



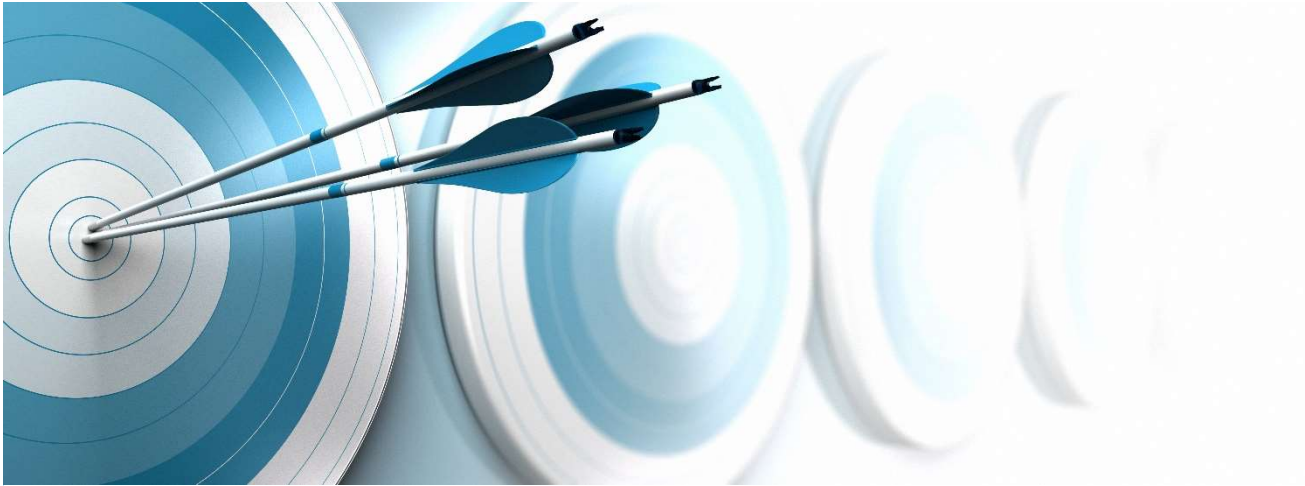
Laura Robinson
President

AFRICA'S OIL & GAS POTENTIAL **WHICH WAY FORWARD?**

2019 ICPAK Annual Conference
Mombasa, Kenya

Agenda

- Introduction
- Petroleum Value Chain
- Uncertainty within the Value Chain
- Impact of Uncertainty on Objectives
- Risk Allocation
- Threats and Opportunities in Africa
- Managing Uncertainty and Adding Value
- The Role of Accounting in Converting Resources into Public Value



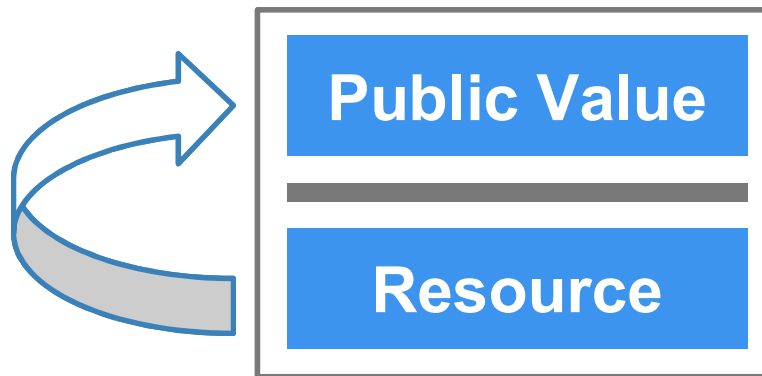
Aim

To inspire a meaningful discussion on how accountancy can drive Africa's efficient use of petroleum resources going forward.

Introduction

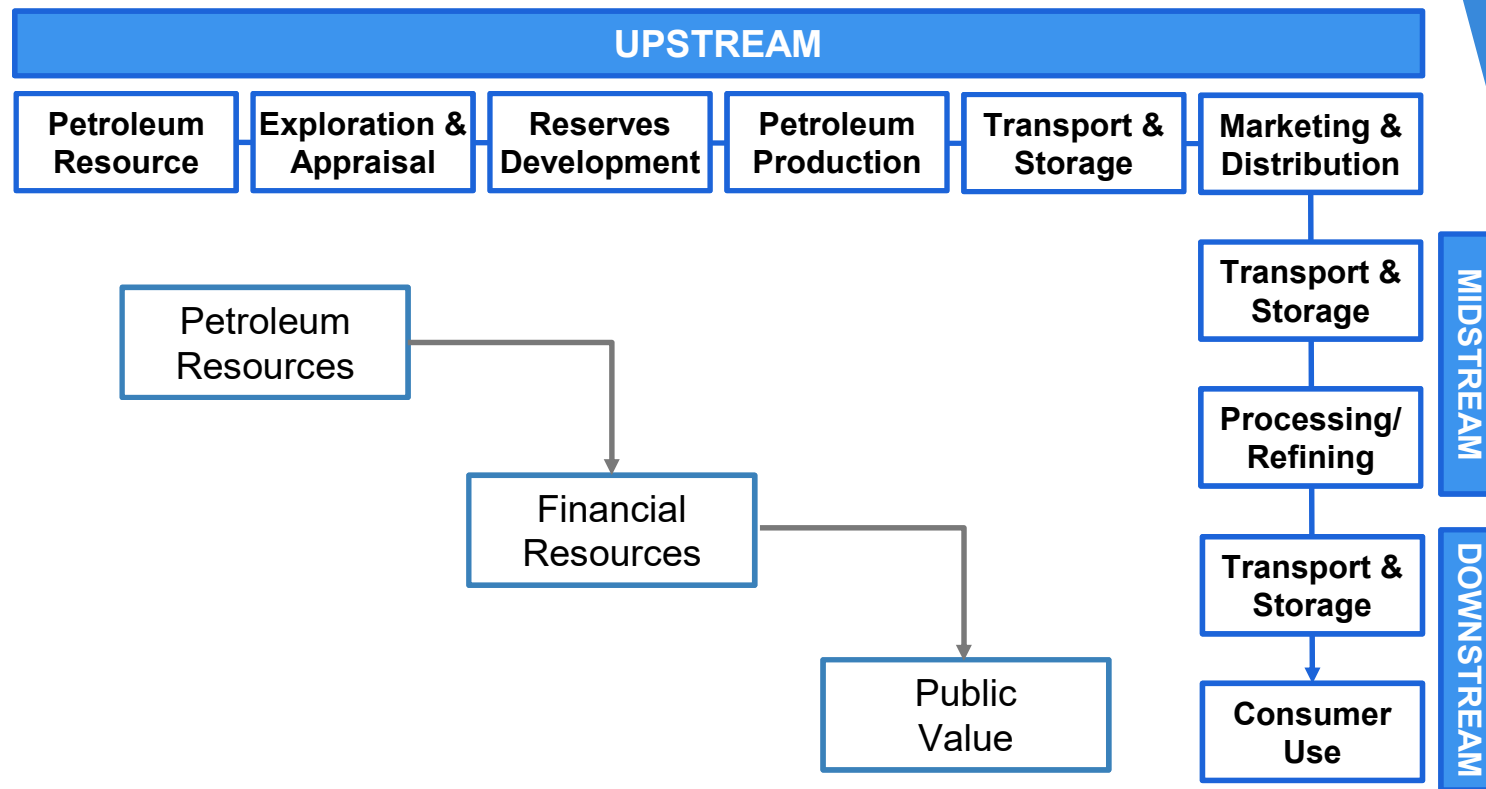
- Africa has significant volumes of oil and gas
- Oil and gas can be a blessing or a curse
- The petroleum industry is uncertain at every point
- Uncertainty creates risk to public value
- Outcomes are determined by the quality of risk management

Objective: To convert petroleum resources into public value

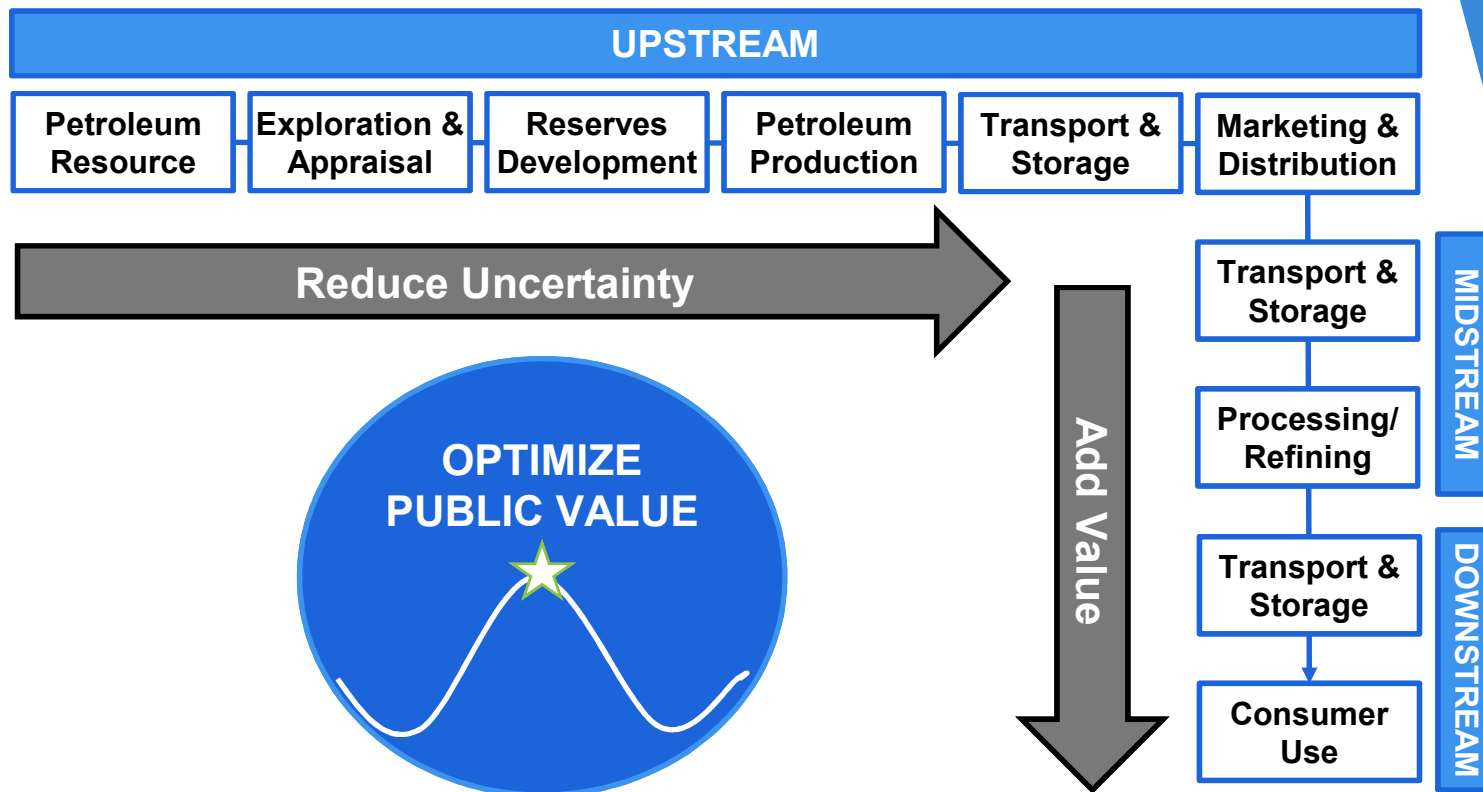


**The understanding of UNCERTAINTY and the quality of
RISK MANAGEMENT will drive Africa's ability to convert
natural resources into public value**

The Petroleum Value Chain



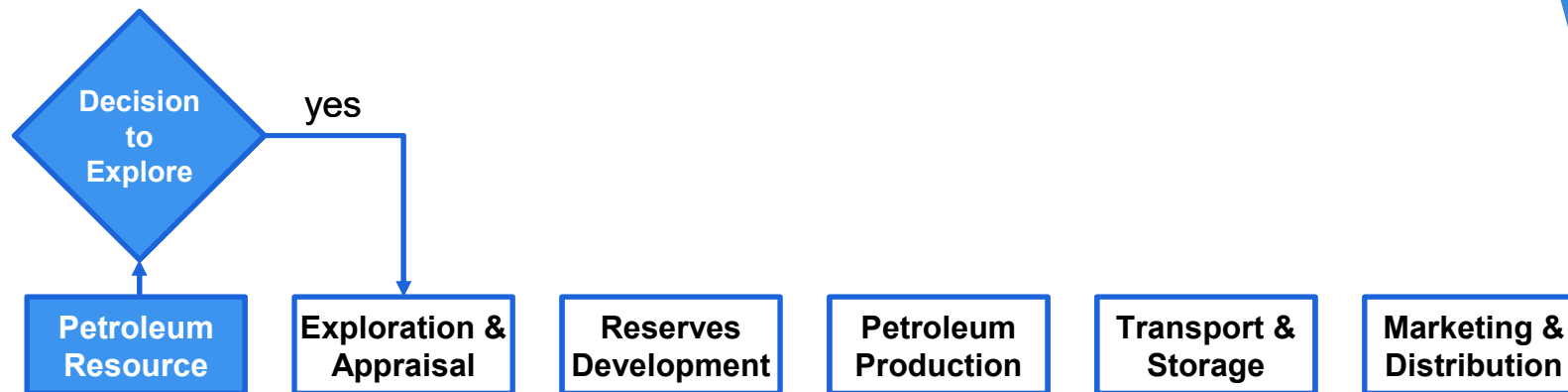
The Petroleum Value Chain



The Petroleum Value Chain

Petroleum Resource

- ☐ Estimated existence
- ☐ Estimated location
- ☐ Estimated quantity
- ☐ Estimated quality
- ☐ Estimated commerciality

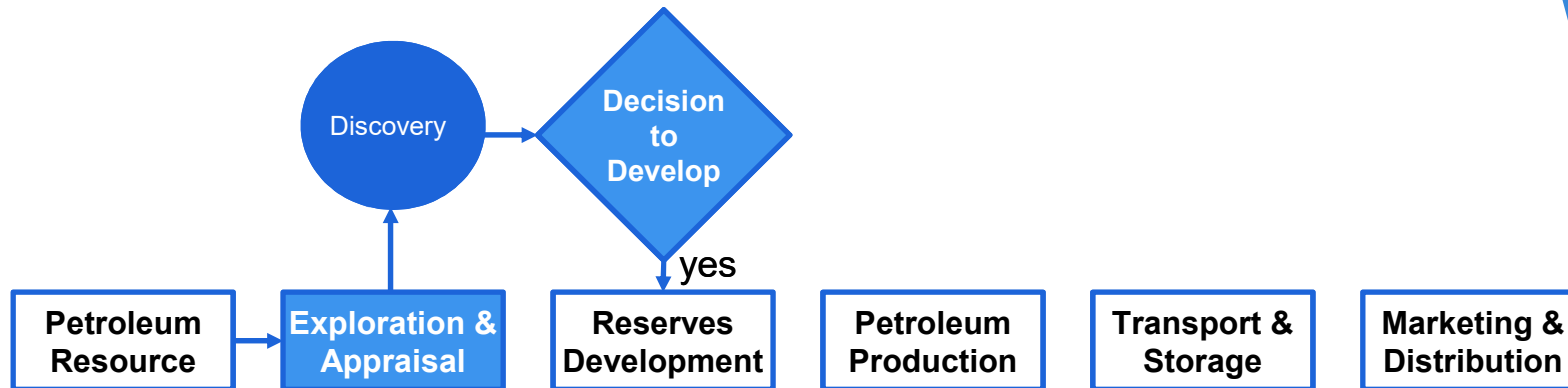


The Petroleum Value Chain

Exploration and Appraisal

- ☐ 2D seismic
- ☐ 3D seismic
- ☐ Exploration wells
- ☐ Studies
- ☐ Appraisal wells

~ Hundreds of Millions to Billions of USD



The Petroleum Value Chain

Reserves Development

- ☐ Production wells
- ☐ Collection lines
- ☐ Processing infrastructure
- ☐ Storage
- ☐ Transportation infrastructure

~ 3-5 years and billions (USD) in investment

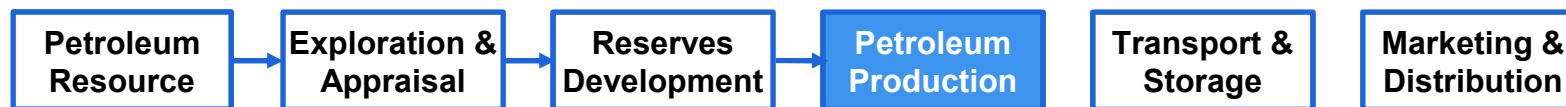


The Petroleum Value Chain

Petroleum Production

- ☐ Revenue
- ☐ Operating costs
- ☐ Recovery of investment
- ☐ New information
- ☐ Declining volumes
- ☐ Improved recovery
- ☐ Enhanced recovery

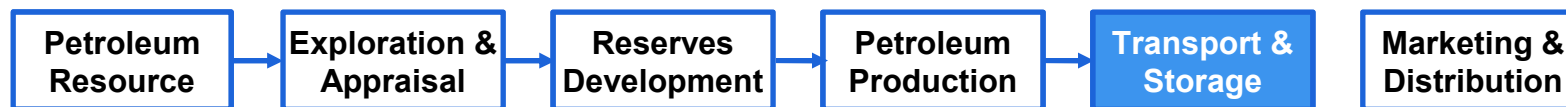
~ 8-30 years and billions (USD) in project revenue



The Petroleum Value Chain

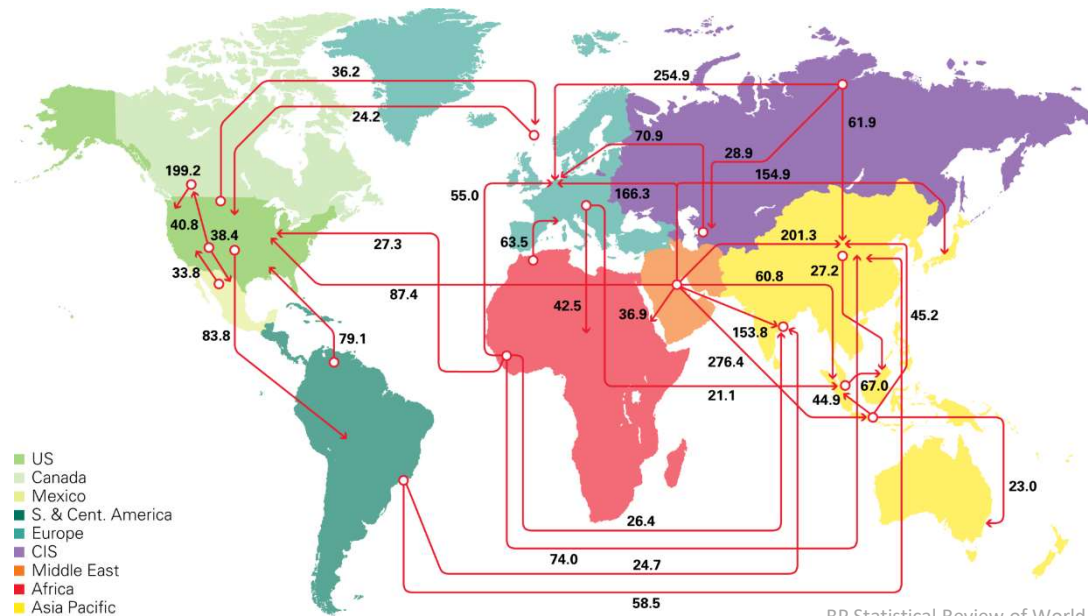
Transportation and Storage

- ☐ Crude and/or product
- ☐ Size is a constraint
- ☐ Transport costs determined by
 - ☐ Size
 - ☐ Distance
 - ☐ Elevation changes
 - ☐ Land acquisition costs



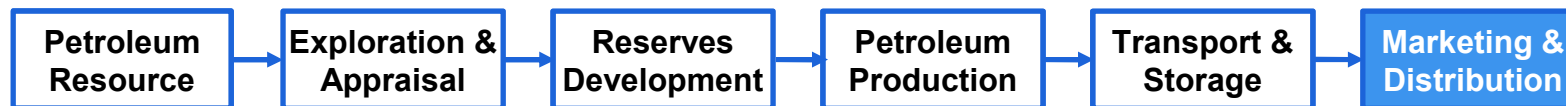
The Petroleum Value Chain

Marketing and Distribution

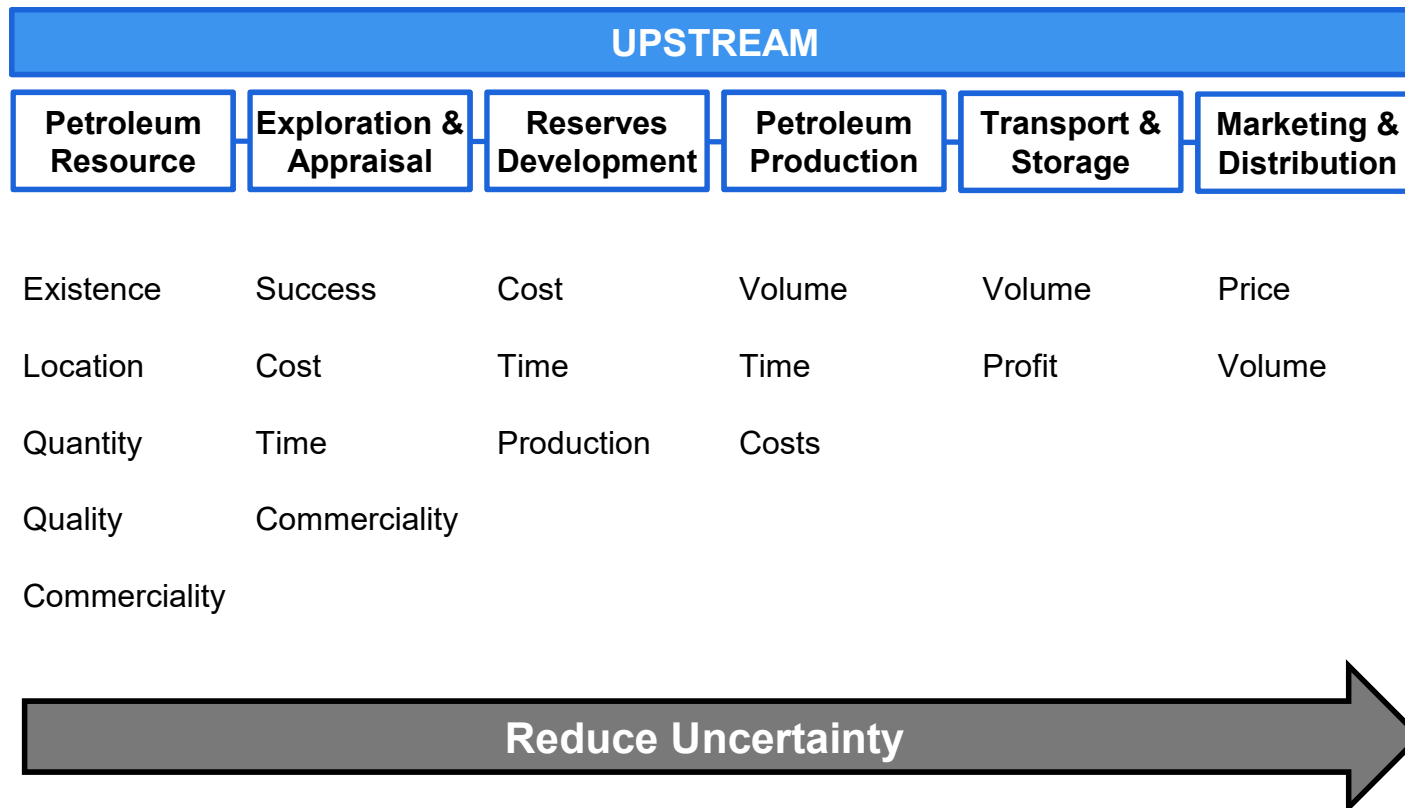


BP Statistical Review of World Energy 2018

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Uncertainty within the Value Chain



Uncertainty in Petroleum

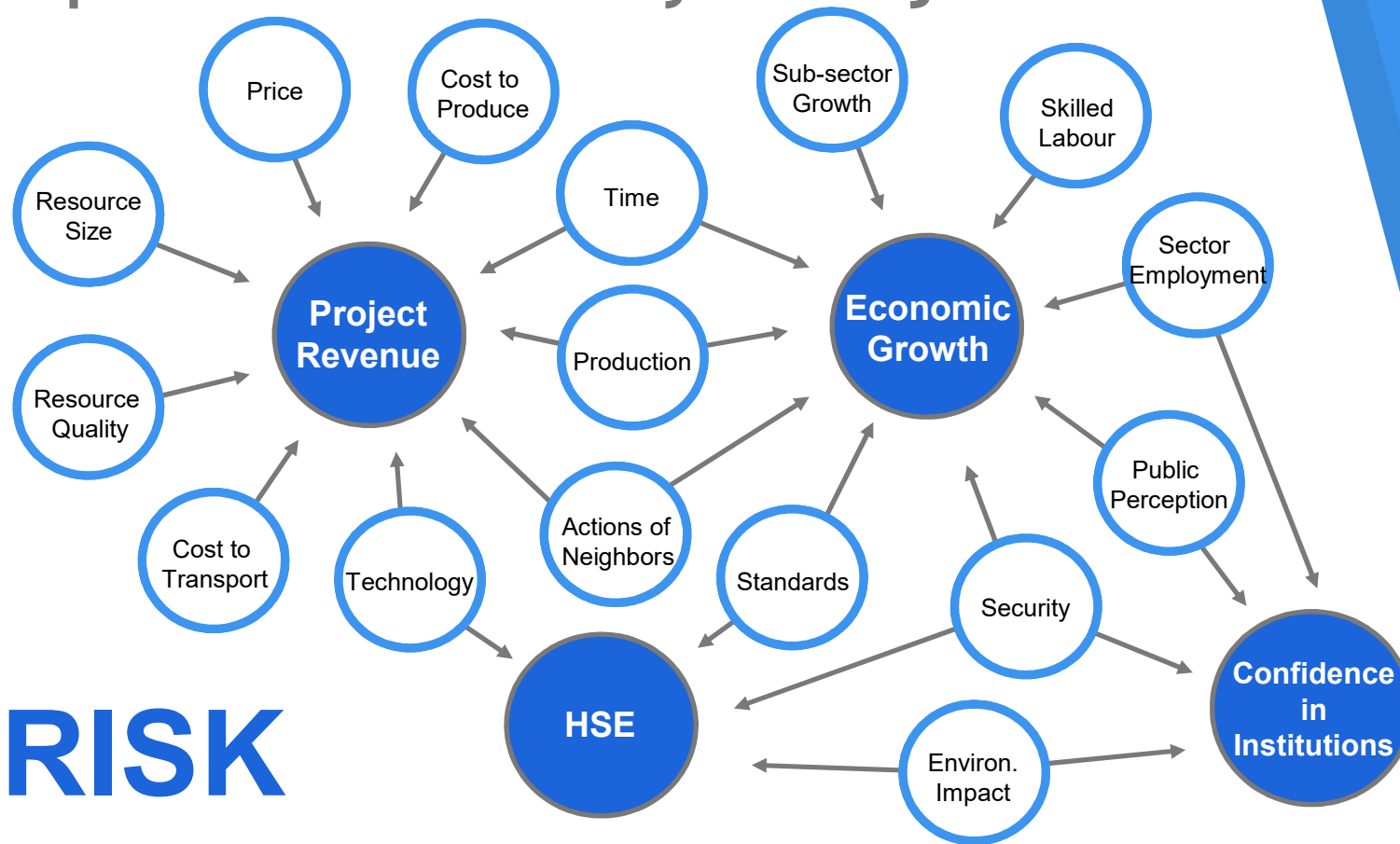
The impact of uncertainty in petroleum can be:

**Positive or
Negative**

**Extraordinarily
Significant**

Long Lasting

Impact of Uncertainty on Objectives



Risk Allocation

- ❑ Each entity must decide whether to transfer, terminate, tolerate, or treat risk.
- ❑ Formally or informally, all parties evaluate risk prior to engaging in petroleum exploration and development.
- ❑ These decisions determine positive or negative outcomes.
- ❑ Risk allocation between Government and Oil and Gas companies through:
 - ❑ **Laws**
 - ❑ **Regulations**
 - ❑ **Contracts**
- ❑ Once the risk has been allocated, there is significant opportunity to treat through risk management practices.

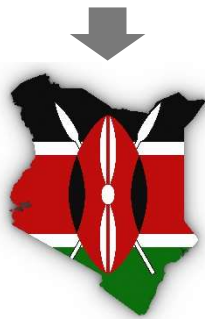
When countries have new discoveries of petroleum resources, **uncertainty is significant** and many existing governance mechanisms will require adjustment.

A **risk management approach** allows for the development of integrated governance mechanisms to address the effect of uncertainty on the objective of public value

Public Value & Uncertainty in Petroleum

Key Public Value Components

- ☐ Government Revenue
- ☐ Economic Growth
- ☐ Health, Safety & Environment
- ☐ Confidence in Institutions

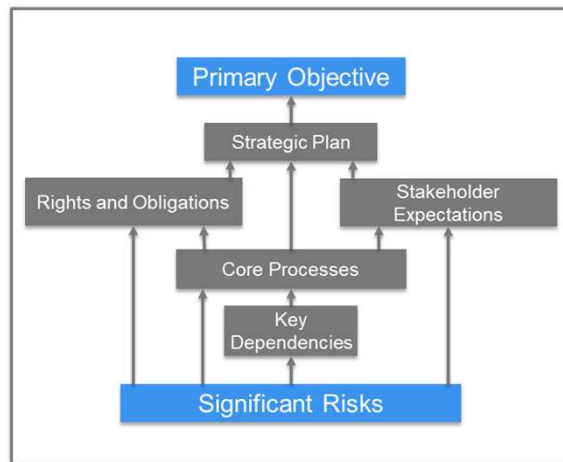


Big 4 Agenda

High-Impact Uncertainties

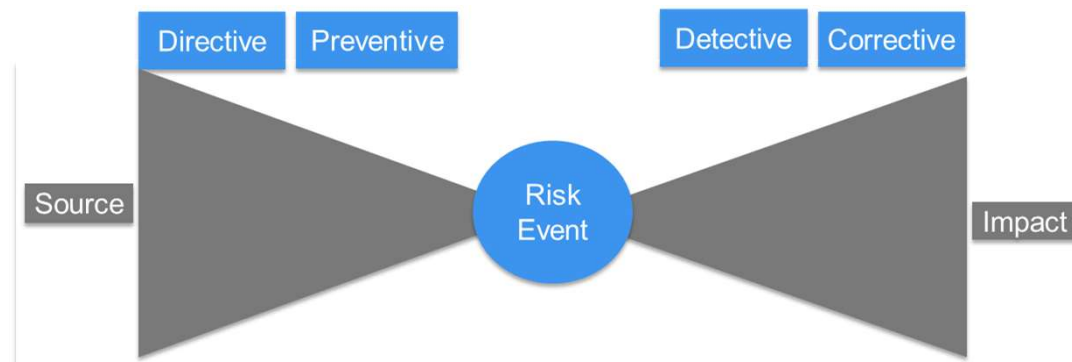
- ☐ Resource Size
- ☐ Production Volumes
- ☐ Commodity Price
- ☐ Environmental Impact
- ☐ Political Influence
- ☐ Public Perception
- ☐ Sector Employment
- ☐ Security
- ☐ Available Technology
- ☐ Actions of Neighbors

Risk Management Approach



**Identify
Risk**

**Control
Risk**



Role of the Accounting Profession

- ☐ Understand the value chain
- ☐ Collect, create and communicate relevant, reliable and timely information
- ☐ Provide information to decision makers
- ☐ Create, assess, improve, and validate processes to reduce uncertainty and add value
- ☐ Create and maintain confidence in the institutions

The **accounting profession**
is capable and positioned perfectly to
improve risk management,
foster confidence in institutions, and
drive positive outcomes
from the oil and gas industry in Africa
and in Kenya

Conclusion

- ❑ Africa has significant volumes of oil and gas
- ❑ Oil and gas can be a blessing
- ❑ Outcomes are determined by the quality of risk management
- ❑ Confidence in institutions to manage risk is essential
- ❑ The accountancy profession has a critical role to play in determining the outcome of Africa's oil and gas story
- ❑ Which way from here?

**Straight
to Work**



Swale
House
Partners

Laura Robinson
President

Thank you for your attention

Questions?

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