Former Africa minister Malloch-Brown advises oil firm on African expansion

- Vitol post concerns MPs tracking jobs close to ministerial roles
- Firm talking to Shell about oil assets in 19 Africa countries

Rajeev Syal and Solomon Hughes
Fri 30 Jul 2010 12.04 EDT

Just 12 months after resigning from the government, Lord Malloch-Brown, the former Foreign Office minister for Africa, has become an adviser to an oil firm that is expanding its interests on the continent.

Vitol, the Swiss-based oil firm, has previously been fined for paying kickbacks to Saddam Hussain's regime. It recently entered talks to take over oil businesses in 19 African countries.

The disclosure about the talks and that Malloch-Brown, the Labour peer and former UN deputy secretary general, is a consultant to the firm, has raised concerns among Labour MPs over former ministers who have left government and gone into lucrative, private-sector, jobs closely related to their ministerial roles.
Sir Peter Soulsby, a Labour member of the Commons' political and constitutional reform committee, said: "There ought to be much tougher rules on the jobs that ministers take when they leave office. Taking this particular job at the very least shows an unfortunate lack of judgment."

Malloch-Brown, 57, joined Gordon Brown in July 2007 as part of the former prime minister’s "government of all the talents". Her was also made a life peer. He stood down from office in July last year, for "personal and family reasons".

His new role has been approved by the advisory committee on business appointments, which advises ex-ministers on jobs taken within two years of leaving office.

Vitol is in negotiations with Shell Oil Products Africa for the potential acquisition of their businesses in several countries, including Egypt, Togo Senegal, Kenya, Uganda, Tanzania, Botswana and Namibia. It already has interests in Ghana and Cameroon.

In 2007, the firm admitted paying illegal kickbacks under the UN oil-for-food programme and agreed to pay $17.5m in restitution and fines.

The oil-for-food scheme was designed to use proceeds from Iraq's sales to buy food, medicine and other humanitarian aid, to alleviate the impact of international sanctions.

In 2006, when Malloch-Brown was chief of staff to the UN secretary general, Kofi Annan, he defended the organisation's oil-for-food programme from claims of fraud by telling the security council that "not a penny was lost from the organisation".

Malloch-Brown, who is also a consultant to Southwest Energy, an Ethiopian oil firm, defended his new role and dismissed claims of a potential conflict of interest. "My knowledge of Africa was not gained as a British minister. Rather I was recruited into government because I had worked extensively on African and international issues throughout my career. My activities today continue to reflect that," he said, adding that he had never been in contact with Vitol during his time at the UN, nor had any dealings with the company when he was a minister.

When in government, Malloch-Brown quickly gained a reputation for making colourful comments. The then foreign secretary at the time, David Miliband, who is 11 years his Malloch-Brown's junior, was said to have been upset when he the latter told a newspaper: "It's fine for me to be, for the first time in my life, the older figure, the wise eminence behind the young foreign secretary." He also raised eyebrows when he said that Tony Blair and George W Bush were "joined at the hip".

Other ministers who worked under Gordon Brown and who have taken up private-sector jobs include Lady Vadera, a former business minister who is now advising the authorities in Dubai, and Lord Carter of Barnes, the former head of strategy at No 10, now marketing chief for Alcatel-Lucent telecoms group. Ruth Kelly, the former education secretary, was appointed as senior strategic manager for HSBC. John Hutton, the former energy minister and defence secretary, has become an adviser to Eversheds, the law firm, and is joining the board of the US firm Hyperion Power Generation, which sells nuclear reactors.

Malloch-Brown, who is also a consultant to correctSouthwest Energy, an Ethiopian oil company, defended his new role this week and dismissed any allegations of a potential conflict of interest. "My knowledge of Africa was not gained as a British minister. Rather I was recruited into..."
government because I had worked extensively on African and international issues throughout my career. My activities today continue to reflect that," he said.

He added that he had never been in contact with Vitol during his time at the UN, nor had any dealings with the company when he was a minister.

"As part of my due diligence prior to starting my consulting appointment, I have discussed the oil-for-food issue and reviewed the steps that have been taken by Vitol to ensure that the necessary lessons have been learnt and the right compliance programme put in place," he said. He declined to say how much he would be paid for the role.

A spokesman for Vitol said the timing of Malloch-Brown's recruitment, and the decision to negotiate to take over parts of Shell's operations in Africa, was a coincidence. "This type of expansion activity is something that Vitol has been looking at for some time."

A statement added that the peer's new consulting agreement began last month and had been properly disclosed on the Lords website. "Lord Malloch-Brown provides consulting services on geo-political issues of importance to the Vitol group, including current and potential future business in Africa," it read.

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https://www.theguardian.com/politics/2010/jul/30/africa-malloch-brown-oil-vitol
This presentation contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business.

Whilst SouthWest Energy believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Company’s control or within the Company’s control where, for example, the company decides on a change of plan or strategy.

The Company undertakes no obligation to revise any such forward-looking statements to reflect any changes in the Company’s expectations or any change in circumstances, events or the Company’s plans and strategy. Accordingly no reliance may be placed on the figures contained in such forward looking statements.
Founded in 2005 as the first Ethiopian oil and gas exploration company

The only indigenous company to successfully obtain an energy concession in Ethiopia

One of the top five largest exploration acreage holders in East Africa

HQ offices are located in the capital city, Addis Ababa

SWE’s assets cover a total of 46,000 km² in Ogaden and Gambella basins

Independent study by Senergy shows multi billion barrels of oil potential

<table>
<thead>
<tr>
<th>Block</th>
<th>Area</th>
<th>Working Interest</th>
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</thead>
<tbody>
<tr>
<td>Jijiga (9, 9A &amp; 13)</td>
<td>29,000 km²</td>
<td>100%</td>
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<tr>
<td>Gambella</td>
<td>17,000 km²</td>
<td>100%</td>
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</table>
Estimated mean reserves for various basins in East Africa and Yemen (various sources)

Chad: 1.5 BBO
Sudan: 6 BBO from Muglad and Melut basins
Yemen: 6 BBO
Congo: 1.9 BBO
S. Omo proven pet. system
Somalia: oil shows
Uganda: 1.1 BBO Discovered, 0.8 BBO
Elkuran oil discovery
Kenya: Ngamia and Twiga oil discovery
Tanzania: proven 629 BCF gas
OMAN: proven 5.5 BBO
Were Ilu oil seep
Hilala oil discovery
Overview of work completed in SWE blocks

Excellent HSE record since 2007 with greater than 1 Million man hours without incident

Seismic Survey
- 9 months 1,641km 2D seismic acquisition

Airborne Geophysics
- 19,000 Kms in Jijiga blocks + 17,779 km in Gambella of FTG, Magnetics and Lidar in 7 months

Surface Geochemical Survey
- 3 weeks soil sampling by GeoMicrobial Technologies (~ 1,880 samples)

Geological Field Works
- Multiple field trips with university professors and consulting companies

Successfully completed demanding projects
• A frontier basin with high growth potential

• Under explored in the past due to focus of exploration in South Ogaden

• Multiple plays analogous to Yemen, Somalia and South Oman

• Significant nearby shows and discoveries

• Gross P50 prospective resources totaling 1625 MMbo (unrisked)

• Currently in a planning stage for three well drilling program
• South Eastern extension of oil-producing Melut basin in South Sudan
• Two regional structural trends present:
  1. Cretaceous (Melut, Muglad & Anza)
  2. Tertiary NE-SW trending basins (EARS – Lokichar, Turkana etc.)
• Stratigraphy correlatable across the basin from Melut to Gambella
• Exploration area the size of Kuwait
• Preliminary resource estimates show potential in excess of 2 BBO

GAMBELLA BLOCK

Gambella

Melut Schematic

MELUT BASIN ANALOGOUS STRUCTURES IN GAMBELLA BASIN

New sub-basins identified on the recent FTG survey (black polygons)
Unlocking the Hydrocarbon Potential of Ethiopia

- Highly promising proven, yet underexplored region
- Attractive exploration portfolio
- Clear work plan and path to future growth
- Strong performance record
- Experienced advisors and management
Ethiopia’s Geology

Exploration History
- The Ogaden Basin extends across one-third of Ethiopia, and is the major Ethiopian structure east of the East African Rift.
- Exploration activities in the Ogaden Basin were conducted by a number of international companies during the last 37 years.
  - First discoveries in the Basin were the Calub (2.7TCF) and Hilala (1.35TCF) fields, discovered by Tenneco in 1973 and 1974 respectively.
  - Other exploration wells within the Ogaden Basin have flowed oil from the Middle Jurassic Upper Hamanlei formation and had gas shows in the Triassic Adigrat Formation (El Kuran-1, 2, Bodle-1 and Genale-1).
- Exploration activities in the Gambella Basin were conducted by Petronas.
  - 1,500 km of 2D seismic, geochemical survey and two wells were drilled.

Geological Context
- The Ogaden Basin is characterised by deep, asymmetrical grabens separated by internal highs.
- The sedimentary succession reaches a thickness of 10,000 m and is comprised of non marine, deep marine and evaporites.
- Active surface oil seeps.
- High potential for both oil & gas - multi-play environment.

Source: Broker reports, Companies’ disclosure.
Full Tensor Gravity Survey shows Analogy with Yemen

Yemen’s Producing Assets

Area prior to Opening of the Gulf of Aden

Yemen Key Data Points

- World Petroleum Endowment rank 51st (excl. US)
- Yemen’s discovered oil reserves are ~ 4 billion barrels with some 17 trillion cubic feet of gas
- Current production ~300,000 barrels a day

Analogue Reservoir Basis

- The thickest part of the basins analysed contain as much as 6-8km of sediment overlying basement; thickness tends to support a combined Karoo-Lower Jurassic fill to the basins
- The presence of salt within the section, and the orientation of the basins, fits theory of similar Jurassic geology to the hydrocarbon areas found in Somalia and Yemen
Overview of Work Completed in Jijiga Basin

Successfully completed demanding field work

- 3 weeks soil sampling by GeoMicrobial Technologies (~ 1,880 samples)
- 2 weeks field trip with AAU professors to Marda fault zone
- 5 weeks field rock sampling with Ecolog
- 6 weeks geological field rock sampling, structural and basin modeling
- 3 months airborne 19,000km FTG data acquisition
- 9 months 1,500km 2D seismic acquisition
- Extremely strong HSE record since 2007 with > 1M man hours without significant incident

SWE plans to start a 3-well drilling program in its Jijiga Blocks early in 2018.
Seismic Exploration Camps in Jijiga Blocks

Main Seismic Camp in Kebri Beyah.

Seismic Fly Camp in Heglige.
**Ethiopia**

**Government:** Federal Republic, stable

**Population:** 87.2 million (2015 est.)

**GDP:** US$132 billion (2014)

**Annual Growth:** 10.3% (2014)

**Inflation:** 7.7% (2015 est. Source: CSA of Ethiopia)

**Major Industries:** Coffee and agricultural exports, textile, leather, cattle and gold

**Major trading partners:** Saudi Arabia, China, USA, Germany, Belgium, Italy

**Active Oil Companies:** GPB Resources, Delonex, Poly GCL, Africa Oil

Encouraging foreign investment terms
- Oil readily monetisable: viable local market potential and coastal access for exports
- The Ethiopian Government has plans for an in-country refinery
Highly Experienced Board of Directors

**Tewodros Ashenafi**  
*Founder, Chairman & CEO, SouthWest Energy*

- Tewodros has over 20 years' experience in the energy industry, starting out in partnership with Petronas in Ethiopia, and Chairman and Managing Director of SouthWest Development, the largest provider of manpower, logistics and base-camp services to oil and gas companies in Ethiopia. He is also Chairman of Ambo Mineral Water, one of the leading beverage brands in Ethiopia. He is on the International Advisory Board of Atlantic Council and on the Board of Directors of East West Institute, both security and geopolitical think tanks.
- Tewodros holds a degree in Economics from Columbia University, and was under the guidance of Nobel Prize winner in Economics, Prof. Edmund Phelps. After leaving Columbia he completed the Merrill Lynch training programme and the Harvard Business School Owner/President Management Programme. He was nominated as a Young Global Leader 2009 by the World Economic Forum, to recognise the two hundred most distinguished young leaders under the age of 40.

**Miles Morland**

- Chairman of Blakeney Management and DPI; two investment management firms specialising in emerging world with an emphasis on Africa.
- Currently Director of a number of companies active in the developing world, and a former director of SAB Miller.
- He was founder and is former chair of the London Business School’s Africa Board.

**James De V. B Guiang**

- Geophysicist with more than 30 years of experience in the oil industry with Exxon, Amerada Hess and Conoco, with proven track record in finding oil & gas.
- Currently special advisor to the board of Saudi Crown Investment and Chairman of LJ Capital Terranova.
- Managing Director for natural resources at Millennium Global Investments between 2006 and 2011.

**Gordon Lawson**

- Gordon has 35 years City experience, latterly as head of equity proprietary trading and EMEA equity, derivatives and convertible bond risk at Salomon/Citigroup and then as the founder of Pendragon Capital, the event-driven hedge fund in 2000.
- Gordon sits on the Advisory Board of Bridges Ventures, is a Chairman of Parkwalk Advisers, a director of Turiya funds, Vietnam Enterprise Investments Ltd and Arvia Technology, he is also a Justice of the Peace in South West London.

**Philip Haretos**

- Philip has wide-ranging experience as a director, holding Executive and non-executive board appointments for more than 20 years. His primary focus has been on debt restructuring, real estate and equity portfolio management, which he has performed for a number of companies across the globe.
- Philip has extensive experience in executive oversight of corporate operations and legal procedures involving civil, criminal, tax and administrative law with cross-border jurisdictional structures. He has conducted speaking engagements on leadership, ethics, human behaviour and organizational management for over 15 years. Philip holds degrees in science and classical history.

**Matt Burgess**

- Matt is the CFO of SouthWest Energy, a role he has held since June 2006. He has been a qualified chartered accountant for 21 years and performed a range of financial accounting and systems accounting roles in both the United Kingdom and in New Zealand. Immediately prior to joining SouthWest Energy he worked as Systems Manager and Accountant for Transport for London ("TFL") and as a Systems Accountant with SHL Ltd, the world’s leader in psychometric testing.
- Matt is a member of the Chartered Accountants Society of Australia and New Zealand and holds a Bachelor’s degree in Management Studies from Waikato University, New Zealand.

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*Strong board, focused on governance, and comprising leading international investors and energy industry figures, all of whom have invested in SWE.*
High Calibre Advisory Board

- Truly exceptional Advisory Panel comprising some of the most successful and prominent individuals in business and world affairs

- Provides strategic guidance on SWE direction and future evolution

- All are shareholders in SWE

- Members of the Advisory Board stay in close communication with Chairman and CEO

<table>
<thead>
<tr>
<th>Name</th>
<th>Background Details</th>
</tr>
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<tbody>
<tr>
<td>Sir John Craven</td>
<td>Chairman of Patagonia Gold Plc, Seven years as Member of the Board of Managing Directors of Deutsche Bank AG, Former Chairman of Morgan Grenfell, Former Chairman of Lonmin Plc</td>
</tr>
<tr>
<td>Svante Pahlson Moller</td>
<td>Chairman of Oracle Advisory Ltd, engaged in fund and private equity investments, 11 years experience in Corporate Finance as Executive Director working for Blyth Eastman Dillon</td>
</tr>
<tr>
<td>Simon Murray</td>
<td>Former Chairman of Glencore, 6 years as Executive Chairman of Asia Pacific Deutsche Bank AG (1993-1998), 14 years with Jardine Matheson Group, running their engineering trading operations, Director of Cheung Kong Holdings and Compagnie Financiere Richemont SA and Chairman of corporate finance in Asia for Macquarie Bank</td>
</tr>
<tr>
<td>Peter Rigg</td>
<td>Qualified solicitor and Chairman of the Board of Polarcus Ltd, a marine seismic survey company, 21 years experience in Investment Banking working for Credit Suisse First Boston, Non-executive Director of Schroder’s Oriental Income Fund</td>
</tr>
</tbody>
</table>
TEWODROS ASHENAFI – Chairman and CEO
Tewodros has 20 years’ experience in the energy industry in upstream and services, and Chairman and Managing Director of SouthWest Development, the largest provider of manpower, logistics and base-camp services to oil and gas companies in Ethiopia. He is also Chairman of Ambo Mineral Water, one of the leading beverage brands in Ethiopia. He started his oil and gas career in partnership with Petronas in Ethiopia.

MATT BURGESS – Chief Financial Officer
Matt has been a qualified chartered accountant for 21 years and performed a range of financial accounting and systems accounting roles in both the United Kingdom and in New Zealand. Immediately prior to joining SouthWest Energy he worked as Systems Manager and Accountant for Transport for London (“TFL”) and as a Systems Accountant with SHL Ltd, the world’s leader in psychometric testing. Matt is a member of the Charted Accountants Society of Australia and New Zealand and holds a Bachelor’s degree in Management Studies from Waikato University, New Zealand.

LI JIANJUN – General Manager: Operations
Li has worked in the oil industry for more than 20 years, including 16 years in Africa. Before joining SWE he was a country manager in Africa for ZPEB, a subsidiary of SINOPEC. He has extensive experience in onshore upstream exploration activities including civil engineering, drilling, drilling related services and seismic operations, and is expert in managing and controlling these activities in remote areas.

GIRMACHEW TEFERA – General Manager: Exploration
Girma has been managing the operation of the now successfully completed seismic acquisition programme. He worked for Schlumberger for 14 years before joining SWE four years ago and has extensive knowledge of the Ethiopian operating environment. He is highly competent in sedimentology, reservoir characterisation, modelling, seismic interpretation, well and field development planning, risk and uncertainty assessment and management.
Providing Support to Local Communities

Our Active Community Programs include...

- Rehabilitated two primary schools in the Somali State
- Provided computers and training to six public schools in Gambella
- Provided animal medicine and farm tools to communities in Somali State
- Ongoing support for youth initiatives and charities in the capital city

All projects are proposed by the local governments in the areas where we operate.
The Ogaden Basin is the largest proven hydrocarbon bearing sedimentary basin in Ethiopia and covers about 350,000 sq km of land.

The sedimentary rock in the basin is 10,000m deep and very similar to oil and gas rich areas in the Middle East, making it highly likely to contain oil and gas.

Petronas, a Malaysian oil exploration company, conducted a study of the Ogaden Basin in 2004-2005 with the Ethiopian Ministry of Mines and Energy (MoME). The 22-month successful study resulted in Petronas seeking to licence a majority of the 22 exploration blocks. MoME decided to award a portion of the blocks to other parties in order to encourage competition.

As the only indigenous energy company in Ethiopia, SouthWest Energy (SWE) secured blocks 9, 9A and 13. Petronas’ study concluded that these blocks were likely to be oil prone.

SouthWest Energy’s three blocks cover an area of 29,000 sq km in the northeast part of the Ogaden Basin.
OGADEN BASIN COMMERCIALISATION OPTIONS

Ethiopia has over 82 million people and a developed road system for trucking small scale production (< 9,000 barrels a day), making it a viable market for local hydrocarbon consumption. Excess capacity can be exported via pipeline to either Djibouti or Berbera.

There have been two gas discoveries in the centre of the basin which contain estimated reserves of approximately 3 trillion cubic feet (Tcf) (Calub 2.7Tcf and Hillala 0.3Tcf).

PetroTrans, a Chinese oil and gas company, plans a USD4 billion gas development project for Calub and Hillala. This project involves a significant infrastructure build that includes export pipelines. SWE is of the view that the deal signals a high confidence level in the probability of finding significant additional gas reserves since the finance of the initial 3Tcf find would not likely justify a standalone development.

There has been no well drilling on SouthWest Energy’s (SWE) blocks but a multi-well programme will take place in 2012-2013.

SWE’s production sharing agreement includes that SWE will be paid international market prices for all production (based on a market weighted average price), even for local sales in Ethiopia.

PetroTrans gas development plans include building a pipeline through SWE’s blocks 9, 9A and 13, allowing SWE the potential to tie into this pipeline.

If there are commercial oil discoveries in the Ogaden Basin, there is a possibility (after discussions with the Ethiopian Government) of building a refinery close to Addis Ababa, as well as the Government building a pipeline to either Djibouti or Berbera.

SouthWest Energy’s blocks, with their potential for both oil and gas, are ideally placed to take advantage of both cases.
MAP SHOWING PROSPECTIVITY IN THE OGADEN BASIN AREA
SouthWest Energy conducted a joint study with the Ethiopian Ministry of Mines and Energy for the 63,000 sq km area of Jimma in south Ethiopia in 2007.

The area is known to contain geological features that would support petrochemical exploration.

SouthWest Energy has negotiated a production sharing agreement for the Jimma Block covering 13,000 sq km. It is currently with the Ethiopian government awaiting approval.
The Gambella Basin is an extension of the Melut Basin in Sudan. The Melut Basin is highly successful with more than 15 oil and gas discoveries.

SouthWest Energy is currently awaiting a production sharing agreement to be made with the Ethiopian Government for a 15,365 sq km block.