

# How much is Bakassi worth?

*Will the take over of new territory rejuvenate Cameroon's oil industry?*



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In mid August 2008, the Nigerian media were giddy with reports and commentary around the country's handover of authority over the Bakassi Peninsula to Cameroon, its eastern neighbour.

I was content to let all the political discussion around the merit (or lack of) of the ceding of the territory wash over me until I read a report in one of Nigeria's leading financial newspapers, that the Cameroonian oil industry would be revitalised by the country's take over of Bakassi. That was after an uneducated broadcast by one of the country's top radio presenters, that the Bakassi Peninsula contained one tenth of the world's store of oil and gas. I thought to myself: Is the entire Nigerian oil and gas reserves up to one twelfth of the world's total reserves?

Mainstream media often make terrible gaffes about data on the petroleum industry. But you wouldn't assume that a music-talkshow broadcaster would announce, with certainty, key statistics on an industry far removed from her purview, without calling up people who should know.

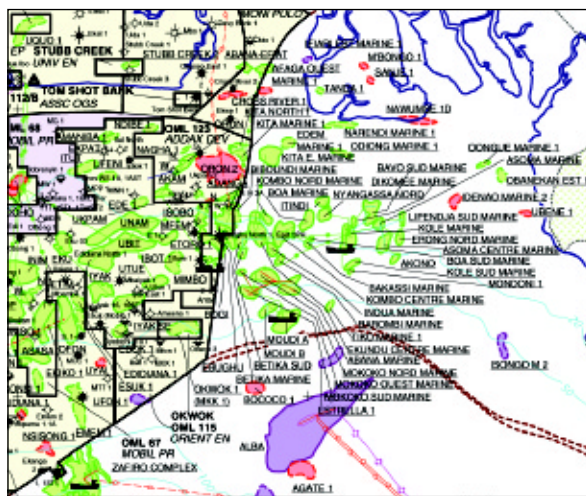
Even so, mismatching data with expectations sometimes happens to the best of us. In the 90s, as deepwater discoveries after spectacular discoveries were made offshore Angola, I had a running argument with publishers of *Offshore* magazine, the Houston based trade journal, over whether Angolan production would one day top Nigeria's. I explained that their emphasis—that Angolan production would top 2MMBOPD by 2005—was misplaced. What we were witnessing were rates of increase, not absolutes. Angolan oil reserves were not even close to one-third of Nigeria's. Niger Delta militancy had not become an issue, the territory is not landlocked and the pools don't have reservoir deliverability issues. Today, Angola's oil reserves are just about a quarter of Nigeria's. But I digress horribly.

To go by estimates from Nigeria's Department of Petroleum Resources (DPR), the disputed border territory named Bakassi Peninsula holds little, compared with the country's proven reserves. The area "is undeveloped, remote, swampy land with oil and gas reserves estimated at 100 MMBO and 4 Tcf respectively," reports the DPR. This is 0.003% of Nigeria's national reserves of 36.2 billion barrels.

Outside Bakassi, Cameroon has 3.9 trillion cubic feet (Tcf) of proven natural gas reserves. That makes it ordinarily one of the largest gas reserves holders in sub-Saharan Africa. With 8Tcf in total the country can implement both domestic (gas to wire) as well as offshore related (LNG, GTL) projects. Previously, in 2005,

Syntroleum Corporation had studied the feasibility of developing gas-to-liquids (GTL) at Sanaga, but that project has sort of rolled over. The American independent, Perenco signed a 25-year contract with Cameroon state hydrocarbon company SNH to develop the offshore Sanaga Sud natural gas fields. Both Perenco and SNH plant to invest \$50 million in the project. It will provide the gas feedstock for the proposed 150MW gas to wire plant being developed by AES-SONEL subsidiary KPDC, Cameroon's first Independent Power Plant Company. The power plant is to be located near Mpolongwe village, about 9km north east of the coastal city of Kribi in the South Province of Cameroon.

Angola and Equatorial Guinea, each of which holds far less reserves of gas than Cameroon, have implemented LNG projects. But the domestic needs of Cameroon are also urgent. The country badly needs electricity. Most of its



## Cameroon comes last on the (oil) prospectivity ranking in the South East sub basin of the Niger Delta

population does not have access to electricity, while those who do are often subject to brownouts, which ultimately forces the private sector monopoly AES-SONEL to implement load-shedding and power cuts to maintain electricity supplies. AES-SONEL expects to invest \$500 million in the course of 2003-2009 to improve Cameroon's electrical infrastructure. The completion of an 85-MW, oil-fired plant at Limbe, in August 2004, marked the first step in the electricity network improvements. AES-SONEL has additional plans to build hydroelectric plants, to add capacity to Cameroon's two main hydroelectric stations, Edea and Song-Loulou, located on the Sanaga River, as well as the smaller Lagdo station located near Garoua. The government believes that a successful development of Cameroon's hydroelectric potential could make the country a net electricity exporter. However, Cameroon's heavy reliance on hydroelectric power leaves its electricity

sector extremely vulnerable to droughts. The country uses approximately 30 aging diesel power stations as back-up facilities, the largest of which are located in Garoua (20 MW), Douala (15 MW), and Yaounde (11 MW).

Now back to Bakassi.

Geologically, this territory is located in the Rio Del Ray basin, a finger of the Niger Delta basin and part of the well documented southeast Niger Delta sub basin, the most prolific part of the Niger Delta. To put it in perspective, this general area, which is less than one sixth of the basin, is where Exxon Mobil, Total, Addax and Monipulo produce around two-fifths of the entire Nigerian oil production.

But while the gas resource in Bakassi may be relatively significant, the potential for huge new oil reserves have been discussed in more or less hushed tones. In ranking, Cameroon is considered the least promising oil province, of all the states that inhabit this geography (including Equatorial Guinea, Sao Tome et Principe, Nigeria and Cameroon). Equatorial Guinea holds 1.8 billion barrels of oil, but Cameroon is absent from the list of oil rich countries on the *BP Statistical Review of Energy 2008*, the industry's bible in determining who has what volume of oil and/or gas. Cameroon holds 400 million barrels of oil, but the country with the least reserves of oil on that list is Tunisia, with 600 million barrels. The islands of Sao Tome et

Principe haven't proven up much oil (only Chevron has ever drilled a well in the Joint Development Zone (JDZ) between Nigeria and STP, and the results are not amazing), but the industry still considers STP as having more potential than Cameroon. As companies get around to testing what the seismic data says via the drill bit, we will all come to know if indeed the optimism about STP is justified. Cameroon has experienced a fairly steady decline in its domestic oil production over the past 20 years. The country is still a net oil exporter, but if new fields do not come online in the near future, Cameroon could become a net oil importer.

So will the Bakassi annexation help rejuvenate the oil industry in Cameroon? A partnership of Tullow Oil and Addax have for a while applied for the offshore Bakassi permit MLHP 9, which is in the territory. It is considered to be the most attractive area. If significant volume of oil is found in that permit, operators will start queueing for action in the Cameroonian sweepstakes. ■