


# A New Scramble for Africa?

The Rush for Energy Resources in  
Sub-Saharan Africa

Edited by Sören Scholvin



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# A New Scramble for Africa?

The Rush for Energy Resources  
in Sub-Saharan Africa

SÖREN SCHOLVIN

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ASHGATE

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# List of Abbreviations

AfDB	African Development Bank
BNDES	Banco Nacional de Desenvolvimento Econômico e Social
CATE	Cellule d'Appui Technique à l'Energie
CAPP	Central African Power Pool
CBD	China Development Bank
CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
COMESA	Common Market for Eastern and Southern Africa
cbm	cubic metres
EAC	East African Community
EAPP	Eastern Africa Power Pool
ECCAS	Economic Community of Central African States
EEPCo	Ethiopian Electric and Power Corporation
EPSEMP	Ethiopian Power System Expansion Master Plan
FONEL	Fonds National pour l'Electrification
GERD	Grand Ethiopian Renaissance Dam
IOCs	international oil companies
LNG	liquefied natural gas
MW	megawatts
NOCs	national oil companies
NNPC	Nigerian National Petroleum Corporation
PIDA	Programme for Infrastructure Development in Africa
SENEN	Service National des Energies Nouvelles
SNEL	Société Nationale d'Electricité
SAPMP	Southern Africa Power Market Project
SADC	Southern African Development Community
SAPP	Southern African Power Pool



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# Chapter 1

## Introduction

Sören Scholvin

### Background to This Book

Global energy consumption is predicted to increase by 36 per cent between 2011 and 2030 (BP 2013). Whilst the United States is turning into a net exporter of energy because of its own unconventional oil and gas resources, the discrepancy between demand and supply is particularly worrisome within the other old and new cores of the world-economy: China, the European Union, India and Japan. Certain parts of the periphery, including Sub-Saharan Africa, meanwhile possess vast potential for energy resources to be further exploited and it appears that we are now witnessing a scramble for these amongst the world's major energy and mining companies, with them often being backed by powerful states.

Further to Angola and Nigeria – the two main oil exporters in Sub-Saharan Africa, with an export volume of 1.7 million and 2.3 million barrels per day respectively (Energy Information Administration 2013a, 2014) – East Africa has lately been discussed as the new frontier for energy resources. More than 50 wells were completed in that region in 2012, between them delivering nearly half of the conventional oil and gas resources found worldwide in that year. Tanzania and Uganda have shown most progress towards the commercialisation of newly discovered natural resources. Nearby Mozambique will probably be the first country in the broader region to export liquefied natural gas, afterwards to possibly be followed by Tanzania (Energy Information Administration 2013b). Major oil and gas companies – including Anadarko, the China National Offshore Oil Corporation, ExxonMobil and Total – have invested heavily in these countries. What is more Mozambique is also rich in coal – estimated reserves stand at some 23 billion tonnes (of which about 70 per cent is high-value metallurgical coal). Experts predict that it will soon be amongst the world's top 10 coal producers (see Chapter 7 of this volume). Being an economic game changer these coal reserves have attracted enterprises like Rio Tinto and Vale, which are now upgrading ports

and railway lines in order to link the mining areas of central Mozambique to the Indian Ocean (Scholvin and Plagemann 2014).

On the Atlantic coast meanwhile the prospects of Ghana and Namibia becoming major exporters of oil and gas are good. As a consequence of the discovery and development of the Jubilee Oil Field oil production in Ghana jumped from 7,000 barrels per day in 2009 to 80,000 in 2012. It is expected to further increase still in the near future. Ghana also plans to build pipelines to transport the natural gas found in the Jubilee Oil Field, which is currently flared and re-injected. Namibia's as yet underexplored offshore basins are similar to two Brazilian ones – Campos and Santos – that have proven enormously rich in resources. During the last two years major transnational companies such as Shell and Tullow Oil have entered into joint ventures with Namibian businesses in order to explore these basins.<sup>1</sup> Beyond fossil fuels the Democratic Republic of the Congo (hereafter the DR Congo) and Ethiopia are actively seeking to tap their tremendous but largely unused hydropower potential – not only to facilitate domestic economic development but also for the sake of electricity exports to neighbouring countries. Connecting giant hydropower stations in these two countries to consumers as far afield as Egypt and South Africa is envisaged as one day being possible (see Chapters 4, 5 and 6).

These developments will entail a tremendous impact being made on the resource-abundant countries of Sub-Saharan Africa. Whilst the construction of infrastructure and job creation are certainly positive consequences of them, non-governmental organisations such as the Brookings Institution and Oxfam (2014) as well as Human Rights Watch (2013) have warned against the stark environmental side-effects of resource exploitation, conflicts between overseas mining companies and the local population as well as several economic and political downsides to resource abundance (see also Chapters 7 and 8). Ricardo Soares de Oliveira recently explained in an article published in *Foreign Affairs* (2014) that East Africa is running the risk of suffering similar negative repercussions from rapidly increasing resource exports to the ones that have marked Angola and Nigeria since their own resource booms in the first decade of this century: self-enrichment by the élite and wasteful public spending at times of stagnating human development indicators.

It is not surprising that even states that are marked by relatively stable economic and political circumstances appear to fail to transform energy resources into broad-based positive outcomes. For instance the suspension of fuel supplies by distribution companies in Ghana in protest over money

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<sup>1</sup> For further information on Ghana and Namibia, see: <http://www.eia.gov> [accessed 25 September 2014].

still owed to them by the government caused severe countrywide shortages in June 2014. This crisis took almost two weeks to resolve. Several Ghanaian non-governmental organisations, from both the business sector and civil society, vehemently criticised what they described as another government failure to meet basic needs. To give another example the economic powerhouse of the continent, South Africa, is currently heading towards a severe energy crisis of its own. Load shedding has become a frequent disturbance to businesses and private households because of insufficient reserve margins and scarcely predictable climatic conditions that negatively affect coal-fired and hydropower stations. Because of a capacity deficit of 3,500 megawatts (MW) in March 2014 industrial users had to temporarily scale back demand by 10 per cent. The cities of Cape Town and Johannesburg issued timetables for power cuts, delaying flights at their international airports. Prior to this crisis the largest industrial consumers had already agreed on permanent 10 per cent saving deals and the national power utility, Eskom, also buys back about 2,000 MW from its largest customers in perpetuity (see Chapter 5).

In the Great Lakes region energy resources are closely related to geopolitics: landlocked South Sudan and Uganda long for pipelines to be built through Kenya to the Indian Ocean; to the ports of Lamu and Mombasa to be precise. Such a transit role for Kenya would not only come along with stronger impulses for economic development – that is, the expansion of harbours and refining capacities as well as the potential development of petro-chemical industries. Kenya would simultaneously also experience a boost to its political role as East Africa's regional hegemon and leading power in the East African Community. South Sudan and Uganda would see their economic and political power increase vis-à-vis powerful adversaries: Sudan and the DR Congo. The continent's economically most powerful and politically most influential state, South Africa, has taken on a major role in East African geopolitics too. Some economists and political scientists from South Africa argue that the support of the South African government for the secession of South Sudan and its post-independence development has mainly resulted from South Africa's interest in that country's oil resources (pers. comm., 13 and 19 October 2011).

The geopolitical quest for control over Sub-Saharan African energy resources and their commercialisation also involves extra-regional players. Whilst companies from the Global North have traditionally been strong players in the Sub-Saharan energy sector, new ones from emerging economies – especially China's state-owned enterprises but also Brazilian and South African giants amongst others – are now also taking part in the scramble for the region's energy resources. Just like at the beginning of the original 'scramble for Africa', which lasted from the early 1880s until the First World

War, present-day Sub-Saharan Africa is – at least with regard to energy resources – one of the few parts of the world not yet divided up between the most powerful global players. The incorporation of Sub-Saharan energy resources into today's world-economy somewhat resembles the incorporation of Sub-Saharan markets into the world-economy in the late Victorian era: companies that originate in the cores of the world-economy compete over Sub-Saharan resources, in the process collaborating with local élites and sometimes receiving considerable backing from the governments of their home countries (see Chapters 2 and 3).

In July 2012 President of the European Commission, José Manuel Barroso, and Development Commissioner, Andris Piebalgs, visited Mozambique and Tanzania to bolster financing in a region where European enterprises, including the Italian company ENI and Shell, are making inroads in the exploration and exploitation of recently found offshore oil and gas resources. Barroso and Piebalgs also visited the port of Beira, whose existence is essential for gaining access to the coal reserves of central Mozambique. Yet not only Europeans have stakes in Mozambique. The Brazilian mining giant Vale has, as noted, been involved in the upgrading of the Sena Railway Line from Beira to the coal fields in Tete Province. It is also a major stakeholder in projects aimed at making the port of Nacala further north an alternative gateway to Mozambique's coal reserves (Scholvin and Plagemann 2014). In March 2013 Chinese President Xi Jinping's first state visits were to the DR Congo, South Africa and Tanzania. He confirmed the credits worth \$20 million already promised by his predecessor Hu Jintao; these are intended to be used for infrastructure projects that will ease access to energy resources in the region's hinterlands. Today Chinese banks finance transport infrastructure projects in almost all countries in East and Southern Africa. Chinese construction companies meanwhile are becoming more and more involved in building the harbours, railway lines and roads that will soon be used for making resource exports to the People's Republic (Scholvin and Strüver 2013).

Given then the considerable and increasing global relevance of Sub-Saharan energy resources, my colleague Georg Strüver from the German Institute of Global and Area Studies, or GIGA, and I organised a panel on 'A New Scramble for Africa?: The Rush for Energy Resources Southwards of the Sahara' at the 5th European Conference on African Studies, held in Lisbon in June 2013. We invited researchers we had previously come to know in the context of the Regional Powers Network – founded by the GIGA, the University of Hamburg, the University of Oxford and Sciences Po, Paris, in 2008 in order to analyse the rise of new powers from the Global South. In addition we received several abstracts from scholars interested in the topic

and willing to contribute to a related publication so that we were able to bring together quite a large panel of academics from Africa, Europe and North America. These individuals work in policy-oriented research institutes and universities, advise governments and international organisations on developmental and foreign policy and are active in civil society organisations that deal with the environmental and social impacts of energy resource exploitation.

Due to other commitments Georg was not unfortunately in a position to invest the considerable amount of time needed for reviewing the conference papers and for helping to prepare the manuscript of this volume. I am nevertheless highly indebted to him for his support in organising the panel and in submitting our initial book proposal to Ashgate. I am also thankful to all of the contributors for rewriting and updating several draft versions of their chapters, especially because they have done this further to their primary professional responsibilities.

### **Structure of This Book**

The volume begins with a chapter on two extra-regional powers that have shaped Sub-Saharan Africa economically and politically for decades: Great Britain and the US. Stefan Andreasson examines the British and US presence and strategies in Sub-Saharan Africa, putting them into the context of today's scramble for energy resources. He notes two diverging trajectories of power and influence: the US's presence has eclipsed that of Britain in the Sub-Saharan region. Whilst energy companies from both countries have significant interests across the subcontinent, it is only the US that remains a major player there. However rapidly increasing shale gas and tight oil production by hydraulic fracturing at home will likely transform the approach of the US to global energy markets in the very near future. Its interest in Sub-Saharan energy resources consequently appears to be dwindling. Conversely an increasingly energy-dependent Britain must now seek out new – potentially more volatile – sources of energy from abroad. Stefan concludes that with its independence from energy imports the US will be increasingly able to pursue 'Waltzian' great power strategies. Seeing its relative power decline Britain on the other hand will have to rely on 'Keohanian' strategies – with the emphasis therein being on international law and norms as well as multilateral action.

In Chapter 3 Ana Cristina Alves examines the commonalities and differences in the approaches, motivations, state roles and resulting strategies of two key emerging powers in the scramble for Sub-Saharan energy

resources: Brazil and China. Ana's main finding is that different motivations (and institutional backgrounds) on the part of these two countries have led to their diverse engagement patterns in the Sub-Saharan region. To begin with the Brazilian government has limited say over the actions of Brazilian energy companies: some shares of the semi-statal oil company Petrobras are in private hands; other companies such as Vale are entirely private organisations. The relationship between the Chinese government and Chinese energy companies is however seemingly different. What is more the People's Republic became the world's largest energy consumer in 2010. By 2020 China is likely to meet 70 per cent of its oil demand through imports. The sheer scale of its domestic consumption has made China particularly vulnerable to price fluctuations and to shortages regarding any kind of energy resource caused by for example cartelisation and transportation disruptions. Ensuring continued economic growth, and ultimately the survival of the regime, has thus become increasingly reliant on China securing energy resources overseas.

Brazil meanwhile is in a much more comfortable position. Its energy generation has been rising faster than domestic demand in recent years. Pre-salt layers recently discovered off the coast of Rio de Janeiro and São Paulo are expected to equate to 70 to 100 billion barrels of hydrocarbons. So far 15 billion barrels – equal to 2.1 per cent of known global reserves – have been proven to exist there. As a consequence Brazil's approach to Sub-Saharan energy resources is ultimately rather corporate and driven by market opportunities in China and India, whereas the People's Republic is, as noted, more concerned with pursuing strategic political interests.

Following on the next three chapters then each shed further light on cooperation on energy in Central, East and Southern Africa. Agathe Maupin starts in Chapter 4 by analysing the Grand Inga Project in the context of the DR Congo's own domestic energy situation and from the perspective of regional integration. If the envisaged construction of a third power station at the Inga site is realised, together Inga 1, 2 and 3 will reach a combined output of almost 10,000 MW – which would make it the largest hydropower station anywhere in Sub-Saharan Africa. It is possible that someday the Grand Inga Project might even generate 44,000 MW – slightly more than the amount of electricity currently used in the whole of South Africa, which is by far the largest electricity consumer in the region. Agathe reflects on what the domestic challenges to the Congolese energy sector are and what their relevance is for the government's broader economic planning, which aims at industrialising the country through the creation of 'special economic zones'. Her analysis of the role of regional organisations that are either dedicated to energy or to economic development in a broad sense, as well as the recent



history of the Grand Inga Project, shows that this project has a strong international dimension to it. Most importantly a Congolese–South African treaty from 2013 specifies that 2,500 MW from the yet-to-be built Inga 3 Power Station will be exported to South Africa. Agathe also elaborates on the regional institutions that set the framework for the energy sector, paying special attention to how they facilitate the expansion of Inga – for example through establishing market mechanisms for the regional trade in electricity.

In Chapter 5 I myself highlight the practical obstacles to realising such forms of regional cooperation. My argument is that South Africa's aforementioned electricity shortage and the naturally given potential of some regional countries in terms of fossil fuels and hydropower generation together make cooperation on energy viable and desirable. Indeed several South African policy documents have recently made the case for working together with neighbouring countries on energy. Regional cooperation is expected to contribute to energy security and other policy objectives of the South African government, most importantly decarbonisation and economic growth. To facilitate greater regional cooperation only intergovernmental agreements and a regulatory framework appear as issues for political action to address in government publications though. As such one may form the impression that regional cooperation on energy is either seen as being a self-fulfilling prophecy or constitutes a mostly rhetorical component of South African policy planning. The Integrated Resource Plan, published in 2011 as the country's main policy document on energy policy, specifies that electricity imports will contribute a mere 6 per cent to the additional generation capacities that South Africa is seeking to bring online by 2030.

Expert interviews that I have conducted suggest that energy projects used to be carried out for the sake of general regional cooperation up until the 2008 energy crisis hit. Concrete results in terms of facilitating transmissions of electricity to South Africa were previously not the most important objective. Since 2008 however Eskom's priorities have shifted towards efficiency. The South African power utility definitely is interested in regional cooperation in principle but wants to see it deliver results. Regional cooperation at best complements South Africa's own domestic capacity-building plan because of the various obstacles and insecurities involved: the unreliability of hydropower imports (the extent of which strongly vary with climatic conditions), the different languages and different legal systems in some neighbouring countries that complicate multilateral negotiations and the concerns regarding the commitment of the regional countries to expansion plans for their respective energy sectors.