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Shaping opportunity from complexity in West Africa's oil and gas market

The oil and gas sector in sub-Saharan Africa is facing a decisive inflection point. From Nigeria's hydrocarbon-rich delta to Angola's offshore blocks, to the enormous gas reserves in the East Africa rift valley, the continent is recalibrating its approach to energy equity, security and sustainability.

The West Africa oil and gas market is demonstrating strong growth potential, driven by global energy demand and rich reserves in the region. Some of the latest economic data suggest that the

West African oil and gas market represents a compound annual growth rate (CAGR) of



from 2025 to 2033¹

worth approximately

US\$80



Nigeria and Ghana account for approximately 60% and 20% of that value, respectively²







Nigeria



million

barrels per day (bpd) at the end of 20243



Angola

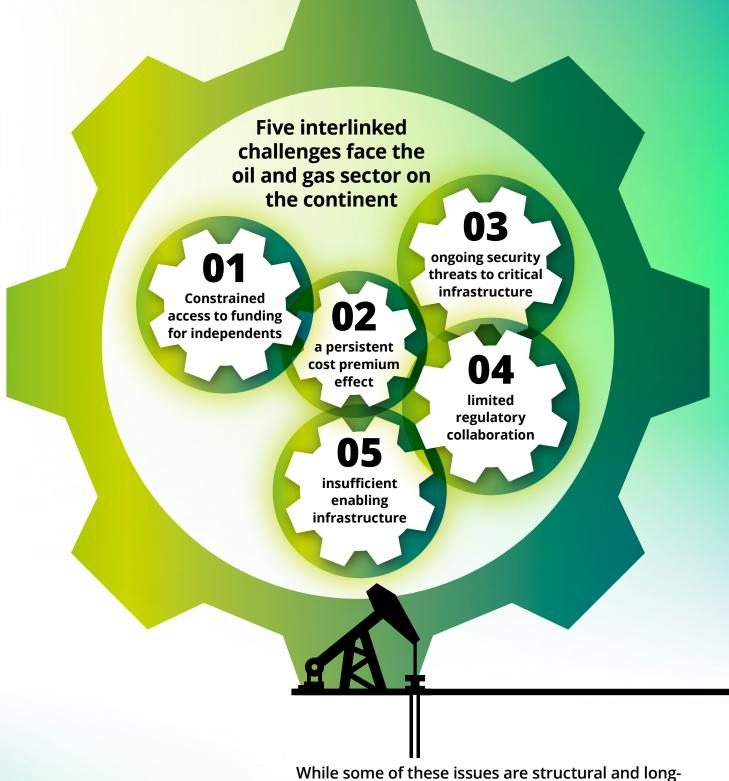


barrels per day (bpd)

Nigeria Ghana Other 60% 20% 2

These volumes underscore the strategic relevance of the region to Africa's energy outlook, but they also mask deeper complexities facing operators and policymakers.

- 1. https://www.marketreportanalytics.com/reports/west-africa-oil-gas-upstream-market-101000#summary
- 2. https://www.marketreportanalytics.com/reports/west-africa-oil-gas-upstream-market-101000#summary
- 3. https://africaoilgasreport.com/2025/01/in-the-news/oil-production-nigeria-exits-2024-on-a-high-but-its-still-a-struggle/
- 4. https://www.africanleadershipmagazine.co.uk/africas-oil-giants-key-producers-shaping-the-global-energy-market/



While some of these issues are structural and longstanding, others have been exacerbated by new political, economic and energy transition dynamics. Together, these challenges define a uniquely African landscape for 2025, one that demands adaptive thinking and long-term resolve.



A funding conundrum for African independents

Access to capital remains the most defining pressure point for the region's independent oil producers.

While international oil companies (IOCs) continue to operate with deep financial buffers and global portfolio balance sheets, African independents face tightening margins and investor hesitancy. ESG pressures, divestment from fossil fuels, poor corporate governance practices, and perceived regulatory and political risks in African markets have made capital both scarce and expensive.

This capital drought has led to a concentration of additional investments among those few big players with access

to global lending or private equity relationships. Many others are resorting to sale-and-leaseback agreements, alternative funding arrangements or joint ventures with non-traditional partners. Insights from Deloitte's transactions team who advise on both buy- and sell-side energy transactions in the region, indicate there is a growing trend of independents struggling to raise funding to support new acquisitions and further development activities.

The establishment of the Africa Energy Bank to be headquartered in Nigeria is expected to alleviate the funding constraints of the independent producers and provide financing solutions for Africa's energy sector amid growing transition pressures. The pan-African financial institution created under the African Petroleum Producers Organisation (APPO) in partnership with the African Export-Import Bank (Afreximbank) is designed as a \$5 billion institution⁵. Hopefully, the issues delaying the take-off of the institution will be resolved quickly by the parties to the establishment.

In Ghana, recent policy shifts are helping to reposition the country as an investment destination following a period of stalled production growth. New government efforts to resolve long-standing disputes and reissue dormant licences are being closely watched. However, capital markets remain cautious and investor interest will depend on sustained policy clarity and improved commercial terms⁶.

^{5.} https://www.reuters.com/business/finance/africa-energy-bank-targets-mid-year-launch-with-south-africa-indicating-interest-2025-02-04/

^{6.} https://thebftonline.com/2024/10/31/a-stagnant-oil-sector-government-must-act-fast/



The cost premium effect: an uneven playing field

West Africa is one of the most expensive regions in the world in which to drill, making it more challenging for African producers in Nigeria to compete globally.

Nigeria

Operating costs are estimated to be

40-50% higher

than in comparable oil-producing jurisdictions

This cost premium stems from a confluence of factors



- insecurity in production regions
- complex procurement rules
- local content requirements
- high insurance costs for foreign contractors

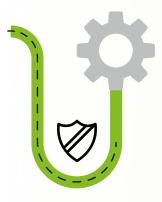
For instance, the elevated security risk in the Niger Delta means expatriate roles are more expensive to fill. These premiums add significantly to project costs, often without a corresponding return in productivity or efficiency. Local content rules, while necessary for domestic capacity-building, can further inflate costs when required inputs or services are not readily available in the domestic market. This creates tension between producers and governments, as the intention and the impact often result in duplicated spending. Typically, projects first attempt local

sourcing, followed by repeat procurement offshore when delivery fails. Alternatively, middlemen get invited through alliances to satisfy rigid local content requirements. In addressing these cost premium issues, the Nigerian president recently issued some executive orders to cut through complex procurement processes and local content rules⁷.

Consequently, producers operating in West Africa are under enormous pressure to identify savings elsewhere. In addition to reimagining their operating models,

Deloitte Consulting teams working with oil and gas companies in the region confirm the increasing shift by producers towards spending more on technology and data analytics to increase efficiency and unlock cost savings in operations, finance and supply chain functions by implementing digital tools. Ultimately, industry stakeholders agree that a portion of the premium is a policy problem, one that requires government action to simplify contracting and reduce avoidable inefficiencies, while attempting to support local supply chains.

^{7.} https://www.arise.tv/ncdmb-reforms-oil-sector-contracts-middlemen-removed-to-reduce-costs-and-attract-investment



Insecurity remains a critical operating risk

Security of physical assets remains a major concern, particularly in Nigeria, where oil theft, pipeline vandalism, and sabotage continue to disrupt production, albeit to a lesser extent now.

The Nigerian Upstream
Petroleum Regulatory
Commission reported
an improvement of daily
theft losses

from over
100 000
barrels
in 2023

to less than
50 000
barrels
in 20248

For operators, there are both direct and indirect costs to these risks. Insecure production environments require higher investment in surveillance or subcontracting to security firms. They also delay project timelines and impair longterm planning. To monitor vulnerabilities and manage the risk within acceptable operating guidelines, operators must consider risk modelling, forensic audits and real-time data analytics. Technologies such as remote sensing, digital twin modelling, and Al-powered surveillance are emerging as part of the response toolkit, but their deployment remains limited by cost and infrastructure readiness.

Longer-term solutions require cross-sector collaboration. Public-private partnerships (PPPs) around pipeline surveillance, community engagement and improved law enforcement are slowly emerging. However, the realities of the scale of the challenge and the complexities of collaborating in PPPs still outweigh the speed of progress.



8. https://www.arise.tv/nuprc-oil-theft-plummets-from-108000-to-5000-bpd-in-two-years/

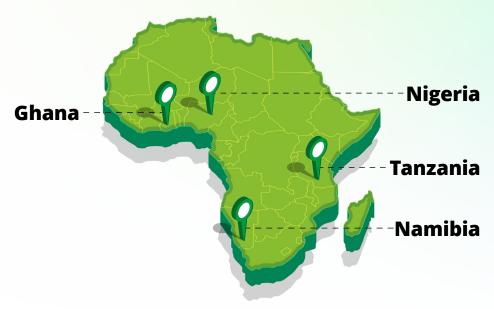


Collaboration with regulators is essential but uneven

Across the continent, from Tanzania in the East to Namibia in the South, to Ghana and Nigeria in the West, one of the most consistent messages from industry players is the need for a more collaborative, investment-friendly and predictable policy environment.

Too often, governments are seen not as enablers of industry development, but as extractors of short-term value and revenue. This dynamic undermines trust and slows investment and commitment to long-term projects. The East African Crude Oil Pipeline (EACOP) and Tanzania Liquefied Natural Gas (LNG) projects have both suffered from these perceived difficulties with host government agreements.

In Ghana, upstream production has declined steadily over the past five years, with no new petroleum agreements signed in that time⁹. This hiatus may reflect a breakdown in alignment between government objectives and investor expectations. The new administration has made opening the sector a key focus area in 2025, and early signs suggest that improved dialogue and licensing reform are on the horizon.



In Nigeria, regulatory overhauls such as the Petroleum Industry Act (PIA) have attempted to create a clearer operating environment. Implementation has brought some respite and certainty but still require some further work to fully address the concerns of the investors. For optimal efficiency, producers and investors need more streamlined regulations, tax certainty and the consistent application of rules across the value chain.

A notable trend is the increasing pressure on national oil companies (NOCs) to transform from being pseudo-regulators into more commercial entities comparable to other NOCs around the world. The continent is demanding the NOCs provide industry leadership and results comparable to Middle East champions such Saudi Aramco, ADNOC and QatarEnergy.

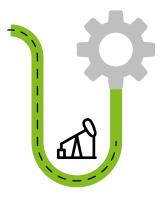
Sonangol of Angola, which was historically criticised for poor governance, has undergone reforms, moving towards transparency and restructuring to attract investments, while Nigeria's NNPC Limited has commenced a transformational journey, rebranding itself as a commercial energy company¹⁰¹¹, and distancing itself from political oversight. Inspired by Saudi Aramco's model, NNPC is targeting partial listing by decade-end and has introduced new corporate governance mechanisms. In Ghana, GNPC is pursuing similar shifts, although the pace is more gradual. These reforms could signal a new phase of state-industry collaboration¹², but success will depend on real decentralisation of authority and continued investor confidence.

^{9.} https://www.piacghana.org/piac-alarmed-by-stagnation-in-upstream-petroleum-investment

^{0.} https://www.ft.com/content/330b04da-dff3-44c4-a265-a2303b638ee1

^{11.} https://en.wikipedia.org/wiki/NNPC

^{2.} https://www.gnpcghana.com/news/ntow-amoah-outlines-reform-agenda-for-gnpc-targeting-enhanced-operations-and-industry-leadership



Infrastructure gaps continue to constrain growth

Despite having significant reserves, many parts of Africa lack the basic infrastructure required to monetise those resources effectively. Midstream and downstream infrastructure, from pipelines and refineries to roads and storage facilities, remain underdeveloped or entirely absent.

This lack of infrastructure fundamentally alters the investment equation. Costs increase and timelines extend when oil and gas upstream and midstream support infrastructures, such as drilling rigs, pipelines, storage, marine vessels and terminals, are either unreliable or unavailable. In Angola, where offshore production dominates, the government is taking steps to address challenges such as logistics constraints, which continue to weigh on project economics. There are major investments being made in liquefied natural gas (LNG) production, including the Quiluma and Maboqueiro fields, which are aimed at monetising non-associated gas reserves and strengthening Angola's export capacity¹³. Although Nigeria's production is across onshore, shallow water and deepwater, infrastructure constraints impact all terrains. However, onshore assets are more constrained by limited infrastructure, unlike the shallow water and deepwater fields, which tend to rely more on complex floating production storage and offloading (FPSO) vessels and supporting vessels, and have limited need for pipelines.



^{13.} https://www.nsenergybusiness.com/projects/quiluma-and-maboqueiro-gas-project-offshore-angola/



Industry priorities

Looking ahead, Africa's oil and gas industry must consider three strategic priorities.

01 Energy security

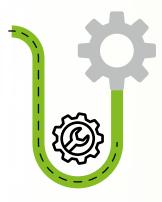
Across the region, this remains the top concern, not just in terms of asset protection, but in encouraging greater spend on exploration and appraisals to improve the pool of commercial discoveries and reserves to guarantee a stable pipeline of investible upstream projects. Even as global conversations focus on energy transition, African producers should consider more involvement in the oil and gas value chain, following the examples of investors such as Aliko Dangote with massive investments in increasing Africa's refining capacity. Government policies should both support and prioritise the commercialisation of Africa's hydrocarbon resources for economic development and national resilience. Regardless of the direction each country chooses, energy security should remain a key focus.

02Access to funding

Africa's energy future hinges on the availability of capital for both legacy and new-energy projects. The African Energy Bank, discussed earlier with an initial capital base of \$5 billion, is one initiative aiming to bridge this gap¹⁴. The formula for success will require bankable projects, investor-ready business models and improved perceptions of regulatory and operational stability in equal measure.

03 Sustainability

While African countries must define their own transition timelines, the direction toward sustainable production is unequivocal. From emissions reduction to energy diversification, companies are increasingly expected to demonstrate ESG performance. The critical aspects of a low-carbon strategy and cost-efficient operating models must be a salient feature in all forward-looking and sustainable business strategies.



Leveraging opportunity in complexity

Africa's oil and gas industry is not without its contradictions. It is simultaneously a source of economic strength and both an ESG and structural challenge. For producers in Africa, the challenge is not just to survive in a constrained environment, but to lead in the conversion of opportunities and monetisation of innovation in the industry amid geopolitical and ESG tensions.

Africa's winners will be those who can offer strategies that appeal to sustained investment and create smarter and more collaborative ecosystems.

Together, Africa's oil and gas sector can deliver reliable, inclusive and future-ready growth that will progress the continent into a new age of energy.



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