

Gazprom has announced it wants to become involved in gas production in West-Africa. A normal business decision for a company that wants to be a global player, say some analysts. Others are worried that the Russian move is intended to sabotage Europe's strategy to diversify its supplies. 'Europe must get together to counter Russian and Chinese influence in Africa, or it will be taken out of the game.'

Gazprom joins scramble for West-Africa

| by Rudolf ten Hoedt

Gazprom has done it again. The Russian gas giant made many in Europe shiver last January. This time pipelines were not to blame. The cause was Gazprom's announcement that it is eyeing gas reserves in Nigeria along the Gulf of Guinea, West-Africa's very own 'Oil Gulf'. Gazprom says it has started negotiations with the Nigerian authorities on its participation in the country's highly promising gas sector.

With this news the Russians touched Europe's energy security nerves in three ways. First, a successful inroad of Gazprom into West-Africa may strengthen the position of the Russian gas supplier even further. Second, Gazprom's invasion of Nigeria would open up a new front in the growing competition between western oil majors and state-controlled energy concerns. Third, the location the Russians picked for their expansion confirms the strategic importance on the global energy market of sub-Saharan Africa, whereas this is precisely a place where Europe is losing influence for various reasons.

Some analysts produced reassuring comments. It will be tough for Gazprom to enter the Nigerian gas market, one

way or the other. Many natural gas fields have been licensed out already. Gazprom would have to buy from foreign firms or bid for exploration blocks that are still available and probably less productive. Or Gazprom might try to get hold of the government's share of flaring gas from oil fields – a tricky business.

Even if Gazprom knows how to overcome these obstacles, Houston-based oil analyst Herman Franssen is not worried. 'The possible participation of Gazprom in Nigeria may bring more gas to the market. That is good for Europe', says Franssen, who is president of International Energy Associates. He sees Gazprom's expansion as business driven in the first place. This is part of Gazprom's strategy to become a global player. And West-Africa is the field where everybody wants to play.'

Secret agenda |

These arguments are not reassuring to everybody. Others read Gazprom's plans in a more geopolitical way. After all, energy is geopolitics, according to London School of Economics professor Willem Buiter. The critics see the Russian move as part of a secret agenda to tighten the screws on Western Europe.

An analyst from Global Insight said that Gazprom could be seeking to keep Nigerian LNG supplies away from Europe, to be able to continue to control prices in Europa. A consultant of Booz Allen Hamilton worried that Gazprom's program in Nigeria may divert financial resources from much needed investment in Russia. This could jeopardize European gas supplies in the future.

Director Rob de Wijk of the The Hague Centre for Strategic Studies (HCSS) is even more outspoken. 'A deal between Gazprom and Nigeria will increase Europe's dependence on Russian gas. Russia has a deliberate policy aimed at controlling the whole gas market that is meant for Europe.' De Wijk refers among other things to Gazprom's cooperation agreement with Algeria in 2006, underpinned by a \$5 billion arms deal with Russia. Algeria supplies 13% of Europe's gas.

Although some commentators brush these concerns away as "conspiracy theories", the "critical" analysts feel uncomfortable with the Russian interest for Nigeria's huge gas reserves. 'I am one of them' says Cyril Widdershoven, energy adviser at Cap Gemini and associate



Workers on ENI operated platform in Nigeria's Niger delta. Photo: Gilbert Liz/Corbis

fellow of the Institute for the Analysis of Global Security IAGS.

'I do not see the negotiations between Gazprom and Nigeria as an immediate threat. But Gazprom's intention to ride into Nigeria contains a political message for Europe. The message is: we want to reduce Europe's opportunities to buy gas independently and beyond our control as much as we can.'

Records |

Sub-Saharan Africa today is a place where energy records are broken daily. There are never enough rigs and floating storage facilities. Day prices for offshore material are nowhere as high as in the Gulf of Guinea. Oil companies put expensive and modern technology at work that up until recently was limited to the Gulf of Mexico.

The drivers behind the bonanza are well known. Growing demand, sky rocketing prices and the overwhelming urge to diversify supplies, just to mention a

few. Although its reserves do not match those in the Middle East, Africa can serve Europe's goal of diversifying supplies.

Strategic importance |

Gazprom has good reasons to eye West-Africa as a promising supplier of gas. The area is one of the fastest growing producers of liquefied natural gas (LNG).

'Europe may be its own worst enemy because it lacks a collective strategy'

Nigeria is a key area for future oil and gas exploration and production. The country boasts proven reserves onshore and offshore of 35.2 billion barrels of oil – twice as much as Mexico – and 176 trillion cubic feet (5 trillion cubic meters) of natural gas – as much as the United States. Nigeria alone holds one-third of Africa's total proven gas stocks and ranks 10th in the world.

The Americans are betting heavily on West-Africa. The US government has declared West-African oil and gas of major strategic importance. The African share of US oil imports is expected to rise to 25% by 2015, up from 18% in 2007. Nigeria has become the third largest supplier of US oil behind Canada and Mexico but ahead of Saudi Arabia.

The region is well placed to serve the demands, not only from the United States and South America, but also from Western Europe and the Mediterranean. Sea lanes without bottlenecks connect the Gulf of Guinea with all major European trading ports. And there is the Nigal project to build a gas pipeline that might connect the gas reserves of Nigeria to the Algerian Hassir'mel field and so make a connection



Men near the village of Kpean in Ogoniland, Nigeria, look at a burning oil wellhead. Photo: Ed Kashi/Corbis

with the pipelines going to Europe. According to the International Energy Agency (IEA), between now and 2030 the Middle East and Africa together will dominate the world gas market with a 60 percent share. The Gulf of Guinea with Algeria and the rest of Africa may even compete with Russia as the largest regional supplier of gas to Europe in the longer term, says the IEA.

Underlining the renewed interest in what once was part of Europe's backyard, European companies are as active in West-Africa as their American counterparts. Leading the LNG pack in Nigeria is Royal Dutch Shell, the pioneer of Nigeria's oil industry since 1953 and the country's largest oil and gas producer. But also French Total for instance is actively involved in the region.

Obstacles |

Oil and gas from Sub-Saharan Africa, where Western oil majors have been welcome and still enjoy production sharing contracts, can make up for the growing state control over energy resources elsewhere. However, Europe may find some obstacles in its way.

African politics is one of them. The exploration of oil and gas takes place in nations that have no mature democracies or are downright fragile. Europe in particular does not want its oil and gas mixed up with blood and reports about locals who do not benefit from oil revenues due to corruption and mismanagement.

But perhaps we have to get accustomed to these unpleasant facts of life. Nigeria has

'The whole world thinks about energy in terms of safety and power, except Europe'

been very unstable in the past and will continue to be so in the future. Angola looks somehow more stable, according to Nicholas Shaxson, the Malawi-born former Reuters correspondent who has published a new book about his African experiences, aptly titled 'Poisoned Wells. The dirty politics of African Oil'. 'In Nigeria, politics are far more infested by oil than in Angola', says Shaxson, currently an associate fellow

of Chatham House, the British think tank. 'In Angola, 95% of the oil and gas exploration is offshore and will be less prone to violent interruption. And in energy matters there is only one man who decides, the president. This is not the case in Nigeria.'

A second obstacle for Europe is China. With a well-coordinated double-track offensive of diplomacy and investment, the second biggest energy consumer

of the world got hold of a considerable amount of African oil in a relative short period of time. More than a quarter of Chinese oil imports now originates from Sub-Saharan Africa. The Chinese are catching up rapidly and will soon overtake the US and Europe in their share of oil exports from West-Africa, warned Jonathan Holslag, Asia expert of the Free University in Brussels, in a report last year for the European Commission.



Young boys play in the water on an island along the Niger Delta, where the Nigerian Liquefied Natural Gas (NLNG) plant is located. Photo: Ed Kashi/Corbis

Evaporating leverage |

Western Europe's influence in Africa, which mainly depends on the historical ties of some European states, is rapidly evaporating in the face of China's overwhelming diplomatic charm offensive and loads of cash. France is reportedly experiencing huge problems to help Total get new contracts in Chad, Ivory Coast and elsewhere. China's massive financial injection in the Democratic Republic of Congo wiped out the last bit of Belgium's influence in that country.

So what should Europe do? Analysts who look at these developments in terms of trade and business, think Europe should rise to the challenge of competition and not give in to paranoia. Sooner or later, they say, the Chinese, the Russians and others will have to come to terms with the iron laws of the market.

Others are not so sure, like HCSS's Rob de Wijk. 'The whole world thinks in terms of safety and power when it comes to energy, except for Europe. We are not used to it. For the first time in history, Europe has become dependent for its

energy on others. That is new. And it will have big cultural consequences.'

The Americans are more attuned to the requisites of energy geopolitics. The decision of the Bush administration in 2007 to bring all US military operations in the continent under one command (Africom) confirms that the Americans see the protection of their energy interests in Africa together with the war on terror as an issue of national security. Asia expert Jonathan Holslag is also committed to geopolitics: 'China's Africa offensive is a double challenge. On the one hand, the EU has to try to steer China's increasing economic presence in a way that is suitable for Africa's sustainable development, political stability, and the improvement of the security climate in a region that geopolitically remains Europe's backyard. On the other hand, Europe will have to get the different member states together in order to make sure that our lack of policy coherence does not send us to the sidelines. We should look for new ways to protect our influence. Coherence is a precondition. If we do

not succeed in getting together we will be taken out of the game.'

This lack of coherency in its energy policy may also prevent the EU from coming up with an adequate response towards Gazprom's Africa offensive. Europe may be its own worst enemy when it wants to convert sub-Saharan Africa in a reliable alternative for oil and gas. 'The current leaders of Russia see a weak Europe for several reasons as an advantage', says Rob de Wijk. 'Their policy is deliberately and consequently aimed at making Europe dependent. The EU is encouraging this because it lacks an unambiguous collective strategy to decrease its energy dependence.'

The consequences in the long term may be far-reaching, if we may believe energy analyst Widdershoven: 'Europe wants to diversify its energy supplies away from the Middle East. When the Russians gain clout in Nigeria and elsewhere in the region as well, Europe risks exchanging Opec for Gazprom. Which in my view is bad news. I fear an Arab camel less than I fear the Russian bear.' ■