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TURNING TO ALGERIA TO REPLACE RUSSIAN GAS: A FALSE SOLUTION

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Europe is grappling to respond adequately to the Russian invasion of Ukraine. But the EU's urgent wish to free itself from Russian fossil fuels should not result in too-hasty friendships with alternative fossil fuel suppliers. We argue that any EU or member state plans to import more gas from Algeria to replace Russian energy sources is the wrong course of action for three reasons. First, Algeria is also an authoritarian state, like Russia, that uses gas exports as a political weapon. Second, Algeria is a loyal friend and ally of Russia. And, third, EU demands for more gas threaten to delay both the EU's and Algeria's own green energy transition. Relying on Algerian gas would be incoherent with the broader EU aims to promote democratic values and to implement the (external dimension of the) European Green Deal. The real answer to replacing fossil fuels from Russia must be to accelerate the energy transition away from fossil fuels altogether, and emphasising the transition to a decarbonised energy sector as the heart of the EU's response.

1. EU-Algeria gas relations

In the first months of 2022, Algeria provided about 12.6%¹ of European gas needs. It has been the third largest supplier of natural gas to Europe for many years (see figure 1).

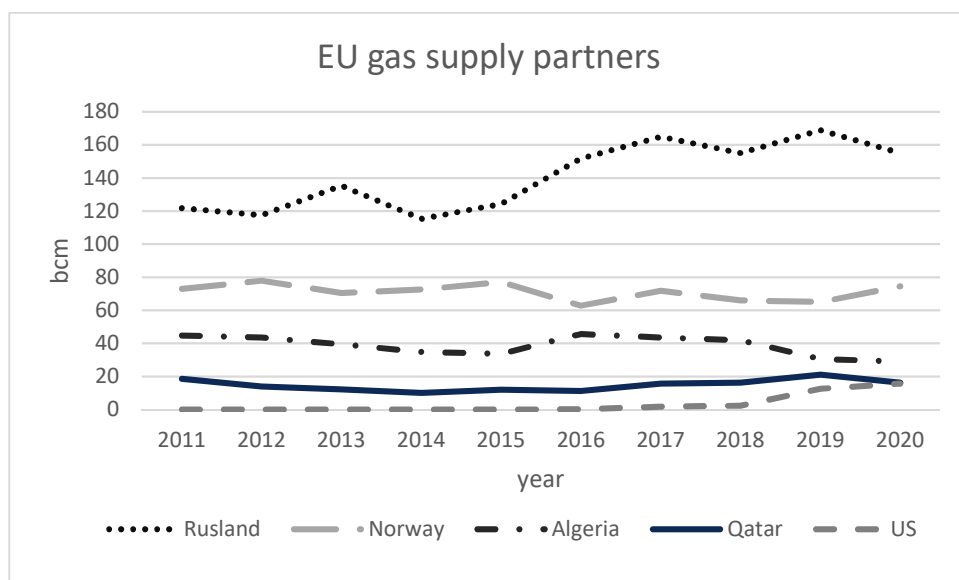


Figure 1: EU imports of natural gas by partner country (billion cubic metres (bcm)).
Source: Eurostat (G3000 Natural Gas) and own calculations

Algeria is dependent on its pipeline gas exports to Spain and Italy: 34.89% of Algeria's pipeline gas exports go to Spain and 21% to Italy². Total pipeline exports reach 26 bcm, almost double Algeria's Liquefied Natural Gas (LNG) exports (figure 2 below; BP, 2021). The EU imports about half of Algerian LNG supplies.

¹ European Commission, 20 April 2022, In Focus: Reducing the EU's dependence on imported fossil fuels, https://ec.europa.eu/info/news/focus-reducing-eus-dependence-imported-fossil-fuels-2022-apr-20_en.

² BP, 2021, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf>.

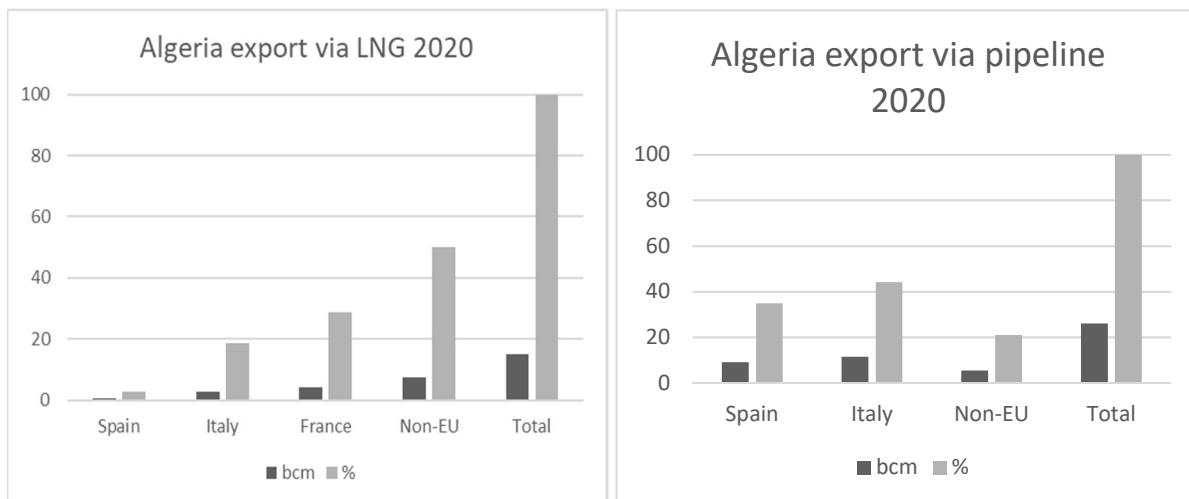


Figure 2: Algeria's gas exports via pipeline and LNG in 2020; measured in billion cubic meters (bcm) and as a percentage of the total Algerian export via LNG or pipeline.

Source: BP (2021)

2. Playing the authoritarian game: gas as a political weapon

Europeans are very concerned about the EU's high reliance on Russian gas. But plans to replace that reliance with a higher reliance on Algerian gas seem less of a concern, even though Algeria is also an authoritarian state. The Freedom House Index labels Algeria as 'not free' on political and civil rights³, placing it in the company of states such as Zimbabwe and Iraq.

Algeria is generally considered a reliable gas supplier.⁴ At least until the gas dispute between Russia and Ukraine in 2006, a similar assessment of Russia's reliability was made, with the European Commission arguing that despite various difficulties, Russia historically always fulfilled its supply obligations.⁵ But more and more it became clear that Russia sees its gas exports as a political weapon, which it is not hesitating to deploy in the context of the invasion of Ukraine.⁶

Algeria has also proven not to be reluctant to use its gas as a political weapon. Spain is particularly vulnerable to Algerian shifts in political priorities. In 2020, it received about 29% of its gas from Algeria, down for 51% in 2018. Figures for 2021 suggest that Spain then received more than 40% of its gas from Algeria.⁷ Italy also relies on Algeria for 23% of its gas supplies.⁸

In March 2007, Algeria reacted to Spain's support of Morocco's autonomy plan for the Western Sahara by increasing energy prices by 20%.⁹ In September 2007, Algeria cancelled the

³ Freedom House Index, 2021, Algeria, <https://freedomhouse.org/country/algeria/freedom-world/2021>.

⁴ Minder Raphael, 3 November 2021, 'Spain is facing the loss of a major source of natural gas', in the New York Times. Gonzalo Escribano: said, "Algeria has historically always honored its contracts and political pledges in this field." <https://www.nytimes.com/2021/11/03/business/energy-environment/spain-natural-gas.html>.

⁵ For example in the Green Paper on a strategy for the security of energy supply of the European Commission in 2000 (29 November 2000 COM(2000) 769 final, p. 22) and the European Security Strategy of the Council of the European Union in 2003 (8 December 2003, 15895/03, p. 16).

⁶ Strzelecki Marek, Tsvetelia Tsoleva and Pavel Polityuk, 27 April 2022, Russia halts gas supplies to Poland and Bulgaria, Reuters, <https://www.reuters.com/world/poland-bulgaria-face-russian-gas-cut-ukraine-crisis-escalates-2022-04-26/>.

⁷ Euractiv, 28 April 2022, 'Algeria threatens to cut gas contract with Spain', <https://www.euractiv.com/section/global-europe/news/algeria-threatens-to-cut-gas-contract-with-spain/>.

⁸ Eurostat, 2020, G3000 natural gas calculations. Import to Spain from Algeria fluctuates between 50% and 25 % depending on the year e.g. 51% in 2018 while 29% in 2020. Import to Italy from Algeria also fluctuates but less (between 30% and 20%).

⁹ Darbouche Hakim, October 2008, Decoding Algeria's ENP Policy: Differentiation by Other Means? Mediterranean Politics 13(3):371-389.

Repsol-Gas contract, which should have delivered 5.44 bcm of liquefied natural gas (LNG) to Spain from 2009, demonstrating that Algeria is less reliable than assumed and that it does not necessarily behave the way the EU wants it to. While Spain engaged with Morocco more strongly since 2021 to resolve issues around migration, Algeria's response intensified gas politics. In November 2021, Algeria decided not to renew its gas contract with Morocco, effectively halting gas flows from the Maghreb pipeline into Spain. Closing the pipeline meant a loss of income from transit fees for Morocco and a major loss of electricity generation capacity: 95% of its total gas supply is used for electricity generation.¹⁰ In March 2022, Algeria recalled its ambassador from Madrid and threatened to raise the gas price, when Spain again backed Morocco's autonomy plan for the Western Sahara. Algerian threats to cut supplies of gas to Spain were reiterated in April 2022.¹¹

With the Russian invasion of Ukraine, Italy is also trying to lower its dependence on Russian fossil fuel supplies by turning to Algeria. Italian Prime Minister Mario Draghi visited Algeria on 11 April 2022. ENI signed an agreement with Sonatrach (Société Nationale pour la Recherche, la Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures) that permits the transport capacities of gazoduc (Transmed)¹² to be exploited to increase gas flows (see figure 3). Sonatrach is expected to supply progressively higher volumes of gas from 2022, increasing to 9 billion cubic metres of gas per year in 2023-24.¹³ Since Algeria is not exporting gas via the Medgaz pipeline anymore, it could redirect gas to Italy in the short-term. But this may potentially deprive Morocco of supplies, possibly also leading to further pressure on Spain and increasing Algeria's ability to deploy gas as a political weapon.

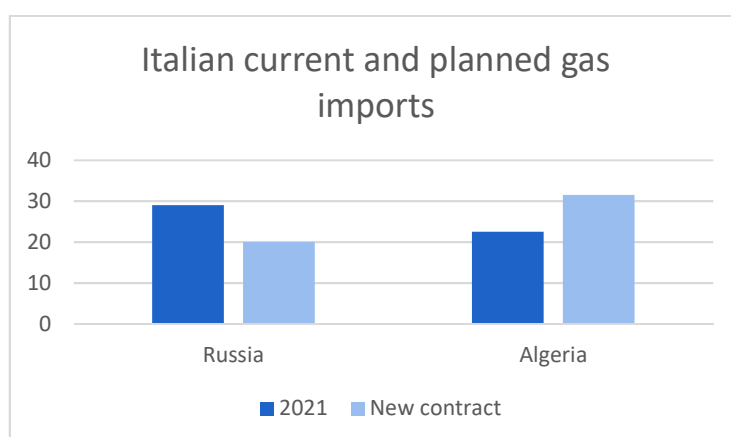


Figure 3: Sources of gas imports to Italy in 2021 and planned imports under new contracts. Measured in billion cubic metres (bcm)

Source: Italian Ministry of Ecological Transition, available via <https://dgsaie.mise.gov.it/importazioni-gas-naturale>

3. Algeria: Russia's ally

Shifting to Algeria will not disentangle the EU from Russia. Algeria has shown itself to be a steadfast Russian ally. Although it generally propagates an anti-imperialist stance, this is

¹⁰ S&P Global, 1 September 2021, Spotlight: GME pipeline transit renewal at risk as Algeria cuts diplomatic ties with Morocco, <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/082621-spotlight-gme-pipeline-transit-renewal-at-risk-as-algeria-cuts-diplomatic-ties-with-morocco>.

¹¹ Euractiv, 28 April 2022, 'Algerian threatens to cut gas contract with Spain', <https://www.euractiv.com/section/global-europe/news/algeria-threatens-to-cut-gas-contract-with-spain/>.

¹² Algerie-eco, 11 April 2022, Signature d'un accord entre Sonatrach et Eni, <https://www.algerie-eco.com/2022/04/11/mario-draghi-signature-dun-accord-entre-sonatrach-et-eni-pour-approvisionner-italie-en-gaz/>.

¹³ Sud Ouest, 11 April 2022, 'Le premier ministre Mario Draghi obtient un accord de l'Algérie pour plus de gaz à l'Italie', <https://www.sudouest.fr/international/afrique/algerie/le-premier-ministre-italien-a-alger-pour-solliciter-plus-de-gaz-10566371.php>.

counterbalanced by its historical ties with Russia, both throughout the Soviet period and since Putin took power. In 2005, Putin forgave billions of Algerian debt and Algeria placed a new arms purchase deal in return. Figures from 2020 show that about three-quarters of Algeria's arms are purchased from Moscow.¹⁴

Algeria and Russia also cooperate closely in the energy sector. In 2006, a Memorandum of Understanding was signed between Sonatrach and Gazprom, outlining the major areas of cooperation in the oil and gas industry. However, the broader trade cooperation between Algeria and Russia is highly uneven. Algeria imports more than 450 times from Russia than Russia imports from Algeria,¹⁵ making Algeria a dependent trade partner of Russia.

Algeria's dependence on, and friendship with, Russia is clear for all to see on the international stage. Algeria abstained in the vote in the United Nations General Assembly on a resolution condemning the Russian invasion on 2 March 2022. On 7 April 2022, it voted against the resolution to suspend Russia from the Human Rights Council. This placed Algeria in the voting company of Belarus, North Korea and Syria.

4. Delaying Algeria's and the EU's green energy transition

The European Green Deal makes clear that EU ambitions for climate neutrality include a strong global climate leadership strategy,¹⁶ with the aim that other partners take similarly ambitious action. With a renewed emphasis on importing fossil fuels from Algeria in response to the Russian invasion of Ukraine, such ambitions will be – at best – long delayed.

In 2021 the EU released the Joint Communication 'Renewed partnership with the Southern Neighbourhood' and the 'Draft UfM Ministerial Declaration on Energy'. In this Declaration, the Commission pushed its neighbouring countries to phase out fossil fuel subsidies and to ensure no new extraction of fossil fuels. The EU's shift to climate neutrality will cause a drop in demand for natural gas. Since Algeria exports the majority of its gas to Europe (83% of total gas exports in 2019),¹⁷ the EU could, in theory, strongly influence Algeria to pursue its own green energy transition, if coherent politics, policy and diplomacy were accompanied by targeted investments. From 2020, there were signs that Algeria may finally have been considering the green transition more seriously. With low fossil fuel prices, clear projects were proposed to advance an Algerian energy transition and to diversify its economy away from a reliance on fossil fuels.

However, the war in Ukraine, and the EU's need to shift away from Russian gas, has altered plans in Algeria. By mid-February, Algeria's green transition tax and subsidy reforms were cancelled. To fulfil new gas contracts with EU member states, including Italy, new extraction fields will likely need to be opened. Former Algerian energy minister, Abdemajid Attar, claims that Algeria now needs to invest more in shale gas.¹⁸ Such investments take time, divert funding away from other, renewable technologies, and could risk entrenching Algeria into their

¹⁴ Statista, Distribution of arms imports into Algeria between 2016 and 2020, by country of origin, <https://www.statista.com/statistics/1244018/distribution-of-arms-imports-into-algeria-by-country-of-origin/#:~:text=Russia%20is%20the%20main%20supplier,trade%20between%202016%20and%202020>.

¹⁵ UN COMTRADE, 2020, Department of Economic and Social Affairs Statistics Division 2020 International Trade Statistics Yearbook Volume I Trade by Country, ST/ESA/STAT/SER.G/69 (Vol. I).

¹⁶ Oberthür & Dupont, 2021, The European Union's international climate leadership: towards a grand climate strategy? <https://www.tandfonline.com/doi/full/10.1080/13501763.2021.1918218>.

¹⁷ EIA, 25 March 2019, Natural gas exports, <https://www.eia.gov/international/analysis/country/DZA>.

¹⁸ SudOuest, 11 April 2022, 'Ukraine: l'Algérie prête à fournir plus de gaz à l'Union européenne en cas de difficultés', <https://www.sudouest.fr/international/ukraine-l-algerie-prete-a-fournir-plus-de-gaz-a-l-union-europeenne-en-cas-de-difficultes-9419101.php>.

fossil fuel economy for a further fifty years.¹⁹ An EU and member state pivot to Algerian fossil gas would be contrary to the global climate leadership towards the climate neutrality goal, as this is likely to delay dramatically, if not derail, Algeria's own transition.

What next?

Shifting away from dependence on Russian fossil fuels is imperative in the current context. But replacing fossil fuel supplies from one aggressive and authoritarian regime by supplies from another authoritarian regime is not the solution. From its deal with Italy, it is clear that Algeria is happy to deliver or redirect gas to (some members of) the EU, but it does this on condition of non-interference with its purchases of Russian weapons and military equipment. Furthermore, Algeria urges European governments to refrain from supporting the Moroccan position on the Western Sahara conflict.²⁰ With an accelerated energy transition on its own territory (especially through energy efficiency measures and deployment of renewable energy) the EU can already dramatically lower its reliance on imported fossil fuels and avoid increasing its reliance any further on authoritarian states that do not hesitate to use energy exports as political weapons.²¹

An accelerated transition to decarbonization in the EU could also be coupled with a coherent and strong external policy to invest in the energy transition in partner countries, including in Algeria. A short-term win-win solution for Algeria is for the EU to assist in increasing the efficiency of its fossil fuel industry, thus making currently wasted fossil fuel available for export, without requiring the large and misdirected investments in expanding fossil fuel infrastructure. Algeria is currently one of the fossil fuel extracting countries with the highest flaring numbers.²² Focusing on energy efficiency and recovery rates are a quick win. But the transition to decarbonisation, and the avoidance of further use of energy as political weapon towards EU member states, requires focused, long-term planning, diplomacy and investment.

A coherent focus on the energy transition requires steadfast commitment over the short, medium and long-term. Rather than funding the expansion of fossil fuel extraction, investments should be urgently directed to renewable energy and energy efficiency projects to accelerate the transition to decarbonization in the EU, and also in Algeria.

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¹⁹ Dupont Claire and Sebastian Oberthür, 2015, Decarbonization in the European Union: Internal Policies and External Strategies, Palgrave Macmillan p184.

²⁰ International Crisis Group, 14 APRIL 2022, The Impact of Russia's Invasion of Ukraine in the Middle East and North Africa, <https://www.crisisgroup.org/middle-east-north-africa/impact-russias-invasion-ukraine-middle-east-and-north-africa>.

²¹ IEA, March 2022, A 10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas, <https://www.iea.org/reports/a-10-point-plan-to-reduce-the-european-unions-reliance-on-russian-natural-gas>.

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