



2015 Minerals Yearbook

SOMALIA [ADVANCE RELEASE]

THE MINERAL INDUSTRY OF SOMALIA

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Somalia holds deposits of bauxite, copper, feldspar, gold, iron ore, kaolin, limestone, natural gas, quartz, silica sand, tin, and uranium. The playa-flat deposits, which are located 150 kilometers (km) south of El Bur, are among the world's largest identified sepiolite clay deposits. Historically, artisanal miners produced small quantities of gemstones, granite, gypsum, kaolin, marble, niobium (columbium), salt, sand, sandstone, sepiolite, and tantalum. Most of the country's mineral resources were yet to be exploited owing to continued civil unrest and the lack of updated geologic surveys in the country. The Federal Government of Somalia (FGS), whose capital is in Mogadishu, is the internationally recognized Government; regional and local governing bodies, however, had effective control of some areas of the country. These bodies included the self-declared Republic of Somaliland (encompassing the administrative regions of Awdal, Woqooyi Galbeed, Togdheer, Sanaag, and Sool in northwestern Somalia) and the semiautonomous Puntland State of Somalia (encompassing the administrative regions of Bari, Nugaal, and northern Mudug in northeastern Somalia, although it also claimed the regions of Sool and Sanaag, and portions of Togdheer) (Puntland Petroleum and Minerals Agency, 2013; Fortune of Africa, 2015; Trade-Invest Somalia, 2015, p. 4–5, 7; U.S. Central Intelligence Agency, 2016).

In 2015, Somalia's real gross domestic product (GDP) was projected to have increased by 2.7% to \$5.9 billion compared with an estimated increase of 3.7% in 2014. GDP growth in 2014 was attributed to growth in the agricultural, construction, and telecommunications sectors. Agriculture was the basis of Somalia's economy; it accounted for about 60% of the GDP and employed 65% of the total workforce in 2013. According to the International Trade Center, the total value of Somalia's exports increased by about 130% from 2009 through 2013 owing to enhanced private sector competitiveness and global trade growth. Mineral exports from small-scale mining were reported to have decreased by 1.8% from 2009 through 2013. Niobium, tantalum, and vanadium ores and concentrates, for which information on quantity and producers was not available, accounted for about 97% of Somalia's total mineral exports in 2013; mineral exports were not a significant contributor to the economy. In 2013, China, India, and Turkey were reported to be the top three importing countries of Somalia's mineral exports (International Trade Center, 2014, p. 10, 14; African Development Bank Group, 2015; International Monetary Fund, 2015a; 2015b, p. 24).

Government Policies and Programs

Article 43 of the Provisional Constitution of the Federal Republic of Somalia, which was adopted in August 2012, states that the FGS is responsible for land development and land policies in Somalia. Federal Member States may formulate land policies at the State level. Articles 44 and 54 state that the allocation of power, resources, and natural resources shall be

negotiated and agreed upon by the FGS and the Federal Member States. Article 45 states that the FGS should set priorities for environmental and natural resource development and protection in the country (Federal Republic of Somalia, 2012, p. 11–12).

In 2015, the United Nations (UN) Monitoring Group on Somalia and Eritrea recommended that the UN Security Council impose a moratorium on oil and gas agreements and licensing with Somalia. The UN Monitoring Group stated the need for a legal resource-sharing framework between regional and Federal authorities with respect to the ownership and regulation of natural resources in Somalia, as well as viable regulatory institutions, such as independent licensing bodies, as stipulated in the Petroleum Law of 2008. The FGS and the Puntland Petroleum and Mineral Agency both openly rejected the recommendation (Mullah, 2015; United Nations, 2015, p. 47, 94, 118).

By yearend 2015, agreements on natural resource ownership and regulation between the Federal Government and the Federal Member States (including Somaliland) had yet to be reached. In January 2015, the Minister of Petroleum and Mineral Resources of the FGS deemed mining activities in the Borama district (Awdal region, Somaliland) by African Resources Corporation Inc. of China to be illegal and ordered the company to cease operations. The company was operating a beryl ore mine under a production-sharing agreement with the Ministry of Energy and Minerals of the self-declared Republic of Somaliland (Somaliland Ministry of Energy and Minerals, 2014b; Federal Republic of Somalia, 2015).

Production

Mineral production data have continued to be unavailable as the result of the lack of a fully functioning central Government since 1991.

Structure of the Mineral Industry

The Berbera Marble and Granite Factory produced granite, marble, and sandstone. The Berbera Cement plant was not operational in 2015. Gemstone-mining and salt-mining operations in Somaliland appeared to be artisanal or small-scale in nature. Table 1 is a list of known mineral industry facilities.

Commodity Review

Industrial Minerals

Cement.—The Berbera Cement plant, in the Sahil region of the Republic of Somiland, had the capacity to produce 200,000 metric tons per year of cement. The plant had been out of commission since sustaining damage during the armed conflict in 1991. The Berbera Cement plant was the only cement plant in Somaliland (Itaqile, 2015; Adam, 2016).

By yearend 2015, Raysut Cement Co. of Oman and Barwaaqo Cement Company LLC. of Somaliland had established a subsidiary (in which Raysut owned a 51% interest) to operate the Berbera terminal. The terminal remained under construction as of yearend 2015. Raysut Cement had signed a joint-venture agreement with Barwaaqo Cement in 2014 and agreed to a capital expenditure of \$7.5 million to construct a cement terminal at the port city of Berbera on the Gulf of Aden. The terminal was planned to have a cement distribution, packing, and storage facility, including three silos that could hold a combined 12,000 metric tons of cement (Global Cement, 2016; Raysut Cement Company SAOG, 2016, p. 18).

Mineral Fuels

Natural Gas and Petroleum.—In July 2015, the Serious Fraud Office of the United Kingdom announced that it had opened criminal investigations into Soma Oil and Gas Holdings Ltd. of the United Kingdom and its wholly owned subsidiary Soma Oil and Gas Exploration Ltd., in relation to allegations of corruption in Somalia. The allegations of corruption were in regards to payments made under capacity building agreements signed in April 2014 and April 2015. Under these agreements, the company had agreed to make payments to the FGS for the hiring of six persons to serve as advisors, consultants, and technical staff to support functions designated under the Petroleum Law of 2008. The agreements also included payments for office equipment, tools, and transportation. The company held that the payments were misunderstood and that support from the private sector for capacity building is commonplace (Soma Oil and Gas Holdings Ltd., 2014; 2015a; 2015d, p. 3; Serious Fraud Office, 2015).

In August 2013, Soma Oil and Gas and the FGS signed a seismic option agreement in which the company agreed to gather and evaluate geologic data, including 20,500 km of two-dimensional (2D) seismic data, and deliver it to the FGS in exchange for the right to apply for a production-sharing agreement covering up to 60,000 square kilometers (km²). In April 2015, Soma Oil and Gas Exploration announced that it had completed the processing and analysis of 2D seismic data acquired from an offshore survey completed during mid-2014. By yearend, the company had submitted a Notice of Application for Production Sharing Agreements for prospects that were identified from the 2D seismic data analysis (Soma Oil and Gas Holdings Ltd., 2013; 2015b, c).

In 2015, four companies continued exploration of 10 blocks licensed to them by the self-declared Republic of Somaliland in northwestern Somalia. Genel Energy plc of Jersey [United Kingdom] held a 75% interest in exploration licenses issued for petroleum Blocks SL–10B and SL–13 and a 50% interest in the Odewayne production-sharing agreement. The company completed a surface seep study in 2015 and planned to acquire 2D data on the Odewayne, the SL–10B, and the SL–13 Blocks in 2016. The company targeted resources estimated to be about 1 billion barrels (Gbbbl) of crude oil in Blocks SL–10B and SL–13 in addition to an estimated 1-Gbbbl crude oil resource at the Odewayne Block (Somaliland Ministry of Energy and Minerals, 2014a; Genel Energy plc, 2016a, p. 7, 23; 2016b).

In June 2015, African Energy Corp. (formally Horn Petroleum Corp.), which was a subsidiary of African Oil Corp. of Canada, and joint-venture partners Range Resources Ltd. and Red Emperor Resources NL of Australia withdrew from the production-sharing agreements for the Dharoor and the Nugaal Blocks. The decision was the result of the different territorial claims for the Nugaal Block and disagreements between the FGS and the semiautonomous Puntland State of Somalia concerning the legitimacy of production-sharing agreements (Range Resources Ltd., 2015, p. 28; Red Emperor Resources NL, 2015, p. 3; Africa Oil Corp., 2016, p. 30).

DNO Somaliland, which was a subsidiary of DNO ASA of Norway, held an exploration license issued from the self-declared Republic of Somaliland for the SL–18 Block. The onshore block had a surface area of about 12,000 km². The company completed a gravity-magnetic survey at the block in December 2015. An environmental impact assessment and a geologic field survey had previously been conducted in 2014 (DNO ASA, 2015, p. 9; 2016, p. 5).

In 2015, RAK Gas LLC of the United Kingdom held a 75% operating interest in a petroleum exploration contract for the SL–9 and SL–12 Blocks in Berbera. Ansan Wikfs Investments Ltd. of Yemen held exploration licenses for the SL–7, SL–14, and SL–19 Blocks. Both the RAK Gas and the Ansan Wikfs exploration licenses were issued by the governing body of the self-declared Republic of Somaliland (Somaliland Ministry of Energy and Minerals, 2014b; RAK Gas LLC, 2016; RAK Petroleum plc, 2016, p. 5).

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TABLE 1
SOMALIA: STRUCTURE OF THE MINERAL INDUSTRY IN 2015

(Metric tons unless otherwise specified)

Commodity	Major operating companies and major equity owners	Location of main facilities	Annual capacity
Beryl ore	African Resources Corporation Inc.	Awdal Region	NA
Cement	Berbera Cement Plant (Republic of Somaliland, 100%)	Berbera cement plant, ¹ Berbera, Woqooyi Galbeed Region	200,000
Gemstones	Artisanal miners	Various locations	NA
Granite and marble	Berbera Marble and Granite Factory	Berbera, Woqooyi Galbeed Region	NA
Salt	Primarily small-scale miners	Various locations	NA

Do., do. Ditto.

¹Not operating at the end of 2015.