The Mineral Industry of Congo (Brazzaville)

By George J. Coakley

The Republic of the Congo [Congo (Brazzaville)] is located in equatorial central Africa between the Democratic Republic of the Congo [Congo (Kinshasa)] and Gabon and has an area of 342,000 square kilometers. The area supported a population of about 3 million in 2003 with a gross domestic product (GDP) of $2.5 billion, a per capita GDP of $900 based on 2002 purchasing power parity data, and a real GDP growth rate of 0% in 2002 (U.S. Central Intelligence Agency, 2003§).

Congo (Brazzaville), along with Cameroon, Central African Republic, Chad, Equatorial Guinea, and Gabon, participated in the Central African Economic and Monetary Union (CEMAC), which was formed by treaty in 1999. It also participated with other Francophone African countries in the Organization for the Harmonization of Business Law in Africa (OHADA) and the CFA franc zone. The CFA franc was pegged to the French franc in 1997 and to the euro (€) in 2002 at a fixed rate of CFA656=€1.00 but floats against the U.S. dollar. The CFA franc was revalued upward against the dollar to CFA581.9 in 2003 compared with CFA690.9 in 2002 and CFA732.5 in 2001. This revaluation made it more difficult to capitalize on higher dollar-denominated oil prices during 2002 and 2003. Since the end of the civil war in 1997, Congo (Brazzaville) has struggled to meet the CEMAC guidelines that require the country to reduce external and domestic public debt to no more than 70% of GDP, to contain consumer price inflation to no more than 3%, and not to fall in arrears on domestic or foreign debt payments. With its national debt equivalent to 186% of GDP in 2003, Congo (Brazzaville) had the highest debt load of any of the six CEMAC countries (International Monetary Fund, 2003a§).

The economy continued to be based largely on crude oil. In its projections for 2003, the International Monetary Fund estimated that oil would account for 52% of the country’s GDP, 65% of the Government’s fiscal revenues budget, and 85% of export earnings. It estimated the value of oil exports in 2002 to be $2.2 billion compared with $2.5 billion in 2001. For the CEMAC nations as a group, petroleum constituted 77% of combined export receipts and almost 50% of budgetary revenue (International Monetary Fund, 2003a§, b§).

Government Policy and Legislation

The Government agency responsible for administering the minerals sector is the Ministry for Hydrocarbons and Mines. Investment is governed by the Investment Code of 1992 and Hydrocarbon Law 24/94 of August 23, 1994, which regulates the terms of production-sharing agreements (PSAs). The Hydrocarbon Law has reduced taxes on crude oil production from 17.5% to 12% and the state-owned Société Nationale des Pétroles du Congo (SNPC) (formerly HydroCongo) is participating in a 31% profit sharing on all production; the SNPC controls petroleum refining and distribution. Mining legislation is based on Decree No. 29/62 of June 1962, as amended by Decree No. 23/82 of July 7, 1982, and Decree No. 86/814 of June 11, 1986. In general, mining has been carried out by the state or through state-owned joint ventures.

In November 2002, Congo (Brazzaville) and about 50 other countries that produce, trade, and/or process diamond became signatories to the Kimberley Process Certification Scheme, which established certificates of origin to control the global trade in diamond. The treaty resulted from international concern about the growing evidence of illegally mined and exported diamond revenues being used to support civil conflicts in Angola, Sierra Leone, and elsewhere (Kimberley Process Secretariat, 2003§). Although Congo (Brazzaville) had no reported diamond production, diamond from other countries [particularly Congo (Kinshasa)] that transit Congo (Brazzaville) for export has become subject to the certificate-of-origin provisions of the Kimberly Process.

In March 2003, the Government signed an agreement with Angola that ended the long dispute that had blocked deepwater oil exploration. The two countries set up a joint development area known as the Common Interest Zone. Joint authority for the zone is based in Brazzaville. Each country will share oil revenues equally (Reuters, 2003§).

Commodity Review

Industrial Minerals

Magnesium.—MagAlloy Corp. (MagAlloy) of Canada had been evaluating the resources and development potential of the Makola and Youbi magnesium salt evaporite deposits in the Kouilou region since 1998. The proposed $514 million Kouilou project would produce 60,000 metric tons per year of primary magnesium metal and high-purity magnesium (Magnesium Alloy Corp., 2003b§). By yearend 2003, MagAlloy was still involved in raising capital to prepare a bankable feasibility study for the project. It was planning to study the potential production of salt and potash as byproducts or as an initial phase of commercial production and the potential development of hydro and gas energy sources to support the Kouilou project and potential related industries (Magnesium Alloy Corp., 2004§). In June 2003, MagAlloy signed a preliminary long-term offtake agreement with Stinnes Metall GmbH (a wholly owned subsidiary of Stinnes AG). Under the agreement, Stinnes would purchase and market 100% of the high-purity magnesium and magnesium alloys produced by MagAlloy’s Kouilou project; initial production was scheduled to start in 2007 (Magnesium Alloy Corp., 2003a§). During 2002, MagAlloy and the South African power company Eskom Enterprises (Pty.) Ltd. agreed to work together to establish a long-term power contract to supply low-cost power to the Kouilou project.
Petroleum and Natural Gas.—The U.S. Energy Information Administration (2003§) projected that petroleum production would decline to 240,000 barrels per day (bbl/d) in 2003 compared with 249,000 bbl/d in 2002. With the increase in oil production from Equatorial Guinea in 2003, Congo (Brazzaville) became the fifth leading oil producer in Sub-Saharan Africa.

In December 2002, the Government fully privatized the SNPC. The Government transferred the company to a joint venture made up of Total S.A. (formerly TotalFinaElf S.A.), ChevronTexaco Corp. of the United States, and a consortium that comprised Puma Energy and X-Oil. The SNPC’s Congolaise de Raffinage (CORAF) oil refinery, which had a design capacity of 21,000 bbl/d, was shut down for technical reasons during the last quarter of 2002. The SNPC continued to control upstream petroleum exploration (CongoPage, 2002§).

Total, which was the major private operator in the petroleum sector, operated under a PSA with SNPC and controlled about two-thirds of the nation’s crude oil production. Total held a 25% to 100% interest in eight producing oilfields, the largest of which were the Nkossa and the Tchibouela. Other partners included ChevronTexaco (30%), SNPC (15%), and Energy Africa Ltd. of South Africa (4%). Total’s production declined by 25% to 91,000 bbl/d of petroleum liquids in 2003 from its peak output of 121,000 bbl/d in 2000. Total’s exploration permit on the Mer Tres Profonde Sud block was extended to the end of 2004. The company also was awarded a new exploration permit for the Haute Mer C block (Total S.A., 2004a§, b§).

Agip Congo S.A. (a subsidiary of Eni SpA of Italy) was the second largest petroleum operator and contributed about one-third of the nation’s petroleum, or about 68,000 bbl/d of oil equivalent from seven offshore oilfields. The rate of production was expected to decline slightly in 2004 compared with that of 2003. During 2003, Eni held a 65% interest in the Djambala, the Foukanda, the Mwafi, and the Zatchi fields; a 50% interest in the Loanga deep offshore fields; a 37.5% interest in the Kitina field; and a 35% interest in the Pointe Noir Grand Fond fields (Eni SpA, 2004§). At yearend 2002, total national reserves were reported to be 1.5 billion barrels of oil and more than 90 million cubic meters of natural gas (U.S. Energy Information Administration, 2003§).

Outlook

Since 2000, Congo (Brazzaville) has been engaged in the long process of restoring the Government, establishing a national dialog, adopting a new constitution, and resettling more than 800,000 people who were displaced during the war. Intermittent guerrilla activity and civil unrest in some areas, however, continued to inhibit progress into early 2003. The petroleum sector will remain the cornerstone of the economy for the immediate future, although it has as yet to locate any new petroleum reservoirs in the deepwater marine environment, which has yielded large discoveries for the neighboring countries of Angola, Equatorial Guinea, and Nigeria. The decline in national production was attributed to the maturing of existing fields, but the U.S. Energy Information Administration (2003§) expects production to rebound after 2004 with the development of the Libondi, the Litanzi, the Tchibeli, and the Yanga Sud oilfields.

The proposed $500 million Kouilou magnesite project, which is scheduled for completion by 2007, could significantly stimulate the postwar economy and aid development of the power infrastructure. By the end of 2003, however, the project was still awaiting completion of a favorable bankable feasibility study.

Internet References Cited


Major Source of Information

Ministère des Hydrocarbures et des Mines
Service des Mines et de la Géologie
B.P. 2124
Brazzaville, Republic of Congo
Telephone: (242) 83 58 73 or 12-81
Fax: (242) 83 62 43
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\(^{1}\)Estimated; estimated data are rounded to no more than three significant digits.  \(^{2}\)Revised.  \(^{3}\)Zero.

\(^{1}\)Includes data available through June 2004.

\(^{2}\)Natural gas is also produced but is vented or flared.

\(^{3}\)Reported figure.