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**Extractive Industries and Sustainable Job Creation**

**How can energy extractives resources be used for  
sustainable development in Africa?**

By

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The views expressed are those of the author and do not necessarily reflect  
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How can energy extractives resources be used for sustainable development in Africa ?

*Communication presented by  
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# Summary

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# 1 – INTRODUCTION

- ▶ The evidence of the contribution of energy extractive industry (oil, gas, uranium, ...), to the development of african economies is not new. Many africans think that the rich mineral and petroleum deposits of the continent are an economic and social development factor. If properly managed, mining and oil industries can fundamentally transform african economies.

# 1 - INTRODUCTION

- ▶ Energy extractive industries (oil, gas, etc ...) have a long history in Africa, and after more than half a century of exploitation, they still do not sufficiently contribute to the development of Africa ; when they do not deplete local populations and do not destroy the environment.

# 1 - INTRODUCTION

- ▶ There are some concerns about the "resource curse" or the "paradox of plenty", which make economies dependent of non-renewable resources and vulnerable to exogenous shocks of the global market and a overexploitation of resources leading to the degradation of natural capital (clean air and water, forests, wildlife, etc...).

Should we still rejoice, african under ground (in particular hydrocarbons) is not systematically looted.

## 2 - Development frameworks of the african extractive sector

- ▶ In 1980, the Lagos Plan of Action (LPA) for the economic development of Africa (of the Organization of African Union) have already identified this sector as a pillar of development and stood a very relevant diagnostic of difficulties related to recovery of these resources. Therefore, the question is no longer : "Is the exploitation of energy extractive resources a vehicle for development ?", but rather : "How to ensure that it be ? "

## 2 - Development frameworks of the african extractive sector

- ▶ Recently, the African Mining Vision (adopted by African Heads of State in February 2009) developed by the United Nations Economic Commission for Africa (UNECA) has put an emphasis on the need for natural resource-rich countries move towards more comprehensive approaches that integrate the development of extractive resources policy in development policies, social justice and environment.

## 2 - Development frameworks of the african extractive sector

- ▶ This Vision is the response of African Ministers to the paradox of living in a continent where despite the immense natural resource wealth, poverty and social disparities are persistent. This is an innovative approach in that it goes beyond improving national mining regimes to determine how mining can effectively contribute to local, national and regional development.

## 2 - Development frameworks of the african extractive sector

- ▶ The language is not new and all agree to recognize that energy extractive resources are indeed a vector of development for Africa. In fact, energy is one of the most essential requirements for the development of Africa ; because it has to play a crucial role in the economy and development of the continent.

# 3 – Potential Energy Africa

- ▶ Energy is a sector full of opportunities for Africa. With proven reserves of 130 billion barrels (over 10% of world reserves and for a value of nearly \$ 8 trillion), Africa produces some 11 million barrels of oil per day (representing over 12% of world production), 5 countries representing 80% of this production: Algeria, Angola, Egypt, Libya and Nigeria. The African Petroleum Producers Association (APPA) consists today of 18 country members account broaden its circle in the next few years.

# 3 - Potential Energy Africa

- ▶ Africa contains more than 510 trillion m<sup>3</sup> of proved natural gas reserves (worth \$ 3 trillion); besides technically recoverable shale gas resources, with 1042 trillion m<sup>3</sup> (worth \$ 6 trillion). Its annual production of 184 billion m<sup>3</sup> comes to 90% of Algeria, Egypt, Nigeria, and Libya. Large natural gas discoveries have just been made in Egypt, Mozambique and Tanzania ... .which will make Africa being in 2030, the world largest natural gas producer, ahead of Russia.

# 3 - Potential Energy Africa

- ▶ Historically, uranium production began in Africa in the 1940s in Belgian Congo (now the Democratic Republic of Congo) - and accelerated after independence with Gabon, Niger, Namibia and South Africa. The African uranium potential still remains very abundant. Africa also has one third of world mineral reserves, 8% of methane reserves and 10% of the hydroelectric potential.

# 3 - Potential Energy Africa

- ▶ This huge potential and discoveries in energy resources have long ago changed the look of the business world vis-à-vis of Africa, which is emerging as a global stature player of oil, gas and uranium.

The continent, rich in energy commodities has strong points in its favor.



# 4 – Governance in the extractive industries

- ▶ It should be recognized that the exploitation of underground resources has always been accused of pernicious effects on governance : extractive rents (oil and mining) are not always democratically managed and sometimes their diversion helped fuel some conflicts.

# 4 – Governance in the extractive industries

- ▶ Also, in the african context is marked by deficiencies in the legislative and institutional framework ;
  - the absence of the principles of transparency and governance, poor environmental and social standards (which reinforces the thesis of the resource curse);
  - reforms of mining and petroleum codes underway in many countries show that these are more oriented mainly to increased research / prospecting, reducing bureaucracy, increasing revenue share of the State and tax incentives, and neglecting the issue of the impact of mining and petroleum operations on the environment and on the income and well-being of local communities (local content).

# 4 – Governance in the extractive industries

- ▶ The ongoing reforms of the mining and oil codes, should not be charming transactions which create favorable conditions and legislation to attract foreign investors, often at the expense of the right to a healthy environment and community interests local.

# 4 – Governance in the extractive industries

- ▶ The main legal instruments of future mining and oil regimes should endeavor to set out the general principles, including the right to a healthy environment ; the right to participation and consultation of the local population ; the right of access to information ; the right of citizens to monitor, verify and enforce the contractual obligations of project proponents.

# 4 – Governance in the extractive industries

- ▶ The tax system also needs to be reformed to make a larger share of revenue be donated to governments. Fiscal transparency is necessary; the sums paid by the mining companies, the revenues hit by governments and expenses incurred must be published. Finally, international standards, consolidated by local legal tools, could revolutionize taxation of the sector.



# 4 – Governance in the extractive industries

- ▶ UNCTAD, UNECA and the IMF agree that the key benefit of extractive industries in Africa lies in its ability to generate revenue through a transparent fiscal and budgetary system (UNCTAD, 2007). This is the main instrument available to governments to ensure that mining contributes, in the near future to the development of the continent.

# 5 - What possible solutions for Africa ?

Africa can hope to play "leading role " and finally take advantage of the wealth of its basement to grow its economy and reduce poverty. But for this, it must meet certain challenges - not least.

# 5 - What possible solutions for Africa ?

- ▶ It is necessary to reorient the political attention in Africa, to stop focusing on a single mining and oil production and moving towards a broader framework integrating policies related to the environment, access to modern energy markets and sustainable development.

# 5 - What possible solutions for Africa ?

- ▶ Now the questions we should constantly follow are :
  - 1 - How to get the maximum benefit for the country and how people better enjoy the extractive energy resources?
  - 2 - How to promote Local Content ; which implies:
    - the use of human resources at all levels of the oil and mining companies, the acquisition of goods and services supplied by local businesses in the exploration, development, exploitation, transportation, sale crude oil and gas resources (outsourcing), and
    - the realization of social projects (water, electricity, education, health, roads, etc.) ?

# 5 - What possible solutions for Africa ?

- ▶ 3 - How to implement a sustainable energy policy ; that is to say that our countries must move resolutely towards an energy transition by creating a policy framework to secure the supply of growth in energy, the fight against climate change and environmental protection and finally, to address the challenges of energy poverty.

# 5 - What possible solutions for Africa ?

- ▶ The United Nations and the World Energy Council (WEC) are now at the forefront of this fight with the launch of Initiative Sustainable Energy for All and resolution of "World Energy Trilemma".  
Given the enthusiasm that sparked, the SE4All Initiative has benefited since December 2012, a strong political impetus with the Declaration of the "International Decade of Sustainable Energy for All (2014-2024)".

## 6 - Conclusion

- ▶ Often considered being out of globalization, Africa is however his rank in the energy boom in the mining sector since the early 2000s, marked by a continuous increase in investments in this industry. Given the increasingly highest demand of these mineral resources, due to the rise of emerging countries, the under-explored and under exploited Africa, can take on the appearance of eldorado for small and large foreign companies, but also and especially for now growing african companies.

# 6 - Conclusion

- ▶ To reverse the "paradox of plenty", which feature many african countries rich in extractive resources, we must make radical changes. In order of that amount of revenue from the extractive sector be appropriate and be spent fairly - that is to say, in line with the national development strategy agreed for the country -, civil society organizations and parliaments must be able to monitor and supervise the collection and allocation of budget revenues and control the actual expenditure.

# 6 - Conclusion

- ▶ The policy frameworks and legal, tax, environmental and social safeguards are now guaranties to secure investments in the energy extractive sector, which also can ensure sustainable development in Africa.

*THANK FOR YOUR ATTENTION*

*It was a presentation on...*

*...How can energy extractives resources be used for sustainable development in Africa ?*

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