

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing May 2022

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#### Algeria Summary 12 May 2022

*Russia's foreign minister, Sergei Lavrov, meets with President Abdelmadjid Tebboune (2019-present) and foreign minister Ramtane Lamamra in Algiers to discuss "strategic bilateral relations and international and regional developments". Algeria is struggling to meet rising demand for gas amid the conflict in Ukraine and does not have sufficient extra supplies to make readily available to Europe. Following Spain's announcement that it would ship gas to Morocco, Algeria's energy ministry says transporting Algerian gas to a different destination is considered a breach of contractual obligations and would lead to the termination of the contract binding state-owned energy company Sonatrach. Civil servants in Algeria strike to protest the worsening socioeconomic situation, amid record-high food prices and eroding purchasing power they say is due to the ruling military regime's mismanagement and corruption. Algeria continues to experience a dramatic decline in new cases of Covid-19.*

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#### Russian foreign minister visits Algeria to discuss Ukraine, Libya crises...

Russia's foreign minister, **Sergei Lavrov**, arrived in **Algeria** on 10 May for an official visit as the move by **European** states to secure alternative energy supplies gathers momentum.<sup>1</sup> Lavrov met with President **Abdelmadjid Tebboune** (2019-present) and foreign minister **Ramtane Lamamra** to discuss "*strategic bilateral relations and international and regional developments*" such as the conflicts in **Ukraine** and **Libya**, the situation in the **Middle East** and major developments in global energy markets.<sup>2</sup> This was Lavrov's first visit to Algeria since January 2019 and comes as the two countries commemorate the 60<sup>th</sup> anniversary of the establishment of diplomatic relations.<sup>3</sup> The head of the **Algerian-Russian** friendship committee within the **National Assembly**, **Abdeslam Bashaga**, said on 9 May that Lavrov's visit aims to deepen and strengthen the 60-year bilateral strategic relationship.<sup>4</sup> Bashaga noted that the visit, which comes amid the Ukrainian crisis, presents an opportunity for **Algiers** to emphasise its position, calling for "*a political solution to the ongoing conflict*".<sup>5</sup>

According to Russian publication **TASS** news agency, Russia's President **Vladimir Putin** (2000-2008; 2012-present) reportedly held talks with Tebboune in April on the "*coordination within [Organization of the Petroleum Exporting Countries] OPEC+ as well the situation in Ukraine*".<sup>6</sup> OPEC+ is a grouping that brings together all OPEC members and allied producers led by Russia in managing energy output and prices.<sup>7</sup>

**Spain**, **Italy** and other **European Union (EU)** members have looked to Algeria for energy as they wean themselves off Russian gas since it commenced military operations in Ukraine on 24 February.<sup>8</sup> Algeria, a major supplier of gas to Europe, provides the continent with 11% of its

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<sup>1</sup> Alarabiya, 10 May 2022

<sup>2</sup> Middle East Monitor, 10 May 2022

<sup>3</sup> Alarabiya, 10 May 2022

<sup>4</sup> Middle East Monitor, 10 May 2022

<sup>5</sup> Middle East Monitor, 10 May 2022

<sup>6</sup> Alarabiya, 10 May 2022

<sup>7</sup> Alarabiya, 10 May 2022

<sup>8</sup> Alarabiya, 10 May 2022

supplies, compared with 47% from Russia.<sup>9</sup> Amidst the deepening fuel crisis, Algeria has also received visits from **United States (US)** secretary of state **Anthony Blinken** and Italy's prime minister, **Mario Draghi** (2021-present).<sup>10</sup> In an official visit to Algiers on 11 April, Draghi secured a deal with Algeria to increase gas imports to his country, reflecting the push by the EU to limit its dependence on Russian energy.<sup>11</sup>

### ... as Algeria struggles to meet rising gas demand

Despite Italy's deal with Algeria to increase gas imports (see above), industry experts claim that Algeria lacks the spare capacity and infrastructure to raise its gas exports to replace Russian gas in the short term.<sup>12</sup> **United Kingdom (UK)**-headquartered news publication **The Financial Times (FT)** reported on 19 April that Algeria does not have enough extra gas supplies to make readily available to Europe.<sup>13</sup> UK-based **Oxford Institute for Energy Studies** senior research fellow **Mostefa Ouki** claims that in the short term Algeria can only provide Europe with "a few additional billion cubic metres of gas".<sup>14</sup> A former CEO of national gas and oil company **Sonatrach**, speaking anonymously in March, highlighted that Algeria's production falls far short of Russia's:

*"The quantities of gas that Algeria exports annually to Europe exceed 42 billion cubic metres, while one Russian pipeline can pump these quantities...there is currently no country that can confront Russian production of gas."*<sup>15</sup>

The capacity shortage is due to a longstanding shortage of foreign investment in Algeria's hydrocarbons sector and bureaucracy.<sup>16</sup> Political analyst **Anthony Skinner** told the FT that Algeria had "missed an opportunity to realise its full potential" due to

*"years of under-investment by international oil companies because of a history of difficult fiscal terms and the overall operating environment marked by bureaucracy and slow decision-making".*<sup>17</sup>

In a bid to avoid offending Russia, its long-time ally, Algeria has repeatedly stressed that it may not be able to replace gas supplies to Europe.<sup>18</sup> In an interview with state-owned news agency **Algeria Press Service**, Sonatrach CEO **Tawfiq Hakkar** said on 2 April that while Algeria has billions of additional cubic metres of gas, it cannot replace Russian gas (see *ARC Briefing Algeria Apr 2022*).<sup>19</sup> However, Hakkar added that Sonatrach would eventually sell more gas to European partners:

*"Through the pace of our explorations, our capabilities will double within four years, which indicates promising prospects for our European customers."*<sup>20</sup>

Hakkar noted that 2022 will be a promising year for oil discoveries in Algeria, with the company already having made three discoveries in the first three months of 2022, one of which has a

<sup>9</sup> Alarabiya, 10 May 2022

<sup>10</sup> Middle East Monitor, 20 Apr 2022

<sup>11</sup> Africa News, 12 Apr 2022

<sup>12</sup> Alarabiya, 10 May 2022

<sup>13</sup> Financial Times, 19 Apr 2022

<sup>14</sup> Financial Times, 19 Apr 2022

<sup>15</sup> Middle East Monitor, 7 Mar 2022

<sup>16</sup> Financial Times, 19 Apr 2022

<sup>17</sup> Financial Times, 19 Apr 2022

<sup>18</sup> Alarabiya, 10 May 2022

<sup>19</sup> Middle East Monitor, 2 Apr 2022

<sup>20</sup> Middle East Monitor, 2 Apr 2022

reserve estimated at one billion barrels.<sup>21</sup> Sonatrach plans to invest \$40 billion in production and exploration between 2022 and 2026.<sup>22</sup>

### Algeria threatens to cut off gas supplies to Spain...

Political tensions with **Morocco** over the disputed territory of **Western Sahara** have also hampered Algeria's export potential and resulted in the closure of the **Maghreb-Europe** gas pipeline to Spain in October (see *ARC Briefing Algeria Nov 2021*).<sup>23</sup> Following Spain's announcement on 3 February that it would ship gas to Morocco, Algeria's energy ministry said on 27 April that the transporting of any amount of Algerian gas to a different destination is considered a breach of contractual obligations which will lead to the termination of the contract binding state-owned energy company Sonatrach.<sup>24</sup> Algeria is Spain's main supplier of natural gas through the **Medgaz** pipeline, which replaced the Maghreb-Europe pipeline through Morocco that Algiers terminated in October.<sup>25</sup>

Morocco's government in April partnered with Spanish officials to process liquefied natural gas (LNG) in Spanish facilities before transporting the gas across the **Mediterranean** to Morocco using the Maghreb-Europe Gas pipeline.<sup>26</sup> The Moroccan government's decision to import LNG came after it was forced to close two electricity power plants following Algeria's termination of the gas pipeline in October.<sup>27</sup> However, Spanish authorities deny that the gas shipped to Morocco comes from Algeria. Spain's ecological transition ministry released a statement on 27 April stating that "*in no case will the gas acquired by Morocco come from Algeria*" and that "*the activation of this mechanism has been discussed with Algeria in recent months.*"<sup>28</sup> Spanish publication **El Economista** noted on 5 May that Algerian gas supply to Spain through the Medgaz pipeline had "*slowly decreased*" by 25% at the end of April:

*"The entry of gas for this month of May is even lower than the figure compared to May of last year, without taking into account the expansion of capacity."*<sup>29</sup>

In April, Spain admitted that it might be forced to pay higher prices for the gas it imports from Algeria as a result of a recent flare-up of tensions over Western Sahara.<sup>30</sup> While Algerian authorities 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 is in retaliation for its endorsement of Morocco's autonomy plan for Western Sahara.<sup>31</sup> Morocco considers the Western Saharan territory as its own; however, the Algeria-backed **Polisario Front** movement demands a sovereign state.<sup>32</sup> Spain's prime minister, **Pedro Sanchez** (2018-present), officially endorsed Morocco's autonomy plan for the Western Sahara on 18 March as "*as the most serious, realistic and credible basis for settling the dispute*".<sup>33</sup> Following Sanchez's support for Morocco's autonomy plan, Algeria on 19 March recalled its ambassador to **Madrid** for consultations. President Tebboune described Spain's new position on the Western Sahara as "*morally and politically unacceptable*".<sup>34</sup>

<sup>21</sup> Middle East Monitor, 2 Apr 2022

<sup>22</sup> Middle East Monitor, 2 Apr 2022

<sup>23</sup> Middle East Monitor, 20 Apr 2022

<sup>24</sup> Middle East Monitor, 28 Apr 2022

<sup>25</sup> Middle East Monitor, 30 Mar 2022

<sup>26</sup> Morocco World News, 18 Apr 2022

<sup>27</sup> Morocco World News, 18 Apr 2022

<sup>28</sup> Euronews, 27 April

<sup>29</sup> El Economista, 5 May 2022

<sup>30</sup> Middle East Monitor, 30 Mar 2022

<sup>31</sup> Morocco World News, 8 Apr 2022

<sup>32</sup> Reuters, 18 Mar 2022

<sup>33</sup> Reuters, 18 Mar 2022

<sup>34</sup> Middle East Monitor, 28 Apr 2022

### Civil servants protest high food prices...

Civil servants in Algeria went on strike on 26 and 27 April to protest the worsening socioeconomic situation, record-high food prices and eroding purchasing power, which they attribute to the ruling military regime's mismanagement and corruption.<sup>35</sup> Many citizens blame the government and its economic policies for the exorbitant prices of basic foodstuffs such as cooking oil, milk, water and pasta.<sup>36</sup> The confederation of trade unions representing employees of several public administrations organised the two-day protests in which local authority workers, healthcare workers, academic researchers and university teachers participated.<sup>37</sup> The trade unions demand that government deal with the deteriorating public working conditions and services, noting that the social crisis has reached its peak given the skyrocketing inflation and devaluation of the Algerian dinar.<sup>38</sup>

In addition to facing exorbitant prices, Algerians are suffering from an acute shortage of basic staple foods, which has led to growing discontent.<sup>39</sup> Experts claim that the food shortages are the result of Algeria's broken socioeconomic model.<sup>40</sup> The country's post-independence social contract is based on an economic system of stipends which now cost more than the government can afford, despite the recent rise in oil prices due to the Ukraine conflict.<sup>41</sup> The government has failed to reduce the country's dependence on hydrocarbon exports, diversify the economy, sustainably reduce macroeconomic imbalances, and create private sector jobs.<sup>42</sup>

Food shortages persist despite a ban on the export of food products manufactured from imported raw materials.<sup>43</sup> President Tebboune announced on 13 March that the government had banned the export of all consumer products that Algeria imports, "*such as sugar, pasta, oil, semolina and all wheat derivatives*" (see *ARC Briefing Algeria Apr 2022*), with failure to follow regulations resulting in legal action.<sup>44</sup> Tebboune also instructed government to continue its ban on the import of frozen meat and "*encourage the consumption of locally produced meat*".<sup>45</sup>

The bans come amid concerns that **North Africa's** grain belt is facing its worst drought in over 30 years (see *ARC Briefing Algeria Feb 2022*).<sup>46</sup> The drought threatens the grain yield and the expected record low rainfall will deepen the region and Algeria's reliance on imports.<sup>47</sup> The concerns echo those of the **US Department of Agriculture**, which on 15 February called the drought "*exceptional*".<sup>48</sup> **Covid-19**-induced supply chain disruptions and the Russia-Ukraine conflict are expected to worsen the trajectory of rising prices of food in Algeria, particularly wheat.

### Covid-19 cases continue to fall...

Algeria continues to experience a dramatic decline in new cases of Covid-19. On 10 May, health authorities reported just four new cases of Covid-19, with a seven-day average of three new cases as of the same date.<sup>49</sup> Between 27 April and 10 May, the country registered only 32 new

<sup>35</sup> Morocco World News, 30 Apr 2022

<sup>36</sup> Morocco World News, 30 Apr 2022

<sup>37</sup> North Africa Post, 19 Apr 2022

<sup>38</sup> North Africa Post, 19 Apr 2022

<sup>39</sup> Morocco World News, 30 Apr 2022

<sup>40</sup> North Africa Post, 19 Apr 2022

<sup>41</sup> North Africa Post, 19 Apr 2022

<sup>42</sup> North Africa Post, 19 Apr 2022

<sup>43</sup> Africa News, 14 Mar 2022

<sup>44</sup> Africa News, 14 Mar 2022

<sup>45</sup> Africa News, 14 Mar 2022

<sup>46</sup> Morocco World News, 13 Feb 2022

<sup>47</sup> Bloomberg, 9 Feb 2022

<sup>48</sup> United States Department of Agriculture, 15 Feb 2022

<sup>49</sup> Johns Hopkins University Center for Systems Science and Engineering, 11 May 2022

cases of Covid-19.<sup>50</sup> By comparison, on 25 January, Algeria reported a daily record of 2,521 new cases of Covid-19.<sup>51</sup> Algeria reported its first case of the new **BA.2** subvariant of the highly transmissible **Omicron** strain in January and is still recording infections from both the **Delta** and **Omicron** variants, accounting for about 60% of Covid-19 infections in the country.<sup>52</sup> As of 11 May, Algeria had recorded 265,806 cases of Covid-19 in its population of 44 million, with 6,875 Covid-19-related deaths and 178,368 recoveries.<sup>53</sup>

As of the government's last update on 24 April, Algeria had fully vaccinated 14.8% of its 43.85 million population with a Covid-19 vaccine and 17.9% had received a first dose.<sup>54</sup> Only 1.2% of the population has received a booster shot. In December, the government started requiring vaccine passports to enter many public spaces, seeking to overcome low vaccine uptake that has left millions of vaccine doses unused.<sup>55</sup> The vaccine pass is necessary for anyone seeking to enter or leave Algeria, and to enter cinemas, theatres, sports facilities, museums, townhalls, and hammams.<sup>56</sup>

The government announced on 18 October the full lifting of nationwide lockdown restrictions amid improvement in the country's Covid-19 situation (see *ARC Briefing Algeria Oct 2021*).<sup>57</sup> However, family gatherings, such as weddings and gatherings in public places, remain banned under the pandemic sanitary measures.<sup>58</sup>

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<sup>50</sup> Johns Hopkins University Center for Systems Science and Engineering, 11 May 2022

<sup>51</sup> AP News, 25 Jan 2022

<sup>52</sup> CGTN, 30 Jan 2022

<sup>53</sup> Worldometers, accessed 11 May 2022

<sup>54</sup> Johns Hopkins University Center for Systems Science and Engineering, 11 May 2022

<sup>55</sup> AP News, 25 Jan 2022

<sup>56</sup> AP News, 25 Jan 2022

<sup>57</sup> Menafn, 19 Oct 2021

<sup>58</sup> Menafn, 19 Oct 2021

## Planner

1-2 Nov 2022 **Algiers (Algeria)** Arab League Summit

## Chronology

10 May 2022 **Algiers (Algeria)** *Alarabiya*. **Russia's** foreign minister, **Sergei Lavrov**, meets with Algeria's President **Abdelmadjid Tebboune** and foreign minister, **Ramtane Lamamra**, on an official visit to discuss "*strategic bilateral relations and international and regional developments*";

9 May 2022 **Algiers (Algeria)** *North Africa Post*. The **Comité national pour la libération des détenus (CNLD)** (national committee for the liberation of detainees) reports that at least 280 people in Algeria are currently imprisoned for peacefully expressing their opinions, most of them in relation to the **Hirak**;

9 May 2022 **Algiers (Algeria)** *North Africa Post*. The **United States Commission on International Religious Freedom (USCIRF)**, a bipartisan US government advisory body, recommends maintaining Algeria on the US department of state's **Special Watch List** for engaging in or tolerating severe religious freedom violations;

9 May 2022 **Algiers (Algeria)** *Agricensus*. Algeria's state importer, **OAIC**, has returned to the market with a fresh tender to buy 50,000 mt of optional origin milling wheat for July;

8 May 2022 **Algiers (Algeria)** *Morocco World News*. Algeria reduces gas supply to **Spain** by 25% after threatening to "*recalculate*" gas supply to Spain following the country's decision to endorse **Morocco's** autonomy plan;

8 May 2022 **Algiers (Algeria)** *Reuters*. Cabinet authorises national carrier **Air Algerie** to purchase 15 new aircraft to open new routes to **African** and **Asian** destinations;

7 May 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** states at the 77th anniversary of massacres that took place on 8 May 1945 that the "*horrific massacres*" committed by **French** colonialism in the country "*cannot be forgotten*";

7 May 2022 **Algiers (Algeria)** *Xinhua*. Energy minister **Mohamed Arkab** says Algeria has "*great potential*" to become a regional hub of hydrogen production;

5 May 2022 **Algiers (Algeria)** *Middle East Monitor*. **Maltese** authorities have reportedly turned back an **Air Algerie** flight that was set to repatriate **Western Saharan** nationals and members of the **Algeria-backed** independence movement, the **Polisario Front**;

29 Apr 2022 **Algiers (Algeria)** *North Africa Post*. **Hirak** figure **Karim Tabbou** is arrested at his home in **Algiers**;

27 Apr 2022 **Algiers (Algeria)** *Reuters*. **Algeria** threatens to terminate gas supplies to **Spain** if **Madrid** sells any Algerian gas to other countries, citing what it said was a Spanish decision to supply gas to Morocco via the close **Maghreb-Europe** pipeline;

26 Apr 2022 **Algiers (Algeria)** *Middle East Monitor*. **Egyptian** diplomatic source reveals that relations between **Egypt** and Algeria are "*at stake*" due to stark differences in views regarding **Libya**;

25 Apr 2022 **Algiers (Algeria)** *Middle East Monitor*. The **Spanish** foreign ministry says Spain "*does not want to fuel futile differences*" with **Algeria** after **Madrid** changed its position regarding the **Western Sahara** and backed **Morocco's** autonomy plan;

24 Apr 2022 **Algiers (Algeria)** *Middle East Monitor*. President **Abdelmadjid Tebboune** renews his support for the **Libyan** government led by prime minister **Abdul Hamid Dbeibeh**;

20 Apr 2022 **Algiers (Algeria)** *Financial Times*. Algeria is reportedly struggling to meet rising gas demand amid the **Ukraine** war;

20 Apr 2022 **Algiers (Algeria)** *Middle East Monitor*. Algeria demands “*frank clarifications*” from **Spain** before its envoy returns to **Madrid** following the Spanish government's surprise shift in its position over the **Western Sahara** issue;

18 Apr 2022 **Algiers (Algeria)** *Middle East Monitor*. Prime minister **Aymen Benabderrahmane** and interior minister **Kamel Beldjoud** receive **Libyan Government of National Unity (GNU)** head **Abdul Hamid Dbeibeh** on a one-day visit to Algeria amidst a political crisis in Libya, after its eastern parliament appointed **Fathi Bashagha** as prime minister, claiming Dbeibah's interim government is no longer valid;

19 Apr 2022 **Algiers (Algeria)** *North Africa Post*. Civil servants threaten to go on strike on 26-27 April amid a deepening socioeconomic crisis in Algeria;

16 Apr 2022 **Algiers (Algeria)** *CGTN*. **France's** foreign minister, **Jean Yves Le Drian**, says during a visit to Algeria that **France** and Algeria have been working on reviving their bilateral relations;

14 Apr 2022 **Algiers (Algeria)** *North Africa Post*. **United States (US)** state department in its annual report on global human rights situation criticises continued serious human rights abuses by Algerian authorities in 2021 against vocal critics, pro-democracy militants, journalists and civilians.

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