



AOMC

AOMC

Newsletter

APRIL 2024

www.aomcghana.org





“Promoting the interests of its members within the petroleum industry and ancillary businesses within the Republic of Ghana.”

AOMC

Welcome



CEO/Industry Coordinator - Dr. Riverson Oppong

Message from our CEO ◆

April 2024

What has happened in the last month and what's to come!

Welcome to AOMC newsletter!

I am thrilled to share with you the latest developments in our mission to promote the interests of our members within the petroleum industry.

Firstly, I extend my heartfelt appreciation to my predecessors for their outstanding leadership and dedication in steering the AOMC to its current stature.

I am honored to follow in their footsteps and build upon the strong foundation they have laid.

This month's newsletter edition encompasses recaps of past events and significant announcements that will influence our agenda for the remainder of the year. It features condensed reports from the AOMC regarding member challenges and compliance monitoring efforts.

Our calendar includes routine visits to OMCs/LPGMCs, Annual General Meeting, stakeholder engagements with regulators, and compliance monitoring amongst others.

As your CEO, I am deeply committed to the goals and objectives of the AOMC, and assure you of my unwavering dedication to serving our members and advancing the interests of the association.

Your trust and support are the pillars of our success, and I am committed to earning and maintaining them through transparency, integrity, and hard work.

Finally, thank you for your continued support and trust in the AOMC. Let us work closely with each other to achieve our shared vision for the future.

Enjoy this month's newsletter!

In this newsletter you can expect:

Industry Updates

AOMC Report on OMCs & LPGMCs Challenges

AOMC Compliance Monitoring Report

Member Spotlight

Downstream Petroleum Statistics

Industry Articles

AOMC CEO Engages with OMCs & LPGMCs



Dr. Riverson Oppong, the CEO of the Association of Oil Marketing Companies (AOMC), has actively engaged some OMCs and LPGMCs in the downstream Petroleum Industry.

Accompanied by designated Membership Development Officers, he has conducted courtesy visits to several OMCs and LPGMCs,

During these visits, Dr. Oppong has emphasized collaboration, and transparency, as he aimed to address various industry challenges OMCs and LPGMCs faced.

Discussion with OMCs and LPGMCs, revolved around the challenges of regulatory frameworks of various stakeholders such the National Petroleum Authority

(NPA), GSA, GRA, EPA amongst others.

These engagements enabled the AOMC to identify areas for prioritization and collaboration, to drive and promote the sustainable growth of oil marketers businesses and best industry practices within the downstream petroleum industry.

The Industry Coordinator commended OMCs and LPGMCs for their commitment to quality, innovation, and safety in the industry, while assuring them of the AOMC's support and commitment to addressing their concerns.

Overall, Dr. Oppong's visits underscore the AOMC's dedication to its members and its mission to advocate for their collective interests.



Industry Coordinator Visits some OMCs & LPGMCs



AOMC CEO Engagement with Industry Stakeholders

Throughout the month of April 2024, the CEO of the Association of Oil Marketing Companies (AOMC), embarked on a strategic journey, engaging with pivotal stakeholders and industry leaders. These endeavors underscored a resolute dedication to fostering collaboration and elevating the industry, as a whole.

One significant engagement took place with the National Petroleum Authority (NPA), on the challenges of OMCs/LPGMCs and regulatory framework in the industry.

Additionally, a courtesy visit to the Africa Centre for Energy Policy (ACEP) initiated dialogues on emerging trends and regulatory shifts within the energy sector. This exchange of ideas not only fostered mutual understanding but also ignited interest in potential future collaborations aimed at driving innovation and sustainability.

Similarly, discussions with the Ghana Standards Authority (GSA) were instrumental in addressing quality concerns related to petroleum products.

The visit to Bulk Energies, Storage, and Transportation (BEST) Company Limited further solidified commitments to sector advancement in terms of effective depot operation in the downstream petroleum industry.

Moreover, collaborative engagements with the Energy Media Group (EMG), Chamber of Bulk Oil Distributors (CBOD), and the National Premix Fuel Secretariat underscored the AOMC's unwavering commitment to industry addressing challenges and exploring partnership opportunities with stakeholders.

In summary, the CEO's engagements with industry players and stakeholders exemplified the AOMC's commitment to fostering collaboration, driving industry enhancement, and laying the groundwork for a sustainable and prosperous future in the petroleum sector.



AOMC Reports

- 6 Challenges of OMCs and LPGMCs in the Downstream Petroleum Industry**
An insight into the challenges into the challenges facing OMCs and LPGMCs.
- 9 Compliance Monitoring**
Summary and roadmap for improvement



Challenges of OMCs and LPGMCs in the Downstream Petroleum Industry

In the ever-evolving downstream petroleum industry, change is constant, bringing forth a host of challenges for Oil marketers.

Recognizing the need to address both evident and underlying issues, the Association of Oil Marketing Companies (AOMC) embarked on a strategic initiative led by our new Industry Coordinator, Dr. Riverson Oppong.

This endeavor involved targeted visits to selected members, aimed at identifying and consolidating existing concerns.

These meetings revealed a spectrum of challenges impacting member operations, ranging from significant price disparities to regulatory hurdles and inefficiencies in product schemes overseen by the National Petroleum Authority (NPA).

Furthermore, the engagements revealed members faced regulatory hurdles from various bodies including the Ghana Revenue Authority (GRA), Ghana Fire Service, NADMO, Ghana Highways Authority, Factories Inspectorate and the Metropolitan, Municipal, and District Assemblies (MMDAs).

In light of the above, this abridged report provides:

- An insight into the challenges facing OMCs and LPGMCs.

- Factors contributing to their non-operational status.

By fostering transparency and efficiency, we believe these findings will assist the AOMC in prioritizing effectively to enhance advocacy for its members.

Challenges of OMCs

- NPA's stance on issues are dominant and hostile, with little consideration given to OMCs' input on policies.
- The NPA should re-evaluate their inspection checklists for filling stations to ensure they address unique circumstances rather than relying solely on standardized criteria.
- Concerns have emerged regarding the Petroleum Product Marking Scheme (PPMS) enforcement by the NPA, as OMCs face immediate sanctions without the chance to defend against negative test results, leading to significant fines.
- Despite NPA's assurances of forecourt protection during ATG system installation, OMCs encounter subpar repair works for reported damages, leading to additional costs.
- The ERDMS Portal requires updates to allow flexibility in selecting product types, choosing the BIDEC, and adjusting product prices before completing an order.
- Late timing of cross-zonalization letters for shortages at the Takoradi depot

shortages at the Takoradi depot

- The National Petroleum Authority (NPA) delays in updating records of OMCs such as outlets sponsorships which result in suspicions of third-party supplies and subsequent penalties for OMCs.

- The NPA imposes numerous sanctions on Oil OMCs, causing significant disruptions to operations and substantial financial losses, in certain instances.

- The NPA delays in issuing operating permits, posing significant operational challenges for OMCs.

- Conflicting results between the Ghana Standards Authority (GSA) and the National Petroleum Authority (NPA) in pump verification exercises have raised concerns over which regulatory body holds the final inspection authority.

- The inconsistency between actual volumes loaded by OMCs at depots and recorded data by the Ghana Revenue Authority (GRA)

- The Ghana National Fire Service (GNFS) lacks a recognized mode of payment, resulting in instances where receipts are not issued, leading to potential double payments and difficulties in obtaining certificates after payment.

- The fees imposed by Metropolitan, Municipal, and District Assemblies (MMDAs) on OMC and LPGMCs with costs steadily rising over the years and



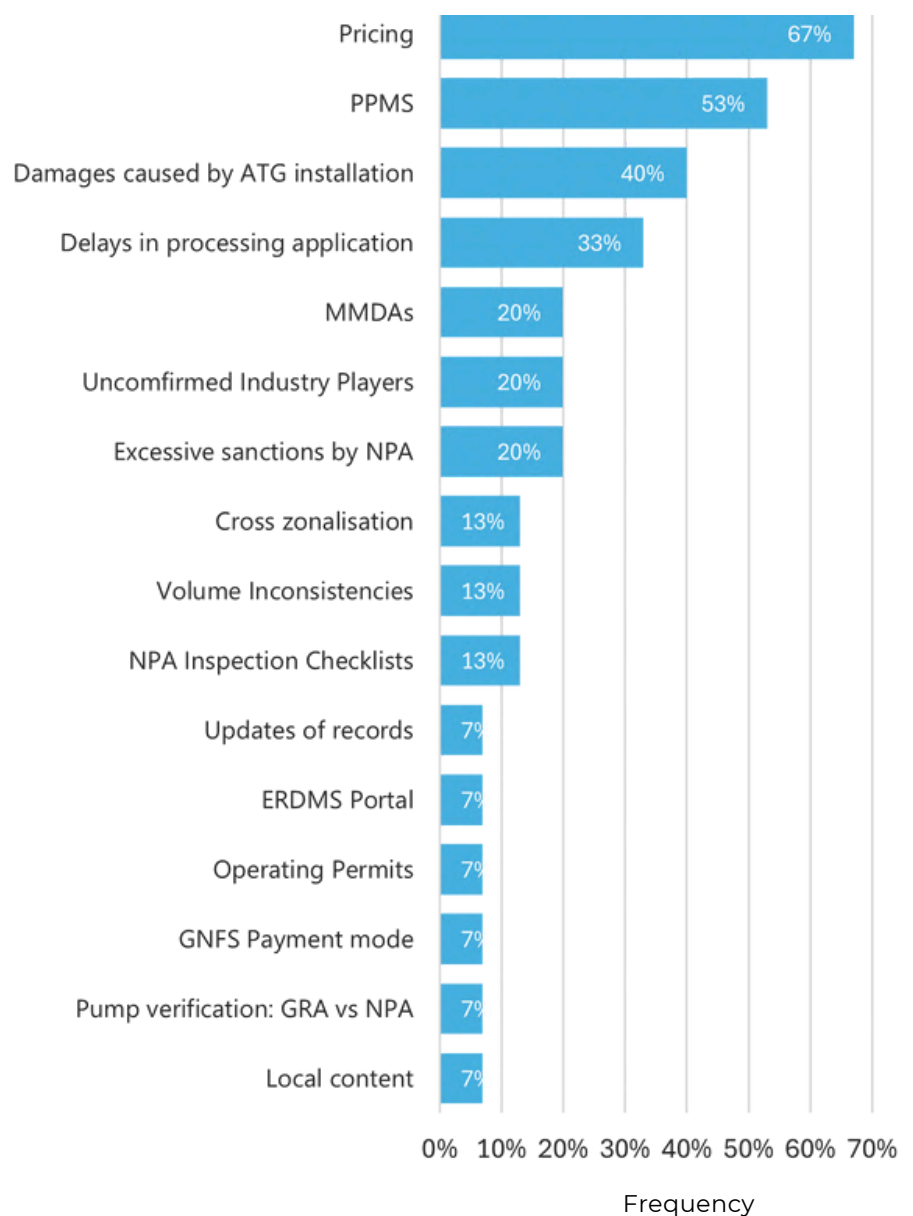
- the components of these fees frequently changing.
- Fees charged by multiple regulatory bodies. The involvement of numerous regulators such as NADMO, Ghana Highways Authority & Factories Inspectorate and the associated fees have added complexity to the operating environment for OMCs, making it challenging to navigate regulatory requirements while remaining financially viable.
- There are outstanding issues under the local content.

Summary of OMCs Challenges

After engagements with OMCs, sixteen (16) critical challenges were revealed.

The most prominent concerns were pricing (67%), followed by PPMS (53%), and delays in processing applications (33%).

Figure 1: Summary of Operational Challenges of OMCs



Challenges of OMCs and LPGMCs in the Downstream Petroleum Industry

Challenges of LPGMCs

Similar to Oil Marketing Companies (OMCs), Liquefied Petroleum Gas Marketing Companies (LPGMCs) encounter a multitude of challenges in their operations.

These include:

Implementation of Cylinder

The implementation timeline and status of the Cylinder Recirculation Model (CRM) within the industry remains uncertain, causing hesitation among stakeholders to invest in the necessary infrastructure.

The lack of clear communication and updates on CRM implementation from the NPA is affecting the rollout.

Also, restrictions prohibiting the retailing of Autogas and cylinder exchanges at the same location are impacting the market share of LPGMCs.

Additionally, LPG marketers should be allowed to develop their business models for CRM implementation, instead of being reliant on a model involving bottling plants.

The use of mini-refilling plants, gradually transitioning to full bottling plants will allow for a more gradual transition to CRM rather than a forced switch, allowing the industry to develop steadily.

The introduction of the USD 80 per metric ton bottling plant and cylinder investment margin

The introduction of the USD 80 per metric ton bottling plant and cylinder investment margin has raised operational costs for LPGMCs, adding

financial burdens amidst declining LPG consumption trends. The NPA needs to review or withdraw these margins.

Delays in NPA Permits

There are significant delays in obtaining responses to applications for cylinder exchange point construction permits from the NPA.

NPA Inspections at LPG retail outlet

LPGMCs have raised concerns about NPA inspection personnel's inadequate understanding of retail operations and equipment at LPG outlets.

Undue Deactivation of Outlets

Some LPGMCs face issues as the National Petroleum Authority (NPA) deactivates their retail outlets on the ERDMS portal without prior notice or explanation, significantly impacting business operations.

Adjustment of Marketers and Dealers margins

With inflation on the rise, operational costs of LPGMCs have steadily risen over the years. To survive and recoup investments made, the Marketers and Dealers margins should be revised upwards to reflect the current economic conditions in the country.

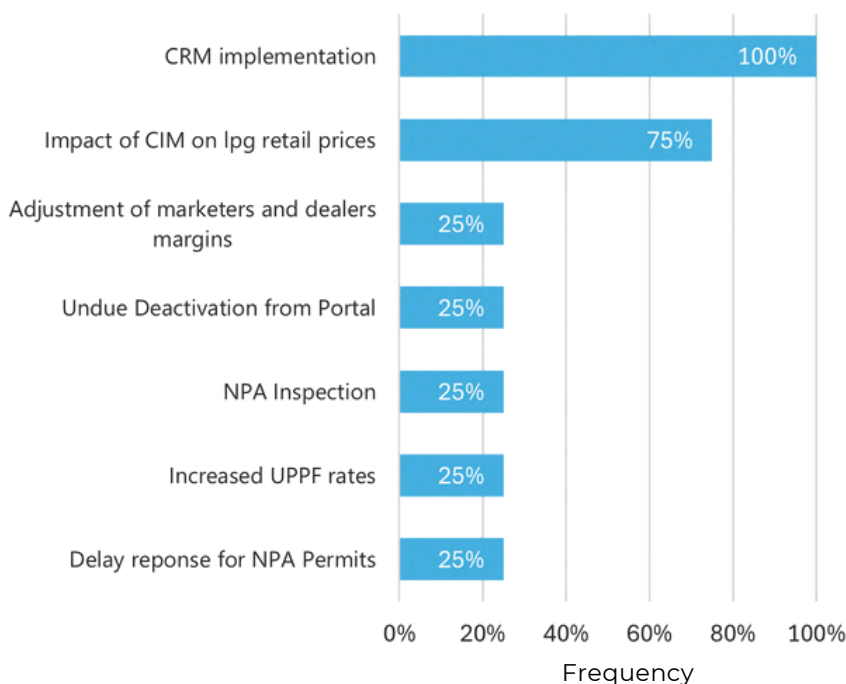
The industry should review the minimum margins, to ensure they cover operational costs adequately and allow for sustainable business operations.

Summary of LPG Challenges

After engagements with LPGMCs, seven (7) critical challenges were revealed.

The most prominent concerns were CRM (100%), and the impact of Cylinder Investment Margin (75%).

Figure 2: Summary of Operational Challenges of LPGMCs



Compliance Monitoring

Mystery Shopping

The Association of Oil Marketing Companies (AOMC) conducted a mystery shopping program led by the CEO/Industry Coordinator, this year.

The program aimed to assess various aspects of station conditions, adherence to safety protocols and international best practices, at retail outlets in Accra.

CEO Leads by Example

“AOMC has been prioritizing safety and exceptional service at all member Petroleum Retail Outlets,”

said Dr. Riverson Oppong who led the mystery shopping team.

Beyond the Pump: Assessing the Customer Journey

The AOMC team evaluated retail outlets on a range of criteria beyond just fuel availability:

Customer Service

The team interacted with staff, gauging their friendliness, helpfulness, professionalism and product knowledge.

Station Conditions

The program assessed the cleanliness, orderliness, and functionality of the forecourt (pumping area) and tank farm.

Safety and Compliance

The team observed the use of Personal Protective Equipments (PPEs) by staff, safe product handling practices, the presence of fire



extinguishers and spill kits, and adherence to National Petroleum Authority (NPA) guidelines.

A Roadmap for Improvement

After conducting the mystery shopping, the AOMC has devised initiatives with the goal of enhancing the capabilities of its members within the downstream petroleum industry.

- AOMC will work with member petroleum retail outlets to address any identified weaknesses and implement international best practices.

- Specific training programs will be developed to enhance staff's customer service skills, product knowledge and safety awareness.

- Learnings and best practices identified through the program, will be shared with the wider downstream petroleum industry.

Benefits for the Consumers

- The mystery shopping program paves the way for a more positive experience at retail outlets, with improved customer service and station conditions.

- The program directly benefits consumers by ensuring a safer environment at retail outlets, by promoting safe practices and compliance.

- The program allows for comparisons between retail outlets, fostering a spirit of continuous improvement across the entire downstream petroleum industry.

Conclusion

The AOMC's proactive stance, exemplified initiatives like the mystery shopping program, underscores our unwavering dedication to fostering continuous improvement within the downstream petroleum industry.



“Promote industry transformation, health, safety, security & environmental leadership and a fair regulatory framework for all”

Member Spotlight

12 Star Oil - 25 Years of Resilience and Growth

A Glimpse into Star's Path to Success

The Past, Present and Future

Excellence, Value for money, Reliability, and Commitment to people



Star Oil - 25 Years of Resilience and Growth



CEO - Mr Philip Teiku

Celebrating a remarkable journey spanning over two decades, Star Oil stands tall as a beacon of resilience and growth within Ghana's oil marketing industry.

Established in September 1998 as one of the pioneering indigenous privately-owned Oil Marketing Companies (OMCs), Star Oil has consistently navigated challenges and seized opportunities to emerge as a leading player in the market.

Industry data published by the National Petroleum Authority for the 1st Quarter of 2024 shows the company continues to retain its position as the second largest OMC in Ghana, a position it has maintained since 2023.

The company's evolution reflects a strategic response to industry dynamics and a relentless commitment to excellence.

Following the commencement of the deregulation of the petroleum downstream sector in July 2015, Star Oil embarked on a transformative journey, transitioning from a dealer-owned, dealer-operated model to a more streamlined approach focused on company-managed outlets.

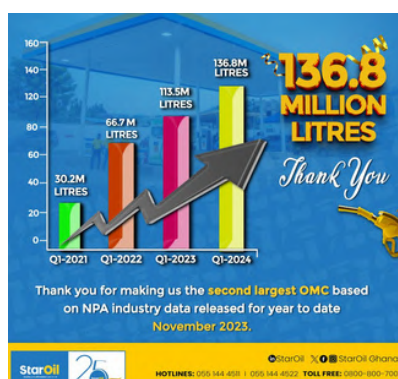
This strategic shift, coupled

with meticulous attention to detail and investment in technology, laid the groundwork for sustained growth and operational efficiency.

Central to Star Oil's success has been its unwavering dedication to customer satisfaction and affordability.

The implementation of a low pricing strategy since July 2021 has solidified the company's position as a trusted provider of quality fuels at competitive prices. This customer-centric approach has resonated with consumers, propelling Star Oil to the forefront of the market and earning it a commendable increase in market share.

With a robust network of 195 filling stations strategically positioned across the country,



Star Oil has not only expanded its footprint but also enhanced its customer service experience.

The introduction of electronic payment channels and the upcoming launch of the StarCard; a customer loyalty fuel card, underscore the company's commitment to innovation and convenience. Behind the scenes, Star Oil's workforce of nearly 2,000 employees embodies the company's ethos of



dedication and professionalism. From Customer service attendants to support staff, each individual plays a crucial role in driving Star Oil's continued success and growth.

Looking ahead, Star Oil remains steadfast in its mission to deliver quality and affordable fuel to every corner of Ghana. With a focus on continuous improvement and operational excellence, the company is poised to reinforce its position as a trusted partner in fueling the nation's progress.

As Star Oil commemorates 25 years of resilience and growth, its journey serves as a testament to the power of vision, perseverance, and innovation in shaping success within the oil marketing industry.

Source: Star Oil

Quarterly Downstream Petroleum Statistics

14 January - April 2024 in Review

Oil Market Outlook
FOB Prices Trends for Finished Products
Trend of Ex-pump Prices

16 National Consumption 2024

Product Consumption Comparison

17 OMC & LPGMCs Performance

Petroleum Products Market Share



Petroleum Downstream Statistics

January - April 2024

1. Oil Market Outlook

In the first quarter of 2024, Brent crude oil price fluctuated between \$78.29/BBL at its lowest point in January and \$89.35/BBL at its highest point in May. The quarterly average price stood at \$83.92/BBL which represents a 3% increase compared to 2023.

FOB Prices Trends for Finished Products

Petrol

In 1st quarter of 2024, the FOB (Free on Board) price for petrol fluctuated between \$753.69/MT in January, marking the lowest point, and highest \$940.77/MT in the first window May.

The quarterly average stood at \$841.59/MT, signifying a 2% increase compared to the previous year.

Diesel

The FOB diesel price fluctuated between \$782.78/MT in January, and \$790.70/MT in May. The highest point recorded was \$871.75/MT in the 1st window of March.

The quarterly average stood at \$820.92 per metric ton (MT), signifying a drop of 2% compared to the previous year.

LPG

In contrast to petrol and diesel, LPG prices followed a distinct drop in 1st quarter of 2024. The FOB price for LPG ranged between \$572.39/MT, in January, and highest \$482.84/MT in the 1st window of May 2024.

The quarterly average for LPG was \$563.75/MT indicating a significant 33% decrease from the previous year.

Figure 1: Trend of Brent Crude Oil Prices 2024 vs 2023

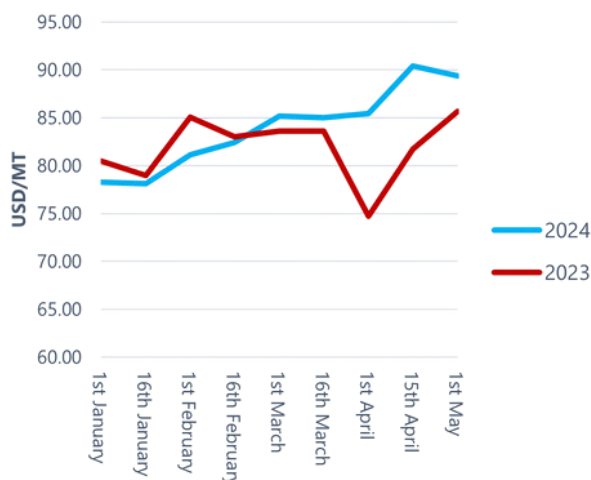


Figure 2: Petrol FOB Prices 2024 vs 2023



Figure 3: Diesel FOB Prices 2024 vs 2023



Figure 4: LPG FOB Prices 2024 vs 2023



Source: NPA

Petroleum Downstream Statistics

January - April 2024

2. Trend of Ex-pump prices

Petrol

In the first quarter of 2024, petrol ex-pump prices displayed a consistent upward trajectory.

The ex-pump prices for petrol fluctuated between GHS 11.85/Lt, recorded as the lowest price in the first window of January, and GHS 13.99/Lt, marking the highest price in the second window of April.

Nevertheless, the quarterly average price for petrol was GHS 12.64/Lt, reflecting a 5% decrease from the 2023.

Diesel

Diesel prices exhibited a similar upward trend. The ex-pump prices for diesel fluctuated between GHS 12.68/Lt to GHS 14.29/Lt.

However, the quarterly average diesel price was GHS 13.47/Lt, signifying a 3% decrease compared to the previous year.

LPG

Similar to petrol and diesel, LPG prices have surged in 2024.

The ex-pump prices for LPG ranged between GHS 12.80/Kg, recorded as the lowest price in the first window of January, and GHS 15.90/Kg, marking the highest price in the second window of April.

The quarterly average LPG price was GHS 13.68/Kg, an identical figure to 2023.



Figure 5: Petrol Ex-pump prices, 2024 vs 2023

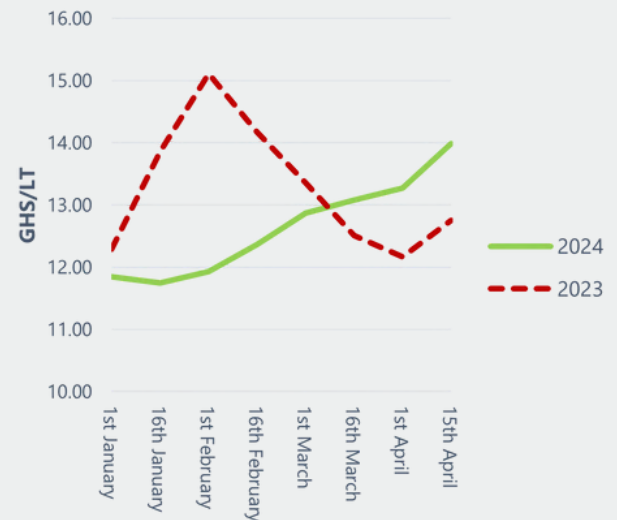


Figure 6: Diesel Ex-pump prices 2024 vs 2023

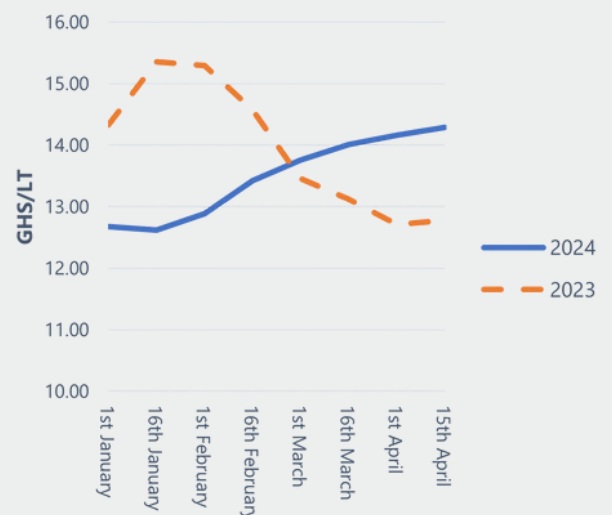
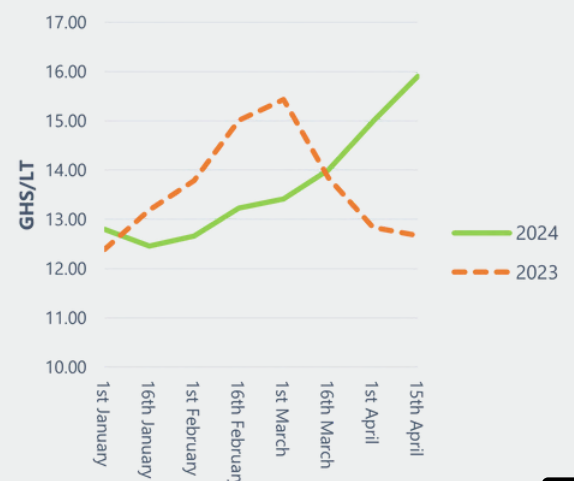


Figure 7: LPG Ex-pump prices 2024 vs 2023



Petroleum Downstream Statistics

National Consumption

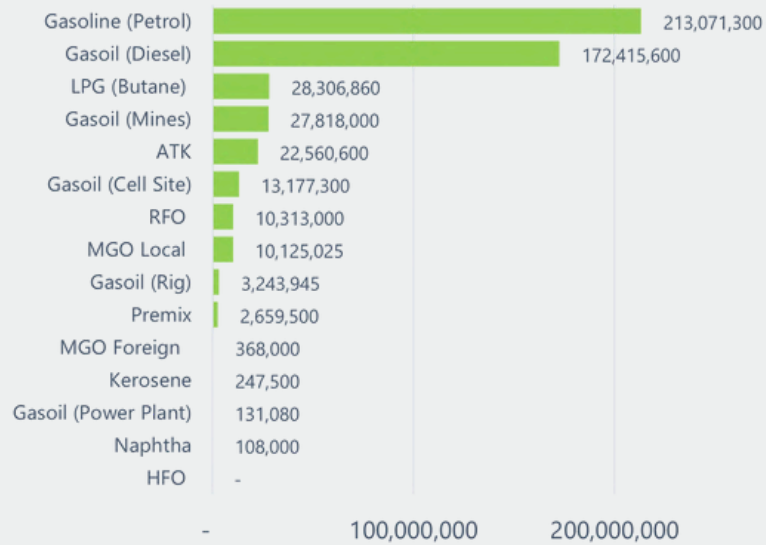
3. Total Consumption (January 2024)

The national consumption for the January 2024 was recorded at 504 million litres, marking a notable 14% increase from the 441 million liters recorded in 2023.

Products Consumption Comparison

- Gasoline (Petrol) was the most consumed petroleum product, accounting for 42.25% of the total consumption.
- Gasoil (Diesel) closely followed as the second most consumed product, representing 34.19% of the total consumption.
- LPG (Butane) accounted for 5.62% of the consumption. Gasoil (Mines) constituted 5.51% of the total consumption.
- Conversely, the least consumed petroleum products were MGO (Foreign) made up a minimal 0.07% of the total consumption, Gasoil (Power plant) accounted for 0.03%.
- Naphtha was the least consumed, at only 0.02% of the total consumption.

Figure 8: National Consumption January 2024

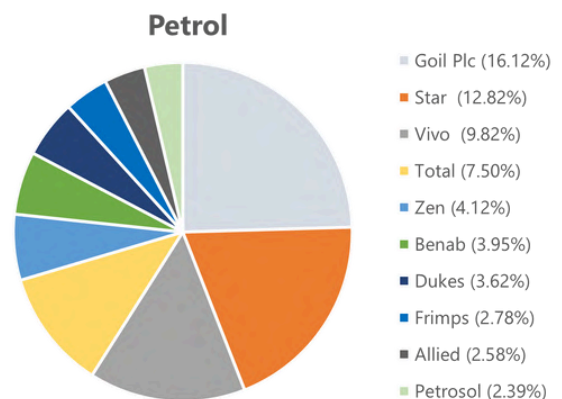


4. Market Share (January 2024)

Petrol Market Share

The top 3 OMCs based on petrol liftings are as follows:

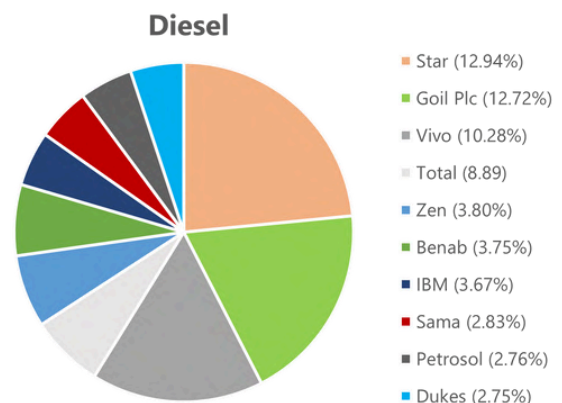
- Goil Plc: Leads with 16.12% market share,
- Star Oil: Follows closely with a 12.82% market share
- Vivo Energy: Holds the third position with a 9.82% market share



Diesel Market Share

The top 3 OMCs based on diesel liftings are as follows:

- Star Oil: Leads with 12.94% market share,
- Goil Plc: Follows with a 12.72% market share
- Vivo Energy: Holds the third position with a 10.82% market share



Source: NPA

Petroleum Downstream Statistics

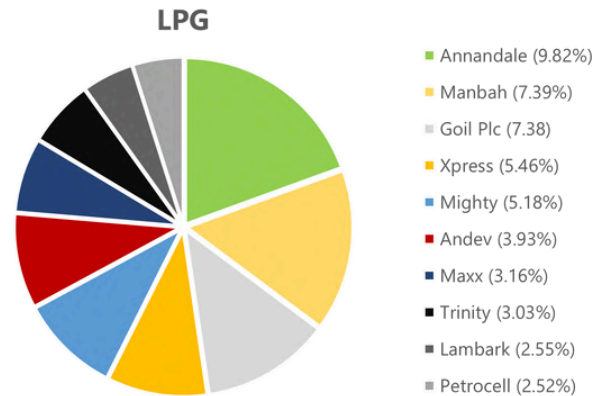
National Consumption

4. Market Share (January 2024)

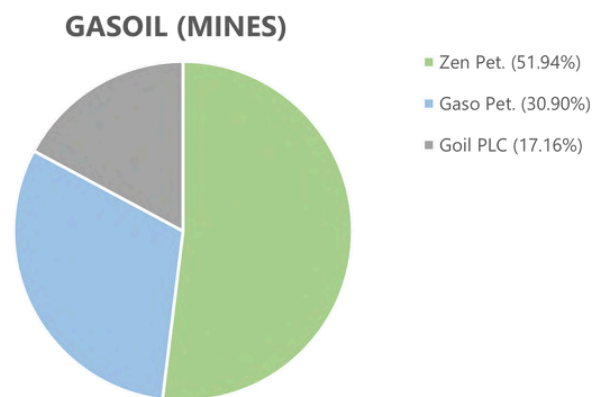
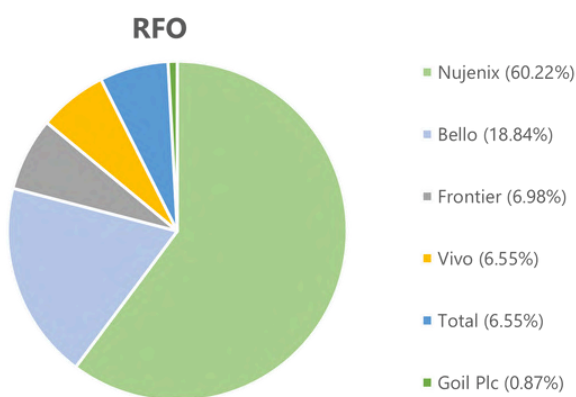
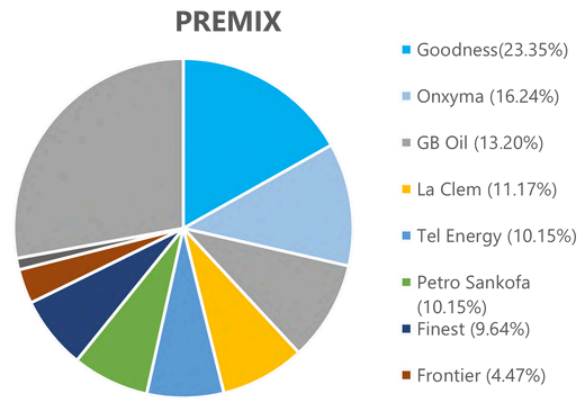
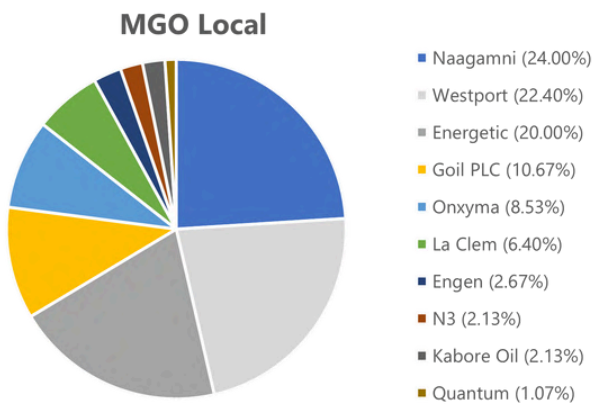
LPG Market Share

The top 3 Marketers based on LPG liftings are as follows:

- Annandale: Leads with 9.82% market share,
- Manbah: Follows closely with a 7.39% market share
- Goil Plc: Holds the third position with a 7.38% market share



Top 10 Oil Marketers



Articles

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Leveraging the energy transition



The future of African oil and gas: Positioning for the energy transition



With momentum for sustainability building, Africa's oil and gas producing nations have a unique opportunity to embark on an inclusive energy transition and chart a course toward a sustainable future.

The challenge: The pressure on Africa's oil and gas sector is growing

It is increasingly clear that the global momentum toward sustainability and away from fossil fuels is accelerating. For the first time, the United Nations' Framework Convention on Climate Change Conference of the Parties (COP26) explicitly referenced a shift away from coal and the phasing out of fossil fuel subsidies in its 2021 decision, while governments, investors, and consumers around the world are signaling plans for a more rapid shift away from fossil fuels.

McKinsey's "current trajectory" energy transition scenario suggests that global oil demand could peak by 2027, while global gas demand could peak by 2040.

If leading countries achieve their net-zero commitments

through targeted policies, the transition could be even faster. Under this "achieved commitments" scenario, global oil demand could peak as soon as 2024, while global gas demand could peak around 2030.

This shift is bringing new pressures to bear on the oil and gas sector from stakeholders and regulators. In its net zero by 2050 road map, the International Energy Agency (IEA) highlighted that the global energy sector needs to achieve a significant reduction in the use of hydrocarbons by 2040—including the phasing out of all unabated coal and oil power plants—in order to reach net zero by 2050.

At COP26, several new commitments were made, giving further momentum to the transition. In total, more than 150 countries have put forward new or updated emissions targets, with several African countries, including Botswana, the Democratic Republic of the Congo, Egypt, Ghana, Kenya, Morocco, Nigeria, and South Africa, making various commitments to restrict methane emissions,

halt and reverse forest loss, phase out coal, and end international financing for fossil fuels.

Nigeria also joined some of the world's largest energy exporters, including Saudi Arabia, in committing to net zero by 2060.

Outside Africa, many countries are also starting to implement carbon pricing and taxes, which could have an impact on African countries dependent on oil and gas exports. The European Union's Carbon Border Adjustment Mechanism.

For example, will require EU importers to secure carbon certificates on imported goods corresponding to the carbon price that would have been paid, had the goods been produced under the EU's pricing rules.

And while South Africa is currently the only African country with a carbon-pricing system—signed into law at the end of 2019—others could soon follow.

In this context, oil and gas majors are increasingly challenged to deliver higher returns more sustainably. As a result, many are opting to reduce their African upstream exposure and rebalance their portfolios across resources with lower emissions intensity.

More than half of African oil and gas producing countries rely on oil and gas exports for more than 50 percent of their total export revenues.

This trend creates several considerations for African oil and gas producing countries that are highly dependent on global capital pools to fund

their hydrocarbon projects and maintain their oil and gas operations.

African oil and gas assets are on average 15 to 20 percent more costly to develop and operate and 70 to 80 percent more carbon intensive than global oil and gas assets.

And as global capital pools for hydrocarbon projects begin to reduce, our analysis suggests the cost of oil and gas production in Africa is expected to rise, making African oil and gas projects potentially even less competitive in global markets.

The opportunity: Leveraging the energy transition

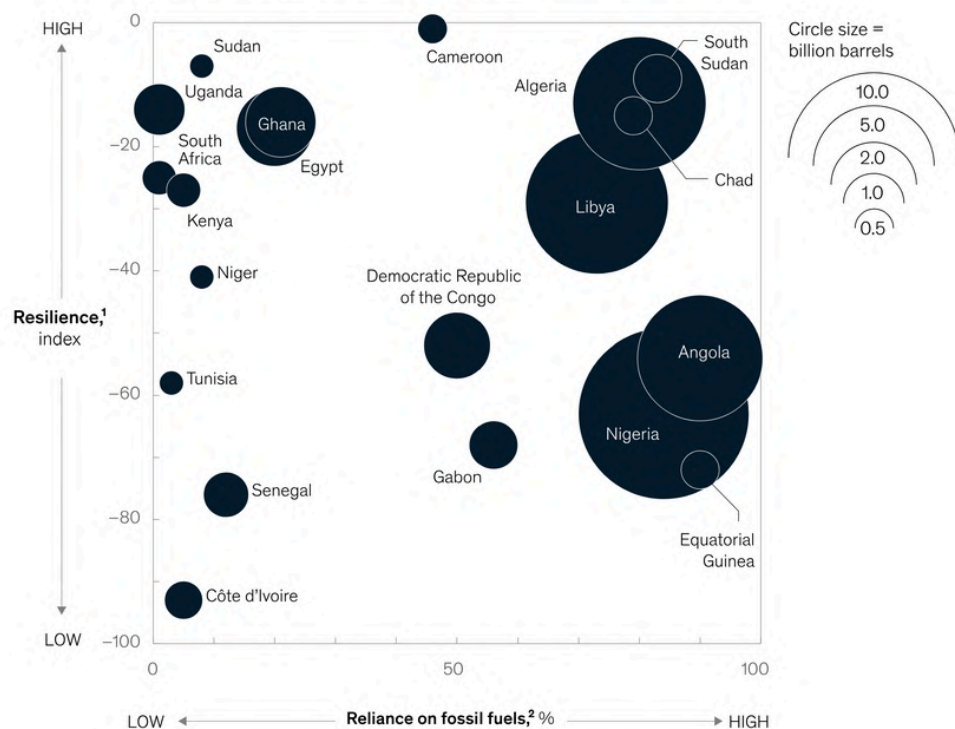
Despite these challenges, the shift to a low-carbon future could create significant opportunities for oil and gas producing countries in Africa; several options exist for them to potentially strengthen the resilience and sustainability of their resource bases and build robust positions in the new energy businesses of the future.

The speed and the urgency of the actions required, and which levers to pull, will depend to a large degree on the level of reliance that each country has on oil and gas revenues and where they sit on the global hydrocarbon cost curve.

[African countries can be categorized into four archetypes based on the resilience of their crude oil reserves and the extent of their economic reliance on oil and gas revenues.](#)

Countries with more than 50 percent of projected oil production at risk in the event of a more rapid energy transition (achieved commitments scenario) can be considered vulnerable, while those with less than 50 percent

2022–40 African oil production (current trajectory scenario)



of production at risk are likely to be more resilient to global shifts.

Nigeria and Angola are examples of countries that have both lower oil-resource resilience and economies that are heavily reliant on the production of oil and gas.

Countries in this archetype could consider implementing levers to strengthen the cost competitiveness of their resources, such as optimizing fiscal terms, addressing sources of cost premium (for example, insecurity), and improving the ease of doing business.

By contrast, Senegal and Côte d'Ivoire are examples of countries that are less reliant on the production and sale of oil and gas but have oil resources that are less resilient under a more rapid energy transition.

Countries within this archetype could focus on spurring investment in renewable-energy or carbon-offset businesses, while also decarbonizing their existing production to extend their

license to operate.

Countries with higher resource resilience and lower oil and gas revenue reliance, such as Egypt or Ghana, could focus on protecting their already resilient reserves by decarbonizing their existing oil and gas operations.

This would help to maintain the competitiveness of their production in key destination markets such as Europe, which are likely to be subject to carbon border adjustment mechanisms. These countries could also focus on growing investment into renewable-energy businesses to generate new revenue streams.

[No matter where a country falls in this matrix, prioritizing the sustainability of oil and gas production will be increasingly important for all.](#)

Decarbonizing and improving cost efficiency of the existing resource base

Decarbonizing oil and gas production in Africa not only reduces emissions and secures future operations but also offers cost-saving opportunities and aligns with customer preferences for lower-carbon production, as demonstrated by Occidental Petroleum's carbon-neutral oil delivery to Reliance Industries in India.

To achieve this, optimizing operations, adopting sustainable design choices, exploring carbon capture and storage, and implementing nature-based solutions are crucial, alongside regulatory and fiscal adjustments to improve cost competitiveness and streamline business processes in African oil and gas producing countries.

Increasing energy supply through lower-carbon infrastructure projects

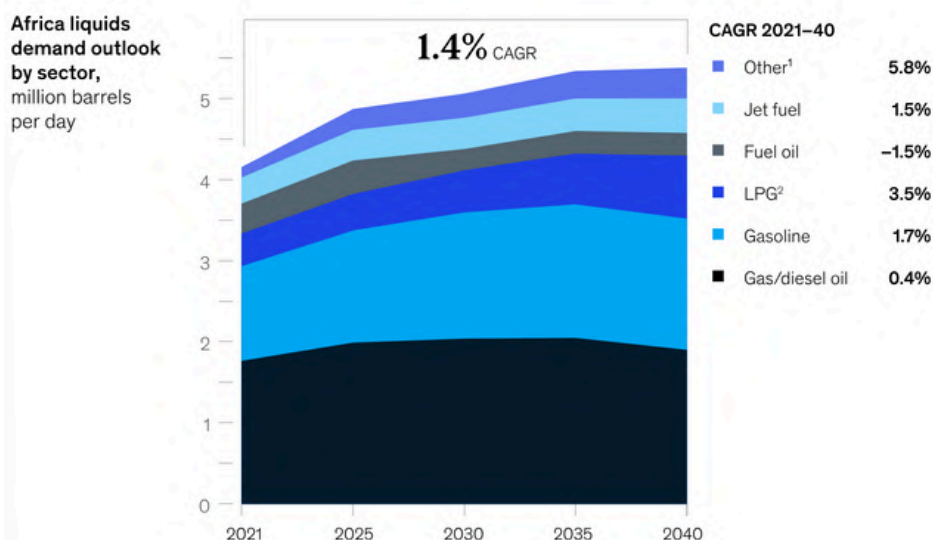
As Africa's demand for energy increases, the need for projects that boost energy supply on the continent will likely rise, notably in the core demand centers of its larger economies: Egypt, Nigeria, and South Africa.

Investment in lower-carbon-energy infrastructure projects, especially gas pipelines, processing infrastructure, and liquefied petroleum gas (LPG), could enable African countries to promote intraregional trade and boost global exports of African energy products, while also helping to strengthen regional energy access.

To help secure energy resilience into the future, African oil and gas producing countries could also consider investing in renewable-energy projects.

Investing in renewable-energy projects to generate new revenue streams

Demand for oil products in Africa is expected to grow by 1.4 percent over the next two decades.



¹Includes other oil products, other kerosene products, crude oil, bitumen, petroleum coke, refinery gas, lubricants, naphtha, white spirit and special boiling point solvents, natural gas liquids, paraffin waxes, ethane, refinery feedstocks.

²Liquefied petroleum gas.

Source: McKinsey Energy Insights Global Energy Perspective 2021

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To enhance energy resilience, African oil and gas producing countries could diversify their energy portfolios by investing in renewable energy projects, such as solar and wind energy, which have seen significant cost improvements and offer attractive outlooks due to high electricity demand.

Additionally, exploring nascent technologies like blue and green hydrogen, as exemplified by Namibia's 300,000-ton green-hydrogen project, could create new export opportunities.

Leveraging natural ecosystems for carbon abatement revenue streams and considering market changes, such as carbon pricing for blue hydrogen, are crucial steps, necessitating collaboration among stakeholders and alignment with host countries' climate commitments and regional development suitability.

Preparing for the new energy landscape

While the speed of the energy transition is uncertain, there is no doubt that the world is moving toward a low-carbon future. African oil and gas producing nations will need to evolve their strategies to prepare for this, taking into account the particular challenges and opportunities at stake in their context.

In charting a pathway toward the new energy landscape, we present here three broad actions that could be considered.

1. Create an enabling environment to stimulate investment

African governments could spur investment in decarbonization and sustainable energy projects, drawing from examples like Kenya, Malawi, and Rwanda, which have introduced incentives such as tax breaks and import-duty exemptions for renewable energy firms.



2. Access available capital pools.

Accessing available capital pools is crucial for ensuring energy resilience and security in the evolving energy landscape.

With renewable energy investment in Africa increasing significantly over the past decade, stakeholders can tap into various financing sources such as governments, donors, climate-focused investors, and international energy players, particularly in regions like southern and North Africa where approximately 70% of the \$55 billion investment from 2010 to 2020 was directed.

A recently announced \$10 billion deal between TotalEnergies SE, the China National Offshore Oil Corporation, the Uganda National Oil Company, and the Tanzania Petroleum Development Corporation is a case in point.

3. Attract skills and develop the capabilities needed for the energy future.

McKinsey analysis, approximately 40% of oil production in African countries is controlled by international energy players increasingly focusing on renewable energy, emissions reduction, and cost containment, posing a risk of a technical and skills gap if divestment continues.

To mitigate this, African nations could strengthen local workforce capabilities, attract sustainable-energy talent, and drive regional content policies to boost local participation across the oil and gas value chain.

In the longer term, there may be an opportunity to explore the development of regional centers of excellence to share best practices and develop oil and gas knowledge and to create knowledge-transfer mechanisms between international and national partners.

Conclusion

As the world prepares for COP27, African oil and gas producing nations have an opportunity to be proactive in a rapidly evolving global energy sector.

Operating in higher-cost, higher-carbon basins has become increasingly difficult in the face of mounting pressure from stakeholders and regulators alike. Furthermore, as African economies look to industrialize to meet the needs of rapidly growing and urbanizing populations, a rise in energy demand could leave many countries facing energy supply challenges.

While these challenges are real, so are the opportunities. Specifically, African stakeholders have a significant opportunity to decarbonize existing production to maintain access to capital and customers.

They also have the chance to leverage the energy transition to lead in the creation of renewable-energy businesses that will help to meet the growing energy demand on the continent and create new revenue streams and jobs.

If successful, a strategic shift of this nature could unlock significant value for the continent while reducing the risks of climate change and help to secure a greener and more prosperous future for all Africans.

Source: McKinsey & Company, Oil and gas article

“Working together within the petroleum industry to promote inclusive social and economic growth”

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