Africa needs to do a better job to attract exploration investment

Africa needs to do a better job of attracting exploration investment as the global competition increases. While the continent's geology and highly-promising sedimentary basins offer relatively low risks for explorers, the above-the-ground risks linked to red tape and the sanctity of contracts remain major obstacles to increasing investments into exploration. Unfortunately, other global frontiers continue to perform better in offering attractive terms and jurisdictions for explorers and investors, especially in South America. In comparison, several African markets remain seen as risky and promoting legislations that deter investments.

Image: Total

Terms and local content regulations especially need to adapt to new realities. While upcoming or frontier markets such as Senegal, Niger, Chad, Kenya or Uganda need to adopt progressive local content regulations taking into account the emerging status of their local industry, other established markets like Nigeria need to adjust their terms to new market realities.

Finally, the promotion of African acreages and blocks need to be accompanied by better quality data and information. Unfortunately, African governments have shied away from putting in the kind of efforts and money that would ensure the gathering of high quality data to support licensing rounds across the continent. While Africa’s risk profile deteriorates, the continued lack of access to reliable and quality data further complicates investment promotion efforts.

However, the outlook remains positive with extremely promising wells planned for drilling in major frontiers such as South Africa, Namibia or Angola. With its extremely abundant natural resources, African can quickly reposition itself as an attractive and competitive destination for exploration investment if it is willing to implement quick policy gains that would ensure a sustainable and quick recovery of its oil & gas industry.