Commentary

Ritah Nalule

Africa should invest more in oil refineries

I recently read an article in which Bill Gates was suggesting 'depopulation of Africa' as a solution that will not only solve some of Africa's problems, but also save Europe from the influx of African refugees. This got me asking questions such as, is overpopulation the main problem which is forcing our brothers and sisters to seek refuge in Europe? What if the West looked at other practical and impactful solutions such as economically empowering the African continent through investing in refining natural resources such as petroleum and minerals? Investment in more refineries will not only save the billons of dollars that leave the African continent, but also create jobs and enhance the standards of living of many people.

In a previous article, I highlighted the vast natural resources, including gold, diamonds, cobalt, oil and gas, which are found on the African continent. These resources, if well managed, could be the basis for the economic independence and maturity of many African resource-rich countries.

Whereas there are other aspects to be considered with regard to natural resource management and economic independence, this article will focus mainly on the economic empowerment of the African continent through investments in the refineries, specifically, petroleum and minerals.

Typically, petroleum refineries involve an industrial process, where crude oil is converted into more useful products such as petrol, diesel fuel, kerosene and liquefied petroleum gas. History agrees with us that investment in the refineries has been one of the major forces behind the economic development of some resource-rich countries such as the US. The US, with a history of petroleum refinery dating as far back as 1850, as of January 2015, had 137 operating refineries.

These refineries far exceed in number the 46 refineries found on the entire African continent. The investments in petroleum refineries, which have been embraced by the US and other developed countries, have indeed contributed to their export capacity in refined products. For instance, in 2013, the US produced 18.9 million barrels per day of refined petroleum products, more than any other country.

The enormous advantages associated with investing in the petroleum refineries include the creation of new jobs, reducing dependence on imports and easing the burden on public finances from subsidies. Moreover, investment in more refineries will ensure that African countries are less exposed to market fluctuation and manipulation. Also, these countries will be able to retain control of supply and marketing of petroleum products.

In the current state, African countries cannot enjoy all the benefits that accrue from the oil and gas industry because of the limited number of refineries, thus making the African continent a major net importer of refined products.

There is no doubt that the oil production capacity of most African countries such as Angola and Nigeria, far exceeds their refinery output. Nigeria, for instance is one of the major oil producers, with an estimated daily output of about 2.4 million barrels, albeit the country having only four refineries.

Nevertheless, we have seen recent efforts and commitments to invest in petroleum refineries in various African countries such as Uganda, Mozambique, Niger and South Sudan. Moreover, private investors such as Aliko Dangote, of Nigeria have also shown great interest in the petroleum refineries.

Though the African continent has experienced some positive signals, the refining capacity remains very low and it is indeed crippling the economic development of many African countries.

Furthermore, some of the refineries on the African continent are old and, as such, they are no longer commercially viable. There is, therefore, a need for African resource-rich countries to be vigilant and make it a priority to invest in more refineries both in the energy and mineral sectors.

The writer is an energy expert

Other key issues for policymakers

- They should make investment in petroleum refineries a priority so as to cut on import and subsidy charges. These charges could be re-directed to the provision of basic infrastructure such as quality education, good health services and transport.
- Besides petroleum refineries, effort should also be made to increase the number of mineral refineries on the African continent.
- Although the majority of the petroleum refinery projects are led by national oil companies, there is a new wave of private investors entering the fray. Policymakers should, therefore, take initiative to encourage and attract more local and foreign private investors in the sector.

Investment in oil refineries will ensure that African countries are less exposed to market fluctuation