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Equatorial Guinea

Recent offshore oil discoveries and the prospects for additional finds make Equatorial Guinea one of the leading areas for oil exploration in sub-Saharan Africa.

Note: Information contained in this report is the best available as of May 2005 and is subject to change.



GENERAL BACKGROUND

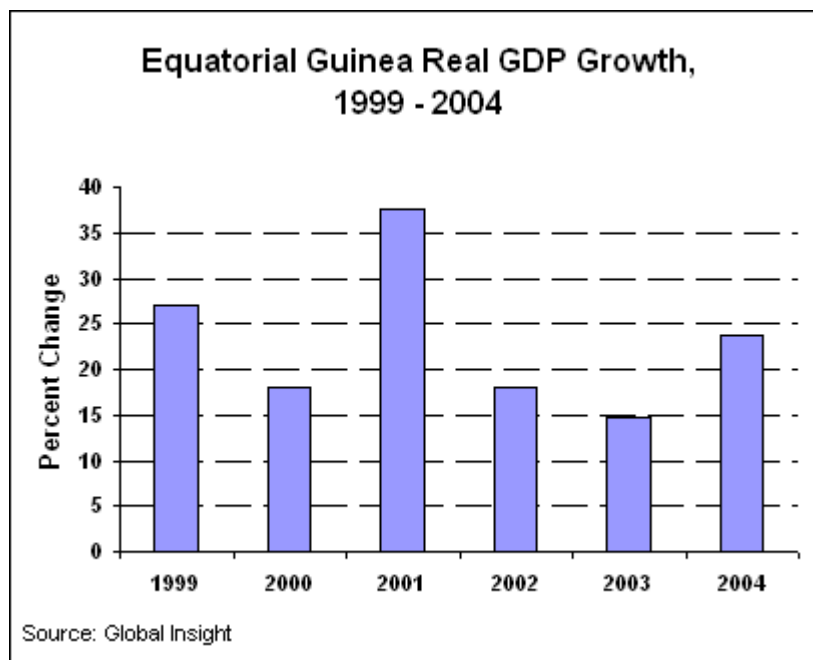
Equatorial Guinea is comprised of a mainland area (Rio Muni province) and a series of small islands, the largest of which, Bioko Island, houses the country's capital, Malabo. The only Spanish-speaking country in Africa, Equatorial Guinea gained independence from Spanish rule in 1968. Teodoro Obiang Nguema, the country's current president, came to power in 1979 coup. Since the government adopted legislation establishing a multiparty democracy in 1992, President Obiang has been re-elected twice amid opponents' allegations of election fraud.

Although agriculture (primarily cocoa, coffee and timber) historically formed the basis of the Equatoguinean economy, significant offshore oil discoveries in the Gulf of Guinea since 1995 caused oil to become the country's most important export commodity. Real gross domestic product (GDP) growth was strong at 23.7 percent in 2004, and it is expected to be as high as 26.8 percent in 2005. U.S. investment, almost exclusively in the oil/energy sectors, has increased dramatically since 1996.

Despite rapid growth in real GDP, allegations that oil revenues have been misappropriated by the government abound. Furthermore, the government's failure to direct oil revenues toward development has undermined economic and social progress in the country.

Foreign aid has historically been an important part of Equatorial Guinea's economy, but several donors suspended aid programs due to non-performance in the 1990s. The [World Bank](#) resumed lending to Equatorial Guinea in April 2002 after severing its relationship with the country in 1993. Following Article IV consultations with the International Monetary Fund (IMF) in November 2003, the organization commended the government for its improved administrative capacity and fiscal performance. Equatorial Guinea has also maintained consistent relations with the African

Development Bank (AfDB), which has financed 24 loans and grants to the country. In January 2005, Equatorial Guinea pledged to increase transparency in its fiscal accounts, citing its new natural gas company as a first step in this direction.



Territorial Disputes

The recent expansion of offshore oil exploration by Equatorial Guinea and its neighbors has increased the importance of maritime borders. President Obiang unilaterally adopted an equidistant median line defining territorial boundaries as stipulated under the U.N. Convention on the Law of the Sea in March 1999; Cameroon, Sao Tome & Principe, and Nigeria accepted the decision as an improvement over oft-disputed traditional boundaries.

Equatorial Guinea and Gabon have disputed the ownership of three islands in the Gulf of Guinea,

including Mbagne Island, since the 1970s. In July 2004, the two countries reached an agreement allowing joint oil exploration in the disputed territories until a final resolution is worked out under U.N. mediation.

OIL

Equatorial Guinea's total proven oil reserves are estimated at 1.28 billion barrels. Oil production is expanding rapidly, averaging 371,700 bbl/d in 2004, a large increase from the 1996 oil output of 17,000 bbl/d. Since the 1995 discovery of the Zafiro field, Equatorial Guinea's oil production has increased more than tenfold, accounting for nearly 90 percent of the value of total exports in 2003. In October 2004, Equatorial Guinea told oil companies operating in the country to cap production at 350,000 bbl/d due to concerns that oil revenues from increasingly high prices could destabilize the economy.

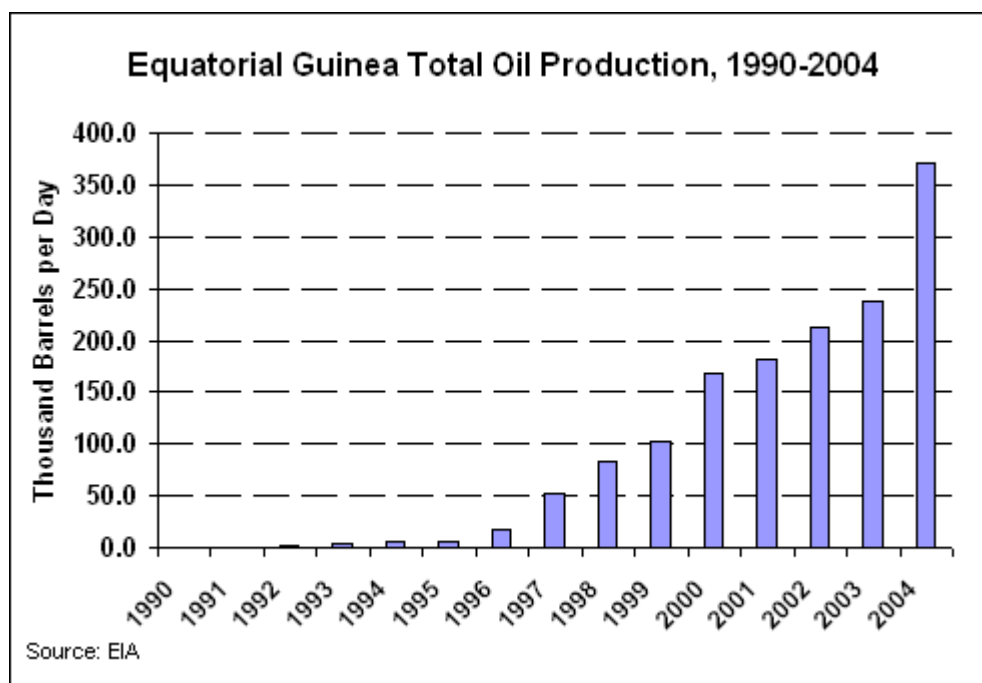
GE Petrol became Equatorial Guinea's national oil company in 2001. Its primary focus has become managing the government's interest stakes in various production sharing contracts (PSAs) with foreign oil companies, although it also participates in joint ventures (JVs) and markets its share of crude oil production.

Production

Equatorial Guinea's Zafiro field, located northwest of Bioko Island, was discovered in 1995 by ExxonMobil and Ocean Energy (bought by Devon Energy in 2003) and contains the majority of the country's oil reserves. In recent years, ExxonMobil has focused on increasing production from Zafiro by expanding drilling capacity. A new Floating, Production, Storage and Offloading (FPSO) vessel introduced in 2003 also successfully increased production capability. Zafiro is Equatorial Guinea's largest oil producer, with output rising from an initial level of 7,000 bbl/d in August 1996 to approximately 280,000 bbl/d in 2004.

Ceiba, Equatorial Guinea's second major producing oil field, is located just offshore of Rio Muni in

exploration Block G and is estimated to contain 300-800 million barrels of oil. The field - discovered by Amerada Hess in 1999 - began production in December 2000. Both Amerada Hess (85 percent interest) and South Africa's Energy Africa (15 percent interest) have experienced successful exploration of Block G, resulting in discoveries in 2001 (Okume and Oveng fields) and 2002 (Akom, Elon and Abang fields). In July 2004, Amerada Hess received government approval for its plans to expand operations in Block G. The expansion project requires an investment of approximately \$1.1 billion by Amerada Hess, Tullow Oil and GE Petrol, with production is expected to reach 60,000 bbl/d when it comes online in 2007. Additional production from Amerada Hess' fields in Northern Block G is also expected to come online in 2007.



Alba, Equatorial Guinea's third significant field, is located 12 miles north of Bioko island. It was discovered in 1991 by Water International. Original estimates of reserves at Alba were around 68 million barrels of oil equivalent (BOE), but recent exploration has increased new estimates to almost 1 billion BOE. Unlike the Zafiro or Ceiba fields, exploration and production at Alba has focused on

natural gas, including condensates. Recent production improvements at Alba resulted in average production of 50,000 bbl/d by the end of 2004.

Exploration and Field Development

International companies with interests in one or more exploration blocks include Chevron (U.S.), Vanco Energy (U.S.), Atlas Petroleum International (U.S.), Devon Energy (U.S.), Roc Oil (Australia), Petronas (Malaysia), Sasol Petroleum (South Africa), and Glencore (Switzerland). In February 2005, Equatorial Guinea announced plans to begin a licensing round for offshore acreage, including parts of Blocks F, G, H, and L.

In November 2004, Amerada Hess announced an offshore oil discovery yielding 113 feet of net oil pay in Block G at its G-19 exploration well. In December 2004, Marathon Oil announced that its Gardenia discovery, located on the offshore Alba Block.

In November 2004, Amerada Hess awarded FMC Technologies (U.S.) and Mitsui (Japan) a contract to build offshore production platforms in the Oveng and Okume oil fields as part of its Block G oil project, which are scheduled to begin production by 2007. Amerada Hess plans to invest \$1.1 billion in the project. PetroSA (South Africa) also signed PSAs with GE Petrol in November 2004 for offshore Blocks E15, F15, and G15.

Under the terms of a PSA signed by the Equatoguinean government in May 2004, Block O, located

adjacent to the Alba field, will be explored by a consortium of Noble Energy EG Ltd. (UK), Glencore Exploration Ltd. (CH), and GE Petrol. The project calls for two wells to be drilled during the first three years of exploration.

Downstream

Equatorial Guinea's domestic petroleum consumption is estimated at 2,000 bbl/d, primarily in the form of motor fuel. Getotal, jointly owned by TFE and the government of Equatorial Guinea, has a monopoly on the distribution of petroleum products, all of which are imported due to a lack of refining capability.

The Luba oil port, constructed by Incat Petroleum Services (IPS), became operational in 2002. Construction is currently underway on an oil port in Malabo for use by oil companies on the island of Bioko. Pils (Netherlands) will operate the port for 15 years, after which time the Equatoguinean government will become its operator.

NATURAL GAS

Equatorial Guinea's natural gas reserves are located offshore of Bioko Island, primarily in the Alba and Zafiro oil and gas fields. Alba, the country's largest natural gas field, contains 1.3 trillion cubic feet (Tcf) of proven reserves, with probable reserves estimated at 4.4 Tcf or more. Natural gas and condensate production in Equatorial Guinea has expanded rapidly in the last five years in response to new investments by major stakeholders in the Alba natural gas field. Alba was used primarily for condensate production throughout the 1990s, and much of its associated natural gas was flared. Marathon Oil has a 63.3 percent interest in the field, while Noble Energy (36.7 percent stake) holds a minority share.

Natural gas consumption in Equatorial Guinea has increased in recent years, jumping to 45 Bcf in 2002 from approximately 1 Bcf during each of the four previous years.

Following a decree signed by President Obiang in January 2005, the government announced the creation of a state gas company, Société Nationale de Gaz (Songaz). Songaz's responsibilities will include managing gas assets and developing an industrial and residential gas market, as well as the treatment, distribution, marketing, and exportation of natural gas reserves.

Marathon Oil (75 percent interest) and GE Petrol (25 percent interest) are currently developing a \$1.4 billion liquefied natural gas (LNG) facility on Bioko Island. Output from the project, expected onstream in late 2007, will be sold to British Gas (BG) under a 17-year purchase agreement. Under the contract, the LNG facility will supply 3.4 million tons of LNG to BG per year.

ELECTRICITY

Past estimates of Equatorial Guinea's total generating capacity predicted 15.4 megawatts (MW) of certain installed capacity and 5-30 MW of estimated additional capacity. Results of a DOE questionnaire, official interviews and local site visits in 2004 have indicated that the actual installed generating capacity may be seven times larger than what is currently reported, or approximately 131 MW. On both Bioko Island and the mainland, electricity is generated by a combination of thermal and hydroelectric plants. Although largely undeveloped, Equatorial Guinea is estimated to have 11,000 MW of hydropower potential, of which 50% is deemed economically recoverable.

The government would like to privatize the state-run electricity parastatal, SEGESA, as a joint venture with a foreign utility, but investors have shown little interest. SEGESA's power supply is unreliable due to aging equipment and poor management, and consumers often experience

prolonged blackouts. It operates the country's two small electricity transmission networks, which comprise approximately 80 miles of high tension wire. The network on the mainland serves the suburban area of Bata. The second, older distribution system on Bioko connects Malabo to the port of Luba. The government has plans to expand this grid by 2010. Small diesel and gasoline powered generators are widely used as a back-up source of power supply.

The expansion of natural gas production at the Alba field in recent years has provided a convenient fuel source for new power generation in the country. The 10.4-MW, natural gas-fired Punta Europa plant began operation in 1999, supplying gas-fired electricity to Bioko Island. After upgrades in 2000, the potential total capacity of Punta Europa rose to 28 MW, yet output remains constrained by the original thermal capacity of the outgoing transmission line. An additional 4-6 MW of generation capacity is currently under construction at the AMPCO complex on the island.

Sources for this report include: Africa Energy and Mining; CIA World Factbook; Dow Jones Newswire; Economist Intelligence Unit ViewsWire; Energy Day; Financial Times African Energy; Global Insight; International Monetary Fund; Oil and Gas Journal; PR Newswire; RigZone; U.S. Energy Information Administration; World Bank; World Markets Analysis

COUNTRY OVERVIEW

President: Teodoro Obiang Nguema Mbasogo (since August 3, 1979)

Prime Minister: Miguel Abia Biteo Borico

Independence: October 12, 1968 (from Spain)

Population (July 2005E): 535,881

Location/Size: West Central Africa -- the mainland region of Rio Muni borders the Atlantic Ocean just north of the Equator between Cameroon and Gabon; the islands of Bioko, Annobon, Elobey Grande, Elobey Chico and Corisco lie in the Atlantic Ocean / 28,050 square kilometers (10,831 square miles), about the size of Maryland

Major Cities: Malabo (capital) on island of Bioko, Bata on mainland enclave of Rio Muni

Languages: Spanish and French (official languages), Fang, Pidgin English, Bubi, Ibo

Ethnic Groups: Bioko (primarily Bubi, some Frenandinos), Rio Muni (primarily Fang), Europeans (less than 1,000)

Religion: Christian (predominantly Roman Catholic), Traditional Beliefs

ECONOMIC OVERVIEW

Minister of Economy Commerce and Promotion: Jaime Ela Ndong

Minister of Finance and Budget: Mercelino Owono Edu

Currency: Communauté Financière Africaine (XAF)

Market Exchange Rate (4/19/2005): US\$1 = 503.96 CFA Fr

Nominal Gross Domestic Product (2004E): \$4.6 billion

Real GDP Growth Rate (2004E): 23.7%; **(2005F):** 26.8%

Consumer Price Inflation Rate (2004E): 4.9%; **(2005F):** 8.2%

Current Account Balance (2003E): -\$900 million

Major Trading Partners: United States, Spain, France, China, Cameroon, United Kingdom, Japan

Major Export Products: Oil, timber, and cocoa

Major Import Products: Food, clothing, petroleum products, automobiles, machinery, iron, and steel

Total External Debt (2003E): \$300 million

ENERGY OVERVIEW

Minister of Mines and Energy: Antanasio Ela Ntugu Nsa

Secretary of State for Energy: Miguel Ekua Ondo

Proven Oil Reserves (*World Oil*; 1/1/05): 1.28 billion barrels

Oil Production (2004E): 371,700 barrels per day (bbl/d), of which 341,000 bbl/d is crude oil

Oil Consumption (2004E): 2,000 bbl/d

Net Oil Exports (2004E): 369,700 bbl/d

Natural Gas Reserves (*Oil and Gas Journal*; 1/1/05E): 1.3 trillion cubic feet (Tcf)

Natural Gas Consumption (2002E): 45 billion cubic feet (Bcf)

Electric Generation Capacity (1/1/03): 15.4 megawatts (of which 80% is thermal and 20% hydroelectric)

Electricity Generation (2002E): 30 million kilowatthours

ENVIRONMENTAL OVERVIEW

Minister of Agriculture and Forests: Teodoro Nguema Obiang Mangu

Total Energy Consumption (2002E): 0.05 quadrillion Btu (<0.01% of world total energy consumption)

Energy-Related Carbon Dioxide Emissions (2002E; includes natural gas flaring): 3.98 million metric tons (<0.01% of world carbon dioxide emissions)

Per Capita Energy Consumption (2002E): 104.4 million Btu (vs. U.S. value of 339.1 million Btu)

Per Capita Carbon Dioxide Emissions (2002E): 8.3 metric tons (vs. U.S. value of 20.0 metric tons)

Energy Intensity (2002E): 39,370 Btu/ \$ nominal-PPP (vs. U.S. value of 9,344 Btu/\$ nominal-PPP)**

Carbon Dioxide Intensity (2002E): 3.13 metric tons/ \$ nominal-PPP (vs. U.S. value of 0.55 metric tons /\$ nominal-PPP)**

Fuel Share of Energy Consumption (2002E): Natural Gas (93.7%), Oil (6.3%), Hydropower (0.04%)

Fuel Share of Carbon Dioxide Emissions (2002E; includes natural gas flaring): Natural Gas (94.4%), Oil (5.6%)

Status in Climate Change Negotiations: Equatorial Guinea signed and ratified both the United Nations Framework Convention on Climate Change and the Kyoto Protocol on August 16, 2000.

Major Environmental Issues: Deforestation, wildlife destruction, non-potable tap water.

Major International Environmental Agreements: A party to Conventions on Biodiversity, Climate Change, Desertification, Endangered Species, Hazardous Wastes, Law of the Sea, and Ship Pollution.

* The total energy consumption statistic includes petroleum, dry natural gas, coal, net hydro, nuclear, geothermal, solar and wind electric power. The renewable energy consumption statistic is based on International Energy Agency (IEA) data and includes hydropower, solar, wind, tide, geothermal, solid biomass and animal products, biomass gas and liquids, industrial and municipal wastes. Sectoral shares of energy consumption and carbon emissions are also based on IEA data.
**GDP based on CIA World Factbook estimates based on purchasing power parity (PPP) exchange rates.

OIL AND GAS INDUSTRIES

Organization: GE Petrol; downstream activities - Getotal (owned by Total, S.A. -- 80% and the government of Equatorial Guinea -- 20%)

Major Oil Fields (2002 production): Zafiro (180,000 bbl/d), Ceiba (50,000 bbl/d), Alba (6,500 bbl/d)

Major Foreign Oil Company Involvement: Amerada Hess (formerly Triton), ChevronTexaco, Devon Energy, Energy Africa, ExxonMobil, Marathon Oil, Noble Affiliates, Petronas

Refineries: None

Pipelines: None

Terminals: Proposed LNG terminal on Bioko Island (expected completion date of 2007)

LINKS

For more information from EIA on Equatorial Guinea, please see:

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[U.S. State Department's Country Page - Equatorial Guinea](#)

[U.S. State Department's Consular Information Sheet - Equatorial Guinea](#)

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