

**“Our states need to focus
on what they can control...”**



Three Questions with... Milko Moussirou

The Founder of Koval Petroleum, Milko Moussirou, gives Africa Oil & Power his views on African governments' responsibilities to the oil and gas sector in 2016.

The next big thing: Where do you see the greatest opportunities for the oil and power sectors in Africa?

The African continent has more than 1.1 billion inhabitants with a middle class estimated at about 370 million. The next big thing in Africa is to supply power to the industrial sector and to develop the manufacturing sector. The manufacturing sector represents less than 10 percent of the continent's GDP. We need to reduce the export of natural resources and start manufacturing added value products. We need to develop an industrial sector that understands that Africa is a potential huge market on its own.

Making Africa more attractive for investment: What does it take and what do you want to see?

Supplying power to the industrial sector is already a big step towards improving the continent's attractiveness for investment. Our countries also have to focus on major projects at a regional scale. Projects that can target bigger markets have more chance of attracting foreign investment because they have a greater potential to generate large profits. And the last, but not the least important, element is that we need more stability – and in that respect I think we are already moving in the right direction in many countries.

Your year in oil and power: what do you expect in 2016?

During the oil price drop in the late 1990s African oil producers were powerless in the face of that international crisis. Today African countries are facing the drop in oil price with the same financial exposure. We cannot control the oil price, but our states need to focus on what they can control. What I expect in 2016 is for African nations to look at this crisis as an opportunity to optimize oil and gas resources management. First, we need to focus on reducing cost oil in our projects to maximise revenues. Second, governments have to introduce a national production plateau (for example, 15 percent below maximum production) to improve reservoir performance and better manage mid-term oil and gas cash flow. Countries' budgets should not only be based on an oil price forecast but also on a fixed production plateau. During high oil price countries can produce at maximum potential, and during low oil price they can maintain production at plateau rates. All additional revenues above that plateau during high oil price should be saved in a fund to anticipate future low oil price periods.

Mr. Moussirou and our other panelists will discuss the dynamics of investing in Africa's energy industry at Africa's elite energy event on June 6-7 in Cape Town.