



AFRICA'S TOP 10 PLACES TO INVEST IN 2016

While the oil price stays low, the oil stays in the ground. But not for long. Home to some of the biggest oil and gas discoveries in recent years, Africa is under explored and its untapped hydrocarbons reserves are enormous.

As the oil price plummets, now is the time to invest in new acreage and guarantee future reserves in anticipation of an eventual market rebound. Competition, especially among the lesser explored countries, to attract exploration and foreign capital is stiff. Fiscal conditions, investment incentives and resource opportunities all factor into the appeal of an oil and gas jurisdiction. Africa Oil & Power has selected our top ranking destinations for oil and gas investment in 2016:

Here's our top ten.

10 MOZAMBIQUE

A number of significant offshore discoveries instantly made Mozambique a globally relevant player. By the end of the decade, it will become a major LNG exporter capable of influencing gas markets. Competition with neighboring Tanzania for first LNG export from East Africa is fierce, but Mozambique's project holds the edge. Plus, its legal and fiscal framework is more attractive to investors, particularly after the revision of the Tanzanian code in 2014, which made contract terms stricter and more punishing for investors. If you are looking for the hotspot for gas production with a friendly business environment and considerable growth potential, Mozambique is your pick.

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9 KENYA

Kenya capitalized on its strong reputation to command the attention of investors keen to explore for first oil. The country has been looked at as the most promising exploration play in East Africa. Kenya's tax code sets a steep 37.5 percent corporate income rate on non-resident companies but it offers reduced rates of 20 percent for up to five years for new companies listed in Kenya. The incentive has worked well to court

international companies to incorporate in the country. But the current oil price drop has taken its toll on Kenya, empowering foreign operators with significant negotiation leverage as they mull an entry into this business friendly economy.

8 NAMIBIA

Ranked number 1 in Africa for investment by the Global Petroleum Survey's Policy Perceptions Index in 2015, Namibia presents an easy and business friendly environment. With royalties set across the board at 5 percent and a number of investment incentives in place, including a VAT waiver and other tax advantages for oil and gas companies, Namibia has been able to attract a number of international players in recent years, including Repsol, Shell and Tullow Oil. As the country's basins remain mostly unexplored, Namibia represents a great mixture of investor friendly regulations and large untapped potential. So far, however, the exploration campaigns have revealed nothing but a string of dry wells.

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7 GHANA

Home to the famous Jubilee super-field discovered by Tullow Oil in 2007, Ghana is a developed and mature market, unlike most of the jurisdictions on this list. Comparatively, the country's corporate income tax rate of around 35 percent and progressive royalty payments set between 3 and 12.5 percent are not as attractive as less proven playgrounds, but Ghana has remained welcoming to new investors because of its world-class discoveries and because of the way it conducts business with foreign companies. The oil and gas investors interviewed by the 2015 Global Petroleum Survey rated Ghana as the second best oil and gas market in Africa. Between large discoveries, an attractive regulatory structure and the ease of doing business, Ghana represents a great bet for new investors in African hydrocarbons.

6 SENEGAL

Still to produce its first barrel of oil, Senegal is an unlikely pick. A closer look at its legal and fiscal regime show that Senegal is deserving of its number 6 spot. Secure and politically stable, Senegal has a simple, business friendly Petroleum Law that sets a royalties at 2-10 percent for oil production and 2-6 percent for gas, plus a 30 percent corporate income tax. In 2014, Cairn Energy announced the discovery of oil offshore Senegal in a reservoir system that could hold up to 2 billion barrels. This is valid proof that Senegal combines both a strong legal system and a high resource opportunity to emerge as one of the most compelling frontier investment spots on the continent.

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5 SOUTH SUDAN

Civil unrest and war in South Sudan pre- and post-independence from Sudan in 2011 has left most of its oil infrastructure untouched. And now, putting some of their differences aside, South Sudan and its northern neighbour have recognized the oil industry's essential role in both economies. With 3.5 billion barrels of proven oil reserves and considerable under-explored gas reserves, South Sudan is slowly getting back on its feet and opening doors to investors. The government has devised an attractive fiscal regime for investors, with corporate income tax between 10 and 20 percent and exemptions from VAT and various other taxes. While political instability still keeps some international companies away, South Sudan could represent a great opportunity for the brave and the bold.

4 MOROCCO

Our only North African entry, Morocco has refreshingly little bureaucracy and political instability compared with its counterparts in the region. The Moroccan Hydrocarbons Code is designed to attract new players. National corporate income tax is set at 30 percent, but oil and gas companies are exempt from this form of taxation for 10 years from the start of production. Royalties are also below average, set at 10 percent for oil and 5 percent for gas for operations onshore and offshore up to 200 meters depth, and 7 percent for oil and 3.5 percent for gas in deeper waters. Further, the code sets a royalty exemption for the first 300,000 tonnes of oil and 300 million cubic meters of gas produced from any concessions. These quantities rise to 500 thousand tonnes of oil and 500 million cubic meters of gas for producing sites located in waters deeper than 200 meters. In all, Morocco offers one of the most attractive hydrocarbons jurisdictions round.

3 SOUTH AFRICA

Clear, straightforward and business friendly policies put South Africa on our podium and make it a very attractive place to do business and explore for hydrocarbons. The country boasts a developed infrastructure network, easy access to oil and gas equipment and fairly transparent administrative structures. But what really sets South Africa apart are its royalty rates – between 0.5 and 5 percent – and its corporate tax rates, set at 28 percent, which are amongst the lowest in Africa. VAT exemptions and capital allowances are among the incentives available for oil and gas companies and there are no signature bonuses to be paid for acquisition of acreage. Political stability, good security conditions and a developed internal market make South Africa one of the best places to invest.

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2 MADAGASCAR

Madagascar is one of the world’s least explored areas when it comes to oil and gas. People have known of the island’s extensive heavy and ultra-heavy oil reserves for over a century, but interest is only now picking up among oil companies. Junior and major operators are in the country, including French oil giant Total, exploring oil reserves onshore, while Chinese and Nigerian companies seek gas deep offshore in the Mozambique Channel. With corporate taxes as low as 21 percent, relatively low royalty rates and simple and attractive regulation, Madagascar might just be haven for frontier oil and gas exploration

1 MAURITANIA

This massive landmass in north-west Africa is definitely not the continent’s best known arena for oil and gas activities, and that is part of its appeal. Mauritania has quietly emerged as an exploration hotspot that ticks every key investor criterion. For starters, its tax and fiscal system make finding hydrocarbons here a high-paying bet. Kosmos Energy, which announced two major gas discoveries offshore last year, knows this well. With no royalty payments required, a reduced corporate income tax set at 25 percent and myriad investment incentives for oil and gas corporations, Mauritania makes a strong statement as an opportunity waiting to be seized.

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