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PARLIAMENTARY SECRETARIAT
FOR EUROPEAN FUNDS AND SOCIAL DIALOGUE

TRADEMALTA

Services to the Oil and Gas Value Chain

An Industry Report Focusing On Business Opportunities
For Malta-based Firms in

Angola | Ghana

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Both a quantitative and qualitative analysis of the opportunities involved has been undertaken. In quantitative terms, quantification of the growth of the sector, percentage of the population consuming products from the sector, types of firms operating in the sector as well as incentives offered by the country are considered.

On a qualitative level, the analysis comprises an identification of the main political, economic, sociocultural and technological (PEST) trends or events that might constitute an important opportunity for Malta-based operators.</td></tr>
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The aim of this section is to look at these various options, citing the pros and cons of each option for each of the 2 geographical markets studied.
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3. About TradeMalta & The Strategic Opportunities Reports It Is Publishing

TradeMalta Limited was established in 2014 through a private-public partnership between the Government of Malta and the Maltese Chamber of Commerce. The primary objective of the entity is to provide support and assistance to local small and medium-sized enterprises (SMEs) seeking to explore internationalising beyond the Maltese shores. Such support comes in various forms and includes, *inter alia*, the provision of ad-hoc advisory services, the organisation of business missions in countries of interest, as well as education and training to local business owners in the fields of international business and marketing.

The global political and economic arenas are nowadays increasingly dynamic and the organisations and players therein are in a constant state of flux. Political uncertainty and upheavals, as well as instability and critical political decisions made by the world's leading economies, together with a number of emerging economies experiencing fuelling growth, are a few of the multitude of factors that continue to have an important bearing in the global business environment.

Taking calculated risks and making informed decisions has, now more than ever before, become imperative and no entity considering venturing abroad, be it through franchising, marketing to foreign markets or physically setting up shop in a foreign jurisdiction, can do so successfully without first having undertaken a thorough assessment. To this end, through TradeMalta, Maltese businesses considering internationalisation have the ability to access good-quality, well-researched, relevant and updated information on the market and sector parameters that matter most.

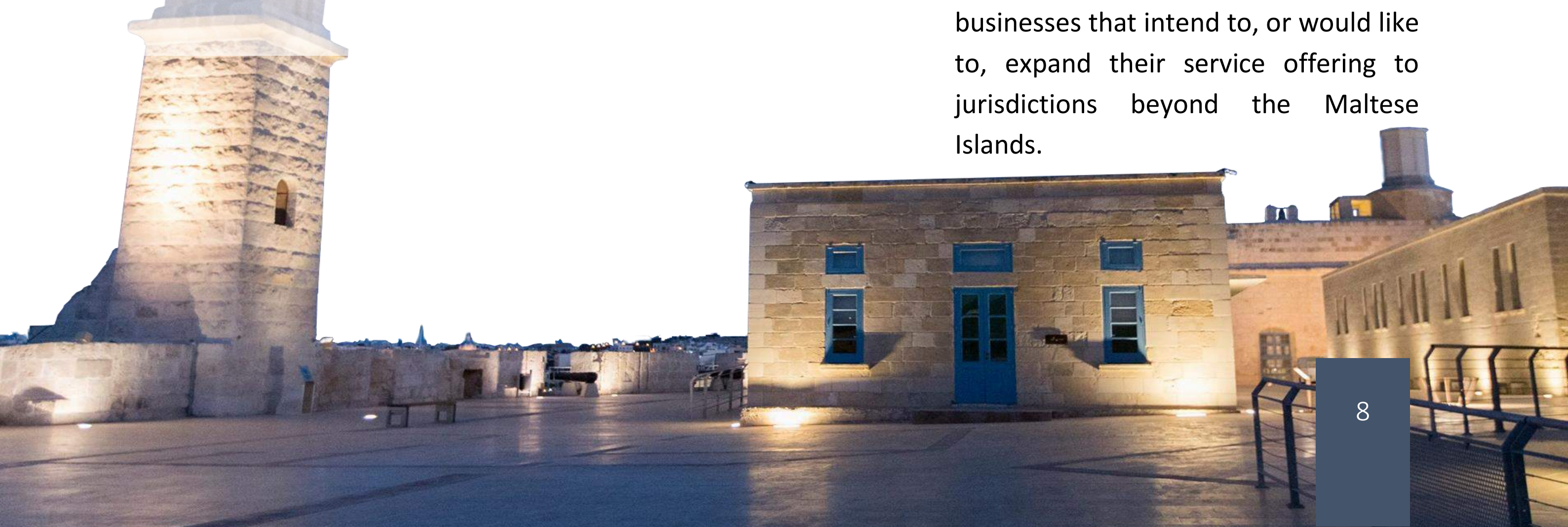
While tailor-made *ad-hoc* country reports can and should be commissioned when and where appropriate, they usually come at a considerable cost. In this milieu, Trade Malta's objective is to take on this cost itself with a view to facilitating internationalisation and trade.

It is in this context that this report and others like it are being published following the approval of the *Internationalisation Knowledge Platform* project for ERDF Funding. Through this project, TradeMalta is seeking to develop a digital platform within its new website with the key objective of providing SMEs access to relevant and updated international market and sector-specific reports for a certain number of countries and areas that TradeMalta deems to be strategically relevant to Maltese businesses.

Indeed, this is one of several initial Strategic Opportunities Reports that endeavour to analyse the key opportunities in five sectors that are deemed to be strategically important for the Maltese economy and that have shown great potential for growth.

In light of this, the Project that this report makes part of it is to our understanding that the objectives of this Assignment are to:

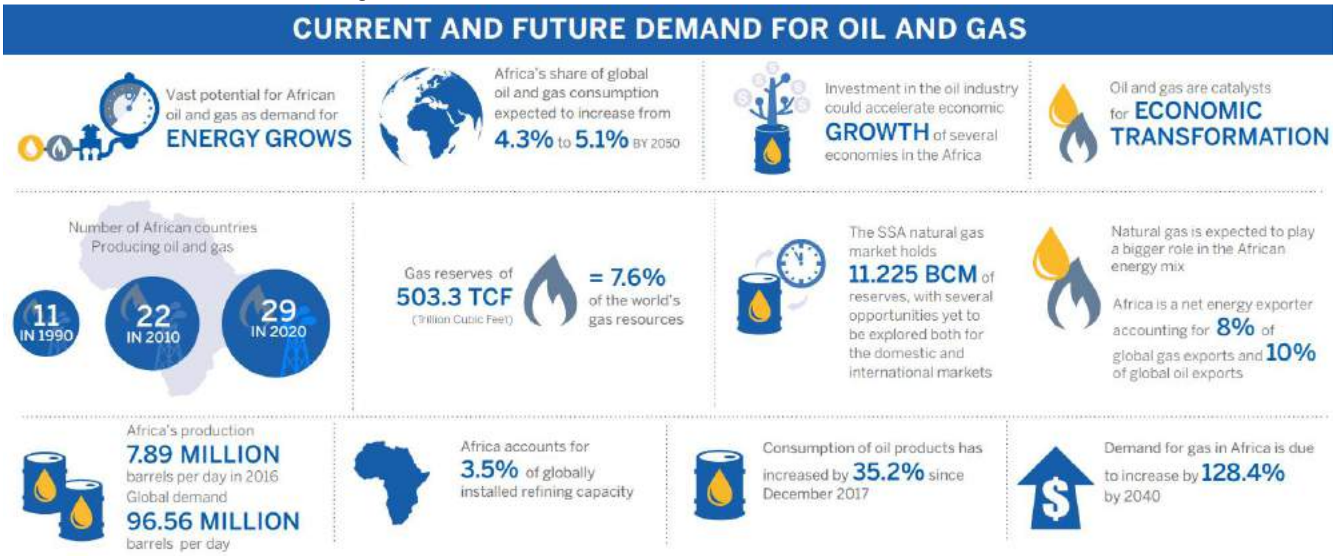
(i) Foster growth potential of SMEs at an international level through the provision of support services; and
(ii) Provide 5 core sectors of the Maltese economy with a factual and up-to-date Report identifying some key markets offering growth potential for local businesses that intend to, or would like to, expand their service offering to jurisdictions beyond the Maltese Islands.



4. Executive Summary

The African continent continues to boast a vast array of potential opportunities, particularly in the extraction industries, chief among which is the oil and gas sector. The sector has historically been a primary driver of economic growth and is once again attracting investor interest as international energy prices recover and investment plans in renewables get shelved until the dust settles on the debate of whether climate change is real.

Figure 1 – Current and Future Demand for Oil and Gas in Africa

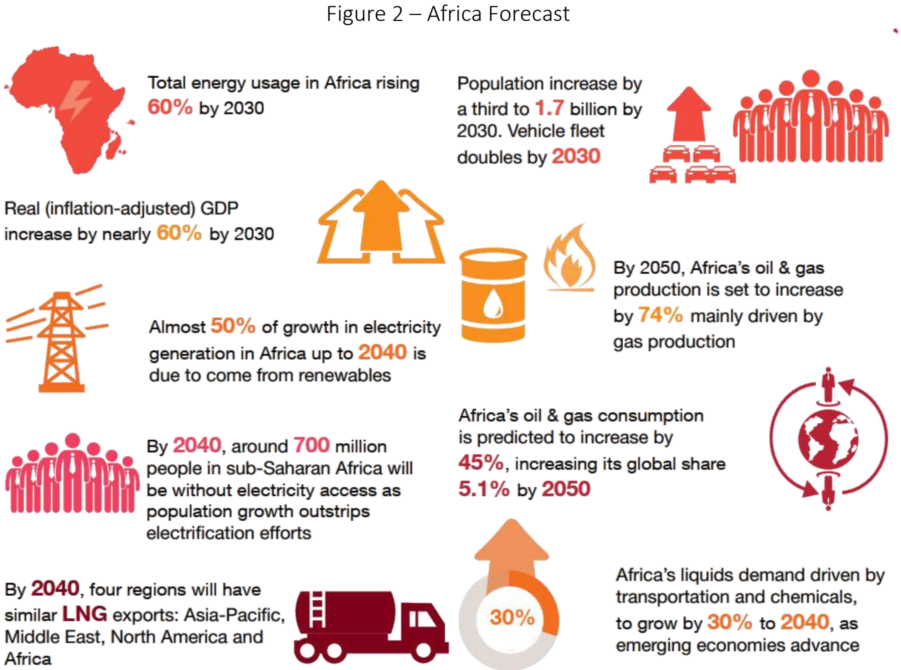


Source: BP Statistical Review of World Energy (2017)

The African economy is heavily affected by, and is greatly benefitting from, oil and gas. Overall, in Africa, it is estimated that nearly 60% of the export earnings are derived from hydrocarbons with some of the most oil and gas-dependent countries in the world being found in the region.

The African continent is the world's fastest-growing economic region with a forecast combined real GDP growth of 4% per annum towards 2030 which will result in economic activity increasing by 60% between 2018 and 2030. In comparison, global real GDP will average 3% resulting in world economic activity increasing by 45% over the same period.

Figure 2 – Africa Forecast



Source: Taking on Tomorrow Africa Oil & Gas review, PWC, 2018

The African population is expected to increase to more than 1.7 billion by 2030 doubling the expected size of the vehicle fleet as households with rising income opt for better mobility. The growing population will also become more urbanised and by 2030 it is expected that 6 of the world's 41 megacities will be in Africa (PWC, 2018). By this time, half of the population will live in urban areas increasing energy demand for cooking, heating, communication, transportation and industrial production. Africa's energy consumption has already increased by almost 50% since 2000.

Despite their disadvantages (such as climate change and health problems), fossil fuels like oil and gas remain very popular in developing regions like Africa, given the fewer readily-available alternatives. Even where they exist, alternative sources of energy are not yet reliable, cheap enough or sufficiently energy efficient to compete with hydrocarbons without any foreign donor or government assistance. Other sources like nuclear energy are heavily underdeveloped (only South Africa enjoys nuclear power on the continent). Wind and solar energy often fail to provide a continuous and reliable supply source, cross-country interconnected electricity grids are practically inexistent and hydroelectric power is now at the mercy of a fast-changing climate. As a result, more Africans now depend on oil and gas products to meet their daily energy demand because they are cheaper, more space-efficient (oil and gas pack a considerable amount of easily-harvested energy in a small amount of space relative to market alternatives) and reliable than any of the other options available. The severe shortage of electricity in many parts of Africa is also causing people (who can afford it) to spend more on petrol and diesel to generate their own electricity through off-grid generators.

4.1 Challenges in the African Oil and Gas sector

The continent's challenging operating environment, coupled with a lack of transparency, regulatory uncertainty, political instability, and a chronic underinvestment in infrastructure have often been considerable deterrents to investment. Among these, regulatory uncertainty has been one of the greatest challenges facing players in the hydrocarbon space in Africa. Similarly, the interpretation of legislation, such as different tax regimes applicable to foreign oil and gas companies, can be a major challenge. As the required capital investment for the sector is often sourced from abroad, the presence of a business environment conducive to uncertainty and unnecessarily complex regulation has often led to delayed investment decisions on projects.

African countries have consistently been the worst performing nations on Transparency International's Corruption Perceptions Index (CPI). This continues to have a detrimental effect on investment, increasing the element of risk to international companies that wish to do business with these countries.

4.2 Opportunities

Despite the challenges, Africa does offer excellent opportunities in the form of unexplored acreage and ever-increasing demand fuelled by population growth, urbanisation, and lack of alternative energy sources. Moreover, with the workforce reduction implemented after the 2014 energy market collapse, there is a higher need for expertise in the field, which opens up opportunities for international service providers to supply different services requiring a wide range of expertise across the entire oil and gas industry value chain.

Digitisation is also opening new doors for service providers. In Africa, over 30% of production stems from legacy fields that have been in operation for over 25 years, meaning that there is a large portfolio of 'digitally backward' assets which would greatly benefit from digitisation. In an effort to lower costs and increase efficiency, oil and gas companies have ramped up their investment in technology.

The Maltese government and some of Malta's main market players have, in recent years, pushed for Malta to become a more important oil and gas support services hub catering for the Mediterranean and African regions. Malta has, for a long time been the home of experienced companies catering for the oil and gas industry, offering services along the oil and gas value chain including engineering services, manpower, training, trading, logistics, inspection, bunkering, repair and security.

With the move away from war-torn Libya, these companies are now focusing on other markets offering good potential for investment and growth.

In this report, we look at internationalisation opportunities in two markets that are structurally very different, but which nevertheless offer significant growth opportunities for the expansion of local service providers particularly in the fields of human resources, technical expertise and ICT.

In the oil and gas sector, internationalisation can take various forms across the value chain. Given the high-risk jurisdictions in terms of the socio-political environment, the corruption element and the barriers to entry, especially those related to direct capital investment in the upstream sector, internationalisation by Malta-based firms usually takes the form of partnerships with existing oil and gas companies or subcontractors who can afford to have a more geographically diversified assets portfolio. These would typically already have established setups with local governments requiring the need of expertise in different areas. Empirical data shows that oil companies tend to outsource or procure a substantial part of their goods and services from independent firms specialising in one or more of the tasks along the value chain.

4.3 Angola

Angola is a country that is rich in resources but is torn apart by civil strife. It scores low on human development indices notwithstanding its large oil reserves that the country has utilised to rebuild since the end of a 27-year civil war in 2002. Fighting between the Popular Movement for the Liberation of Angola (MPLA), led by Jose Eduardo Dos Santos, and the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, followed independence from Portugal in 1975. Peace seemed imminent in 1992 when Angola held national elections, but fighting picked up again in 1993. Up to 1.5 million lives may have been lost and 4 million people displaced during the fighting. Savimbi's death in 2002 ended UNITA's insurgency and cemented the MPLA's hold on power. President Dos Santos pushed through a new constitution in 2010 and was elected to a five-year term as president in 2012.

More than a decade after the end of Angola's 27-year civil war, the country still faces a variety of socioeconomic problems, including poverty, high maternal and child mortality, and illiteracy. Despite the country's rapid post-war economic growth based on oil production, more than 40 percent of Angolans live below the poverty line and unemployment is widespread, especially among the large young-adult population.

Of the estimated 550,000 Angolans who fled their homeland during its civil war, most have returned home since 2002. In 2012, the UN assessed that conditions in Angola had been stable for several years and invoked a cessation of refugee status for Angolans. Following the cessation clause, some of those still in exile returned home voluntarily through UN repatriation programs, and others integrated into host countries.

Figure 3: Key Rankings and Tax Rates (Angola)

Comparative Rankings	2017/18
Ease of doing business (out of 190)	175 ⬆
Corruption Perceptions Index (out of 180)	167 ⬇
Index of African Governance (out of 54)	45 ⬇

Key Tax Rates

Income tax – Companies	Rate
Standard corporate rate	30%

Withholding taxes	Rate
Dividends or profit sharing	10%
Interest	5/10/15%
Royalties	10%
Capital gains derived from the disposal of shares or other securities that generate income subject to tax	10%
Other residual income arising from capital investment	15%
Payments for services of any nature	6.5/10.5%

Source: Deloitte Africa Oil and Gas State of Play (2018)

Angola is the second largest oil producer of the Sub Saharan region after Nigeria. The Angolan economy is highly dependent on oil, which accounts for a disproportionate share of exports and government revenues, a problem highlighted by the recent oil price shock (price of oil experienced a dramatic fall between mid-2014 and early 2016). In addition to oil dependence, Angola's key challenges include difficult business conditions and poor infrastructure.

The country also has the fourth largest natural gas reserve in the Sub Saharan region, although only a small portion is commercially viable. A presidential decree passed in early 2018 includes incentives to attract investment to tap into the high potential of Angola's gas resources. 2017 has proven to be a turning point for Angola as President Jose Eduardo dos Santos stepped down after 38 years in office and João Lourenço was elected as his successor.

Thus far, President Lourenço has positively surprised everyone with his ambitious reform agenda aimed at fighting corruption, diversifying the economy, and promoting the private sector. In addition, Angola benefits from strong ties with China, which is a major strategic partner with commercial and financial interests, but which could on the downside make it harder for EU-based firms to penetrate the market.

With the new government in place, Isabel dos Santos was dismissed as head of Sonangol (national oil and gas company) in November 2017 and replaced by veteran Sonangol executive, Carlos Saturnino. This initiated a major reorganisation of the company led by the Minister of Petroleum. As part of the restructuring, some of Sonangol's responsibilities were transferred to the National Agency of Petroleum and Gas to encourage transparency and avoid conflicts of interest.

Through a number of policies formulated in early 2018, the Angolan government aims to revitalise the oil and gas sector by encouraging foreign companies to invest in both the upstream and downstream markets.

4.4 Ghana

Ghana is a republic with a multiparty democratic system, under which executive power is vested in a president, who is elected by universal suffrage every four years. The country is a rare example of a stable democracy in a region beset by strife and instability. While Ghana shares many of the challenges of its African peers, including high levels of poverty, it does so in an environment of greater security and personal freedoms. There have been periodic outbreaks of ethnic violence, largely in the north of the country, but these have had little impact outside the immediate locality in which they have occurred and are at risk of occurring.

In recent decades, power has been shared by the two main political parties, the New Patriotic Party (NPP) and the National Democratic Congress (NDC). Power has transferred between the two parties twice at national elections, securing Ghana's reputation as one of the more robust democracies in Africa. A potential challenge to political stability, the death of the then-president, John Atta Mills, in July 2012, was addressed reassuringly smoothly, with his vice-president, John Mahama, taking over until the next election, as stipulated in the constitution.

Ghana possesses several natural resources, including arable land, forests and sizeable deposits of gold, oil, diamonds, manganese and bauxite. Several lakes and rivers offer opportunities for other hydroelectric power plants to complement Ghana's vast Lake Volta plant. Ghana's location on the west coast of Africa also allows for extensive fishing in the Atlantic Ocean.

Figure 4: Key Rankings and Tax Rates (Ghana)

Comparative Rankings	2017/18
Ease of doing business (out of 190)	120 ↑
WEF Global Competitiveness (out of 140)	106 ↓
Corruption Perceptions Index (out of 180)	81 ↑
Index of African Governance (out of 54)	8 ↓

Key Tax Rates

Income tax – Companies	Rate
Standard corporate rate	25%
Mining/petroleum companies	35%

Withholding Taxes	Residents	Non-residents
Dividends	8%	8%
Interest	0/8%	8%
Royalties	15%	15%
Management/ professional fees	7.5%	20%
Rental payments	8/15%	15%

Source: Deloitte Africa Oil and Gas State of Play (2018)

Gold is concentrated in the Ashanti and Western regions, although there are also sizeable deposits in the Central and Brong-Ahafo regions. Lake Volta, which supplies the Akosombo dam, lies to the south-east. The preponderance of the country's food is produced in the north. Cocoa, the main cash crop, grows in all the regions south of the Northern region. Significant oil discoveries were made in offshore Ghana in 2007. Reserves of natural gas were also found offshore, and the construction of infrastructure to enable these reserves to be turned into electricity was completed in 2013 and 2014.

Ghana joined the world's oil producers on December 15th 2010. The long-anticipated start to commercial production was a significant moment in Ghana's history. However, it has brought risks and, domestically, the government has struggled to manage expectations. Many Ghanaians have been disappointed with the impact oil revenue has had on their standard of living, expecting a more rapid transformation from a commodity whose production drove a 14% increase in overall real GDP growth in 2011 alone. Exploration costs have weighed on the exports generated, whereas some of the fiscal revenue that has been generated has gone towards paying back arrears that had built up in recent years amid weak public expenditure management. However, after having come clean of arrears and after a governance reform, Ghana is now set to rise at an unprecedented pace.

The UK-listed Tullow is the largest foreign player in Ghana's oil industry, with a 36% share in the Jubilee field. Development of Ghana's gas reserves, both those associated with the oil discoveries and stand-alone gas fields, has developed relatively slowly over the years.

Additional gas supply from the Jubilee field has become an important feedstock as an alternative to the gas sourced from Nigeria via the West African Gas Pipeline (WAGP). Gas supplies via the WAGP have been erratic at times, while gas sourced from the Jubilee field has proven to be cheaper. The first phase of the gas industry's development cost over 800 million euro and was financed through part of a USD 3 billion loan agreed with China and guaranteed by future oil earnings.

The West African Republic of Ghana is one of Africa's new oil and gas producing nations. Compared to the large African petro-states Angola and Nigeria, Ghana remains a small producer. But in contrast to most other producers on the continent, Ghana's industry has advanced at a steady pace in recent years despite a drop in international oil prices. The country has seen the highest growth in oil production since 2010. For the first time, in 2018 Ghana saw oil export revenues surpass cocoa. Europe and China are Ghana's main markets for crude oil exports.

In August 2016, Ghana's Parliament passed a long debated Petroleum Bill which seeks to create a legal and regulative framework in order to respond to new developments in the petroleum industry.

Moreover with Ghana and Côte d'Ivoire's running maritime border issue resolved in September 2017 (in favour of Ghana), the oil producer can now continue with explorations in this disputed area. The maritime border dispute between Ghana and Côte d'Ivoire resulted from a long-term disagreement regarding the direction of the azimuth line dividing the two countries' territorial waters, exclusive economic zones, and portions of the continental shelf.

5. Malta as a Service Provider to the Oil and Gas Value Chain

5.1 Oil and Gas Value Chain Explained

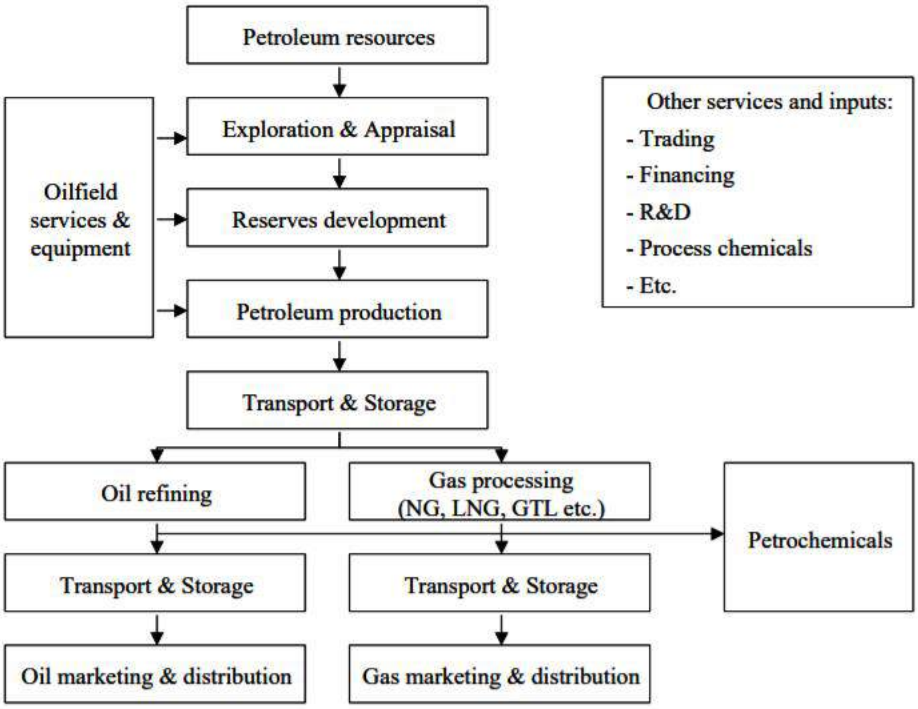
The oil and gas industry encompasses a range of different activities and processes which jointly contribute to the transformation of underlying petroleum resources into useable end-products.

This study will make use of a generic value chain that is applicable across various oil and gas products. In practice, each specific consumer product has a specialised value chain of its own that depends on the production method, , the refinement process, and the supply process including distribution to the end consumer.

The value chain starts with the identification of suitable areas to conduct exploration for oil and/or gas. After initial exploration, petroleum fields are appraised, developed and produced (known as Exploration and Production, E&P). This activity usually involves complex geological studies. These activities fall under the upstream market category. Oilfield services include a number of auxiliary services in the E&P process, such as seismic surveys, well drilling, equipment supply and engineering projects ranging from feasibility studies and Front End Engineering Design (FEED) projects to Design and Build projects. Infrastructure such as transport (pipelines, access to roads, rail and port infrastructure, etc.) and storage are critical at various stages in the oil and gas value chain, including the links between production and processing facilities, and between processing and the final customer. These parts of the value chain are usually referred to as the midstream part of the value chain. Oil refining and gas processing are required to turn the extracted hydrocarbons into usable products. The processed products are then distributed onwards to wholesale, retail or direct industrial clients (which constitute the downstream market).

Individual companies can cover one or more activities along the value chain, implying a degree of vertical integration or can seek to expand within a given activity, implying horizontal consolidation.

Figure 5: Value Chain Explained



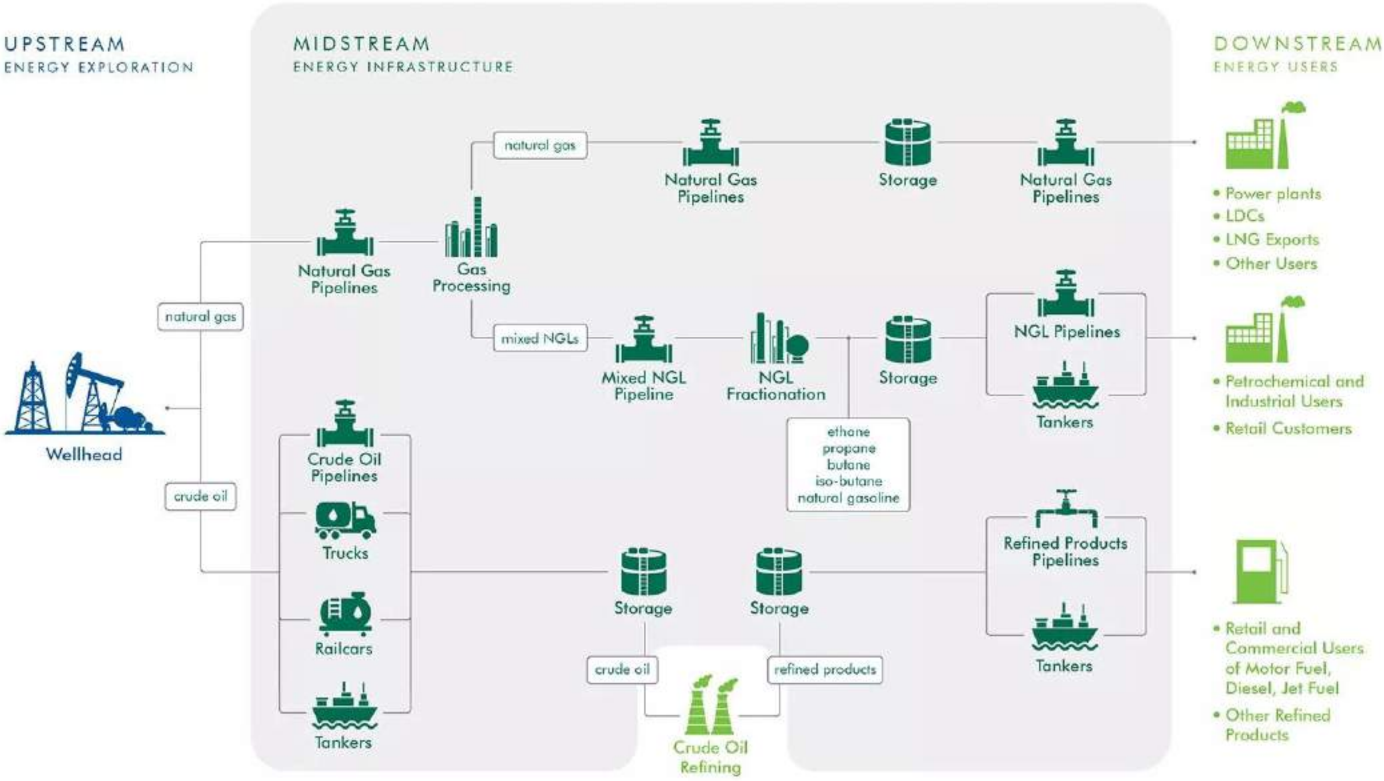
Source: World Bank, The Petroleum Sector Value Chain, June 2009)

Along the value chain, activities are inherently inter-linked, and such linkages might occur within or across individual firms, and within or across national boundaries.

Crude oil is mainly recovered through oil drilling. It is then refined and separated into a large number of consumer products from gasoline (petrol) and kerosene to asphalt and chemical components used to make plastics and pharmaceuticals. The petroleum industry is involved in the global processes of exploring, extracting, refining, transporting (often with oil tankers and pipelines), and marketing.

Gas (commonly known as 'natural gas') is a mixture of several gases that come out of the earth with the crude oil. Natural gas composition is highly dependent on the oil field from which it is extracted, and its calorific value depends in turn on its chemical composition. The gas value chain is similar to the oil value chain, with the exception that gas can be transported either in a gaseous or in a liquid state, in the form of Liquefied Natural Gas (LNG).

Figure 6: Value Chain Segmentation



Source: Clarion Securities, 2018

5.2 Oilfield Service Companies

The Oil Field Services (OFS) industry has come a long way from its origins in the 1980s. The industry's growth has regularly outpaced the increase in oil production, and OFS companies now constitute an essential element in the oil and gas value chain. OFS companies have invested continuously in research and technology, and have become essential outsourcing partners to the International Oil Companies (IOCs) with some partnering directly with National Oil Companies (NOCs).

The demand for oil is still high and rising, underpinned by solid growth in populations and economies worldwide. However, the supply side has increasing constraints. The time of easily accessible oil, dubbed as 'easy' oil, is gone and existing basins are depleting, so the size and complexity of projects is increasing overall. Additionally, a shortage of skilled professionals is having adverse effects on delivering new projects and managing existing reservoirs.

The cyclicity brought about by the vagaries of the oil price does not help this cause, as professionals operating in the sector might find themselves unemployed on a cyclical basis in accordance with whether the oil field they have been assigned to is able to extract profitably at current market prices. In the past, the industry was saved by high oil prices, but this is no longer the case. Hence, the current cost squeeze will become even more severe. Efficiency improvements and capital project performance will therefore become increasingly crucial.

It is impossible to imagine the oil and gas industry without outsourcing. If oil and gas companies continued to perform all of their business processes on their own, they would neither be able to increase the current scope of their activities nor achieve successful growth.

In the upstream segment, outsourcing is most common in the form of engaging oilfield service companies in exploration, field development and oil production. Outsourcing providers are also involved in transportation to the point of consumption or processing of raw materials, by pipelines, rail, road, sea (in tankers) and rivers in the midstream sector. In the downstream sector, outsourcing exists in the form of processing raw materials into commodities, as well as in the form of distribution and sales channels.

In principle, oil and gas companies can outsource all the elements of the value chain, while only retaining ownership of production licenses, customer and financial centre functions.

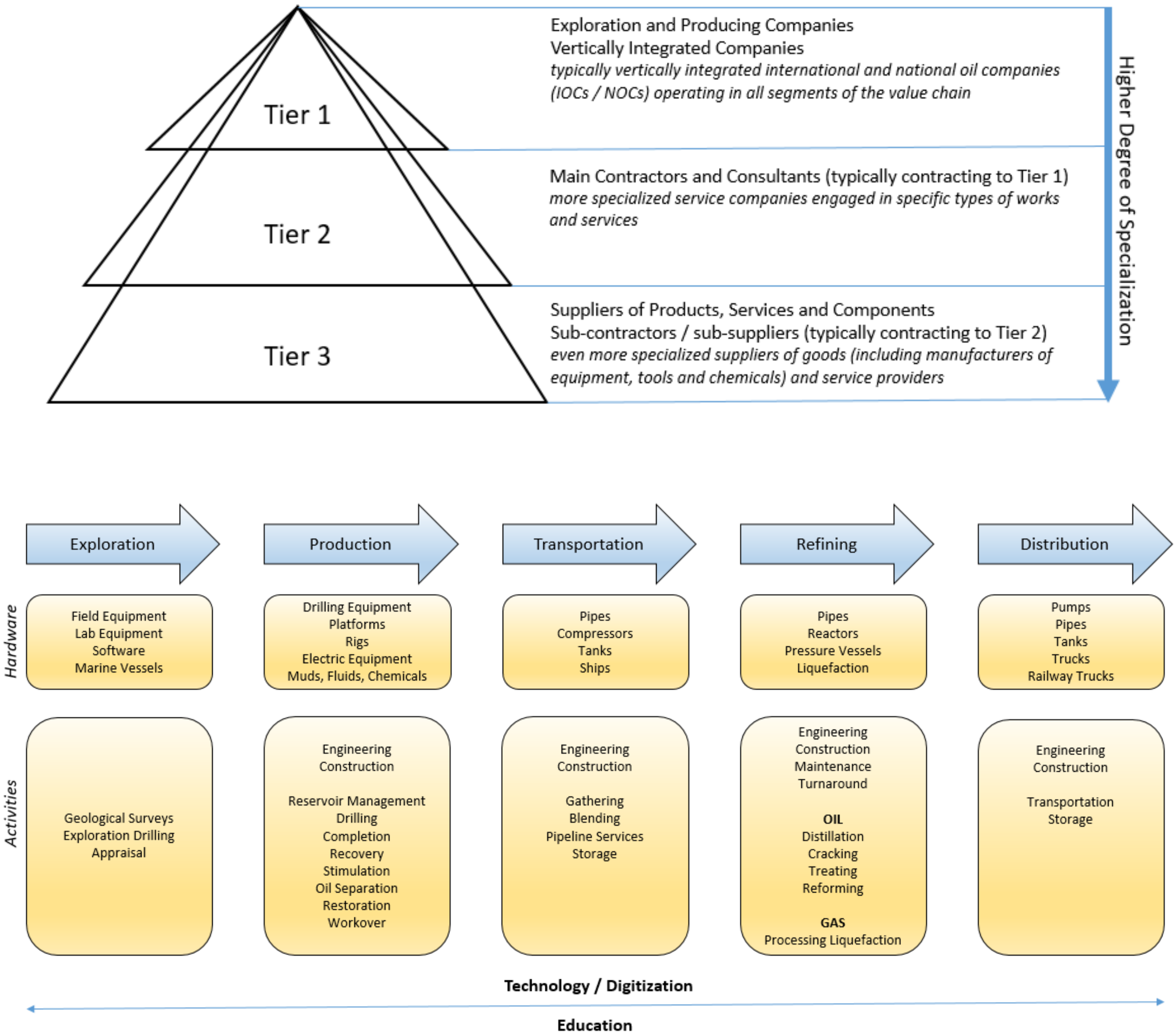
In recent years, the oil and gas sector has been characterised by a diverse range of operating environments. Although the big companies have traditionally sought to participate in all environments, this is not the case anymore. In fact, the sector's current dynamics and uncertainties produced a new breed of smaller specialised companies across the value chain (predominantly in upstream and midstream segments).

The evolution of the oil and gas sector from one dominated by large, generalist companies to one featuring specialists in narrower aspects of the operating environment has required companies to establish new ways to collaborate, as well as ways that leverage the specific skill sets of each organisation. Even OFS companies themselves are partnering with smaller service providers that in most instances cater for a specialised service or niche in the industry, especially when it comes to technology.

These specialists are focusing on a niche part of the market or a single or small set of technologies allowing them to effectively compete with the integrated service providers. Primarily, there are three tiers of companies in the oil industry. Vertically-integrated international and national oil companies

(IOCs and NOCs) operate and manage different segments of the value chain. The second and third levels are represented by OFS companies and their suppliers (materials, equipment, services). These firms provide services directly to the Tier 1 companies and serve as suppliers to all segments of the chain. The below diagram explains and provides some examples of the different levels of services provided.

Figure 7: The Three Tiers of the Oil and Gas Industry and Related Goods and Services



Source: The Oil and Gas Services Value Chain, National Analytic Centre for Microeconomics, Duke University USA (2017)

Another area of focus is that of training and development. Emerging markets use local content regulation in their global projects to boost their economy and develop the industry. Having said that, the education levels in such countries provide for a barrier that adds to the challenges of service providers. OFS companies are being asked to partner with local governments and international oil companies in order to harmonise the education system and increase the technical skills of locals.

Figure 8: Labour market skill shortage between different markets

Source: Oilfield Services: Unlocking the Full Potential: World Economic Forum (2013)

5.3 Digitisation

The oil and gas industry is facing intense pressure to improve operational efficiencies as lower oil prices continue to crimp margins. This has opened new doors for OFS companies. In Africa for example, over 30% of production stems from legacy fields that have been in operation for over 25 years, meaning that there is a large portfolio of 'digitally backward' assets which would greatly benefit from digitisation. In an effort to lower costs and increase efficiency, oil and gas companies have started to digitalise their operations at the upstream stage.

The enhanced use of technology is lately also being seen across the value chain affecting above-ground operational performance by:

1. Connecting critical assets and reducing system failure which can easily result in costly and often life-threatening emergency situations;
2. Managing, storing and analysing massive amounts of data to drive better and faster decisions;
3. Further increasing reservoir management and drainage efficiencies;
4. Deploying digitally enabled technologies like artificial intelligence (AI) and robotics, reducing the need for human responses and changing the skill sets needed.

Digitally enabled technology systems are expected to significantly reduce the cost-per-barrel of future hydrocarbon resource exploitation.

To the upstream oil and gas business, digitisation includes the rollout of smart elements such as sensors, measuring devices and actuators embedded in drills or wellheads exchanging data in real time. The use of Internet of Things (IoT) sensors can help oil companies have real-time control increasing the safety, reliability and yield of wells around the globe. Such exchange enables expansive monitoring, integrated operations, remote configuration and optimisation. Wireless networking connects these elements, and through the use of purpose-built applications, sends their combined and integrated data to servers for processing, storage and analytics.

Drones can be utilised to complete otherwise costly (and sometimes dangerous) activities, including those of a routine nature. An end-to-end solution combines drones, digital analytics and machine learning to power transformation, with activities including:

- Drilling site inspection, selection and planning;
- Surveys used in exploration phases;
- Integrated data from the field;
- Equipment and materials surveys;
- Construction progress monitoring; and
- Storage tank and pipeline inspections.

Robotic Process Automation (RPA) is another application being increasingly used in the industry. RPA allows a company to configure computer software that sits on top of existing systems and interprets existing applications to perform tasks normally performed by a human, using rule-based processes. RPA can be applied to a multitude of processes across multiple functions.

5.4 Malta as a Service Provider

Malta has been an oilfield service provider for a number of years and is home to a number of companies servicing the oil and gas sector. The growth of such companies is mainly related to the strategic position of the Island and the past collaboration with oil rich Libya.

Malta's central location in the Mediterranean and its proximity to proven hydrocarbon systems with producing oil and gas fields in offshore Sicily, Libya and Tunisia also makes the Island's offshore acreage attractive for petroleum exploration.

Malta has been an oilfield service provider for a number of years and is home to a number of companies servicing the oil and gas sector. The growth of such companies is mainly related to the strategic position of the Island and the past collaboration with oil rich Libya.

The recent growth in the sector, however, extends away from pure exploration activities. Despite the fact that Malta has to-date not found commercial quantities of hydrocarbons, the Island has built up a formidable service centre for the oil and gas industry and is responding to new opportunities in regional and global markets. Major oil and gas discoveries in the Mediterranean are creating a demand for support services, positioning Malta as the ideal country from where key players and service providers are converging to set up and operate.

The Island offers a state-of-the-art transhipment terminal, as well as storage and warehousing facilities. In addition, it boasts expertise in the manufacture, repair and conversion of ships and oil rigs. Malta also operates the largest oil bunkering facility in the Mediterranean, with a storage capability of 360,000 cubic metres. It is operational around the clock and has an annual handling capacity of around two million metric tonnes of products.

Local OFS companies have been servicing the Mediterranean and North African region for some time offering a number of services targeted at the upstream and midstream sectors including;

- Feasibility studies
- Project management
- Survey support
- Logistic solutions (including security)
- Engineering and repair
- Procurement intermediation
- Manpower and supervision
- Talent sourcing
- Training
- Software development

5.5 Exporting the Service

Although the local industry is booming with opportunities, the main aim of a country investing in the oil and gas services industry is to create an infrastructure which enables such companies to offer their product overseas. Malta has a successful history of collaborations in this sector and the government is pushing on the experience gained in the industry to market the Island further, reaching out to countries which provide potential for growth.

The Government, through entities such as TradeMalta, aims in helping local based OFS companies reduce the barriers to export through target market and country research, business missions and assistance in marketing.

In 2018, Malta was chosen for the first time to host the Euromed Oil and Gas Conference. One of the aims of the conference was to help global industry players make the right strategic connections and market local OFS companies. The conference touched areas related to geo-strategic, commercial, technological and regulatory aspects of the segment in an effort to maximise return on investment across the value chain.

Local businesses are being encouraged by the Government to exploit:

1. Malta's strategic location in the Mediterranean, with ready access to the European and North African markets;
2. Government's strategic alliances with foreign organisations;
3. Opportunities to expand into new or bigger markets;
4. Local knowledge, experience and facilities;
5. Investments in the ICT sector

5.6 Where to Focus

This report shall focus on how local OFS companies can service the African region (namely Angola and Ghana) in terms of the value that can be provided by the local industry. The top strategic priority for oil and gas companies remains operational excellence aimed at cost reduction. To achieve these savings, companies have altered their operating models and focus, looking to de-risk their activities and expand operations through new partnerships to access capabilities while incurring lower costs. The oil and gas industry has evolved from being dominated by large, generalist companies, to a myriad of specialists focused on narrower aspects of the operating environment through the different value chain levels.

Given the high risk jurisdictions in terms of the socio political environment, the corruption element and the barriers to entry especially related to direct capital investment in the upstream sector, internationalisation by Malta based firms could take the form of partnerships with existing oil and gas companies or subcontractors who would already have established setups with local governments requiring the need of expertise in different areas. Empirical data shows that oil companies tend to outsource or procure a substantial part of their goods and services from independent firms specialising in one or more of the tasks along the value chain.

Local content policies are also affecting this sector as governments push for the use of local human resources. This has been one of the greatest challenges for companies operating in Africa as technical skills are lacking. Service companies are thus being hired to fill in the technical gap or to train and develop local employees (who in most instances are paid less than foreigners).

Many organisations are also looking at improving operational efficiency by making use of technologies such as data analytics, the Internet of Things (IoT), drones and Blockchain.

Technical expertise and ICT are two sectors where Malta excels and should be the main drivers towards internationalisation. This report will look into two very different markets, Angola and Ghana, in an attempt to provide an insight into the possibilities of expanding in these countries.

A firm which seeks to penetrate a new market must first of all clarify its core activities and which market it wants to compete in. Firms can be classified according to the task or market segments they work in. The supply industry is characterized by horizontal cooperation (between suppliers at the same level) and vertical cooperation (between suppliers in different layers). All actors (energy companies, suppliers and sub-suppliers) need to operate within legal frameworks set up by the State and may offer a specialised or general service.

5.7 Local Success Stories

Malta has considerable experience in the oil and gas sector and some local companies have made a name for themselves on an international scale.

In 2015, Computime, a local software company sealed a partnership with global software company EMC2. Computime’s product, Axon, allowed two of the most popular software applications used in the oil and gas industry (EMC2’s Documentum for Asset Operations and IBM’s Maximo) to interact with each other, providing an effective solution for this highly regulated and process-driven industry (Times of Malta, June 2015).

In November 2018, Medserv, a local company providing oilfield support services to the offshore oil and gas sector, announced that it had been awarded (through a tender process) a new shore base contract valued at US$30.6 million (equivalent to €26.8 million) in an area offshore Guyana where the US oil and gas giant ExxonMobil recently made important discoveries. Medserv will provide nearshore integrated logistics support services to the national oil company of the Republic of Suriname (Times of Malta, November 2018).

6. The Angolan Market

Quick Facts

Currency

Kwanza (Kz)

Language

Portuguese

Travel Visas

Along with a visa, a yellow-fever certificate is a prerequisite for entry.

Thirty-day visas must be obtained well in advance. Angola doesn't issue many tourist visas and the application process is costly and complicated.

Money

ATMs available in cities and towns, rarely in villages.

Credit cards are not widely accepted.

Mobile Phones

Switching to local SIM cards is advisable, as Angola is obviously not within the scope of the EU Roaming Regulation.

Services are offered in 2G on the 900 and 1800 MHz band, UMTS on the 2100 MHz band and 4G/LTE coverage on the 1800 MHz band. Luanda Province is the only area to provide LTE at present. Prepaid SIM cards are only available from official stores and outlets run by the providers. Street stalls, markets and random sellers have been banned from stocking SIM cards so that the government can cut down on theft and unauthorised sales.

Time

Malta CET time

Opening Hours

Angola officially has a five-day working week with Saturday and Sunday being public holidays.

Banks are open from 8:45am to 4pm from Monday to Friday and are closed on Saturday and Sunday.

Shops are generally open Monday to Friday from 8am-9am to 6pm-7pm; and on Saturdays 8 am-9 am to 12:30 pm.

The offices are generally open Monday through Thursday from 7:30am to 12:30pm and from 2:30pm to 6:30pm, and on Friday from 2:30pm to 5:30pm.Some offices are open on Saturdays from 8:30am to 12:30pm.

Travel for Business Development or Service Provision

Luanda Airport

Travelling from the airport to the city can be accomplished via taxi or rental car. There are a few international car rental agencies located in the airport. Travel via unlicensed taxi service is discouraged, as it presents a risk of danger. If possible, avoid arriving at the airport after dark. If you must arrive after nightfall, it is imperative to arrange transportation in advance. Average price of taxi from city centre is USD 35.

Getting Around

Road Conditions and Safety: Major roads between Luanda and the provincial capitals are improving, but some road conditions remain poor while the infrastructure for pedestrians is lacking. During the rainy season, November-April, roads and bridges, already in poor condition, can become impassable and landmines may become displaced and surface outside known mine fields.

When driving outside of Luanda on other than primary roads between major cities, a four-wheel-drive vehicle is useful. Secondary roads are often unpaved and nearly impassable. Major routes though are paved in most areas and feature gas stations and other roadside services.

Traffic Laws: You will need an international driving permit or Angolan license to drive.

Checkpoints: Both inside and around Luanda, police set up spontaneous roadblocks to check for vehicle documentation. They may also solicit bribes or request immediate payment of "fines" for alleged minor infractions. Police and military officials are sometimes undisciplined and their authority should not be challenged.

Make sure all vehicle documentation is available for inspection.

Resist paying bribes. Politely ask for a ticket or for the officer’s name and badge number if no violation is alleged. Remain inside your vehicle with doors locked and open the window slightly to communicate.

Carry colour photocopies of your passport and other identity documents to give to security or police officials.

If a hostile mob forms or you feel your safety is in danger, leave the scene and proceed directly to the nearest police station to report the incident. Do not stop at the scene of an accident where people have gathered, as mobs can develop quickly.

Landmines: Use caution in remote areas or off main roads outside of Luanda. Landmines are most common in the southern provinces. The provinces of Benguela, Bie, Cubango, Cuando, Huambo, and Huila, have a higher number of landmines than other areas of the country.

Public Transportation: Avoid all use of public transportation known as “candongueiros” or “taxistas,” (multi-passenger vans) and hire private transport from a reliable source. Any form of public transportation is unregulated, unreliable, and generally unsafe.

Safety

Luanda is one of the top areas where crime can occur in Angola, and it's also one of the spots most frequented by travellers since it's the capital city. Street crime is a large threat, and petty offenses like pick pocketing and theft from vehicles and homes are frequent. Angolan uniformed services are also known to target foreign-looking people with a view to soliciting bribes.

- Avoid walking alone, especially after dark, and displaying cash and valuable personal property.
- Vary your routes and travel times and let someone know your daily routine.
- Dress conservatively.
- Drive with doors and windows locked.
- Keep valuables out of sight and do not use cell phones or laptops while stopped in traffic; criminals often brandishing guns use smash and grab tactics to steal valuables.
- Keep some cash (US dollars) on your person (but not too much) to be able to bribe officials if stopped at checkpoints or randomly at gunpoint. This is expected, may be thought of as the equivalent of a toll, and may land you in confinement and in trouble if you are unable to pay. You should say that this is all that you’ve got after emptying all pockets if you happen to get caught up in one of these situations.
- Travel with a certified copy of your passport and Angolan visa to prevent the originals from being taken. Keep original documents in a secure location.

Basic Statistics

Land

Area: total: 1,246,700 km^2

Land: 1,246,700 km^2

Water: 0 km^2

Population

30,111,273 (2018 estimates)

Density: 24.68/km^2

Growth Rate: 3.32% (2018 estimates)

Urban population: 45.6% of total population (2017)

Rate of urbanization: 4.6% annual rate of change (2015-20 estimates)

GDP

US$124.2 billion (2018 estimates)

Real growth rate: 1.5% (2017 estimates)

Composition, by sector of origin (2017 estimates):

- agriculture: 10.2%
- industry: 61.4%
- services: 28.4%

GDP Per Capita

US$4,170 (2017 estimates)

Distribution of income – Gini coefficient: 42.7 (2016 estimates)

Religion

Roman Catholic	41.1%
Protestant	38.1%
Other	8.6%
None	12.3%

Age structure *

0-14 years:	48.12% (male 7,005,891/female 7,097,392)
15-24 years:	18.25% (male 2,593,355/female 2,756,367)
25-54 years:	28.03% (male 3,921,046/female 4,293,307)
55-64 years:	3.26% (male 438,268/female 517,690)
65 years and over:	2.34% (male 290,247/female 396,710)

*(2017 estimates)

Dependency ratios *

Total dependency ratio: 97.6

Youth dependency ratio: 93

Elderly dependency ratio: 4.6

Potential support ratio: 21.9

*(2015 estimates)

Important Contacts

There are currently no embassy or consulate of Malta in Angola, or an embassy or consulate of Angola in Malta. Angola, however, has an Embassy in Rome which is entrusted with Angola's dealings with Malta. More information should be available here:

https://foreignaffairs.gov.mt/en/Pages/Foreign%20Diplomatic%20Missions%20accredited%20to%20Malta/Angola.aspx

For information with regards travelling please contact:

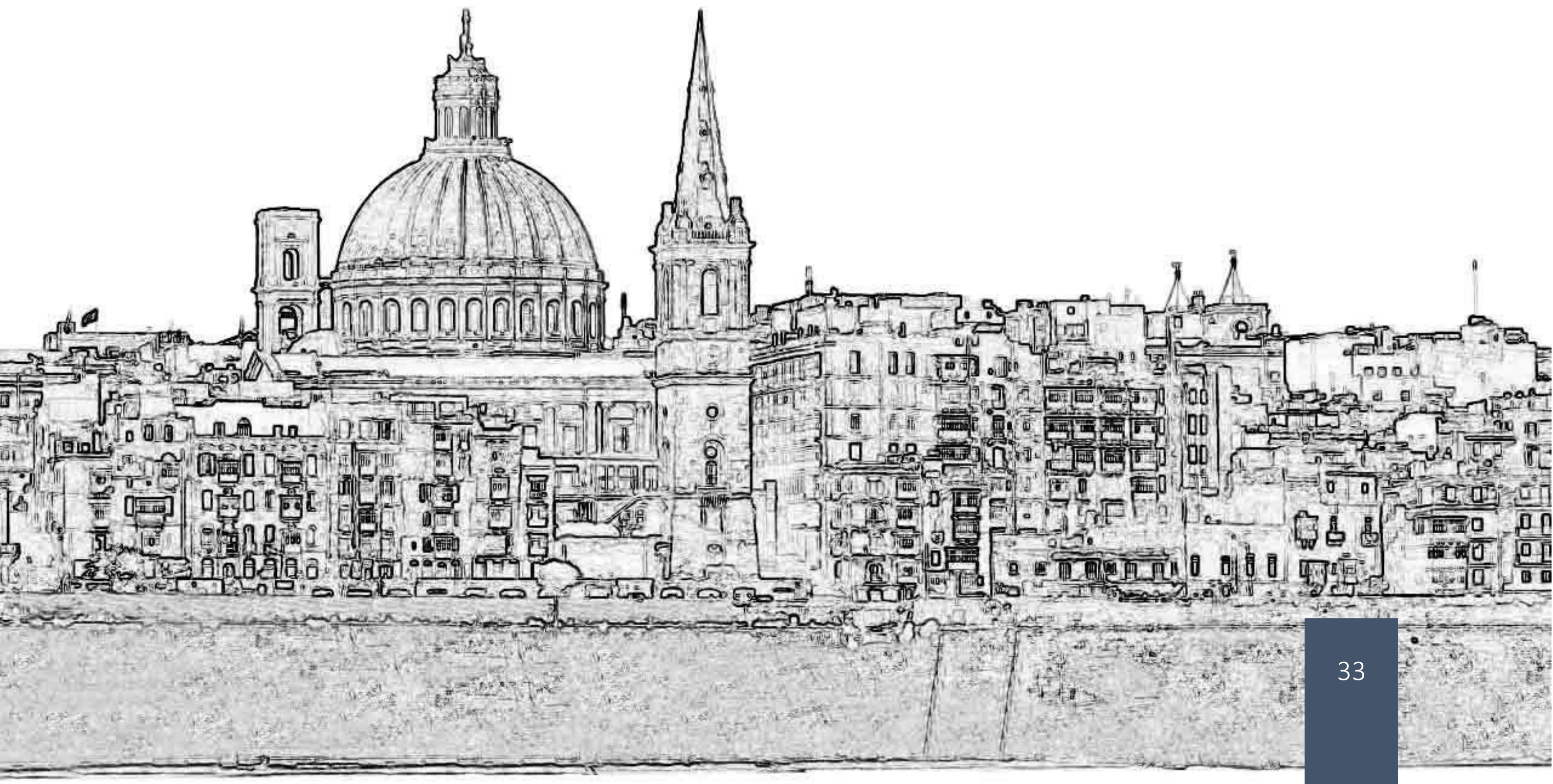
Ministry for Foreign Affairs and Trade Promotion

Palazzo Parisio,
Merchants Street,
Valletta VLT 1171
Malta

+356 2124 2191

foreignaffairs@gov.mt

Travellers to Angola are also advised to follow the Ministry of Foreign Affairs' warnings issued about travelling to Angola from time to time.



6.1 Oil and Gas Market in Angola

Angola is a country that is rich in resources but is torn apart by civil strife. It scores low on human development indices notwithstanding the large oil reserves that the country has utilised to rebuild since the end of a 27-year civil war in 2002. Fighting between the Popular Movement for the Liberation of Angola (MPLA), led by Jose Eduardo Dos Santos, and the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, followed independence from Portugal in 1975. Peace seemed imminent in 1992 when Angola held national elections but fighting picked up again in 1993. Up to 1.5 million lives may have been lost and 4 million people displaced during the fighting. Savimbi's death in 2002 ended UNITA's insurgency and cemented the MPLA's hold on power. President Dos Santos pushed through a new constitution in 2010 and was elected to a five-year term as president in 2012.

More than a decade after the end of Angola's 27-year civil war, the country still faces a variety of socioeconomic problems, including poverty, high maternal and child mortality, and illiteracy. Despite the country's rapid post-war economic growth based on oil production, more than 40 percent of Angolans live below the poverty line and unemployment is widespread, especially among the large young-adult population.

Of the estimated 550,000 Angolans who fled their homeland during its civil war, most have returned home since 2002. In 2012, the UN assessed that conditions in Angola had been stable for several years and invoked a cessation of refugee status for Angolans. Following the cessation clause, some of those still in exile returned home voluntarily through UN repatriation programs, and others integrated into host countries.

Angola sits on an estimated 9.5 billion barrels of proved crude oil reserves and 308.1 billion cubic meters of natural gas reserves, according to the latest estimates from the 2017 Annual Statistical Bulletin of the Organisation of the Petroleum Exporting Countries. Angola is the second-largest oil producer in Sub-Saharan Africa, behind Nigeria and has the fourth-largest gas reserves.

The new government aims to revitalise the oil and gas sector by encouraging foreign companies to invest in both the upstream and downstream markets. The recent fall in energy prices has depleted foreign currency reserves which resulted in a lack of foreign direct investment.

Oil price fluctuations impact directly on Angola's economy as oil represents one third of the economy and 95% of exports. The new government, established after the 2017 elections, is trying to diversify the economy, but this has proven to be difficult. Despite the fossil fuel sector's contribution to GDP, the industry only employs 0.5% of the country's workforce, thereby impeding inclusive growth.

With the new government in place, Isabel dos Santos was dismissed as head of Sonangol (Angola's national oil and gas company) in November 2017 and replaced by veteran Sonangol executive, Carlos Saturnino. This initiated a major reorganisation of the company led by the Minister of Petroleum. As part of the restructuring, some of Sonangol's responsibilities were transferred to the National Agency of Petroleum and Gas to encourage transparency and avoid conflicts of interest. The oil sector in Angola is regulated by Sonangol, the state concessionaire and national oil company. Sonangol has stakes in 32 out of the 36 oil producing blocks in Angola, and is the fourth largest oil producer in the country, after BP, Total and Exxon (Deloitte, 2018).

In order to attract more private investment and diversify the economy, the new government will need to make further progress in improving business conditions. In the World Bank's most recent Ease of Doing Business Index, Angola ranks 175th out of 190 countries. Among the major challenges are starting a business, obtaining electricity, trading across borders, and enforcing contracts. Burdensome regulations, lack of judicial independence, and a scarce qualified human capital are among other problems.

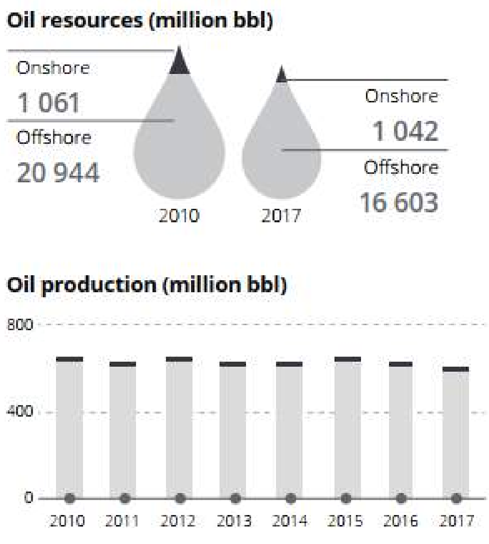
6.1.1 Oil and Gas Resources, Production and Consumption (in numbers) [1]

Angola has approximately 17.6 billion barrels of oil resources, almost 95% of which are located offshore. Resources have been steadily declining, decreasing by 20% between 2010 and 2017. During the oil downturn, low levels of investment in exploration led to few new oil discoveries. Oil production decreased by 7% between 2010 and 2017 due to a lack of development activity and investment in exploration. Production of refined products only meets 20% of domestic demand for medium and heavy fuels. However, the launch of a number of large projects that are expected to commence their activities by the end of 2018 are expected to improve the outlook significantly.

Angola's 2017 crude oil exports amounted to USD 31.7 (EUR 28.8) billion and are expected to continue growing, benefiting from Chinese demand. Angola is one of China's largest crude oil suppliers.

Angola's exports of refined products are limited and the market is becoming increasingly saturated. Consumption of refined petroleum products has remained subdued over the last few years, decreasing by 10% between 2010 and 2017. Consumption is expected to grow by 26% from 34.2million barrels (Mbbl) in 2017 to 43.22 Mbbl by 2023. Angola is reliant on fuel imports due to a lack of refining capacity and this trend is expected to continue unchanged.

Figure 9: Oil Resources and Production



Source: Deloitte (2018)

In 2017, Angola had almost 33,000 billion cubic feet (bcf) in gas resources, of which approximately 65% were located offshore. Estimates regarding Angola's gas resources have remained steady since 2010. Exploration of the Lower Congo Basin could increase Angola's reserve base significantly. Angola's gas industry is still immature, with onshore gas production of 196.8 bcf in 2017. The government aims to develop the country's non-associated gas resources to boost domestic gas

[1] Deloitte, Africa Oil and Gas state of Play, November 2018.

production. Most of the country's natural gas production is associated with oil production and is flared or re-injected into oil fields to increase oil production.

Angola only exports gas in the form of LNG. Total LNG exports in 2017 were 124.3 bcf. At the end of 2017, Vitol, Glencore and RWE signed long-term offtake agreements with Angola for LNG. This will encourage consistency in the country's gas production. However, exports may weaken as the high LNG supply worldwide and a weakening growth in consumption are putting strain on the LNG supply market.

Domestic gas consumption has been growing strongly over the last few years. This growth is expected to continue, with consumption expected to more than double between 2017 and 2023. However, there are several gas consumption constraints, including a lack of gas pipeline infrastructure, a fleet of Floating Storage Units (FSUs) and Floating Storage and Regasification Units (FSRUs) that takes time to increase in size, severe financial strain on the country's utility companies, subsidised liquid fuels, and large distances between gas production locations and core consumption areas.

6.1.2 Laws and Regulations

Exploration and production activities related to natural oil and gas in Angola are governed by Act 10/04 (Petroleum Act) and the Presidential Decree 211/15. The right to produce and explore for oil or natural gas is granted by means of concession agreements, generally preceded by a public call for tenders. A concession for exploration is granted by a concession decree, issued by the Angolan Government, attributing to the national concessionaire (Sonangol) the right to develop a specific oil concession.

Upstream operations fall under the responsibility of the Ministry of Petroleum, responsible for setting policies, supervising and coordinating the oil and gas sector. Among other tasks, the Ministry is responsible for releasing new bidding rounds, approving pre-qualification requests from foreign companies before public tender procedures, applying fines and other penalties, and proposing prices for crude oil. The Ministry is also responsible for overseeing the process of 'Angolanisation' of the upstream industry. This involves adopting policies towards progressive integration of Angolan nationals in all levels of operation.

Other relevant statutes include the following:

- Act 13/04 Taxation of Petroleum Activities;
- Act 2/012 Angolan Oil and Gas Foreign Exchange Act for the Oil Industry;
- Act 11/02 Petroleum Customs Act.

Angola is a signatory of the following treaties:

- New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards;
- United Nations Convention against Corruption (UNCAC);
- International Convention on Oil pollution, Preparedness, Response and Co-operation (OPRC).

Under the 2010 Constitution, the State is the owner of all national resources within the Angolan jurisdiction. This includes all onshore and offshore areas. All mining rights are exclusively assigned to Sonangol.

Sonangol may associate with Angolan or foreign entities of recognised capacity as follows:

- Corporation;
- Consortium;

- Production Sharing Agreements (which is the most common type of association);
- Risk Services Agreements.

The selection of Sonangol's associates shall be preceded by a public tender procedure, under the terms of Presidential Decree 86/18. One of the most significant changes arising from this legal instrument relates to public tenders. Operators are not required to launch a public tender or request the Concessionaire's approval (as long as Sonangol is informed, on a quarterly basis, that those service contracts have been entered into) for the acquisition of services up to USD 1 million (previously USD 250,000).

6.1.3 Operating Licencing Requirements

According to the Petroleum Act and Decree 1/09 (Angolan Petroleum Operations Regulation), petroleum operations (prospecting, exploration, appraisal, development and production of crude oil and natural gas) can only be exercised under a prospecting licence issued by the Ministry of Petroleum, or pursuant to an oil concession awarded by the Government. As for the prospecting licence, any domestic or foreign company with the necessary technical and financial capacity may apply to the Ministry of Petroleum for the issuance of a licence to determine the petroleum potential of a given area. The prospecting licence includes geological, geochemical and geophysical research, and the processing, analysis and interpretation of the acquired data, as well as regional studies and mapping, for the purpose of locating oil and natural gas fields. On the other hand, the development of exploration and production activities can only be performed by private sector companies if they join up with the National Concessionaire (subject to Government approval).

These prospecting rights are not exclusive to the licensee, nor is the licensee granted any pre-emption right with respect to oil production in the area to which the licence relates. The data arising from the license is considered State property and may be used by the licensee and Sonangol. The Ministry of Petroleum may authorise the sale of the data by the licensee, the proceeds of which are to be shared between the licensee and Sonangol. Prospecting licenses may expire by termination, resignation or time-based expiration.

The transportation of oil and gas must be performed by a company or a consortium, at its/their own risk, under the authorisation of the Ministry. Operators of oil and gas pipelines have an exclusive right to explore the infrastructures for the transportation of oil and natural gas. The licensee is authorised to occupy the necessary areas for the implementation of the activities arising from the licence. While these assets are owned by the operator during the validity time of the licence, once the licence expires, the assets which have been used for transportation purposes become the property of the State.

6.1.4 Taxation

Decree 6/18 issued in May 2018 restructured the industry's tax system. The tax rates applicable to the petroleum investment companies are as follows:

- 5% production tax (royalty);
- 25% income tax, except for non-associated natural gas projects in which the volume of certified reserves is equal to or less than 2 trillion cubic feet (TCF), to which a tax of 15% applies.

6.1.5 Currency Exchange Controls

Until 2012, companies operating in the oil and gas sector were subject to the foreign exchange rules set out in their respective concession agreements. With the enactment of Act 2/2012, the Government established a general foreign exchange regime applicable to oil and gas activities. As of 1 July 2013, all payments made to such suppliers that are foreign exchange residents under the applicable law must be made through accounts with Angolan banks and in Kwanzas. Foreign investor companies have the right, after all tax obligations are complied with, to transfer abroad their share of the amounts resulting from the payments of production agreed with the Angolan State.

6.1.6 Competition Act

The Angolan Parliament unanimously approved the New Competition Act on 19 April 2018, which establishes the legal framework for competition in Angola and creates the Autoridade Reguladora da Concorrência (Competition Regulatory Authority or 'ARC'). This legal instrument, which is inspired by the laws in force in most European countries, comes as a result of the efforts made recently by the Angolan Government to promote growth and economic development. The new law:

- has a wide scope, as it applies to both private and State-owned companies;
- prohibits agreements and practices which restrict competition;
- prohibits abusive practices by dominant undertakings; and
- introduces merger control including heavy sanctions (up to 10% of annual turnover of the company involved) in case of concentrations without clearance.

6.1.7 Labour and Content Restrictions

Article 86 of the Petroleum Act requires investors to employ only Angolan citizens in all categories and functions, except where no Angolan citizens exist in the national market with the required qualifications and experience. It indicates that, where there is a prospect of employing a foreigner, permission from the Ministry is mandatory along with a proposed succession plan on how that position will be made available to locals within a non-specified duration of time. Currently there are no guidelines indicating succession procedures, experience, or knowledge required.

Annexed to Article 86 is the Decree-Law on the rules and procedures to observe in recruitment, integration, training and development of workers from the oil sector (Decree-Law 17/09), also known as the Angolanisation policy framework.

Companies are required to enter into a programme contract with the Ministry for the Development of Human Resources and to present Legal Content plans subject to obtaining a petroleum licence. Employment percentages range from 51% to 90% of Angolan nationals for any organisation involved in carrying out oil and gas activities.

This involves a number of issues. First, the law is not clear on how the percentages should be achieved during and after the bidding procedures. Second is the burdensome task of training locals who may lack basic quality education (this is characterised by Angola's low level of economic development, reflected in the inadequate and weak education system). Moreover, the current legal obligation to remunerate the nationals who hold similar positions to foreign counterparts on the same level makes it a difficult proposition for International Oil Companies to prioritise local development, at least in the initial stages where skills are a major concern.

6.2 Key Market Opportunities for Malta-Based Operators

After the economic downturn of Angola, related to a drop in oil prices, the Angolan Government has taken steps towards reforming the oil and gas ecosystem in order to boost production and increase foreign investment. The challenge for resource-rich economies like Angola is how to transform subterranean assets (oil wealth) into productive assets above the ground, including financial, physical and human capital assets. New opportunities brought forward by the new administration include the licensing of new petroleum blocks, new legislation for gas exploration and investment, exploration of marginal oil fields, onshore exploration and investments in all areas of the petroleum supply chain.

Angola's offshore (upstream) production, storage and export infrastructure is relatively well-developed. Onshore infrastructure is limited. One of the largest foreign investments (made by Total in 2014) was the development of the offshore Kaombo oil project, located off the coast of Angola. The production capacity is expected to be 84 million barrels of oil per year with estimated reserves of 650 million barrels. There is also a large potential of untapped oil reserves in the Congo basin and in the Kwanza basin, mostly at deep and ultra-deep waters. Sonangol recently announced a round of bids for exploration of five onshore blocks in onshore Congo and Kwanza basin. Development of these blocks should drive continued demand for investment, oil equipment, and services. Onshore oil production is not new to Angola. Some of the blocks that are up for auction were producing in the past, during the civil war. Some wells were spudded even earlier, before Angola declared independence. The turmoil caused by the civil war led to the abandonment of these blocks. A number of onshore reserves are untapped but ready for production. Because of the downturn, investing in onshore production will be more interesting for operators. Opening up existing wells and exploring the proximity of proven reserves might lead to quick gains. Drilling companies will be able to safely and efficiently produce more oil from both existing and new wells. Onshore oil production requires less capital investment and deployment of advanced technology.

Many oil and gas activities in development areas were also suspended when it was concluded they were not economically viable. The Government's intent is to encourage the reactivation of these activities within development areas.

The downstream oil sector is unable to meet domestic demand. Angola's only operational refinery in Luanda has a capacity of 65,000 barrels per day (b/d), but currently produces fewer than 40,000 b/d fulfilling only about one-fifth of domestic demand. The result is that one of Sub-Saharan Africa's largest oil producers is a net importer of refined fuel. Angola currently imports 80% of its demand for refined oil and 20% is produced domestically in Angola[2]. However, in mid-2018 Sonangol signed a USD 220 million agreement with ENI for upgrades that aim to boost production at the Luanda plant. To continue its objective to develop downstream capacity and wean the country off refined oil imports, Sonangol has announced that new refineries in Cabinda and Lobito will be completed in two and four years respectively. These proposed refineries will increase the country's refining capacity to over 300,000 b/d. Talks between the governments of Zambia and Angola to construct an oil pipeline with

[2] International Monetary Fund (IMF), Country Report No. 18/157, June 2018

a capacity of 100,000 b/d between Lobito and Lusaka have resumed, following their postponement in 2013, and a memorandum of understanding signed in 2018. There are also viable options with regards to the setting up of modular refineries[3].

Gas infrastructure, particularly onshore, is quite restricted. As oil exploration continues, Angola will need to address its current lack of capacity to process the large volume of associated gas produced. The natural gas industry requires significant investment to capture its full economic potential. Angola's only LNG terminal was completed in 2013 and has a capacity of 250.6 bcf. The USD 10 billion plant processes gas from the Soyo region. Gas is transported to the terminal from offshore oilfields via a 500km network of pipelines, many of which are still under construction[4]. The plant is currently producing well below its full capacity given the intermitting supply of gas. The current investment is expected to facilitate continued offshore oil development while reducing gas flaring and greenhouse gas emissions in Angola, as well as supplying the domestic market with up to 125 million standard cubic feet per day, and service the regional and international markets. The Ministry of Energy and Water announced Angolan government targets for natural gas to supply 21% of Angola's energy needs by 2025[5].

The new gas law will provide an enabling framework to maximise the value of Angolan natural gas, given the considerable proven natural gas reserves. More attractive tax rates are one of the benefits of the new gas law. Gas production tax is 5% (compared to 10% for oil). Gas income tax is 25% (same as for oil) for associated gas and 15% for non-associated gas when proven reserves are lower than 2 trillion cubic feet. In associated gas fields, operators can re-inject gas to maximise oil recovery or transfer the surplus to the Angola LNG plant if they do not sell it in domestic or international markets.

Gas-to-power will be the main anchor sector for the development of a domestic and regional gas economy in sub-Saharan Africa. The list of countries which are increasing their gas-to-power generation sources includes Nigeria, South Africa, Angola, Tanzania, Mozambique, Ivory Coast, Ghana, Cameroon, Kenya and Namibia.

Another possible area of expansion is training. There is very little provision of vocational and competence training throughout the sector. The labour pool has a very low skill set, and companies need to invest heavily in training to meet Angolanisation and local content requirements. The sector is also calling for transferable recognised qualification standards.

A specific area of training which is receiving much attention is related to Safety, Health, Environment and Quality (SHEQ). This is not surprising given the rising concerns about health and safety, as well as an increased awareness of environmental issues. Growing regulatory compliance requirements in many developing countries is forcing companies to recognise SHEQ as a serious area of business focus or face the consequences of non-compliance by way of significant fines and penalties.

Angola has a very small manufacturing base. Hence, around 85% of all products are imported. Valves, consumables and steel are all in particular demand. The government has committed to supporting this sector, and there are increasing calls for the introduction of tax incentives to attract investment.

[3] Deloitte, Africa Oil and Gas state of Play, November 2018.
[4] Deloitte, Africa Oil and Gas state of Play, November 2018.
[5] US Embassy in Angola, Angola (Oil and Gas) https://www.export.gov/, November 2018.

6.3 Routes to Market and Internationalise the Local Product

Unless a firm happens to be a big player in the market or to have existing local contacts, both of which are unlikely to be the case for a Malta-based company, one way to propose a business in emerging countries is through formal delegations. A number of European countries (Sweden is an example) have, this year, targeted the Angolan oil and gas industry by sending delegations with the aim of creating an opportunity to meet with key players in the sector and establish a point of contact.

In an attempt to boost foreign investment, the Angola Government will host the '2019 Oil and Gas Conference and Exhibition' in Luanda between the 3rd and 7th of June. The conference will be a platform for the Government to disclose new opportunities for the oil and gas industry in Angola and will gather key officials and stakeholders allowing networking possibilities.

The type of marketing strategy will depend on the service being offered and which part of the value chain it targets. Having said that, a suggested approach could be the following:

1. Identify the market segment (based on the above review);
2. Perform due diligence using a reputable local law firm specialised in the sector;
3. Visit regularly and develop face-to-face relationships with local contacts;
4. Where applicable, form collaborations with local companies to facilitate the entry point;
5. Where applicable, find a local partner who is well-connected both politically and also within the private sector;
6. Seek approval at ministerial level and build up good links with the appropriate industry's officials.

The marketing strategy used could be evaluated in context of the following:

- New licences being issued for exploration (offshore and onshore);
- Development of onshore blocks (some of which are ready for production);
- Ageing offshore fields causing medium term decline in oil production;
- Re-opening of marginal oil fields;
- Underdeveloped onshore infrastructure and logistics;
- Lack of gas processing capacity with investments being made in plants and infrastructure;
- Favourable taxation on gas (when compared to oil);
- Investment in refineries to cater for the lack of production capacity (modular refineries being considered);
- Restricted labour skill set especially in the upstream sector;
- Local content restrictions;
- Small manufacturing base which could be exploited given the issues companies sometimes face in importing parts for repairs and maintenance due to lack of foreign reserves.

In terms of possible positioning strategies for market entry in Angola, collaboration seems to be the best approach for smaller and medium-sized firms. This can either be done with Angola-based companies or through international players, taking into consideration the local content regulations. With this in mind, one possible entry strategy could be to focus on the upstream sector which requires a higher degree of technical skills and which is less serviced by Angolan suppliers. The Government is pushing to attract foreign investment in the upstream sector. The ageing offshore fields could be the cause of a steep medium term decline in production unless the Angolan government can revive exploration.

Opportunities in the midstream and downstream sectors can arise if one had to target the infrastructure and logistics segment. 'Local content' (the statutory labour that has to be employed on projects) is also not as stringent in the manufacturing sector, which could allow for some opportunities, especially in the repairs and maintenance segment supplying the value chain.

Given the competitive nature of the industry, one might find a subcontracting approach more appropriate, at least in the short term, starting at the Tier 3 level, a highly-specialised market, focusing more on the human (knowledge and expertise) rather than physical capital investment in the country. This would allow the companies to gain a level of trust that is important in this kind of market. The Tier 3 service providers would be able to support both the Tier 2 and Tier 1 levels depending on the type of service. Tier 3 suppliers generally have an ability to position themselves in different levels of the value chain given their niche / specialised nature.

Examples of Tier 3 services include the following:

- Geoscience consultancy;
- Data interpretation consultancy;
- Seismic instrumentation and interpretation;
- Data storage and software providers;
- Drilling and well equipment design and manufacture;
- Laboratory and inspection services;
- Engineering support contractors;
- Specialist engineering services;
- Subsea manifold / riser design and manufacture.

Training, besides being a service that could be offered at different levels of the value chain and which could in and of itself be a good business, may also be used as a marketing tool, especially when targeting the management and executive corporate levels.

When it comes to marketing technology based services and solutions, there are multiple routes which could be followed. Local ICT companies could partner with:

1. Local OFS providers;
2. International OFS providers;
3. International oil companies; and / or
4. Angolan national oil companies.

The level of entry would depend on the expertise and connections of the local ICT company in the sector and the targeted value chain segment. One must also take into consideration the fact that Angola has been in the business of oil and gas for a number of years, and although technology innovations are welcome by international oil companies in the upstream sector, there could be some form of resistance to change and legacy-based inertia as you move down the value chain.

6.4 Country Weaknesses and Challenges

The recent oil price shock highlighted Angola's oil dependency. Oil accounts for 70% of government revenues, and more than 95% of total exports. As such, any decline in oil prices tends to have an outsized negative economic impact on the country, forcing the Government to undertake adjustments. For instance, during the 2008–2009 global financial crisis, the collapse in oil prices eventually resulted in Angola having to seek IMF assistance. The fiscal risk is further compounded by an expected decline in oil production in the medium term as Angola offshore fields are ageing.

Most of Angola's infrastructure was destroyed during its protracted and bloody civil war, and the Angolan government has only just begun to gradually rebuild the infrastructure destroyed, with some projects having been delayed due to the dent in revenues resulting from the fall in oil prices.

Corruption in Angola has remained a main challenge despite the creation of anti-corruption programmes. However, there are some positive signs in that companies are prioritising and enhancing training on prevention of fraud and corruption.

The local content regulation is not clear and has been a deterrent for various businesses for a number of companies, causing unplanned delays in projects due to the lack of skilled resources. Arguably, local content is a tool that seeks to artificially increase the levels of local participation in a sector beyond levels that local capacity is currently able to meet. As a requirement, it obliges international oil companies to source personnel, goods and services locally, with the aim of promoting more benefits beyond traditional fiscal tools. However, this has resulted in higher costs for oil companies, thus either deterring foreign investment or having to strike deals to pay lower prices for the resources extracted. Although emphasis on local participation has been at the centre of both the political and the economic spheres, frameworks that ensure local participation while taking into account the challenges involved in offshore activities are inadequate and often very limited in technical aspects.

The severe lack of dollar liquidity, a function of the depressed oil price, has forced the government to impose a number of restrictions on the use of foreign exchange for trade. Officially, dollars may only be used for items classified as essential such as food, medicine and education transfers. The government has attempted to cushion the oil industry by including imports related to the oil and gas industry in this classification. However, the severely constrained supply of dollars has been insufficient to service the importation of even this limited basket of goods. Oil companies cannot always access the foreign exchange required to import component parts. This has, in some instances, delayed or halted routine maintenance and repair works required for oil installations, at times rendering them operationally unsafe.

6.5 Angola Annex – Doing Business in Angola

Source: ENS Africa, August 2018

6.5.1 Country Profile

Government structure	• **Executive:** The president is both the chief of state and head of government. The president is indirectly elected by the National Assembly for a five-year term (eligible for a second term). The vice president and cabinet are appointed by the president. • **Legislative**: Angola has a unicameral parliament. • **Judicial**: The highest court is the Supreme Court. The subordinate courts are the provincial and municipal courts. • **Next elections**: August 2022
Risk ratings	• World Economic Forum Global competitive index (2017-2018): n/a • World Bank ease of doing business (2018): 175/190 • Corruption perception index (2017): 167/180

6.5.2 International Treaties and Memberships

International and regional organisations and customs unions	• African Union • African, Caribbean and Pacific Group of States-European Union Partnership Agreement • Central African Customs and Economic Union • Community of Portuguese-Speaking Countries • Economic Community of Central African States • European Union • International Monetary Fund • New Partnership for Africa's Development • Organization of Petroleum Exporting Countries • South African Development Community • United Nations • World Bank
Bilateral investment treaties	• Angola has bilateral investment treaties in force with Cape Verde, Germany, Italy and the Russian Federation • Treaties have been signed with Brazil, France, Portugal, South Africa, Spain and the United Kingdom but these have not yet entered into force.
Investment related agreements / institutions	• African Growth and Opportunity Act • Common Market for Eastern and Southern Africa • Multilateral Investment Guarantee Agency • World Trade Organization
Dispute resolution	• Berne Convention for the Protection of Literary and Artistic Works • International Centre of Settlement of Investment Disputes • International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Rome Convention) • New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards

6.5.3 Trade Marks

International conventions, treaties and arrangements	• Paris Convention • World Intellectual Property Organisation • World Trade Organisation
Classification	• The International Classification of goods and services applies • A separate application is required for each class
Categories of trade marks	• Provision is made for: • goods and service marks; • collective marks; and • series of marks.
Filing requirements	• Power of attorney, legalised; • electronic copy of the trade mark; and • a certified copy of the certificate of incorporation, legalised, with a sworn Portuguese translation.

6.5.4 Legal Regime

Legal regime	• Angola's legal system is based on civil law.
Dispute resolution	• Arbitration is influenced by the United Nations Commission on International Trade Law model. • Foreign judgements may be effective in Angola after being review by Angolan courts provided that they are compliant with Angolan requirements. • Arbitral awards issued outside of the Angolan territory may be enforced once the Angolan courts have been supplied with a duly authenticated original award and an original agreement for arbitration from contracting states.
Land acquisition, planning and use	• All land belongs to the state and the state may decide whether a concession should be granted on the basis of criteria such as the country's national interests and development. • Most urban and some non-urban land can be privately owned through long term leases renewable by the government.
Competition	• With effect from 10 May 2018 the Competition Law establishes principles and rules governing competition in Angola. However, a competition regulator has not yet been appointed.
Employment	
immigration	• Non-citizens working in Angola must hold a valid work visa and all employment contracts of foreign employees have to be registered with the Ministry of Labour. • Non-resident employees may only be hired when Angolan employees with comparable qualifications and experience are not available to fill a position and generally, companies can only employ foreign employees if their staff include at least 70% Angolan nationals.
local employment vs. secondment	• In terms of Angola's employment legislation, employees seconded to Angola must be employed by a local entity. • In terms of Angola's immigration legislation, employment by a local entity is also a prerequisite for obtaining a work permit.
fixed-term contracts and temporary employment services	• Fixed-term contracts are allowed in terms of the General Labour General Labour Law ("**GLL**"). The maximum cumulative duration of fixed-term contracts shall not exceed five years in case of entities legally qualified as large companies and 10 years in the case of medium, small and micro companies. • Labour broking is allowed in Angola, subject to the labour broker being registered as a Private Employment Agency with the Ministry of Public Administration, Employment and Social Security.
payment in local currency	• Remuneration of resident employees must be paid in local currency. However, non-resident expatriates may be paid in another currency, as agreed with the employee.

restraint of trade agreements	• Restraint of trade agreements are generally not valid and enforceable in Angola.

6.5.5 Foreign Investment Regime

Investment regime	• The New Private Investment Law ("**PIL**") governs foreign investment in Angola. • The Angolan Agency for the Promotion of Investments and Exportations (*Agência para a Promoção de Investimentos e Exportações de Angola*) ("**APIEX**") is responsible for the registration of foreign investment in Angola and a One-stop shop (*Ficheiro Central de Denominações Sociais, Guichê Único da Empresa*) has been established to facilitate other registrations.
Registration / licensing requirements	• Any foreign investment operation, including incorporation or acquisition of Angolan companies by foreign investors must be approved by AIPEX and a Certificate of Registration of Private Investment (*Certificado de Registo de Investimento Privado* ("**CRIP**")) obtained as proof of such approval.
Non-industry specific registrations / licences	The following general non-industry specific registrations/licences may be required:
*Ficheiro Central de Denominações Sociais, Guichê Único da Empresa ("**GUE**")*	• The GUE acts as a one-stop office where an entity may be incorporated and registered with various other authorities. • Following incorporation and registration of a company at the Commercial Registry (*Registo Comercial*), copies of relevant documents are distributed by the GUE to the representatives of the following authorities for approval and filing: • the National Press (*Imprensa National*), responsible for publishing proof of registration; • the Ministry of Commerce (*Ministério do Comércio),* responsible for issuing an commercial operations permit (*alvará*) • National Institute of Statistics, responsible for issuing a statistical registration certificate; • National Tax Office *(Direcção National dos Impostos)*, responsible for issuing a National Identification Number ("**NIF**"); • National Institute of Social Security *(Instituto Nacional de Segurança* Social ("**INSS**"); and the • Ministry of Public Administration, Employment, and Social Security.
Industry specific licences	• Industry-specific licences may also be required.
Incentives	• Foreign investments above USD1-milion will benefit from incentives and tax benefits. • The nature and extent of the tax incentives will depend on the amount of the investment, the geographical location and economic sector of the investment and will be determined through negotiations with the relevant Ministerial Commission • Incentives include: • tax exemptions and credits; • import rights; and • deferred tax payments.
Exchange control regulation	• Angola applies strict exchange control rules in terms of the Angola Foreign Exchange Law. • All companies operating in Angola are required to make payments through local banks using the Kwanza.
Types of entities available for foreign investment	• Limited liability company (*Sociedade Limitada por Quotas*, Lda); • joint stock company (*Sociedade Anónima*, SA); • partnership limited by shares (*sociedade em comandita por acções*); • limited partnership (*sociedade em comandita simples*); • general partnership (*sociedade em nome colectivo*). • registered branch of a foreign company;

	• economic Interest Grouping (Agrupamento de Empresas); and • joint ventures.

6.5.6 Private Limited Liability Company

Minimum number of shareholders	• A minimum of two shareholders is required for a Lda. However, in terms of the Simplification Act the incorporation of single-shareholder companies, either a natural or a corporate person, is allowed. • There is generally no requirement for local shareholding, but designated sectors require partnership with a local Angolan partner who holds a minimum of 35% of the share capital, a higher proportion may be required in specified industries.
Minimum share capital	• There is no minimum share capital requirements in Angola.
Directors	• A Lda must have a minimum of one director. • Although it is not legally required to appoint local directors, in practice, the Registrar Office does not accept the registration of foreign individuals as directors if those persons do not hold a residence permit, working visa or priority visa.
Company secretary	• A Lda is not required to appoint a company secretary.
Auditor	• Companies incorporated under the PIL are obliged to appoint a local auditor.
Registered address	• Every company must have a registered office in Angola to which all communications and notices may be addressed and which must constitute the address for services of legal proceedings on the company.
Shelf companies	• Shelf companies are not available in Angola.
Registration process	• Companies are registered with the Commercial Registry Office (*Registo Comercial*) at the one-stop shop (*Ficheiro Central de Denominações Sociais, Guichê Único da Empresa*) and the registration process can take up to four months to complete in practice.

6.5.7 Tax

Tax system	• Angola has a residence-based tax system in terms of which residents are taxed on their worldwide income, whereas non-residents are subject to tax only on their Angolan-sourced income.
Corporate residence	• A company is resident in Angola if its domicile, legal seat or place of effective management is in Angola.
Corporate tax rate	• Resident companies and permanent establishments of foreign companies are subject to corporate income tax at the rate of 30%.
Capital Gains tax ("CGT")	• Capital gains arising from the disposal of shares and other financial investments in a non-business context are taxed at the rate of 10%. • Capital gains derived from the disposal of goods and rights as a regular business activity of the company are included in ordinary taxable income and taxed at the standard rate of 30%.
Withholding tax ("WHT") rates	WHT rate (%)

Payment to	Residents	Non-Residents
branch profits	N/A	10%
dividends	10% 0% (if at least 25% participation which has been held for more than one year)	10%

	interest	15% (borrowed capital and the opening of credit contracts) 10% (cash deposits, securities issued by companies) 5% (Central Bank treasury notes and securities with a maturity exceeding three years) 0% (credit sales and loans on life insurance policies)	15% (borrowed capital and the opening of credit contracts) 10% (cash deposits, securities issued by companies) 5% (Central Bank treasury notes and securities with a maturity exceeding three years) 0% (credit sales and loans on life insurance policies)
	royalties	10%	10%
	management, consulting and technical service fees	6.50%	10%

Double tax agreements ("DTAs")	• Angola does not currently have any DTAs in force.
Losses	• Losses may be carried forward for a period of three years. • The carry-back of losses in not allowed.
Transfer pricing	• In terms of Angola's pricing rules, transactions entered into between related persons must be entered into on an arm's length basis. • Two entities are deemed to be related if one has control over the capital of the other or directly or indirectly exercises significant influence over the management of the other.
Thin capitalisation	• There are no thin capitalization rules applicable in Angola.
Employee taxes	The income tax rates applicable to resident individuals are: *up to 34 450, 0%* *34,451-35 000, 5% of the amount over 34 450* *35 001-40 000 550, + 7% of the amount over 35,000* *40 001-45 000 900, + 8% of the amount over 40,000* *45 001-50 000 1,300, + 9% of the amount over 45,000* *50 001-70 000 1,750, + 10% of the amount over 50,000* *70 001-90 000 3,750, + 11% of the amount over 70,000* *90 001-110 000 5,950, + 12% of the amount over 90,000* *110 001-140 000 8,350, + 13% of the amount over 110,000* *140 001-170 000 12,250, + 14% of the amount over 140,000* *170 001-200 000 16,450, + 15% of the amount over 170,000* *200 001-230 000 20,950, + 16% of the amount over 200,000* *over 230 000 25,750, + 17% of the amount over 230,000*
Social security contributions	• Both employees and employers must make monthly social security contributions to the INSS. • The employer contribution rate is 8% of the monthly salary and any additional remuneration paid to employees, whether in cash or kind, whereas the employee contribution rate is 3%.
Payroll taxes	• There is no payroll tax in Angola.
Stamp duty	• Stamp duty is levied under the Stamp Duty Code on a number of instruments at the time of issuance or transfer of a specified instrument. • All receipts related to any transaction issued by Angolan companies and foreign companies present in Angola are subject to stamp duty at the rate of 1%. • Property transfer tax (*sisa sobre as transmissões de imobiliários por título oneroso*) on the transfer of immovable property is levied at the rate of 2%. The transfer of immovable property is also subject to stamp duty at the rate of 0.3%.
VAT / consumption tax	• There is no VAT or sales tax in Angola. A consumption tax (*imposto do consumo*), which is a combination of a single-stage sales tax and excise duty, is levied on the supply of goods and certain services in Angola.
consumption tax rate	• Standard rate of 10%, but varying rates apply to listed commodities and services.
taxable supplies	• Consumption tax is levied on the supply of goods and certain services in Angola by a taxable person and on the importation of goods.
Registration threshold	• No registration threshold applies in Angola.

Reverse consumption tax on imported services	• Resident companies are required to account for consumption tax in respect of imported services rendered by non-residents in terms of a reverse-charge mechanism.

7. The Ghanaian Market

TRADEMALTA

Quick Facts

Currency

Cedi (GHC)

Language

English (official language, with other dialects spoken)

Travel Visas

You need a yellow-fever vaccination certificate to enter Ghana.

Visas are required by everyone except Ecowas (Economic Community of West African States) nationals. Visas upon arrival are rarely issued.

Foreign nationals who are over six years old and who have been physically present in Ghana for a cumulative period of 90 days or more during a calendar year are required to register with the National Identification Authority (NIA). NIA will issue registered foreign nationals a Non-citizen Ghanacard. The Non-citizen Ghanacard will be necessary for all transactions that require identification, i.e. opening bank accounts, obtaining work permits, acquiring driver's licenses, etc. A Non-citizen Ghanacard does not guarantee issuance of a local driver's license if you are not resident in the country for a specific period of time.

Money

ATMs are virtually everywhere, with almost all accepting Visa

Exchange bureaus are found in most major towns.

Credit cards are not widely accepted.

The best currencies to take are US dollars, UK pounds and Euros, in that order.

Mobile Phones

Switching to local SIM cards is advisable.

National networks are on 2G/GSM 900 MHz and 1800 MHz and 3G/UMTS 2100 MHz plus 900 MHz.

Time

Malta CET time less one hour

Opening Hours

Ghana officially has a five-day working week with Saturday and Sunday being public holidays

Bank branches are generally open Monday to Friday from 8.30AM to 3PM. On Saturdays between 9Am and 1PM.

On average, business hours are international. During weekdays 8AM to 6:30PM with one hour break and Saturdays from 8AM to 1PM. On Sundays most commercial shops are closed. Government institutions close at 5PM and do not open before 9AM.

Travel for Business Development or Service Provision

Kotoka International Airport (ACC)

The best way to travel from Kotoka International Airport to Accra is by taxi. A taxi from the airport to the city centre should cost no more than US$7.

Getting Around

Starbow Airlines and Africa World Airlines operate domestic flights in Ghana. There are several daily flights from Accra to Kumasi (45 minutes), Takoradi (35 minutes) and Tamale (1¼ hours). They tend to be relatively cheap and a huge time saver when travelling north.

Buses are preferable to tro-tros (minibuses) for long journeys as they tend to be more comfortable and reliable. There are bus services to all of Ghana's main towns and cities. Intercity STC is Ghana's main long-haul bus company.

Taxis operate within towns. On some shorter routes between towns, shared taxis are the usual form of transport. They run on fixed routes, along which they stop to pick up and drop off passengers. Fares are generally very cheap. Private taxis don't have meters and rates are negotiable. It's best to ask a local in advance for the average cost between two points. Uber officially arrived in Accra in September 2016.

Tro-tro is a catch-all category that embraces any form of public transport that's not a bus or taxi. Generally they're minibuses. Tro-tros cover all major and many minor routes. They don't work to a set timetable but leave when full. Fares are set but may vary on the same route depending on the size and comfort (air-con) of the vehicle. There is generally an additional luggage fee.

Hiring a car with a driver is a good option if you're short on time; travel agencies can usually arrange this. Depending on the distance, car and driver experience, price is on average US$100 to US$150 per day, plus fuel.

Main roads in major cities are generally paved and well maintained. Other roads within major cities and many roads outside of major cities are in poor condition. Many accidents occur on the highway from Accra to Cape Coast. Travelling in darkness, particularly outside the major cities, is extremely hazardous due to poor street lighting and the unpredictable behaviour of pedestrians, bicyclists, and animals.

Travellers are routinely stopped at police checkpoints throughout Ghana, and vehicles and passengers may be searched. Drivers must possess an international driver's license or a Ghanaian driver's license. When foreign drivers apply for their Ghanaian driver's license they may be asked to have their international driver's license or their home country driver's license confirmed by their embassy.

Safety

Street crime is a serious problem, especially in Accra and other larger cities. Pickpockets and thieves carry out crimes of opportunity such as "snatch & grab" attacks on city streets in crowded areas, as well as from vehicles idling in traffic.

- Best to travel in groups
- Avoid travelling at night and in poorly lit areas
- Limit your display of jewellery
- Handle cash discreetly
- Carry limited amounts of cash and only photocopies of key documents

The theft of luggage and travel documents is not uncommon at Kotoka International Airport in Accra and in hotels across Ghana. Keep your documents secure at all times and don't leave your baggage unattended. Be wary of all offers of unsolicited assistance at the airport from anyone other than uniformed porters or officials.

Basic Statistics

Land

Area: total: 238,533 km^2

Land: 227,533 km^2

Water: 11,000 km^2

Population

27,499,924 (2017 estimates)

Density: 101.5/km^2

Growth Rate: 2.17% (2017 estimates)

Urban population: 55.3% of total population (2017)

Rate of urbanization: 3.07% annual rate of change (2015-20 estimates)

GDP

US$58.92 billion (2018 estimates)

Real growth rate: 5.9% (2017 estimates)

Composition, by sector of origin (2017 estimates):

- agriculture: 18.3%
- industry: 24.5%
- services: 57.2%

GDP Per Capita

US$2,081 (2018 estimates)

Distribution of income – Gini coefficient: 42.8 (2015 estimates)

Religion

Christian	71.2% (Pentecostal/Charismatic 28.3%, Protestant 18.4%, Catholic 13.1%, other 11.4%)
Muslim	17.6%
Traditional	5.2%
Other	0.8%
None	5.2%

Age structure (2017 estimates)

0-14 years:	38.01% (male 5,253,430/female 5,198,892)
15-24 years:	18.63% (male 2,548,661/female 2,575,160)
25-54 years:	34.14% (male 4,554,972/female 4,834,765)
55-64 years:	4.97% (male 664,866/female 701,277)
65 years and over:	4.25% (male 538,790/female 629,111)

Dependency ratios (2015 estimates)

Total dependency ratio: 73

Youth dependency ratio: 67.1

Elderly dependency ratio: 5.9

Potential support ratio: 17.1

Important Contacts

Ghanaian High Commission in Malta

High Commissioner: H.E. Mrs. Mercy Bampo Addo

70, Sir Adrian Dingli Street
Valletta VLT 1131
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Maltese Consulate in Ghana

Accra

Honorary Consul: Jean Claude Galea Mallia

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Tamale

Honorary Consul: Mahama Wayo

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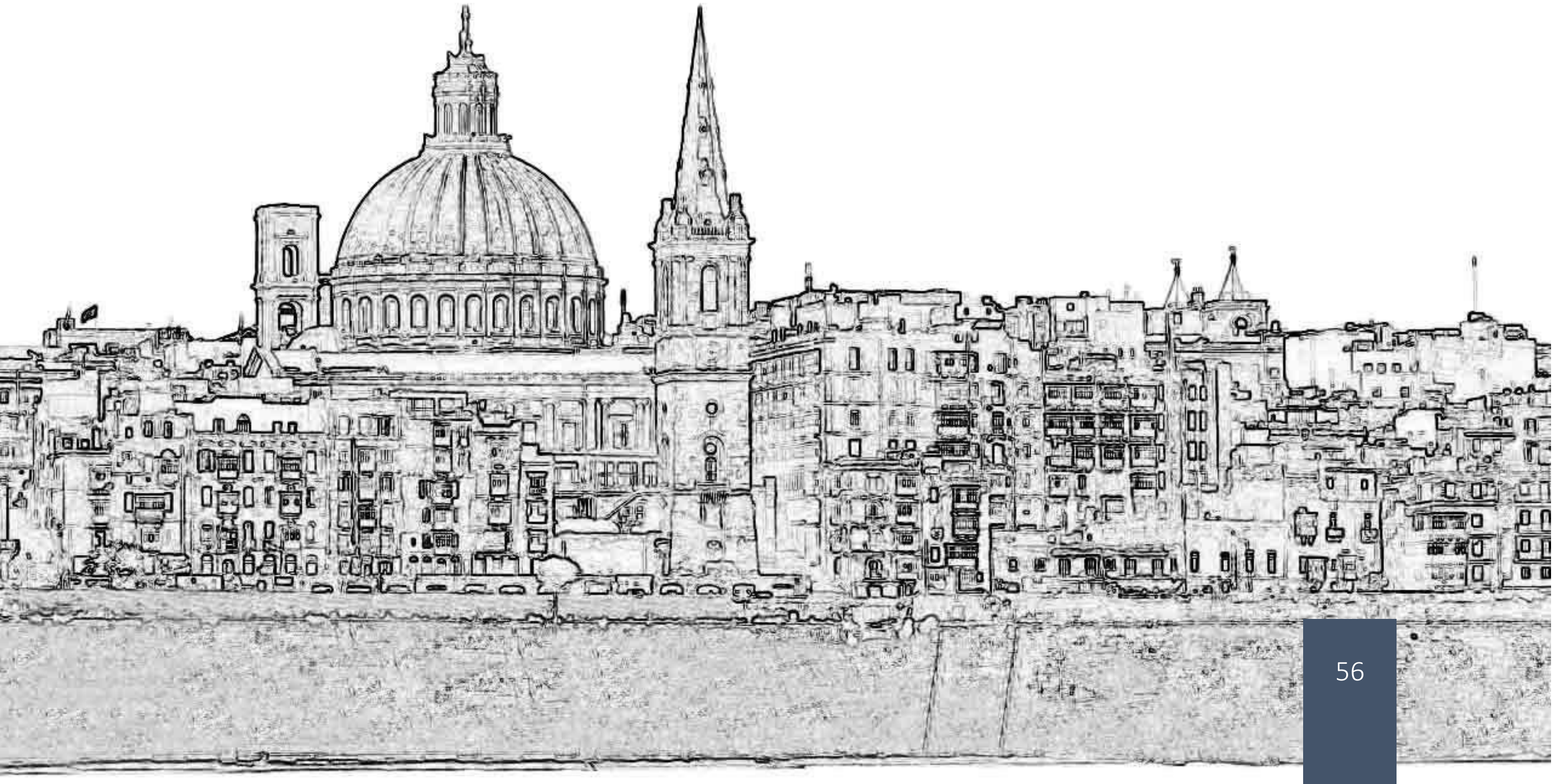

7.1 Oil and Gas Market in Ghana

Ghana is a republic with a multiparty democratic system, under which executive power is vested in a president who is elected by universal suffrage every four years. The country is a rare example of a stable democracy in a region beset by strife and instability. While Ghana shares many of the challenges of its African peers, including high levels of poverty, it does so in an environment of greater security and personal freedoms. There have been periodic outbreaks of ethnic violence, largely in the north of the country, but these have had little impact outside the immediate locality in which they have occurred and are at risk of occurring.

In recent decades, power has been shared by the two main political parties, the New Patriotic Party (NPP) which is currently in power and the National Democratic Congress (NDC). Power has transferred between the two parties twice at national elections, securing Ghana's reputation as one of the more robust democracies in Africa. A potential challenge to political stability, the death of the then-president, John Atta Mills, in July 2012, was addressed reassuringly smoothly, with his vice-president, John Mahama, taking over until the next election, as stipulated in the constitution.

Ghana possesses several natural resources, including arable land, forests and sizeable deposits of gold, oil, diamonds, manganese and bauxite. Several lakes and rivers offer opportunities for other hydroelectric power plants to complement Ghana's vast Lake Volta plant. Ghana's location on the west coast of Africa also allows for extensive fishing in the Atlantic Ocean.

Gold is concentrated in the Ashanti and Western regions, although there are also sizeable deposits in the Central and Brong-Ahafo regions. Lake Volta, which supplies the Akosombo dam, lies to the south-east. The preponderance of the country's food is produced in the north. Cocoa, the main cash crop, grows in all the regions south of the Northern region. Significant oil discoveries were made in offshore Ghana in 2007. Reserves of natural gas were also found offshore, and the construction of infrastructure to enable these reserves to be turned into electricity was completed in 2013 and 2014.

Ghana joined the world's oil producers on December 15th 2010. The long-anticipated start to commercial production was a significant moment in Ghana's history. However, it has brought risks and, domestically, the government has struggled to manage expectations. Many Ghanaians have been disappointed with the impact oil revenue has had on their standard of living, expecting a more rapid transformation from a commodity whose production drove a 14% increase in overall real GDP growth in 2011 alone. Exploration costs have weighed on the exports generated, whereas some of the fiscal revenue that has been generated has gone towards paying back arrears that had built up in recent years amid weak public expenditure management. However, after having come clean of arrears and after a governance reform, Ghana is now set to rise at an unprecedented pace.

The UK-listed Tullow is the largest foreign player in Ghana's oil industry, with a 36% share in the Jubilee field. Development of Ghana's gas reserves, both those associated with the oil discoveries and stand-alone gas fields, has developed relatively slowly over the years.

Additional gas supply from the Jubilee field has become an important feedstock as an alternative to the gas sourced from Nigeria via the West African Gas Pipeline (WAGP). Gas supplies via the WAGP have been erratic at times, while gas sourced from the Jubilee field has proven to be cheaper. The first phase of the gas industry's development cost over 800 million euro and was financed through part of a USD 3 billion loan agreed with China and guaranteed by future oil earnings.

Ghana is Sub-Saharan Africa's newest oil producer and has seen the highest growth in oil production since 2010. For the first time in its history, in 2018, Ghana saw oil export revenues surpass revenues from cocoa. Unlike Angola, the country does not depend entirely on the oil and gas sector, and is one of the most economically diversified countries in the region. The country is an important producer of cocoa, gold, and oil, and has developed its services sector in areas such as tourism and telecommunications.

Ghana's public institutions are solid compared to other African countries, and the country is among the highest-ranked within Africa across various governance indicators. Ghana's current president, Nana Addo Dankwa Akufo-Addo, is also a very promising visionary who is laying out a very interesting roadmap intended to take Ghana to new economic heights.

Ghana started producing oil in 2010, although the government is taking longer than expected to meet its ambitious production targets. The country began extracting natural gas in April 2015, which it will use to generate cheaper electricity and reduce its dependence on unreliable imports from Nigeria.

The history of Ghanaian petroleum activity can be traced back to the turn of the 20th century. The Tano and Keta Basins had small-scale production facilities in the early 1900s, and the Saltpond field has been operating since the 1970s. However, it was the discovery by a small American exploration company, Kosmos Energy, of the offshore Jubilee field in 2007 which put Ghana on the map as a one of the most promising commercial oil and gas producers[6]. Further developments include the Tweneboa, Enyenra, and Ntomme (TEN) and Sankofa fields. The World Bank Group supported these developments by engaging strategically with the Ghanaian government and the private sector.

While Ghana's petroleum industry has enjoyed steady growth, the first decade was not without challenges. The corruption investigations of Kosmos Energy and the maritime border dispute with Côte d'Ivoire stand out as cases in point.

Since the discovery of the Jubilee field in 2007, Kosmos Energy has had an uneasy experience in Ghana's new petroleum industry. The change in government in 2008 led to corruption investigations into Kosmos's entry to Ghana through its relationship with the EO Group, a Ghanaian petroleum company. Both the Ghanaian government and the US Department of Justice were involved in the criminal investigations. A truce was signed in December 2010 with the US formally clearing the parties in April 2011[7].

The maritime border dispute between Ghana and Côte d'Ivoire resulted from a long-term disagreement regarding the direction of the azimuth line dividing the two countries' territorial waters, exclusive economic zones, and portions of the continental shelf. The issue was resolved in September 2017, meaning that the oil producer can now continue with explorations in the disputed area.

In August 2016, Ghana's Parliament passed a long-debated Petroleum Bill that seeks to create a legal and regulatory framework in order to respond to new developments in the petroleum industry. The industry has attracted a range of international companies and fuelled a new domestic development that is becoming crucial for the country's economic growth.

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[6] The Oxford Institute for Energy Studies, Ghana's Oil Industry (Steady Growth in a Challenging Environment), April 2018.

[7] Reporting Oil and Gas (www.reportingoilandgas.org), US Justice Department Declines Bribery Enforcement Action against Kosmos, April 2011.

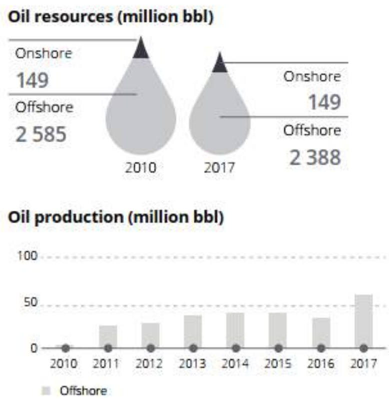
7.1.1 Oil and Gas Resources, Production and Consumption[8]

Ghana has approximately 2.5 billion barrels of proven oil resources, of which 94% are located offshore and the remainder onshore. Between 2010 and 2017, oil resources declined by 7%. Ghana's crude oil extraction in 2017 was 57 million barrels and it was all attributable to offshore facilities. Crude oil production has increased 17-fold since 2010 – when oil production started – and is expected to continue growing until 2019 when growth is expected to stabilise. Higher production in late 2018 has been ascribed to the output of the Jubilee Fields, as well as the commencement of production at TEN and Sankofa.

Crude oil exports have grown as domestic production increases. However, limited refinery output keeps Ghana dependent on refined fuel imports. Domestic consumption has been growing slowly since 2010, and reached 27 million barrels in 2017. It is expected to remain constant through to 2023. Gas exploration has only just started but is expected to be promising.

Ghana's weakening currency, a slowdown in oil-fired electricity generation and fuel price liberalisation will constrain consumption growth while an improving macroeconomic outlook and a slow but continued vehicle sales growth will help maintain the macroeconomic consumption levels.

Figure 11: Oil Resources and Production



Source: Deloitte (2018)

7.2 Laws and Regulations

The Ministry of Energy and Petroleum defines the sector policies and oversees the regulatory agents operating in the various segments of the value chain. The Petroleum Commission (PC) oversees the upstream segment of the value chain, including applications and compliance by the International Oil Companies (IOCs) and the Ghana National Petroleum Corporation (GNPC). The Energy Commission and the Public Utilities Regulatory Commission (PURC) oversee the actors in the midstream segment of the value chain, including the Ghana National Gas Company (GNGC), in issues related to licensing and security of supply. The National Petroleum Authority regulates the downstream segment of the value chain, including actors such as the Tema Oil Refinery (TOR), the Bulk Oil Storage and Transportation Company, bulk distribution companies (BDCs), and oil marketing companies (OMCs).

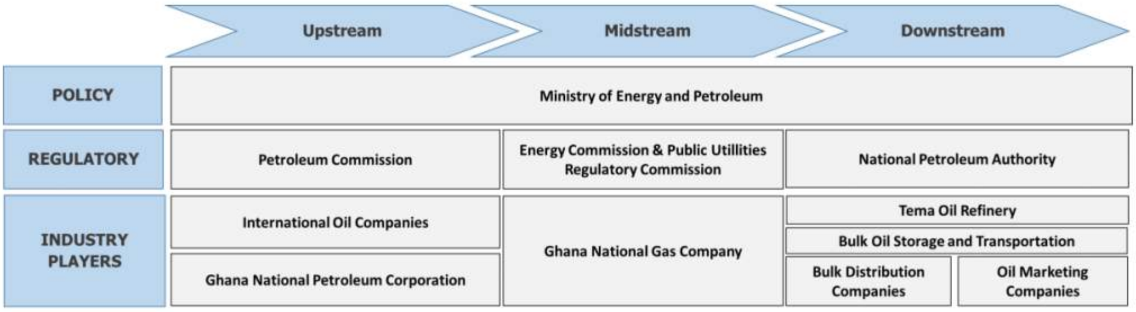
[8] Deloitte, Africa Oil and Gas state of Play, November 2018.

Under the Constitution of Ghana, all untapped natural resources including oil and gas resources are vested in the President of Ghana for and on behalf of the people of Ghana. The right to explore and develop is subject to a licence granted by the Government (acting through the Ministry of Energy) and approved by Parliament.

The primary laws governing the upstream oil and gas sectors are[9]:

- the Petroleum Act, 2016 (Act 919);
- the Ghana National Petroleum Corporation Act, 1983 (PNDCL 64);
- the taxation regime under the Petroleum Income Tax Act, 1987 (PNDCL 188) and the Income Tax Act, 2015 (Act 896).

Figure 12: Value Chain Main Actors



Source: IFC, Estimating the Effects of the Development of the Oil and Gas Sector on Growth and Jobs in Ghana (2015-2010 model): A Modelling and Value Chain Analysis (June 2018)

7.2.1 Operating Licencing Requirements

Any person intending to engage in petroleum exploration and development must commence the process by submitting an application to the Ministry of Energy and Petroleum. Although Act 919 favours the award of petroleum rights through competitive bidding, this option is yet to be implemented by the Ministry. In April 2018, the government launched the processes leading to the first ever oil and gas licensing round, which is expected to be concluded by early 2019 with negotiations and award of licences. This announcement was followed with the inauguration of the Licensing Bid Rounds and Negotiation committee to supervise the open tender processes.

To date, however, all petroleum rights granted in Ghana have been through direct negotiation with prospective contractors. Applications are referred to the Petroleum Commission for evaluation and due diligence on the applicant. If an applicant is qualified, the Minister will constitute a petroleum agreement negotiation team comprising senior officials from the Ministry of Energy, the GNPC, the Attorney-General's Department and the Ghana Revenue Authority. At the close of negotiations the draft petroleum agreement is submitted to Cabinet for approval and then to Parliament for ratification. To this effect, the Ministry of Energy has developed the Model Petroleum Agreement (MPA) guidelines for prospective contractors.

[9] AB and David, Oil and Gas Law Review, November 2018

7.2.2 Taxation

Taxation of activities in the upstream oil and gas sector is regulated under the Petroleum Income Tax Act 1987 (PNDCL 188), and the Income Tax Act, 2015 (Act 896), as amended. Income tax is assessed at 35% of the chargeable income or as provided in the petroleum agreement.

Income tax is calculated net of all expenses that are incurred in the petroleum operations. Employees of petroleum operators are subject to income tax at varying rates depending on their nationality and income. Petroleum agreements may provide some exemptions for foreign employees working in Ghana for periods under 30 days.

7.2.3 Currency Exchange Controls

Exchange control in Ghana is regulated by the Foreign Exchange Act, which provides for the exchange of foreign currency, international payment transactions and foreign exchange transfers.

There is a relatively flexible financial regime in place that facilitates transfers of foreign currency in and out of Ghana. Each payment to or from Ghana between a resident and non-resident must be made through a local commercial bank. Although there are no specific restrictions on receipts and payments out of Ghana, the local bankers of the company in Ghana must report foreign exchange transactions to the Bank of Ghana.

Non-resident companies are, in principle, free to transfer their net after-tax profits abroad, unless their activities are financed with Ghana-raised capital. Expatriate employees can also transfer their salaries to their home countries after the payment of all relevant Ghanaian taxes.

7.2.4 Competition Act

There is no general antitrust or competition law in Ghana. A draft bill, the Competition and Fair Trade Practices Bill (the Competition Bill), has been in existence since 2004 and has not yet been passed into law. The only legislation which makes reference to ‘competition’ is the Protection Against Unfair Competition Act, 2000. However, the Act does not apply in the same way as antitrust or competition legislation in other jurisdictions in the context of mergers and/or acquisitions. It is a general mechanism for the protection of business goodwill and reputation, and proprietary information.

The Unfair Competition Act does not create any regulatory body or administrative process for the purpose of enforcement. Rather, it provides that an aggrieved person may seek common law remedies in a competent court.

7.2.5 Labour and Content Restrictions

The Petroleum (Local Content and Local Participation) Regulations (LI 2204) regulates local content in the upstream sector. Significant provisions include the following requirements:

- minimum of 5% indigenous participation (other than GNPC) in petroleum agreements;
- minimum of 10% Ghanaian ownership in service providers to be increased to 50% in five years and 60–90% after 10 years;
- submission of a local content plan showing how priority will be given to local goods and services and use of local professionals and a training plan;

7.3 Key Market Opportunities for Malta-Based Operators

Lower international oil prices in recent years have caused slowdowns in petroleum industries across the globe. Ghana, however, has not faced a strong downturn. While the Jubilee field is Ghana's first – and so far largest – project, several new projects have increased Ghana's production capacity, including the TEN and Sankofa fields. The TEN fields have an estimated 240 million barrels and 396 Bcf of gas, and averaged production of 56 000 b/d in 2017[10]. The Sankofa fields contain an estimated 550 million barrels and 40 billion cubic metres of gas[11]. In addition, ENI has obtained a new exploration licence for an adjacent field. Once the project is operational, the extracted gas will cater for over 40% of Ghana's domestic power generation as per current installed capacities. In late 2018, Ghana launched its first offshore licensing round, with six blocks on offer. This development has contributed to the rise in exploration activity from firms such as ExxonMobil.

Offshore resources constitute the bulk of Ghana's oil and gas potential (over 94%). Onshore projects have been limited. However, the 100,000 sq-km Voltaian Basin, which covers 40% of Ghana's landmass, and stretches into Togo and Benin, offers new exploration prospects. Historical surveys identified potential deposits in the northern part of the basin, and the GNPC is continuing its five-year exploration activities to gauge the area's potential. Having said that, the Volta Lake and connecting rivers have major economic importance for the communities surrounding them. The inland water system hosts a large portion of Ghana's fish resources, including most large-scale commercial fish farms. Inland trading centres can be found around the Volta Lake, and they rely on the water for fishing as well as transport to urban markets in southern Ghana. The lake is used for transportation of people and livestock as well as commodities such as cement and petroleum products. This means that some sort of relocation would have to be made. The need for resettlement, and resistance from established socioeconomic systems and local political structures, are some of the foreseeable challenges to onshore production. These challenges are not present with offshore oil and gas exploration. Since there is no prior onshore oil and gas exploitation to compare with, it is difficult to predict the outcome. These factors do not rule out the possibility of onshore oil and gas development in Ghana, but they do suggest that it will be different from already-established petroleum projects.

As in the Angolan case, gas-to-power will be the main anchor sector also given the unreliability of the country's power supply. This is mainly due to lower water levels in reservoirs (affected by rainfall

[10] Tullow Oil, The 'TEN project', September 2017

[11] ENI, ENI starts production in Ghana ahead of Schedule, May 2017

levels) and insufficient and intermittent gas flow coming from Nigeria through the West African Gas Pipeline.

As the development of the local oil and gas sector in Ghana is recent, its local value chain is still developing and refocusing from a traditional import-oriented business. The country's pipeline infrastructure is limited and has proven to be a major deterrent for the midstream segment. Besides, the country only has one oil refinery (Tema) which has a capacity of 45,000 b/d. The final refined product output is much lower due to operational inefficiencies and disruption in the oil supply. The Tema Oil Refinery suffered several closures in the last few years as a result of poor machinery maintenance and financial constraints. The refinery plans to increase its capacity to 60,000 b/d but may well struggle to secure the required investment.

The service sector for the upstream industry is very competitive and difficult to penetrate unless as a joint venture with local companies with the right connections. To operate in Ghana's upstream service sector, a foreign company has to form a joint venture with an indigenous Ghanaian company, which must have a minimum of 10% equity participation[12]. The local content regulation gives Ghanaian companies priority in the tender process and requires the employment of local workers if available. Interestingly, since the decline of crude oil prices, several new Ghanaian companies have been established, increasing competition for local contracts. This growth in companies has been driven largely by former employees of the international service companies who, after being made redundant, established their own companies and joined the bidding for local contracts. The upstream sector market is thus populated with small companies often serving as intermediaries between international and domestic companies. Having said that, these companies are facing some constraints in respect to stringent technical and quality standards, high cost of doing business, access to finance and fierce competition.

The downstream industry has had a handful of participants, including state-owned companies and international oil companies, since Ghana's independence in 1957. In the 2000s, the sector saw a withdrawal of major oil companies and an expansion of Ghanaian and African companies. In 2015, the Ghanaian government embarked on a deregulation reform, which made it easier for private companies to participate in import, distribution, and marketing of petroleum products. The new government has taken an aggressive approach to raising competitiveness in downstream activities. The effects to-date appear to be mixed. On the one hand, liberalisation has reduced public spending on fuels, as subsidies had been a regular feature of government-set prices. On the other hand, the deregulation has started something of a price war, a challenge given the instability of the cedi, and price-sensitive consumers. The industry is currently made up of a number of financially weak players each with a very small market share, which might have to go through a consolidation phase in the future.

As with Angola, the local labour market lacks the required skills. Although the Local Content restrictions are far more lenient in Ghana than in Angola, training is still considered a main aspect of the oil and gas business model.

[12] Ministry of Energy, Guidelines for the formation of joint ventures companies in the upstream petroleum industry of Ghana, March 2016

7.4 Routes to Market and Internationalise the Local Product

Ghana offers a multitude of opportunities across the value chain given the country is still relatively new to the oil and gas market and a solid infrastructure investment is required. As explained in the section related to Angola, one of the best ways to market yourself in emerging markets, unless you are already connected, is through delegations. In October 2018, it was announced that Jean Claude Galea was to be appointed Malta's resident high commissioner to Ghana, becoming Malta's first ambassador in Sub-Saharan Africa[13]. While there were already Maltese businesses operating in Ghana, the country's membership in the Economic Community of West African States and the Commonwealth made it more appealing for the Maltese Government to set up a diplomatic mission in Ghana. President Marie-Louise Coleiro Preca had led a delegation to Ghana in July of 2017 in order to open up business opportunities and discussions with the country.

Similarly to Angola, Ghana is an emerging market and the same initial approach to business as that recommended for Angola is also recommended for Ghana. This would entail:

1. Identifying the market segment of interest (based on the outline in the above review);
2. Performing due diligence using a reputable local law firm specialised in the sector;
3. Visiting regularly and developing face-to-face relationships with local contacts;
4. Where applicable, forming collaborations with local companies to facilitate the entry point;
5. Where applicable, finding a local partner who is well connected;
6. Seeking approval at ministerial level and building good links with the appropriate industry representatives and officials.

The marketing strategy used could be evaluated in context of the following:

- New licences being issued (offshore and onshore) with a rise in exploration activity;
- Underdeveloped drilling sites;
- Underdeveloped onshore exploration with good potential through the Voltaian basin;
- Competitive upstream service sector but with local companies facing some constraints;
- Underdeveloped pipeline infrastructure;
- Underdeveloped gas sector across all the value chain;
- Refinery constraints (mainly in terms of investment);
- Restricted labour skill across the value chain;
- Local content law in respect to services to be exclusively provided by local companies;
- Barriers to growth faced by local SME's to develop and service the oil and gas sector;
- Downstream sector deregulation with joint venture possibilities.

As an oil and gas producing country, Ghana is different from Angola. The country is relatively new to this market and, although the natural resources are limited, there are opportunities across the entire value chain. Moreover, being a new entrant, Ghana is more receptive to change, especially when it comes to digitisation, while also having a flexible policy regime that is geared towards attracting foreign investment.

As with other emerging markets, collaboration is deemed to be the preferred approach in the oil and gas sector. While Ghana has a less stringent local content regulation for initial investors, any long term

[13] Times of Malta, October 18, 2018: https://www.timesofmalta.com/articles/view/20181018/local/malta-appoints-resident-high-commissioner-to-ghana.691908

business plan should keep this factor into perspective. The lack of local expertise, together with underdeveloped infrastructures across the board, allows for multiple points of entry.

Given the untapped potential of Ghana and its newly found riches, one could follow a marketing strategy directed towards the higher tier of the ecosystem. A possible scenario could be to service at Tier 3 level, certain entities while attempting a more generic approach at Tier 2 level. This would mean providing a less specific service but servicing multiple entry points across the value chain. It also reflects an increased level of capital investment when compared to the lower value chain tier.

Examples of Tier 2 services include the following:

- Reservoir engineering;
- Seismic data acquisition and processing contractors;
- Wells services contractors;
- Well engineering consultants;
- Drilling contractors;
- Structure and topside design and fabrication;
- Marine and subsea contractors;

The Tier 2 OFS providers bridge the gap between the big players and the specialised services by assuming a contracting / managerial role targeted at creating synergies in the ecosystem.

Another possible marketing strategy is to target the local SMEs across the sector. Given the lack of knowledge, high costs and at times, lack of access to local business information, the companies have lately been receptive in partnering with foreign OFS providers that could enable them to grow their coverage and market reach.

Given the lack of experience in the industry, training is required across the full value chain creating marketing opportunities for local OFS providers.

While the entry strategy adopted for Ghana may be similar to the one discussed under the Angola section of this report, the constraints and possible resistance to change are to be considered to be lower. In fact, the Government has already reached out to international ICT companies in an attempt to digitise some segments of the value chain through possible partnerships with the likes of Google, IBM and GE. Ghana is currently reviewing several regulations governing the ICT sector aimed at enhancing local resources and push for the creation of start-ups that may service the oil and gas industry. Malta-based ICT companies interested in the Ghanaian market should monitor these developments which could offer further market entry points to the sector.

7.5 Country Weaknesses and Challenges

Ghana has shown mixed macroeconomic performance in recent years, with significant shocks being amplified by policy slippages and resulting external and domestic imbalances. Growth in 2016 was 3.5%, the lowest level in two decades. A recovery is expected in 2017–18, due to an increase in oil production, declining inflation, and lower imbalances, provided that the right policies are implemented[14].

Ghana's growth is constrained by poor infrastructure, limited energy capacity, a shortage of skilled workers, and low productivity. The country's ports, roads, and railway system need to be upgraded, and electricity shortages force the government to engage in power rationing, which creates bottlenecks, particularly in economically important sectors. About half of Ghana's electricity relies on the water level of Lake Volta, and when rainfall is insufficient, the government is forced to rely on thermal generation, which is costlier than hydropower. Power cuts are caused by intermittent gas flow coming from Nigeria through the West African Gas Pipeline. The government is encouraging foreign investment to increase the power supply and achieve total rural electrification in the coming years. This is however difficult to attain at present due to the weak financial position of state-owned utilities.

Education is improving, but there is still a shortage of skilled workers. In terms of employment, nevertheless, there are limited opportunities in the oil and gas sector available to the local workforce especially in the upstream segment. This is principally due to a combination of two factors. First, the sector is knowledge- and technology- intensive rather than labour intensive. Second, the oil and gas sector is a recent addition to the economy and vocational training programs have not been in place for a sufficiently long period of time to produce the type and level of skills required by the sector. To mitigate these skill gaps, several privately- and publicly- funded programs were organised with the aim of developing the technical and safety skills of young professionals and graduates from Ghanaian institutions.

[14] IFC, estimating the Effects of the Development of the Oil and Gas Sector on Growth and Jobs in Ghana (2015 – 2030), June 2018.

7.6 Ghana Annex – Doing Business in Ghana

Source: ENS Africa, August 2018

7.6.1 Country Profile

Government structure	• **Executive:** The president is head of state, head of government, and commander in chief of the armed forces. He/she appoints the vice president. The president is elected by popular vote for a four-year term. • **Legislative:** Ghana has a unicameral parliament. The president serves a four-year term. • **Judicial:** The highest court is the Supreme Court. The subordinate courts are the Court of Appeal, High Court, Circuit Court, District Court and Regional Tribunals. • **Next elections:** December 2020.
Risk ratings	• World Economic Forum Global competitive index (2016-2017): 114/138 • World Bank ease of doing business (2017): 108/190 • Corruption perception index (2016): 70/176

7.6.2 International Treaties and Memberships

International and regional organisations and customs unions	• African Caribbean and Pacific Group of States • African Development Bank • African Economic Community • African Union • British Commonwealth • Economic Community of West African States ("**ECOWAS**") • Global System of Trade Preferences among Developing Countries • International Monetary Fund • United Nations • World Bank • World Trade Organization.
Bilateral investment treaties	• Ghana has entered into bilateral investment treaties, which are in force, with China, Denmark, Germany, Malaysia, the Netherlands, Serbia, Switzerland and the UK. • Treaties have been signed with Benin, Botswana, Bulgaria, Burkina Faso, Côte d'Ivoire, Cuba, Egypt, France, Guinea, India, Italy, Mauritania, Mauritius, Romania, South Africa, Spain, Zambia and Zimbabwe, but these have not yet entered into force.
Investment related agreements / institutions	• Agreement on Trade-Related Investment Measures; • General Agreement of Trade in Services; • Multilateral Investment Guarantee Agency; and • Overseas Private Investment Corporation of USA.
Dispute resolution	• International Centre for Settlement of Investment Disputes; and • Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

7.6.3 Trade Marks

International conventions, treaties and arrangements	• Agreement on Trade-Related Aspects of Intellectual Property Rights. • Madrid Protocol (Incorporated into Ghanaian Law by virtue of the Trademarks (Amendment) Act) • Nice Convention • Paris Convention • World Intellectual Property Organization • World Trade Organization.
Classification	• The international classification of goods and services applies. •A separate application must be filed for each class.
Categories of trade marks	• Provision is made for: service marks; collective marks; and certification marks.
Filing requirements	• Power of attorney, simply signed; • 10 prints of the trade mark; and • priority document (if applicable), with verified English translation.
Procedure	• Applications are examined as to formal requirements and conflict with prior existing registrations/applications. • Acceptance must be published for opposition purposes.
Oppositions	• Opposition may be lodged within two months following the date of advertisement. • Extension of the opposition period is possible at the discretion of the registrar.
Duration and renewal	• A trade mark registration is effective for an initial period of 10 years and, thereafter, renewable for further periods of 10 years.

7.6.4 Legal Regime

Applicable legal regime	• Mixed system of English common law and customary law.
Dispute resolution	• Disputes involving commercial arbitration and other settlement awards are handled in the commercial courts. Alternative dispute resolution is mandatory in the pre-trial stage and is governed by the Alternative Dispute Resolution Act. The Act deals with arbitration, mediation and customary arbitration (i.e. arbitration by traditional authorities). • Ghana operates an argumentative court system, which comprises of Lower Courts and the Superior Courts.
Land acquisition, planning and use	• The ownership of land is set by the Constitution and related statutes, which distinguish between the rights of ownership and use. The Constitution provides for three categories of ownership: **Public/vested lands:** Public lands belong to the state, and vested lands are lands in which the state takes over the legal incidents of ownership, i.e. the right to sell, lease, etc., from the customary landowners and holds the said land in trust for the land-owning community. The landowners retain the equitable interest in the land. These lands are managed by the Public and Vested Lands Management Division ("**PVLMD**") of the Lands Commission; **Stool/skin lands**: These are community lands vested in a traditional council or community leaders on behalf of and in trust for the subjects of the stool, traditional leaders, in accordance with customary law and usage. Transactions in connection with these lands must receive the approval of the PVLMD to make the grant valid; and **Private and family/clan lands:** Lands owned by individuals, families and clans in

	the community. • Foreign investors can only own land on a leasehold basis.
Competition	
merger control	• There is no competition law regime governing merger control in Ghana. • Ghana has a draft competition bill, the Competition and Fair Trade Practices Bill which has been in existence since 2004. There is no indication as to when this Bill will become operational. • Various sectorial regulators are, however, responsible for the promotion of fair competition and, in certain sectors, merger control as well. • The various sectorial regulators have their own definition of a merger, merger thresholds, merger filing fees and time periods for approval. • Ghana is a member of the regional competition body, ECOWAS which does have merger control. Merger activities in Ghana should be conducted with this regional competition body in mind.
prohibited practices	• There is no competition law regime in Ghana governing prohibited practices (whether horizontal, vertical, abuse of dominance or otherwise). • ECOWAS regulates prohibited practices in the ECOWAS Common Market. Activities in Ghana should be conducted with this regional competition body in mind.
Employment requirements	
immigration	• Non-citizens working in Ghana require work permits, residence permits and visas. • A company that is registered with the Ghana Investment Promotion Centre ("**GIPC**") is granted an automatic immigrants quota, with the number of expatriates that may be employed depending on the amount of its foreign capital contribution as follows: ***foreign capital contribution*** — ***automatic immigrant quota*** *USD50 000-USD250 000* — *1* *USD250 000-USD500 000* — *2* *USD500 000-USD700 000* — *3* *above USD700 000* — *4* ***Further work permits may be applied for through the Ministry of Interior/Ghana Immigration Services, based on a recommendation from industry-specific government regulatory bodies and NGOs.***
local employment vs. secondment	• It is not a legal requirement for either local or foreign employees to be employed by a local entity in Ghana to work in Ghana. • There are instances in which expatriates may not be engaged to perform work in Ghana. For example, in the upstream petroleum industry, certain roles can only be occupied by locals. • Subject to restrictions on engaging expatriates, it is therefore possible to second a foreign employee to work in Ghana without having to conclude an employment contract with a local entity, subject to applicable immigration laws. In this regard, a foreign employee requires an entry (work) permit to lawfully work in Ghana. • Local employment may be required and/or preferred for tax or immigration purposes.
typical employment – fixed term contracts and temporary employment services	• It is legally permissible to conclude an indefinite number of fixed-term contracts, even for permanent tasks. • The use of temporary employment services (i.e., private employment agencies) is common practice in Ghana. Private employment agencies must be registered and licensed with the Minister of Employment and Labour Relations.
participation in statutory schemes	• Employers and employees are obliged to contribute to the first two tiers of the contributory pension scheme in terms of the National Pensions Act. • However, expatriate employees may qualify for exemption from such contributions if they are working in Ghana for a limited period of time or submit proof of contributing to a similar scheme in their home country.
payment in local currency	• It is a legal requirement for payments to be made in local currency unless one party to payment is non-resident in Ghana.

restraint of trade agreements	• Restraint of trade agreements are generally enforceable in Ghana, subject to the requirement that they are reasonable.

7.6.5 [redacted]eign Investment Regime

Investment regime	• Investments are governed by the Act. The GIPC provides for the investment and participation of non-Ghanaians in the marketplace. • In the case of a joint venture with a Ghanaian, the foreign investment must be a minimum of USD200 000 or its equivalent in capital goods by way of equity participation. • Where an enterprise will be wholly owned by a foreigner, there must be a minimum investment of at least USD500 000 or its equivalent in capital goods by way of equity capital. In the case of a trading enterprise, there needs to be a minimum investment of at least USD1-million by way of equity capital and the enterprise must additionally employ a minimum of 20 skilled Ghanaians.
Registration / licensing requirements	• Any company in which there is foreign participation must register with the GIPC (after registration with the Registrar General's department). • An enterprise in which foreign participation is permitted must renew its registration with the GIPC every two years.
Non-industry specific registration/ licences	• The following general non-industry specific registrations/licences may also be required:
business permit	• A business operating permit is to be obtained from the District Assembly in the area in which an entity operates, which is renewable annually. • The fees to be paid for the business operating permit are not fixed, but are calculated based on the nature of the business and location of the company.
*Ghana Revenue Authority ("**GRA**")*	• Every person liable to pay tax or required to withhold tax at source, as well as all directors, shareholders, the company secretary and auditor of a company, are obliged to obtain a taxpayer identification number ("**TIN**") from the GRA and use such TIN for official transactions with public and private institutions. A single TIN is issued in respect of all types of taxes. • A company registered in Ghana is automatically issued with a TIN on registration of the company. • An enterprise is obliged to register for value-added tax ("**VAT**") if it makes taxable supplies of goods or services exceeding: • GHS120 000 at the end of any period of 12 or fewer months (or there are reasonable grounds to expect that the enterprise will make taxable supplies exceeding GHS120 000 in 12 months or fewer); or • GHS30 000 at the end of any three-month period where it may reasonably be expected that the total value of taxable supplies to be made during the next consecutive nine months will, together with that made in the preceding three-month period, exceed GHS120 000.
*Social Security and National Insurance Trust ("**SSNIT**")*	• In terms of the National Pensions Act, there are a three-tier contributory pension scheme. • The first tier (tier 1) is a mandatory basic national social security scheme managed by SSNIT; • the second tier (tier 2) is a mandatory fully funded and privately managed occupational pension scheme; and • the third tier (tier 3) is a voluntary fully funded and privately managed provident fund and personal pension scheme. • Both the employer and the employee must contribute to the mandatory pension schemes (tiers 1 and 2). • An entity (including a branch of a foreign company or a local incorporated company) employing staff is obliged to register with the SSNIT

	immediately upon the employment of employees. Each staff member is to be registered with the SSNIT and issued an identification number.
The National Health Insurance Scheme Levy ("NHIL")	• The NHIL is charged on goods and services supplied in, or imported into, Ghana at a rate of 2.5% and is collected together with VAT. As a result, the standard aggregate VAT and NHIL rate on the taxable supply of goods and services is increased from 15% to 17.5%. • No separate registration is required for the NHIL.
industry-specific licences	• Industry-specific licences may also be required.
incentives	• Investors are entitled to the benefits and incentives under the Internal Revenue Act; the Free Zones Act for industries operating within the designated free-zone enclaves, and legislation relating to hotels and tourism. • Special investment packages may be granted for identified strategic or major investments.
exchange control regulation	• Exchange control in Ghana is regulated by the Foreign Exchange Act, which provides for the exchange of foreign currency, international payment transactions and foreign exchange transfers. • There is a relatively flexible financial regime in place that facilitates transfer of foreign currency in and out of Ghana. Each payment to or from Ghana between a resident and non-resident must be made through a local commercial bank. Although there are no specific restrictions on receipts and payments out of Ghana, the local bankers of the company in Ghana must report foreign exchange transactions to the Bank of Ghana. • Non-resident companies are, in principle, free to transfer abroad their net after-tax profits, unless their activities are financed with locally raised capital. Expatriate employees can also transfer their salaries to their home countries after the payment of all relevant Ghanaian taxes.
types of entities available for foreign investment	• private or public company limited or unlimited by shares (for profit) or by guarantee (not for profit); or • external company (branch of a foreign company)

7.6.6 Private Limited Liability Company

Minimum number of shareholders	• The Companies Act provides for a minimum of one shareholder and a maximum of 50 shareholders. • Except for the mining and petroleum industries and certain sectors of the telecommunications industry, shareholding by Ghanaian citizens or companies is not specifically required. • In a joint venture with a Ghanaian investor or company, the GIPC Act requires a minimum of 10% Ghanaian ownership. • A non-resident portfolio investor may not hold more than 10% of any one security listed on the Ghana Stock Exchange and the total non-resident holdings in any one security listed on the exchange cannot exceed 74%.
Minimum share capital	• Before commencing business, a private company must have received, as a minimum capital for the issue of its shares, consideration of at least GHS500, of which at least GHS100 must have been paid in cash. • However, for companies in which there is foreign participation, the GIPC Act prescribes minimum capital requirements as set out above.
Directors	• A minimum of two directors are to be appointed, at least one of which must, at all times, be present in Ghana. • In practice, the one director who must be present in Ghana should be habitually present in Ghana, but may travel out of Ghana for short periods of time to transact business, attend meetings, etc.
Company secretary	• A company secretary must be appointed and may be a body corporate or one of the company's directors. However, anything that needs to be done by both a director and a secretary cannot be done by one person acting in both capacities.

Auditor	• A private company limited by shares must appoint a local auditor who should be a member of the Institute of Chartered Accountants, under the Chartered Accountants Act or a practising accountant within the meaning of such Act.
Registered address	• All companies must have a registered address in Ghana. The company may use either its own office address or that of the company secretary.
Shelf companies	• There are no shelf companies available for purchase in Ghana.
Registration process	• Private limited companies are incorporated through the Registrar General's department and should be registered with the GIPC. The incorporation of a company usually takes approximately 10-20 working days to complete once all required documents have been submitted.

7.6.7 Tax

Tax system	• Ghana has a residence-based taxation system.
Corporate residence	• A company is resident in Ghana if it is incorporated under the laws of Ghana or it has its management and control exercised in Ghana at any time during the tax year.
Corporate tax rate	• The general corporate tax rate is 25%. • Mining and petroleum companies are subject to a corporate tax rate of 35%. • Companies engaged in non-traditional export, manufacturing, farming, agro processing, hotels, waste processing, free-zones, rural banking, residential construction, unit trust schemes and venture capital financing qualify for reduced tax rates.
Capital gains tax ("CGT")	• CGT is charged on gains accruing to, or derived by, a taxpayer from the realisation of an asset or liability at a rate of 15%.

WHT rate (%)

Payment to	Residents	Non-Residents
branch profits	N/A	10%
dividends	0% (if at least 25% voting right) 8%	8%
interest	8% (except financial institutions) 20% on government securities	8%
royalties	N/A	15%
management, consulting and technical service fees	7.5% for payments exceeding GHS2 000	20%

Double tax agreements ("DTAs")	• DTAs are in force with Belgium, Denmark, France, Germany, Italy, the Netherlands, South Africa, Switzerland and the United Kingdom.
Losses	• Unrelieved losses from a business in a priority sector (e.g., farming, agro processing, mining, petroleum, energy and power, tourism, ICTs and manufacturing) may be carried forward for five years. Unrelieved losses in all other sectors may be carried forward for three years.
Transfer pricing	• Transfer pricing rules are applicable in Ghana. Where an arrangement exists between persons who are in a controlled relationship, the income and tax payable thereby must be calculated according to the arm's length standard. • Persons are considered to be in a controlled relationship if an entity and a person who controls that entity or who may directly or indirectly, alone or together with other persons, benefit from 50% or more of the voting power or rights to the income or capital of the entity.

Thin capitalisation	• Where 50% or more of the underlying ownership or control of a resident company (other than a financial institution) is held by a non-resident person, and such resident company has a debt-to-equity ratio in excess of 3:1 at any time during a basis period, it will not be allowed to deduct any interest paid or foreign currency exchange loss incurred during that period on that part of the debt that exceeds the 3:1 ratio.
Employee taxes	• Resident individuals are taxed on a sliding scale of between 0% and 25% and non-residents are subject to a flat rate tax of 20%. • Resident employee tax rates applicable from 1 January 2016: *annual chargeable income (GHS)* — *tax rate* *up to 2 592* — *0%* *2 592-3 888* — *5%* *3 889-5 700* — *10%* *5 701-38 880* — *17.5%* *above 38 880* — *25%*
Social security contributions	• Both employees and employers must make monthly social security contributions to the INSS. • The employer contribution rate is 8% of the monthly salary and any additional remuneration paid to employees, whether in cash or kind, whereas the employee contribution rate is 3%.
Payroll taxes	• There is no payroll tax in Angola.
Stamp duty	• Stamp duty is levied under the Stamp Duty Code on a number of instruments at the time of issuance or transfer of a specified instrument. • All receipts related to any transaction issued by Angolan companies and foreign companies present in Angola are subject to stamp duty at the rate of 1%. • Property transfer tax (sisa sobre as transmissões de imobiliários por título oneroso) on the transfer of immovable property is levied at the rate of 2%. The transfer of immovable property is also subject to stamp duty at the rate of 0.3%.
VAT / consumption tax	• There is no VAT or sales tax in Angola. A consumption tax (*imposto do consumo*), which is a combination of a single-stage sales tax and excise duty, is levied on the supply of goods and certain services in Angola.
consumption tax rate	• Standard rate of 10%, but varying rates apply to listed commodities and services.
taxable supplies	• Consumption tax is levied on the supply of goods and certain services in Angola by a taxable person and on the importation of goods.
Registration threshold	• No registration threshold applies in Angola.
Reverse consumption tax on imported services	• Resident companies are required to account for consumption tax in respect of imported services rendered by non-residents in terms of a reverse-charge mechanism.

8. Conclusion

TRADEMALTA

8.1 Summary and Outlook

The outlook for Africa's oil and gas industry is positive, despite the fact that it takes place amid difficult operating and economic headwinds. The sector has been through a torrid few years in the wake of the oil price crash. However, the industry has restructured itself and is much more competitively-placed in terms of operational performance. With exciting new discoveries being made in many parts of the African continent, the region continues to be a beacon for investors from all over the globe. Local demand and security of national supply continue to rank high on government agendas, as can be seen through protectionist policies and the increasing participation of National Oil Companies across the value chain.

Companies have largely adapted to a low-cost environment, which promises to be even more beneficial given a scenario with a recovering oil price. They have restructured portfolios with a focus on established regions, higher value plays with low break-even cost, and projects with shorter lead times and lower risk. This has led bigger players to divest from some of the segments creating opportunities for smaller, more specialised service providers. The application of technology has also caught the attention of many players, as can be seen from the recent developments and partnerships across the ecosystem. It is safe to assume that this trend will continue if the current higher price environment is sustained.

Despite the encouraging developments, the sector still faces numerous and persistent challenges around talent shortages, regulatory uncertainty, political instability, corruption and fraud, and a lack of infrastructure. Notwithstanding the challenges, Africa does offer plenty of opportunities in the form of unexplored hydrocarbon demand fuelled by population growth, urbanisation and the emergence of a growing middle class[15].

[15] PWC, Africa Oil Week, November 2018

8.2 Final Thoughts

The two markets analysed in terms of attractiveness for Oilfield Service Companies provide a series of possibilities for Malta-based firms. Both countries are heavily investing in the oil and gas sector, being one of their main sources of revenue, and are vigorously endeavouring to attract foreign investment, thus creating opportunities across the entire value chain.

In providing the analysis in the foregoing pages, we have sought to provide readers with some of the basic building blocks of a market penetration strategy on the basis of which you can build and premise your own.

This report and the other reports in this series are not intended to be academic or esoteric, but practical and empirically useful for doing business. We have accordingly sought to put together the essence of what every entrepreneur would need to know before targeting a new market. The views represented herein are purely those of the winning bidder (Equinox Advisory Ltd.) to the tender for services published by TradeMalta to commission this series of reports.

While hoping that you have found the information presented in this report to be useful, we also invite you to register at www.trademalta.org. Registration will grant you access to all the portal's features, which are tailored to help Malta-based companies reach new heights in international markets.

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