army crushed them. These people had been fighting for minorities empowerment, just resource allocation, etc. The most prominent umbrella organisation is the Ijaw Youth Council (IYC). More recently, for the last two years, a group called Niger Delta's People's Volunteer Force (NDPVF) has been challenging the Nigerian government. Mujahid Dukobo Asari leads it and has sympathy and backing of a large number of people in the delta. There is much support for his proposal that the people in the oil producing regions should take control of their resources. However, the government calls him an "oil thief". They have charged him of "bunkering", i.e. stealing of oil offshore and selling it abroad. Asari came into the limelight in 2001 when he staged some kind of a political coup in taking over the IYC.

In September 2004, violence disrupted oil production in the delta region. The NDPVF launched an attack on the oil city of Port Harcourt killing 50 people. Subsequently, the Nigerian military launched an operation to flush out the militants from the nearby swamps and creeks.[15] The conflict escalated with Asari declaring war against the Nigerian government and the oil companies.[16] In a communiqué, he advised foreign nationals to leave Nigeria and warned foreign oil companies to shut down production. Asari accused the oil companies, particularly Shell, of collaborating with the government in acts of genocides against the Ijaw. Consequently, Shell was forced to shut down a couple of its pumping stations that pumped out around 30,000 bpd. This disturbance in Nigeria was partly responsible for the world oil prices hitting a record high of $50 per barrel.[17] Today, however, there appears to be peace in the delta. Unlike the uncompromising attitude of the earlier regimes in Nigeria, the Obasanjo regime has opened a dialogue with the rebels. Reports indicate that rebel leader Asari met the Nigerian President at Aso Rock in Abuja and signed a ceasefire agreement.[18]

Due to the continuous conflict, both the government and the oil companies have revised their approach towards production and exploration in the delta. Today, the Obasanjo government has agreed to pay 13 per cent of the revenue generated from oil production to the states. However, it is still to agree on revenue sharing from the proceeds of the offshore fields.[19] Similarly, the oil companies have started to reduce their onshore activities, investing instead in offshore exploration. Currently, approximately 40 per cent of Nigeria's oil production occurs offshore.

Sudan

In the recent years, Sudan has entered the ranks of oil exporting countries in a big way. There are various estimates of Sudan's oil reserves. According to a Chevron estimate, Sudan has "more oil than Iran and Saudi Arabia put together".[20] The Sudanese President has also hinted in the past that Sudan had reserves "larger than Saudi Arabia".[21] However, this claim has not been substantiated. The Sudanese energy ministry representatives have recently estimated total reserves at 5 billion barrels and estimated proven reserves at 700 million barrels. This is way below that of Saudi

Arabia.[22] As of June 2004, crude oil production was averaging about 345,000 bpd and this is expected to exceed 500,000 bpd by the end of 2005.[23] Internally, the country has been witness to a devastating civilian unrest over the last 35 years. This conflict has generated some four million displaced people. According to an estimate, over two million Sudanese people may have died because of fighting and the resultant starvation and disease.[24] While the end of this long-drawn conflict is in sight, a new conflict in Darfur in the last couple of years has displaced around 1.6 million and left around 70,000 dead.[25] It appears that discovery of oil in southern Sudan has greatly helped the government in the north, both politically and militarily, to appropriate and control the region for expanded production of oil. At the same time, it has marginalised the area's traditional inhabitants.[26]

Petroleum exploration in Sudan began in the early 1960s. The activity was originally concentrated offshore in the Red Sea. The only real discovery was Chevron's Suakin gas finds in 1976. It was not until 1980, however, that it located significant oil in the Unity oilfield north of Bentiu, followed by the Heglig field in 1982. At this juncture, the prospects of oil revenues and Chevron-brokered US backing may have emboldened the then President Gaafar Mohammed Numeri to break the accords that had maintained peace in Sudan for nearly 10 years. Under the Addis Ababa accords signed in 1972, the central government controlled oil exploration and production, but the Southern regional government had the rights to all profits from exports and the revenue earned through taxation on private businesses.[27] In order to amass the oil wealth, Numeri redrew the map of Sudan and created a new province Unity state around the town of Bentiu. He further put this state under the jurisdiction of the central government, thus effectively blocking the South. Certain other developments like siting the refinery in the North and the formation of the White Nile Corporation by Chevron and the government, with no representation from the South, further aggravated the situation. In 1983, John Garang and other senior army officials of Southern origin left the government to form the Sudan Peoples Liberation Army (SPLA). In 1984, an attack on the Chevron oil operation in Unity prompted the company to suspend operations. Later, a military coup brought General Al Bashir and the National Islamic Front into power in 1989. However, increasing internal unrest and intensification of conflict in the mid-1980s between the Sudanese government and the Southern rebels, and the consequent deterioration in the security situation saw most of the oil majors suspending their activities. Chevron in particular abandoned its concessions.

On its part, the National Islamic Front (NIF) government used military means from 1992 onwards to drive out civilians from the region. The oilfields were in the heart of the land that was home to the ethnic tribes of Dinka and Nuer, both traditional rivals. It also created the Murahaleen, a militia primarily drawn from the Arab tribes to protect the oil concessions. According to UN sources, the Murahaleen not only targeted the rebels but also innocent civilians, including women and children.[28] Another strategy adopted by the Bashir government was to exploit the traditional Dinka and Nuer rivalry to split the SPLA movement. The SPLA warriors were mainly from the Dinka tribe though Nuer and other tribes also found representation in its folds. Following an agreement signed with a breakaway faction of the SPLA in 1997, the government promised them 75 per cent of oil proceeds and high positions in the government.

Here, the success of NIF government's policies to secure control of oil producing areas must be seen in relation to the scramble of oil companies to secure concessions in southern Sudan. Since the early 1990s, foreign oil companies had began to return to Sudan. In 1994, Concorp sold the Chevron concessions to the Canadian State Petroleum Company, which in turn sold them to Arakis Energy. In December 1996, the Greater Nile Petroleum Company (GNPOC) was formed, comprising the China National Petroleum Corporation, Petronas, Sudapet and Araxis. In November 1997, the US imposed sanctions against Sudan on the basis that profits from oil were being used to fuel a civil war. The pressure of sanctions kept most of the US oil companies out of Sudan in 1998. The Canadian firm, Talisman Energy, however, had acquired Araxis' share in the GNPOC. In 2003, India's Oil and Natural Gas Corporation Videsh Limited (OVL) purchased Talisman's equity.[29] Human rights organisations have repeatedly accused the Sudanese government for using oil revenues to fuel the war against the southern rebels and the people. In two years, since large-scale oil production began in 1998, military spending in Sudan has doubled.[30] The Sudanese government, however, has repeatedly rejected these accusations and claimed to have invested oil receipts for the development of South.

In June 2000, Sudanese officials announced plans to begin oil exploration in northwest Sudan, the Blue Nile Basin in southeastern Sudan, and the Red Sea area in eastern Sudan. Oil exploration in Sudan previously was limited largely to the central and south-central regions, which officials said represent only 15 per cent of the national oil reserves. Government spokesmen said that unnamed Japanese, European and Middle East companies had expressed interest in the new oil concessions. In early June 2004, Sudan's Energy Minister announced that oil exploration had begun for the first time in northern Sudan, on Block 9 in the Jazira region north of Khartoum.[31]

II

India's Energy Security Concerns

Given the unstable conditions of the African petro-states, is it wise for India to invest in Africa? At present, India is facing the critical challenge of meeting a rapidly increasing demand for energy.[32] With over a billion people, a fifth of the world population, India ranks sixth in the world in terms of energy demand. Its economy is projected to grow 7-8 per cent over the next two decades, and this will certainly lead to a substantial increase in demand for oil. For more than a decade, India's energy consumption has grown at a faster pace than its economy and it appears this trend will continue. A recent study indicates that India's energy consumption will increase at the rate of 5 per cent every year up to 2010-11.[33] However, this is a conservative estimate and real consumption is likely to grow at a much faster pace.

While India has significant reserves of coal, it is relatively poor in oil and gas resources. Its oil reserves amount to 5.9 billion barrels (0.5 per cent of global reserves), with total proven, probable and possible reserves of close to 11 billion barrels. The majority of India's oil reserves are located in fields that are offshore Bombay and onshore in Assam. The problem is that the country has no spectacular oilfields. Also, despite 56 years of efforts as well as the new oil strikes (in Rajasthan) in recent years, India even today does not meet more than 30 per cent of its oil needs from within its territorial boundaries. Domestic production has been stagnating at around 32 million tonnes a year (642,000 bpd). It appears that the proportion of crude demand being met from indigenous production is likely to decline further.[34] Estimates suggest that by 2020, only about 25 per cent of the total demand will be met internally. [35] Geologists are of the view that chances of striking oil in India are very slim though there might be significant offshore gas finds. While recent discoveries of gas by Reliance are impressive (7 bcf), however the production cost is expected to be high and consequently the resultant price of gas will also be high.[36] Therefore, India is likely to stay dependent on crude oil imports to meet its fuel needs. At present, India's domestic crude consumption is around 113 million tonnes (2.2 mbd) of which 1.5 mbd is imported.[37] It is estimated that India's fuel consumption will rise to 3.2 mbd by 2010. In the process, India will emerge as the fourth-largest consumer after the US, China and Japan. This accelerated demand makes it imperative for India to garner assured and continuous supply of energy at sustainable prices. Every oil shock in the past has had a negative impact on the Indian economy.

The World Energy Outlook, published by the International Energy Agency (IEA), projects that India's dependence on oil imports will grow to 91.6 per cent by the year 2020. However, more alarming is the fact that the country buys much of its oil from West Asian countries. This makes India vulnerable to any instability in West Asia. In many ways, the Iraq and Afghanistan War has shown the government that it needs to tie up alternate sources soon. In 2004-05, India with 23.9 million tonnes of purchases was the largest importer of crude oil from Saudi Arabia.[38] Imports from Nigeria, at 15 million tonnes were next, followed by Iran and the United Arab Emirates with 9 and 6.4 million tonnes, respectively.[39] Cumulatively, India imported 64.6 million tonnes of crude from West Asia and 31.2 million tonnes from other regions during the year, according to official sources.[40] Wary of its reliance on Persian Gulf oil, India is following in the footsteps of other major oil importing economies and is diversifying its sources. In addition, it is investing in acquiring oil equity abroad. Indian firm OVL's investment in overseas investment oilfields is around $US 4.5 billion.[41]

India's Stake in Africa

Africa has become a major attraction for Indian oil companies in recent years. A number of factors are responsible for India's interest in African oil. First, the oil is of high quality, being low in sulphur, particularly that produced in the Gulf of Guinea. Second, the bulk of the new discoveries are offshore away from potential conflict zones onshore. Third, Africa's oil markets are open to foreign participation unlike those of Saudi Arabia and some other countries in the Gulf. Fourth, only Nigeria is a member of

OPEC, which sets limits on member-countries' output levels. Finally, India has centuries-old ties with Africa. India and African countries both fought together against colonialism and apartheid and have been partners in peace and development. The bonds are further strengthened by the people of Indian origin who reached African shores in the mid-19th century. It is this historical linkage that can help India forge energy ties with African nations.

Currently, around 24 per cent of India's crude oil imports come from Sub-Saharan Africa, mainly from Nigeria.[42] For investment purposes, India has focused so far on Sudan, Angola, Ivory Coast and Ghana. Countries like Chad, Niger, Republic of Congo and Gabon are also of immense significance in terms of their energy potential and the Indian government and Indian oil companies are trying to get a foothold in there.

Nigeria

For India, Nigeria is one of its main sources for crude oil. In August 2000, a term contract was signed between Indian Oil Corporation and the Nigerian National Petroleum Company for the import of crude. This contract was renewed in August 2002. Nigeria is one of the few producers of the sweet varieties needed by Indian oil refineries and therefore the demand for Nigeria crude is expected to remain substantial in the near future. India currently imports around 15 million tonnes of crude oil from Nigeria.

Table 2: India's Oil Imports from Nigeria

Year	Quantity(mmt)	Value(in US$ million)
1999-2000	15.450	2597.7
2000-2001	12.570	2140.4
2001-2002	11.320	2001.9
2002-2003	11.578	2389.0
2003-2004	11.074	2393.0
2004- 2005	15.081	-

Source: Government of India, Ministry of External Affairs; Ministry of Petroleum

In a significant development, Nigerian President Obasanjo recently invited Indian companies to explore oil production in his country. He also wants Indian companies to take part in the generation of power and liquefied petroleum gas, according to an External Affairs Ministry statement.[43]

Sudan

India entered Sudan's oil sector when Talisman decided to withdraw from the Greater Nile Petroleum Company (GNPOC), a consortium that also includes the China National Petroleum Corporation, Petronas and Sudapet. Talisman withdrew after sustained pressure from the US and various human rights groups against Sudan's human rights' record. OVL, the overseas investment arm of ONGC, invested $750 million to acquire 25 per cent equity held by the Talisman group in GNOP in March 2003. However, inking this deal was not an easy task. In February 2003, when OVL bid for the 25 per cent stake, the Chinese member of the consortium opposed its entry. However, OVL managed to wrap up the deal due to some timely diplomatic backing from the Ministry of External Affairs. India's long-standing ties with Sudan came to its rescue in the finalisation of the deal.[44] As of now, India gets 3.23 million tonnes of equity oil from GNOP. In June 2004, the Union cabinet approved a $200-million pipeline project to lay a pipeline from Khartoum to Port Sudan on the Red Sea.[45] However, China outbid India in its attempt to pick up 11 per cent stake in Block 3 oilfield due to a delay in official clearance. The field has an output of 400,000 bpd. The committee of secretaries had cleared the deal and it only needed the Union Cabinet's approval. [46] China offered 17 per cent more than what India had bid and Sudan immediately signed the deal with them. Subsequently, OVL has acquired participation in two more blocks-5A and 5B.[47]OVL's investment in Sudan has also caught the attention of human rights groups as well as the rebels. There has been much outcry over 'OVL fuelling the conflict in Sudan'. After the peace agreement between the Sudanese government and the southern rebels earlier this year and the inauguration of the government of national unity on September 22, 2005, there is peace in southern Sudan. On the other hand, in Darfur, West Sudan, the conflict is still raging.

Angola

Angola is one of the oil industry's hot spots. It has reserves of over 7 billion barrels, reputed to be larger than those of Kuwait. Apparently it is one of the most successful non-OPEC countries in the world of oil exploration: its reserves increased four-fold in the 1990s alone. The latest projections suggest that production is going to increase to 2 bpd by 2008. It exports more than 40 per cent of this oil to US markets. Chevron Texaco, Angola's largest oil producer, is currently pumping more than 500,000 bpd and Total, Exxon Mobil and BP have also invested heavily here. Sonangol, the national oil company, regulates the country's oil industry and is also involved in product distribution, industry support services, banks, businesses, the Luanda refinery and a host of non-commercial activities.

In the last one year, India has been trying to acquire oil equity in some Angolan oilfields. In April 2004, OVL announced that it had reached an agreement with the Royal Dutch/ Shell group to buy 50 per cent stake in an offshore oil field in Angola for $600 million. OVL was buying out Shell's entire stake in Block 18, a deepwater exploration block along with the Greater Plutonio development. This deal was important because it was a discovered field. The 50 per cent stake in the block implied an annual yield of 5 million tonnes of oil. However, the completion of the transaction was subject to approvals by the Angolan government and pre-emption rights of BP Plc and Sonangol SA.[48]

But, the deal did not materialise. Sonangol exercised its first right of refusal with Shell, pre-empting its bid to sell its 50 per cent of the offshore block to ONGC. The Indian government tried to persuade the Angolans, but to no avail.[49] Why did the Angolans change their mind? It seems mainly due to Chinese pressure. China has been actively lobbying for acquiring stake in this particular oilfield and it is suspected that Sonangol tilted towards Beijing because of a $2 billion aid package.[50] India had also offered an economic package that included economic assistance of $200 million spread over two years, manpower training and a railway rehabilitation project.[51] However, the Chinese package was by far more attractive. More importantly, it now appears that India's negotiations with Angola have moved beyond Block 18. Hopefully, there will be chances of India investing in another block in the country. India has gone ahead with its economic assistance programme for the Angolans, particularly the $40 million railway rehabilitation project.[52]

Ivory Coast

Ivory Coast is a small but significant oil producer in West Africa. OVL has reached an agreement with Vanco Energy Company to acquire 30 per cent participating interest in an exploratory block offshore Ivory Coast.[53] This is the first acquisition of OVL in the West African region. The block is spread over an area of 4156 sq. km in San Pedro Basin. The hydrocarbon resource potential in the block is estimated to be in excess of 1billion barrels. OVL has negotiated acquisition of 40 per cent stake in Block C1-112. It offered 10 per cent participating interest to Oil India Ltd, retaining 30 per cent. The block was in its second exploration period up to April 20, 2005, during which, work commitment of one exploratory well was to have been completed.[54]

Ghana

In October 2004, OVL entered into an agreement with Ghana National Petroleum Corporation (GNPC) to study prospects of oil exploration in the West African nation.[55] The two companies entered into a memorandum of understanding. The agreement has mutual benefits. While India gains a foothold in oil exploration in the country, Ghana hopes to learn from OVL's significant competence and know-how in exploration and production activities. The cooperation can be extended to training of GNPC staff in India.

III

Prospects for India

Faced with the grim scenario on the oil production front and rising consumption, India has diversified its energy sources across the world, including Africa. As argued earlier, oil production in these countries is a perennial source of instability that poses a threat to the safety of overseas oil supplies. However, India is not alone in this African Safari. The US, French, British, Chinese and Malaysian oil companies are prominently there. Traditionally, the Sub-Saharan oil industry has been dominated by France's Elf (now Total), the Anglo-Dutch Shell and to a lesser extent by the US-based Chevron Texaco. Shell dominates the Nigerian industry; Total operates in all Sub-Saharan African oil producing nations, except Sudan and Chad, while Chevron Texaco has operated for a long time in Angola.[56] In recent years, US companies, particularly Exxon Mobil and Chevron Texaco, have been more aggressive. They have plans for large investments in Africa. Chevron Texaco announced in 2002 that it had invested $5 billion in the past five years. Exxon Mobil is planning to spend $15 billion in Angola alone in the next four years and around $25 billion across Africa during the next decade.[57] Companies from Asia like China's Chinese National Petroleum Corporation and Malaysia's Petronas are increasing their role in Sudan, Angola, and Chad even as they quickly move in on Africa's other potentially energy rich countries. In fact, India and China have been often competing for the same blocks across Africa. If all these countries can be present in Africa, despite the instability, so can India.

African Oil and the US

In the post-Cold War era, Africa did not exist on the US strategic map. Policy-makers in Washington placed Africa low on the priority list. This outlook changed with the coming of the Republican Administration in 2001. President Bush himself has made an about turn on his claim during an election meeting that "Africa doesn't fit into the national strategic interest" by pushing the continent on the agenda after his coming to power.[58] In fact, never before have, so many African Heads of State visited the White House as during President Bush's first term. The reason for this crucial policy change is the growing US interest in African oil. "African oil is of strategic national interest to us," declared Assistant Secretary of State Walter Kasteiner during a visit to Nigeria in July 2002. Why is it so? Over the years, the US has started relying on African oil. The US Deputy Assistant Secretary of Defense for African Affairs had noted in April 2002 that, "15 per cent of US' oil supply comes from Sub-Saharan Africa."[59] This policy change was influenced by the recommendations of the then Vice-President Richard Cheney's report on the *National Energy Policy*.[60] The Cheney report suggested that the Administration diversify its oil supplies, primarily to reduce dependence on any single area – namely, the Persian Gulf.

The instability in African oil rich countries has not troubled the US much. Historically, they have regarded oil as a national security matter. Thus, any assault on US overseas oil supplies, considered to be of national interest, would be repelled by use of military force. However, so far this doctrine has been applied only in the case of the Persian Gulf. But Walter Kansteiner's pronouncement "African oil is of national strategic interest" points towards a similar approach for Africa. Also, there is the talk of an African Command to exercise control of US forces in the region.[61] At the same time, the US is planning to open bases in West Africa. There has been a mention of the possibility of a US naval base in Sao Tome in West Africa.[62] It has already established a base in Djibouti on the east coast, ostensibly to monitor counter-terrorism operations in the region. It has effectively reached agreements with some African countries for the use of their airfields. These countries are: Senegal, Uganda, Ghana, Cameroon, Gabon, Equatorial Guinea, Zambia and Namibia. Other countries likely to enter the loop in the future are Nigeria, Benin and the Ivory Coast.[63]

Chinese Challenge

As India enters Africa in search of oil equity, it is increasingly facing a Chinese challenge. OVL is going head-to-head with Chinese oil companies in Africa. In the battle for the control of equity oil in Africa, the Chinese have already outbid OVL twice – in Sudan and Angola. China has been hunting for oil equity for a longer period than India. Thus, while OVL has till date invested $3.5 billion globally and $1 billion in Sudan, the Chinese have invested $15 billion in Sudan alone. Their total investment on equity oil projects around the world today tops $50 billion.[64]

With an eye on the African oil potential, China is going in for aggressive diplomacy in the continent. China's engagement in Africa is fuelled by rising domestic consumption. It is believed that by 2025, China will be the largest consumer of energy overtaking the US, and followed by India in the third position. China's ties with Africa can be traced back to the Bandung conference in 1955. Nevertheless, in the post-Cold War era China has engaged Africa on a scale never seen before. Throughout the 1990s, China continued to strengthen its relations with individual African countries in all spheres – economic, political and military. There have been a number of visits by high-level government and military officials from both sides. They include the visits of former Chinese presidents, Yang Shangkun in 1992 and Jiang Zemin in 1995, 1996 and 2000. In February 2004, Chinese President Hu Jintao visited Africa's oil-rich countries. Similarly from Africa, around 30 Heads of State have visited China since 1997. Beijing has also been engaged in a military diplomacy, with Chinese military peacekeepers deployed in Liberia and Congo. It has also supplied arms to Ethiopia, Eritrea, Congo, Sierra Leone and Sudan.[65] The China-Africa trade jumped from $6.5 billion in 1999 to $10 billion in 2004.[66] Recently, China moved towards strategic partnerships with African countries with the inauguration of the China-Africa Cooperation Forum in 2000.

China is not worried about competition from India, and it has identified the US as "a major threat to its energy security".[67] Chinese analysts perceive that the US is uncomfortable with rise in China's power and are suspicious that the US will try to constrain China's emergence as a potential rival. They fear that the US will exploit China's energy insecurity to pressurise it. Further, the Chinese government is uncomfortable with the fact that the US Navy dominates the sea-lanes stretching from the Persian Gulf to South China Sea through which bulk of Chinese oil imports pass. They fear that the US might try to disrupt China's oil supplies if relations deteriorate.[68] Therefore, China has been busy establishing a "string of pearls" which includes forward deployments of surveillance, naval facilities and airstrips to safeguard its sea-lanes.[69] China has been in the recent past assisting Myanmar, Pakistan and Maldives to build their naval facilities. Much of this assistance is concentrated along the sea-lanes from the Straits of Malacca to Hormuz. China is assisting Pakistan in the development of the Gwadar port that overlooks the Strait of Hormuz. Similarly, it is assisting Myanmar in the development of reconnaissance facilities on the Coco Islands.[70] There were also reports that China has managed to coax the Maldives' government for establishing a base in Marao.[71] As far as Africa is concerned, apparently the PLA has sent troops to protect its energy investments in Sudan.[72]

Indian Initiatives

While China and the US are making inroads into Africa, what has been the Indian interest in Africa? Historically, India's ties with Africa have centred on the support for the struggle against colonialism and apartheid. Later on, peace and developmental issues also came on the agenda. In the 1990s, with the end of Apartheid and democratisation of South Africa, peace and development have become the two pillars of India's association with other African countries.[73] India has supported peace in Africa through its contribution to UN Peacekeeping in Africa over the last 50 years. It has also provided defence training to the African countries. For example, during the period 1999-2000 to 2004-05, 420 defence personnel from African countries were trained under the Indian Technical and Economic Cooperation (ITEC) programme.[74] In the same period 135 Indian defence experts were deputed to select African countries.[75] On the developmental front, India's approach has been to promote South-South cooperation. It has so far extended about $1 billion worth of technical assistance, including deputation of experts and projects to African countries. Currently, about 450 personnel from SSA are receiving training every year under the ITEC and SCMP programmes. However, energy security issues have brought Africa into India's strategic map. India's ties to Africa are for the first time driven by our national interest. Realising the importance of Africa, the Indian government has launched a number of initiatives.

Team 9 Initiative

The most significant of these is the Team 9 Initiative.[76] West Africa has remained a relatively neglected area in India's foreign policy, perhaps due to fewer people of Indian origin in that area or due to the language barrier. Therefore, the recent initiative, the Techno-Economic Approach for Africa-India Movement or Team 9, is a welcome move. Team 9 envisages special co-operation between India and the eight West African countries, viz., Burkina Faso, Chad, Cote D'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali, and Senegal. The first ministerial meeting of Team 9 countries in New Delhi in March 2004 helped to clarify issues of common concern and the logistics of cooperation. The meeting ended with the agreement to identify and implement priority projects and corporate schemes. India has extended credit facilities of $500 million for these projects.

Focus Africa

The Focus Africa programme was launched as a part of the government's EXIM policy in 2002-2003. The main objective is to enhance bilateral interactions between the two regions by identifying areas of trade and investment. The first phase of Focus Africa concentrated on seven countries viz., Nigeria, South Africa, Kenya, Mauritius, Ethiopia, Tanzania and Ghana. These countries constituted 69 per cent of India-Africa trade during 2000-2001. It has put aside an amount of Rs. 2 crores for trade promotion related activity. The point to note is that in the first year of the Focus Africa, exports to SSA as a percentage of total Indian exports fell from being 4.93 per cent in 2000-2001 to 4.69 per cent. However, imports to SSA as a percentage of total Indian imports rose from 4.11 per cent to

4.71 per cent. Further, imports from SSA showed the second highest growth rate (36.3 per cent) as compared to other geographical regions of the world. Following such tremendous response, 17 other countries joined the purview of the programme, i.e. Angola, Botswana, Ivory Coast, Madagascar, Mozambique, Senegal, Seychelles, Uganda, Zambia, Zimbabwe, Egypt, Libya, Tunisia, Sudan, Morocco and Algeria.[77]

Supporting NEPAD

The Indian government has given complete support to the New Economic Partnership for African Development (NEPAD) initiative launched by the African countries. It is a unique scheme, for it is an initiative of the African governments themselves. This plan calls for investments in Africa with the promise that African governments would deliver good governance in return. India has extended credit lines of around $200 million in support of NEPAD projects.

Thus, the Indian government has launched some new initiatives to build ties with Africa. Will they be enough? India feels it is a serious developmental partner of African countries. However, its engagement with Africa lacks the teeth of the Chinese and the US efforts.

Conclusion

Africans are claiming the twenty-first century as the century of Africa. Its abundant oil resource is changing the equations of its relationship with the rest of the world. In the early 1990s, the Western world had left Africa to its own devices. The core message was "let Africans find their own solutions of their problems." While the Africans have been working towards that goal steadily, the oil boom has brought Africa back to centrestage. Suddenly, the major powers are interested in re-engaging Africa. However, this scramble for African energy sources could lead to greater instability in the continent. First, oil wealth has brought with it the perils of conflict and rise of authoritarianism in these countries. Second, the scramble for Africa can lead to greater militarisation of Africa as major powers pour in military assistance and weapons to protect their energy supplies. The US has enhanced its military presence in the region and plans to open new bases and establish an African Military Command. The Chinese, threatened by US presence in West Asia and the Indian Ocean have increased their military presence in several parts of Asia and is gradually doing so in Asia. In such a scenario, India needs to follow a three-pronged approach. First, internally, it should streamline its decision-making process. While it is true, that India has succeeded in acquiring assets across the world from Sudan to Sakhalin, a number of times it has missed a deal due to long drawn bureaucratic process. In this regard, public sector oil companies like the ONGC and Indian Oil need to have greater autonomy so that they can close a deal at a faster pace. Second, India will have to get into some kind of cooperative security arrangement with other major stakeholders whether it is the Chinese, the US, or some other foreign power as also the local African governments, for the protection of its assets in Africa. India needs to consider this issue very carefully, particularly since it is investing in a relatively unstable region. The security of the oil wells is of utmost importance and any disruption in supplies can have an adverse impact on India's energy security in future. Finally, India should sharpen its diplomatic dialogue with the Africans. There is a lot of goodwill for India in Africa, as has been indicated by a number of visits of the Africans to India at each level – heads of State, ministerial, government officials and business delegations. The Africans have repeatedly acknowledged India's cooperative endeavour. It is time India took advantage of these sentiments.

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