

JOHN GHAZVINIAN

UNTAPPED

THE SCRAMBLE
FOR
AFRICA'S OIL

A HARVEST BOOK
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A C E G I K J H F D B



*To my father, who taught me
how the world worked,
and to my mother, who showed
me how to care.*

And in memory of Grandma.

Preface

HER VOICE MADE ME think of Fargo.

It was one of those scrubbed-up, warbling voices from the Northern Plains, full of flattened vowels and Scandinavian resolve, and as it shuddered its way down the phone line, it seemed worth giving in to the image in my head. So I closed my eyes and thought of Fargo.

"When would you like to travel?"

If you closed your eyes, it was all there. The Peterbilt trucks and the speedboat auctions; the envelope of fresh November snow. The "family" restaurants feeding the great American stomach a steady diet of hometown pride and manky coleslaw. A faded gingham and rusty styrofoam version of America, full of all the contrived honesty of a twenty-cent cup of truck-stop coffee and an evening with the Weather Channel. A postcard from the Great White North.

Okay, so I got a little carried away.

It probably wasn't Fargo on the line. Maybe it was Duluth, or Saginaw or Grand Forks or Fond du Lac. Or even suburban Delaware. Not like I'd know the difference. In fact, there's a good chance I was talking to a call center in Bangalore. But if you have to book airline tickets by phone, why not daydream a little?

It was November 2004, and we were living in a world where you could make a video clip of yourself and send it to a BlackBerry in Tora Bora in less time than it was taking to spell my last name to this woman on the phone. I couldn't remember the last time I bought airline tickets without using the Internet, and the whole thing felt a little

odd, a little inefficient—like something your parents might do. But I was flying to Nigeria, and if you want to fly to Nigeria, you have to buy your ticket the old-fashioned way. Even if you found the fare online, you have to book your seat over the phone and then go down to the airport to pay for it. They literally have to see the credit card in your hand.

There is a good reason for this low-tech red tape. During the 1990s, under the military dictatorship of General Sani Abacha, Nigeria became an internationally acknowledged entrepôt for money laundering, narco-trafficking, and organized crime. Even now, scarcely a nanosecond goes by without someone, somewhere in the world receiving an e-mail from someone claiming to be the country's foreign minister, in desperate need of a sort code and an account number and an electronic pen pal who can help him park a sum of \$25 million. They call the scam a "419" in Nigeria, after the relevant penal code in Nigerian law, and the practice has added a high-tech mystique to the country's unsavory reputation. The international banking industry remains institutionally paranoid about any transaction that involves Nigeria, which means, among other things, that you can forget about buying tickets to Lagos over Travelocity.

Driving down to LAX just to show my face and good faith was only my first glimpse of the many hassles and indignities of life in a country with a dysfunctional commercial-banking system. Once in Nigeria, I would see people paying for real estate with enormous sacks of cash that would take hours to count, thanks to years of runaway inflation. Just imagine—paying for a house with \$5 bills. And those were the lucky ones. People who could afford houses.

But for the moment, all that lay in the future. For the moment, I was on the phone to Fargo.

"So what is it that's taking you over there, anyway?" she asked while we were waiting for one of her screens to come up. "Business or pleasure?"

"Business, I suppose," I said. "I'm doing some research for a book."

"Oh yeah? What's the book about?"

"Well, it's about oil. Oil in Africa."

"Oh, they got oil in Africa?"

"Yes, there's quite a lot of it," I replied, pleased with myself for drumming up a little advance publicity in the American heartland. "And we're starting to get more and more of our oil from over there." I was just getting warmed up. "In fact, Nigeria has been—"

"Good!" she said, with a burst of indignation totally out of character for a customer service agent. "We have to get it from somewhere."

"Well, um, sure, but of course it's not always that simple," I said, clearing my throat. It felt like a bizarre reversal of roles, me trying to soothe this prickly customer. In any case, it turned out to be the wrong thing to say. A sheet of early-evening ice made its way quietly across Fargo.

"Window or aisle?"



We have to get it from *somewhere*.

That just about says it all, doesn't it? That is the American condition in the twenty-first century, and it's hard to argue with. The Arabs have let us down, the environmentalists won't let us drill in Alaska, and even dear little Venezuela's getting cocky. So what are we to do? Public transport? Have you seen the *size* of this country?

Outside that call center in Fargo, there will be a parking lot. It will be a checkerboard of Buick LeSabres and Chevy Caprices and light trucks and, yes, even an SUV or two. None of the people strapped into cubicles and headsets all day will have another way of getting home after they're done booking people onto flights to Lagos. There is no bus they can hop on, as there would be almost anywhere else in the developed world. America just wasn't built that way.

And it isn't simply a question of SUVs or Hummers or miles per gallon, despite what America's bumper-sticker playground of political discourse might have you believe. I have spent my childhood in London, my adolescence in the United States, and much of my adult life back in Britain. Every time I return, America's relationship to energy looks more bizarre. You don't have to be an alfalfa-munching hippie living in a tree house to notice that here in the United States, we go through oil like it's water.

But there is no point getting sanctimonious about it. America is not going to change into Europe overnight. We are not going to wake up one morning happy to live as a nation of miniature fridges, under-heated homes, lukewarm soft drinks, and clothes hung out to air-dry. This is something American conservationists, like much of the world, will have to come to terms with for the time being. What makes us American is that we take our personal comfort seriously, and treat its instant realization as a sort of extreme sport. The corollary to that, and our collective Achilles' heel as a nation—as we all know—is the amount of nonrenewable energy it takes to maintain that way of life.

So, yes, Fargo was right. Until someone comes up with a better idea, we have to get it from *somewhere*.



This book is a journey into that somewhere. It is a journey into a part of the world that for most of us never transcends the familiar images of sweltering, fly-infested refugee camps; starving, wide-eyed waifs; and truckloads of doped-up child soldiers speeding through dusty villages.

In our hearts, we want to believe that "Africa" is so much more than this never-ending diorama of despair and human suffering, this biblical landscape of plagues and famines and smiting armies. And every now and again, when we learn to look for them, we see signs of promise. Every now and again, Africa seems ready to turn the corner, ready to embrace those who are drawn by the centuries-old allure of

its considerable natural wealth. Every now and again, we are told to look past the perpetual slide show of maggots and blood and bloated corpses, and to hear the message that Africa is open for business.

We are living through another one of those now-and-agains. Thanks to more than a decade of wildly successful discoveries by the world's largest oil companies, as well as the efforts of a growing army of Washington lobbyists and lawmakers, Africa has been quietly transformed in policy-making circles from an insignificant backwater into a potentially lucrative new source of oil and gas for the global market. (Listen to some of the more zealous advocates and you may even hear wild talk about how it may soon "replace the Middle East.") This book is the story of that transformation, and an attempt to understand what it might mean—for Africa, for America, and for the world.

It is also the product of a fascination with Africa that dates back nearly twenty years. It was in a high-school library in suburban Los Angeles in the late 1980s, when I was fifteen years old, that I first read about a tiny tropical country called Equatorial Guinea, where the president had once lined up his political opponents in a football stadium and had them gunned down to the accompaniment of rock music. It was the kind of story that sticks in your head, and I became something of an Equatorial Guinea junkie after that.

Back then, my Africa was still the Africa of flies and dust and child soldiers, and it never took much effort to follow the news from Equatorial Guinea, because there was hardly ever any. But a few years ago, I heard the country had discovered oil, and lots of it. American oil companies were investing billions and the Bush administration, said the press reports, was about to reopen the American embassy in the capital, Malabo.

I began to hear other things that were hard to ignore. Equatorial Guinea was just one of several African countries suddenly awash with oil money. Older producers, such as Nigeria and Angola, were rapidly increasing their output as well. I read that the United States might

soon be getting as much as 25 percent of its imported oil from sub-Saharan Africa. I read that China was already heavily reliant on African crude, that international oil companies were investing billions in African exploration efforts, and that vast expanses of the African continent had never been properly explored for their hydrocarbon potential. With American and British forces still bogged down in a distant country whose strategic importance lay at least in part with its vast petroleum wealth, this information seemed to raise an interesting question. Shouldn't we all know a little bit more about where our oil will be coming from?

So, in 2005, I set out to see for myself what all the fuss was about. With a suitcase full of notepads and malaria pills, and a sweaty money belt stuffed with \$100 bills, I spent six months traveling through twelve African countries—from Sudan to Congo to Angola, and just about everywhere in between—hoping to hear a little bit more about the challenges, the obstacles, the reasons for hope and the reasons for despair. In some countries I visited, such as Nigeria, vast amounts of oil had been flowing for decades and the industry was a major player in the nation's politics and economy. In others, such as São Tomé, no one had even drilled a hole yet, but there was excited talk about the petrodollars on the horizon. I talked to politicians, economists, warlords, diplomats, aid workers, oil-company executives, local journalists, activists, priests, political prisoners, crude-oil bandits, cabdrivers, soldiers, missionaries, bureaucrats, technocrats, scientists, rebel-militia leaders, historians, oil-rig workers, lawyers, bankers, and even a few children and muttering old men, just for good measure.

¹Students of North Africa will quickly notice that this book, like so many others purporting to be about "Africa," focuses almost entirely on countries south of the Sahara and will perhaps query the decision, given that Egypt and Algeria are both significant oil and gas producers and Libya is rapidly increasing its output. But while the nations of the Maghreb are no less "African" than those south of the Sahara, my goal here has been to avoid the far more familiar terrain of Arab (and, by extension, North African) oil politics. Some will consider this a criminal omission, but any attempt to shoehorn in a superficial discussion of these countries in the absence of a larger exposition of Arab history and politics would, I would argue, have been the greater crime.

What I came back with was a suitcase bulging with notes and a head full of questions. To try to make sense of it all, I spent a few more months nosing around Washington, London, and Paris, talking to the phalanxes of analysts, lobbyists, and academics who make Africa their bread and butter. What I ended up with was a nagging feeling that we are ignoring this story at our peril.

In 2001 Tony Blair described "the state of Africa" as a "scar on the conscience of the world." Later that year, George W. Bush referred to Africa as a disease-ridden "nation." Each leader unwittingly revealed the prevailing attitude of his people to Africa—the one full of facile posturing and lingering postcolonial guilt, and the other, well, let's be charitable and call it homespun. But what both men also demonstrated was just how difficult it can be to talk about "Africa"—a continent of 54 countries, 2,000 ethnic groups, and 3,000 languages—without lapsing into sanctimoniousness or demonstrating frightening levels of ignorance. What follows is a snapshot of a moment in time when Africa seems on the verge of playing a bigger role in world energy security, and the beginnings of a conversation about the complexities and challenges that form the backdrop to one of every nine gallons of fuel being pumped into any given car, anywhere in the world, on any given day.

Now, the real question is: Will it play in Fargo?

UNTAPPED

Introduction

*As bright colors that denote and dominate the heavens,
We CHARGE the clouds!*

The winds! The rains!

We ensure the fertility of Mama Afrikah!

IT WAS EARLY in the evening, still the hour of terrines and spritzers and stiff handshakes. But for Chigomezgo Miriam Gondwe, an irrepressibly sensual young spoken-word performer from Malawi, there was no reason to hold back.

In her womb, hopes are raised to create opportunities!

The time is ideal for us to emerge

To view with these once-tortured eyes

The delight on her anxious and excited face!

Gondwe, who describes herself as an "ethno-urban hip-hop soul poetess," was clothed in a sunflower-yellow traditional African dress and head wrap, and was spitting sizzle and brimstone, with a look of raw, sexual ecstasy on her face not unbecoming of someone seized by the Rapture. She had appeared out of nowhere on the stage at the Coca-Cola Dome in the Johannesburg suburb of North Riding, and

now she was spiritedly reciting some of her work in front of around 3,500 assembled conference delegates.

*All of our stories, individual and collective
Are born of the African dawn!*

*So continue to strive, mah Aff-ree-KAH!
And hold on to your pride
And Africa's sun shall never set on your greatness
Mah Aff-ree-KAH
Africa's sun shall NOT set!*

To their considerable credit, the ocean of mostly gray, suited, mustachioed men from every corner of the globe were trying hard not to look disconcerted by this unexpectedly fierce display of sistah-hood.

It was (and could only have been) the official opening ceremony of the 18th World Petroleum Congress, a massive working pow-wow and lavish spectacle held once every three years and generally described as "the Olympic Games of the petroleum industry." The moniker is an apt one, as, when it comes to sheer pomp and pageantry, there is nothing else quite like it in the world of hydrocarbons and petrochemicals. At the 17th Congress, held in 2002 in Rio, delegates had partied to samba music late into the night, as their Brazilian hosts passed the ceremonial flag to South Africa. Since it takes in all aspects of the oil business, from global politics to finance to geophysics, the WPC has evolved into far and away the most important date on the industry's calendar, a rare opportunity for Gulf sheikhs in flowing robes to dine and dance with Venezuelan socialists in between discussions of lateral-drilling technology, international fiscal-compliance regimes, and the Caspian Miocene shelf. Possibly the only thing missing from the festivities is a sandaled runner carrying a perpetual flame.

In the years since the first Congress was held in London in 1933, the choice of venue has often acted as a reflection of profound changes

within the international petroleum industry. When the WPC was created, motorcars were seen as toys for the mega-wealthy, coal was still king, and oil exploration felt like a cutting-edge industry poised to supply the fuel of the future. No one had heard of "peak oil" or OPEC or Hugo Chavez, and most of today's oil-rich nations were still colonies and protectorates administered by Britain and France. BP, or British Petroleum, was still known as Anglo-Iranian Oil Company. The world of oil, like virtually everything else, revolved around London. But in the decades that followed, the WPC would hold court in such upstart industry hubs as Mexico City (1967), Houston (1987), and Calgary (2000).

In September 2005 the traveling circus had come to Johannesburg, the first time in its seventy-two-year history that the WPC had convened in Africa. The decision to do so was being touted as a nod to the continent's growing importance as an oil-producing region, and the savvy South African hosts were not about to overlook an opportunity to milk the Afrikah angle for everything it was worth.

The evening had begun with delegates being dropped off by the busload in front of the Dome. We had sashayed along the red carpet as a grinning Soweto steel band played their hearts out from just behind the velvet rope. Inside, another traditional African band played on stage as delegates searched for their tables. Fifty-foot banners hung from the rafters, with messages like "African Dawn—World Energy Solutions Created in Africa" and "We welcome you with African pride to the 18th World Petroleum Congress." A gigantic disk marked with a PetroSA logo was suspended from the ceiling, reminder that the South African oil company would be picking up the tab for the evening's festivities.

As the first course arrived—a trio of terrines made with smoked salmon, Kabeljou, smoked snoek, and angelfish—the interior of the Dome went pitch-black. Two enormous video screens suspended over the stage came to life, showing a dramatic montage of classic African scenes, set to a stirring, primordial drum-driven sound track

that could only be described as Afro-electronica. "THE PULSE . . . OF AFRICA!" bellowed a baritone Voice of God, with a reverberation that made the terrines wobble. Sprawling savannahs, lush forests, and hissing leopards flashed by on the screen as the music played on and the Voice continued to rumble, backed up by the occasional thumping of kettledrums. Glistening fish leaped out of virgin rivers, women beamed over their meager wares at rustic markets, Tuareg tribesmen beckoned across rippling sand dunes. Children laughed as they pulled wooden wheelie toys on strings. It was like a prelude to Armageddon scripted by *National Geographic*.

Sweating, shirtless steel drummers now appeared on spotlighted podiums next to each of our tables, gyrating and banging away on their drums with a limber adolescent energy. Images of oil refineries and deepwater drilling platforms jumped from the screen as runners with flowing kitelike banners began sprinting between our tables. The Voice began reciting a poem about wind and dreams.

"THE TIME HAS COME TO LET OUR LIGHT SHINE," boomed the Voice. More half-naked men appeared, this time performing a warrior dance. The other journalists at my table munched away at their terrines, not about to let any impending apocalypse get in the way of a free meal. "BEHOLD THE RISING OF A NEW DAWN—AN AFRICAN DAWN—WITH RAYS OF LIGHT HERALDING ENERGY'S FUTURE," thundered the Voice. "ENERGY . . . IS IN THE BEAUTY AND POWER THAT IS AFRICA. THE WEALTH AND RESOURCES IN THE EARTH BENEATH OUR FEET." This was clearly a reference to Africa's oil wealth, but to keep things subtle, cheetahs leaped across verdant grasslands and scooters sped down bustling city streets on the video screens.

"THIS IS OUR TIME. THIS . . . IS OUR . . . AFRICA," the Voice proclaimed, as the music and the video montage built to a climax. I looked to the stage, half-expecting a cloud of smoke and the arrival of an African messiah, flanked by live panthers. Instead, the spotlight went up on a band of singing women draped in South

African flags. Then Chigo Gondwe came onstage and began reciting her Afro-positive performance poetry, backed up by a little gentle ululating from the women. After a few more poems, and a little more ululating, the opening medley drew to a close as fireworks shot out from the front of the stage.

It was a tough act to follow, but Desiderio Costa, the Angolan petroleum minister, didn't do himself any favors with his poor, halting English as he read from a prepared speech he clearly hadn't written, or even rehearsed. Angola was a cosponsor—along with Nigeria, Libya, and Algeria (Africa's four biggest oil and gas producers)—of the 18th WPC, and Costa's speech was followed by equally anodyne performances by officials from the other three countries. By the time the Libyan took to the stage, most delegates were slumped in their seats and had settled into idle chitchat about the chicken in saffron basil sauce that sat in front of them.

Salvation came in the form of Thabo Mbeki, South Africa's dynamic president, whose role was to declare the WPC officially open. Mbeki gave an eloquent speech about the dangers of Afro-pessimism, drawing on Duke Ellington and W. B. Yeats, and warning against the complacency of what he called "mood indigo," before slipping off, by his own admission, to a jazz club on the other side of Johannesburg. A special performance by the South African sensation Umoja rounded out the evening's festivities, and the only thing left was to bring out the desserts.

And it has to be said that the evening would not have been the same without the desserts. The organizers had decided to give us each a little chocolate mousse and sponge cake carefully molded into the shape of Africa. It was hard not to admire the culinary artistry involved, but as I looked round the Dome, I wondered: was I the only one to pick up on the symbolism of 3,500 drunken oil executives devouring the Dark Continent, bite after dribbling, chocolaty bite?

The mood of manufactured Afro-positivity was fresh in the air the next morning as the Congress got under way in Sandton City, an

upmarket business park, hotel, and shopping center in Johannesburg's wealthy northern suburbs. The opening plenary session was called "The African Perspective," and made it clear, in case anyone had missed the point the night before, that Africa was ready for the international oil industry's embrace.

And as if this wasn't enough, on the third night of the Congress we were all invited to Gold Reef City, a gold-rush heritage theme park on the south side of Johannesburg, for "Africa Night," sponsored by South African Airways. SAA had rented out the park for the night, and laid on dozens of traditional performers from all corners of Africa, along with traditional foods representing each of Africa's oil-producing countries—Nigerian jollof rice, Angolan *calulu de peixe*, and so on—all topped off with a giant Lindt chocolate fountain for dipping desserts.

By the end of the five-day Congress, only a red-assed baboon could have failed to appreciate the take-home message to the international oil industry. *Africa: Come and get it.*



As if they ever really needed an invitation.

The WPC could have skipped the jollof rice and the steel bands and the live fireworks. These days, herds of stampeding wildebeest couldn't keep the international oil industry away from Africa. Since the early 1990s, advances in deepwater-drilling technology and attractive contractual terms have helped turn Africa into the world's last true El Dorado—a place where exploration blocks the size of France can still be picked up at an auction, and host governments lack either the experience or the technical capacity to impose burdensome constraints on drilling activity. For years Africa suffered from its image as a bad place to do business—racked by instability, corruption, and political violence—and in many ways, it still does. But as the world has begun to run out of big new oil bonanzas, the industry's appetite for risk has grown considerably.

You can see it in on board the fleet of MD-11s that leave the tarmac in Houston a couple times a week, bound for destinations with names exotic to the Texan ear, like Luanda and Malabo. Operated by World Airways and nicknamed the "Houston Express," the nonstop flights are open only to members of something called the US-Africa Energy Association, and seats start at \$5,915 for business class. They rarely go empty.

You can see it, too, in Paris, where Air France runs its nonstop, private "Dedicate" service to an ever-growing number of African oil cities and encourages regular travelers to join its "Petroleum Club" to take advantage of "exclusive services for the oil and gas industry."

And you could see it in Johannesburg at the WPC, where the country presentations from Nigeria and Angola were so heaving with spectators that most delegates were reduced to peering in from the hallway outside.

Since 1990 alone, the petroleum industry has invested more than \$20 billion in exploration and production activity in Africa. A further \$50 billion will be spent between now and the end of the decade, the largest investment in the continent's history—and around one-third of it will come from the United States. Three of the world's largest oil companies—the British-Dutch consortium Shell, France's Total, and America's Chevron—are spending 15 percent, 30 percent, and 35 percent respectively of their global exploration and production budgets in Africa. Chevron alone is in the process of rolling out \$20 billion in African projects over a five-year period.

The overwhelming majority of this new drilling activity has taken place in the so-called "deep water" and the "ultradeep" of the Gulf of Guinea, the roughly 90-degree bend along the west coast of Africa that can best be visualized as the continent's "armpit." Its littoral zone passes through the territorial waters of a dozen countries, from Ivory Coast in the northwest down to Angola in the south, and a good deal of its geology shares the characteristics that have made Nigeria a prolific producer for decades. Indeed, a number of unexpectedly productive

fields have been discovered in the Gulf over the past decade. But although the Gulf of Guinea has lately been sub-Saharan Africa's most exciting region for the oil industry, it is hardly the only "prospective" part of the continent (to borrow the industry term). The parched semideserts of southern Chad and southern Sudan have recently added hundreds of thousands of barrels a day to global markets, and a growing chorus of voices is now touting the East African margin as the industry's "next big thing."

But be it east or west, jungle or desert, it is a safe bet that where the drillers go, the politicians, strategists, and lobbyists are not far behind. Washington in particular has taken a keen interest in Africa's growing significance as an oil-producing region since the headline discoveries of the late 1990s. In December 2000 the National Intelligence Council, an internal CIA think tank, published a report in which it declared unambiguously that sub-Saharan Africa "will play an increasing role in global energy markets," and predicted that the region would provide 25 percent of North American oil imports by 2015, up from the 15 percent or so at the time. (This would put Africa well ahead of Saudi Arabia as a source of oil for the United States.) In May 2001 a controversial and fairly secretive energy task force put together by U.S. Vice President Dick Cheney declared in its report: "West Africa is expected to be one of the fastest-growing sources of oil and gas for the American market."

In the following months, a group of congressmen, lobbyists, and defense strategists came together under the umbrella of the African Oil Policy Initiative Group, and began preaching the message that the Gulf of Guinea was the new Persian Gulf, and that it should become a strategic priority for the United States, even to the point of requiring an expanded military presence. A series of well-placed articles in the American media followed, some breathlessly announcing the inauguration of a new Middle East off the shores of Africa. Before long, the influential Center for Strategic and International Studies had chimed

in with a couple of reports, its most recent, in July 2005, claiming that "an exceptional mix of U.S. interests is at play in West Africa's Gulf of Guinea."

During these years, a number of prominent lawmakers in Washington began getting excited about the possibility of shifting some of America's oil dependence from the Middle East to Africa. One former senior official charged with African affairs recalls Kansas Senator Sam Brownback rushing up to him one afternoon in October 2002, positively glowing with excitement. "What do you think about bases in Africa?" Brownback asked. "Wouldn't that be great?"

←←→→

But does Africa measure up to the hype? After all, the entire continent is believed to contain, at best, 10 percent of the world's proven oil reserves, making it a minnow swimming in an ocean of seasoned sharks. Africa is unlikely ever to "replace" the Middle East or any other major oil-producing region. So why the song and dance? Why all the goose bumps? Why do so many influential people in Washington let themselves get so carried away when they talk about African oil?

The answer has very little to do with geology. Africa's significance as an oil "play," to borrow the industry lingo, lies beyond the number of barrels that may or may not be buried under its cretaceous rock. Instead, what makes the African oil boom interesting to energy-security strategists in both Washington and Europe (and, increasingly, Beijing) is a series of serendipitous and unrelated factors that, together, tell a story of unfolding opportunity.

To begin with, one of the more attractive attributes of Africa's oil boom is the quality of the oil itself. The variety of crude found in the Gulf of Guinea is known in industry parlance as "light" and "sweet," meaning it is viscous and low in sulfur, and therefore easier and cheaper to refine than, say, Middle Eastern crude, which tends to be lacking in lower hydrocarbons and is therefore very "sticky." This is

particularly appealing to American and European refineries, which have to contend with strict environmental regulations that make it difficult to refine heavier and sourer varieties of crude without running up costs that make the entire proposition worthless.

Then there is the geographic accident of Africa's being almost entirely surrounded by water, which significantly cuts transport-related costs and risks. The Gulf of Guinea, in particular, is well positioned to allow speedy transport to the major trading ports of Europe and North America. Existing sea-lanes can be used for quick, cheap delivery, so there is no need to worry about the Suez Canal, for instance, or to build expensive pipelines through unpredictable countries. This may seem a minor point, until you look at Central Asia, where the Baku-Tbilisi-Ceyhan pipeline, stretching from Azerbaijan through Georgia and into Turkey, and intended to deliver Caspian crude into the Mediterranean, had to navigate a minefield of Middle East politics, antiglobalization protests, and red tape before it could be opened. African oil faces none of those issues. It is simply loaded onto a tanker at the point of production and begins its smooth, unmolested journey on the high seas, arriving just days later in Shreveport, Southampton, or Le Havre.

A third advantage, from the perspective of the oil companies, is that Africa offers a tremendously favorable contractual environment. Unlike in, say, Saudi Arabia, where the state-owned oil company Saudi Aramco has a monopoly on the exploration, production, and distribution of the country's crude oil, most sub-Saharan African countries operate on the basis of so-called production-sharing agreements, or PSAs. In these arrangements, a foreign oil company is awarded a license to look for petroleum on the condition that it assume the up-front costs of exploration and production. If oil is discovered in that block, the oil company will share the revenues with the host government, but only *after* its initial costs have been recouped. PSAs are generally offered to impoverished countries that would never be able to amass either the technical expertise or the billions in capital investment required to drill for oil themselves. For the

oil company, a relatively small up-front investment can quickly turn into untold billions in profits.

Yet another strategic benefit, particularly from the perspective of American politicians, is that, until recently, with the exception of Nigeria, none of the oil-producing countries of sub-Saharan Africa had belonged to the Organization of Petroleum Exporting Countries (OPEC).^{*} Thus they have not been subject to the strict limits on output OPEC imposes on its members in an attempt to keep the price of oil artificially high. The more non-OPEC oil that comes onto the global market, the more difficult it becomes for OPEC countries to sell their crude at high prices, and the lower the overall price of oil. Put more simply, if new reserves are discovered in Venezuela, they have very little effect on the price of oil because Venezuela's OPEC commitments will not allow it to increase its output very much. But if new reserves are discovered in Gabon, it means more cheap oil for everybody.

But probably the most attractive of all the attributes of Africa's oil boom, for Western governments and oil companies alike, is that virtually all the big discoveries of recent years have been made offshore, in deepwater reserves that are often many miles from populated land. This means that even if a civil war or violent insurrection breaks out onshore (always a concern in Africa), the oil companies can continue to pump out oil with little likelihood of sabotage, banditry, or nationalist fervor getting in the way. Given the hundreds of thousands of barrels of Nigerian crude that are lost every year as a result of fighting, community protests, and organized crime, this is something the industry gets rather excited about.

Finally, there is the sheer speed of growth in African oil production, and the fact that Africa is one of the world's last underexplored regions. In a world used to hearing that there are no more big oil discoveries out there, and few truly untapped reserves to look forward to,

^{*}In January 2007, Angola became the first new member of OPEC in over thirty years, and Sudan is expected to join late in 2007. Gabon withdrew from the organization in 1991.

the ferocious pace and scale of Africa's oil boom has proved a bracing tonic. One-third of the world's new oil discoveries since the year 2000 have taken place in Africa. Of the 8 billion barrels of new oil reserves discovered in 2001, 7 billion were found there. In the years between 2005 and 2010, 20 percent of the world's new production capacity is expected to come from Africa. And there is now an almost contagious feeling in the oil industry that no one really knows just how much oil might be there, since no one's ever really bothered to check.

All these factors add up to a convincing value proposition: African oil is cheaper, safer, and more accessible than its competitors, and there seems to be more of it every day. And, though Africa may not be able to compete with the Persian Gulf at the level of proven reserves, it has just enough up its sleeve to make it a potential "swing" region—an oil province that can kick in just enough production to keep markets calm when supplies elsewhere in the world are unpredictable. Diversification of the oil supply has been a goal—even an obsession—in the United States since the Arab oil embargo of the 1970s. Successive U.S. administrations have understood that if the world is overly reliant on two or three hot spots for its energy security, there is a greater risk of supply disruptions and price volatility. And for obvious reasons, the effort to distribute America's energy security portfolio across multiple nodes has taken on a new urgency since September 11, 2001. In his State of the Union address in January 2006, President Bush said he wanted to reduce America's dependence on Middle East crude by 75 percent by 2025.

←←→→

Some of the more evangelical proponents of African oil have argued that here, at last, is the longed-for "clean break"—the chance to detach the fortunes of America once and for all from Middle East crude. For several decades, the United States and other Western governments made controversial compromises with despotic rulers across the Middle East, from the Shah of Iran to the House of Saud, in an ef-

fort to keep the oil flowing. Western petrodollars turned nomadic tribes into wealthy emirates, with scant concern for democracy or human rights. American support for undemocratic and unaccountable governments bred great resentment across the region, the consequences of which the entire world is now coming to grips with. This time, in Africa, these advocates say, we have a chance to start fresh and "get it right."

But how do we know African oil really represents a good-bye to all that? In many ways the situation in Africa is far more difficult, complex, and dangerous than the situation in the Middle East. Africa is filled with so-called "failed" states, or states that teeter perpetually on the edge of failure, one disputed election away from outright conflagration. Illicit arms are traded across fluid, largely fictional borders, national sovereignty is little more than a collection of flags and anthems, ethnic tribalism is alive and well, and angry militias have already turned to stealing crude oil as a way to keep themselves in business. According to the National Maritime Institute, the Gulf of Guinea is the world's second-most-dangerous waterway.

Some feel that in searching for an alternative to the volatile politics of the Middle East, Washington strategists have focused on a constellation of far more troubled and impoverished nations, from Angola to São Tomé. According to this narrative, as the international media spotlight has stayed trained on Iraq and the Middle East, an unholy alliance has quietly formed between think tanks, oil-industry lobbyists, PR firms, and entrepreneurial businessmen, all keen to rebrand and reposition corrupt and often violent regimes as benevolent and important new allies of the West. Human-rights campaigners warn that many of the fatal compromises that were made with undemocratic and unpopular rulers in the Middle East are being repeated all over Africa, with potentially catastrophic consequences. In the worst cases, control of oil revenue has sparked violent conflicts, with already-bitter divisions exacerbated by the promise of untold riches for the victor.

But it is not just the usual amen chorus of humanitarian Chicken Littles and louche, *bien pensant* urban intellectuals who have sounded alarm bells over the African oil boom. Hard-nosed economists, too, are skeptical. A growing body of evidence suggests that oil, far from being a blessing to African countries, is a curse. Without exception, every developing country where oil has been discovered has seen its standard of living decline and its people suffer, while its less-well-endowed neighbors have gone on to (relative) prosperity. Scholars have dubbed this phenomenon, which depends on a curious matrix of economic and sociological responses to a sudden influx of petroleum money, the "paradox of plenty" or the "resource curse." Inevitably, little of the oil wealth ever makes its way to those who need it most.

One of the great scandals of the African oil boom, for example, is that it has produced far more jobs in the United States and Europe than it ever will in Africa. Only about 5 percent of the billions and billions invested in African petroleum projects every year is spent *in Africa*. Oil exploration is by its nature capital-intensive rather than labor-intensive, meaning that most investment goes to developing and operating expensive and sophisticated hardware, such as the multimillion-dollar floating production, storage, and offloading vessels (FPSOs) that have popped up along the African coastline. What little labor is needed is generally of the skilled variety, and international oil companies have scant incentive to train an indigenous workforce when flying in expatriate engineers and technicians is cheaper and simpler. Offshore oil exploration is, in the parlance of economists, perhaps the ultimate "enclave industry."

As more African economies become dependent on their oil revenues, the stakes for finding ways to beat the resource curse have never been higher. Oil and gas are already Africa's largest export category, three and a half times greater than all others put together. Extractive industries (i.e., oil, gas, and mining) accounted for more than 50 percent of African exports and 65 percent of foreign direct investment in Africa in the 1990s. The American charity Catholic Relief

Services "conservatively" estimates that \$200 billion in oil revenue will flow into the coffers of African governments over the next decade. All this, it is argued, makes it more important than ever for African governments to "get it right" and ensure that oil is allowed to be a blessing rather than a curse for their long-suffering people.

Others, of course, prefer to see Africa's oil boom as simply a centuries-old story of foreign exploitation and the subjection of Africa's people at the mercy of voracious commercial interests—a second great "Scramble for Africa," after the original carve-up of the African continent by European colonial powers in the late nineteenth century. Virtually everywhere in Africa today, Chinese, Malaysian, French, Australian, and American firms can be seen jockeying for position, trying to snap up exploration acreage in an undignified rush that seems to grow more ruthless by the day. And the chess game among oil companies is inevitably echoed in the foreign ministries of the world's great powers. France, China, and the United States are engaged in an intensifying competition for influence among the oil-producing nations of Africa. China, especially, has shown that it is prepared to plunk down large cash incentives in the form of loan guarantees in exchange for lucrative oil concessions from African countries.

So who are we to believe? The committed evangelists who tell us African oil can be a catalyst for the continent's development as well as a crucial source of Western energy security? The constructive critics who stress the importance of sound fiscal management and revenue transparency, and warn of the dangers of runaway oil bonanzas? Or the Afro-pessimists who say that experience has taught us that rapacious foreigners motivated by their interests in extractive industries will only stand in the way of Africa's development? In the long run, we all know that simply drilling for oil in a faraway country without thinking about the consequences of our inevitable involvement in its internal politics is not a recipe for stability, or even for the energy security we so badly crave. That is a lesson we have probably learned

from the Middle East. But does that mean we should think of Africa's booming oil production as fundamentally a blessing disguised as a curse or a curse disguised as a blessing?

It is not a question with an easy answer, nor one that lends itself to glib polemics about "blood and oil." It is, however, a question that cries out for an answer, or at least a sensible debate. For every day that goes by without such a debate is another day that MD-11s land on tropical tarmacs, another day for FPSOs to load their precious cargoes, another day of Africans becoming frustrated by their misery and suffering as they watch their leaders line their pockets with oil money, and another missed opportunity to stop matters from falling into the wrong hands.

CHAPTER I

THE ONSHORE EFFECT

"I BET YOU DON'T dare touch the salad."

It was my first week in Africa, and I must have looked every inch the amateur because I was being teased mercilessly.

"It's fine, you know. It's not going to make you sick. Not like the salads you get in London."

I was at lunch with Adwoa Edun, a Ghanaian-born, half-British owner of a Lagos bookshop who also happens to be married to a senior politician in the Lagos State government. Between lashings of gentle mockery, she was giving me her perspective as an expatriate African who had made Nigeria an adopted homeland.

"Nigerians have a tolerance level that is beyond any I have ever seen," she said. "You know, living in Nigeria, there are so many times when I have thought to myself, okay, this is it, Adwoa. We are going to have to pack our bags now. Where are we going to go? But then, every time, the country just somehow muddles through."

Sooner or later, every expatriate conversation about Nigeria comes around to some version of this conclusion—that here is a country with an unparalleled knack for survival, an almost inspired ability to lurch from crisis to crisis, even to the point of what to outside eyes resembles anarchy, before retreating from the brink and sliding back into a low-intensity seethe.

Most such conversations then turn to the subject of oil, and the volatile politics of the Niger Delta. Ours was no exception. Adwoa had no special expertise on the matter, but I had declared my intention