THE MINERAL INDUSTRY OF

CONGO (BRAZZAVILLE)

By George J. Coakley

The Republic of Congo [Congo (Brazzaville)] is 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 more than 3.1 million in 2001 with a gross domestic product (GDP) per capita of $1,100 based on 2000 purchasing power parity data (U.S. Central Intelligence Agency, 2000§[1]). The civil war, which began in 1997, ended with the signing of a formal cease-fire agreement between the Government and resistance forces in January 2000. The war had damaged the economy and the land-based infrastructure significantly and displaced 800,000 Congolese. During 2001, with the support of the World Bank and the International Monetary Fund, the country began the process of refugee resettlement, stabilizing the political climate and rebuilding the economy and physical infrastructure. The Government prepared a new draft constitution and announced plans to privatize most of the state-run industries, including petroleum and electric power. Legislation aimed at liberalizing investment rules for the mining sector was proposed for late 2001 or early 2002. The proposed legislation would limit the Government's regulatory function and reduce state participation to no more than 10% to 15% of equity shares. Progress in rebuilding the country during 2001, however, faced a major setback in early 2002. Following the Presidential election on March 10, 2002, renewed fighting between Government and opposition forces threw the country back into turmoil.

The economy continued to be based largely on crude oil. According to the U.S. Energy Information Administration (2002§) oil accounted for more than 50% of the nation's GDP, 60% to 80% of the Government budget, and about 90% of export earnings. Oil exports in 2001 were valued at $2.5 billion. With higher oil prices and a projected 30% increase in oil production, 2002 oil export revenues were expected to be considerably higher.

Government Policy and Legislation

The Government agency responsible for administering the minerals sector is the Ministère des Hydrocarbures et des 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. The Hydrocarbon Law reduced taxes on crude oil production to 12% from 17.5%, with the state-owned Société Nationale des Pétroles du Congo (SNPC) (formerly Hydro-Congo) participating in a 31% profit sharing on all production. 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. Prior to the breakout of the civil war in 1997, a new Mining Code was presented to the National Assembly and Senate for consideration, but was not acted on.

[1]References that include a section twist (§) are found in the Internet References section.

Commodity Review

Cement.— Scancem International ANS of Norway [a subsidiary of Heidelberg Zement International Holdings GmbH of Germany (70%)] owned Cimcongo S.A., which operated the Loutete cement plant near Pointe Noire. The plant had a production capacity of 250,000 metric tons per year (t/yr), or about 50% of domestic requirements. With the apparent end of civil strife, cement production increased to an estimated 100,000 metic tons (t) in 2001 from 20,000 t in 2000.

Copper-Lead-Zinc.—AfriOre Ltd. of Canada held exploration permits on the Boko Songo copper prospect and the Yanga Koubanza lead-zinc-copper prospect, both of which are about 200 kilometers (km) west of Brazzaville. Although the company was not active in the country during 2000 and 2001, it continued to seek potential joint-venture partners.

Gold.—In June 2001, Arena Gold Resources Inc. of Canada and its partner Mining Italiana SpA of Italy decided to withdraw the offer to acquire a minimum 15% interest in the Yangadou gold mine in the Sangha Region from S.E.M.I., S.A., which was a Congo (Brazzaville) corporation. S.E.M.I. was owned (70%) by United Gold Finance International (Arena Gold Resources Inc., 2001).

Magnesium.— Significant resources of magnesium in the Makola and Youbi magnesium salt evaporite deposits in the Kouilou region were being evaluated for development by Magnesium Alloy Corp. (MagAlloy) of Canada. The $514 million Kouilou project would produce 60,000 t/yr of primary magnesium metal and high-purity magnesium alloys. As a byproduct of the magnesium operation, salt, potash, and possibly chlorine also would be produced. Magnesium metal is used in castings and wrought products and in aluminum-based alloys used in automobiles, packaging, and other applications. A 2004 startup was originally planned; however, by yearend 2001, MagAlloy was still seeking additional financing or a joint-venture partner to begin the implementation phase of the project (Magnesium Alloy Corp., 2001§). A description of the Kouilou project is available at the company Web site at URL http://www.magnesiumalloy.ca/project/ index.html.

Petroleum.—The Government maintained control over the petroleum sector with SNPC controlling the upstream petroleum exploration and production and Hydro-Congo controlling petroleum refining and distribution until October 2001. At that time, the transitionary Parliament passed a bill privatizing the distribution and marketing of petroleum products and approved the sale of Hydro-Congo to a joint venture comprising TotalFinaElf S.A. and Shell Congo B.V. (Alexander's Gas and

Oil Connections, 2001§). Hydro-Congo assets sold included the Congolaise de Raffinage (CORAF) oil refinery, which had a design capacity of 21,000 barrels per day (bbl/d) but had operated at only about one-half capacity prior to the war.

TotalFinaElf was the major private operator in the petroleum sector, operating under a production-sharing agreement with SNPC, and had a 62% share in the country's total crude production of 262,000 bbl/d. TotalFinaElf was the operator of the Haute Mer permit and held a 51% production-sharing interest. Other partners included ChevronTexaco Corp. of the United States (30%), SNPC (15%), and Energy Africa Ltd. of South Africa (4%). During 2001, TotalFina Elf produced about 163,000 bbl/d from 279 wells in 7 oilfields, all but one offshore; the Nkossa Field, which was the largest, produced about 70,000 bbl/d and had remaining recoverable reserves of 500 million barrels (Mbbl) of oil. TotalFina Elf began producing at a rate of 40,000 bbl/d from the new Kombi and Likalala fields within the Pointe Noire Grand Fond (PNGF) permit and expected to invest $135 million to develop four other small fields by 2004. TotalFinaElf was also examining the potential of expanding production through the development of a number of oilfields discovered in the past 1 to 7 years, including the Moho Field with reserves of 400 Mbbl of petroleum, the Bilondo Marine 1 field, the Andromede Marine 1 well in the Mer Tres Profonde Sud permit, and several smaller fields within its PNGF concession (U.S. Energy Information Administration, 2002§).

Agip Congo S.A. (a subsidiary of Eni SpA of Italy) was the second largest petroleum operator, contributing about 27% of national petroleum, or about 72,000 bbl/d. Eni's principal oil producing areas were in the offshore Loango, Zatchi, and Kitina oilfields. During 2001, Eni brought the Foukanda and the Mwafi offshore oilfields [Eni (65%) and SNPC (35%)] into production at a total cost of $217 million. Based on recoverable reserves of more than 50 Mbbl of oil equivalent, the Foukanda oilfield produced at a rate of 7,700 bbl/d in 2001 and will peak at a rate of 18,500 bbl/d in 2002. Based on recoverable reserves of more than 40 Mbbl of oil equivalent, the Mwafi oilfield produced at a rate of 6,150 bbl/d in 2001 and will peak at a rate of 13,800 bbl/d in 2002 (Eni SpA, undated§).

Total national reserves were reported to be 1.5 billion barrels of oil and over 90 million cubic meters of natural gas. All gas output, however, was vented or flared owing to a lack of extraction and distribution infrastructure (U.S. Energy Information Administration, 2002§).

Outlook

During 2000 and 2001, Congo (Brazzaville) began the long process of restoring the Government, establishing a national dialog, adopting a new constitution, and resettling more than 800,000 people displaced during the war. The sharp upturn in oil prices and related revenues to the state along with renewed efforts to finance a major magnesium development suggested that the minerals sector could be a catalyst for economic renewal of the country. However, future development progress will be contingent on more transparency on government distribution of oil revenues and on continued political stability, which appeared threatened by renewed civil unrest in early 2002.

Reference Cited

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Major Source of Information

Ministère des Hydrocarbures et des Mines
Service des Mines et de la Geologie
B.P. 2124
Brazzaville, Republic of Congo
Telephone: (242) 83 58 73
Fax: (242) 83 62 43

TABLE 1
CONGO (BRAZZAVILLE): PRODUCTION OF MINERAL COMMODITIES 1/

Commodity 2/		1997	1998	1999	2000	2001 e/
Cement, hydraulic	thousand metric tons	20	--	--	20	100
Gold, mine output, Au content e/	kilograms	10	10	10	10	10
Lime e/	metric tons	390	390	390	390	390
Liquid petroleum gas (propane)	thousand 42-gallon barrels	3,912 r/	4,384 r/	4,918 3/	5,000	5,000
Petroleum, crude	do.	85,424 r/	90,499 r/	93,951 3/	95,630	103,000
Petroleum, refined 4/	do.	1,355	--	--	1,200	3,800

e/ Estimated; estimated data are rounded to no more than three significant digits. r/ Revised. -- Zero.
1/ Includes data available through March 2002.
2/ Natural gas is also produced, but all of it is vented or flared.
3/ Reported figure.
4/ Oil refinery ceased operations at yearend 1997 and reopened April 2000.