

## AFRICA RISK CONSULTING

### Algeria Monthly Briefing June 2023

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#### Algeria Summary 8 June 2023

*Algeria alongside Sierra Leone is elected to join the United Nations Security Council (UNSC) organ for the 2024/2025 term as a non-permanent member for a two-year term. Members of the Organisation of the Petroleum Exporting Countries + (OPEC+), which includes Algeria, agree on 4 June to voluntarily cut oil production until the end of 2024, instead of the previously agreed date set for the end of 2023. United States (US) energy giants, Exxon Mobil and Chevron are reportedly in advanced negotiations with Algeria's government to seal a deal that would allow them to drill for the first time in the gas-rich country. Algeria's vast energy reserves and its proximity to continental Europe make it an attractive option to US drillers. Historic drought and scarce rains in North Africa are severely impacting wheat harvests in the region, resulting in the region's largest imports on record.*

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#### Algeria elected to UN Security Council...

Algeria alongside **Sierra Leone** was elected on 6 June to join the powerful **United Nations Security Council (UNSC)** organ for the 2024/2025 term as a non-permanent member for two years.<sup>1</sup> This is the fourth time that Algeria has been elected to the 15-member UNSC, serving its last term in 2004/2005.<sup>2</sup>

Election for a seat as a member of the UNSC is conducted by secret ballot in the **United Nations General Assembly (UNGA)**.<sup>3</sup> A country must obtain at least two-thirds of the votes of member states present at the electoral session of the UNGA in order to obtain a seat on the UNSC.<sup>4</sup> The two countries were the **African Union's (AU)** choice, and join **South Korea, Slovenia** and **Guyana** as fellow non-permanent members.<sup>5</sup> The two African countries will replace the continent's current representatives, **Gabon** and **Ghana**.

Algeria and Sierra Leone are expected to push for key **pan-African** priorities, including pressing for support for the AU's peace and security efforts, challenging terrorism in the **Sahel** and **Gulf of Guinea**, controlling the flow of small arms, and fighting climate change.<sup>6</sup> However, Algeria and Sierra Leone come with diverging voting records on the ongoing conflict in **Ukraine** and it is expected to exacerbate divisions that have confined the **United Nations (UN)** since **Russia** launched its invasion of **Ukraine** on 24 February 2022.<sup>7</sup>

Algeria has historically maintained close relations with Russia, which date back to its struggle for independence from **France** in the 1960s and is the largest importer of Russian arms in Africa.<sup>8</sup> However, since heavy sanctions were placed on Russia for its invasion, Algerian president **Abdelmadjid Tebboune** (2019-present) has been balancing Algeria's interests by maintaining relations with **Moscow** while increasing economic engagement with **Western** countries. Algeria has repeatedly abstained from multiple UN votes denouncing Russia for the

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<sup>1</sup> Arab News, 6 Jun 2023

<sup>2</sup> Africa News, 7 Jun 2023

<sup>3</sup> DelegFrance, 6 Jun 2023

<sup>4</sup> DelegFrance, 6 Jun 2023

<sup>5</sup> Arab News, 6 Jun 2023

<sup>6</sup> The Africa Report, 7 Jun 2023

<sup>7</sup> The Africa Report, 7 Jun 2023

<sup>8</sup> Bloomberg, 20 Oct 2023; The Africa Report, 7 Jun 2023

Ukraine conflict and voted against suspending Russia's membership in the **UN Human Rights Council (UNHRC)** but has also moved to replace Russian gas exports in the **European Union (EU)**, which has been searching for alternatives to Russian energy supplies.<sup>9</sup>

Algeria is also expected to push for further UNSC engagement in the **Moroccan-occupied Western Sahara**, where Algiers has for decades been campaigning for the region's independence under the **Polisario Front**, but the level of engagement from other UNSC members on this issue is likely to be low.<sup>10</sup> Algeria has already isolated itself on key matters such as the war in Ukraine and Western Sahara, and unless it finds mutual issues that are in the interests of the majority of UNSC members, Algiers may find itself as an unpopular member for the duration of its term.

### **OPEC+ extend production cuts until the end of 2024...**

Algeria and other members of the **Organisation of the Petroleum Exporting Countries + (OPEC+)** agreed at a meeting in **Vienna (Switzerland)** on 4 June to voluntarily cut oil production until the end of 2024, pushing out the previously agreed upon date of the end of 2023.<sup>11</sup> The decision was reportedly made in the face of flagging oil prices and a looming oversupply impacting OPEC+ member countries which include the world's largest oil producers, **Saudi Arabia, Iraq** and Russia.<sup>12</sup>

OPEC+ members said in a statement issued on 4 June that the voluntary cut is in addition to a mandatory cut of 1.4 million barrels per day (bpd), which will begin in early 2024 and continue for the full year.<sup>13</sup> OPEC+ members have already had oil production cuts of 3.66 million bpd, amounting to 3.6% of global demand, a result of a two million bpd cut agreed upon last year from August 2022 production levels, and a further 1.66 million bpd of voluntary cuts from nine OPEC+ countries.<sup>14</sup> The group's members that have announced a voluntary cut of oil production are:

<b>OPEC+ member</b>	<b>Production cut amount in bpd</b>
Saudi Arabia	500,000
Russia	500,000
<b>United Arab Emirates (UAE)</b>	144,000
Iraq	211,000
<b>Oman</b>	40,000
Algeria	48,000

In addition to its 500,000-bpd cut, Saudi Arabia also announced that it will implement another voluntary oil production cut of one million bpd in July for a month, however, it can be

<sup>9</sup> Bloomberg, 20 Oct 2023

<sup>10</sup> The Africa Report, 7 Jun 2023

<sup>11</sup> Middle East Monitor, 5 Jun 2023

<sup>12</sup> The Guardian, 4 Jun 2023

<sup>13</sup> The Guardian, 4 Jun 2023; Middle East Monitor, 5 Jun 2023

<sup>14</sup> Reuters, 5 Jun 2023

extended.<sup>15</sup> As a consequence, Saudi Arabia's output will drop to nine million bpd in July from around 10 million bpd in May.<sup>16</sup>

OPEC+ countries produce around 40% of the world's crude which means that its policy decisions have a major impact on oil prices. Global oil supply was already expected to tighten in the second half of this year with the current OPEC+ production policy in policy, however, analysts see the new cut's initial impact as lowering supply levels even further.<sup>17</sup> Algeria and OPEC+ members will most likely see some increase in oil revenues as a result of the cuts.

In a major boon for Algeria, skyrocketing energy prices, a consequence of Russia's war in Ukraine, have already shored up the country's foreign reserves, giving the government more scope to cushion citizens against increasing living costs and ward off social unrest (*see ARC Briefing Algeria Jan 2023*).<sup>18</sup> The director general of foresight at Algeria's energy ministry, **Miloud Medjelled**, announced on 15 December that gas exports hit a record 56 billion cubic metres (bcm) in 2022 and are likely to increase in 2023.<sup>19</sup> Medjelled noted that authorities are planning to rationalise the consumption of gas destined for local electricity production in a bid to take advantage of the high global gas prices.<sup>20</sup> With an expected increase in oil prices, Algeria is set to benefit even further.

Tebboune has also called on state-owned hydrocarbons company **Sonatrach** to double its gas production to reach 100 bcm of exports in 2023. Sonatrach data indicates that total local production amounts to 130 bcm of gas annually, of which more than 50 billion bcm is exported.<sup>21</sup> Europe's plans to diversify its energy supply from Russia could support investment in Algeria's hydrocarbon sector and support the country's medium-term growth.

### Exxon and Chevron near deals to drill in Algeria...

US publication the **Wall Street Journal (WSJ)** reported on 2 June that US energy giants **Exxon Mobil** and **Chevron** are in advanced negotiations with Algeria's government to seal a deal that would allow them to drill for the first time in the gas-rich country.<sup>22</sup> Algeria's vast energy reserves and its proximity to continental Europe make it an attractive option to the US drillers that are looking to invest some of their surplus capital.<sup>23</sup> Algeria is estimated to have the third largest shale gas reserves in the world after **China** and **Argentina**.<sup>24</sup>

In its report, the WSJ quoted sources with knowledge of the negotiation, including Algerian energy minister **Mohamed Arkab**.<sup>25</sup> Arkab told the WSJ that he is "*pushing [State-owned energy giant] Sonatrach because we need to increase our volumes.*"<sup>26</sup> Sonatrach's talks with ExxonMobil and Chevron are expected to be completed by the end of this year and reportedly include both conventional and shale gas reserves exploration.<sup>27</sup> At the moment, most of Algeria's gas reserves are exported to Europe, which is increasingly counting on Algeria to supply it with large volumes of pipeline gas and liquefied natural gas (LNG) to replace those from Russia.<sup>28</sup>

<sup>15</sup> Middle East Monitor, 5 Jun 2023

<sup>16</sup> Reuters, 5 Jun 2023

<sup>17</sup> Reuters, 5 Jun 2023

<sup>18</sup> Bloomberg, 20 Oct 2023

<sup>19</sup> Radio Algeria, 15 Dec 2022

<sup>20</sup> Anadolu Agency, 15 Dec 2022

<sup>21</sup> Anadolu Agency, 15 Dec 2022

<sup>22</sup> Wall Street Journal, 2 Jun 2023

<sup>23</sup> Wall Street Journal, 2 Jun 2023

<sup>24</sup> Oil Price, 2 Jun 2023

<sup>25</sup> Wall Street Journal, 2 Jun 2023

<sup>26</sup> Wall Street Journal, 2 Jun 2023

<sup>27</sup> Oil Price, 2 Jun 2023

<sup>28</sup> Oil Price, 2 Jun 2023

Algeria provides Europe with gas through two pipelines –the **Transmed-Enrico Mattei** pipeline which reaches **Italy** across the **Mediterranean**, and the **Medgaz** pipeline which passes directly from the Algerian north-western coast to **Almeria** in southern **Spain**.<sup>29</sup> Italy’s energy giant, **Eni**, has been especially active in securing more natural gas supply for Europe from Algeria and has fast-tracked projects with the country to meet Europe’s gas demand. Last year, Sonatrach signed deals to supply Italy with an additional 9 billion bcm of gas, in addition to supplying 300 million cubic meters (mcm) of gas to **Slovenia** for the first time.<sup>30</sup> If the deal with the US energy giants is sealed, it will boost Algeria’s hydrocarbon exports and further increase its importance to Western powers.

### Lengthy drought ushers in record wheat imports in North Africa...

Historic drought and scarce rains in **North Africa** are severely impacting wheat harvests in the region, resulting in the region’s largest imports on record.<sup>31</sup> The European Union’s **Monitoring Agricultural Resources (MARS)** unit published a report on 22 May noting that North Africa is facing its “*worst seasonal drought*” in recent history.<sup>32</sup> Heat waves have also worsened the situation, compounding the impact of the dry soils on the harvest, which is kicking off. The drought is expected to push wheat yields in Algeria, **Morocco** and **Tunisia** by 17% to 24% below their five-year average, with crop failures in some stretches.<sup>33</sup>

MARS also noted that Algeria has not seen rain since the start of March in most regions. The US department of agriculture also forecast on 12 May that the shortfall in North Africa’s domestic crops could boost imports to a record 31.7 million tonnes in the 2023/2024 season.<sup>34</sup> The region is one of the world’s wheat importers, a staple food, and has already been purchasing substantial amounts from abroad after another disastrous drought last year. But in a major positive development, global wheat prices have halved in 2023 from last year’s record, cushioning some of the economic blow facing North African countries.<sup>35</sup> However, that has not stopped food inflation from skyrocketing across the region, where citizens are struggling with increasing poverty and economic pressures.

In Algeria, inflation has been lingering around 9% in recent months and that has pushed authorities to put in place some policies aimed at bringing prices down to sustainable levels in the long term. Since October, Algeria has joined **Egypt** and the UAE in enforcing food price ceilings (*see ARC Briefing Algeria March 2023*).<sup>36</sup> Authorities have also loosened import restrictions on some products to ease domestic bottlenecks and tame inflation while publishing new regulations to facilitate import operations. However, it may take some time before the average Algerian can feel relief from the enacted policies.

<sup>29</sup> Anadolu Agency, 15 Dec 2022

<sup>30</sup> Anadolu Agency, 15 Dec 2022

<sup>31</sup> Bloomberg, 22 May 2023

<sup>32</sup> Monitoring Agricultural Resources Unit, 22 May 2023

<sup>33</sup> Bloomberg, 22 May 2023

<sup>34</sup> US Department of Agriculture, 12 May 2023

<sup>35</sup> Bloomberg, 22 May 2023

<sup>36</sup> World Bank, Apr 2023

## Planner

May 2023 **Moscow (Russia)** President **Abdelmadjid Tebboune** to visit Moscow;

June 2023 **Paris (France)** President **Abdelmadjid Tebboune** to visit Paris;

## Chronology

5 Jun 2023 **Algeria (Algiers)** *Africa Business*. A **United States (US)** interagency delegation of senior officials from the departments of state, treasury, and defence visits Algeria for a security dialogue to advance shared regional counterterrorism and stability goals;

3 Jun 2023 **Algiers (Algeria)** *Algeria Press Service*. **Council of the Nation** (Upper House) president **Salah Goudjil** hails the quality of privileged relations between Algeria and **Turkey**, highlighting the bonds of brotherhood and friendship reflected in the coordination and cooperation between the two countries' leadership;

3 Jun 2023 **Algeria (Algiers)** *North African Post*. The unnamed Algerian partner of the head of the **Qatari** news channel **Al Jazeera** is reportedly behind the controversial dismissal of **Moroccan** presenter **Abdessamad Nasser** for a tweet defending Moroccan women tarnished by a smear campaign launched by Algerian state media, officials and hired influencers;

1 Jun 2023 **Algeria (Algiers)** *Atalayar*. Army chief of staff **Said Chengriha** gives an order that sees an unprecedented military deployment taking place on the **Algeria-Morocco** border;

30 May 2023 **Algeria (Algiers)** *Middle East Monitor*. Foreign minister **Ahmed Attaf** says that **Africa** cannot completely turn the final page of its colonial history without enabling the **Sahrawi** people to exercise their inalienable right to self-determination;

27 May 2023 **Algeria (Algiers)** *Middle East Monitor*. Algeria's ambassador to **Italy**, **Abdelkrim Touahria**, sparks controversy after informing Italian news agency **Nova** that his country "works closely with Italy to maintain stability in **Tunisia**";

25 May 2023 **Algeria (Algiers)** *AFP*. Political opponent and figure of the **Hirak** pro-democracy movement, **Karim Tabbou**, is released but placed under judicial supervision;

25 May 2023 **Algiers (Algeria)** *Algeria Press Service*. Prime minister **Aimene Benabderrahmane** receives **Zambia's National Assembly Speaker Nelly Butete Kashumba Mutti**;

24 May 2023 **Lisbon (Portugal)** *Morocco World News*. A group of anti-**Algerian** regime demonstrators protest against the police state in Algeria by throwing eggs at Algeria's president **Abdelmadjid Tebboune's** convoy during his visit to **Portugal**;

23 May 2023 **Algeria (Algiers)** *Africa News*. Political opponent and figure of the pro-democracy **Hirak** movement, **Karim Tabbou**, is arrested at his home and placed in police custody;

23 May 2023 **Algeria (Algiers)** *Africa News*. President **Abdelmadjid Tebboune** begins a two-day state visit to **Portugal** where he will meet with Algerian residents, participate in a business forum and hold discussions with the state authorities;

19 May 2023 **Algiers (Algeria)** *Algeria Press Service*. President **Abdelmadjid Tebboune** reiterates the need to improve joint Arab action according to a new approach at the **32nd Arab Summit**, placing the concerns of Arab citizens at the centre of priorities;

18 May 2023 **Algiers (Algeria)** *Algeria Press Service*. Foreign affairs minister **Ahmed Attaf** chairs the ministerial committee meeting for the implementation president **Abdelmadjid Tebboune's** proposals on the reform and development of the **Arab League**, adopted by the Arab leaders in the summit held in Algiers in 2022;

16 May 2023 **Algiers (Algeria)** *Algeria Press Service*. **Conseil de la Nation** (upper house of parliament) members unanimously adopt the monetary and banking law aimed at strengthening the governance and prerogatives of the **Banque d'Algérie** (central bank) as well as the modernisation of the banking system;

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