KEYNOTE SPEECH BY DR LEE BOON YANG, CHAIRMAN OF KEPPEL CORPORATION AT THE AFRICA ASIA OIL AND GAS SUMMIT, 27 NOV 2013

Senior Minister of State, Mr Lee Yi Shyan

His Excellency Mr Gabriel Mbaga Obiang Lima,
Minister of Mines, Industry and Energy of the Republic of Equatorial Guinea

Honourable Ministers and Excellencies, Ladies and gentlemen,

I am most honoured to have the opportunity to address the inaugural Africa Asia Oil and Gas Summit. As a Singaporean I am delighted that Singapore is able to host this important and timely Summit. I also welcome all participants to this Summit especially all participants who travelled from afar to be with us.

Changing World

2 In year 2000, the Economist ran a cover story on Africa, titled pessimistically ‘The Hopeless Continent’. Thirteen years later, in 2012, it ran another cover story on Africa, this time titled ‘Africa Rising’. The dramatic shift in headlines is a clear indicator of the rapid progress and improvement achieved in Africa over the intervening years, despite the complex challenges that continue to exist on the continent.

3 Indeed many important global developments took place within that time span which had a bearing on Africa’s progress. China joined the WTO, connected itself to the global economy and restructured its economy. It grew to become the second largest economy in the world and likely to surpass the US to be the largest economy by 2020 according to some estimates. There is a perceptible shift of economic weight from West to East with all the ensuing adjustments to trade and investment flows. The onset of the infocomm era from the early 2000’s attracted tremendous amount of human and financial capital into the knowledge sector, leading to a technological boom. Today, people around the world, including Africa, are enjoying an unimaginable amount of computing and communications power. The pervasive smartphones, stuffed with a myriad of applications is changing life in Africa as elsewhere. In medicine, diseases such Malaria and AIDS, which have crippled societies and economies in parts of Africa, are increasingly under control through education, preventive public health and better treatment.

Changing Africa

4 In the wake of these global mega-trends, Africa is also undergoing a historical transformation. China’s economic growth has contributed to the resource boom around the world and Africa has been one of the beneficiaries. The advancement of info-communications technology has empowered African governments, businesses and even small farmers to leapfrog old and inadequate telecommunications infrastructure to high-speed mobile communications. The taming of AIDS brought stability to workforce and make business operations more sustainable. These developments will affect and change Africa profoundly and positively. There are many forces working to Africa’s advantage but in the interest of time, I shall just highlight two of them.
5 First, many developed countries and even emerging ones such as China are grappling with ageing population and in some cases, shrinking workforce and population. The significance of ageing population cannot be under-estimated. Even big and successful China is deeply concerned. Hence one of the key policy changes to come out of the recent 3rd Plenum of the Chinese Communist Party was to relax their one-child policy. Africa on the other hand stands to benefit from a significant demographic advantage. Life expectancy is rising. It has increased by a year every three years over the last decade. Fertility rates surpass population replacement rate. Africa is set to benefit from this demographic dividend which could last half a century. Current projection is for Africa’s population, at slightly over a billion, to double in thirty years. This growth of one billion people is almost equivalent to the population of an India, or a China today. As a result, the size of the workforce in Africa will increase many folds and the dependency ratios slashed, as African children grow up to be working young adults actively contributing to the economy. Complementing the increase in population is the improvement in quality of the workforce, as Africa is also experiencing rising rates of literacy and enrolment into secondary schools.

6 The second major development is of particular interest to this Summit. Africa’s rich endowment of natural resources, especially in oil and gas, will become an engine of growth. According to the US Energy Information Administration, Africa’s proven oil reserves have grown by 120% over the past 30 years, from 57 billion barrels in 1980 to 127 billion barrels in 2012. The picture for natural gas is similar – growth of 145% over the last 30 years, from 210 to 515 trillion cubic feet over a similar period. On top of these proven reserves, the oceans off Africa are estimated to hold another 100 billion barrels, almost equivalent to today’s proven reserves. Clearly Africa is poised to become a major energy player in the near future, once these reserves are tapped.

7 According to the Chantham House research, only about 500 wells have been drilled in East Africa, compared to 15,000 wells drilled in West Africa. In comparison, in recent years, about 35,000 wells are drilled in the US every year, mostly horizontally. The shale gas revolution in the US and the global shift towards cleaner energy sources, including gas, is driving the rapid build-up of global LNG infrastructure. As the network of land-based and floating liquefaction and regasification plants and LNG carriers are set in place in the next few years, the rigidities of the global gas market will soften. New natural gas supplies such as those from Africa can then readily feed into the global market place. Today, much of Africa’s natural gas today is burnt away. For example, owing to the lack of liquefaction infrastructure, about US$1 billion to $3 billion worth of gas is flared away in Nigeria every year. It is thus not surprising that Nigeria is determined to reduce flaring by 20% in five years’ time. Such changes underway throughout Africa will transform natural gas from a waste by-product into a priced commodity to further boost growth and job creation.

8 The conditions are therefore in place for Africa’s rise. With competitive and abundant youthful workers, readily available energy and huge domestic markets, Africa promises to be a global economic powerhouse. Of course there will be challenges. Singapore too experienced, on a much smaller scale, a demographic dividend in the 1960’s and 1970’s. Thanks to the then government’s foresight to invest in education for the young and to create conditions conducive to foreign investments, Singapore was able to enjoy the benefits of this expanding pool of human capital. For example the influx of many manufacturing MNCs in the early years, such as Rollei, Texas Instruments and Motorola created many jobs leading to sustained full employment. Similarly, Africa is on the cusp of a major transformation for the better, if it put in place sound long term policies, such as educating the young, training workers, building critical infrastructures and enacting investment friendly rules and regulations.
Historical and Modern linkages between Asia and Africa

9 The ties between Africa and Asia are not new. Centuries ago, there were already trade, spread of religion and migration of people. From East Asia, the 15th century expeditions to Southeast Asia, South Asia and Africa by China’s Ming Dynasty mariner and explorer, Admiral Cheng Ho, brought two alien cultures and continents together. One famous story involved him bringing back to China a giraffe from Malindi, which was thought to be a Qilin, a mythical creature symbolizing prosperity in China.

10 Africa and Asia also share a common colonial history. Post-World War Two, African and Asian nations went through the trials and tribulations of achieving independence and finding our place in the sun in the global community of nations. Such common circumstances brought the leaders of our two continents together in 1961, to establish the Non-Aligned Movement, with the collective aim to promote global peace and security, and not to be entangled in big power global politics.

11 As history amply demonstrated, Africa and Asia are adjacent continents with linkages that traced back several centuries. The distance between Singapore and major Africa cities are no further than between Singapore and say London or Paris. Today, our distance is more mental and cultural. This is a gap that will be closed and bridged as people and businesses find common purposes and work closely together. Economic, cultural and people exchanges are already broadening and deepening ties between Africa and Asia. Asia is actively investing in Africa. A key investment focus is obviously oil and gas. For examples companies such as Mitsui E&P from Japan, Bharat Petroleum Corp from India, China National Petroleum and Kogas from Korea had all invested in oil and gas projects in Africa. Earlier this month a Singapore company, Pavilion Energy, had announced a US$1.3 billion investment for a stake in a Tanzanian field under Ophir Energy Plc.

12 Such investments in Africa’s growing energy sector are underpinned by Asia’s growing need for energy. Between 2008 and 2011, Asia’s oil consumption rose from 23 million bbl/day to 27 million bbl/day - an increase of 16%. During the same period, gas consumption rose from 16 tcf/day to 21 tcf/day - an increase of 27%. These trends are likely to continue. Asia’s need for energy and Africa’s desire to leverage oil and gas resources to create jobs and improve lives will foster closer collaboration and economic ties between our two regions.

Keppel’s Contribution to Africa

13 Keppel is excited by the developments in the oil and gas industry in Africa. We hope to be able to contribute to the development and growth of Africa’s energy resources.

14 Starting as a ship repair yard in 1968, Keppel has evolved and grown to become a provider of solutions for the offshore and marine sector. Today Keppel is recognised as the world leader in offshore rig design, repair and construction, ship repair and conversion and specialized shipbuilding. Since 2000, Keppel Offshore and Marine has built approximately half of the world’s jack-up rigs, and a third of world’s semi-submersible drilling rigs.
We are proud to have contributed to Africa’s oil and gas industry. We have delivered a total of 23 Floating Production Storage and Offloading (FPSOs) and Floating Storage and Offloading (FSOs) vessels for deployment in Africa. The first was an FPSO deployed to the Yombo field in Congo in 1991. It is still operating well today. Together, the FPSOs and FSOs account for oil production of 35,000 barrels a day, and provide storage of over 11 million barrels. Keppel also delivered seven rigs to Africa, operating in Angola, Cameroon, Equatorial Guinea and Nigeria.

We hope to continue to contribute to Africa’s oil and gas sectors. Besides rigs and FPSOs, our Floating LNG solution provides greater flexibility and enables extraction and production of gas in stranded or marginal offshore fields. It is not cheap to construct gas pipelines and land based liquefaction terminals. FLNG with its smaller scale, ease of construction and faster speed to market, can help bring forward production and significantly improve the viability of many gas projects. At Keppel we say ‘If it does not float, we make it float; and if it floats, we make it go deeper.’

Conclusion

Africa is the cradle of humanity, and is our common past. Now, the continent is on the rise. Opportunities and challenges lie ahead. Collaboration between Africa and Asia in technology and expertise coupled with deepening commerce, investment and trade linkages will give a boost to Africa's growth. Singapore and Keppel are ready to participate in Africa's bright future and the strengthening of ties between our regions.

I wish you a fruitful conference. Thank you.

About Singapore Business Federation (SBF)

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