

## African Energy Week

### “Investing in a Just Energy Transition”

Andy Inglis, Chairman and Chief Executive Officer, Kosmos Energy

- Your Excellencies, Ladies and Gentlemen, good morning.
- Before I begin, I would like to thank the African Energy Chamber for organizing this week’s conference and for the chance to speak today on the future of energy in Africa, the importance of a just energy transition, and the role companies like Kosmos Energy can play in the delivery of that outcome.
- In my current position as Chairman and CEO of Kosmos, as well as my previous roles, I have been working to bring investment to Africa for more than 25 years – with the twin goals of creating value for my shareholders and driving economic development and social progress in the countries where we work.
- I want our host nations -- and Africa as a whole -- to reach their full potential.

**The African continent has vast energy needs. The facts are clear on this -- we have heard them many times at many conferences and yet the world has been slow to react and take the right actions. So I make no apology for repeating the headline numbers:**

- More than 600 million Africans don’t have access to reliable electricity (almost twice the population of the US).
- More than 900 million live without access to clean cooking fuels (almost twice the population of the European Union).
- At the same time, Africa accounts for less than 3% of the world’s energy-related CO<sub>2</sub> emissions and has the lowest emissions per capita of any region in the world.<sup>1</sup>
- And yet Africa has been blessed with enormous gas resources that could be used to alleviate this energy poverty and supply the rest of the world with secure, affordable, and cleaner energy.
- Developing this gas would not threaten the world’s carbon budget.
- If Africa uses its known gas reserves, its cumulative CO<sub>2</sub> emissions over the next 30 years if added to Africa’s cumulative total today, would raise its share of global emissions from 3% to a mere 3.5%.

**The key question for me is not whether Africa has the right to develop its gas (it absolutely does), but why is it not happening faster and what can we all do to remove the barriers?**

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<sup>1</sup> <https://www.iea.org/reports/africa-energy-outlook-2022>

- In my experience, developing resources responsibly and at pace requires companies and countries to create a shared agenda.
- There are four key ingredients:
  - First, an advantaged resource – it has to be low cost and lower carbon;
  - Second, supportive governments with a clear and bold vision;
  - Third, innovative development schemes that lower cost and shorten cycle times; and
  - Fourth, access to financing.
- The first two elements are readily available in Africa, so I'd like to focus for a moment on the last two of the elements I just mentioned.

**Innovative development schemes are critical for success in today's uncertain and volatile environment.**

- The fresh thinking required often comes from new partnerships between players with different expertise and different points of view, reflecting the evolution of independents like Kosmos and the entry of non-traditional players.
- Kosmos was once known as a frontier oil explorer, but over the last decade the company has transitioned to a full-cycle oil **and gas** company with about 580 million barrels oil equivalent of 2P reserves, around 20 years of reserves to production of which around 60% is gas.
- In 2015, we discovered in **Mauritania and Senegal** the largest non-associated gas resource offshore West Africa, more than 100 trillion cubic feet of gas-in-place. Despite the modest size of my company, we went ahead and invested around \$700 million into the exploration and appraisal program to bring that resource forward for development.
- We are now working with bp and the NOCs on the multi-billion dollar Greater Tortue Ahmeyim project (aka GTA) – with Phase 1 expected to begin production at the end of next year. Other phases and projects are being planned. GTA will produce low cost, lower carbon export volumes, as well as make gas available for domestic use.
- Despite being a cross-border field, GTA Phase 1 will be the fastest ever offshore LNG development from discovery to first gas.
- We're doing it by using proven industry solutions and a phased approach. This minimizes upfront cost, reduces execution risk, and enables cash flow from the initial phases of production to fund subsequent phases.
- In **Equatorial Guinea**, the Minister of Energy has talked powerfully about his country becoming a focal point for a gas mega-hub in West Africa. We originally entered the country through the acquisition of oil production and exploration acreage, but we are

now looking at opportunities where we can use our LNG expertise and ability to form innovative partnerships to accelerate the country's gas development in support of the Minister's vision.

- My point is this: Africa needs fresh thinking and new partnerships – and this probably won't come from the usual suspects.

**The importance of access to finance also cannot be overstated, especially as tensions grow over what constitutes a 'just' energy transition.**

- The European Investment Bank recently said it would not fund any gas projects even though the European Commission has stated that gas is a transition fuel and can in certain circumstances be considered 'green'.
- Bank President Werner Hoyer seems to have made an ideological decision rather than a practical one, stating that the bank needs "to take the energy transition seriously and move to renewables."
- What he fails to appreciate is that Africa needs more of **all** types of energy -- like Europe does today in the immediate aftermath of the Russia/Ukraine conflict.
- Denying such funding for Africa is denying Africa the opportunity to grow its economy and improve the standard of living for its citizens.
- In his speech at the UN General Assembly, a day after the Bank's announcement, President Akufo-Addo of Ghana said:
  - "It has become clear, if ever there was any doubt, that the international finance structure is skewed ... against developing and emerging economies ... The avenues that are opened to powerful nations to enable them to take measures that would ease pressures on their economies are closed to small nations. To make matters worse, credit rating agencies have been quick to downgrade economies in Africa, making it harder to service our debt."
- As a long-time and current investor in Ghana, we have both seen and felt the pain this has caused. When Ghana's credit rating goes down so does Kosmos's.
- The financial system must be called into account.
- I encourage the ministers here today to push for financing all parts of the energy transition (new sources of gas, renewables, and climate adaptation) to be on the agenda at COP27.

**Achieving Africa's ambitions will require the rest of the world to reflect deeply on what a just transition means for their energy security, Africa's economic development, and the world's climate.**

- This reality sets up an interesting dynamic ahead of Sharm El Sheikh, which opens in just a few weeks.
- The naysayers will be out in force – talking to the media and whispering in the corridors.
- The good news is that for some time now African leaders like President Sall of Senegal and President Akufo-Addo of Ghana have been making their case publicly, saying they need to develop their gas resources to provide universal access to electricity, which will unlock economic growth and help transition to a cleaner energy future.
- If I am asked for my opinion on the matter, I will simply say:
  - If there were any doubt before the events in Ukraine, it is now even clearer that gas is and will be the bedrock transition fuel for the foreseeable future. And Africa enjoys the significant natural advantage of low cost, lower carbon gas resources.
- Opportunity often knocks, my friends, but sometimes it kicks open your door ... and stares you in the eye. Let's not miss this chance.