

Promoting the unconventional

INTERVIEW WITH YUCEF YOUSFI

MINISTER OF ENERGY, PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA



YUCEF YOUSFI has been Algeria's Minister of Energy since 2010. Mr Yousfi was born in Batna and educated at the École Nationale Supérieure des Industries Chimiques and the Université de Nancy in France. He has served as Algeria's Ambassador to both Canada and Tunisia. In 2006 he was appointed Permanent Representative of Algeria to the United Nations, a part he held until taking his present appointment.

What do you hope this visit to London by Prime Minister Abdelmalek Sellal and his accompanying high level delegation will achieve?

The visit of the Prime Minister to London falls within the framework of bilateral relations development, a development sought both by the United Kingdom and Algeria. It is also part of our dialogue on many issues of common interest.

Where do you see the greatest opportunities for investment and involvement by British companies in the energy sector in Algeria?

Investment opportunities for British companies in the Algerian energy sector are numerous. They are principally exploration projects and/or exploitation of hydrocarbons. The Algerian mining sector, which is still under-explored, also offers new opportunities, in addition there are openings in the field of unconventional. The hydrocarbon law gives a lot of flexibility and very interesting advantages for investors.

The government also pays particular attention to

the development of the hydrocarbons-processing industries, which are a major focus of its industrial policy. In the field of petroleum refining, the continuous growth in domestic demand for refined products and petrochemicals offers us the opportunity to expand the national production capacity and widen areas of investment. Over the medium term, Algeria plans to double its refining capacity to 1.2 million barrels per day, requiring significant investment.

The petrochemical sector is expected to be considerably strengthened by the manufacture of basic products and the development of value chains related to chemicals, plastics, rubber, textiles and fertilisers. The country has indeed numerous advantages that will allow projects to be developed in partnership which will be competitive in international markets. The availability of large quantities of essential feedstocks for basic petrochemical products and the presence of a qualified and experienced workforce that understands operation processes are exceptional and positive factors. Added to this is the long standing experience of fifty years in the hydrocarbon processing industry.



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The development of all these activities is part of a positive approach which aims to broaden the Algerian industrial fabric and increase the rate of national integration through strong partnerships.

The petroleum services sector requires strengthening. The introduction of new service companies in the fields of seismic, drilling, hydraulic fracturing, engineering and logistics, especially to deal with the importance of the experience required for the achievement of unconventional projects, could contribute to this enhancement.

Finally, I would like to mention the manufacturing of equipment for the oil and gas industry, as well as the development of new power generation capacity of more than 2000 MW each year. But also, in the field of renewable energy for which the government has instituted a major development programme, which will lead to the installation of 12,000 MW of renewable energy resources by 2013. Algeria invites all its partners to participate in the success of its programmes by increasing the exchange of experience, promoting scientific cooperation agreements, and by allowing the transfer of knowledge and technologies.

In 2013, Algeria revised the contractual and fiscal provisions for foreign investment in the energy sector. What impact do you expect this to have, and what are the key changes that foreign investors should note and consider?

The legal framework is regularly adapted and improvements have been successively introduced through amendments. The amendments to the Hydrocarbon Law in 2013 had aimed to improve the attractiveness of the Algerian mining sector and allow investors to focus on unconventional projects. The amendments have aimed to improve the conditions for the exercise of oil operations, the improvement of the business climate to facilitate faster decision making and, especially, the improvement of tax conditions for the benefit of investors, by introducing the concept of profitability as a basis for the application of the taxation.

The other feature introduced by the amendments is related to the fact that Sonatrach is authorised to share the risk of exploring with its partners. The Act, in addition to the use of the call for competition, also introduces the possibility for Sonatrach having strategic alliances with other companies.

Algeria is estimated to hold the third-largest shale gas reserves in the world. What are the plans for the development of shale gas in Algeria, and the opportunities for British companies in this area?

The shale gas revolution is a great opportunity for our country that ranks among the best in terms of hydrocarbon potential. The exploitation of shale gas

requires new technologies and investments. Therefore, we decided on an approach to ensure a quality of irreproachable work to protect the environment and aquifers. Several wells have already been drilled, with more than satisfactory results. We believe that the first gas from the first shale project will come in 5 to 6 years. British companies, of course, are welcome to participate in this important effort.

Crude oil and natural gas production in Algeria has gradually declined in recent years. How do you foresee the Algerian oil and gas industry evolving over the mid to long term? What are the Ministry's key objectives for oil and gas in Algeria for the next ten to fifteen years?


It is quite natural to observe depletion in mature fields, but by exploiting new deposits, in the short and medium term, it allows us to consider a resumption of production growth. Important discoveries have been made in recent years (more than 7 billion barrels of oil equivalent in 2013-2014). Development of new fields will allow us to increase the production of natural gas by 40 per cent in the next 5-6 years and to double it within 8-10 years. This will contribute substantially to meeting the needs of the domestic market and those of our international markets.

Algeria also has a great unexploited potential in unconventional assets such as tight gas, heavy oil, coal bed methane and offshore reserves in the Mediterranean Sea. What are the incentives for foreign investment in these areas?

The Petroleum Act amendments have taken into account all projects that we can describe as 'difficult' projects, which concerns of course, unconventional, offshore, areas of complex geology and outlying regions where there is a lack of infrastructure.

For these projects, the law provides attractive tax advantages which, I am sure, will be beneficial to investors. The large amounts of capital investment needed to produce these types of hydrocarbons are not taxed directly on revenue, but taxed according to the profitability. These are important incentives.

What is the current state of the security situation in Algeria, particularly in respect of remote facilities in the south of the country?

The security situation in Algeria has always been considered a priority in all our projects. These conditions have been strengthened since the unfortunate incident of Tiguentourine that occurred in January 2013. Today, all measures taken within the framework of this strengthening of the security situation have proven their effectiveness. They have helped ensure maximum security for the staff at all our facilities. 

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