



Joint Ventures, Equity Participation and  
M&A Scenario in Hydrocarbon sector  
*Scope and Opportunities in Africa*

3<sup>rd</sup> India-Africa  
*Hydrocarbon Conference*

10 December, 2011

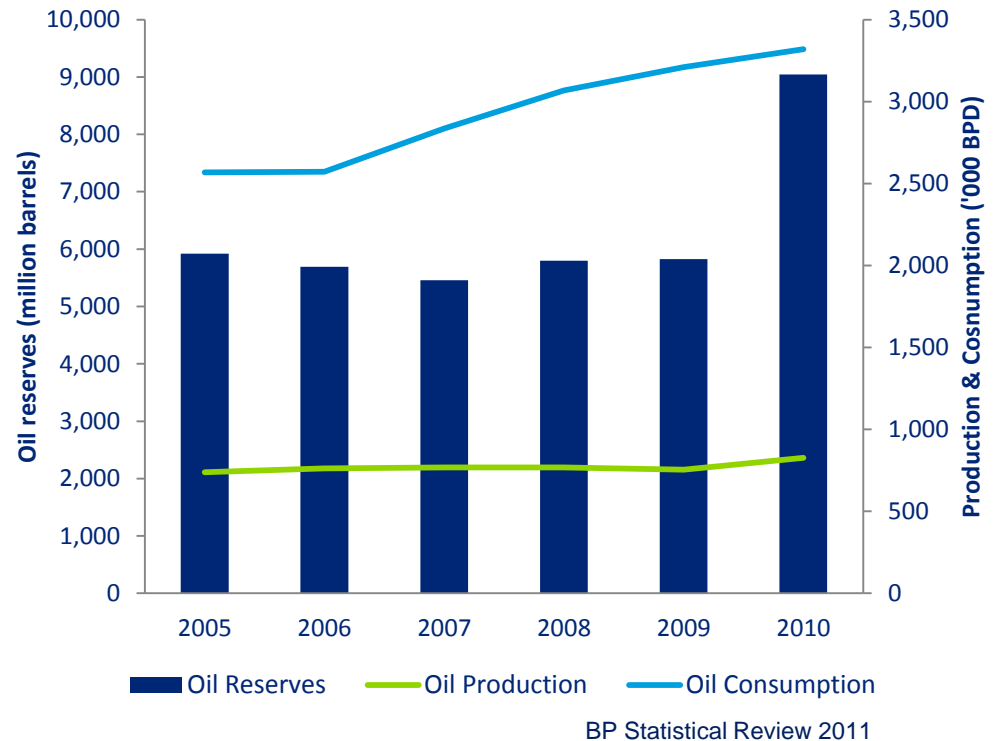


# Agenda

- India – Advantage...
- India Strategy – Meeting energy demand
- Africa – In Transformation
- Africa – Resource Pool
- Transactions in Africa – Recent Trends
- Transactions in Africa – India Perspective
- Opportunities for Collaboration
- To Sum Up...

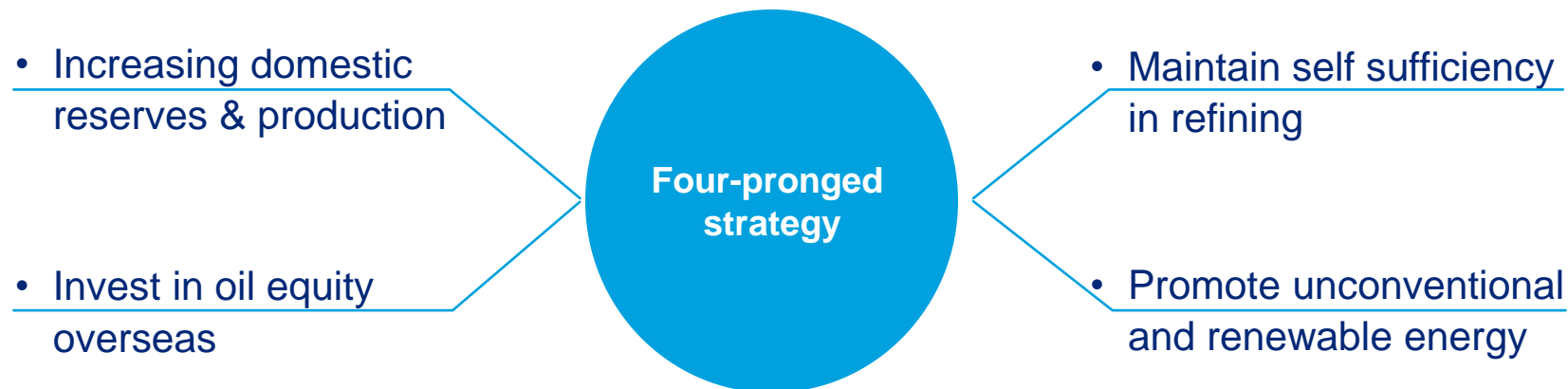
# India – Advantage.....

- 4<sup>th</sup> largest economy in terms of PPP - Expected to contribute about 13% of incremental projected global GDP growth
- 4.4% share of world primary energy consumption : 524.2 MTOE
- Per capita energy consumption of 0.4 TOE compared to world average of 1.7
- Still current shortfall of 12% of peak power requirement
- Around 80% of oil (162 MMT) & gas (12 BCM) requirement is imported
- 4<sup>th</sup> largest importer of crude
- And 4<sup>th</sup> largest exporter of petro products



Energy requirements in coming two decades driving investment, both domestic and international

# India Strategy – Meeting energy demand



## Steps to implement energy strategy

- Increasing domestic reserves and production: NELP, CBM and Enhanced Oil Recovery (EOR) – Oil at 9 Billion barrel in 2010 from 5.6 billion barrel in 1990, Gas at 1.5 trillion cubic meter from 0.7 trillion cubic meter
- Maintain self sufficiency in refining: Greenfield, Expansion, Upgrade by both NOCs and private players – Expected to increase to over 230 MMT by 2013 from 194 MMT at present
- Invest in oil equity overseas: NOC, Private Sector Oil Companies, Large Consumers, Commodity & Resources companies – around USD 14 billion cumulative
- Promote unconventional and renewable energy: CBM, CTL, UCG, prospecting in shale deposits, renewable power

**Africa – a key destination for India's energy strategy**

# Africa – In Transformation

## Perception

- Political Risk and Country Risk
- Clarity on Regulations, Policy and Fiscal Regime
- Last frontier in hydrocarbons
- Ability to raise capital for projects in Africa
- Infrastructure, especially for evacuating and monetizing resources
- Market dynamic and size of market

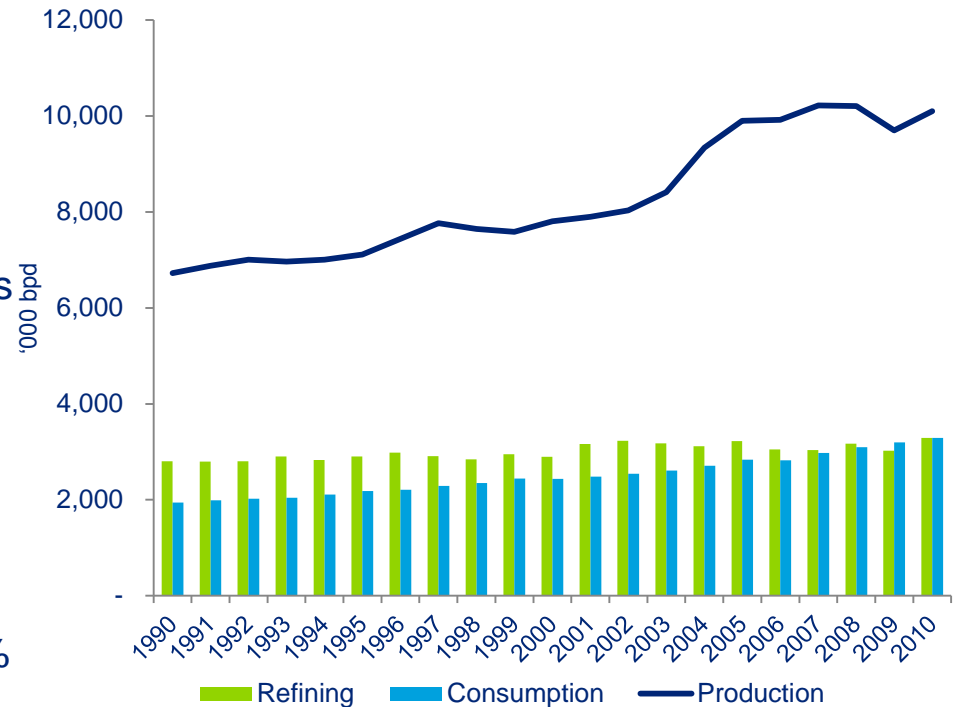
## Reality

- Sharp reduction in political conflicts
- Improvement in governance coupled with regulatory reform and privatization
- Better business climate
- 25 states with proven potential and several countries near commercial production
- Improved access to and integration with international capital and financial markets
- Developing infrastructure
- Favourable demographics - > 60% below 25
- Growth of middle class and urban population

Relook Africa in a collaborative manner given the transformation and resource advantage

# Africa – Resource Pool

- Huge hydrocarbon reserves growing at over 4% CAGR at 18 billion toe in 2010 from 8 billion toe in 1990
  - 9.5% contribution to world reserves (132 billion barrels as on Jan 2011)
  - Increasing trend - newer discoveries in Ghana, Egypt, Algeria, Libya, Tunisia, Mozambique, and Uganda
- Oil Production
  - 12.2% of world's production
- Modest growth in consumption - 3.29 million bpd in 2010 with CAGR of 2.67% over the last 20 years
- Refining
  - Capacity growth – marginal, 2.80 million bpd in 1990 to 3.29 million bpd in 2010 CAGR of 0.81%
  - Low refinery throughput of around 75%

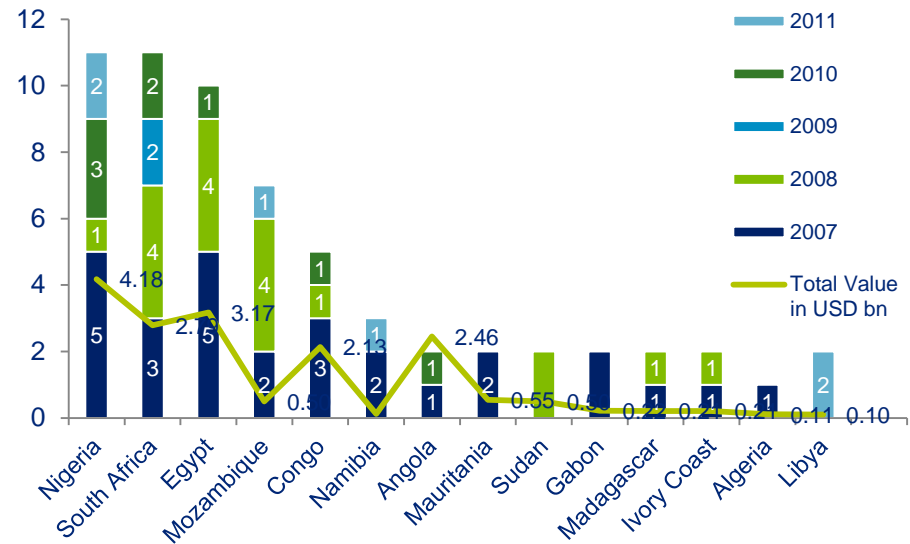


Africa a resource pool, requiring investments for developing them  
 Many routes for participation for joint development – M&A, JVs, strategic alliance

# Transactions in Africa – Recent Trends

## Recent trends (2007-2011)

- Cautious approach in last 3-4 years on global economic situation (72 deals, USD 25 billion)
- Geographic focus - conventional hydrocarbon producing countries; Nigeria, Algeria, Libya, Sudan, Egypt
- **IOCs and NOCs** - Significantly larger buy-side deals compared to average deal size (approx. USD 700 million vs. USD 300 million)
- **IOC's** – Largely Sellers especially in the downstream space (Chevron and Shell); **NOC's** – Buyers and Sellers Balanced
- **Financial Companies** – Contributed Significantly, no exits from Investments
- Main drivers across value chain - Upstream assets and companies in E&P space



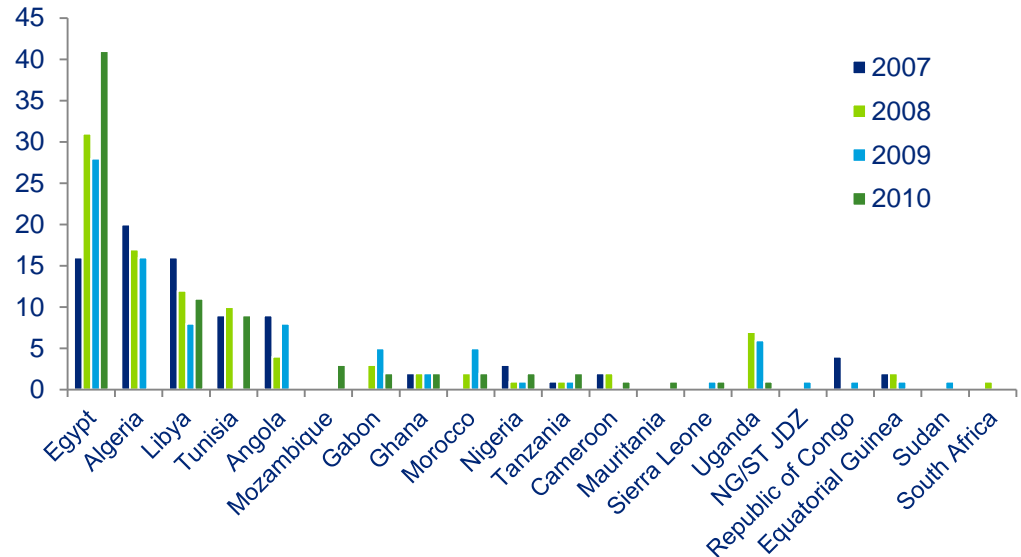
- Indian companies – 6 deals in Africa (3 in Mining and 3 in Oil and Gas space)

For Indian participants, upstream E&P assets expected to become available in Africa; however there will be fewer consolidated downstream assets for acquisitions

# Transactions in Africa – India Perspective

## Recent discoveries and exploration licensing rounds to drive investments and transactions

- Large acreages available from onshore to deep offshore
- Significant natural gas and heavy oil discoveries predominantly in East Africa expected
- Indian Companies already participating

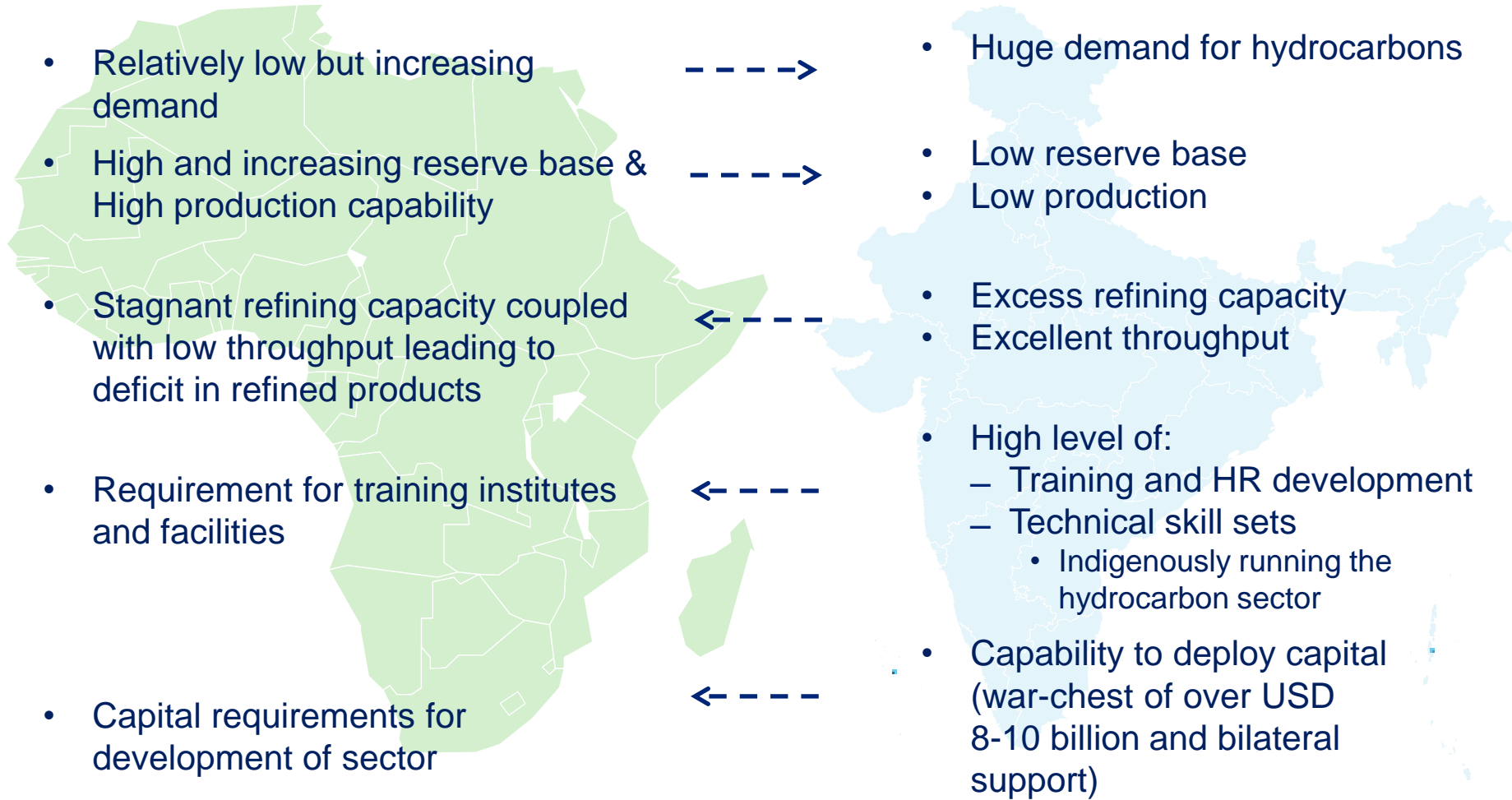


## India – Africa transaction perspective

- Historically NOC driven in upstream - OVL, BPRL (subsidiary of BPCL); Libya, Sudan, Nigeria, Egypt, Gabon, Mozambique, Madagascar
- Some recent private sector participation; downstream - Essar, Reliance; upstream - Videocon
- Manufacturing related investments in various sectors
- Service and EPC investments/participation particularly in downstream – Punj Lloyd in pipeline, EIL in engineering services

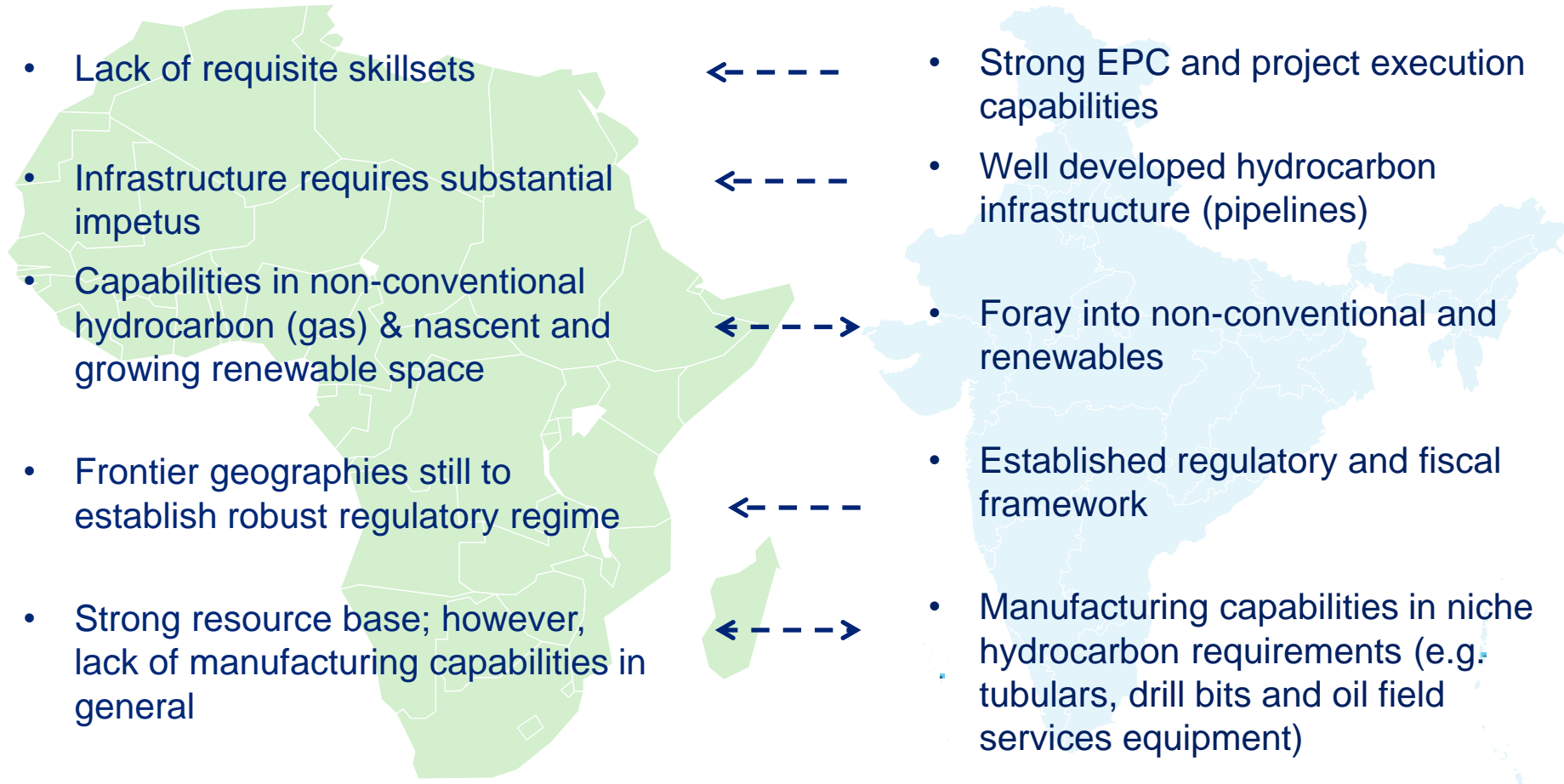
India's collaborative approach to shape India-Africa hydrocarbon prospects

# Opportunities for Collaboration



Numerous collaborative opportunities for mutual benefit

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Numerous collaborative opportunities for mutual benefit

# To Sum Up...



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