



AFRICA HOUSE

Insight & Access. Projects & Trade.



AfCFTA and Capital Equipment: *Opportunities for Growth*

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Africa House*

1st March 2024



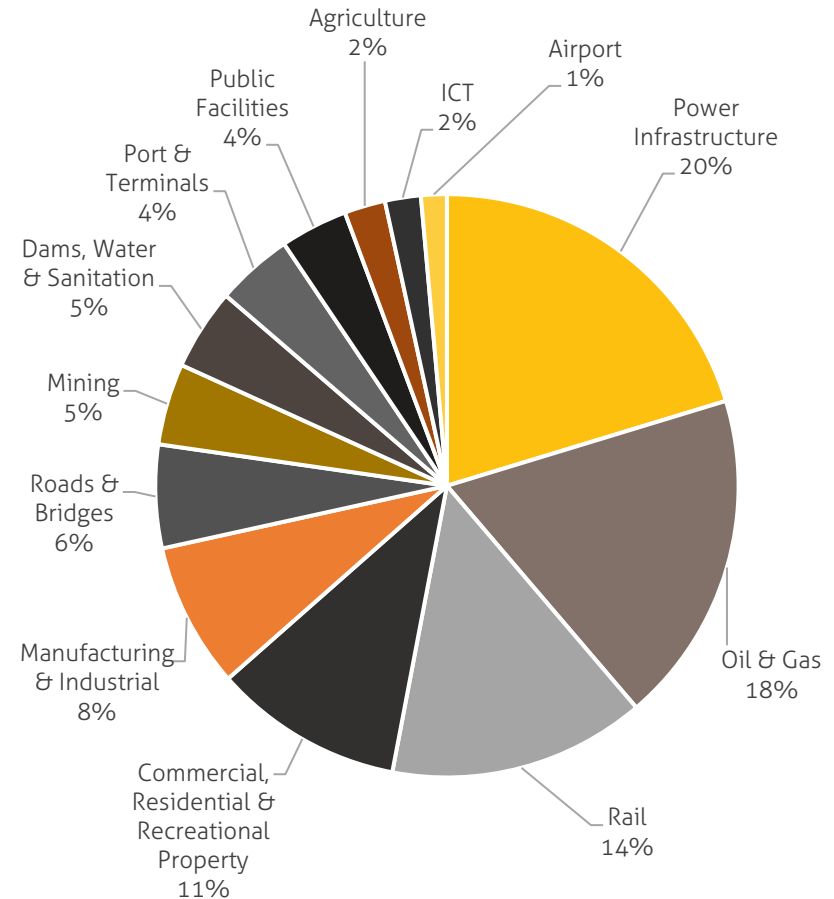
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Opportunities for SA?

- Industrial heartland of SADC – and rest of Africa to a degree
- Land-linked to smaller markets in Southern Africa – reliant on ports for access to key markets in rest of Africa
- Industrial capacity and services in SA well suited to growing markets in rest of Africa, but lack competitive access – could AfCFTA make a difference on many products?
 - Mining, Oil & Gas, Building Materials, Agri-industrial value chains, water & sanitation products, Power/energy all have strong presence in SA;
 - Not just manufacturing – services, including engineering value chain, legal, financial etc, SA headquartered in many cases;
- What Are the Drivers in sub-Saharan Africa?

Project Activity: Current and Future (US\$ Mn)

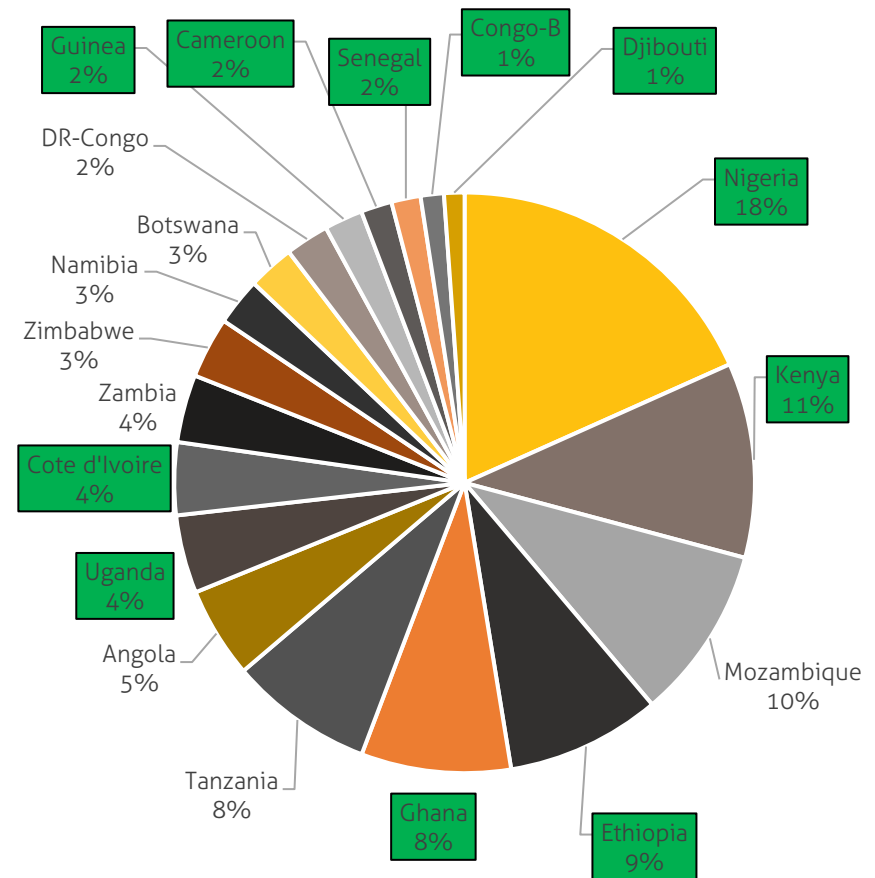
- From Africa House databases: more than 8,500 projects since 2017;
 - Roughly 75% have a declared value – others too early in project cycle or not declared; total value of US\$2.01 trillion;
- Power, Oil & Gas, Transport and account for 63% of declared value : sectors are critical to African industrial development, as well as trade competitiveness;
 - Logistics is 25% of total – increased trade, but decreased dependence on SA value chains?
- Agriculture seeing a resurgence in interest:
 - Basic foods, export crops and value-added for domestic, regional consumption;
- Mining saw many projects 'parked' due to commodity crisis and Covid – starting to pick up;
- 'Urban Development':
 - Construction, property, healthcare, water & sanitation, Urban development, roughly 20% of total – major growth area across Africa;
 - Figures higher, many projects don't have a value;
- ICT: Underpins almost all of this at every level:
 - Disruptive new technologies to accelerate development;



Source: Africa House Project Platform

Project Activity: Current and Future (US\$ Mn)

- Non-SACU/SADC countries account for over 62% of projects in sub-Saharan Africa – SA share of supply currently very low
- 'Energy Crescent' from Namibia to Ethiopia providing excellent long-term opportunities;
 - Strong regional project focus in Southern Africa and East Africa – integration of infrastructure;
- Nigeria, Ghana, Guinea, Burkina Faso, Cote d'Ivoire & Senegal create strong West Africa's basket – seeing signs of more co-ordinated regional approach there too;
 - Massive mining projects in Guinea and Liberia – some movement at last?
 - Political instability in Sahel threatens regional development there;
 - Role for regional supply from Abidjan?
- Central Africa largely revolves around Cameroon and regional projects:
 - Gabon seeing growth and activity as well;



Source: Africa House Project Platform

Energy: Driving Change in Africa

- Energy and Environment are now front and centre of global policy debate – Africa a key player, as both supplier and beneficiary, but needs independent voice(s);
 - Lake Kariba lack of water due to drought (climate change?) and bad planning/excessive offtake upstream;
 - Many other hydro schemes under threat in East Africa as well as climate change and growing consumption dries up rivers;
- Mix of fossil fuels (with gas being at the forefront), Renewables for domestic use and Green Hydrogen – largely export?
- Emphasis on clean energy – Africa’s stability centre of global climate change agenda;
 - Positives – major investment in renewable power, policies, renewal;
 - Negatives – insistence that Africa (3% of global emissions) halt all fossil fuel projects;
- Energy, for domestic and export driving both projects as well as associated infrastructure (pipelines, terminals, storage, transmission lines etc);
- Not just large projects, but micro-grids, rooftop solar, etc
- Also industrial consumers – mines, factories, retailers installing own power and battery storage;
- Energy Minerals: Africa supplies already, can increase substantially;
 - US agreement to develop EV battery industry in Zambia, DRC a signal or one off?
- **Job creation – but how much domestic production of inputs, or processing of minerals?**

Green Energy – Driven by Green Hydrogen and Domestic Demand



Africa House has compiled a database of wind and solar projects across sub-Saharan Africa. There are a total of 126 wind projects and over 1,060 solar projects, both including Green Hydrogen (although these numbers are likely to rise exponentially in coming years, given the number of new projects being announced). This includes:

- Projects that have been completed;
- Pipeline Projects from feasibility to construction;
- Conceptual Projects;
- Renewable Energy Programmes within countries:
 - These may include elements such as hydro or biomass not included in this scope, but will also have some wind or solar in them;
- Total value of the projects from conceptual to completed is stated as US\$246bn;
 - Many of the projects announced in the last 18 months do not yet have a defined value – could take overall project value to US\$300bn+?
 - Since the first analysis in April, projects from March to October 2022 were added with an additional 5,000MW of solar and 1,500MW of wind has been added to the database, plus 66,000MW of Green Hydrogen, a potentially game changing industry for the region;
- **Globally, there is a rush to develop green hydrogen – South Africa risks getting left behind if we don't act soon, decisively and at scale!**
 - **EU Carbon Laws to push green transformation?**

Pipeline to Port Sudan: Operational, source of tension between two Sudans;

South Sudan:
Production @ 140K bbpd; To return to 350K bbpd by 2020? Plans for refinery;

Lake Albert Gas-Fired Plant: Utilise associated gas for power - \$100m; FID dependent on oil extraction;

Lake Albert, Uganda: \$10bn for refinery, pipeline, airport, terminals (Kampala, Tanga), IDZ, roads, power, etc; FID imminent, still issues with pipeline;

Lake Kivu: Symbion/Highland two projects: Kivu56 & KP1, for combined 81MW methane-fired power, - \$250m?;
Gasmeth - \$400m gas extraction & processing plant - from 26MW to 100MW;

Lake Malawi/Niassa:
Possibly oil/gas but boundary dispute between Malawi & Tanzania delaying exploration;

'Gas City' Development:
New city for 200K residents - Masterplan complete

'Domgas': 33TCF for proposed projects, including:
• Yara-led Fertiliser Plant; Shell-led GTL Plant; Power plants; Pipelines - domestic, regional

East Africa's Regional CAPEX:
\$180bn to \$200bn for oil and gas over 10 years?

Total, Gigajoule, MGC Investment: FSRU in Matola harbour, pipeline to 2,000MW gas-fired power station, further pipeline to SA? Roughly US\$3.5bn in total.

LNG Terminal, Matola: MGC, Total confirm LNG terminal for local and regional gas supply - US\$300 million

Eritrea: "Geological features of a major hydrocarbon bonanza"; Deal signed with China (2019)

Somaliland:
• Genel targeting 2bn barrels onshore oil - 2018 test results;
• IOC's positioning themselves;

Poly-GCL (China): Pipeline underway (\$4bn) for gas exports by 2020; LNG liquefaction plant in Djibouti - 3Mtpa in 2021, up to 10Mtpa later; Development of oil - export by 2025?

Somalia: Deepwater bidding Round closes November 2019

Lokichar (Turkana), N. Kenya: Tullow's \$5bn project at FEED; Includes 821km pipeline to Lamu and refinery (\$500m) 1st oil delivered, commercial by 2023/4; Extend pipeline to S. Sudan & Ethiopia;

Songo-Songo: Existing gas to Dar, pipeline extended to Mtwara for new gas

Tanzania LNG: 'Eton Mess'; \$30bn development, 10Mtpa LNG facility - 2023 start? Equinor, Shell, Exxon etc

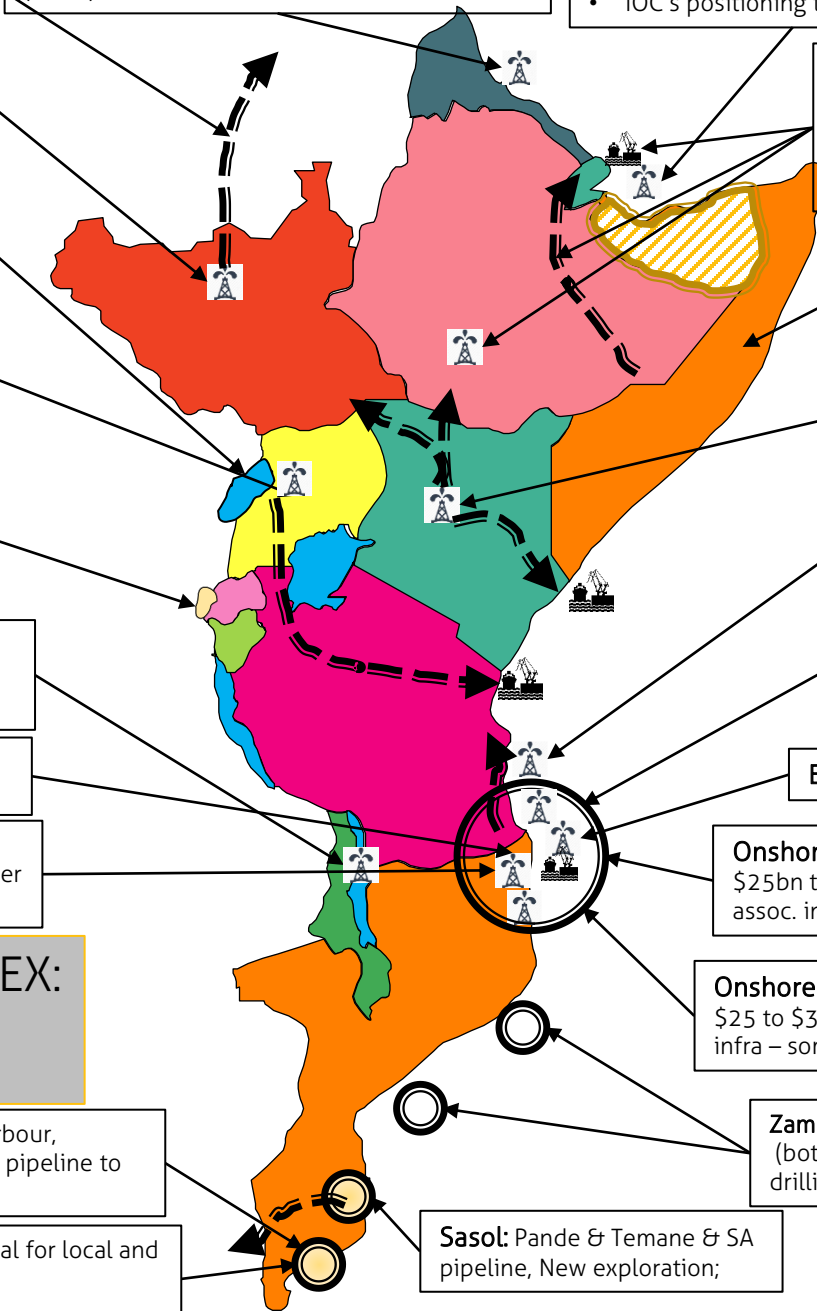
ENI offshore: \$9bn FLNG project underway;

Onshore Area 1: Total-led project, \$25bn to \$30bn; Initial 2 LNG trains & assoc. infra

Onshore Area 4: ENI/Exxon-led project, \$25 to \$30bn; Initial 2 LNG trains & assoc. infra - some shared infra with Area 1

Zambezi Basin & Areas 5A&B off Angoche: Exxon (both areas) & ENI (%A, Angoche), US\$700m drilling programme from 2020

Sasol: Pande & Temane & SA pipeline, New exploration;

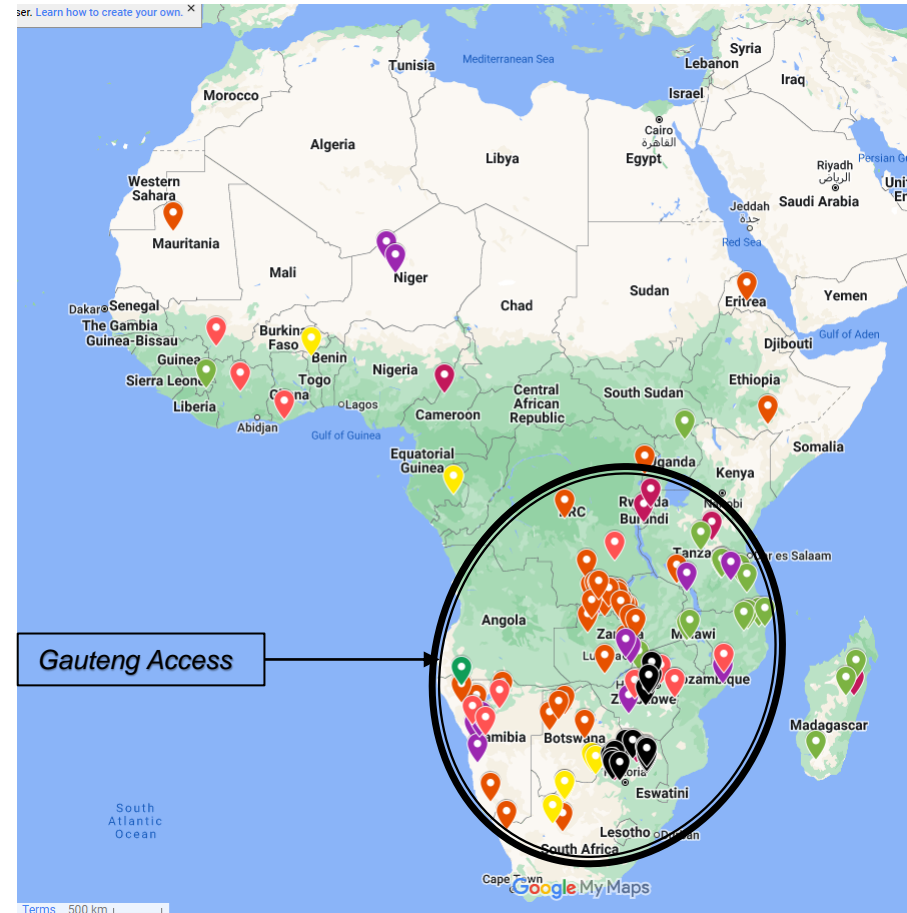


\$128bn in Capex FID by 2028

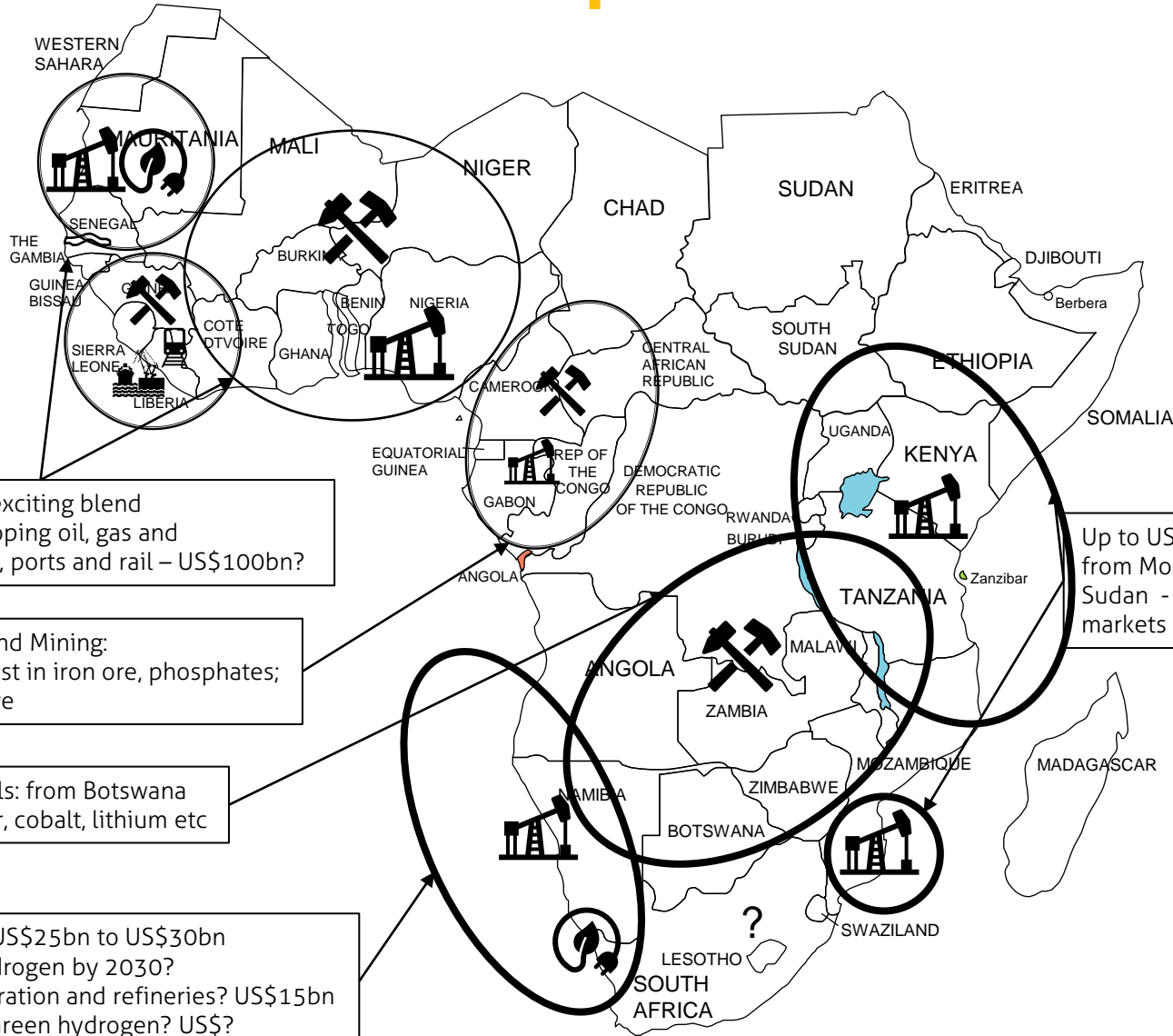
'Green Energy Minerals'

- The rush to replace fossil fuels, both as a source of power and in the vehicle industry is seeing a surge in investment in green energy minerals;
- These include copper, cobalt, nickel, lithium, graphite, manganese, platinum, and uranium (possibly controversially);
- 212 of these mines or developing projects in the Africa House database, with another 50 or 60 in the pipeline;
- Heavily focused in Southern Africa and into the Congolese Copperbelt;
 - Also developing in East Africa from northern Mozambique and Tanzania to Rwanda, Burundi and Uganda;
 - West Africa emerging into this space too, with Ghana and Nigeria first lithium mines under development;
- [WoodMac](#) expecting global demand for copper to keep rising to 2045 on EVs and BESS demands;

Green Energy Mineralisation Map



Extractives Hotspots: Intra-regional competences?



West Africa home to exciting blend of existing and developing oil, gas and mining developments, ports and rail – US\$100bn?

Central Africa oil and Mining:

- Renewed interest in iron ore, phosphates;
- Oil infrastructure

Energy Minerals: from Botswana to DRC, copper, cobalt, lithium etc

Up to US\$180bn of opportunity from Mozambique to South Sudan - largely new oil and gas markets

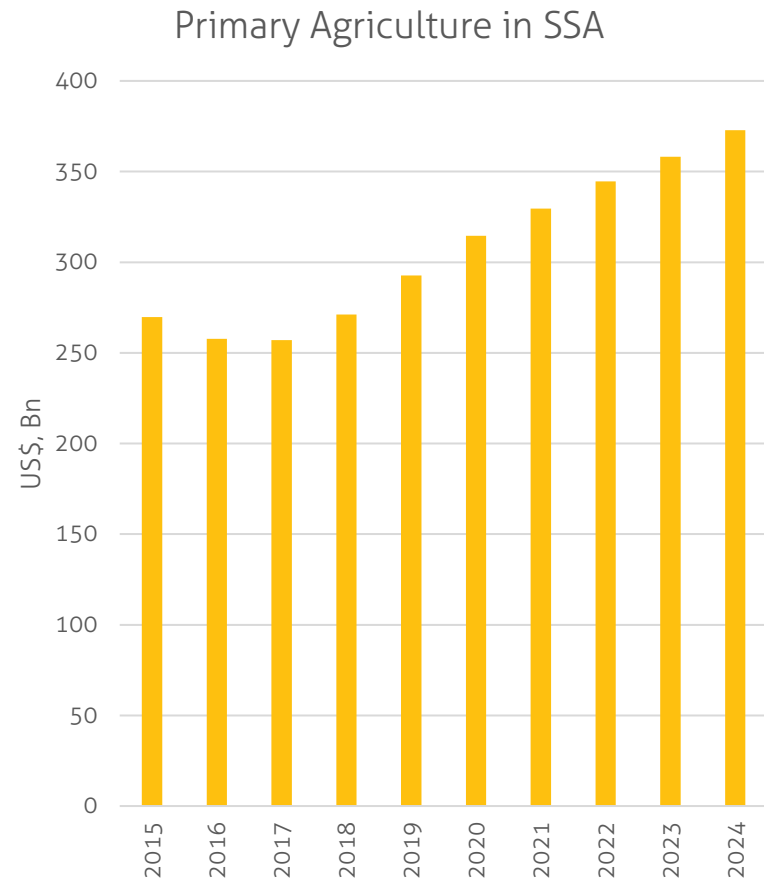
- Namibia to unlock US\$25bn to US\$30bn in oil and green hydrogen by 2030?
- New Angolan exploration and refineries? US\$15bn
- South Africa? Oil? Green hydrogen? US\$?

Infrastructure and the Receding State?

- From almost total control of key sectors such as power, telecoms, transport, water and sanitation and education until the early 2000's, is the role of the state receding?
 - **Renewable energy** is largely privately financed and operated (but may feed into state-owned grids);
 - **Oil & Gas and Mining** – always had strong private focus; development of new terminals, railways and pipelines will reinforce this;
 - **Ports & Rail:** Demand for consumer goods (inwards) and commodities (outward) driving competition for existing and new ports: DP World, Abu Dhabi Ports, ICTSI, Chinese operators, Grindrod, MSC (including Bollore) and others taking operating concessions;
 - **Roads and tolling:** difficult to justify in many countries, even more difficult to implement – Lekki-Ikoyi Link Bridge and Gauteng tolls;
 - **Airports and Airlines:** partial privatisation of some, but still seen as 'country flagship' by many: reluctance to let go! Increasing competition in the skies though;
 - **Mobile telephony** – mostly eliminated landline operators (state), even if these have stakes in some private operators;
 - **ICT (including TV/entertainment)** increasingly outside of state channels;
 - **Water & Sanitation** provision still largely state controlled, but for how long? Growing interconnection between dams, water supply, irrigation could see innovation around sector;
- Innovate states provide an enabling environment for this; others lag or even actively oppose change;
- Opportunity to supply goods and services into concessions and expansions;

Agriculture – ‘New Frontier?’

- 2013 World Bank Report sees US\$1 trillion industry in Africa by 2030;
- “Africa has over 60% of world’s unused arable land” – pointless unless:
 - Infrastructure improved – roads, power, ports, railways, cold storage, irrigation etc;
 - Integrate small-scale farms into value chains;
 - Would include import replacement and value added agri-industry;
 - Desire to reduce import shocks caused by exogenous shocks (such as Ukraine invasion);
- Many countries banning/restricting imports of processed basics in favour of local milling and value addition;
 - Tanzania, Uganda, Botswana, Namibia, Angola, Nigeria some examples of bans/restrictions on flour, milled rice, edible oils, pastas, sauces, meat etc – not always effective!
- Africa to supply Middle East and Asia in future?
 - Potential is good in East Africa from SA to Sudan;
 - Also ‘traditional’ seasonal rotation between hemispheres;



Based on AfDB data

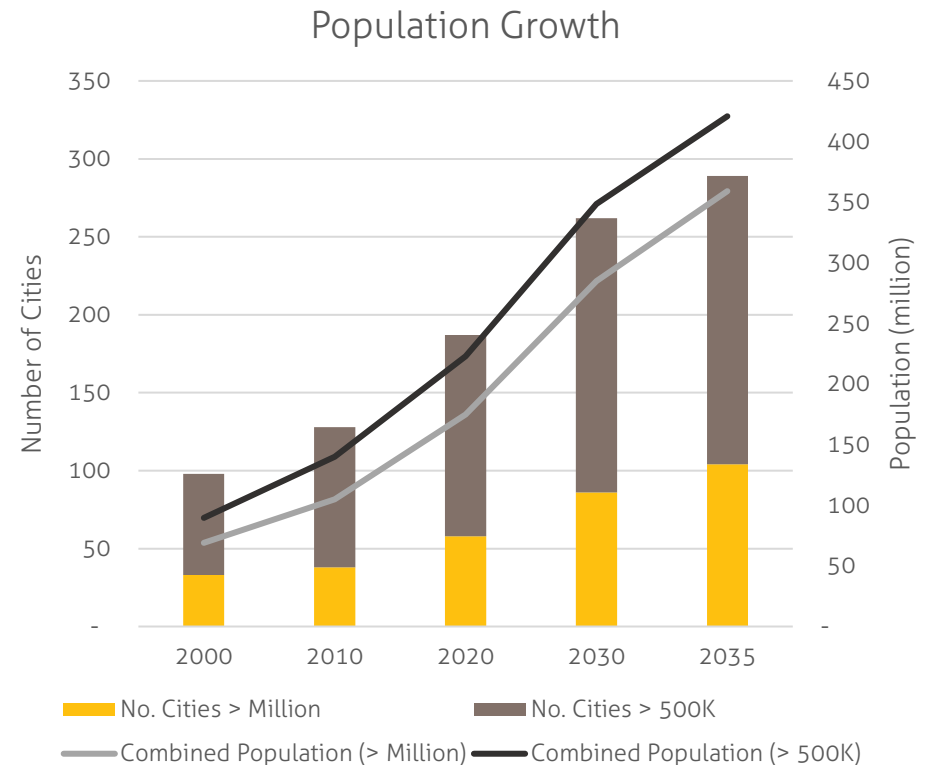
Global Agri-Industry Exports to Africa, 2019, US\$

War in Ukraine

Grand Total	79,988,741,383
Cereals	20,562,955,917
Animal or vegetable fats and oils etc	7,804,072,550
Sugars and sugar confectionery	5,606,612,179
Dairy produce; birds' eggs; honey; etc	4,447,699,767
Meat and Offal	3,981,019,385
Tobacco and Substitutes	3,903,626,471
Preparations of cereals, flour, starch or milk etc	3,718,819,528
Beverages, spirits and vinegar	3,521,970,883
Fish, crustaceans, molluscs etc	3,433,844,056
Other Edible Preparations	3,391,952,253
Oil seeds, oleaginous fruits; miscellaneous grains, seeds and fruit etc	2,815,682,952
Food industries, residues, wastes etc	2,716,284,594
Coffee, tea, mate and spices	2,449,999,138
Vegetables and certain roots and tubers;	1,880,191,718
Preparations of vegetables, fruit, nuts etc	1,809,947,635
Fruit and nuts, edible; peel etc	1,786,368,401
Preparations of Meat, Fish, mollusks etc	1,637,488,003
Products of the milling industry; malt, starch etc	1,628,973,799
Animals; live	1,256,932,488
Cocoa and preparations	909,193,062
Animal originated products, NESOI	322,350,285
Trees and other plants, live; bulbs, roots and the like; cut flowers	194,998,538
Lac; gums, resins etc	178,534,905
Vegetable plaiting materials; vegetable products NESOI	29,222,876

Population, Urbanisation and Consumption

- From 2010 to 2035 number of large cities will double;
 - Up from 128 to 289;
 - Population will treble in these cities – reaching 780 million by 2035;
- Key growth regions are Nigeria and broader coastal West Africa, as well as Great Lakes/East Africa – Southern Africa a small player;
 - By 2025 Nigeria will have more 1 million+ cities than the EU!
- Creates demand for social and business infrastructure:
 - Housing, health, water & sanitation, roads, rail, power, retail, etc – but must match consumer ability to pay;
 - Industrial growth on demand?
 - ICT, Circular economy, Online retail and distribution infrastructure?
 - Expansion of consumer infrastructure to new, more distant hubs?

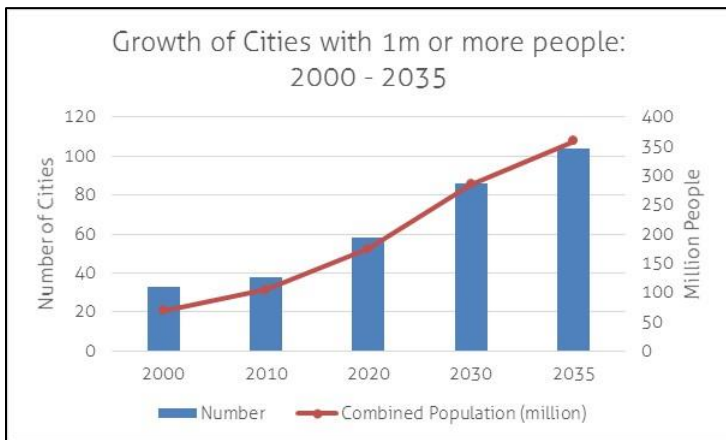
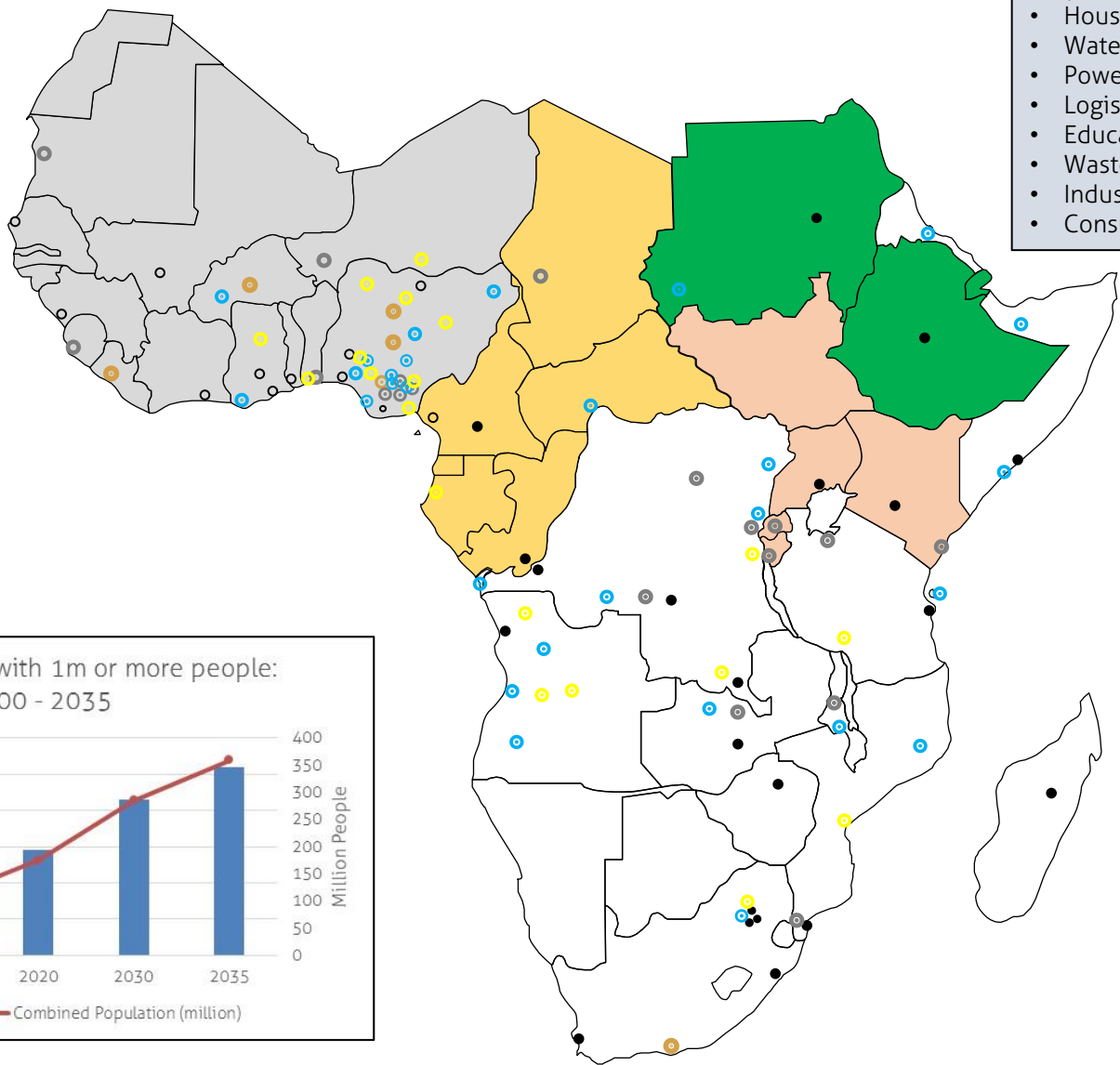


Cities with 1m people: 2000-2035

Requires massive investment in:

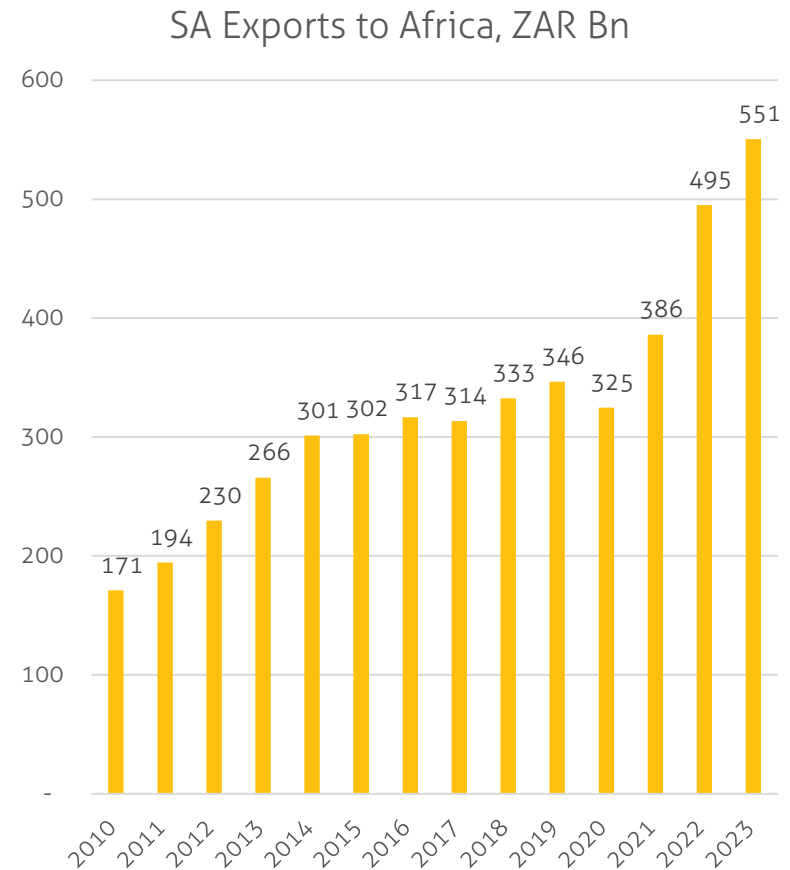
- Housing
- Water
- Power
- Logistics & Transport
- Education & Healthcare
- Waste Management
- Industry
- Consumer goods

Year	Indicator
2000	●
2010	●
2020	●
2030	●
2035	●



Exports to Africa: Keeping Factories Open!

- Exports struggled from 2014 to 2017:
 - In 2018 and 2019, started recovering, Covid impacted;
 - 2021 saw sharp recovery; 2022 saw massive rise to rest of Africa, 2023 sustained that trajectory;
- Largely value-added:
 - Led by petroleum products, machinery, iron and steel products, chemicals, FMCG (value added), vehicles and other products;
- Largely to SACU/SADC:
 - 89% to SADC countries;
 - Rest of Africa offers excellent opportunities, but also more competition;
 - AfCFTA to give advantage in EAC, ECOWAS?



Source: SARS

Global Competition

- Moving back to 'Cold War' and realignment of global powers due to Ukraine war, Taiwan and other regional tensions?
- Most key players in Africa today have a defined strategy:
 - China – Belt & Road (US\$60bn over 3 years) – whisperings of a reduction in Africa focus?
 - USA – Prosper Africa/Power Africa/DFC – US\$30bn over 3 years?
 - US\$50bn committed at recent summit?;
 - EU - Africa-Europe Alliance (US\$70bn from 2021 to 2027);
 - Germany – 'Marshall Plan for Africa' – (funding not declared);
 - Leading push for green hydrogen from Africa
 - UK - £20bn trade and investment package for Africa;
 - France – double trade and investment in Africa in 5 years;
 - Japan – TICAD – US\$30bn over 3 years – ramping up competition with China;
 - India – US\$11bn in credit lines, renewed once more;
 - Russia – Major thrust to engage in mining, agri, power, security;
 - Brazil – Africa focus under Lula, 'Brazil-Africa Forum' to maintain ties;
 - Pakistan – 'Look Africa' policy adopted in 2017 to target 10 key countries;
 - South Korea and Korea-Africa Foundation; Singapore increasing Africa focus;
 - Regional Powers:
 - UAE – Competition with Turkey, Saudi and Iran for influence. Trade with Africa risen from US\$800m in 2000 to US\$22bn in 2016;
 - Turkey – most flights to Africa of any airline; trade up from US\$4bn in 2000 to US\$18bn in 2017;
 - Egypt, Morocco and Tunisia – increasingly active in SSA, although off a lower base than Turkey;
- **Key Questions: Can African countries afford projects, loans or facing another debt trap? Where is SA's 'Africa Strategy'?**



Growing levels of activity from outside 'Big 3' in EU as well, including Italy, Portugal, Spain, Finland and non-EU countries such as Switzerland

AfCFTA

Quick Facts



▶ **54** out of
55 member states
of the AU have signed
the **AfCFTA** agreement



44 have **deposited** their
instrument of ratification



AfCFTA is the **largest free trade
area** in the world **measured by the
number of countries participating**



88% of rules of origin have
been **completed** with only
automotive and textile sectors
remaining, **41 countries**
have submitted their tariff offers



The **AfCFTA** has the potential
to lift **30 million** out of
extreme poverty



The AfCFTA connects **1.3 billion**
people across **55 countries**
with a combined GDP of
\$3.4 trillion



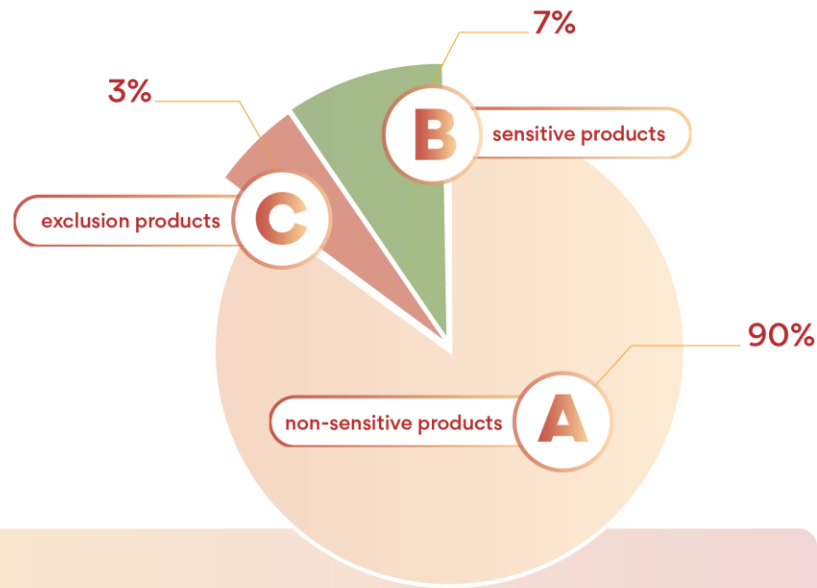
AfCFTA is expected to boost Africa's
income by **\$450 billion**
by 2035 a gain of 7 percent

while adding **\$76 billion** to the
income of the rest of the world



8 African countries already kick-started
trade in **96 products** under the Guided
Trade Initiative

AfCFTA



List Name	LDCs	Non-LDCs (SDT)
	Modalities	
Level of ambition (non-sensitive products)	90% of tariff lines 10-year phase down	90% of tariff lines 5-year phase down
Sensitive products	7% of tariff lines 13-year phase down (current tariffs can be maintained during first 5 years - phase down starting in year 6)	7% of tariff lines 10-year phase down (current tariffs can be maintained during first 5 years - phase down starting in year 6)
Excluded products	3% of tariff lines; 10% of intra-African imports	3% of tariff lines; 10% of intra-African imports

Observations:

The tariff phase down will be linear. However, the parties can complement it with a request-offer approach. They can also accelerate tariff cuts on a reciprocal basis.

Source: ITC Market Access Map

AfCFTA

- Will AfCFTA finally kick into gear? It is moving forwards incrementally:
 - Tariff phasedown start date remains 2021;
 - Thus, if countries implement this year, they start at the phasedown rate for 2024, not Year 1
- Global disruptions provide compelling case for greater African production and intra-regional trade to offset global supply chain disruptions and price shocks;
 - Evident in Ukraine, Gaza conflicts
- Short-term, local manufacturers suffering from high logistics costs and long lead times for imported inputs;
 - But, has seen project developers shifting to local suppliers in some instances because of cost and delays in importing from Asia;
 - Growing investment in road, rail and port linkages bodes well for increased intra-African trade in most regions;
 - South Africa probably the biggest loser as investment in maintenance and new infrastructure lags badly;

AfCFTA

- Global exports to Africa averaged US\$560bn from 2011 to 2016 – and US\$600bn from 2018 to 2022, reaching US\$700bn in 2022, if missing data is estimated –only 15% (US\$85-100bn) of Africa’s trade is intra-regional;
- SA’s share has slipped consistently over last decade in US\$ terms – just over 4% of global exports to Africa today:
 - Growing competition from MENA, Asia in N, E & W Africa;
 - Proximity, price and promotion work in their favour;
- South Africa accounts for 31% of intra-Africa trade alone;
 - SA currently has free trade agreements with 5 of top 25 export destinations in Africa – only 1 in top 10;
 - Critical to foster greater reciprocity with region – not just about goodwill, but also lowering transport and logistics costs;
- Successful – not guaranteed – implementation of AfCFTA, could see intra-Africa trade rise by US\$16bn immediately and up to US\$50bn if NTBs are also addressed (IMF);
 - Requires commitment to eliminate smuggling of goods from 3rd party countries!
 - Increased African manufacturing: already underway in key sectors such as building materials, agri-industrial and light engineering, vehicle assembly, modular facilities – should see more;

Rank	Destination	Global Export Average: '18-'22*	SA Share (%)	SACU/SADC?
1	Egypt	76.6	0.1	No
2	Nigeria	49.8	0.9	No
3	Morocco	46.4	0.3	No
4	Algeria	38.8	0.1	No
5	Tunisia	20.0	0.0	No
6	Kenya	19.1	3.1	No
7	Ghana	17.1	2.2	No
8	Libya	15.1	0.0	No
9	Liberia	14.9	0.2	No
10	Tanzania	14.4	3.1	Yes
11	Mozambique	13.0	30.8	Yes
12	Togo	12.0	0.4	No
13	Senegal	11.8	1.1	No
14	Côte d'Ivoire	11.2	1.0	No
15	Angola	9.8	4.2	Yes* *
16	DR-Congo	8.7	12.9	Yes* *
17	Ethiopia	8.6	0.6	No
18	Sudan	8.0	0.3	No
19	Cameroon	6.8	0.8	No
20	Botswana	6.4	63.8	Yes
21	Zambia	6.2	36.2	Yes
22	Djibouti	6.2	1.1	No
23	Namibia	5.4	61.9	Yes
24	Guinea	4.9	1.4	No
25	Benin	4.7	0.3	No

Source: Comtrade

* Actual, excluding missing trade data

**SADC, but not part of FTA

Exports of Basket of Capital Equipment

- SA is already a key exporter (and re-exporter) of these goods to the region;
- AfCFTA unlikely to provide relief against Chinese competition;
- But: the likes of UAE, Turkey, India are making strong inroads, such at the expenses of SA and EU countries;
- Could provide SA suppliers with some competitive leverage over EU, but not in longer term as EU EPAs kick in as well;

Exports of Chapter 84 and 85 to SSA by Supplier, 2022	US\$ (Bn)	Market Share
Total	55.5	100.0
China	23.6	42.5
South Africa	4.6	8.2
UAE	4.3	7.8
India	2.6	4.6
France	2.2	3.9
Hong Kong	1.9	3.4
USA	1.7	3.1
Germany	1.7	3.0
United Kingdom	1.5	2.6
Italy	1.4	2.6
Netherlands	1.2	2.2
Türkiye	1.1	2.0
Portugal	0.6	1.2
Belgium	0.6	1.0
Spain	0.5	0.9
Rep. of Korea	0.4	0.8
Sweden	0.3	0.6
Japan	0.3	0.6
Morocco	0.3	0.5
Singapore	0.3	0.5
Other	4.5	8.1

Example of Phasedown: SA Access to ECOWAS, EAC and CEMAC

HS Code	Description	Region	Time Frame	MFN Rate	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
84.27	Fork-lift trucks; other works trucks fitted with lifting or handling equipment.	ECOWAS	10	5	4.5	4	3.5	3	2.5	2	1.5	1	0.5	0
		EAC	10	0	0	0	0	0	0	0	0	0	0	0
		CEMAC	10	10	9	8	7	6	5	4	3	2	1	0
84.28	Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics).	ECOWAS	10	5	4.5	4	3.5	3	2.5	2	1.5	1	0.5	0
		EAC	10	0	0	0	0	0	0	0	0	0	0	0
		CEMAC	10	10	9	8	7	6	5	4	3	2	1	0
84.29	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.	ECOWAS	10	5	4.5	4	3.5	3	2.5	2	1.5	1	0.5	0
		EAC	10	0	0	0	0	0	0	0	0	0	0	0
		CEMAC	10	10	9	8	7	6	5	4	3	2	1	0

Source: AfCFTA Tariff Book

Summary

- Africa is growing quickly in many areas
- Africa being pursued globally – not just by key powers, but emerging economic powers as well – sharp rise in competition
- South Africa not land-linked to key growth areas – is a key barrier
- Opportunities in most sectors, in most key countries and regions
- Global disruptions reinforce need for regional supply chains and self-reliance – distance and time to market a key advantage for SA in some regions
- AfCFTA will start to provide *some* measure of preference, but is not the silver bullet – need a more focused and co-ordinated approach to unlocking opportunities
 - It will give advantage over higher-cost producers, but they often have better financial and trade instruments to support exports
 - Competition from Asia and MENA countries, many of which are extremely competitive, will intensify – crucial to leverage advantages of AfCFTA in key markets

Thank You!



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