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 about 3 million in 2001 with a gross domestic product (GDP) of $2.5 billion and a GDP per capita of $900 based on 2001 purchasing power parity data (U.S. Central Intelligence Agency, 2003§[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 and 2002, 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 enacted a new 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, renewed fighting between Government and opposition forces threw the country back into turmoil. Sporadic fighting and civil unrest continued during the year around Brazzaville and in the western Province of Pool, with as many as 30,000 refugees displaced. Additional concern was created by the outbreak of the Ebola virus near the border with Gabon.

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 country's GDP, 60% to 80% of the Government budget, and about 90% of export earnings. The value of oil exports in 2002 was estimated to be $2.04 billion compared with $2.5 billion in 2001.

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.

Commodity Review

Metals

Gold.—Following 10 years of exploration and the withdrawal of the Canadian junior exploration company,Arena Gold Resources Inc. in June 2001, the Italian company S.E.M.I. SA was proceeding with development of the Yangadou gold mine 65 kilometers from Souanké in the Sangha region. S.E.M.I. SA was owned by United Gold Finance International (70%). The underground mine was being developed to extract ore at a rate of 150 cubic meters per hour (Taty, 2003§).

Magnesium.—Magnesium Alloy Corp. (MagAlloy) of Canada has been evaluating the resource base 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 (t/yr) of primary magnesium metal and high-purity magnesium alloys and has been rescheduled for a 2006 startup. A detailed description of the Kouilou project is available at the company Web site (Magnesium Alloy Corp., 2003§). The company has been actively looking for a joint-venture partner to help with financing and made several positive steps in this direction in 2002. In September, MagAlloy signed an agreement with the South African power company Eskom Enterprises (Pty.) Ltd. to work jointly to establish a long-term power contract to supply low-cost power to the Kouilou Magnesium Project. This is part of an overall Eskom strategy to extend the Southern African Power Pool and will involve a feasibility study to examine expanding the Inga Hydroelectric Dam on the Congo River south of Kinshasa and extending transmission lines from Inga into Angola, Congo (Brazzaville), and Zambia (Magnesium Alloy Corp., 2002a§). Eskom and MagAlloy would be partners in the

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

new power company established to supply the Kouilou project. Also in September, MagAlloy announced an agreement-in principle with Stinnes Metall GmbH, whereby Stinnes will purchase and market up to 100% of the high-purity magnesium and magnesium alloys to be produced by the Kouilou project (Magnesium Alloy Corp., 2002b§).

Industrial Minerals

Cement.—In October, the Government signed an agreement with China's National Society of Bridges and Roads (Chinese Construction Industry Corp.) to establish a new cement company, SociJtJ du Ciments du Congo (SONOC), which will be controlled by the Chinese parastatal company (56%) and the Congo Government (44%).   The new company will take over the Cimcongo S.A. assets of Scancem International ANS of Norway, which ceased operation of the Loutete cement plant near Pointe Noire during the civil war. The plant had a production capacity of 1 million metric tons per year (Mt/yr), or about 50% of domestic requirements. Plant rehabilitation will take 18 months (CongoPage, 2002a§).

Mineral Fuels

Petroleum and Natural Gas.—In December, the Government finalized the privatization of Hydro-Congo, the parastatal company controlling petroleum refining and distribution, with the transfer of the company to a joint venture comprising TotalFinaElf S.A., Chevron Texaco Corp., and a consortium comprised of Puma Energy and X-Oil.   Hydro-Congo's Congolaise de Raffinage (CORAF) oil refinery, which had a design capacity of 21,000 barrels per day (bbl/d), was shut down owing to technical reasons for the last quarter of 2002. La Société Nationale des Pétroles du Congo (SNPC) continued to control the upstream petroleum exploration (CongoPage, 2002b§).

TotalFinaElf S.A. was the major private operator in the petroleum sector, operating under a production-sharing agreement with SNPC, and had a 40% share in the country's total crude production of 258,000 bbl/d.   Total national annual production declined by 4.8% to 94.17 million barrels (Mbbl) in 2002 from 98.92 Mbbl in 2001. TotalFinaElf held a 50% to 65% interest in eight producing oil fields, the largest of which were the Nkossa and Tchibouela fields. Other partners included ChevronTexaco Corp. of the United States (30%), SNPC (15%), and Energy Africa Ltd. of South Africa (4%). TotalFinaElf's production has been in a slow decline to 103,000 bbl/d in 2002 from 110,000 bbl/d in 2001 and 121,000 bbl/d in 2000. During 2002, the company submitted a plan to the Government to develop the Moho-Bilondo oilfield (BP plc, 2003§; TotalFinaElf, S.A., 2003§).

Agip Congo S.A. (a subsidiary of Eni SpA of Italy) was the second largest petroleum operator, contributing about 30% of national petroleum, or about 75,000 bbl/d from seven offshore oilfields. During 2002, Eni held a 65% interest in the Djambala, Foukanda, Mwafi, and 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 Field. During 2002, the Foukanda and Mwafi Fields reached full production, which accounted for 20% of Eni's production. Eni held a 50% interest in the new $32 million 25-megawatt-capacity thermoelectric powerplant at Djeno terminal which was inaugurated in 2002; the terminal is southeast of the capital of Pointe Noir. Associated natural gas from Eni's Djambala, Foukanda, and Kitina Fields was used as fuel in the plant. This was the first use of associated gas, which was formerly flared, in Congo (Brazzaville) (Eni SpA, 2003§).

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, 2002§; BP plc, 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 displaced during the war. However, intermittent guerilla activity and civil unrest in some areas continued to inhibit progress into early 2003. The petroleum sector will remain as 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 in the neighboring countries of Angola, Equatorial Guinea, and Nigeria. The long dormant mineral sector appeared ready in 2002 to begin to contribute to the economy with the rehabilitation of the cement industry, the opening of a new gold mine, and the substantial progress made toward the financing and development of the $500 million magnesium project.

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Major Source of Information

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TABLE 1

CONGO (BRAZZAVILE): PRODUCTION OF MINERAL COMMODITIES[1]

Commodity[2]		1998	1999	2000	2001	2002[e]
Cement, hydraulic	thousand metric tons	--	--	20	--	--
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	3,671 r	4,118 3	3,910	3,734	3,700
Petroleum:						
Crude	do.	90,499 r	93,951 3	95,630	98,920	94,170
Refined[4]	do.	--	--	2,573	2,752	2,800

[e]Estimated; estimated data are rounded to no more than three significant digits. [r]Revised. -- Zero.

[1]Includes data available through June 2003.

[2]Natural gas is also produced but all is vented or flared.

[3]Reported figure.

[4]Oil refinery ceased operations at yearend 1997 and reopened April 2000.