

# LUKoil Mulls More Investments in Africa

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LUKoil, Russia's largest independent oil producer, has held top-level meetings with representatives from three West African states, including Liberia, as a part of a \$9 billion overseas investment program.

The president of LUKoil Overseas, Andrei Kuzyayev, met Ghana's energy minister, Joe Oteng Adjei, for discussions about the expansion of the company in Ghana, including the development of new projects, according to the latest corporate newsletter, Neftyanie Vedomosti.

After leaving Ghana, Kuzyayev held talks in the capital of Sierra Leone, Freetown, and LUKoil Overseas senior vice president Dmitry Timoshenko visited Liberia's capital of Monrovia.

Countries like Sierra Leone and Liberia, "which have just come through terrible civil wars ... are today, with the interest of foreign investors, quickly resurrecting their shattered economies," the company's publication said.

Sierra Leone and Liberia have significant, largely untapped offshore oil reserves.

Kuzyayev said in March that LUKoil would invest \$3 billion each year in projects outside Russia from 2011 through 2013.

In partnership with the U.S. company Vanco Energy, LUKoil is currently working on two projects in the Gulf of Guinea — the Cape Three Points Deep Water block in Ghana and CI-401 in Ivory Coast waters. The blocks are a part of the Tano oil-and-gas basin and cover some 15,000 square kilometers of deep water.

The West African continental shelf is an interesting prospect for many international companies, said Valery Nesterov, an oil analyst at Troika Dialog.

“I think almost all Russian companies will be looking at the West African shelf — including Rosneft and TNK-BP,” he added.

LUKoil's potential resources in the area currently consist of up to 35 million barrels. The company said in September that it might have more petroleum in West Africa than in West Siberia.

As a private oil company competing against state-run monoliths, LUKoil has “limited access to [new] Russian resources,” Nesterov said. “LUKoil is forced to diversify abroad in order to spread the risks of working in Russia.”

Moreover, LUKoil's drilling experience in the deep West African waters is unique, said analyst Artyom Konchin of UniCredit Securities.

“They are the only Russian company who are working offshore at such depths,” he said.

Acquiring expertise in working continental shelves at any depth may be a way of gaining the edge in domestic Russian competition for new licenses.

Although Russian continental shelves are not as deep as the West African one, Nesterov said LUKoil is gathering “very useful experience for future drilling operations.” LUKoil also works in the Caspian Sea.

Rosneft is currently working with U.S. oil company Chevron on the Black Sea shelf. It is possible Rosneft may seek another partner, Nesterov said.

French firm Total used its Girassol deepwater project off the coast of Angola, also in the Gulf of Guinea, to convince Gazprom that its expertise was necessary to help develop the giant offshore Shtokman gas field. Total was accepted by Gazprom as a partner in its Shtokman venture in 2007.

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