Leveraging AfCFTA to build a self-reliant Africa: Repositioning refining and supply chain

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10 March 2021

Presentation produced by CITAC

Contents

CITAC: Introduction

- UK-based, independent consultancy founded in 1998 to focus on the downstream African energy sector
- Provider of downstream market analysis through market reports, retainer services, database and bespoke projects/studies
- Specialist focus on African gas market fundamentals, power market analysis and LNG projects
- Commercial, operational and financial training courses in London and Africa
- Retained consultant to the African Refiners & Distributors Association (ARDA)

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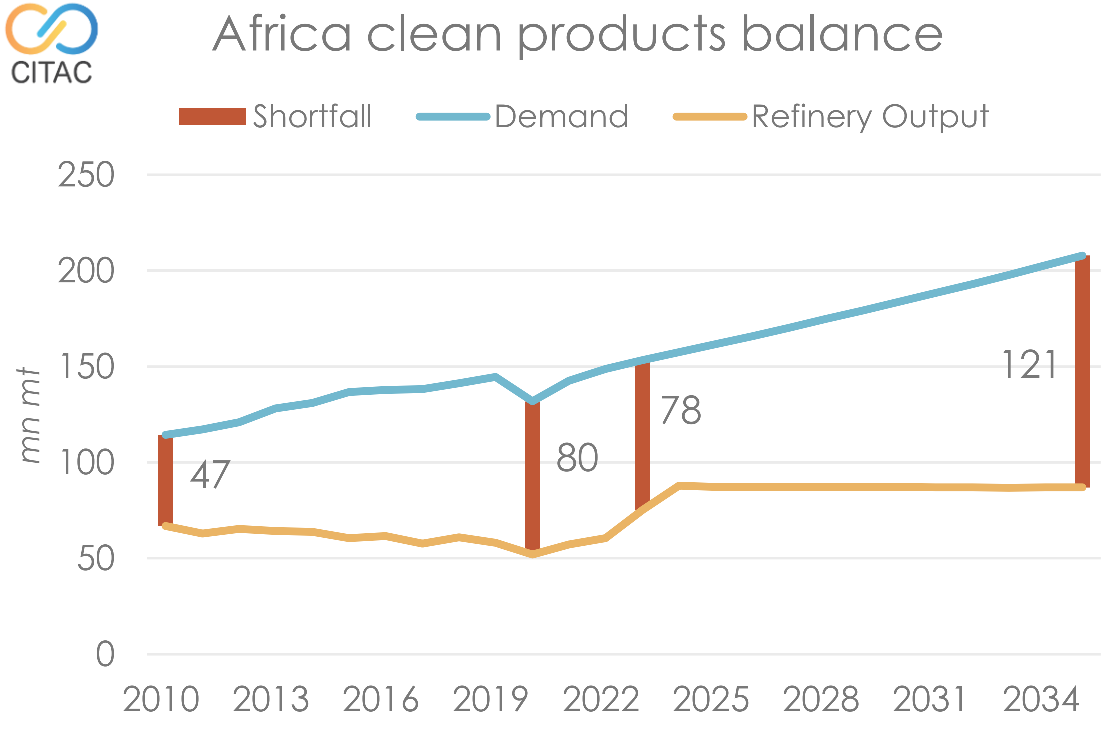
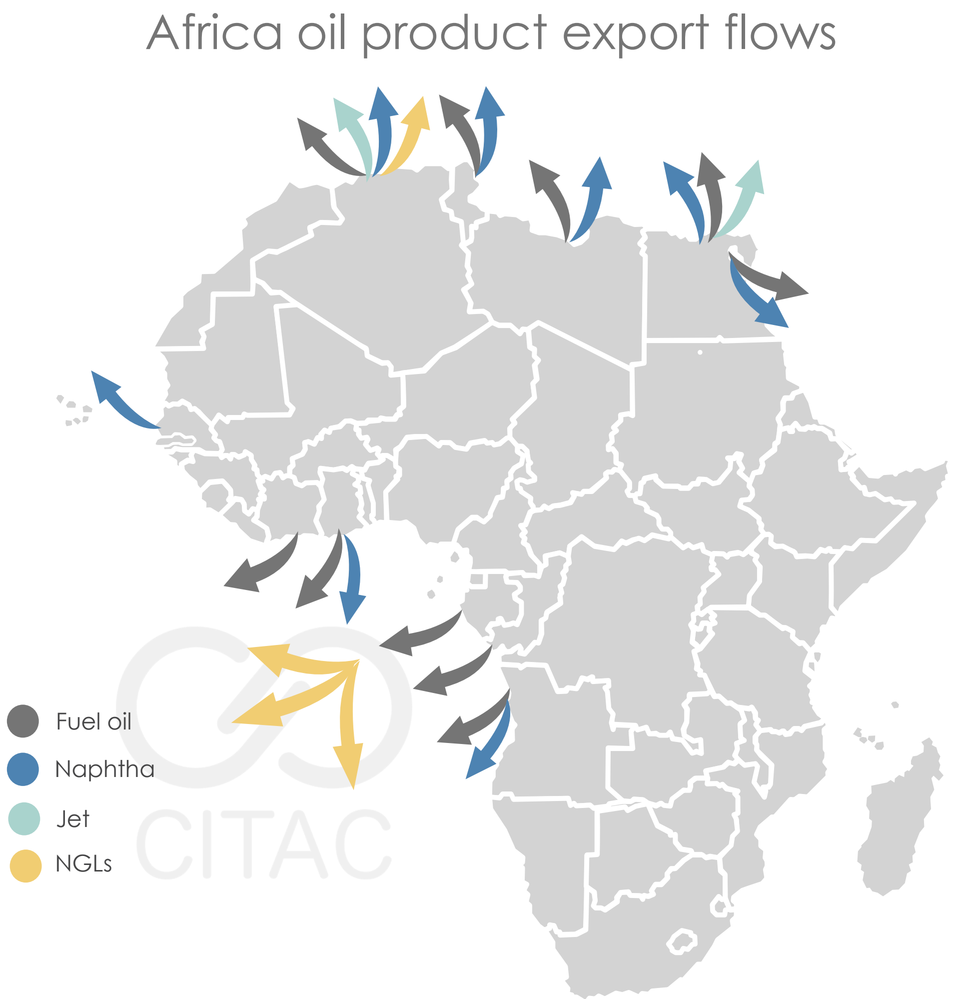
Africa oil product self-sufficiency





- Africa's clean product shortfall is on a steep upward slope.
- FO, Jet, naphtha, NGLs continue to be exported.
- Petchems industry is in its infancy.

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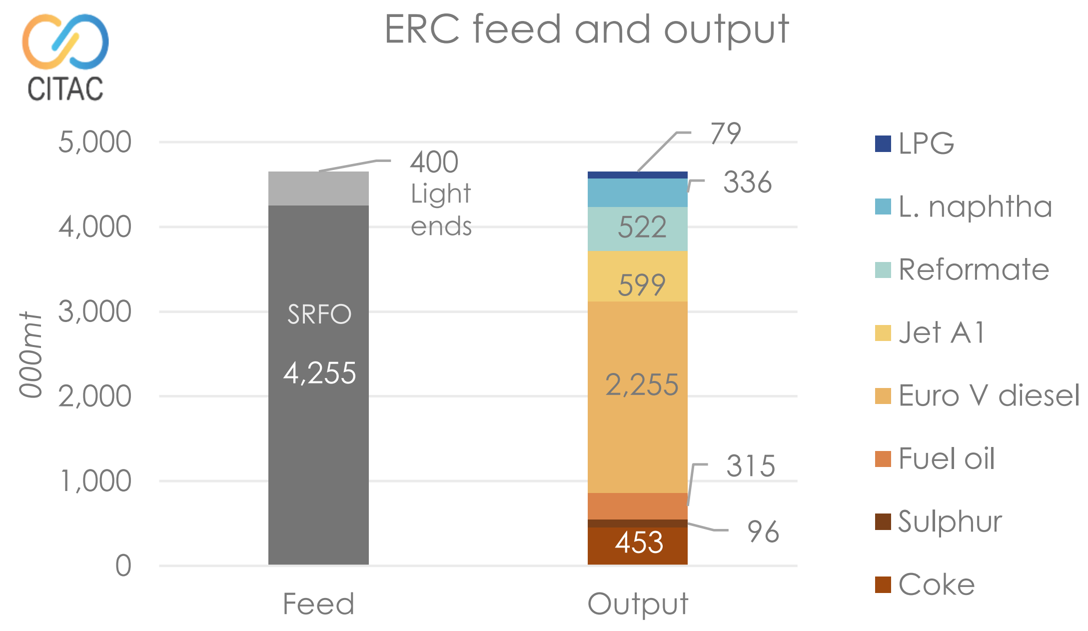
Case studies: ERC and Dangote



Source: ERC

Source: CITAC

ERC (Mostorod)

- Private sector project with strong govt support.
- Large equity contribution.
- 25-year offtake with govt at international prices.
- Prime example of value addition (SRFO, light ends).

Dangote

- Strong economics – local crude, large inland market.
- Ability to navigate regulatory uncertainty.
- Large equity contribution.
- Like ERC, Euro V quality.

AfCFTA and Refining/Petchems

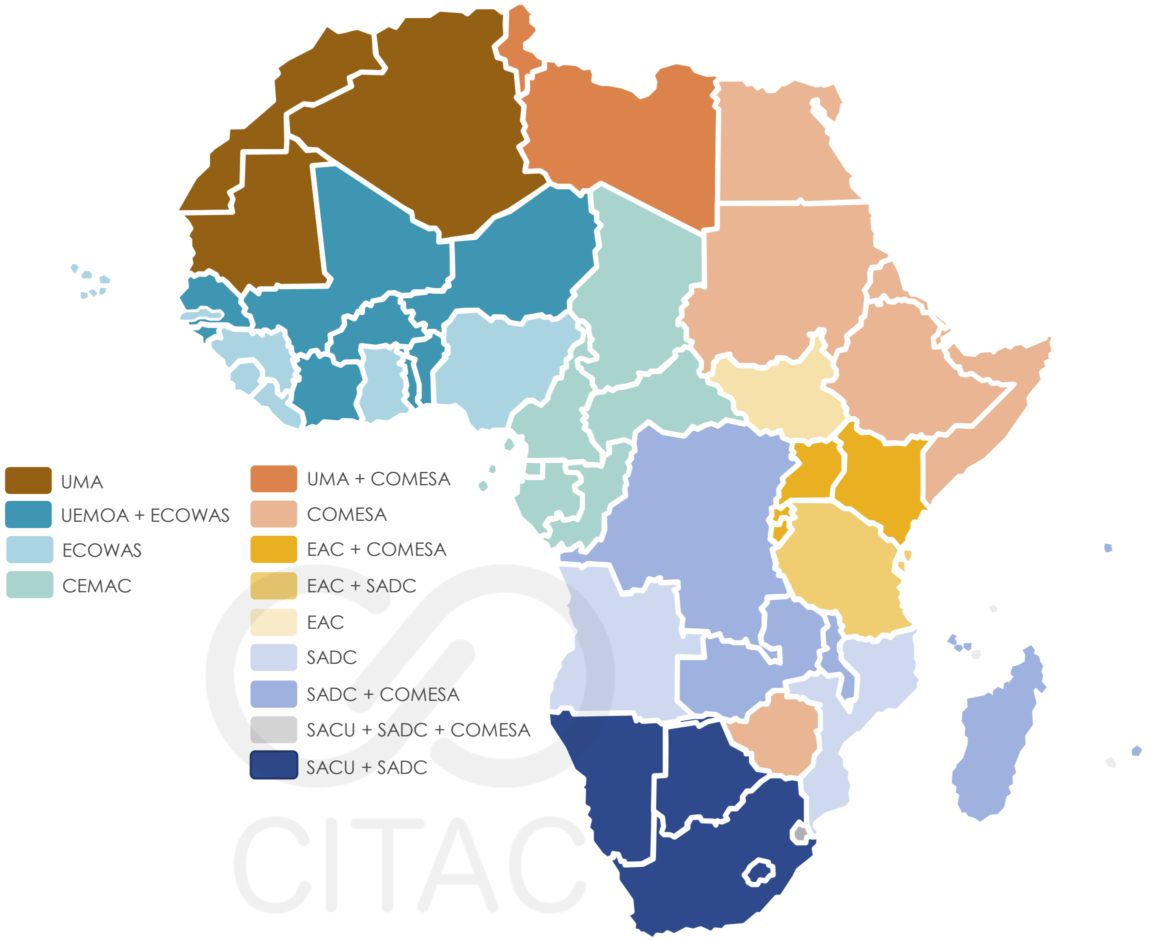
Refinery investments require regulatory certainty

- Long-term investments (>30 years).
- Greenfield capex ($1bn - $18bn).
- Upgrading projects also high-capex projects (c. $300mn for DHDS).
- Regulatory risk needs to be minimised.
- Feedstock choices will be driven by LP models not politics.

Current investment landscape characterised by overlapping RECs

- Many countries are members of more than one REC/bloc.
- Some blocs are more coherent than others.
- Status of existing free trade initiatives to be clarified.
- Investment framework/incentives not always clear.
- Country-level regulation still dominates.

Membership of economic blocs



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Global refining context

Tough global climate for refining investments

- No clarity on when Jet demand will return.
- 'Peak demand' already reached?
- Energy transition policies gaining momentum.
- 1mn b/d of new ME capacity coming online in 2021.
- Targeted projects still viable in Africa.

Refinery rationalisation announcements since Mar 20

Country	Company	Refinery	Capacity (b/d)	Nature of rationalisation
Philippines	Shell	Batangas	110,000	Permanently shut in Aug 20
Japan	Eneos	Osaka	115,000	115,000 CDU idled in Sep 20
Belgium	Gunvor	Antwerp	110,000	Conversion to terminal
US	Marathon	Gallup (New Mexico)	27,000	Full closure - underway
US	Marathon	Martinez (California)	160,000	Full closure - underway
US	Shell	Convent (Louisiana)	240,000	Full closure by April 2021
US	Phillips 66	Rodeo (California)	120,000	Conversion to biofuels plant by 2024
US	Phillips 66	Santa Maria (California)	45,000	Full closure in 2023
France	Total	Grandpuits	93,000	Conversion to biofuels plant to begin in Q1 21
Australia	BP	Kwinana	146,000	Conversion to terminal over H1 21
US	PBF Energy	Paulsboro	180,000	'Most' refining units to shut
Singapore	Shell	Pulau Bukom	500,000	250,000 b/d CDU capacity to shut by end 2023
UK	Petroineos	Grangemouth	200,000	65,000 b/d CDU and 25,000 b/d RFCC to shut
New Zealand	Refining NZ	Marsden Point	135,000	Production to be scaled back in 2021; potential conversion to terminal
Portugal	Galp	Porto	110,000	Permanent closure in 2021
Australia	Exxon	Altona	90,000	Permanent closure in 2021

Source: Company announcements, Bloomberg, Reuters, Argus, Platts

AfCFTA and Supply Chain

Other SC investments require the same certainty around:

- Tariffs (incl transit volume handling) → AfCFTA role to play.
- Taxation
- Subsidies
- Price build-ups
- Specifications
- NTBs
- Standards

Regional approach essential to enable:

- Safe, economic and environmentally-friendly storage and transport.
- Formal investment and employment.
- Tax collection and budget planning
- Lower costs to the end-consumer.
- The development of regional hubs.

Source: CITAC

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Key takeaways

- Regulatory certainty is an essential success factor in any major infrastructure investment.
- A continent-wide free trade zone with common standards would be the ultimate expression of that certainty.
- Fully-functioning, clearly defined RECs first need to be in place.
- At both a regional and country level, there is a documentation gap.

Thank you

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