



PERSPECTIVES FROM YOUR HOST

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What are your most important objectives as host of the 15th IEF?

The 15th International Energy Forum Ministerial Meeting (IEF15) marks the 25th anniversary of the global energy dialogue. It is an opportunity to celebrate its achievements, to take stock and to discuss ways and means to further strengthen it in the future. The global energy scene has become even more complex since 1991, and the world is more interdependent. The IEF thus plays a greater role as an informal, neutral and open platform for exchanging views between Ministers – be they from producing or consuming countries – the industry and other stakeholders, as well as for improving mutual understanding of the world energy challenges.

Since IEF14, oil and gas markets have changed dramatically. International oil and gas prices have more than halved. Exporting country revenues have declined substantially. Globally, we have seen huge investment cuts and massive layoffs, resulting in a potential risk of supply shortages in the medium-term. The interaction between physical and financial markets has become even more complex. My expectation is that a consensus could be formed around the view that large price fluctuations and excessive volatility are not welcome, and excessively low oil prices are not sustainable.

The COP21 landmark agreement will have medium-to long-term impacts on the world energy landscape. On the one hand, energy is a key component in most countries' nationally determined contributions for mitigation and adaptation.

On the other hand, the Paris agreement contains important developed country commitments to developing countries, in terms of provision of finance, technology transfer and capacity building. In this regard, one full session is dedicated to the specific case of renewable energy and energy efficiency.

Algeria has designed an ambitious plan to develop its renewable energy sources, in particular solar energy, and to promote energy efficiency. A key question to address: how international cooperation could help to achieve large scale deployment of renewable energy in an efficient, sustainable and least-cost manner?

Energy access is another important subject matter. Unfortunately, around one in five people in the world still lack access to electricity and almost three billion people rely on biomass for cooking. The international community should make progress in these areas and pursue the UN-agreed Sustainable Development Goal of ensuring, by 2030, universal access to affordable, reliable and modern energy services.

Finally, as is customary, Ministers will take stock of the IEF's work since IEF14, and discuss ways and means to further strengthen the global energy dialogue.

How is the current bear market in energy prices impacting the Algerian economy?

The slowdown in the world economy combined with the glut in petroleum supplies has caused a drastic fall in petroleum prices on international markets since the middle of 2014. The average price of a barrel of oil has gone from US\$100 in 2014 to US\$53 in 2015, to only US\$41 in the course of this year. This has not been without impact on the Algerian economy. Algeria's export revenues depend 97 per cent on hydrocarbon exports and the country has seen these fall drastically, impacting on macroeconomic variables. However, the prudent budgetary policy adopted by the government during periods when oil and gas prices were high has resulted in low levels of government debt. In order to lessen the consequences of longterm low petroleum prices, the government has implemented a series of measures to rationalise and optimise public spending. This has allowed it to continue its development policies while preserving macroeconomic stability.

With oil and gas providing approximately 97 per cent of Algeria's export revenue and 60 per cent of the state budget, how can Algeria move past its extreme reliance on hydrocarbons?

This is a real challenge which necessitates a lot of effort and perseverance in the implementation of the strategic vision formulated by the government. There is now a consensus about the necessity of taking courageous measures to propel the economy along a durable growth trajectory. The range of measures taken fits in this optic, notably in the case of the new investment law.

Within the energy sector one of the focuses is on the development of renewable energy and economic activity related to the energy sector. The core of the national plan is the development of renewable energy capacity and the development of industry which can profit from the energy supply. In the longer term, it is expected that these activities will make a substantial contribution to the economy of the country and thus to its diversification away from hydrocarbons.

What are the Ministry's key objectives for oil and gas in Algeria for the next 10-15 years?

Before responding to your question allow me to remind you that the two principle objectives of the energy sector, as defined within the national energy policy, are to provide the

economy and the population with an adequate supply of energy, and to maintain the export levels necessary for providing resources for the development needs of the country.

Given the growth rates in domestic energy demand as well as the medium term projects envisaged in the national development plan (refineries, petrochemical plants, power stations), along with the goal of increasing our energy exports in order to lessen the impact of the fall in oil and natural gas prices on our revenues, the efforts of the energy sector will concentrate on the expansion of hydrocarbon reserves and increasing production.

To do this, the national petroleum company Sonatrach plans to invest some US\$73 billion during 2016-2020 of which two thirds will be devoted for upstream and around US\$5 billion for the pipeline network.

We plan to increase the level of hydrocarbon production by more than a quarter to 241 million tonnes of oil equivalent (TOE) by 2020 which reflects an average annual growth of 5 per cent.

Petroleum production will increase annually by 4 per cent to reach 60 million tonnes by 2020. The new refineries should reduce the deficit in oil products and increase the volume available for export.

Similarly, the current production of natural gas of some 96 billion cubic meters (bcm) per year will increase gradually to reach 147 bcm by 2024.

These extra volumes will support our policy of increasing our exports and maintaining or even increasing our market share while at the same time meeting increasing domestic demand, notably with the coming on line of the petrochemical projects outlined in our development plans.

As an active operator on the international natural gas markets, we plan to adapt our marketing strategy to the new environment. Thus, we will go beyond the traditional pattern to export more quantities of gas, in our current markets but also in potential new ones.

Investment in renewables in the US in 2015 has been calculated at US\$56 billion and that country now produces more oil than Saudi Arabia, and more gas than the Russian Federation. How do you see the change in the geopolitics of energy impacting on Algeria and OPEC in the midterm?

Indeed renewables, mainly wind and solar, have seen global expansion of investment, not only in the US but also in China, Africa, Latin America and India. In 2015, clean energy investment reached its highest figure, almost US\$330 billion, benefiting from government support and technological progress. As a result, their contribution to

energy is expected to grow at the fastest rate in the long term, even if it remains relatively low vis-à-vis that of fossil fuels.

The world therefore still needs fossil fuels and investment in the oil and gas sector, both to enhance the level of production and to tackle the decline of production in aging fields by developing new ones.

Since the fracking “revolution”, first in shale gas and then with light tight oil, (which of course coincided with rising oil prices, encouraging further investment), US oil and gas production has reversed its declining trend and that country has reduced gradually its need for imports. In fact the US has recently become an LNG exporter. Algeria, which exported LNG and its light sweet crude to the US market, has been affected by this change and has since moved away from this market.

It is worth noting that the shift in energy demand, from the OECD region to non-OECD countries, notably Asia, the Middle-East and Latin America in recent years has reduced the impact of the change of the US market on oil and gas exporting countries, opening new opportunities for export but with higher competition and with the mapping of new trade flows for oil, petroleum products and LNG.

For producers and exporters of oil within and outside of OPEC, including Algeria, our concern is a fair price for oil, acceptable to producers and consumers, without the excessive volatility that inevitably impacts investment decisions.

The disinvestment has already affected US oil production, which is expected to contract this year. In the coming months and years, caution and wisdom are required among producers regarding the price of oil. The ongoing weakness of the oil price will in turn greatly increase future oil prices on one hand and even undermine the development of renewables programmes (funded by oil revenues in exporting countries) and jeopardise their competitiveness elsewhere, on the other.

Studies show that the demand for OPEC oil will increase in the medium-long term in order to cover future energy demand.

With this in mind, the required investments remain significant. OPEC will contribute to this effort in accordance with its commitment to security of supply for consumers, which is strongly linked to security of demand for producers.

I therefore take this opportunity of the IEF’s ministerial meeting to emphasise the importance of dialogue between producers, consumers and all stakeholders, so that collectively we can address the challenges and ensure more stability in the market. ■