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POLICY BRIEF

BUILDING SENEGAL'S FINANCIAL INDEPENDENCE: WHAT ROLE FOR HYDROCARBONS?*

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Key Takeaways

Oil and gas will not solve Senegal's debt crisis in the short term. Net income from Sangomar and GTA is structurally low: Petrosen's existing debt of around 800 billion CFA francs for the two flagship projects will absorb the bulk of the profits.

Senegal's strategic priority is not exports but import substitution. Gas from Yakaar-Teranga could replace imported fuel oil and save foreign exchange, while still providing an opportunity to export LNG and contribute to the country's industrialization. Such an achievement is more fundamental to economic sovereignty and financial independence.

Unless Petrosen's loans are renegotiated immediately and the project financing model is overhauled, each new phase of development will primarily benefit creditors before benefiting the government and Petrosen.

An Investment Fund would also be useful for financing the energy transition, agriculture, and human capital.

Finally, better coordination of the timelines for the various projects is essential to maximize profitability: sequencing of production phases, timely completion of infrastructure such as the gas network, and synchronization of domestic gas supply with conversion of power plants are essential conditions for avoiding bottlenecks and cost overruns.

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Introduction

Senegal's debt crisis comes at a time when the country has begun its first hydrocarbon exports. In June 2024, the Sangomar oil field produced its first barrel. In December of that same year, the first gas from the Greater Tortue Ahmeyim (GTA) field was produced. Such chronological coincidence presents both a historic opportunity and a major risk: can oil and gas help Senegal escape the debt trap, or will they push it deeper into it?

As we will see, Senegal has considerable hydrocarbon potential. But, the challenge lies in establishing contracts and institutions that will enable it to capture that value.

1. The Hydrocarbons Sector in Senegal

To understand the role of hydrocarbons, it is essential to describe the institutional and contractual framework. The sector is characterized by a fundamental legal dichotomy: fields currently in production are governed by an older code that is more favorable to operators, while a new, more protective code has been adopted for future projects.

1.1. The Legal Framework

The Senegalese legal framework is structured by two successive laws:

- The 1998 Petroleum Code (Law Nr. 98-05)[1]: This code, which was adopted amid fierce international competition to attract exploration capital, offered oil companies highly attractive terms. Its main features include: a flexible and low royalty rate, negotiable between 2% and 10% (Article 41); a total exemption from customs duties during research and development phases (Article 48); and the option to enter into production-sharing agreements (Article 36).). It was under this

[1] http://www.itie.sn/wp-content/uploads/2017/03/Code-Petrolier-Senegal-1998-3.pdf

regime that contracts for Senegal's major oil fields—Sangomar, Greater Tortue Ahmeyim (GTA), which is currently in production, and Yakaar-Teranga—were signed, prior to the announced revocation of the license held by Petrosen and Kosmos Energy. Article 73 of the 2019 Code provides that such prior contracts remain valid and retain their legal status, unless renegotiated.

- The 2019 Petroleum Code (Law Nr 2019-03)[2]: drawing on major discoveries in 2014, and the shortcomings of the previous framework, this code aims to strengthen state sovereignty over its resources, in accordance with Article 25 of the Constitution, which stipulates that natural resources belong to the Senegalese people. This code marks a welcome change for the future. It introduces major changes: a fixed, higher royalty rate, ranging from 6% to 10% depending on depth (Article 42); a strict cap on the share of production allocated to repayment of oil costs (Article 34); a minimum government share in profit oil raised to 40%, with a progressive mechanism based on a profitability factor R (same Article); the obligation to comply with Extractive Industries Transparency Initiative (EITI) standards and to disclose all oil revenues (Articles 55 and 56). This code will automatically apply to all new projects, such as future developments of the Yakaar-Teranga gas fields.

R Factor	Share of the Gov. of Senegal	Share of the Contractor
$R < 1$	40 %	60 %
$1 \leq R < 2$	45 %	55 %
$2 \leq R < 3$	55 %	45 %
$R \geq 3$	60 %	40 %

Note: R ratio = Cumulative revenue / Cumulative investment

1.2. The Contractual Framework

Beyond laws, operations are governed by a complex contractual framework that determines the actual distribution of revenues.

- The Exploration and Production Sharing Agreement (EPSA)

The Sangomar and GTA fields are operated under Exploration and Production Sharing Agreements (EPSAs), a specific type of risk-sharing service contract defined by the 1998 Code. The standard procedure consists of three steps:

- Cost Recovery (Cost Oil / Cost Gas): before any profit sharing, companies recover their investments (exploration, development, production) from a portion of gross production capped at 75%.
- Profit Sharing (Profit Oil / Profit Gas): the balance of production is shared between government (a percentage that depends on the production tier, at least equal to 35% of Profit Oil) and the contracting group (which includes Petrosen, the operator, and all other associated companies) based on percentages defined in the contract. Petrosen's share (within the consortium of contractors) is 18% for the Sangomar oil field and 10% for the GTA[3] gas field (20% if production is considered solely on the Senegalese side).
- Taxation: in addition, there is an *ad valorem* fee and the Additional Oil Levy (AOL), calculated based on the project's overall profitability.

[2] energie-mines.gouv.sn/sites/LOIS-DECRETS-ARRETES/HYDROCARBURES/LOI-HYDROCARBURES/Loi n°2019-03 du 1er fBvrier 2019 portant Code pBtrolier.pdf

[3] PETROSEN - Projets Sangomar et GTA. . https://www.petrosen.sn/portfolio/projet-sangomar/ https://www.petrosen.sn/portfolio/gta/

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Total production (100%)
        ↓
[Cost Oil / Gas] (≤ 75%)
        ↓
[Profit Oil / Gas] (≥ 25%)
        ↓
┌─────────────────────┬─────────────────────┐
│   Government        │    Contractors      │
│   ≥ 35%             │      ≤ 65%          │
└─────────────────────┴─────────────────────┘
                      ↓
              Share of PETROSEN
       (10 to 18% depending on the project)
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Simplified reading guide

Example with figures: Breakdown of Sangomar's Revenue in 2025

Total production (export revenue): $2,602,071,500

Step 1: Cost Recovery (Cost Oil)

Cost Oil is allocated between Woodside and Petrosen in proportion to their respective participation in the project, with Woodside receiving 82% and Petrosen 18%.

Beneficiary	Participation	Amount recovered
Woodside	82%	$1,600,273,973
Petrosen	18%	$351,279,652
Total Cost Oil	**100%**	**$1,951,553,625 (75% of total)**

Step 2: Profit Oil Sharing

The balance after cost recovery, amounting to approximately $650,517,875 (25% of the total), is distributed as follows:

- Government (excl. Petrosen) receives 35% of profit oil.
- The contracting group (Woodside + Petrosen) receives 65% of profit oil.

Beneficiary	% of Profit Oil	Amount
Government of Senegal	35%	$227,681,256
Contracting Group	65%	$422,836,619
Total Profit Oil	**100%**	**$650,517,875**

Step 3: Breakdown of contracting group's share (65%)

The contracting group divides its 65% share in proportion to its participation in the project.

Beneficiary	Participation	Amount
Woodside	82%	$346,726,028
Petrosen	18%	$76,110,591
Total Contracting Group	**100%**	**$422,836,619**

Step 4: Summary of Respective Shares Received

Beneficiary	Cost Oil	Profit Oil	Gross Total	% Total
Woodside	$1,600,273,973	$346,726,028	**$1,947,000,000**	**74,8**
Petrosen	$351,279,652	$76,110,591	**$427,390,244**	**16,4**
Gov. of Senegal		$227,681,256	**$227,681,256**	**8,7**
Total	**$1,951,553,625**	**$650,517,875**	**$2,602,071,500**	**100**

- The Marketing Agreements

These are contracts that govern the actual sale of hydrocarbons and have a direct impact on revenue. Please note the following two purchase and sale agreements:

- For Sangomar (oil): a Lifting Agreement sets forth the rules governing the sale of crude oil. It allows each party (government and the contractors) to produce and market their respective shares of output separately. Government may choose to receive its share "in kind" (physical oil) or "in cash" (payment). The agreement also includes a Domestic Market Obligation, which allows government to require that a portion of production be allocated to meet domestic demand.[4]
- For GTA (gas): a LNG Sales and Purchase Agreement (SPA) binds all producers, including Petrosen, to a single buyer. This long-term contract secures the destination for all of the LNG from Phase 1. The price is determined by the following formula: 9.5% of the price of Brent.[5] A portion of production is also set aside for the domestic market, as is the case with GTA, which is capped at 35 million standard cubic feet[6] per day for Phase 1. However, the actual utilization of this volume remains contingent on the availability of transportation and distribution infrastructure, particularly the Senegal Gas Network (RGS).

1.3. The Companies

The central agency responsible for implementing hydrocarbon policy is Petrosen, the national oil company established in 1981. Under Article 7 of the 1998 Code, Government of Senegal reserves the right to participate in oil operations through a state-owned company. Petrosen therefore acts as governement representative, holding a direct participation in the EPSAs. For future projects, the 2019 Code (Article 9) codifies this right by establishing a minimum equity stake of 10 percent, held by the partners during the exploration phase, with an option to increase this to 30 percent during development and production phases. The operational landscape is dominated by international companies:

- Woodside Energy (Australia): operator of the Sangomar oil field, which began production in June 2024.
- BP (United Kingdom): operator of the GTA cross-border gas field, with production having commenced in December 2024.
- Kosmos Energy (United States): a partner in the GTA project and, until recently (withdrawal announced), the majority owner of the Yakaar-Teranga gas discoveries, following BP's withdrawal.

[4] Note on key terms: marketing of crude oil from the Woodside project; Sangomar crude oil offtake agreement: https://www.petrosen.sn/autres-documentations/

[5] Marketing of hydrocarbons from the Greater Tortue Ahmeyim (GTA) field: https://www.petrosen.sn/autres-documentations/

[6] The equivalent of 3,869 GWh per year, nearly 52% of SENELEC's available energy in 2024 (rapport-annuel-senelec-20241760024319.pdf)

2. What role for hydrocarbons?

2.1. The potential

The geological potential is considerable, but converting it into budget revenue is slower and more modest than the scale of the projects might suggest.

- ***Sangomar (Oil):*** having begun production in June 2024, this deepwater field is expected to reach a peak production rate of approximately 100,000 barrels per day. Phase 1 of development is expected to yield approximately 231 million barrels.[7] From the start of production through the end of 2025, Sangomar's total sales have reached approximately $4 billion.[8]
- ***Greater Tortue Ahmeyim - GTA (Gas):*** This LNG project, which exported its first shipment in April 2025, is expected to eventually produce 2.5 million tons of LNG per year. The field's reserves are estimated at 20 trillion cubic feet of gas (20 TCF)[9] for the Senegalese and Mauritanian portions.
- ***Yakaar and Teranga (Gas):*** These gas fields are still in development phase. They are strategic because part of their production is intended to supply the domestic market with gas for electricity generation (gas-to-power), an opportunity to reduce dependence on fuel oil imports. These projects will be governed by the 2019 Code.

Field	Type	Lead Operator	Status	Production Potential (Peak/Year)	Petrosen's share	Regime	Main Use
Sangomar	Oil Gas	Woodside Energy	Production ongoing (2024)	~100,000 barrels/day	18%	1998 Code	Export
GTA	Gas	BP	Production ongoing (2025)	2.5 MT of GNL per year (export)	10%	1998 Code	Export
Yakaar-Teranga	Gas	Petrosen is being considered following Kosmos' withdrawal	In development	To be determined	Negotiable	2019 Code	Domestic market

2.2. Petrosen's prior debt

A crucial aspect that is too often overlooked in discussions is that the Senegalese government, through its state-owned company Petrosen, has taken on heavy debt to finance its participation in these projects,[10] backed by a guarantee from Petrosen on the revenues from the sale of gas and oil.

Under Production Sharing Agreements (PSAs), Petrosen is required to pay its share of development and operating costs. Since Petrosen did not have the necessary cash on hand, its partners—Woodside Energy Finance (UK) Limited for Sangomar, and BP Finance Limited and Kosmos Energy Tortue Finance for GTA—granted it loans at a floating interest rate of 6.5% for terms ranging from 5 to 7 years.

Petrosen was also able to finance its share of the development costs for Phase 1 of the Sangomar oil project thanks to funds raised by the Government of Senegal and subsequently transferred to the national oil company. To that end, government has made available to it a portion of the proceeds (126.6 billion FCFA) from a Eurobond issuance maturing between October 2021 and December 2037, with the first payment due on December 31, 2034, as well as a portion of the financing obtained from a banking consortium comprising Citibank, Standard Chartered Bank, and Société Générale, in the amount of 250 million euros, maturing from March 2023 to December 2037.

[7] Briefing Note on PETROSEN Loans.

[8] Woodside's Reports & Investor Briefings, followed by author's calculations

[9] Given the decision already made regarding GTA—with more than 80% for exports—government can generate revenue over a period of 25 to 30 years.

[10] Note d'information relative aux prêts de PETROSEN.

The figures are telling[11]:

- Sangomar: a $450 million loan from Woodside (2020), then 126.6 billion FCFA (2023), and £250 million.
- GTA: $435 million in advance financing from BP and Kosmos.
- Approximately 800 billion FCFA in total.[12]

Project	Source of funding	Amount	Currency	Approximate value CFAF	Key Terms
Sangomar	Woodside Energy Finance (UK) Limited	450 M	USD	270 billion	Floating rate of 6.5%; 5-year term
Sangomar	Gov. of Senegal – proceeds from Eurobonds	126,65 billion	n.a.	126,65 billion	Rate of 5.375%; maturity: October 2021 – December 2037; first payment on 31 December 2034
Sangomar	Gov. of Senegal – Loan Agreement	250 M	EUR	164 billion	Rate of 6,5%; maturity: March 2023 to December 2037
GTA	BP Finance Limited	290,0145 M	USD	174 billion	Floating rate of 6.5%; 7-year term
GTA	Kosmos Energy Tortue Finance	144,9855 M	USD	87 billion	Floating rate of 6.5%; 7-year term

2.3. The Relationship Between Potential, the Domestic Market, and Foreign Exchange Needs

The raw potential of deposits says nothing about their actual contribution to financial independence. The latter is measured by a single criterion: each project's ability to ease external constraints, that is, to reduce the country's dependence on foreign exchange needed to pay for imports and service its debt. That contribution comes in two ways:

- Foreign exchange earned: Sangomar and GTA are export projects denominated primarily in dollars. In theory, they generate the foreign exchange that pays off their own debt. In reality, Petrosen's existing debt and its contractual terms (with the price of LNG fixed at 9.5% of Brent[13] for 10 years for GTA) siphon off the bulk of the revenue.
- Foreign exchange savings: replacing imported fuel oil with domestic natural gas for electricity generation does not generate foreign exchange, but it does save it. Yakaar-Teranga, the most transformative project for financial independence, with 20 TCF[14] of reserves, a 400-km gas pipeline under construction (650 billion CFA francs), and an expected commissioning in 2028–2029, will enable the conversion of thermal power plants from fuel oil to gas, simultaneously reducing the oil bill, the cost of electricity, and vulnerability to international prices. The contribution to reducing the foreign exchange constraint is very significant here.

11 Briefing Note on PETROSEN Loans.

12 Author's calculation based on data provided by PETROSEN (Briefing Note on PETROSEN Loans)

13 The goal is to ensure stability and bankability of the GTA project for investors, even if this means reduced exposure to exceptional spikes in the spot LNG markets.

14 5 TCF (142 billion cubic meters) for Teranga and 15 TCF (425 billion cubic meters) for Yakaar (Reports – EITI Senegal).

Contribution to financial independence = (Net foreign exchange generated from exports) + (Foreign exchange saved through import substitution).

Financial independence will not come from massive exports of crude oil and LNG, which are primarily used to repay debts incurred in producing them. It will stem from Senegal's more modest but structural ability to stop importing energy thanks to Yakaar-Teranga.

2.4. Economic data

2.4.1. Export revenue

- Oil[15]

Between June 2024 and March 2026, the Sangomar oil field generated approximately \$4.57 billion in export revenue. Its distribution has been asymmetrical: Woodside, the operator, received \$3.42 billion (75% of the total), while the Senegalese government, through its direct participation and via Petrosen, received only about \$1.15 billion (25%). Of this amount, half of Petrosen's share is immediately allocated to debt service.

Sangomar Project	Year	WOODSIDE (1)	PETROSEN (2)	Share of Gov. of Senegal (3)	Senegal's export revenue (1)+(2)+(3)
	2024	\$948,000,000	\$208,097,561	\$110,858,670	\$1,266,956,231
	2025	\$1,947,000,000	\$427,390,244	\$227,681,256	\$2,602,071,500
	2026 (Q1)	\$524,000,000	\$115,024,390	\$61,276,311	\$700,300,702

- Gas (LNG)[16]

Revenue from GTA remains modest (\$337 million to date), as the project has been ramping up since its first shipment in April 2025. Petrosen's share (approximately \$61.5 million in total) is almost entirely used to repay its \$435 million debt owed to BP and Kosmos. The net "government share," which amounted to less than \$30 million over the period, illustrates the deduction mechanism described above.

GTA Project	Year	BP (1)	KOSMOS (2)	PETROSEN (3)	Share of Gov. of Senegal (4)	Revenues Senegal Export Revenue (1) + (2) + (3) + (4)
	2025	\$ 103 587 049	\$ 51 793 738	\$ 38 845 197	\$ 18 624 409	\$ 212 850 393
	2026 (Q1)	\$ 60 438 586	\$ 30 219 417	\$ 22 664 501	\$ 10 866 542	\$ 124 189 046

2.4.2. Loans and Repayment

The data shown here is taken exclusively from the detailed Briefing Note on PETROSEN Loans, as updated on November 28, 2025, and its Appendices 1, 2, and 3.

- ***Woodside Facility (Sangomar Project)***

[15] Woodside's Reports & Investor Briefings, followed by author's calculations

[16] Author's calculations, based on the activity reports of BP, Kosmos, and the Ministry of Petroleum, Energy, and Mines, as well as on ANSD's Monthly Statistical Bulletin.

Period	Opening Balance (USD)	Interest Rate	Interest Paid	Principal Repaid	Total Payment Amount	Outstanding Balance
Date start for reimbursements (June 2025)	418,469,002	6.50%	–	41,500,000 (1st installment)	41,500,000	418,469,002
31-Dec-25	418,469,002	8.00%	17,110,733	24,389,267	41,500,000	394,079,734
30-Jun-26	394,079,734	8.00%	15,850,763	25,649,237	41,500,000	368,430,497
31-Dec-26	368,430,497	8.00%	15,064,714	26,435,286	41,500,000	341,995,210
30-Jun-27	341,995,210	11.00%	18,914,235	15,585,765	34,500,000	326,409,446
31-Dec-27	326,409,446	11.00%	18,351,464	16,148,536	34,500,000	310,260,910
30-Jun-28	310,260,910	11.00%	17,253,954	15,746,046	33,000,000	294,514,864
31-Dec-28	294,514,864	11.00%	16,558,280	16,441,720	33,000,000	278,073,144
30-Jun-29	278,073,144	11.00%	15,378,990	6,621,010	22,000,000	271,452,134
31-Dec-29	271,452,134	11.00%	15,261,642	6,738,358	22,000,000	264,713,776
30-Jun-30	264,713,776	11.00%	14,640,142	1,859,858	16,500,000	262,853,918
31-Dec-30	262,853,918	11.00%	14,778,231	1,721,769	16,500,000	261,132,150
30-Jun-31	261,132,150	11.00%	14,442,059	0	14,442,059	261,132,150
31-Dec-31	261,132,150	11.00%	14,681,430	261,132,150	275,813,579	0
TOTAL			**208,286,637**	**418,469,002**	**626,755,638**	

The Woodside facility is the largest and best-documented item in Petrosen's liabilities. Out of an initial principal amount of $450 million, by the final maturity date in December 2031, Petrosen will have repaid a total of $631.9 million, including $213.4 million in interest—representing a borrowing cost of more than 50% of the principal. The repayment schedule is aggressive: the semi-annual payments decrease from 41.5 million to 16.5 million by the end of the term, with an interest rate peaking at 11% starting in June 2027.

- ***Onlent Advances by the Government (Sangomar Project)***
    - First government facility

Date	Opening Balance (FCFA)	Interest Rate	Interest Paid (FCFA)	Principal Repayment Rate	Principal repaid (FCFA)	Monthly installment (FCFA)	Outstanding Balance (FCFA)
31-Dec-24	142,622,454,551	–	–	–	–	–	**142,622,454,551**
31-Jan-25	142,622,454,551	5.38%	660,124,069	0	713,112,273	1,373,236,342	**141,909,342,278**
28-Feb-25	141,909,342,278	5.38%	593,259,889	0	713,112,273	1,306,372,162	**141,196,230,005**
31-Mar-25	141,196,230,005	5.38%	653,522,828	0	713,112,273	1,366,635,101	**140,483,117,733**
30-Apr-25	140,483,117,733	5.38%	629,247,298	0	713,112,273	1,342,359,571	**139,770,005,460**
31-May-25	139,770,005,460	5.38%	646,921,588	0	713,112,273	1,360,033,861	**139,056,893,187**
30-Jun-25	139,056,893,187	5.38%	622,859,001	0	713,112,273	1,335,971,273	**138,343,780,914**
31-Jul-25	138,343,780,914	5.38%	640,320,347	0	713,112,273	1,353,432,620	**137,630,668,642**
31-Aug-25	137,630,668,642	5.38%	637,019,727	0	713,112,273	1,350,131,999	**136,917,556,369**
30-Sep-25	136,917,556,369	5.38%	613,276,555	0	713,112,273	1,326,388,827	**136,204,444,096**
31-Oct-25	136,204,444,096	5.38%	630,418,486	0	713,112,273	1,343,530,759	**135,491,331,823**
Cumulative Jan.-Oct. 2025			6,326,969,788	0	7,131,122,730	13,458,092,515	

The first government advance, initially amounting to 142.6 billion CFA francs, has been repaid in monthly installments since January 2025. The outstanding principal as of October 31, 2025, was 135.4 billion CFA francs. In the first ten months of 2025, Petrosen repaid 13.458 billion CFA francs, including 7.131 billion in principal and 6.327 billion in interest.

Date	Opening Balance (FCFA)	Interest Rate	Days	Interest Paid (FCFA)	Principal Repayment Rate	Principal repaid (FCFA)	Monthly installment (FCFA)	Outstanding Balance (FCFA)
31-Mar-25	138,295,621,754	–	–	–	–	–	–	138,295,621,754
30-Apr-25	138,295,621,754	6.50%	30	749,101,285	2%	2,765,912,435	**3,515,013,720**	135,529,709,319
31-May-25	135,529,709,319	6.50%	31	758,589,901	2%	2,765,912,435	**3,524,502,336**	132,763,796,884
30-Jun-25	132,763,796,884	6.50%	30	719,137,233	2%	2,765,912,435	**3,485,049,668**	129,997,884,449
31-Jul-25	129,997,884,449	6.50%	31	727,627,048	2%	2,765,912,435	**3,493,539,483**	127,231,972,014
31-Aug-25	127,231,972,014	6.50%	31	712,145,621	2%	2,765,912,435	**3,478,058,056**	124,466,059,579
30-Sep-25	124,466,059,579	6.50%	30	674,191,156	2%	2,765,912,435	**3,440,103,591**	121,700,147,144
31-Oct-25	121,700,147,144	6.50%	31	681,182,768	2%	2,765,912,435	**3,447,095,203**	118,934,234,709
Cumulative Apr.-Oct. 2025				5,021,975,012		19,361,387,045	**24,383,362,057**	

The second government advance has a significantly more aggressive repayment schedule than the first. The principal repayment rate is 2.0% per month (2.765 billion CFA francs), compared with 0.5% for the first advance. In seven months (April to October 2025), Petrosen repaid 24,38 billion CFA francs, including 19,36 billion in principal (79,4%) and 5,02 billion in interest (20,6%).

Box: Lessons from Africa's Debt Crises

Africa's recent history offers clear warnings about how the management of hydrocarbon revenues can exacerbate a debt crisis. Those precedents, given their similarity to the situation in Senegal, should serve as safeguards.

Ghana (2022): The Illusion of Oil as Collateral.

The discovery and development of the Jubilee oil field, with peak production of 200,000 barrels per day, led to overconfidence. The government borrowed heavily on international markets (Eurobonds), implicitly using future oil revenues as collateral. Unable to meet its debt obligations, Ghana defaulted on its debt in December 2022, showing that underground wealth cannot protect against mismanagement of sovereign debt[17].

Chad (2021): The Trap of Oil-Backed Loans.

In 2014, Chad took out a $1.2 billion loan from commodities trader Glencore, repayable through direct deliveries of crude oil. When oil prices plummeted, more than 60% of the country's oil revenues were being used to service that single loan, straining government's budget and leading to the 2021 default. The lesson is crucial: never use future production as collateral for a loan[18].

Mozambique (2016): The Ignored Warning About Hidden Debts.

Following the discovery of massive offshore gas fields, Mozambican state-owned companies secretly took out more than $2 billion in state-guaranteed loans from Credit Suisse and VTB, hoping to repay with future gas revenues. Those "hidden debts," which went undetected by the IMF, plunged the country into a major crisis when the scandal broke in 2016, illustrating the direct link between lack of transparency, revenue projections, and debt overhang.[19]

2.5. Recommendations

Hydrocarbons can contribute to Senegal's financial independence, but only under strict conditions that are not currently in place. The following recommendations translate the author's findings into concrete actions. They have a twofold objective: to break the cycle of perpetual debt and to maximize the contribution of resources toward easing external constraints.

2.5.1. Short-term Actions

Renegotiate Petrosen's debt. Petrosen must immediately begin discussions with Woodside, BP, and Kosmos to renegotiate interest rates and repayment schedules for the loans they granted to the company. This renegotiation is a prerequisite for any debt reduction strategy.

Continue conducting audits of oil costs. A technical and financial audit of the development costs reported by the operators is necessary. Its purpose is to verify that "cost oil" and "cost gas" repaid to operators are legitimate and in line with industry standards. This audit is a prerequisite for any contract renegotiation.

[17] Asante, K. (2023). "Ghana's Debt Default: Anatomy of a Looming Crisis. African Affairs, 122(486), 1-22

[18] Sorbara, M. (2014). "Glencore and the Chad Oil-Backed Loan: A Study in Opaque Deals." Journal of World Energy Law & Business, 7(6), 520-53

[18] Global Witness (2016). The Curse of Mozambique's Secret Loans. London: Global Witness Publishing.

Prepare Petrosen to become an operator. Initiate the institutional transformation of Petrosen into a company capable of serving as a technical operator on future projects, starting with a role as operator on the Yakaar-Teranga project.

2.5.2. Medium-term Actions

Accelerate the development of the Yakaar-Teranga field by structuring the project with Petrosen as lead operator and a renowned technical partner. It is also crucial to complete the national gas pipeline and finalize gas purchase agreements with power plants and industrial customers. Yakaar-Teranga is the most significant project for achieving financial independence: every cubic meter of domestic gas that replaces imported fuel oil structurally reduces external constraints.

Set up an Investment Fund. Rather than a traditional sovereign wealth fund that would invest national savings in financial markets, with high opportunity costs for a country facing an infrastructure deficit,[20] Senegal should establish a fund dedicated to strategic domestic investment. The fund would finance projects that structurally reduce dependence on foreign currency, in areas such as energy transition, agricultural transformation, and human capital development.

Manage Yakaar-Teranga's foreign exchange risk, i.e. anticipate the currency mismatch inherent in a project financed in foreign currency but whose domestic revenue will be in CFA francs. Solutions may include the following: partial financing in local currency, foreign exchange hedging, or allocating a portion of production to exports to generate the foreign exchange needed to service the debt. Without such preventive management, Yakaar-Teranga could exacerbate external pressure rather than ease it.

3. Conclusion

Senegal's debt crisis comes just as the country begins exporting its first barrels of oil and its first shipments of LNG. This coincidence fueled hopes for a quick solution: oil revenues would make up the shortfall and restore financial sovereignty. The analysis presented here shows that, as things stand, this hope is an illusion.

The net income from Sangomar and GTA is absorbed by Petrosen's debt. Yakaar-Teranga is the strategic priority: replacing imported fuel oil with domestic gas will save foreign exchange. However, without reforming the model, each new phase (Sangomar gas, Yakaar-Teranga, RGS, among others) will require capital that Petrosen will have to finance, with the risk of perpetuating the debt cycle.

[20] Addison, T., & Lebdioui, A. (2022). "Public savings in Africa: Do sovereign wealth funds serve development?" WIDER Working Paper 2022/8, UNU-WIDER.

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