Fact Sheet Seven: Angola

Country overview

Population: 12,799,293 (July 2009 est.)

GDP: $110.3 billion (2008 est.)

Surface: total: 1,246,700 sq km

Oil was first discovered in Angola in 1955, though production did not begin in earnest until the 1960s.

Structure of the oil sector

Sociedade Nacional de Combiustiveis de Angola (Sonangol) is the Angolan national oil company, and was created in 1976. From 1978 onwards, Sonangol became the sole vehicle for all oil exploration and production in Angola. However, Sonangol works with foreign companies in two different types of arrangements: joint ventures and product sharing agreements. The former combines the expertise of the international oil companies with local resources, the latter gives the right to drill from particular geographic areas, called a concession, to an oil company in return for a share in the crude oil produced. Recently, product-sharing agreements have been favored. Angola joined OPEC in 2006.

Some of the major oil companies that operate in Angola include British Petroleum (BP), Chevron, Total and ExxonMobil. The Chinese parastatal Sinopec has also recently begun operating in Angola. It has a growing stake in Angola's oil industry, mainly through product-sharing agreements with the Angolan government.

Oil production and processing

Production levels: According to the Energy Information Administration (EIA), Angola's growth in production has been rapid. Crude oil production has increased by 600% in the period since 1980, and much of that growth was registered between 2006 and 2008. In April 2008, for example, Angola temporarily overtook Nigeria as Africa's biggest oil producer. Angola reached a production rate of 1.92 million barrels per day, only slightly below its potential of 1.93 million bbl/d.[1]

According to Petroleum Intelligence Weekly, given current production rates, it is likely total production capacity in Angola peaked at around 2.5 million bbl/d in 2001.

Oil Reserves: As of January 2008, according to the Oil and Gas Journal, Angola has proven reserves of 9.0 billion barrels, an increase of one billion over the previous year's figures.

Major Oil Fields: Angola has two central areas for oil production. Much of the inland oil activity has been centered on Cabinda province. During the civil war that racked the country for twenty-seven years following independence, oil exploration – though not production – here was suspended.

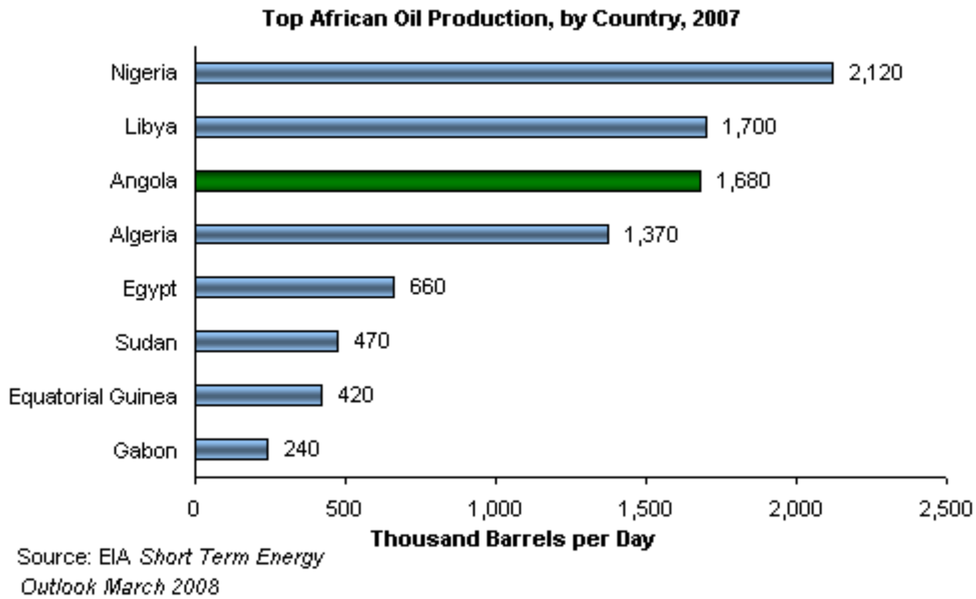
Refining Capacities: According to the EIA, domestic consumption of crude oil within Angola was 60,000 bbl/d. However, this demand cannot be met by the very limited refining facilities within the country. There is only one refinery, located in the capital city of Luanda, which is a joint venture between the Sonangol and Total, and has a refining capacity of 39,000 bbl/d. The rest of Angola's domestic demand is met by imports of refined products.

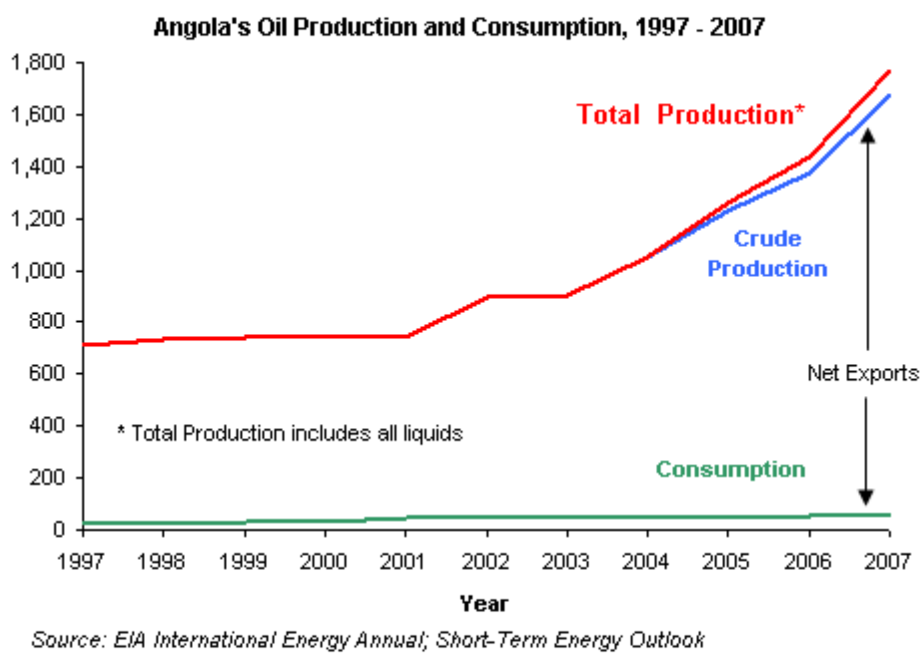
There are plans for a new refinery with a production capacity of 200,000 bbl/d. It was initially to be a joint venture with Sinopec, a Chinese oil company. However, after a disagreement regarding the destination for oil produced in the refinery – Sinopec wanted to refine oil for the Chinese market, and Sonangol intended production to be used locally – Sonangol announced they would proceed with the refinery without the joint venture.

Oil Exports: 1.62 million b/d. Oil comprises 90% of Angola's exports. It dominates the Angola economy generally, providing not just the vast majority of all its export revenues, but also approximately 85% of its total GDP. More than 90% of its exports go to China and the USA. According to the EIA, as of February 2009, Angola exported 0.671 million barrels per day to the USA, making it the fifth biggest supplier of crude oil to America, two places above Nigeria. In 2008, Angola became the largest exporter of oil to China, overtaking Saudi Arabia.

Oil Imports: 19,550 bbl/day (2005)

1 It should be noted here that Nigeria's slip to 1.88 million bbl/d is mainly due to offline resources – OPEC estimates Nigeria's production capacity to be 2.5 million bbl/d.





The politics of oil in Angola: revenue distribution

As in other countries, the oil sector is largely an enclave economy with relatively few employees; Sonangol employs fewer than 10,000 Angolans. This means that most Angolans can only see the impacts of oil through public expenditure derived from export revenues. In Angola, public expenditure has been extraordinarily limited. Worse, as Philippe Le Billon has argued, during Angola's twenty-seven year civil war (1975-2002), oil profits, referred to as rents, were used for military expenditure to fuel the war. Human Rights Watch noted that more than four billion dollars in oil revenue vanished from the Angolan government between 1997 and 2002, the last five years of the war. Since the war ended, however, there has been little indication that things have improved. In the 2007 Transparency International Corruption Perceptions Index Angola was placed 147 out of 179 countries.

One of the most widely noted scandals in the Angola oil industry involved an arms-for-oil deal between the Angolan government and a series of French businessmen, in which oil was given to the Frenchmen for weapons, and money was returned to individuals in the government who could supply preferential oil contracts.

The politics of oil in Angola: conflict and human rights issues

Much of the Angolan civil war between UNITA (National Union for the Total Independence of Angola) and the MPLA (Popular Movement for the Liberation of Angola) was funded by China, the United States and South Africa on UNITA's side, and the then-USSR on the government's side. At the same time, oil and diamonds found in Angola also played a major role in funding the war effort on both sides. Access to the resources coming from the oil and diamond fields was a major motivator for the war, though it started following decolonization by Portugal, which destabilized the country.

As you can see from the map of Angola, the province of Cabinda is largely separated from the rest of the country. Largely stemming from this physical distance between Cabinda and mainland Angola, it is home to a number of separatist movements, which have continued even after the countrywide civil war ended in 2002. While Cabinda is home to only 300,000 people, little of the oil revenue derived from Cabinda flows back to the population – even though more than half of Angola's oil production derives from sources in Cabinda. For instance, Block Zero is located offshore Cabinda province and at the moment accounts for 370,000 bbl/d. It is run by Cabinda Gulf Oil Company, a subsidiary of Chevron.

In August 2006, a peace agreement was signed between the Angolan government and factions of the Cabindan separatist movement, leading to hope that the residents of Cabinda could be integrated into the oil economy. However, by December 2008, Human Rights Watch was still reporting torture and arbitrary detention of civilians in Cabinda during 2007 and 2008.

In addition to the problem of resources not reaching Cabindans, oil production has damaged the local fishing industry as well as farm lands. There has been severe environmental degradation in Cabinda: for instance, in June 2002, Chevron Texaco was fined $2 million for environmental damage due to a pipeline leak.

Further reading

Reed, Kristin. *Crude Existence: Environment and the Politics of Oil in Northern Angola.* UC Press: Berkeley.