

# Newsletter

June 2010

African Refiners Association  
Association des Raffineurs Africains  
جمعية المكررين الأفارقة



## AFRICAN REFINERS ASSOCIATION 2010 AGM



## ASSOCIATION DES RAFFINEURS AFRICAINS 2010 AGM

## ARA celebrates its 5th annual AGM

The African Refiners Association held its 5th Annual General Meeting at the Westin Hotel in Cape Town on 8-10th March 2010. Around 300 participants from all over the globe took part.

This year, the ARA welcomed El Obeid Refinery of the Sudan as a new Member, as well as OilLibya and Galana as new Associate Members of the Association. These new members participated fully in the sessions on Associated Members' and North Africa. The North African session included presentations by SAMIR from Morocco, EGPC from Egypt and KRC from Sudan.

As well as providing the opportunity for all downstream African players to meet and network together during ARA Week, this year saw the ARA come of age with the creation of an Operational Headquarters in Abidjan, and the acceptance by all Members of a new Constitution and structure that should help the Association's future development.

In particular, the new constitution gives greater voice to the Associated Members – those marketing, distributor, storage or regulator organisations that complete the downstream oil landscape alongside the refiners. The Associated Members now have two members appointed to the Executive Committee and have been granted voting rights at the AGM. In addition, a new Work Group has been set up to

cover Storage and Distribution issues which will be of particular relevance to the Associate Members as well as refiners.

The major talking point of ARA Week this year was the poor economic conditions currently being experienced by the refining industry. Margins recently reached the lowest levels for over 20 years and, industry experts warned, were unlikely to recover in the short-term. In this harsh environment, refining projects are being delayed or abandoned as project finance, and even trade finance, are difficult to find. BNP Paribas explained the position from a bank's perspective, highlighting that this was a worldwide phenomenon, not just an African one.

The AGM also welcomed the initiative taken by the ARA to launch a review of ship vetting with a proposed pilot programme in the Gulf of Guinea. Bob Frankland, a maritime industry expert presented his research so far into the setting up of an ARA Ship Vetting Service which was welcomed by all Members as a significant step in moving towards improving maritime safety standards in African waters. The setting up of a Vetting Steering Committee was endorsed by the Executive Committee.

During the AGM, Joel Dervain, ARA Executive-

Secretary, expressed his delight that there would be, in the future, more focus on human resources training with the establishment, by the SAMIR Refinery, of a refining academy in Morocco.

The Executive Committee expressed their gratitude for the continuing support of the Association by the major sponsors NNPC, SIR, PetroSA, Sonangol, BNP Paribas and Total. Vitol SA was also thanked for hosting the memorable Gala Dinner at the One & Only hotel in Cape Town.

After the AGM, as part of ARA Week, CITAC Africa held their two day African Downstream workshops on the major topics impacting the market today. Not surprisingly, both trade and project financing was a major subject, while other subjects included the presentation of CITAC's demand forecasts for the next ten years by country and product – with a headline growth in demand of over 40% across the continent. Other subjects addressed included LPG marketing, shipping, storage terminals, product quality evolution, trading and hedging practices and a study on the many different product price structure build-ups, including the impact of subsidies and taxes, across African countries.

The ARA look forward to seeing everyone in Cape Town for next year's ARA Week, 28th March-1st April 2011.

# New ARA nominations and Work Groups



Mr. Abdelkader Benchouia

The full Executive Committee is now as follows:

During the last ARA AGM held last March in Cape Town, a new ARA Constitution and structure were voted on and agreed by the ARA members.

Mr Abdelkader Benchouia from Sonatrach Algeria was voted in as the new ARA President and Ms. Anabella Fonsceca from Sonangol, Angola as his Vice-President.

Mr Joel Dervain was appointed to the new role of ARA Executive Secretary based in the new Operational Headquarters in Abidjan.

Sonara of Cameroon, TOR of Ghana and Chevron South Africa were noted to have reached the end of their term as non-permanent members of the Executive Committee, and were replaced by Engen of South Africa, Coraf of the Republic of Congo, and KRC of Sudan. Mr Dervain welcomed the new members to the Committee and thanked the retiring members for their contribution to the ARA's success since its inauguration. He paid particular mention of the role played by Dr Godfrey Yenwo Molo in his role as Secretary-General of the ARA and Chairman of the Specifications Work Group.

Finally, in line with the agreed constitutional changes, Mr Dervain proposed, and the AGM ratified, the nomination of Mr Dimeji Edwards of Oando, Nigeria, and the Managing Director of SONIDEP, Niger, as the two Associate Members of the Executive Committee.

Position	Name	Company	Country
President	Abdelkader Benchouia	SONATRACH (Div. Raffinage)	Algeria
Vice President	Anabela Fonseca	SONANGOL	Angola
Executive Secretary	Joël Dervain	SIR	Côte d'Ivoire
Treasurer	John Mruttu	KPRL	Kenya
Member	Dave Wright	ENGEN	South Africa
Member	Michael Nene	PetroSA	South Africa
Member	Alain Okoi	CORAF	Congo
Member	Ahmed Mahmoud Abdullah	EGPC	Egypt
Member	Mohamed B. Naser	NOC	Libya
Member	Hmida M'hamdi	SAMIR	Morocco
Member	To be confirmed	SONIDEP	Niger
Member	Dimeji Edwards	OANDO	Nigeria
Member	Austen Oniwon	NNPC	Nigeria
Member	Sabel Diop	SAR	Senegal
Member	Zhao Yujun	KHARTOUM REFINERY CO LTD	Sudan



## KHARTOUM REFINERY TECHNICAL CONFERENCE

To celebrate its 10th anniversary, Khartoum Refinery held its first Technical Refining Conference at the refinery on May 26/27th. Joel Dervain, Executive Secretary of the ARA was invited to make the opening address and congratulated KRC on making the refinery such a success by handling and refining previously difficult to market crude oils with a high level of refinery technology (RFCC and coker). Mr Dervain also made a presentation on the role of the ARA encouraging the many companies present to sponsor ARA activities and to establish dialogue with all the African refineries. Other presentations were made by KBC Process Technology, Neuman & Essar, NALCO, CITAC Africa and various Chinese Universities and research institutes. The Conference ended with an evening cruise upon the Nile River.

## ARA MEETS WORLD BANK, IMF and IFC



IMF HQ, Washington DC

As directed at the ARA Executive Committee in Cape Town, Joel Dervain, ARA Executive Secretary, accompanied by Emmanuel Quartey, ARA Consultant and Mark Elliott, CITAC Africa attended a meeting in Washington DC with officials from the World Bank, the IMF and IFC.

The meeting was arranged to enable the ARA to present recent data collected, and studies completed, relating to the World Bank/ARA sub-Saharan Africa Health and Refining Study.

The ARA presentation addressed the following major points

- African demand for oil products has grown rapidly, and is expected to continue to do so

- As a result of this, and also due to poor refinery performance, Africa is increasingly supplied by imports, especially diesel and jet fuel.
- The WB/ARA Refining & Health Study has demonstrated the overwhelming value of the health benefits of improved product quality compared to the estimated cost of refinery upgrades.
- The current depressed state of refinery margins worldwide, combined with pressures from governments and the IMF to maintain or reduce ex-refinery prices, means that most refiners are struggling to attract financing for the necessary upgrading.
- Massive price differentials at consumer level between neighbouring countries, lead to significant economic distortion and fiscal evasion as a result of products smuggling, adulteration, etc

The discussion addressed the following issues:

- World Bank intentions to follow up on the 2009 study.
- Problems with measuring the value of health benefits in Africa, especially in large cities
- The \$6 billion estimated upgrading investment in the study is almost certainly underestimated.
- Refiners will bear the cost of upgrading, but the health benefits will accrue to the State

- The failure of many governments to tighten controls on petroleum products specifications, allows Africa to remain a “dumping ground” for low quality products
- Recognition by the ARA that any investment programme will only be possible for refineries that can attract financing, without depending on “unacceptable” levels of ex-refinery prices over Import Parity Pricing
- The possibility of encouraging the creation of private-public partnerships for “ring-fenced” upgrading units (example: Hydrocracker in Egypt financed by IFC)

At the end of the meeting, 2 specific actions were agreed

- ARA: To encourage members to submit their plans to upgrade refineries to produce AFRI-4 specifications by 2020. The ARA to summarise the overall investment programme for review at a future meeting.
- World Bank: To decide on the follow up steps to the 2009 study, and to communicate these to the ARA and other interested parties

The meeting was felt to be constructive by all participants. It closed with an acceptance by all parties that it will take the combined efforts of governments and refiners, with the support of the World Bank/IMF/IFC and the ARA, as well as the private sector to develop a workable programme likely to achieve the required upgrades necessary to realise the health benefits identified in the 2009 study.

## ARA represented at the UN Environmental Programme's PCFV meeting (Partnership for Clean Fuels and Vehicles)



The 8th annual PCFV meeting was held in Washington DC on the 22nd and 23rd June at the offices of the US Environmental Protection Agency. The PCFV is a voluntary organisation that tracks air quality improvement from fuel and vehicles in the 130 non-OECD countries. It maintains careful records of fuel quality and vehicle fleets and uses this data to lobby governments to tighten product specifications and vehicle inspection activities.

About 100 people participated in the meetings including representatives from government agencies, NGO's, auto manufacturers, additive manufacturers and other lobbying groups. The ARA was represented by Executive Secretary Joel Dervain along with ARA consultants Emmanuel Quartey and Mark Elliott (CITAC).

The meeting focussed on the final completion of lead phase-out in gasoline which remains to be achieved in about a dozen countries worldwide. The only African country still facing this challenge is Algeria although this is only a problem



Emmanuel Quartey

in some regions and phase out plans have now been presented. Reduction in sulphur in diesel and gasoline is now the top priority and much of the meeting focussed on these issues.

The UNEP leadership paid unreserved praise for the contribution of the ARA to their ongoing effort and said that, until the ARA became a PCFV member in 2008, pursuit of their goals in Africa had been fraught with difficulty.

<http://www.unep.org/transport/pcfiv/>

# Specifications Work Group inaugurate new ARA Headquarters

The new ARA Operational Headquarters' meeting room was used for the first time in May when the ARA Specifications Work Group met there under the chairmanship of Mike Stead from Engen.

Joel Dervain, ARA Executive-Secretary, welcomed the Work Group members to Abidjan and participated in all the day's discussions. Mike thanked the ARA for making the facility available for the meeting and in particular thanked Ms Fatma Haidara, ARA Logistics and Administration Manager, for her exceptional efforts in making sure that everything was ready in time.

At the meeting there were representatives from Ghana, Angola, South Africa, Cote d'Ivoire and Zambia. In addition, ARA Members from Indeni in Zambia and Sonara in Cameroon participated in the discussions by telephone and subsequent correspondence.

Rather than rushing into the detail of Specifications, the meeting first concentrated on establishing the draft Terms of Reference of the Work Group to present to the next Executive Committee for approval. A modus operandi and organisational structure was agreed to assure future good communications and reactivity by all the ARA Membership, including Associate Members.

Members were reminded of existing ARA policy (minimum AFRI-2 by the end of 2010) and plans were discussed on assuring implementation of this objective, including establishing a better understanding of the processes by which official government specifications are changed.

Following the ARA Executive's meeting with the World Bank in Washington DC (see article on previous page), Joel Dervain asked the Work Group to

coordinate the collation of Members' investments needs to meet AFRI-4 by 2020. The Work Group was also charged with working on future specifications which could follow AFRI-4 in order to aid long-term refinery planning and also to develop an ARA position paper on biofuels.



Mike Stead



## ARA explains its role to Platts Africa Forum



Mr Hmida M'Hamdi of SAMIR represented the ARA at the third Platts Africa Oil Forum last April, 7th 2010 at the Hyatt Regency Hotel in Casablanca, Morocco.

Mr M'Hamdi introduced the ARA, its history, its objectives and ongoing ARA initiatives including ARA specifications policy, the World Bank/ARA Sub-Saharan Africa Refinery and Health Study in collaboration with the World Bank, and the Ship Vetting Study.

The one day Forum represented an ideal opportunity for the ARA to inform major industry players of its role in focussing on the downstream oil industry across the African continent.