

opinión

Mediterráneo y Oriente Medio



72

MAY
2010

AT LONG LAST, A CHANGE AT THE ALGERIAN MINISTRY OF ENERGY

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Abdelaziz Bouteflika sacked one of his closest allies in government since he became president 11 years ago last week. Dr Chakib Khelil has run Energy and Mines, the most important department of state – it accounts for 98% of the country's export income and has allowed Algeria to amass hard currency reserves of \$150bn, the highest figure in its history. In a game of musical chairs which reflects the apparent clan warfare which outwardly characterises politics among the country's elite and the ever shifting balance of influence between the president's men and those of General Tewfik Mediène who runs the key *Département du Renseignement et de Sécurité* (DRS), Yazid Zerhouni, was switched from the ministry of the interior which he has run since 1999 to a new post of vice prime minister whose prerogatives are, as yet, not defined while the minister of privatisation, Abdelhamid Temmar takes charge of a new portfolio in charge of prospective thinking about the economic future of North Africa's largest country. Ordinary Algerians greeted the reshuffle of the team led by Prime Minister Ahmed Ouyahia with an undisguised yawn.

The appointment of Yusef Yousfi to the ministry of Energy and Mines is however of great importance. A former vice president of the state oil and gas company Sonatrach and foreign minister, M Yousfi is respected at home and abroad for his competence and integrity. His predecessor was dogged for years by allegations of corruption and very close links with the US company Halliburton and its erstwhile chief executive, the former US Vice President Dick Cheney. Last January all the vice presidents of Sonatrach bar one were put under house arrest on charges of corruption, on orders from the president but at the insistent request of General Mediène. This tarnished the name of a company whose senior cadres gained a reputation as tough negotiators but steered clear of corruption. In recent years corruption has engulfed Algeria. Last January's arrests also threatened to undermine efforts made by M. Bouteflika to redeem his country's international reputation stained by years of savage internal strife in the 1990s.

Chakib Khelil was famous for his iron fist and his refusal to broker any disagreement from his senior staff – even in private. Such a high handed stewardship of a key office of state had the unfortunate consequence of encouraging a steady stream of very bright oil and gas executives to be sidelined – many left Algeria altogether to work abroad, at the very time when the challenges facing Sonatrach were growing. M Yousfi's first task will thus be to rebuild trust and confidence

at home and abroad. Leaving Sonatrach and its many foreign partners in a never ending political and judicial vacuum was never an option.

The second challenge is to address some of the hard questions Algeria faces as oil and gas exporter and the EU's third largest foreign supplier of gas after Russia and Norway. First of all, is it realistic to hold to a current target for gas exports of 85 billion cubic metres (Bcm) by 2012 and 100 Bcm by 2015, compared with less than 60Bcm in 2009? Realistic in terms of the investments required and the long lead times it takes to manage very complex operations of exploration, extraction, liquefaction and/or carrying gas over thousands of miles? Though Europe's immediate need for gas has declined because of the economic crisis, it is bound to pick up in a few years time but, meanwhile the soon to be inaugurated gas pipeline to Spain will offer Algerian gas to a market where there are no new buyers while the gas pipeline which carries Algerian gas to the Iberian peninsula via morocco is not functioning at full capacity because of the very frosty relations between the two largest countries in North Africa? Another challenge is to work out the place solar energy could play in the energy mix Algeria and its mainly European buyers might work out for the medium term. Developing solar energy would help to address the water stress North Africa will increasingly face in the years ahead as it offers a less energy-hungry means of desalination.

The energy policy pursued in Algeria needs to be set against two other parameters. The country boasts proven reserves of gas of 4500 Bcm as of the end of 2009, 2.4% of world total. These are not large by world standards but have the advantage of proximity to Europe and the existence, well established links of transport, via underwater pipelines or in Liquefied Natural Gas (LNG) form. How fast should Algeria explore, develop and deplete its reserves of gas? How much hydrocarbons should it keep in the ground for future generations rather than earn dollars whose value in the near future is uncertain at best? Critical voices have been raised in the establishment in Algeria questioning a policy which seemed akin to selling off the family silver. Bearing in mind that it holds hard currency reserves of \$150bn and no well thought out economic policy to use this money to create desperately needed jobs, what is the point of investing in ever more in pipelines and LNG plants?

Chakib Khelil's departure has been welcomed by many in Algeria, in and out of the energy sector. But what of the impending trials for corruption of Sonatrach vice presidents? Will they end up as so many other trials in Algeria such as the one that followed the spectacular collapse of Khalifa Airways and Bank a few years ago: a long messy trial which shed no light on the real sponsors and beneficiaries of this corruption? Some good will undoubtedly come from the changes: by appointing a man of integrity, a man who knows the oil and gas sector well and has been foreign minister, M Bouteflika has ensured that a minimum of coherent and serious management returns to what remains, for better or worse, the country's major industry and hard currency earner.