

# **OIL AND GAS OPPORTUNITIES IN SOMALIA**

**By Arabey Hashi Abdi.**

**Has a master's degree in international relations and is currently studying an MBA in oil and gas at Aberdeen University**

## **Background.**

Somalia is a coastal nation in East Africa. The official language is Somali language and the second language is Arabic. The country was formerly known as the “Somali Democratic Republic” before the country collapse in 1991.

Somalia occupies a strategic location on Horn of Africa along southern approaches to Bab el Mandeb and sea route through the Red Sea and the Suez Canal. Somalia's long (which is the longest of any country in Africa) coastline has been of strategic and tactical importance chiefly in permitting trade with the Middle East and the rest of East Africa. The exploitation of the shore and the continental shelf for fishing and other purposes had barely begun by the long time. Control of maritime economic activity (EEZ) is claimed over territorial waters up to 200 nautical miles, which is in accordance with international convention

Somalia is ready and has opportunity to extract its resources especially huge potential deposits of Oil and Gas, Considerable investment has already been made towards identifying the offshore location and the country is equipped with almost all administrative processes, conditions & regulations for development and investment.

Somalia has potentially considerable Oil and Gas deposits (both onshore and offshore) and opportunities that needs to be taken advantage. Despite the world's consumption of oil and gas is trending currently reduced due to climate change mitigations, pandemics and the move from fuel consuming automobile, industries to use of electrical and alternative energies, the government of Somalia is determined to move with this trend and extract and commercialize its vast deposits of oil and gas. In this document, the author wishes to expound here this opportunity in Somalia and why it is for the right time for all to develop and invest this sector.

## **Exploration and extraction of Petroleum.**

International Oil companies (IOCs) have shown interest in Somalia oil and gas since the 1950s and exploration properly started from 1950s, culminating in a serious rush to explore in the 1980s.

Extensive surveys had been done especially on onshore gas and oil prospects, and plans for exploration were drafted. However, no economic extraction of such deposits found was done due to major concerns about onshore security situation at the time.

### **Past on-shore concessions to Oil Companies.**

The government made drilling Concessions and licenses of several onshore wells along the entire length of the eastern basin (a very large area, almost half of Somalia land area) to international companies in 1980s. Exploration was halted due the civil strife that lasted for over two decades The IOCs with these previous heritage concessions continue to be in a state of “force majeure” that was declared prior to the onset of the civil war whilst still paying surface rentals to resume work soon and as the situations in the respective localities allows. There is probably no realistic prospect of conceding or auctioning additional onshore wells in the immediate future unless the security situation improves.

### **Offshore Potential.**

When in 2012 the transitional institutions and government transitioned into the modern-day recognized Federal Government of Somalia (FGS) The GDS then started to renew again oil exploration and processes for legislation and regulation of petroleum and mineral resources.

The Ministry of Petroleum and Mineral Resources signed a contract with a seismic brokerage to gather and evaluate geology of 20,500 km offshore of two-dimensional (2D) Data in 2013 that was then successfully delivered in 2014. A similar 2D seismic evaluation agreement in major offshore areas was agreed with other companies in 2015 and 2016, and delivered the data in 2018. The new data and related modelling work have also improved the understanding of the gas and petroleum potential offshore Somalia, increasing the appetite for investment.

This has culminated in seven (7) offshore blocks being offered for the inaugural Oil and Gas Licensing round which is currently open for receiving bids.

Operators interested in this opportunity have already licensed or are licensing the multi-client data from TGS.

### **Regulatory Regimes.**

Prior to civil strife and collapse of the central government in 1991, Somalia used to have a functioning Ministry of Mineral resources (and Mining Act/Law) but did not have a separate petroleum Ministry nor Laws specific for Petroleum.

The current Ministry of Petroleum & Mineral Resource (MOMPR) was established during the transitional/interim government in 2005, and is tasked with developing processes and Legislative policies, regulations. A modern Petroleum Law for the oil and gas sector was developed during that period which was enacted in 2008 and controlled by the centralized.

Since the initial Petroleum Act of 2008 has been superseded and modernized to the current the Petroleum Law of 2020. Another major achievement in recent times is that a legal petroleum sharing framework agreement between Federal and regional (states) authorities that constitute the Federal Republic of Somalia had been agreed with respect of ownership and regulations natural and environmental resource as well as regulatory institutions including independent licensing bodies. The purpose of this is to define wealth derived from all oil and gas activities gets distributed equitably across all stakeholders at district and state level as well as Federal.

All these regulatory processes of petroleum sector as well as mineral sector was achieved with the expertise and assistance of international development bodies such as The Africa Development Bank, Oil for Development, The World Bank, and Africa Natural Resource Development.

### **Summary of Achievements**

- ✓ Petroleum Law 2020, has a passed through the Parliament of the Federal Government of Somalia both Upper and Lower house and signed by the president of Federal Republic of Somalia.
- ✓ Petroleum Policy established.
- ✓ The petroleum management and revenue sharing agreements are signed the Somali Prime Minister, all the Federal Member State President, signed in Baydhabo South West State, Somalia June 2018, also by passed through the

Somalia Federal Parliaments Upper and Lower house and Signed by Somali Federal President.

- ✓ Draft petroleum regulations have been completed.
- ✓ Somalia Petroleum Authority (SPA); an independent regulatory body of which all constituent member states (regions) are represented, was established in 2020.
- ✓ Production sharing agreement (PSA) and Tender protocol formulated in line with the Somali Procurement act, and also the draft Extractives Industries Income Tax Act (EIIT), Currently awaiting parliament to pass the EIIT act.
- ✓ First Somalia offshore Licensing Round was being currently open over seven highly prospective blocks.

### **The purpose of the Legislation.**

The defined purpose of the Government of Somalia in passing all the above time & costly processes and regulations over the past few years protect the current and future wellbeing of the citizens, social amenities and build necessary infrastructure. Somalia is per capita one of the poorest nations in the world and that fact the nation is attempting to recover from 3 decades of civil strife which has destroyed or regressed the human and national capital, assets and infrastructure. The nation needs to catch up this globalized world and to fulfil citizen's aspiration and globally set goals to eradicate poverty and human development. This obviously necessitates the realization of the capital wealth contained of its natural resources, of which chiefly refers to petroleum.

The Somali people have been hoping for the development of the potential wealth of petroleum and gas since 1950s. The nation is more needful for the contribution of its petro-gas than any time in the past or perhaps in the future.

### **The Government's Role.**

The Constitution of Somalia and the Petroleum Law mandates the federal government to negotiate directly and indirectly with willing investors and those who wish to develop the Somali Petroleum Sectors Without such ventures the country can't achieve self-sufficiency and quick recovery and development of oil and gas can underpin and fund other economic sectors such as agriculture, livestock, fisheries, processing industries & other industries, and support infrastructure development

## **Investment opportunity for All**

Somalia offshore high hydrocarbon offshore prospectively has been well documented with the interpretation work and petroleum modelling carried on the extensive geoscience datasets available for the region. Offshore Somalia is characterized by three major basins: Obbia, Coriole and Juba-Lamu. Each basin has unique structural features and a different petroleum system, with source rocks spanning in age from Paleozoic to Tertiary. The diversity of source rocks is matched by a high diversity of reservoirs ranging between pure carbonate deposits (e.g. carbonate build ups in the Jurassic of the Obbia Basin) to pure siliciclastic bodies (e.g. Tertiary siliciclastic mass transport fold and thrust belt in the Coriole Basin). This diverse petroleum system guarantees a unique heterogeneity and variety of prospects.

and the high prospectively of this frontier region, together with Somalia's strategic global location, is an ideal place for international oil companies' investment and ever-improving technology. The ongoing licensing round represents an opportunity both for the Government and the IOCs to capitalize on the current market environment.

The extraction and trade of petroleum is conducted with transparency and accountability and emphasis of sustainable development and safe environment whereby fair-share and ownership is monitored and regulated as per the existing laws and agreements. The process of exploration and development to reach the point of commercial extraction and sale of oil and gas , will be lengthy, taking years , beyond current party & governmental terms and the Federal government and legislative bodies with help of international development community, will set the bar all necessary mechanism including production sharing agreements with clearly defined benefits to the Somali nation Somalia included in the process such as Royalty levels, Signature Bonuses, surface rent fees Corporate taxation and Profit Sharing levels that will cover our current and future needs. Such aims and goals are needed and are achievable for the offshore license round blocks and maybe so in the future for onshore blocks as well

We are very grateful to development agencies and countries that willingly helped Somalia for development and through these processes and achievement of such milestones.

**Security.**

This is an ongoing and obvious problem in the country because still Islamist-terrorist Al-Shabaab have an active presence in many regions. The security situation of the country is also in part compromised because of poverty, hunger and unemployment (more than 65% of the Somali population are young and unemployed).

However, a provisional Somalia Constitution has been adopted since 2012 for 825 members from the community, elders, clan leaders, women and youth. The Parliamentary is still working on reviews of this Constitution. The political system of the Country is Federalism and Parliamentary system since has held three elections 2012,2017 and 2022 which completed with smooth transition. Safety and Stability has improved in Somalia since then.

Although, where the Somalia want to develop on this time is offshore blocks and that does not have these times any terrorist group or pirates so the Somali government believe the IOC can develop on the offshore block without any hesitate.

#### **Lack of Modern infrastructure:**

The Somali economy suffers from lack of modern infrastructure and has to initiate the construction of several modern projects such as airports, road-surfacing, etc. In order to stimulate investment and efficient transport networks that will lead to increased, exports and imports.

#### **Capacity problems**

The workforce is not well trained and need an uplift in their skills. People do not have enough knowledge to work in this sector and there is a significant shortage of those with knowledge and experience of the Oil and Gas industry.

The Ministry has Geologists, Economist, Management and Legal advisers. We believe that the Somali Diaspora contributed to Somali professionals gaining experience in the Oil and Gas Sector; these professionals are invited to return to their country with their knowledge to work and implement further this sector.

#### **Summary and Conclusion.**

The intent of this letter is hopefully very clear to the reader, that statement that Somalia has a large potential for of many natural resources and its people are ready and willing to develop and extract them.

So, we call on all the international oil companies and the international community to work together to extract the natural resources of the nation of Somalia because this is one of the main avenues of economic activity can set us free from hunger, ignorance, war, drought, and many of the current problems that best our country.

### **References.**

<https://apps.dtic.mil/sti/pdfs/ADA464006.pdf>

Ministry of Petroleum and Mineral Resources 2020.

<https://mopmr.gov.so/resources/petroleum/upstream/petroleum-law/>

<https://blogs.lse.ac.uk/crp/2020/06/17/whats-the-oil-rush-in-somalia/>

<https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/oil/111021-somalia-will-announce-deadline-for- maiden-licensing-round-soon-after-encouraging-bids>