



*Investing in Sustainable Development*



## **Opening Statement by Dr. Mukhisa Kituyi, Secretary-General of UNCTAD**

### **OilGasMines Special Event Geneva, 15 October 2014**

Your Excellency, Mrs. Fatima Haram Acyl, Commissioner, Trade and Industry, Africa Union

Your Excellency, Mr. Achille Bassilekin III, Assistant Secretary General of Sustainable Economic Development and Trade, ACP Group

Distinguished participants,  
Ladies and Gentlemen,

Non-renewable natural resources are widely distributed around the world, but are highly concentrated in developing countries. This is especially true for oil and gas. In Africa alone, oil and gas reserves account for approximately 8 percent of world reserves. In contrast to other regions, however, the African continent remains relatively unexplored. This is partly due to lack of long term investment, but also challenging geophysical conditions, and geopolitics. Indeed, Africa has often been described as the last frontier for oil and gas exploration.

In recent times, however, exploration activities have proliferated on the continent driven by growing demand for energy resources. Companies have had unparalleled success finding previously untapped reserves of oil and gas. In 2013, six of the top ten global discoveries in the sector were made in Angola, Nigeria, Congo-Brazzaville, Egypt, Mozambique and Tanzania. Discoveries over the past decade in Uganda, Kenya, South Sudan, Ethiopia, Tanzania and Mozambique have established East Africa as a major hydrocarbon region for the decades to come. These discoveries have the possibility to drive broader economic growth and development across the region. And, findings such as the Jubilee Field in Ghana have renewed interest in exploratory activities in Côte d'Ivoire, and have spurred exploratory drilling in Sierra Leone and Liberia.

The potential benefits from the oil and gas industry are huge both in terms of revenue generated, and in terms of jobs created – both directly and indirectly. According to Global Business Intelligence Research, the global value of services needed in the industry, commonly referred to as “oil and gas field services”, generated over \$160 billion in revenues in 2013. This is forecast to increase by one-third to \$213 billion by 2017. In Africa’s extractive industry, average spending on procurement of capital goods, consumables and services is greater than total payments, or revenues accruing, to Government. For example, BHP Billiton’s 2010 payments to suppliers and contractors in Africa reached \$3.6 billion, while its payments to African Governments amounted to only USD 598 million. This implies significant opportunities for local oil and gas field services industry development in Africa.

Ladies and Gentlemen

Harnessing the gains from the oil and gas sector for the benefit of the local economy is a priority for resource-rich developing countries. However, this has remained a longstanding challenge for a variety of reasons. The oil and gas industry is extremely capital intensive and technologically complex. In general, local capacities in resource-rich countries are weak. Resource-rich countries also often lack the appropriate policies to drive growth of local participation in the industry. Attracting steady investment for sustainable development and building local capacities will go a long way in addressing these challenges.

Investments going into Africa’s oil and gas sector can translate into local benefits for citizens, and they can spur long-term growth and transformation of the continent. But this depends on many factors. Good governance is one important factor, but the capacity of host countries to negotiate more equitable contracts between investors and the Government is also critical.

At the same time, transnational corporations involved in extractive industries are facing increasing pressures from host countries under local content policies. They are developing infrastructures that support not only extraction activities, but also benefit local businesses. And they are establishing more facilities that add value locally. This means partnering with local companies for joint-ventures, recruiting local managers, and awarding more service contracts to local entrepreneurs. Laudable as these policy interventions may be, developing countries need to be mindful that as much as possible they must be aligned with their international obligations.

Ladies and Gentlemen,

The development of local oil and gas field service providers will contribute to building a vibrant and competitive industrial base that can strengthen the economy of Africa's resource-rich countries. This will also lead to wider distribution of the benefits of oil and gas production, and can act as a catalyst for a broader and more sustainable economic development. To accomplish this, we must align economic and industrial policies with private sector incentives to attract investment, and foster competitiveness.

With the contribution of the different stakeholders gathered here today, this special event provides an opportune moment to debate how to build a sustainable oil and gas industry, which benefits all stakeholders. I believe this meeting can generate new ideas based on your rich experiences. Let us use this opportunity to start shaping a new, sustainable, and mutually beneficial relationship between Governments, the private sector and civil society in both oil and gas producing and consuming countries. I hope that the next two sessions of debate and exchange will provide us all with opportunities for new projects and collaboration.

Thank you for your kind attention.