

Senegal president admits virus will delay oil projects

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Macky Sall says ripple effects from pandemic are having devastating effect on business.

Senegal has been forced to delay its first oil and gas projects by up to two years because of coronavirus, President Macky Sall said, in a sign that aftershocks from the crisis are battering even economies that have avoided the worst of the pandemic itself.

The west African country, which has one of the continent's best medical systems, has so far been relatively successful at containing the virus, which has infected 5,475 people and killed 76, according to official figures.

But the pandemic's ripple effects, from low commodity prices and weak international demand to a loss of investor appetite, have had a devastating impact on business, Mr Sall said in an interview with the Financial Times.

"The economic impact is huge. Over the past five years, Senegal has had no less than 6.5 per cent annual growth," he said. "Now, even if everything goes well, growth will be 1 per cent. If this pandemic continues, we will be in recession — no doubt about it."

As a result, Senegal's entry into the club of oil and gas producers would be postponed by one to two years, he said. "We have seen major oil companies who are no longer capable of meeting their commitments in production. They cannot raise the money," he said.

He added: "I cannot name names because I cannot say anything that will affect their situation, which is already fragile."

BP, Total and Kosmos are among the investors in Senegal, along with Cairn Energy, which in 2014 put the country on the oil and gas map with the biggest offshore oil discovery anywhere in the world that year. Soon after, Kosmos discovered the largest offshore gas deposits in west Africa between Senegal and Mauritania.

"The appetite for costly, riskier frontier projects is much diminished," said Richard Hood, senior analyst for sub-Saharan Africa upstream at Wood Mackenzie, an oil consultancy, referring to the price collapse since March.

The Sangomar field, which had been expected to be Senegal's first offshore project in production, had already faced problems, he said, adding that the project needed investment of more than \$4bn before it produced oil. Woodside, the field's Australian operator, said it expected to begin production in 2023, adding that it had "taken early action to proactively manage the emerging impacts of Covid-19".

In its battle against the virus, Senegal has avoided a full-scale lockdown, but has imposed a curfew and banned mass gatherings, restrictions that have led to protests in Dakar, the capital, and Touba, a religious centre that has seen a cluster of cases. There has also been an outbreak of the virus at the Pasteur Institute, one of the top laboratories on the continent.

“African countries have known epidemics in the past, most recently Ebola and meningitis, so we have developed resilience in our health systems and people are used to acting decisively,” Mr Sall said. “In early March, from the first week when we had fewer than 10 cases we closed all our borders — air, land and sea — in order to stop imported cases and we immediately implemented a national response strategy.”

Shut out of international procurement efforts, Senegalese entrepreneurs have switched to producing masks while Dakarbased DiaTropix and Mologic of the UK are jointly working on a 10-minute \$1 home diagnostic kit modelled on pregnancy tests. Companies have also produced cheap ventilators with 3 technology.

Mr Sall warned that, when effective medicines were developed against Covid-19, Africa would have to guard against fake medicines, which he estimated comprised an alarming 50-60 per cent of all drugs in circulation on the continent.

This month, Senegal’s parliament ratified an initiative backed by the Brazzaville Foundation, a UK-based NGO, to stamp out the trade in illegal medicines that Mr Sall blamed on organised crime and mafia-related groups. “You can easily imagine the health consequences for our people,” he said. “These medicines don’t treat. On the contrary, they are silent killers.”