

JEUNE AFRIQUE ÉCONOMIE

# Senegal Signals Arbitration Risk as Oil and Gas Contract Renegotiations Advance

Saga deep read · 29 June 2026 · Score 50

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Senegal's ongoing renegotiation of oil and gas contracts is progressing, according to Khadim Bamba Diagne, head of COS-Petrogaz, the government body overseeing the country's petroleum sector coordination. However, Diagne has made clear that Dakar does not rule out recourse to international arbitration tribunals if negotiations with operators reach an impasse — a statement that introduces a material legal risk dimension for all parties currently active in Senegal's hydrocarbons sector.

The renegotiation drive is part of a broader reassertion of resource sovereignty that has gained momentum across West Africa in recent years. Senegal's new government, which came to power in 2024, has placed a review of legacy hydrocarbon contracts at the centre of its economic agenda, arguing that earlier agreements did not adequately reflect the country's national interest. COS-Petrogaz has been tasked with leading the technical and legal review process, engaging directly with international oil companies operating under existing production sharing agreements and exploration licences.

Diagne's public acknowledgement that arbitration remains on the table is significant. It signals that Dakar is prepared to escalate disputes through formal international legal mechanisms — typically the International Centre for Settlement of Investment Disputes (ICSID) or similar bodies — rather than accept terms it considers unfavourable. For operators and their service contractors, this introduces uncertainty

around project timelines, fiscal terms, and the broader investment framework governing active and planned developments in Senegal.

The timing is consequential. Senegal achieved first oil production from the Sangomar field in 2024, and the Greater Tortue Ahmeyim LNG project — developed straddling the Senegal-Mauritania maritime border — remains in its early operational phase. Any material shift in contractual terms or a deterioration in the relationship between the government and international operators could affect sanctioning decisions for future development phases, capital allocation, and the appetite of service companies to commit resources to the market.

For the international oil and gas services community, the situation requires careful monitoring. Contract renegotiations in producer countries do not always translate into operational disruption, but the explicit invocation of arbitration as a tool by a senior government official elevates the risk profile. Companies with existing commitments in Senegal should assess their contractual exposure, while those evaluating new entry should factor the evolving fiscal and legal environment into their commercial calculations. Senegal remains a strategically important frontier market for Norwegian service companies given its deepwater assets and LNG infrastructure, but the current political dynamic demands a more cautious near-term posture.

### **Why this matters to partners and clients of Saga**

Norwegian service companies with active or prospective engagements in Senegal — particularly around Sangomar and Tortue Ahmeyim — should monitor contract renegotiation outcomes closely, as shifts in operator fiscal terms can cascade into revised development schedules and reduced service spend. Companies not yet committed should treat this as a watch-and-wait situation, maintaining relationships with operators while deferring major resource allocation until the legal and contractual landscape stabilises. Those already embedded in ongoing projects should review force majeure and change-in-law provisions in their own agreements.

## PARTNER ANGLES

- **FPSO:** Monitor whether renegotiation outcomes affect Woodside's Sangomar FPSO operational commitments or future field development phases, which would directly impact vessel and topside service demand.
- **LNG:** Track any contractual friction at Greater Tortue Ahmeyim LNG that could delay Train 2 sanctioning or affect BP and Kosmos's development obligations, creating both risk and opportunity for LNG infrastructure service providers.
- **Subsea:** Subsea contractors should assess whether revised fiscal terms under renegotiated PSAs could lead operators to defer or descope subsea tiebacks and pipeline work planned for Senegal's deepwater blocks.
- **Drilling:** Drilling contractors and well service companies should factor potential operator capital caution into rig scheduling and tendering timelines for Senegalese exploration and appraisal campaigns.
- **Service:** Legal, compliance, and project risk advisory firms should position with operator clients navigating Senegal's renegotiation process, where technical and contractual documentation support will be in demand.

[Original source: Jeune Afrique Économie →](#)

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