

Angola insurance liberalisation at least three years off

By [Miriam Malek](#)

13 December 2016

Angola's plan to restructure its energy insurance market has stalled, leaving the sector in limbo and projects struggling to find policies. No progress is expected for at least three years, according to a senior figure from the country's regulatory body. The insurance reshuffle has been set back by Angola's economic crisis, which has paralysed many other long-overdue reforms.

"There are no guarantees. Nobody [is in the] condition to insure anything – it's a big problem, and at the moment the [energy insurance market] is closed," Hernani Paulo, a project manager at Angolan [insurance industry regulator ARSEG](#), told Interfax Natural Gas Daily.

Private insurers balked at [the Angolan government's move](#) to break up state-owned monopoly AAA Financial Services in March. IOCs initially welcomed the move, but Angola's decision to replace AAA with [ENSA, another state-owned monopoly](#), made it clear that the country is not committed to [introducing more competition](#) into the sector.

"It's a very confused business, and right now I don't want to be anywhere near it," a Luanda-based insurance broker told Interfax Natural Gas Daily.

The issue has affected the development of proposed domestic power projects, said Paulo. Although those that will be run by state-owned companies are unaffected, private power plants need to secure insurance and they have been put off by the involvement of the state-owned monopolies.

Companies considering investing in Angolan power plants are also choosing to hold back while the country battles a currency crisis. Angola's weak economy has sent inflation soaring, which has hit foreign investment across the board.

Faced with the challenge of dwindling investment in its power sector and the need to build generation capacity, the government has decided to focus on constructing more state-owned plants instead of fixing the problems that have held back investment in private power, such as issues in the insurance market.

The state is installing hydropower and gas-fired generation projects. Once these are online, the country may turn its attention back to solving systemic issues in the energy insurance market. However, according to Paulo this could take around three years, and until then there will be little room for private investors or an insurance market.

Change at the top

Meanwhile, the domestic supply situation is worsening as consumption continues to rise. Angola's energy minister, João Baptista Borges, said on Monday that he expected blackouts to continue across the country while the government ran logistical tests on the Cambambe dam, [local media reported](#).

José Eduardo dos Santos, who has been Angola's president for 37 years, announced in early December that he would step down in 2017. João Lourenço, the country's defence minister, is expected to take his place, but he has not yet received dos Santos's blessing.

Whoever succeeds dos Santos will be tasked with addressing Angola's economic crisis, which includes piecing the country's energy sector back together after two years of budget cuts and a rising deficit, and – in some cases – turning around projects that have been abandoned by developers.

This will be particularly challenging as Angolan [state-owned oil company Sonangol](#), which the government has relied on to fund the work, will not be taking part. Oil and gas sales previously supplied 70% of state revenue, but Sonangol announced earlier this month that it would not pay state dividends this year for the first time in its history. The company is struggling to service its own debt, which amounts to around \$10 billion.

Lourenço has much weaker ties to the oil and gas sector, a factor some analysts say could shake up state policy. Sonangol is now being run by dos Santos's daughter, Isabel. She has been tasked with streamlining the company and dumping unessential assets.

Whoever is in power after the next election will be forced to adopt some economic reforms given Angola's current situation. Nevertheless, dos Santos will take measures to ensure his political and economic interests will be protected," Maja Bovcon, a senior analyst at Verisk Maplecroft, told Interfax Natural Gas Daily.

Isabel dos Santos's role at the helm of the state's most prized company ensures the family will maintain one of the most important positions in the political system. Dos Santos has repeatedly said he intends to liberalise parts of the Angolan energy sector, such as the insurance market, but other priorities such as maintaining the country's upstream assets have taken precedence. With his daughter in charge at Sonangol, this is likely to continue.

Angola's domestic market is ripe for investment, but without proper reforms and a significant economic recovery it is unlikely international investors will be interested. There is a chance that, with new leadership, the government's position will soften, but few think this is likely.