

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing May 2024

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#### Algeria Summary 9 May 2024

**Foreign minister Ahmed Attaf reveals on 28 April that European partners have asked Algeria to increase its gas supplies. Spain's largest natural gas company Naturgy says on 7 May that its gas supply contracts with Algeria do not have any clauses that would be affected by changes to its shareholding structure. Government reinstates its ambassador to Spain on 8 April following an almost two-year-long diplomatic hiatus. International Monetary Fund (IMF) forecasts published on 16 April indicate that Algeria's economy ranked as Africa's fourth largest in 2023 and is projected to rise to third in 2024.**

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#### Algeria asked by Europe to boost gas supply...

Foreign minister **Ahmed Attaf** revealed on 28 April, during the **World Economic Forum (WEF)** meeting in **Riyadh (Saudi Arabia)**, that **European** partners have asked **Algeria** to increase its gas supplies as regional and global conflicts have affected the industry.<sup>1</sup> Attaf spoke of how the global environment has changed in the past two and half years, with the **Ukraine** conflict impacting the energy market, which now requires more effective intervention from the **United Nations (UN)** and its **Security Council (UNSC)**.<sup>2</sup> He also said that in addition to the Ukraine conflict, the conflict in **Gaza** and insecurity in the **Sahel** are also impacting the **North African** region:

*"We have the **Palestinian-Israeli** conflict that is also impacting our region, and we have the **Sahel** region. And we are also feeling the impact of the deteriorating situation in this region on the **Euro-Mediterranean** area".<sup>3</sup>*

Despite those conflicts, Attaf said that his country has established a "very complex network of cooperation" with its partners in Europe and Algeria has still been able to meet its commitments despite the effects on its environment.<sup>4</sup> Several European countries, such as **Germany**, have been struggling to find alternative sources of gas since they decided to curb **Russian** natural gas supplies following its invasion of Ukraine in February 2021.<sup>5</sup> Algeria is one of the countries that has filled the energy gap facing these countries, and a new deal with the **European Union (EU)** will further strengthen relations between Europe and Algeria.

The EU's latest market statistics show that Algeria currently supplies approximately 14% of the bloc's total imports of both LNG and pipeline gas.<sup>6</sup> Algeria has also greatly benefitted from skyrocketing energy prices, a consequence of the Russia-Ukraine conflict, which has shored up the country's foreign reserves, giving the government more scope to cushion citizens against increasing living costs and ward off social unrest.<sup>7</sup> In addition to a new deal with the EU, a potential green hydrogen deal with Germany also offers economic benefits. The expected entry of **United States (US)** energy giants **Exxon Mobil** and **Chevron** into Algeria could further boost its crucial energy sector (See *ARC Briefing Algeria Feb 2024*). The government is dependent on the sector's profits for about 60% of its budget and 95% of export revenues.

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<sup>1</sup> Arab News, 29 Apr 2024

<sup>2</sup> Arab News, 29 Apr 2024

<sup>3</sup> Arab News, 29 Apr 2024

<sup>4</sup> Arab News, 29 Apr 2024

<sup>5</sup> Yahoo Finance, 9 Feb 2024

<sup>6</sup> Bloomberg, 7 Feb 2024

<sup>7</sup> Bloomberg, 20 Oct 2023

### Naturgy says gas supply contracts with Algeria unaffected by shareholding changes...

Spain's largest natural gas company **Naturgy** said on 7 May that its gas supply contracts with Algeria do not have any clauses that would be affected by changes to its shareholding structure, refuting media reports from 6 May that Algeria will cancel gas deliveries to Naturgy if the company's shares are sold to another company.<sup>8</sup> There has been no confirmation of which firm has placed a bid for Naturgy's shares, however, **United Arab Emirates (UAE)** -based **TAQA**, announced in April that it was in talks with Naturgy's three largest shareholders which could lead to a full takeover.<sup>9</sup> Naturgy also emphasised that shareholder changes have taken place in the past but there has been no impact on the contract's performance and Algerian officials did not raise any protestations about those changes.<sup>10</sup> Spokespeople for Spain's energy, economy and foreign ministries declined to comment on the matter and TAQA said that it "*does not comment on market rumour or speculation*".<sup>11</sup>

Algeria's reported issue with TAQA potentially acquiring Naturgy shares is related to its deteriorating relations with the UAE.<sup>12</sup> Ties between the two declined after the **Arab** country and **Morocco** in 2020 were among Arab countries that boosted relations with **Israel** in the US-backed **Abraham Accords**, which Algeria is critical of.<sup>13</sup> Morocco, which is Algeria's major regional rival, had to normalise relations with Israel to secure US support for its autonomy plan for the **Western Sahara**.

Despite its issues with the UAE, Algeria has no legal authority to cancel its supply contract should Naturgy decide to sell its shares to TAQA. Naturgy has gas contracts with Algerian state-owned energy company **Sonatrach** for 5 billion cubic metres (bcm) per year and the parties are currently negotiating prices for 2023, retroactively, and 2024.<sup>14</sup>

### Algeria reinstates its ambassador to Spain...

The government reinstated its ambassador to Spain, **Abdefettah Daghmoum**, on 8 April following an almost two-year-long diplomatic hiatus. Algeria removed its ambassador in May 2022 in protest against Spain's support for Morocco's autonomy plan for the Western Sahara.<sup>15</sup> Spain endorsed Morocco's autonomy plan as the most serious and credible political solution to end the dispute in the Western Sahara in March 2022 (*see ARC Briefing Algeria Apr 2022*). Algerian officials said that the return of the ambassador was prompted by Spain changing its stance to a more neutral one on the issue.

Morocco considers the Western Saharan territory, which borders Morocco, Algeria and **Mauritania**, as its own; however, the Algeria-backed **Polisario Front** movement has continuously demanded a sovereign state.<sup>16</sup> The UN considers the Western Sahara a "*non-self-governing territory*"; however, 80% of it is actually controlled by Morocco.<sup>17</sup> After Spain ended its colonial rule over Western Sahara in 1976, Morocco and Mauritania partitioned the territory between themselves; however, in August 1979, under pressure from the Polisario Front guerrillas, Mauritania withdrew all claims of its portion of the Western Sahara. Morocco then moved to occupy the territory and has since asserted administrative control over the whole Western Sahara.<sup>18</sup> This resulted in the outbreak of war between Morocco and the Polisario Front. The UN brokered a ceasefire in 1991 but a planned referendum on independence was never held and the final status of the territory remained unresolved.<sup>19</sup>

<sup>8</sup> Reuters, 7 May 2024

<sup>9</sup> Reuters, 7 May 2024

<sup>10</sup> Naturgy, 7 May 2024

<sup>11</sup> Reuters, 7 May 2024

<sup>12</sup> Reuters, 7 May 2024

<sup>13</sup> Reuters, 7 May 2024

<sup>14</sup> Reuters, 7 May 2024

<sup>15</sup> Middle East Monitor, 15 Apr 2024

<sup>16</sup> Reuters, 18 Mar 2022

<sup>17</sup> Africa News, 27 Sep 2023

<sup>18</sup> Xinhua, 30 Oct 2023

<sup>19</sup> Al Jazeera, 11 Dec 2020

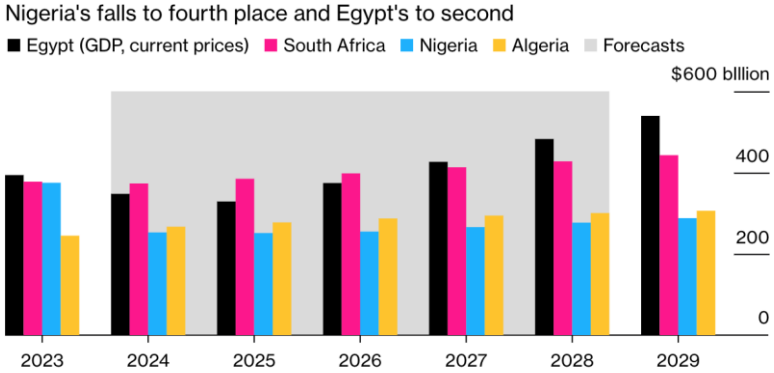
Spain’s support for Morocco’s autonomy plan provoked a swift move in **Algiers** to suspend its friendship treaty with Spain, signed in 2022. Algeria authorities also decided to limit commercial transactions with Spain by freezing banking operations and increasing the prices of energy - while Algerian officials did not provide reasons for Sonatrach’s review of prices of oil exported to Spain, the Spanish government reportedly claimed that the Algerian decision to increase gas prices for Spain was retaliation for its endorsement of Morocco’s autonomy plan for Western Sahara.<sup>20</sup> The decision had major repercussions for Spanish companies, particularly those in the agri-food, ceramics, construction and public works sectors, which saw some of their projects in Algeria frozen and exports plummeted.<sup>21</sup>

Diplomatic relations between Algeria and Spain were re-established last year but the issue of Western Sahara remains a sensitive issue, and as recently as 27 February, it was reported that the Algerian government cancelled the official visit to Algiers of Spanish foreign minister, **Jose Manuel Albares**, due to his refusal to discuss the Western Sahara issue.<sup>22</sup> Spanish-Algerian relations have oscillated in recent years and it is not unreasonable to expect them to become unstable again should Algiers suspect Spain of once again supporting Morocco’s autonomy plan.

**Algeria’s economy ranked as Africa’s third largest...**

**International Monetary Fund (IMF)** forecasts published on 16 April indicate that Algeria’s economy ranked as Africa’s fourth largest in 2023 and is projected to rise to third in 2024 behind **South Africa** and **Egypt** on the back of rising energy prices.<sup>23</sup> South Africa, which is Africa’s most industrialised country, is forecast to remain in the top spot until 2027 when Egypt will regain the mantle.<sup>24</sup> Nigeria, which was the continent’s largest economy in 2022, is expected to remain in fourth place for at least the next five years. Both Egypt and Nigeria have seen their economic fortunes dim as they struggle with high inflation and a plunge in their local currencies. However, Algeria, an **Organization of the Petroleum Exporting Countries+ (OPEC+)** member, has benefitted from high gas and oil prices caused first by the Russian invasion of Ukraine and now the instability in the Middle East (see above).<sup>25</sup> Algeria stepped in to ease Europe’s energy woes after the EU decided to wean itself off Russian gas supplies amid its war in Ukraine. However, the IMF’s projections indicate that Algeria’s economy will only grow marginally between 2024 and 2029 as depicted below.

**South Africa Economy to Become Africa's Largest in 2024**



<sup>20</sup> Morocco World News, 8 Apr 2022  
<sup>21</sup> Africa News, 17 Nov 2023  
<sup>22</sup> Morocco World News, 28 Feb 2024  
<sup>23</sup> IMF, 16 Apr 2024  
<sup>24</sup> IMF, 16 Apr 2024  
<sup>25</sup> Bloomberg, 18 Apr 2024

## Planner

2024 **(France)** President **Abdelmadjid Tebboune** to visit France;  
 Sep 2024 **(Algeria)** Presidential elections;

## Chronology

7 May **Algiers (Algeria)** *Middle East Monitor*. Criminal court of appeal prosecutor's request the death penalty against the son of former prime minister and presidential candidate hopeful, **Ali Benflis**, on charges of attempting to harm the "*national economy*" and communicating with a foreign country;

3 May **Algiers (Algeria)** *Africa News*. A football politics dispute between Algeria and **Morocco** over a map of disputed **Western Sahara** territory on the team jersey of Moroccan club **RS Berkane** will go to a full appeal hearing at the **Court of Arbitration for Sport**;

29 Apr **Algiers (Algeria)** *Morocco World News*. The **Morocco-based Sahara Observatory for Peace, Democracy and Human Rights** says it strongly condemns the arbitrary executions carried out against young people detained in the **Tindouf** camps, holding Algeria and the leaders of the separatist **Polisario Front** responsible for these crimes;

28 Apr 2024 **Algiers (Algeria)** *Arab News*. Foreign minister **Ahmed Attaf** says **European** partners have asked Algeria to increase gas supply as regional and global conflicts continue to impact supply;

26 Apr **Algiers (Algeria)** *Morocco World News*. Former **French** ambassador to Algeria **Xavier Driencourt** says France is preparing to officially recognise Moroccan sovereignty over **Western Sahara**;

25 Apr 2024 **Algiers (Algeria)** *AFP*. Algeria signs a \$3.5 billion deal with **Qatar's** largest dairy producer, **Baladna**;

25 Apr 2024 **Algiers (Algeria)** *Arab News*. Algeria's first **KFC** outlet resumes operations after a temporary closure prompted by a series of pro-**Palestinian** demonstrations last week, opting to not display the resultant logo on its exterior;

24 Apr **Algiers (Algeria)** *Morocco World News*. **Libya** has reportedly closed the door on Algerian attempts to exclude **Morocco** from a revamped **Maghreb Union** project;

24 Apr 2024 **Algiers (Algeria)** *North Africa Post*. **United States Department of State** says in its latest annual report on human rights in Algeria that the situation deteriorated in 2023 due to increased repression and violation of freedoms of expression, press, assembly and association;

22 Apr 2024 **Algiers (Algeria)** *Arab Weekly*. President **Abdelmadjid Tebboune** meets with his **Libyan** and **Tunisian** counterparts – **Mohamed al-Menfi** and **Kais Saied** – to discuss security and economic issues in a tripartite meeting that is set to take place every three months;

18 Apr 2024 **New York (United States)** *Arab News*. The **United States** vetoes a draft resolution, drawn up by Algeria, that proposed **Palestine** be granted full membership of the **United Nations (UN)**, thereby effectively blocking the **UN Security Council (UNSC)** from recognising Palestine as a state;

17 Apr **Algiers (Algeria)** *Middle East Monitor*. Two days after its opening in Algeria, the **United States (US)** fast-food chain **KFC**, closes its first branch in **Algiers**, amid protests over US support to **Israel**;

15 Apr 2024 **Algiers (Algeria) Jeune Afrique. French publication Jeune Afrique** confirms that Algeria expelled one of its journalists, **Faris Alilat**, upon his arrival, with no official explanation;

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