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European-West African Relations in the Field of Energy – Obstacles to a Sustainable Approach

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Introduction

This paper considers the bi-regional relations between Europe and West Africa in the field of energy. As its point of departure, the paper begins by acknowledging the ferocity with which today's energy landscape is changing. As important producers and consumers within this landscape, Europe and West Africa are subject to change, both intra- and inter-regionally. How will this 60-year old energy relationship adjust to this new landscape? And what obstacles stand in the way of securing a mutually-beneficial, sustainable relationship for the next 60 years?

Conceiving energy as a set of commodities, Section 1 considers the commercial trade dynamics within the bi-regional relationship. Tracking the regions' hydrocarbons reveals structures and agency reminiscent of the colonial era. New supply/demand patterns and realigning global energy flows are, however, causing these trade patterns to shift. The final part of this section makes the claim for interdependence; Europe is a viable export market and West Africa a viable resource basin.

Conceiving energy as a strategic good, Section 2 considers the strategic political dynamics within the bi-regional relationship. The evolution of the politicised relationship informs two themes: West Africa's energy poverty derived of client-donor relations cloaked in development principles; and Europe's energy security derived of the proximity between energy and geopolitics. The tussle between these themes is shown to play out in the regions' institutional and financial interactions.

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Informed by these analyses, the concluding part of the paper identifies obstacles to reinventing the bi-regional relationship for the new set of energy dynamics. Europe and West Africa have the opportunity to emerge from the colonial hangover to benefit from interdependent energy systems. This most significant obstacle however is the failure to recognise the need for reinvention in the first place.

Changing Global Energy Landscape

The backdrop to this paper are energy industries in flux. While energy has never been a static issue, the global energy landscape is clearly undergoing a period of potentially radical change.

On the supply side, the North American “shale gas revolution” has diverted resources that had been destined to supply North American markets elsewhere. If projections are accurate, the United States could enter the gas export business by 2016, with the potential to displace Russia as the world’s largest gas producer. Only a few years ago, gas liquefaction projects in African west coast producers were based on there being a substantial export market in the Atlantic Basin. Now they are potentially confronted by rivalry from US producers for new markets; even if this ‘threat’ is overstated, it is clear that shifts in the American market has wide ramifications.

There are other challenges that West African producers must address after a decade of substantial growth in West African production and market share. Iraq is re-establishing its importance in the global oil market, Kazakhstan has started producing and even Iran could re-emerge after years of sanctions.

On the demand side, China has overtaken the US as the world’s leading energy consumer. The majority of demand growth is forecast to come from the developing world and national oil companies (NOCs) from the East are challenging the West’s multinationals’ dominance in the energy industry. Demand in the traditionally energy-hungry regions of North America and Europe is stagnating as attention shifts towards low carbon technologies and energy efficiency.

Advances in technology have allowed international oil companies (IOCs) to commercialise fossil fuels previously thought out of reach, spurred by the

development of deep-water resources in the North Sea, Gulf of Mexico and Brazil’s Campos and Santos basins. Technological advances also open up possibilities to utilise new resources. Renewables are expected to complement hydrocarbons in meeting global demand.

Europe and West Africa within this Landscape

Headlines about ‘Europe’s energy crisis’ may be hyperbolic, but they reflect a perception that the region’s energy industries and markets are becoming more unpredictable. The energy mix is changing and political commitment to low carbon economies will see renewable resources assume a more prominent role. However, Europe’s need for fossil fuels is far from over.

Given depleting domestic resources, a diversified, externally-orientated energy policy has never been more important. While regional co-operation has long been on the agenda, the realities of long-term import dependency have driven the European Commission (EC) to point an increasing number of responsibilities into the realm of the supranational¹.

Similar pro-regional trends can be identified in West Africa. The Economic Community of West African States (Ecowas) officially stepped into regional energy policy in 2000 but progress was slow until 2006 when a summit of heads of state committed to promoting greater regional integration, notably by accelerating the development of the West African Power Pool (WAPP). This initiative, in part at least, reflected a realisation by West African leaders that lack of access to reliable, cost-effective energy had become a political threat, as populations protested for improved (in some cases any) services delivery.

Since the WAPP’s inauguration, efforts have been made to create functioning regional regulatory bodies and harmonised standards, and with the construction of the West African Gas Pipeline (WAGP), moves to develop a more integrated West African energy market have been much discussed. There are signs of progress, with the inauguration of WAGP, an increase in cross-border connections and efforts to improve regulatory frameworks across the region,

¹ Analysis of European energy integration is widely available. Contributors include Jean-Michel Glachant, Andrei V. Belyi, Henrik Bjørnebye, Sascha Müller-Kraenner, and Stavros Baritakis.

but there is much still to do. However, some 57% of West Africans have no access to electricity and 79.6% of West Africans rely on charcoal and other non-sustainable solid cooking fuels² – and this data may be questioned for being over-optimistic. Population growth of around 2.2% means significant investment is required just to keep pace with today's level of energy access.

Methodological Note

This paper draws heavily from African Energy³, which has compiled a body of commentary and reporting on policy and projects spanning 16 years. It also utilises the research of Cross-border Information⁴, which has assembled a project-by-project database of African generation schemes and interconnections (actual and planned). Unless otherwise stated, this paper relies on national-level data provided by the US Energy Intelligence Agency; while this body of data is far from absolute, it is broadly considered the industry standard.

Known Unknowns

Quantitative analysis of the West Africa-Europe energy relationship is not impossible, but neither is it as straightforward as might seem at first glance.

A critical issue here is the paucity of data on many West African economies. Even the most widely used datasets – such as is included in the International Energy Agency (IEA)'s World Energy Outlook and in the International Tracking Framework being developed by the UN-led Sustainable Energy for All (SE4All) initiative – is too often based on old and incomplete data. Further, huge swathes

of energy sector activity go virtually unrecorded – the case for Nigeria's dependence on diesel generators, contraband fuel and other aspects of its huge informal economy. We further note that there is no complete record of European commitments to the African energy sector (AEEP Status Report 2014, p.58-62).

Reducing the bi-regional relationship to numbers alone would obscure critical elements of understanding – which requires qualitative analysis to account for the politics and social drivers that so influence how the sector works. For example, while accurate data on oil trading and the subversion of income in Nigeria remains in short supply, there is a body of investigative research and analysis that points to a major problem (Katsouris, C. and Sayne, A., 2013).

Defining 'Europe' and 'West Africa'

From an analytical perspective, there is great utility in addressing energy discussions at a regional level. Neither resources nor demand are limited to national borders. Plus, both Europe and West Africa pursue regional energy strategies, subscribing to the notion that efficiencies are gained through economies of scale. However, integration is incomplete in both instances and a slight methodological conundrum arises. The terms 'Europe' and 'West Africa' could conjure up groupings of geography, politics or formal institutions; each perfectly correct as a definition, but each providing a very different analytical framework. To avoid this debate, this paper applies the labels 'Europe' and 'West Africa' abstractly.

Energy as a Commodity: Trade, Resources and Energy Security

This section tracks the movement of energy commodities between Europe and West Africa. It notes that while energy is highly politicised, it is also traded commodities. Subject to market rationale, goods are pushed around the world by (mostly) private actors, satisfying consumption in return for profit.

Energy resides at the forefront of Euro-West Africa bi-regional trade, accounting for 66% of West Africa's exports to Europe, and 32% of Europe's exports to West Africa (European Commission, 2011 (15 December)), predominantly

2 Data lifted from: European Union Energy Initiative, 2014. *Status Report. Africa-EU Energy Partnership. Progress, achievements and future perspectives*. [PDF] Eschborn: EU Energy Initiative Partnership. Available at: http://www.crossborderinformation.com/sites/default/files/AEEP%20Status%20Report_2014_en_web.pdf, [hereinafter AEEP Status Report 2014]. NEPAD, African Union and African Development Bank, 2011. *Study on Programme for Infrastructure Development in Africa (PIDA). Africa Energy Outlook 2040*. [PDF] Available at: <http://www.pidafrica.org/PIDA-Sector-specific%20Terms%20of%20Reference%20for%20Energy%20Sector.pdf>, [hereinafter PIDA Africa Energy Outlook 2040].

3 *African Energy*. [online] Available at: www.africa-energy.com.

4 *Cross-border Information*. [online] Available at: www.crossborderinformation.com.

across three dominant products – crude oil, natural gas, and liquid petroleum. Examination of the trade patterns surrounding these energy products⁵ suggests that Europe and West Africa's commercial relationship is undergoing a period of change.

Bi-Regional Trade: The Colonial Hangover

Structure

A body of academic thought⁶ teaches that under imperial economic structures, raw commodities are extracted from peripheral countries to flow to economies at the centre. Concurrently, these economies provide the peripheries with value-added products, generating profit along the way. While this is not the explicit exploitation that is sometimes assumed, it preserves patron-client patterns of dependency, which have been defined as neo-colonial⁷.

Tracking the traditional movement of energy products between Europe and West Africa reveals a picture highly reminiscent of these imperial economic structures. Raw commodities – crude oil and natural gas – flow from West Africa to Europe, while value-added products – petroleum and its derivatives – make the reverse journey.

5 The role of uranium in the France/Niger relationship is interesting and significant. This paper however solely considers hydrocarbons.

6 E.g. Galtung, J., 1971. A structural theory of imperialism. *Journal of Peace Research*, 8(2), pp.81-117. Emmanuel, A., 1972. *Unequal exchange; a study of the imperialism of trade*. London: New Left Books. Motyl, A., 2001. *Imperial ends. The decay, collapse and revival of empires*. New York: Columbia University Press. Chandler, D., 2006. *Empire in Denial; the politics of state-building*. London: Pluto Press.

7 E.g. Conteh-Morgan E., 1997. *Democratization in Africa*. Westport: Greenwood Publishing. Alemazung J, 2010. Post-Colonial Colonialism. An Analysis of International Factors and Actors Marring African Socio-Economic and Political Development. *Journal of Pan African Studies*, 3(10), pp.62-84. Khan M, 2005. Markets, States and Democracy: Patron-Client Networks and the Case for Democracy in Developing Countries. *Democratization*, 12(5), pp.705-725.

Raw Energy Commodities: Oil and Gas

Crude oil trade between West Africa and Europe has been a feature of both economies for decades and the oil rush is still in full swing. From Mauritania to Angola, the Gulf of Guinea holds 51.29bn barrels of proven crude reserves, representing 41% of Africa's reserves and 3.4% of global reserves. Plus, vast amounts of acreage remain unexplored⁸ meaning there may well be more to come.

Since its first production in 1958, this crude has found a welcome home in Europe. Collectively, Europe is the world's biggest oil importer, buying 22.6% of globally traded crude in 2012 (European Commission, DG Energy). Of Europe's net imported oil in 2012, 10.96% came from West Africa and 8.25% specifically from Nigeria (Ibid.). While this market share is trumped by the former Soviet Union states, in a global energy market defined by narrow supply/demand balances, the crude that flows from West Africa into Europe is far from insignificant. Likewise, as a destination for 28% of West African crude in 2012, Europe is a crucial export market for the resource-dependent economies that line the west coast.

The structure of the gas market is not dissimilar: West Africa has reserves and Europe has demand. Along the Gulf of Guinea's waters lie 203.22tcf of natural gas, representing 37.2% of African reserves. Ecowas' production is dominated by Nigeria, which produced 1.3% of the world's gas in 2012. But of Nigeria's three mooted export schemes only one functions; Brass is still awaiting a final investment decision and Olokola is all but abandoned (African Energy, 268; African Energy, 206). Gas trade is therefore based solely on Nigeria Liquefied Natural Gas (NLNG). The plant has been mired by bribery scandals, tax disputes and local conflict (African Energy, 188; Africa Confidential, 2004), but it functions at a capacity of 22m t/yr of LNG and 4m t/yr of LPG.

Nigerian LNG finds a friendly market in Europe, with typical customers including Spain's Repsol, Italy's Enel, and France's GDF Suez. Nigeria supplies around 24% of Europe's LNG needs (11.6bcm in 2012), second only to Qatar (European Commission, DG Energy, 2012).

8 See African Energy, 2013 (19 April). *African Energy Atlas 2013*, London: African Energy.

Value-Added Energy Products; Petroleum Derivatives

True to colonial structures, while Europe acquires raw commodities from West Africa, value-added refined products flow in the opposite direction. Traditionally, Europe has near-monopolised West Africa's market for fuel products, which comprised over a third of total exports from the EU to ECOWAS in 2010, worth nearly \$6.9bn.

As per patterns of dependency, West Africa has been unable to break its import habit, despite the heavy burden it places on government budgets. Historically weak domestic refining industries have failed to attract the required investment – either from governments or private actors. As ever however, this picture is nuanced. Niger, for example, which only started producing oil in 2009, refines 20,000bpd making it self-sufficient in refined oil products (African Energy, 261, 21 Nov). Meanwhile, capacity utilisation of refineries in Nigeria is less than 30% rendering the country reliant on expensive imports – which, alongside their requisite subsidies, cost the government \$5bn in 2011.

Agency

The harmonisation of interests and complicity between elites (in both central and peripheral countries) safeguards imperial economic structures. This complicity can be located across the actors that traditionally administered the Euro-West African energy trade.

Private Sector Actors; Oil Companies

European oil companies were ushered into West Africa by departing colonial regimes. Utilising their resource inheritance, these companies – notably, Shell D'Arcy in Nigeria (now Royal Dutch Shell plc) and Elf Aquitaine in Gabon (now Total S.A.) – went on to join the ranks of multinational companies, who moved tankers, money and political influence around the world with incredible ease.

In Nigeria, British colonial authorities secured first-mover advantage for Shell D'Arcy, which started oil production in the colony in 1907 and had established a near monopoly over oil exploration by the 1960s (Frynas, J., Beck, M. and Mellahi, K., 2000). In Gabon, a similar relationship was crafted through legalities; France offered “independence, on condition that the State, once independent,

undertakes to abide by co-operation agreements” (Yates, D., 1996). Elf Aquitaine and other French firms took a central role in the nexus of relations known as *Françafrique*⁹. Oil companies were thus locked into opaque, deeply incestuous, and highly lucrative relationships with West Africa. This helped to define the region's status as being prey to ‘neo-colonial’ relations from the early years of independence (Thomas, D., 2013).

As the flag bearers of neo-colonialism, it could be argued that these oil companies played a crucial role in perpetuating imperial structures in Euro-West African energy relations in the late-20th century. In many cases, they were the actors on the ground, brokering the day-to-day trade deals that defined the regions' relationship.

It would be wrong to assume that European-headquartered companies are synonymous with European interests, but the linkages between them cannot be ignored. Ultimately their movements are determined by market forces but the importance of advocacy networks between energy actors and the countries in which they pay taxes cannot be underestimated.

Public Sector Actors; Governments

The energy sectors of both Europe and West Africa have been largely privatised for many years. Governments, however, retain a crucial role in determining commodity flows.

Few examples of complicity between European and African elites have enjoyed as much scrutiny as that of France and Gabon. At the centre of the *Françafrique* networks – whose most prominent architect was the French presidential Africa advisor Jacques Foccart (Foccart, J. and Gaillard, P., 1995) – the deep relationship between French authorities (notably the Hexagon's secret services) and African politicians served to satisfy France's penchant for energy commodities and African leaders' penchant for flamboyant lifestyles.

Françafrique was dissected through the infamous Elf scandal – labelled “the biggest political and corporate sleaze scandal to hit a western democracy since World War 2” (Henley, J., 2003.). The media, academia and lawyers

⁹ See Moussavou, E., 2012. *Françafrique*. Paris: L'Harmattan. Verschave F.-X., 2000. *Nori silence: qui arretera la Francafrigue?* Paris: Les Arenes.

aggressively lamented the Elf model of corruption; corrupt African elites benefit from the exploitation of their natural resources by oil companies who in turn serve European elites. Nevertheless, it is attributable to short term memories and clever policking that many of the relationships between governments went unchallenged for decades.

Bi-regional Trade: Changes Afoot?

While these trade patterns have remained intact for over 50 years, they are far from static. Retaining the analytical framework of structures and agencies, this section identifies a commercial relationship undergoing a period of change.

Structure

Raw Energy Commodities; Oil and Gas

A brief perusal of headlines might suggest that the end of oil is nigh. While there may be a kernel of truth in this – oil is, after all, a finite resource – crude is going to remain a key feature of both regions' economies for the foreseeable future. Globally, demand for oil and other liquid fuels will be nearly 19m/bbd higher in 2035 than in 2012 (BP Energy Outlook).

Today's investment activity in West Africa's upstream industry offers a vote a confidence to future production levels. Sparked by Kosmos Energy's discovery on Jubilee field in Ghana in 2007, the region has seen a flurry of exploration activity¹⁰. There is some excitement in the (often highly speculative) prospects for finds in currently non-producing states. Following discoveries in 2012, US majors Chevron and ExxonMobil, 'super-indie' Anadarko and potentially smaller companies such African Petroleum Corporation will engage in Liberia's drilling programme before end-2014. In early 2014 Russia's Lukoil Overseas

¹⁰ See African Energy, 2013. Upstream Update Report. Gabon. *African Energy*, 259, 25 Jul. African Energy, 2012. Upstream Update Report. Guinea, Liberia, Sierra Leone, *African Energy*, 231, 3 May. African Energy, 2012. Upstream Update Report. Ghana, *African Energy*, 230, 3 May. African Energy, 2012. Upstream Update Report. Cote d'Ivoire, *African Energy*, 229, 19 Apr.

announced successful appraisal wells in Ivorian waters near the Ghanaian border and Italy's Eni SpA struck oil in Ghana's offshore. More established frontiers are enjoying renewed interest: Perenco, Tullow Oil and Ophir are all playing the exploration game on Gabon's pre-salt acreage and Nigeria is due to launch its first licensing round in 2014 since 2007.

Assuming this investor activity comes to fruition, West Africa will remain a net exporter. However, the destination of these crude exports is already changing. Exports to West Africa's traditionally favourite client – the US – have slowed to a trickle as North America speeds towards energy independence. In 2012, West Africa supplied more to China, India, and Asia Pacific countries collectively, than it did to Europe and North America. However, while Asian traders may be hovering over cheap West African cargoes now, if a better option enters the market – i.e. heavy crude – the light option could prove redundant. Plus, West Africa's competitors for the Asian market boast more convenient geography and more eager investors.

West African crude should, however, continue to find a more comfortable home in Europe where light, sweet crude is the feedstock of choice. European oil demand may drop by 27% by 2035 (Ibid.), causing imports to drop by 23%, but this does not need to signal the end of the West Africa-Europe crude oil relationship. Europe will still be importing an estimated 142m t/yr of crude in 2035, and if Russia looks to China, and the Middle East remains blighted by political risk, the oil relationship between Europe and West Africa could intensify.

Unlike oil, European demand for natural gas is rising; demand is projected to increase by 17% by 2035, with imports up by 49% (Ibid.). LNG, which already comprises 20% of gas imports, will become even more important as Europe looks to diversify beyond its dependency on Russia. However, as global demand rises, so too will the number of gas-producing states. As LNG exports crowd up the market, the Euro-West Africa relationship will need to adjust.

As a result of the impacts of the US' shale gas, NLNG lost its biggest export market virtually overnight. At its peak, over half of exports were shipped across the Atlantic, supplying 8% of US gas needs. For the first time since 1999, this trade ground to a halt in 2012. However, with the global economy fitfully emerging from the 2008-09 financial crisis, and with forecasts of the global impact of the 'shale gas boom' now better understood, West Africa will continue to find buyers for its gas. Nigeria is already tapping LNG spot cargo trade, as well as

supplying Japan under a long-term export agreement; Angola Liquefied Natural Gas, whose launch as a significant exporter was delayed by the collapse of its expected US export market, made its first shipment to Brazil in 2013.

Europe should also provide an appealing market as its demand for natural gas returns to pre-crisis levels – and then exceeds it, as projected by major consumers such as Italy's Enel (African Energy, 208). The continent is faced with long-term import dependency, and the uneasy strategic recognition that Russia is the source of around 25% of its supply. No wonder then that Europeans appear keen to engage with West Africa. Industry stakeholders are already pinpointing Nigeria as a solution to growing demand, especially if they can use feedgas from upstream positions. The LNG market will crowd up over the next few decades as the US and East Africa join the game, but even geography is on West Africa's side. Europe should be Africa's market to lose.

Value-Added Products; Petroleum Derivatives

While the impacts of the US shale gas revolution may have been overstated in some instances, the impacts on Europe's downstream are pronounced. With US gasoline demand declining, Gulf Coast refineries present a double threat – simultaneously re-drawing traditional trans-Atlantic arbitrage and increasing supplies to West Africa. US petroleum exports to West Africa average just 6,000bbl/d a month in 2012, but peaked at 53,000bbl/d in August 2013. Europe has a competitor.

The IEA predicts a perfect storm for European refining; vanishing demand in Europe, high crude prices, antiquated and uncompetitive plants, and rapid growth in merchant capacity elsewhere. Fifteen refineries have shut-down since 2008, combined idled capacity has reached 1.7mb/d and total capacity has dropped by 8% over the period (Half, A., 2012). However, despite the economically driven shutdowns, Europe continues to have a structural surplus in gasoline and will need to export. The West African market has never been so vital.

Even if Europe can fend off competition from the US, there is another threat to their market share: West Africa's domestic refining industry. Political will to relieve petroleum import dependence appears strong, although, the domestic industry is starting effecting from scratch and 'political will' often does not equate

to actions. Nevertheless, there are two commercial shifts that could challenge the status quo of Euro-African petroleum trade.

Firstly, European companies have largely resisted investing in African refining because it is cheaper, easier and safer to do so at home and then export the products back. This may not always be the case. If Europe's legislative commitment to climate goals continues to wane away at industrial competitiveness, as warned by Europa executives (Beddoes, C., 2013), the lighter regulation in Africa may become more appealing. Companies are unlikely to preference patriotism over profits.

Secondly, Africa's refining industry could emerge without European investors. Dangote Industries, led by outrageously rich Aliko Dangote, signed an agreement with the Nigerian government in late-2013 to build a \$9bn petroleum facility (African Energy, 261, 13 Sep). There are not many Dangote's, and while he may enjoy a reputation for getting things done, most of his peers do not. Progress elsewhere, such as the Nigerian-US venture to build six new refineries and China State Construction Engineering Corporation's planned facilities, has been slow (African Energy, 269). Nevertheless, the potential is there.

Agency

Related to these changing supply/demand patterns, the agency in bi-regional trade relations is also changing.

Private Actors; Oil and Gas Companies

Recounting Enrico Mattei's 1950s label of the then-omnipotent Anglo-Saxon oil cartel, in 2007 the Financial Times (Hoyos, C., 2007) identified a 'new seven sisters' comprised of NOCs from the developing world. Born of resource nationalism and motivated by rocketing domestic demand, these new actors are pursuing increasingly international strategies. West Africa has been part of their quest and European companies no longer monopolise their old colonies in the way they once did.

IOCs control less than 10% of the world's hydrocarbon resource base, as reflected in their financial standings. Since 2002, the 'Big Five' IOCs' share prices rose by 113%, while the share prices of comparable NOCs rose by

531% (Jaffe, A., 2008). The IOCs achieve a higher return on capital than their counterparts thanks to their downstream interests, but in terms of production, NOCs dominate.

In West Africa, however, the rise of the NOC and retreat of the IOC is much more nuanced than this picture suggests.

Firstly, Eastern NOCs have not had universal success. While Chinese companies enjoy a comfortable (and lucrative) position in Angola, they have all but failed in Nigeria – and not through lack of trying. Motivated by his dismay at the IOCs lack of investment, then-President Obasanjo offered NOCs discounted exploration blocks in the early 2000s, with signature bonus waivers exchanged for investment in infrastructure projects. The deals echoed the oil-for-infrastructure exchanges that have come to define Angola's market. In Nigeria, however, the deals fell apart and most of the licenses were later revoked. Reportedly (Vines, A., Wong, L., Weimer, M. and Campos, I., 2009), the failure owes to China's inability to understand the political context of the time and Nigeria's inability to manage the scheme.

Secondly, IOCs are not really retreating from West Africa. The divestment of big players from onshore blocks has been much publicised, but is more accurately understood as companies realigning their portfolios in favour of offshore plays. This trend is not specific to West Africa; big IOCs have been cutting back on their exploration activity around the world in a bid to reduce capital expenditure.

IOCs are still prepared to invest significantly in West Africa. Building on their success in Ghana, UK-based Tullow Oil retain promising exploration positions in Liberia, Sierra Leone, Cote d'Ivoire and Gabon. Meanwhile, Spain's Repsol, Italy's Eni and Swiss/Dutch Vitol successfully operate alongside the Chinese, Koreans and Indians. Even the old friends still enjoy welcome homes. In Gabon, for example, Total still holds more producing blocks than any other company, in addition to investment in the rejuvenation of Anguille field and pre-salt exploration (African Energy, 259).

Public Actors; Governments

Shifts in the priorities of elites are also changing the commercial bi-regional relationship. The future harmonisation of interests between European and West African elites is not guaranteed.

In the context of consolidating democracies, West African governments are increasingly conscious of the need to show the benefits of hydrocarbons to the voting public. Designed with this in mind, indigenisation policies are increasingly common. The intensity of local content provisions differs across the region but their near-universal introduction signals a change in government priorities. Whether or not these policies present opportunities or obstacles within the bi-regional relationship is debatable, but suffice to say that the interests of elites are less in sync than they used to be.

The Case for Interdependence

Evidenced across the structures of trade and the related agencies, it is evident that the commercial bi-regional relationship is changing. The old colonial pattern – in which complicit elites trade raw commodities for value-added products – is beginning to fray around the edges. Driven by changing global energy flows, Europe and West Africa are now buying and selling products in an ever-more crowded market place and the decision-making actors are re-aligning their priorities. This does not however necessarily signal the end of the relationship.

For Europe, West Africa remains a resource basin and export market. While the energy mix will change, the need for hydrocarbons will continue. Depleting domestic reserves, political risk in producing regions and tightening global supply/demand balances make West Africa an appealing energy source. As an export market, the burgeoning demand for petroleum products in West Africa – thrice the global rate (AEEP Status Report 2014, p.32) – presents an opportunity for Europe's refineries.

For West Africa, Europe is source of revenue and investment. From a commercial perspective, European energy demand presents opportunities to monetise reserves. Particularly in the natural gas market where European demand is rocketing, West Africa is poised to benefit. Plus, as West Africa's domestic energy scene develops, Europe presents a source of finance, technologies and human resources.

Despite what we believe to be a compelling case for commercial interdependence, there is a flawed perception that Europe's energy security is incompatible with West Africa's energy development. Tensions between energy and development directorates centre on concerns that as projects boost local energy consumption,

less resources will be available for export. The EU Institute for Security Studies retain the idea; “As the country works to improve its governance, EU interests in buying Nigerian energy resources may therefore clash with Nigeria’s domestic interests in lighting homes and powering factories” (Bossner, S. and Stang, G., 2014).

For better or worse, the idea that West African actors will close their doors to the export market in favour of domestic needs is highly unlikely. West Africa needs the revenue as much as Europe needs the resources. WAGP is an anecdotal example of how this works in practice. While the existing pipeline remains burdened by problems, there are long-mooted plans for expansion. These plans are repeatedly stalled by Nigeria, which has no incentive to push more reserves around the region when producers can sell into more lucrative markets elsewhere (African Energy, 212).

Energy as Strategic Goods; Politics, Governance & Energy Policy

The previous section departed from the position that energy can be reduced to a set of commodities. This section concedes that accurate analysis of energy relations must acknowledge the strategic components of energy. More than something bought and sold, energy products reside at the centre of modern economies, denoting political, economic and discursive power.

Tracking the evolution of political relations, this section identifies two themes that direct the Europe-West African relationship in the field of energy; West Africa’s energy poverty conceived in development terms, and Europe’s energy security conceived in strategic terms.

Evolving Political Relationship

Pre-Lisbon; Development Agenda

It is a reasonably common view among Africanists that colonialism informed international relations long after liberation struggles concluded. Colonialism was itself a political strategy that serviced Europe’s hunger for African resources, so

within energy politics, the colonial hangover remains particularly pronounced.

Safeguarding the politics, the legal framework¹¹ within which Europe and West Africa interact has been relatively untouched in the post-colonial period. Plus, the first EU-Africa Summit, held in Cairo in 2000, was timid in its efforts to elevate the relationship to a more strategic partnership.

As such, before the 2007 Lisbon Summit, the political approach to African energy was devised of client-donor principles and rooted in poverty reduction strategies. While the age-old trade dynamics rattled on, European politicians sought ways to help improve West Africa’s energy systems. Still struggling to articulate common policies, particularly in sectors as crucial as energy, Europe retreated into politics with which it was comfortable. It was much more adept at talking about Africa’s development, than it was about geopolitical energy strategy.

Driven by conceptions of energy defined in development terms, the political relationship played out through the Energy Initiative for Poverty Eradication and Sustainable Development and the Energy Facility. The subsequent EU Strategy for Africa bundled energy into infrastructure programmes. In his keynote address to the Africa-Europe Energy Forum in March 2007, then-development commissioner, Andre Theodorakis, reminded his audience that Europe’s focus was on “access to energy for poor communities”¹². Foreign and security policy actors (Solana, J., 2007) have since admitted that “[Europe] had not previously paid enough attention to Africa’s energy potential”.

Meanwhile, Washington and Beijing were growing vocal about the strategic importance of West Africa. For the US, September-11 and the Middle East’s instability sparked a frenzy of activity to augment US access to African resources. Speaking to an oil investor conference in 2002, the assistant secretary of state for African affairs called on his audience to “bring the oil home”¹³. For China, rocketing demand merited an externally-focused energy strategy, and the 2000

11 1975 Lome Agreements / 2000 Cotonou Partnership Agreements.

12 Quoted in Youngs, R., 2007. *Energy Security: Europe’s New Foreign Policy Challenge*, London: Routledge.

13 Walter Kansteiner III addressing the US oil industry, quoted in Schultz B. and Maichel P. eds. 2002. African Oil: A Priority for US National Security. Unpublished transcript. *Research Papers*. Washington: The Institute of Advanced Strategic and Political Studies.

China-Africa Summit drew an impressive list of African dignitaries ready to discuss investment.

Mid-2000s Paradigm Shift

Around the mid-2000s, two concurrent and related factors altered the strategic interactions between Europe and West Africa.

Firstly, the growing importance of an externally-focused energy security strategy in Europe. The Russia/Ukraine and Russia/Belarus crises demonstrated Moscow's willingness to use gas as a political weapon. In doing so, the crises demonstrated Europe's vulnerability. Political instability in the MENA region was also directly impacting production and supply trends. Reflected in policy¹⁴, Europe began to acknowledge the inter-relation between energy security and geopolitical stability.

With energy issues gaining increasing column inches – often framed as Europe vs. Russia – the region came under increasing pressure. Acknowledging the growing interdependence between producer, transit and consumer states, the EC adopted more proactive dialogue with all producer regions. West Africa was no exception.

The second factor in the paradigm shift – the rise of African agency – was in part derived from recognition that the world needed its resources. More so than ever before, the African voice was taken seriously. One of the key reasons for the failure of the 2005 EU Strategy for Africa was the heavy criticism it received from African governments, who lamented the fact that the EU had not involved them in the process.

¹⁴ E.g. Communication from the Commission to the European Council. External energy relations – from principles to action. COM(2006) 590 final. European Commission, 2011. Energy 2020. A Strategy for Competitive, Sustainable and Secure Energy. Luxembourg: European Union. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions. Energy Roadmap 2050. COM(2011) 885/2. Notably, most policy analyses still find Europe's external energy policy lacking.

To quote from the Commission, "Africa is now [2007] at the heart of international politics, but what is genuinely new is that Africa – and the African Union in particular – is emerging, not as a development issue, but as a political actor in its own right" (COM (2007) 357 final). The AU was becoming a reasonably strong institutional interlocutor at continental level and beyond energy matters, African cooperation was vital to worsening security issues of terrorism, piracy and drug trafficking.

The backdrop to these paradigm shifts was a slow, thematic change in North-South relations. The World Trade Organisation Doha Round gave rise to explicit linkages between free trade agendas and poverty reduction. The EC was a particularly vocal advocate of Aid for Trade initiatives, calling on Europe to "look beyond the frontiers of development cooperation, and consider the challenge of how non-aid policies can assist developing countries" (COM(2005) 134 final).

These dynamics contributed to why African development conversations moved closer to energy security conversations, as embodied by agreements at the Lisbon Summit of 2007.

Lisbon Summit; A New Partnership

Following Cairo, the second EU-Africa Summit was more vocal in attempting an explicit political relationship in the field of energy. It wanted to "be remembered as a moment of recognition, of maturity and transformation in continent-to-continent dialogue" (16343/07 (Presse 290)). Ironically, politics delayed the Summit. A cynic might argue that Europe's ability to finally silence these political debates was motivated by failure to agree a new energy arrangement with Russia in late 2006.

Nevertheless, Lisbon's Joint Africa-EU Strategy (JAES) departs from the old bi-regional relationship by attempting a partnership between equals. For observers, it was a "watershed moment" (Mangala, J., 2012) in making the first big step away from client-donor relations. As per African governments' demands¹⁵, the content of the agreement moved beyond abstract initiatives

¹⁵ Described in Youngs, R., 2009. What role for Sub-Saharan Africa in the EU's energy policies. *EDC2020 Working Paper*. Bonn: EADI.

to include substantive issues. Designed to produce measurable actions and encourage greater political dialogue, eight thematic partnerships were formed. Unlike in Cairo, energy was deemed an issue in its own right and the Africa-EU Energy Partnership (AEEP) was born.

The AEEP reiterated some familiar commitments – relating to infrastructure links, climate change, and knowledge transfers – derived of the familiar development framework. The AEEP did however infuse these commitments with new targets – relating to bi-regional gas trade and cross-border transmissions – that relate directly to the politicised issue of Europe’s own energy security. Speaking after the Summit, the EC’s then-development commissioner said the AEEP deal represented a significantly upgraded strategic commitment because “Africa is a safer producer than most other regions” (European Policy Centre, 2009).

The AEEP has been relatively successful in creating a framework within which Europe and Africa can address energy issues. Political tensions and diverging interests still stall decision making but they are less paralysing than in other JAES task groups. Plus, a degree of tension is encouraging. Observers¹⁶ have warned against the gradual dilution of the JAES framework’s political substance as directives retreat into technocracy. There seems to be a greater appetite within the energy partnership to hold the hard political conversations.

Development & Security; A Dual Agenda?

These two dynamics – the older theme of West African energy poverty conceived in development terms, and the newer theme of European energy security conceived in geopolitical terms – continue to inform today’s strategic relationship. European policy-makers¹⁷ endorse the value of this approach. However, examining the institutional and financial dynamics through which the relationship plays out reveals that the two themes are not always equal and harmonious.

16 E.g. Europe-Africa Policy Research Network, 2010. *Beyond development aid EU-Africa Political Dialogue on Global Issues of Common Concern*. Portugal: EARN.

17 E.g. Piebalgs, A. Speech at the External Energy Policy Conference. Energy and Development. SPEECH/06/724 (Nov. 21, 2006).

West African Energy Poverty; Development Dimension

Motivated by West African energy systems’ dire need for improvement, development remains high on the political agenda. While they may have been bundled into a new framework, many of the institutional tools with which Europeans seek to help West Africa’s energy scene were unchanged by the paradigm shifts of the mid-2000s.

Data compiled by the Infrastructure Consortium for Africa says Europe spent \$1.95bn on African energy in 2012 (AEEP Status Report 2014, p.58-62). The general trend across the past five years shows European commitments rising by an average of 9%/year, with an overwhelming majority - 95% - financing hard infrastructure.

The European Investment Bank (EIB) is a particularly big spender. It has supported West Africa with loans and equity investments worth over €1.4bn in past decade, with 6% of this falling in the energy sector. Within the EIB’s current portfolio of equity funds, West Africa features more than any other region within the African, Caribbean and Pacific region.

There is no precise rationale for assessing how the EIB allocates its funds, but the project tables compiled by African Energy demonstrate a penchant for large infrastructure projects. Many European actors see the Programme for Infrastructure Development (PIDA) – which is renowned for its big (unworkable) projects – as an important element in the evolving institutional architecture, as it is a predominantly Africa-led initiative. In 2012 alone, PIDA energy projects received some of the biggest disbursements from European donors, including the EIB which put almost \$100m towards WAGP.

This tradition may however be changing. The European Parliament have proven themselves hostile to some large projects (African Energy, 272, 28 Feb). While their resolutions are not legally binding, they send a political signal that cannot be ignored. Exogenous changes are also forcing the EIB to change tact. The former EIB president¹⁸ said Chinese banks snatch projects from underneath their noses, offering to undercut EIB conditions on labour standards and the environment.

18 Quoted in: Parker, George, 2006. EIB accuses China of unscrupulous loans. *Financial Times*, 28 Nov.

Attributable to both conditionality and bureaucracy, multilateral lenders like the EIB move very slowly. Meanwhile, China can mobilise funds with great speed. One such example (African Energy, 64; African Energy, 108; African Energy, 123), the Bui Dam in Ghana, was discussed for over 40-years. The World Bank and the EIB declined to fund the project. However, once President Kufuor turned to Sinohydro and President Hu Jintao at the 2006 China-Africa Summit, the project assumed a new pace. The Chinese lent \$562m, in an agreement that included commitment from Ghana's Cocobod to supply cocoa to China.

In addition to the EIB, the EU-Africa Infrastructure Trust Fund is another big spender worth noting, particularly since almost half of its €385m investment since late 2007 has been directed to the energy sector. National development aid agencies are also still highly active, often pursuing different strategies.

European Energy Security; Political Dimension

As discussed, Europe's energy security has entered the frame more explicitly than ever before. Diversification is conceived as the antidote to dependency, in terms of country of supply, transport route, and energy source. West Africa – its weighty reserves, uninterrupted route, and LNG option – tick a lot of boxes.

Speaking in late 2007, the European Neighbourhood Policy Commissioner explained that “when the EU thinks of energy security it looks not only East but also South... We are determined to expand our network of energy partners by building bilateral partnerships and regional initiatives” (Ferrero-Waldner, 2007).

As a target of Europe's diversification agenda, West Africa's stability of supply gained political importance. Developing favourable investment conditions, strong market frameworks and effective fiscal management is important for EU energy interests, as security of stability is intimately related to good governance. The European Development Fund contributes heavily to initiatives that support this 'soft infrastructure' but this funding does not align directly with energy – despite flowing into almost every producer state in Africa.

Institutionally, within European corridors there is little interaction between West African governance issues and European energy security issues. In late 2007, for example, the Extractive Industries Transparency Initiative (EITI) was transferred

out of EU-Africa energy plans and into the analogous governance plan. The governance unit has no meaningful input into energy policy deliberations.

Outside of its institutions, Europe has historically been weak in infusing political reform with energy. Nigeria's 2007 election, for example, warranted one of the most damning election rebukes ever offered by EU observers (The Economist, 2007). European diplomats were however unanimous in their decision to avoid punitive measures, citing energy supply concerns as the primary reason. Nigerian protestors talked of emulating Ukraine's Orange Revolution, but that they did not receive the same support from Europe as activists in Kiev in 2004. Instead, European diplomats told the opposition to be “responsible” (Africa Confidential, 2007).

Internationally, Europe was heavily criticised for returning to a 'business as normal' relationship with Nigeria immediately after the election. In response (and demonstrating the competing dynamics of geopolitical strategy and development priorities), Nigeria was the only state to receive explicitly energy-focused aid. With tensions growing, diplomats launched a new high-level EU-Nigeria political dialogue in March 2009. It has seen few tangible advances. There is some suggestion that Europe has been uncritical because illegally bunkered oil finds its way to European shores (Shaxson, N., 2007).

The Case for Interdependence

The nexus between security and development is ill-defined and taken to mean different things by different actors¹⁹. Side-stepping this debate however, there is a case for further integration between the two objectives within the field of energy.

Security-plus-development is good for Europe. Better governance within West Africa's energy sectors is the only thing that will curb oil theft, corruption and conflict, which challenge Europe's security of supply. Plus, Europe's development efforts boost its on-the-ground presence, winning battles both in terms of

¹⁹ See Chatham House, 2013 (3 June). Navigating the Nexus: The Interplay of EU Security and Development Policies in Africa. *Africa Summary*, London: Chatham House.

high-level access and public perception, which cannot be underestimated in importance.

Retaining a development perspective is Europe's competitive advantage. China may be able to mobilise huge amount of funds with great ease, but Europe's development agencies are better equipped to build industries that are profitable, transparent and broad-based.

Encouraging transparent regimes could also be a survival strategy for Europe. China wins deals in Africa because it is not afraid to pour its financial weight into flashy infrastructure. European companies often struggle to compete on these terms; they turn to banks rather than cash reserves, and strict environmental / labour regulations increase costs. However, if (when) West Africa commits to independent competitive bidding processes and international environmental / labour standards, Europe will find itself competing on a more level playing field. Politically, Europe would be wise to encourage this commitment.

Likewise, development-plus-security is good for West Africa. Energy security is not stalled by access to resources. It is however stalled by lack of technology, knowledge and experience to utilise these resources. The fact remains that West Africa's energy systems place an enormous burden on economic development and energy maturity is a vital part of poverty reduction. Engaging with Europe of commercial and political terms holds great potential for addressing this burden.

Obstacles to Sustainable Europe-West Africa Energy Relations

The Commercial Relationship

It is within the upstream industries of West Africa that European companies have the oldest footprint, and these relations retain the capacity to engender strong emotions and trigger political controversy. This was the case following the publication in late 2009 of (Wiki) leaked US diplomatic cable documents, in which Shell's executive vice president for Africa, Ann Pickard, claimed that the Nigerian government "had forgotten that Shell had seconded people to all

relevant ministries and that Shell consequently had access to everything that was being done" (Leaked US cable, 2008).

Global standards are eroding these secret relations, with the more active implementation of the US Foreign Corrupt Practises Act (FCPA), the passing of new national legislation such as the UK Bribery Act 2010 and of supranational standards such as EITI. Public calls for transparency and good governance in the sector, supported by the actions of an ever widening network of advocacy groups (such as Global Witness, whose most striking campaigns concern West/Central African resource industries²⁰) have given significant impetus to efforts to overhaul Euro-West African relations, to make cross-border relations more virtuous than venal.

IOCs exploring West Africa's waters have made commitments to transparency, community relations and good governance with much greater enthusiasm than in the past; indeed, it could be argued that Shell's response to its coruscating experience in the Niger Delta has helped to reshape IOCs' relationship with host governments and communities worldwide (even if in Nigeria itself the supermajor's relations remain problematic)²¹. For many IOCs, the suggestion of wavering commitment to global standards presents an obstacle to their ability to raise finance and operate in-country.

While the industry has generally moved in a more virtuous direction during the past decade, European companies' commitment is not always reciprocated by their African business partners – whose own power has been and remains, in many cases, dependent on the rents generated by their control of oil and other resources revenues. This presents another obstacle to business. With tougher anti-bribery legislation in place in Europe, local partners, subject to much weaker regulation, are a key vulnerability (African Energy, 234). Anti-bribery laws are such that companies can be found guilty for their partners' actions merely through failure to act on suspicious actions or circumstances.

20 E.g. Global Witness, 2012. *Rigged: The scramble for Africa's oil, gas and minerals*. London: Global Witness. 2014. Proposed EU law will not keep conflict resources out of Europe. Campaigners warn. *Presse Release* (Mar. 5, 2014).

21 See Ite, U., 2007. Changing times and strategies. Ite, U., 2007. Changing times and strategies. *Sustainable Development*, 15(1), pp.1-14. Idemudia, U., 2010. Corporate Social Responsibility. *Canadian Journal of Development Studies*, 30(1), pp.131-153.

Doing business in much of West Africa remains prey to ‘facilitation payments’ and other incentives that are now defined in Europe as bribery; so if partners want to keep European companies’ investment, they will have to clean up their act. Or, at the very least, local partners will have to learn how to navigate business environments without putting their international partners at risk.

There has been progress, reflected in the fact that a majority of West Africa states are now EITI compliant²². However, in practice, efforts have been mixed. Nigeria makes sporadic commitments to transparency, but still lacks a consistent approach. In Guinea – which under President Alpha Condé, has become something of a laboratory for reform driven by resources industry transparency campaigners – a number of corruption cases are passing through the US courts, forcing Tullow Oil to declare force majeure after the operations of its partners, who opened up the acreage, came under investigation (African Energy, 272, 13 Mar). In line with President Ali Bongo Ondimba’s public commitments, Gabon is investing more heavily in transparency rhetoric than in times past, when Bongo’s father was the doyen of Françafrique relations. However, important governance relations remain; the relatively new Gabon Oil Company one recent cause for concern for corruption-watchers (African Energy, 245).

Trade Dynamics

Trade relations offer a heady mix of opportunities and obstacles. West Africa’s rising domestic consumption could present opportunities for European companies operating in the downstream sector. While big players like Shell and Chevron have been divesting their retail interests in West Africa (in recognition of the fact that retail, along with other downstream operations, are no longer profitable forms of business for bulge-bracket multinationals), smaller, more nimble companies have been ready to snap up such assets.

Renewable power generation is a sub-sector full of opportunities for both regions. West Africa is increasingly attuned to renewable resources but lacks technological experience. European companies have played a leading role in engaging with this industry. The 32MW Cabéolica wind farm in Cabo Verde,

²² See Ocheje, P., 2011. EITI: Voluntary codes of conduct, poverty and accountability. *Journal of Sustainable Development in Africa*, 8(3), pp.222-239.

whose shareholders include the Finnish Fund for Industrial Cooperation and UK-based InfraCo, has benefitted from EIB financing. The EC and EIB facilities have also contributed to financing solar projects in Burkina Faso.

The outlook for the LNG market looks less certain, as does the future of pipeline projects that might bring West African gas to Europe, notably the planned Trans-Saharan pipeline from Nigeria, which has been slated to run via Niger and Algeria before crossing the Mediterranean (African Energy, 76). There is rising awareness that as US LNG enters the export market, it will erode the hold of long-term LNG contract price formulae indexed to the crude oil. Up and coming LNG producers with greenfield liquefaction projects rely on oil-linked pricing to achieve internal rates of return and investor confidence to commit long-term financing.

The increased supply from diverse producers will be complemented by growing demand with buyers of different needs, as well as uncontracted, surplus capacity across the LNG value chain. Deloitte has predicted that this will contribute to a transition towards a pricing spectrum where oil indexation is just one of several mechanisms used (Deloitte, 2013) This trend will serve to drive a more competitive marketplace in which Europe and West Africa will interact. As well as competing on price, actors will begin to compete on the security of supply, contract flexibility and upstream equity stakes.

The Political Relationship

Much progress has been made in recent years to create an environment in which governments, investors and consumers can do business successfully. Legally, West African industries are getting better at reflecting international expectation in their upstream industries. However, problems remain, including the slow passage through which legislation is promulgated. Ghana did not get round to passing its much anticipated petroleum law until two years after the start of production. Setting the regional standard for politically-motivated procrastination, Nigeria’s Petroleum Industry Bill has been pending for five years, with few signs of imminent progress.

Legislative reform in the power sector is also slow, but improving. All states in West Africa now promise liberal, largely privatised electricity supply industries. Their interpretation of ‘private’ differs, as does the pace to which they are pursuing

the goal. Ghana's power sector remains ahead of its peers in this regard. Liberia and Sierra Leone seem to be building an enabling environment in which they can play catch-up. In Nigeria, decade-long talk of privatisation saw major progress in 2013, whose substance will become apparent as purchasers of generation and distribution assets make good on their investment commitments in 2014-17 (African Energy, 251).

Local Content: Too Much Too Soon?

While the motivation to keep industries indigenous may well be virtuous, there is a danger that African policy-makers are unrealistic. Constraints in local industries and labour pools must be accommodated. Inconsistencies lead to a gap between the law and its implementation, or indeed, as in some Nigerian examples, add to the industry's poor reputation for governance, as local 'big men' front international interests to satisfy local content stipulations. Able to circumvent formal standards that should regulate their corporate behaviour, 'big men' companies are likely to mismanage their operations (or worse) and exploit their workers to a degree international companies (and especially EU-based concerns) are now unlikely to do.

The consistent application of laws is desirable, but is still too often more common in the discourse of politicians than in the practise of business. Weeks before passing the local content law, Ghana's cabinet was approving deals that did not apply. However, in other instances, Ghanaian politicians have proven themselves so committed to local content that they are prepared to rescind licences (African Energy, 261, 3 Sep). The Gabonese experience of local content shows how political this issue can be – involving powerful trade unions, ministerial politicking and significant vested interest, which have all blighted the passage and implementation of local content laws (African Energy, 250).

Shifting Balance of Power

Public agencies, as well as corporate players, are changing the way they interact. Africa is slowly emerging as a distinct player in international diplomacy,

rendering the balance of power between Europe and West Africa less clear-cut than it once was²³.

The emergence of new producers means that West Africa is not the only sub-Saharan option for natural gas consumers. UK-based BG Group and Norway's Statoil are leading plans to build an export LNG industry in Tanzania, while Eni's offshore acreage in Mozambique is believed to contain a global-scale gas field, that will supply its domestic market, LNG markets to the east and possibly other parts of southern Africa. If the operating environment on Africa's east coast proves preferable to that of the Nigeria and other west coast producers, this could have an impact on Euro-West African relations (although the west coast is geographically better for Europe).

Europe will remain an important – arguably the critical – player in shaping West Africa's energy industry and trading relations. Even though regional integration, especially in the electricity sector, will over time create a more 'African' industry, European technology, know-how and finance will most likely play a critical role in defining regional energy industries for decades to come.

Arguably, the most significant obstacle facing Euro-West African relations is the failure to reinvent the relationship to account for changing dynamics. The shape of the institutional relationship could become clearer following the Fourth EU-Africa Summit, which was scheduled to take place in Brussels on 2-3 April 2014. The summit had been widely expected to outline a new 'architecture' in which to articulate and stimulate bi-regional policy during the next seven years. However, based on the author's observations of preparatory talks during 2013 and early 2014, the policy that would emerge from the Brussels event was hardly likely to have far-reaching consequences for the majority of economies – even if it did confirm that European institutions were planning to provide substantially more funding for their southern neighbours²⁴. Having analysed initial documents, critics complained that energy was hardly discussed at all in the build up to the fourth summit, despite its importance to the bi-regional relationship. Indeed, although it is widely acknowledged that the AEEP was the

23 See Chatham House, 2001 (2 December). Emerging Agents of Change? African and International Negotiations. *Meeting Summary*, London: Chatham House.

24 Authors observations based on AEEP and other meetings in Brussels during Sept, Oct and Nov 2013, and in Addis Ababa in Feb 2014.

best functioning (arguably among the only functioning) of the eight Africa-EU partnerships established at the Lisbon summit, its future was far from clear – despite having held a by all accounts successful Second High-Level Meeting (HLM) on 11-13 February 2014, in Addis Ababa, Ethiopia, on the theme *Taking the Next Step: Africa and the EU are tackling energy challenges together*²⁵.

Commercially, the global trade dynamics are changing and to capitalise on this, Europe and West Africa need to emerge from the old colonial routine. A flavour of African thinking on this was given in March 2013 by South African President Jacob Zuma (Russel, A., 2013), who said that Western businesses had a “psychological problem”. Zuma told them: “you have got to change the way you do business in Africa if you want to regain African. If you want to treat Africa as a former colony... then people will go to new partners who are going to treat them different”. While Zuma’s interpretation is harsh, it represents a sentiment that is not entirely uncommon – especially following the upturn in Chinese business with the continent.

A new generation of decision-makers are emerging in the more go-ahead polities at least; they comprise internationally-aware, often highly able young Africans who do not suffer a ‘colonial inferiority complex’. Similarly, young Europeans, realistic about their place in the world order, have little connection to empire. The friction between the old guard and the new guard in Gabon, and their very different relations with France, is a case in point. President Ali Bongo of Gabon has bartered with French interests in a way inconceivable in his father’s era, who was president for over 40 years (African Energy, 245). Among his interlocutors, former Nicholas Sarkozy adopted a self-confident and direct tone, as befitted the first French president not to be brought up during the colonial era; his successor François Hollande is seen to have embodied some of the more traditional values – analysts say he has shown a ‘subtler ear’ for the tone of African diplomacy (Melly, P. and Darracq, V., 2013), while also projecting traditional military power to cope with challenges in former French colonies.

These new relationships are reflected in a gradual change in the business landscape, with corporate players behaving on a more ‘commercial’ basis – rather than with one eye to the political ramifications (with decision-making carried out by executives who often doubled as political apparatchiks). But

politics and business will continue to mix as an element in the bi-regional relationship, both from a security perspective and in the ways of doing business as understood by leaders.

Further, the perception of Africa as a continent in need of help will remain a defining feature of the bi-regional relationship. No donor provides as much support for ‘development’ in energy and other sectors as the EU, and expected increases in the energy development budget of the Commission, EIB and other donor institutions will maintain this dominance. Even though China has emerged as a major source of funding, which is expected to grow further, and the US has suggested substantial new funds could flow through President Obama’s ‘Power Africa’ initiative, these contributions will remain dwarfed by the EU-27, according to current projections of funding flows in the next decade.

On the downside, this relationship is seen to perpetuate a sense of entitlement among African consumers of development finance and an often patronising attitude among Europeans. Despite the high-level commitments to reciprocity, much of the Euro-African dialogue is still framed by ‘how can Europe help Africa’. The JAES is still often regarded, by both European and African parties, as a development agenda, which principally limits the extent to which it can guide a strategic partnership.

The tone of European energy policy towards Africa is very different from the EU and its member states approaches towards Russia, the Caspian or the Middle East. The energy framework talks of a “partnership” and “dialogue” designed to improve “the lives of many millions of people”. It is hard to conceive such language being used in relation to Europe’s other producer regions, where energy policy is much more overtly infused with geopolitics and foreign policy agendas. Unlike the US, European policy-makers have preferred an approach to energy security which omits a ‘hard security’ dimension. It is notable that energy is not enmeshed with European Security and Defence Policy (ESDP) decision-making. But that could come as the bi-regional relationship enters its next phase.

²⁵ Author’s observation following meetings in Brussels and Addis Ababa in Feb 2014.

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