THE MINERAL INDUSTRY OF

CONGO

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The Republic of the Congo is increasing its importance as crude oil supplier to the world energy markets with the development of new offshore oilfields. Congo's economy is based largely on crude oil, which accounted for approximately 90% of the country's exports of \$1.2 billion and about 15% of an estimated gross domestic product of \$7.1 billion¹ for 1996. Congo's total value of imports was about \$700 million.

The Government actively encourages foreign investment. The investment code of 1992 should facilitate increased business opportunities and profit reinvestment through tax breaks and easing the bureaucratic process. Congo's hydrocarbon law of 1994, Production Sharing Agreements (PSA's), replaced the previous joint-venture agreements that had been in existence since 1968. Since late 1995, foreign oil companies have been converting their existing exploration and production joint-venture contracts to PSA's. PSA's reduce taxes on produced crude oil from 17.5% to 12% and the State receives, as a profit-sharing 31% of production.

Currently, Congo's mining legislation is based on Law 29-62 of June 1962. The law was amended several times, most recently with Decree No. 86/814 of June 11, 1986. In general, mining is carried out by the State or through state-owned joint ventures.

Recently, the Government introduced a new Mining Code, which is being reviewed by the Council of Ministers prior to being passed by the Congolese Parliament. The proposed codestipulates, for instance, that prospecting and exploration will require licenses; the former licenses are to be valid for 1 year and renewable once, and the latter licenses are to be valid for 3 years and renewable twice for periods of 2 years. Renewal will require a 50% area reduction. An investment agreement will be required and signed with the Government at the start of the license process. Mining operations will require permits, which are to be valid for a maximum of 25 years and renewable for 15-year periods. Environmental impact studies will be required. Also, according to the proposed code, the Government will not have a right to acquire any interest in new mining projects (SAMAX Gold Inc., 1997b).

Equipment for mining operations will be exempted from import duties and internal taxes. The tax rate and capital expenditure allowances are to be provided for in the investment agreement. Royalties will be 5.6% for precious metals such as gold and diamond and 3.5% for other metals. The Government

will be paid surface taxes on prospecting and exploration licenses and fees for mining permits.

The Government's economic reform process is targeted to reduce the civil service, to increase private-sector employment, to reduce the budget deficit, and to privatize state-owned companies. In 1996, Congo began the bidding process for the privatization of the Pointe Noire refinery plant. The sale is expected to be completed by early 1997. Congo's state-owned Pointe Noire refinery has a capacity of 21,000 barrels per day (bbl/d). The Government has also announced that the state-owned upstream crude oil production and petroleum products distribution company, Hydro-Congo, is for sale. Its assets include a 60% share in the Coraf Refining Company (Coraf). Coraf is also owned by France's Societe Nationale Elf Aquitaine (Elf), operating through its subsidiary Elf-Congo, 40% (Kronsten, 1996).

The other state-owned companies, Societe Congolaise de Recherche et d'Exploitation Miniere, are involved with the exploitation of all nonfuel ores and minerals, and Societe de Cimenterie du Congo is charged with cement production and sales. Foreign companies and expertise play a primary role in the continuing development of Congo's hydrocarbons sector. The two main foreign oil companies operating in Congo are Elf and Italy's Azienda Generali Italiana Petroli S.p.A. (Agip), which operates through its subsidiary Agip Recherches Congo. After the Congolese Parliament ratified Hydro-Congo's sale of its PSA's shares in Elf-Congo (25%) and Agip Recherches Congo (20%) in 1995, Elf bought the Government's PSA in March 1995 and Agip followed suit and obtained full control of the State's PSA in January 1996.

Congo currently has proven oil reserves of 1.5 billion barrels and about 120.4 billion cubic meters of natural gas reserves (U.S. Department of Energy, Energy Information Administration, unpub. data accessed March 1996 on the World Wide Web at URL http://www.eia.doe.gov/emeu/cabs/chron.txt).

Congo is not a member of the Organization of Petroleum Exporting Countries (OPEC) and not subject to OPEC-imposed production quotas. Congo is producing about 175,000 bbl/d, which is expected to increase to 260,000 bbl/d by 1998, after Elf's N'Kossa and Agip's Kitina oilfields come on-line. More than 90 % of crude oil is produced from offshore sources. Elf is the primary petroleum producer, with about 70 % of Congo's total crude oil output. Elf's most prolific oilfield in Congo is the offshore Tchibouela Field. Elf sold a 7.5% share of its stake in the offshore N'Kossa oilfield to Engen Exploration Ltd. of South Africa in 1994. Hydro-Congo will maintain its 15% interest in the project. According to Elf, the offshore N'Kossa oilfield

¹Where necessary, values have been converted from Communaute Financiere Africaine francs (CFA) to U.S. dollars at the rate of CFA497= US\$1.00.

contains 400 million barrels of crude oil reserves and a total production of 100,000 bbl/d is anticipated by 1998 (U.S. Department of Energy, Energy Information Administration, unpub. data accessed July 2, 1996 on the World Wide Web at URL http://www.eia.doe.gov/emeu/cabs/chron.txt). Accounting for much of the remaining 30% of Congo's oil production is Agip. Agip's most prolific crude oil producer is its offshore Zatchi oilfield.

New hydrocarbon discoveries are in the development stages, which should eventually contribute to overall export earnings. Most exploration activities in Congo are focused on deepwater offshore areas. In 1995, the most successful exploration well was Chevron's and Elf's Moho Marine I discovery located 76 kilometers (km) offshore in the Haute Mer concession. A drilling effort in 792 meters of water resulted in a flow rate of 5,700 bbl/d. The Moho well has led to an estimate of 300 million barrels of crude oil reserves. Subsequent drilling could increase these reserves, possibly up to 1 billion barrels (U. S. Department of Energy, Energy Information Administration, unpub. data accessed March 1996 on the World Wide Web at URL http://www.eia.doe.gov/emeu/cabs/chron.txt).

The country exports about 168,000 bbl/d of crude oil mainly to the United States and France. France supplies about 50% of Congo's imports, which include heavy machinery, vehicles, clothing, consumer goods, medicines, business equipment, and foodstuff. The United States accounts for only 2 % to 4% of Congo's total imports because of high transport costs.

The Government's Ministry of Mines stated that exploitable minerals in Congo include base metals (copper, lead, and zinc), diamond, gold, and platinum. Coastal deposits of phosphate and potash have yet to be fully exploited. Additionally, deposits of bentonite, granite, gypsum, kaolin, marble, and talc also were found in Congo. Base metals mineralization is concentrated in the Niari district, which contains (as official records indicate) up to 10 million metric tons (Mt) of ore reserves. About 7 Mt of the base metals ore grade an average of 9% Pb, 2% Zn, and 1% Cu in the Yanga-Koubanza complex of western Niari (Kronsten, 1996). One of the largest impediments to mineral development in Congo is the lack of an adequate transportation infrastructure.

AfriOre Limited (AfriOre) of Canada announced that it has agreed to acquire 50% interest in a prospecting permit in Congo from Purity Metals Limited (PML). The project is between the West Coast of Africa and Brazzaville and consists of a 696-square-kilometers (km²) concession, which contains the dormant M'Fouati and Hapilo lead-zinc mines. In addition, located in the concession area is the Yanga Koubanza mineral occurrence. Drilling has identified three adjacent mineralized ore bodies containing an estimated resource of 3-4 Mt of ore grading 12% lead plus lenses of high-grade zinc (AfriOre Limited, 1996; The Northern Miner, 1996). AfriOre has undertaken to prepare a feasibility study. If the study that is currently underway is warranted, AfriOre will finance the entire study and increase its interest to 60%.

SAMAX Gold Inc. of Australia holds an 85% interest in a 6,500-km² reconnaissance license for gold exploration on the entire Mayombe gold belt in the southwestern Congo area, which currently has two large gold exploration licenses, Kakamoeka with 2,500 km² and Dimonika with 1,050 km². The belt covers all the main areas of past and present alluvial and

elluvial gold production, or 80% of gold produced in the country. In Kakamoeka, the most advanced prospect, extensive sulfide vein and hydrotermal alteration has been discovered and Dimonika is currently under evaluation (SAMAX Gold Inc., 1997a).

Panorama Resources NL (Panorama) of Australia is currently involved in prospecting gold in Congo. Moussendjo is a gold prospect in northwestern Congo about 320 km northwest of Brazzaville and 200 km northeast of Pointe Noire. Panorama's subsidiary Auvista Minerals NL (Auvista) entered into an option agreement in the first quarter of 1996 with the Congolese registered mining company La Generale Congolaise Minière de Fabrication et de Fournitures (LGCMFF) on a concession covering some 8,000 km² centered in the northwestern Congo The most significant greenstone belts within the concession are Mayoko and Zanaga. LGCMFF will prospect for gold and other minerals, mainly bauxite, diamond, and tantalite, during the next 3 years; and expenses will be reimbursed by Auvista by the end of the decade. LGCMFF will revert to a 2% royalty on gross revenue, and Auvista may withdraw at any time (Panorama Resources NL, p. 10).

Congo is a net electricity importer. The country currently has an electrical generation capacity of about 160 megawatts (MW). The country's main source of power are the 74-MW Bouenza and the 15-MW Djou hydroelectric plants. However, the \$925-million, 1-gigawatt Sounda Gorge hydroelectric project will increase Congo's power generating capacity. Presently, a 3-phased construction plan is underway at the Limpopo River site 137 km north of Pointe Noire.

Environmentally, Congo has experienced some offshore oil spills, natural gas flaring, and a decline in forest ecosystems in recent years. Unregulated logging has destroyed some forest animal habitats. Congo is second only to Zaire in its range of tropical forests, accounting for 62% of the country's territory.

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The Northern Miner 1996, AfriOre expands in Republic of Congo: The Northern Miner, v. 82, no.31, September 30, p. 3.

Major Source of Information

Ministry of Mines
Director of Mineral Resources

Brazzaville, Congo

Telephone: (242) 83 58 73; Fax: (242) 83 62 43

Major Publications

Africa Energy & Mining, annual.

U. S. Department of Energy, Energy Information Administration Report, annual.

TABLE 1 CONGO: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity		1992	1993	1994	1995 e/	1996 e/
Commodity		1992	1993	1994	1993 e/	1990 e/
Cement, hydraulic		114,854	114,000 e/	121,000 r/	121,000	121,000
Gas, natural: e/						
Gross	million cubic meters	360	360	368 r/ 2/	368	370
Marketed	do.	350	350	350	350	350
Gold, mine output, Au content	kilograms	5	5 e/	12	12	10
Lime		240	240 e/	390	390	390
Petroleum, crude	thousand 42-gallon barrels	58,035	61,000 r/	65,700	63,875 2/	63,875 2/

e/ Estimated. r/ Revised.
1/ Includes data available through May 1997.

^{2/} Reported figure.