

## 4

## European Policy and Energy Interests – Challenges from the Gulf of Guinea

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### 1. Introduction

The Gulf of Guinea has great oil and gas potential. While predictions on Africa should be made with some care, analysts and representatives of the oil industry appear to agree that the region belongs to those areas where production will rapidly increase in the coming years and decades. Output figures of the chief oil-producing countries, Nigeria and Angola, are expected to double or triple within the next decade and thus will cause certain dynamics on the shaping of trade movements (see table 1).

Table 1: Projected Oil Production of Gulf of Guinea 2005-2030 (in b/d)

	2005	2010	2015	2030
<b>Nigeria</b>	2,719,000	3,042,000	3,729,000	4,422,000
<b>Angola</b>	1,098,000	2,026,000	2,549,000	3,288,000
<b>Equatorial-Guinea</b>	313,000	466,000	653,000	724,000
<b>Congo (Brazzaville)</b>	285,000	300,000	314,000	327,000
<b>Gabon</b>	303,000	291,000	279,000	269,000
<b>Côte d'Ivoire</b>	43,000	71,000	83,000	94,000
<b>Cameroun</b>	84,000	72,000	66,000	61,000
<b>Congo (Kinshasa)</b>	30,000	33,000	30,000	25,000
<b>Ghana</b>	11,000	16,000	20,000	23,000
<b>Total Africa</b>	9,936,000	12,059,000	13,975,000	16,242,000
Source: EIA, U.S. Department of Energy.				

The African countries along the Atlantic coast represent a growing supplier region. The European Union (EU) is one of those regions that has to import energy and can not only consume from sources within borders where they exert political control.

This paper reviews the European energy policy and energy trade towards the Gulf of Guinea. First, it looks at the volume of trade as well as the relevance of oil in trade between Europe and the Gulf of Guinea. It then tries to answer, to what extent oil supplies from the Gulf of Guinea are a relevant factor in European energy policy?

## **2. Trade Between Europe and the Gulf of Guinea. Do Energy Interests Matter?**

### **a. Exports From the EU to the Gulf of Guinea**

The trade relations between the fifteen EU-member countries and the Gulf of Guinea are marginal. While trade volumes in absolute figures have increased over time, the share of the Gulf of Guinea as an export market for the EU has remained at an insignificant low of 0.5%. Some differences can be derived from the data if the EU is split into former colonial and non-colonial powers. The former colonial powers still enjoy a higher share in the trade with their respective former colonies but even for the top-ranking EU-countries (Portugal 2.5%, France 1.2%), exports to the Gulf of Guinea remain below a threshold, where it really matters (see table 2).

### **b. Oil Exports From the Gulf of Guinea to the EU**

While trade relations remain insignificant for the EU if viewed from aggregated statistics, the picture changes slightly, if we look at the main export commodity from the Gulf of Guinea. The EU, being a net-importer of energy, receives 7.1% of its oil from the Gulf of Guinea. Import ratios vary largely between EU-countries, with Portugal receiving almost one third of its imports from African sources along the Atlantic coast (see table 3). Together with Austria it has witnessed a 10 % increase since 1998. The main causes have been the emergence of Equatorial Guinea as an oil producer, and the booming oil industry in Angola.

Nigeria is by far the largest source of oil for the EU. Nigerian oil imports to Europe account for as much as the entire rest of the region (see table 4).

**Table 2: Exports from EU in Million € (2002)**

	<b>World</b> <b>2,591,380</b>	<b>Gulf of Guinea</b> <b>13,074</b>	<b>Share in %</b> <b>0.5%</b>
France	350,803	4,067	1.2%
UK	296,315	1,831	0.6%
Germany	648,246	1,424	0.2%
Italy	265,365	1,343	0.5%
Netherlands	258,099	1,286	0.5%
Belgium	226,432	1,026	0.5%
Portugal	27,105	670	2.5%
Spain	125,962	592	0.5%
Sweden	86,085	269	0.3%
Ireland	93,365	200	0.2%
Austria	83,199	138	0.2%
Denmark	60,902	100	0.2%
Finland	47,742	49	0.1%
Greece	10,946	49	0.4%
Luxembourg	10,814	29	0.3%
1958 - 2003 European Community, Eurostat 23/09/2003			

### **c. Global Trade Movement of Oil from West Africa**

The statistics of the oil-trade movements from West Africa to the most important consumer-regions of the world reveal that strong historical ties do not matter much any more. Despite assembling five former colonial powers (Belgium, Great Britain, France, Portugal, Spain), Europe is not the leading market. Most of the oil is shipped to North America. Europe, just behind Asia, is only the third largest destination of West and Central African oil exports, buying an average of 708,000 b/d during 2002 (see table 5).

In light of these figures and considering that there is no outstanding dependency (as any European country is free to buy oil wherever it wants because there are no political restrictions) one could suspect that any arguing about European policy and energy interests concerning the Gulf of Guinea will soon come to an end. Yet some aspects should be reflected upon.

**Table 3: Oil Imports by the EU in 1000 t (2002)**

	<b>World</b>	<b>Gulf of Guinea</b>	<b>%</b>
	<b>547,092.7</b>	<b>38,628.0</b>	<b>7.1</b>
Spain	57,428.1	12,312.6	21.4
France	80,414.9	10,557.1	13.1
Italy	81,043.1	4,638.1	5.7
Germany	104,331.8	4,585.4	4.4
Portugal	11,634.0	3,244.8	27.9
Austria	8,293.2	1,510.8	18.2
Netherlands	71,947.8	1,191.0	1.7
UK	40,562.5	457.4	1.1
Sweden	18,797.0	130.6	0.7
1958 - 2003, Eurostat 23/09/2003			
<i>Ireland, Denmark, Greece, Belgium, Luxembourg, Finland no imports from Gulf of Guinea.</i>			

**Table 4: Oil Exports by African Countries to European Union in t (2002)**

<b>Country of origin</b>	<b>Exports to EU 15</b>
Nigeria	19,616,984.3
Angola	8,751,766.2
Cameroon	3,781,123.0
Equat. Guinea	3,571,349.2
Congo	1,798,479.0
Gabon	539,509.3
Congo (Dem. Rep.)	310,994.8
Ivory Coast	257,751.2
Ghana	0.0
Togo	0.0
Benin	0.0
Chad	0.0
S. Tomé	0.0
1958 - 2003, Eurostat 23/09/2003	

**Table 5: Trade Movements (Oil) From West Africa to the Most Important Consumer-Regions (2002)**

Ranking	Consumer-region	From West Africa (in 1,000 b/d)	Rest of World (in 1,000 b/d)	%	
1)	North America*	1,137	9,169	12.4	
2)	Asia/Pacific**	767	7,854	9.7	
3)	Europe	708	11,186	6.3	
4)	S. & Cent. America	199	913	21.7	
5)	China	191	1,851	10.3	

Source: BP Statistical Review of World Energy, June 2003

\* North America is USA and Canada

\*\* Asia/Pacific is without Australasia, Japan or China

### 3. EU Energy Policy: Is Oil From the Gulf of Guinea of Strategic Relevance?

In November 2000, the European Commission published a Green Paper on the security of energy supply. One of the central findings of the Green Paper reads as follows:

The European Union is consuming more and more energy and consuming more and more energy products. Community production is insufficient for the Union's energy requirements. As a result, external dependence for energy is constantly increasing.<sup>1</sup>

The energy dependency of Europe and selected member countries like France, Portugal, Spain and Germany concerning oil and gas is high and is going to rise in correlation with declining supplies from the North Sea. If the current development is being projected for the next 20 years, 70 % of the energy requirements as opposed to the 50 % nowadays will be covered by imports.

The USA and the EU appear to find themselves in a similar situation. Both see their supplies from 'home sources' declining and the dependence on energy imports on the increase. In reaction to this, the National Security Strategy of the USA as declared in September 2002 contains the following clarification:

1 *Commission of the European Communities (ed.)*, Green Paper. Towards a European Strategy for the Security of Energy Supply, Brussels 2000, p. 2.

“Enhance energy security. We will strengthen our own energy security ... by working with our allies ... to expand the sources and types of global energy supplied, especially in the Western Hemisphere, Africa, Central Asia, and the Caspian Region.”<sup>2</sup>

The Gulf of Guinea is considered by the US-Administration as an area of strategic importance. The USA is currently getting 16% of its total oil imports from Africa,<sup>3</sup> and the share of West African oil imports equals the share of Saudi-Arabia.<sup>4</sup> The National Intelligence Council has published a prediction, that “West Africa will play an increasing role in global energy markets, providing 25 percent of North American oil imports in 2015.”<sup>5</sup>

Walter Kansteiner III., Assistant Secretary of State for African Affairs, addressing representatives of US-oil-industry put it bluntly:

African oil is of national strategic interest to us, and it will increase and become more important as we go forward. It will be people like you who are going to develop that resource, bring that oil home, and try to develop the African countries as you do it.<sup>6</sup>

While diversifying supplies is one, if not the main US response to growing foreign oil dependence, it appears unthinkable in Europe to hear a statement from an official such as that from Kansteiner. This, to a large extent, is explainable by looking at the structure of the EU and its relationship with the member countries.

The EU is more than an association of states, as the member states have ceded some of their sovereign rights to it but it is less than a state or a federal state of Europe insofar as the member states maintain their powers to act independently in many other fields. Foreign policy is one of those matters, where the European Council holds the key. Here, the national governments meet to agree on the respons-

2 *The White House (ed.)*, The National Security Strategy of the United States of America, Washington: Government Printing Office (GPO), September 2002, p. 19-20.

3 The share of oil imports in 2002 was at 15,3 %, with an annual growth rate at 1,6 %: Tom Callahan (Policy Planning Department, US-State Department) in: Schutz, Barry/Wihbey, Paul Michael (ed.), African Oil: A Priority for U.S. National Security and African Development, unpublished transcript of a symposium on 25th January 2002, Washington: The Institute for Advanced Strategic and Political Studies, Research Papers in Strategy 14, May 2002, p. 29-30.

4 *African Oil Policy Initiative Group* (Hg.), African Oil: A Priority for U.S. National Security and African Development, unpublished paper, Washington: The Institute for Advanced Strategic and Political Studies, January 2002, p. 4.

5 <http://www.cia.gov/nic/pubs/index.htm> (viewed at 24/10/2002).

6 Walter Kansteiner III addressing representatives of US-oil-industry, quoted from Barry Schutz/Paul Michael Wihbey (ed.), African Oil: A Priority for U.S. National Security and African Development, unpublished transcript of symposium 25/01/2002, Washington: The Institute for Advanced Strategic and Political Studies, Research Papers in Strategy 14, May 2002, p. 11.

ibilities of the Community, but with veto powers widely used, a common policy approach is more the exception than the rule.

Energy policy in many regards is still a national task of the 15 EU-member countries, and, depending on the issue at hand, European countries may or may not act autonomously or as members of the European Union. Energy policy at EU-level has very limited scope in regard to oil supply. Apart from declarations in principle, the measures taken by the European Union till today address the demand policy. Compared to other regions of the world European countries have been quite successful in reducing the oil consumption during the last decade.

**Table 6: Oil Consumption of G-8 (barrels/day)**

	<b>1992</b>	<b>2002</b>
Germany	2,849,000	2,709,000
France	2,011,000	1,967,000
UK	1,775,000	1,675,000
Italy	1,950,000	1,943,000
Japan	5,521,000	5,337,000
Canada	1,703,000	1,988,000
Russian Federation	4,494,000	2,469,000
USA	17,033,000	19,708,000
Source: BP Statistical Review of World Energy, June 2003, p. 9		

Most major industrialised countries of the world managed to consume less oil in 2002 than they did in 1992. Only Canada and USA opposed this trend. The figure by which oil consumption increased in the USA during the last decade is almost equivalent to the total annual oil consumption in Germany (see table 6).

Promoting energy efficiency and balancing the energy mix on behalf of the very interdependent member countries is all that has been given for the EU disposal. Considering African oil as of strategic interest is not an aspect in the European policy context as it has become for the US.

## 4. Supply Side Energy Policies by EU Member States

What applies at the regional-level is in the same way a policy principle for the individual EU member states. In general, EU countries advocate a foreign policy that limits state interference with market forces. Energy policies in Europe are based on the belief that market forces best ensure optimal allocation of resources. The necessity for the USA to develop international oil supplies may act as a guarantee of the EU energy security in terms of oil. But the European Union and its member states are likely to shun any international competition for oil. A political 25% mark of oil imports from a certain region set by some kind of “Intelligence Council” won’t be handed out. The oil and gas exploration and production sector generally agrees that the current situation has secured safe and affordable supplies for decades. The only political interference pronounced is about more secure investments conditions in supply and transit countries.

There are legal and structural limitations anyhow in following a supply side policy. The European oil industry has been privatised and today there is no European government, either in Germany, Italy or in France, that wants to or can order a private sector company to start drilling and producing somewhere. This of course does not mean that networks do not exist, or that industry associations and lobbyists cannot exert pressure in order to realize business opportunities abroad.

The structure of the upstream sector in Europe should also be taken into consideration when discussing features of the European energy and security policy. The largest Europe-based oil companies involved in the Gulf of Guinea are: Shell, British Petroleum (BP), Total and Agip. In Nigeria, the Shell Petroleum Development Company (SPDC) accounts for roughly half of Nigeria’s oil production. Moreover the major stake in the NLNG joint venture and other Shell companies such as SNG (Shell Nigeria Gas) and SNOP are making Shell the largest oil and gas company in Nigeria.

Looking at the countries of origin of the parent companies, this could lead to the conclusion that national interests may be linked to Shell. But the trading of shares at the stock exchange works as an interfering mechanism. Royal Dutch Petroleum Company is from Netherlands and Shell Transport and Trading Company from UK. However, the 740,000 shareholders of Royal Dutch and the 250,000 shareholders of Shell acquire their shares on stock exchanges in eight European countries (Austria, Belgium, France, Germany, Luxembourg, the Netherlands, Switzerland and the UK) and in the USA. The same applies to BP. The capital provided by shareholders does originate from UK to less than 50 %. To analytically reduce multinationals to a national level does not bring fruitful results.

## 5. Conclusion

By way of conclusion, offshore African oil offers a political risk-hedging opportunity for some oil importers, first and foremost the United States. Increasing imports from West Africa could also enhance the European oil and gas security. But any EU move in that direction will be primarily market-driven, and not the result of a government policy.

There is little doubt that most of the policy challenges lie in Africa. Europe will especially support those states that strongly engage in the implementation of democracy, good governance, the rule of law and improvement of economic fundamentals. These are the preconditions to meet European energy interests.

The 7.1% of current oil supply for the EU from the Gulf of Guinea is already a crucial contribution to supply security. It is of vital interest to keep the world trading system working. This kind of policy is interlinked with the foreign and security policies of any European country. Both in oil and gas, business applies: Political relations, infrastructure and proximity are of major importance to shaping producer-consumer relations.

The goals of energy supply policies at EU-Community and at member state level can be summarized as follows:

- markets should be working;
- national frontiers for goods and services should be open;
- international trade provides the cheapest energy security possible.