

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing June 2024

---

#### Algeria Summary 7 June 2024

**Energy minister Mohamed Arkab confirms on 29 May that Algeria is close to finalising a deal with the United States (US) energy giant Chevron for the development of a hydrocarbon field. The Organization of the Petroleum Exporting Countries+ (OPEC+), of which Algeria is a member, agrees on 2 June to extend oil production cuts until the end of 2025. Algeria, one of the Arab world's last holdouts to international tourists, is slowly opening up as a new visa programme allows more vacationers entry into the country.**

---

#### Algeria nears Chevron deal and vows to stay key Europe gas supplier...

Algeria is close to finalising a deal with the **United States (US)** energy giant **Chevron** as the country plans to boost its natural gas exploration and production and remain a key supplier of energy to **Europe**.<sup>1</sup> Energy minister **Mohamed Arkab** said in an interview on state television on 29 May that state-owned energy giant **Sonatrach** will sign the agreement to develop a large hydrocarbon field “*within the next few days*”.<sup>2</sup> Arkab also said that beyond the end of the year, Sonatrach will also sign contracts with another US energy giant, **ExxonMobil**, to develop “*very important fields*” that will make a significant addition to Algeria’s gas production.<sup>3</sup>

Algeria’s energy sector experienced a major rebound after **Russia** invaded **Ukraine** in February 2022, stepping in to supply Europe as it struggled to find alternative supplies to Russian energy. **Italy**, **Germany** and **Spain** also have already signed agreements to increase supplies from Algeria. According to the **European Union’s (EU)** latest market statistics, Algeria currently supplies approximately 14% of the bloc’s total imports of both LNG and pipeline gas.<sup>4</sup> During his interview, Arkab emphasised that Algeria has played a significant role in “*securing Europe’s energy needs*”,

*“We will continue doing that as a reliable country in terms of commitments to long term contracts and the big volumes we supply to the European markets and also other markets in Asia in the form of LNG”.*<sup>5</sup>

Despite having some of Africa’s largest oil and gas reserves, Algeria’s production had been hindered by mismanagement and a lack of investment until it ushered in sweeping reforms in its hydrocarbons and investment laws in 2020. Arkab emphasised that the new laws improved the investment climate in Algeria and helped the country secure deals with global energy giants such as **France’s Eni**, **Norway’s Equinor** and the US-based **Occidental Petroleum**.<sup>6</sup> Arkab also mentioned that Algeria is intensifying exploration efforts and has already discovered eight large oil and gas fields this year. The objective is to boost production to 200 billion cubic meters (bcm) a year in the short to medium term from the current 137 bcm.<sup>7</sup>

The new energy deals offer major economic benefits for Algeria, as the imminent entry of Exxon Mobil and Chevron into the country will further boost its crucial energy sector and bolster foreign exchange earnings (*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. Algeria’s location and relative political stability

---

<sup>1</sup> Yahoo Finance, 31 May 2024, Bloomberg, 30 May 2024

<sup>2</sup> Yahoo Finance, 31 May 2024, Bloomberg, 30 May 2024

<sup>3</sup> Bloomberg, 30 May 2024

<sup>4</sup> Bloomberg, 7 Feb 2024

<sup>5</sup> Yahoo Finance, 31 May 2024, Bloomberg, 30 May 2024

<sup>6</sup> Yahoo Finance, 31 May 2024, Bloomberg, 30 May 2024

<sup>7</sup> Yahoo Finance, 31 May 2024, Bloomberg, 30 May 2024

also continue to make it an attractive partner for the EU and as the conflict drags out, Algeria could continue to benefit.

### OPEC+ extends oil production cuts until the end of 2025...

The **Organization of the Petroleum Exporting Countries+ (OPEC+)** agreed on 2 June to extend oil production cuts until the end of 2025, arguing that this will maintain balance and stability in global oil markets.<sup>8</sup> The oil cartel's statement after its meeting noted that it had decided to extend additional voluntary cuts of 1.65 million barrels per day (bpd), which were announced in April 2023, until December 2025.<sup>9</sup>

The production schedule attached to the statement indicated that all member countries, including Algeria, set the same production level required in 2025 as in 2024, except the **United Arab Emirates (UAE)**, whose production increased to 3.519 million bpd, an increase of 300,000 bpd.<sup>10</sup> The UAE will boost its production gradually starting in January 2025 until the end of September 2025.<sup>11</sup>

The OPEC+ cartel has implemented a series of deep production cuts since late 2022 amid growing production from non-member countries, such as the US, and concerns about demand amid rising interest rates.<sup>12</sup> OPEC+ members are currently reducing production by a combined 5.86 million bpd or about 5.7% of global demand.<sup>13</sup>

OPEC+ countries produce approximately 40% of the world's crude, which means that its policy decisions have a major impact on oil prices. Algeria and OPEC+ members will most likely see some increase in oil revenues as a result of extending production cuts. 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>14</sup> Algeria currently produces approximately one million barrels of oil per day.

### Algeria eases regulations for tourists to visit its wonders...

Algeria, one of the **Arab** world's last holdouts to international tourists, is slowly opening up as a new visa programme which allows more vacationers to experience the country and its historic landmarks.<sup>15</sup> This slow-moving change comes after **Saudi Arabia** in 2019 took the historic decision to open up after being closed to tourists for decades, leaving Algeria as one of the Arab world's last frontiers for adventure travel.<sup>16</sup> Unlike its neighbours - **Morocco, Egypt** and **Tunisia** - Algeria has not prioritised its tourism sector despite its proximity to Europe or possession of key landmarks. The country has several **UNESCO** heritage sites and in February, inaugurated a new Grand Mosque, the world's third-largest religious complex, and a landmark visible throughout Algiers.

While the country remains a very difficult place for tourists to access a visa, an initiative implemented in January 2023 appears to have eased that process and there is traction in attracting tourists. Tourism minister **Mokhtar Didouche** said in an interview on 11 May that under the new visa initiative, it now takes at most a week to ten days for authorities to process a visa, which is significantly shorter than previously when permission was granted through consulates.<sup>17</sup> However, that privilege has generally been directed to tourists planning to visit the **Sahara** desert in the south and do not require maximum comforts to tour the region that makes up 80% of the country.<sup>18</sup>

<sup>8</sup> OPEC+, 2 Jun 2024

<sup>9</sup> OPEC+, 2 Jun 2024

<sup>10</sup> Middle East Monitor, 3 Jun 2024

<sup>11</sup> OPEC+, 2 Jun 2024

<sup>12</sup> Middle East Monitor, 3 Jun 2024

<sup>13</sup> Middle East Monitor, 3 Jun 2024

<sup>14</sup> Bloomberg, 20 Oct 2023

<sup>15</sup> Bloomberg, 11 May 2024; Middle East Monitor, 3 Jun 2024

<sup>16</sup> Middle East Monitor, 3 Jun 2024; Bloomberg, 11 May 2024

<sup>17</sup> Bloomberg, 11 May 2024

<sup>18</sup> Bloomberg, 11 May 2024

Additionally, all trips to Algeria must be booked through approved travel agencies in Algeria and vacationers usually have security escorts.

Despite these regulations, Didouche revealed that tourist arrivals in Algeria reached 3.3 million in the year to February 2024, fuelled mainly by diaspora visiting family and friends in the country, as these visitors are allowed easier entry.<sup>19</sup> While Didouche said that it's a level previously thought "*quite unthinkable*", it is still extremely short of the target of 10 million arrivals by 2030.<sup>20</sup> Tourist arrivals in Algeria have also generally not exceeded 2.7 million per year over the last decade and the tourism industry contributes just 2% to the country's GDP.<sup>21</sup>

However, Didouche stressed that authorities are putting in place additional measures to boost tourist numbers including extending the speedier visa-for-the-Sahara policy to the whole country "*soon*".<sup>22</sup> He also said that there is a building spree planned as the country's 1,600 hotels with a capacity of 150,000 to 160,000 beds are "*not enough to accommodate a large influx of tourists*".<sup>23</sup> More land is also being made available to investors in the tourism sector, with 58,000 hectares countrywide being earmarked. Didouche said that while previously land in Algeria was granted as a form of concession, under the government's new ownership regulations, it will be transferred to investors after the project is completed. Ultimately, Didouche said that government officials must "*raise the profile of Algeria as a destination*" as the government wants to,

*"Show international opinion that we have a quality destination and that we are a people with a history, traditions, heritage, gastronomy and craftsmanship."*<sup>24</sup>

It is a very positive step by the government to prioritise the development of the local tourism sector. Local observers expect the move to make it easier for tourists to visit Africa's largest country and bring much-needed revenue to the local tourism sector, which is usually dominated by locals and the diaspora. The inflow of foreign US dollars may particularly help Algeria's goal to diversify its economy, which has been under strong protectionist policies for decades and is still highly dependent on oil and gas. However, the government must also move fast to remove the counterproductive policy that only allows international travellers to visit the south of the country covering the Sahara Desert, as that means it will be more difficult for visitors to travel to the ancient capital of Algiers, the Mediterranean coastline, and winter ski resorts in the Atlas Mountains. The requirement that tourists must travel with a police escort and only use approved local travel agencies must also be removed.

The move to open up represents a major policy change for a country that traditionally never sought to become a major tourist hotspot like regional neighbours. However, change will not come overnight and it may take years before Algeria reaps any benefits of the new policy change. The country greatly lags behind its more popular neighbours, such as rival Morocco which attracted a record 14 million tourists in 2023. A local source told **Africa Risk Consulting Briefing (ARC Briefing)** that they are "*pleased*" with the decision to open up the tourism sector as,

*"It will certainly have a positive impact on the tourism sector and on the country."*<sup>25</sup>

## Planner

2024 **(France)** President **Abdelmadjid Tebboune** to visit France;

Sep 2024 **(Algeria)** Presidential elections;

Dec 2024 **Vienna (Austria) Organization of the Petroleum Exporting Countries+ (OPEC+)** meeting;

<sup>19</sup> Bloomberg, 11 May 2024

<sup>20</sup> Bloomberg, 11 May 2024

<sup>21</sup> Middle East Monitor, 3 Jun 2024; Bloomberg, 11 May 2024

<sup>22</sup> Middle East Monitor, 3 Jun 2024; Bloomberg, 11 May 2024

<sup>23</sup> Bloomberg, 11 May 2024

<sup>24</sup> Bloomberg, 11 May 2024

<sup>25</sup> ARC Source, Local Resident

## Chronology

6 Jun 2024 **Algiers (Algeria)** *North Africa Post*. According to leaked intelligence reports Algeria's army chief, **Saïd Chengriha**, recent survived an assassination attempt;

1 Jun 2024 **Algiers (Algeria)** *Middle East Monitor*. **Morocco's** permanent representative to the **United Nations (UN)**, **Omar Hilale**, criticises Algeria for exploiting its position within the **UN Security Council** to promote a biased stance on the **Western Sahara** dispute;

**31 May 2024 Riyadh (Saudi Arabia)** *Middle East Monitor*. Major **Organization of the Petroleum Exporting Countries+ (OPEC+)** producers gather in **Riyadh (Saudi Arabia)** to debate oil output cuts after the Saudi-led group revised its meeting plans for a second time;

30 May 2024 **Algiers (Algeria)** *Reuters*. **United States (US)** says Algeria's proposed **United Nations Security Council (UNSC)** resolution on a **Gaza** ceasefire is not balanced and fails to note that **Hamis** is to blame for the conflict;

29 May 2024 **Algiers (Algeria)** *France24*. Algeria circulates a proposed **United Nations Security Council** resolution demanding an immediate ceasefire in **Gaza**;

27 May 2024 **Algiers (Algeria)** *Middle East Eye*. Algeria requests a **United Nations Security Council** meeting to discuss the **Israeli** strike on a displaced persons camp in **Rafah**;

25 May 2024 **Algiers (Algeria)** *Zawya*. **Algerian National Investment Promotion Agency** says it granted licences for 7,230 projects in the first five months of 2024, worth approximately \$25m;

23 May 2024 **Algiers (Algeria)** *Al-Monitor*. State-owned **Sonatrach** signs a memorandum of understanding (MoU) with **United States (US)**-based **ExxonMobil** for the development of Algeria's **Ahnet** and **Gourara** basins with Sonatrach also awarding US-based **Baker Hughes** a contract for the **Hassi R'Mel** gas field;

## About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

## About ARC Briefing:

**ARC Briefing** is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)

Africa Risk Consulting (ARC) Pty Ltd expressly forbids the collection of information and content from ARC Briefing as data to train generative artificial intelligence models.

© Africa Risk Consulting (ARC)