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West Africa Oil and Gas Upstream Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 110 pages | Mordor Intelligence

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Report description:

The West African oil and gas upstream market is expected to register a CAGR of more than 6.5% during the forecast period of 2022-2027. The COVID-19 pandemic caused a global decline in oil and gas consumption, leading to a crash in oil prices worldwide. This crash turned upstream activities in the region economically unfeasible. For example, Aker Energy postponed the development of its Pecan field located in offshore Ghana. In terms of the market growth, factors such as the increasing production of oil and gas in the region and the strengthening of crude oil prices due to various geopolitical reasons are likely to drive the market during the forecast period. However, political instability, coupled with vandalism of oil and gas infrastructure and theft of petroleum products, results in business losses for stakeholders, reducing the confidence to invest in oil and gas projects, which is anticipated to restrain the West African oil and gas upstream market during the forecast period.

West Africa's offshore exploration and production activities are expected to dominate the market, mainly due to their relative insulation from vandalism as these sites are comparatively less accessible for the terrorists and vandalism groups in the region, such as the attack on the Anadarko Petroleum LPG project in northern Mozambique.

The recent offshore discovery of oil and gas in Senegal showcases the potential of the West African offshore region, which is largely untapped, for which the National Oil Company of Senegal, PETROSEN, officially launched the licensing round for 12 blocks in January 2020. Also, there are several other offshore discoveries recorded in the region, which are expected to create a lucrative opportunity for oil and gas upstream companies to invest in this region.

Nigeria dominated the market due to a large number of upstream projects coming up in the country due to operators gaining confidence and the increased production, with a rise in crude oil prices after a slump. Therefore, Nigeria is expected to dominate the market during the forecast period.

West Africa Oil & Gas Upstream Market Trends

The Offshore Segment is Expected to be the Fastest-growing Segment

The onshore sector in the West African region is prone to terrorist activities, unlike the offshore sector, which makes investors focus on the offshore market, as a result of which numerous offshore projects and discoveries came up, and the onshore sector remains undiscovered.

West Africa's offshore oil and gas industry continues to expand, albeit not very fast, opening up more market opportunities. West Africa's offshore deep and ultra-deep space has continued to attract oil explorers and producers to expand their operations, especially in Southern and Western Africa, where major projects have either started or have been unveiled, awaiting resource appraisal and development.

The growth of West Africa's offshore exploration and production activities has been mainly driven by the efforts of governments in their region to provide key incentives and supporting policies to unlock the investment opportunity, as well as the growing number of international oil and gas companies interested in exploring alternative fields to replace the maturing offshore producing sites in countries such as Nigeria and Ghana.

In December 2021, PGS secured a contract from an unnamed company for a 3D seismic survey in offshore West Africa. Similarly, in August 2021, the shallow water drilling contractor Borr Drilling secured awards for two offshore rigs in West Africa for a total duration of two years plus options.

Furthermore, in Angola, Ghana, and Nigeria, several long-term tenders for the development of reserves have been issued. The West African offshore region has also recently witnessed successful discoveries, such as Eni's recent finding in offshore Cote d'Ivoire and Ghana. Such discoveries will require an additional appraisal, and development activities in the region are likely to attract investors, thereby driving the market demand during the forecast period.

Thus, based on the above-mentioned factors, the offshore segment is expected to dominate the West African oil and gas upstream market during the forecast period.

Nigeria is Expected to Dominate the Market

Nigeria is one of the largest countries in terms of proved oil and gas reserves in Africa. As of 2020, proved crude oil and natural gas reserves in Nigeria reached 36.9 thousand million barrels and 5.5 trillion cubic meters, respectively. However, crude oil production in the country has been witnessing a declining trend in recent years, from its peak at 2,487 thousand barrels daily in 2004 to 1,798 thousand barrels daily in 2020. This has been mainly due to maturing oil fields and a lack of new foreign investment in the country.?

Nigeria is one of the largest and oldest oil producers in Africa. The oil and gas sector is one of the most important sectors in the country's economy, accounting for more than 90% of the country's exports and 80% of the federal government's revenue. As of 2020, Nigeria had the largest oil and gas production in the West African region, with around 86.9 million ton of crude oil and 49.4 billion cubic meters of gas.

Furthermore, the country plans to become an export hub in Africa by exporting not only to regional countries but also to other Asian countries like India and China, where the gas demand is anticipated to increase in the coming years, resulting in increased upstream activities in the region.

In January 2022, Nigerian National Petroleum Company Ltd secured a USD 5 billion corporate finance commitment from the African Export Import Bank to fund major investments in the Nigerian upstream sector. This is likely to aid the growth of the market during the forecast period.

Therefore, based on the above-mentioned factors, Nigeria is expected to dominate the West African oil and gas upstream market during the forecast period.

West Africa Oil & Gas Upstream Market Competitor Analysis

The West African oil and gas upstream market is consolidated. Some of the key players in the market include Shell PLC, TotalEnergies SE, Eni SpA, Exxon Mobil Corporation, and Nigerian National Petroleum Corporation.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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