Algerian Gas Exports to Europe: A Historical Perspective

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Outline

- Gas pipelines from Algeria to Europe, c.a. 1975
  - Projects in the “Old World” of gas

- The ‘Gas Battle’ and long-term impacts on Algeria and Atlantic Basin gas trade
Spain Primary Energy Supply

Source: BP 2003
Algerian Gas Planning, 1970s

Source: Aissaoui (2001)
Spain 1970s

1. Regional political disputes create transit country problems
   - Morocco / Algeria
   - Spain/Morocco, Spain/Algeria (Western Sahara)

2. Weak state-owned gas player (Enagas); strong anti-gas players (CEPSA)

→ Lots of proposals; no pipes
   - 1975 LNG contract
   - De-Francoizaztion (1975-1978)
Italy Primary Energy Supply

Source: BP 2003
Italy 1970s

1. Strong, state-backed gas player (ENI), built on Po Valley resources
2. ENI seeking to expand abroad
3. Warm relations with Algeria (Mattei, ENI)
   → ENI and Sonatrach sign contract in 1973
Transmed Project

- LNG vs. pipeline debate; strategic objective for ENI
  - Saipem lays test-pipe in 1975
- 1977 transit agreement with Tunisia
- 1979 regime change in Algiers
- 1981 pipeline completed
  - The ‘Gas Battle’
- 1983 contract
  - Indexed to f.o.b. oil → fast up, fast down
Algeria’s “Gas Battle”

Gas Shipments to Italy via Transmed Pipeline

Sources: Dispenza (2003), BP (2003), Aissaoui (2001)
Algeria, Realized Gas Shipments

Sources: Dispenza (2003), BP (2003), Aissaoui (2001)
Conclusions

- Role of states in “creating demand”
- Transit countries
  - Motivated, well-financed player can force project over transit challenges
  - Contestability keeps rents in line (Tunisia)
- Cost of using the “Gas Weapon”