

Algerian Gas Exports to Europe: A Historical Perspective

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Geopolitics of Gas Conference

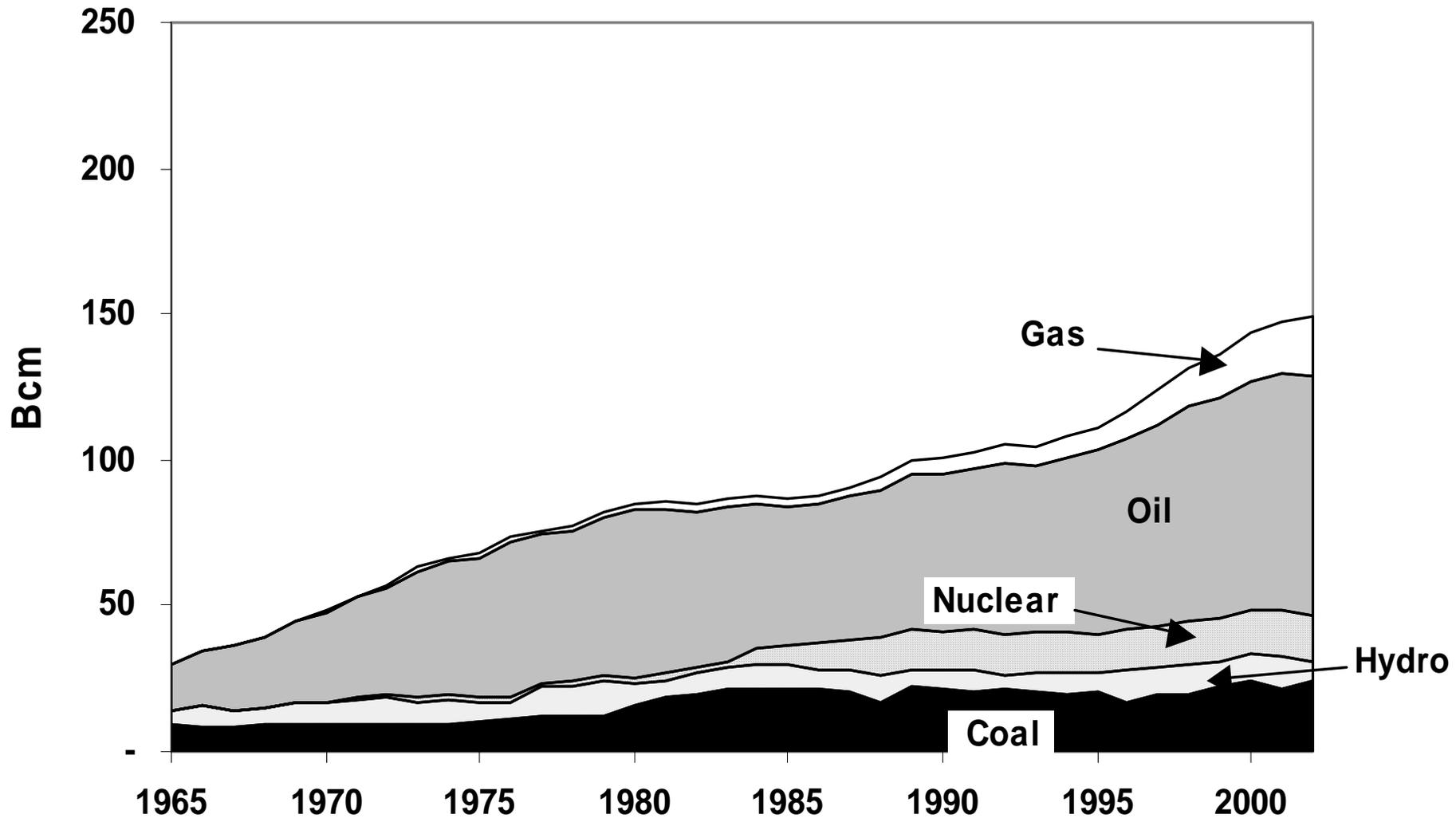
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Outline

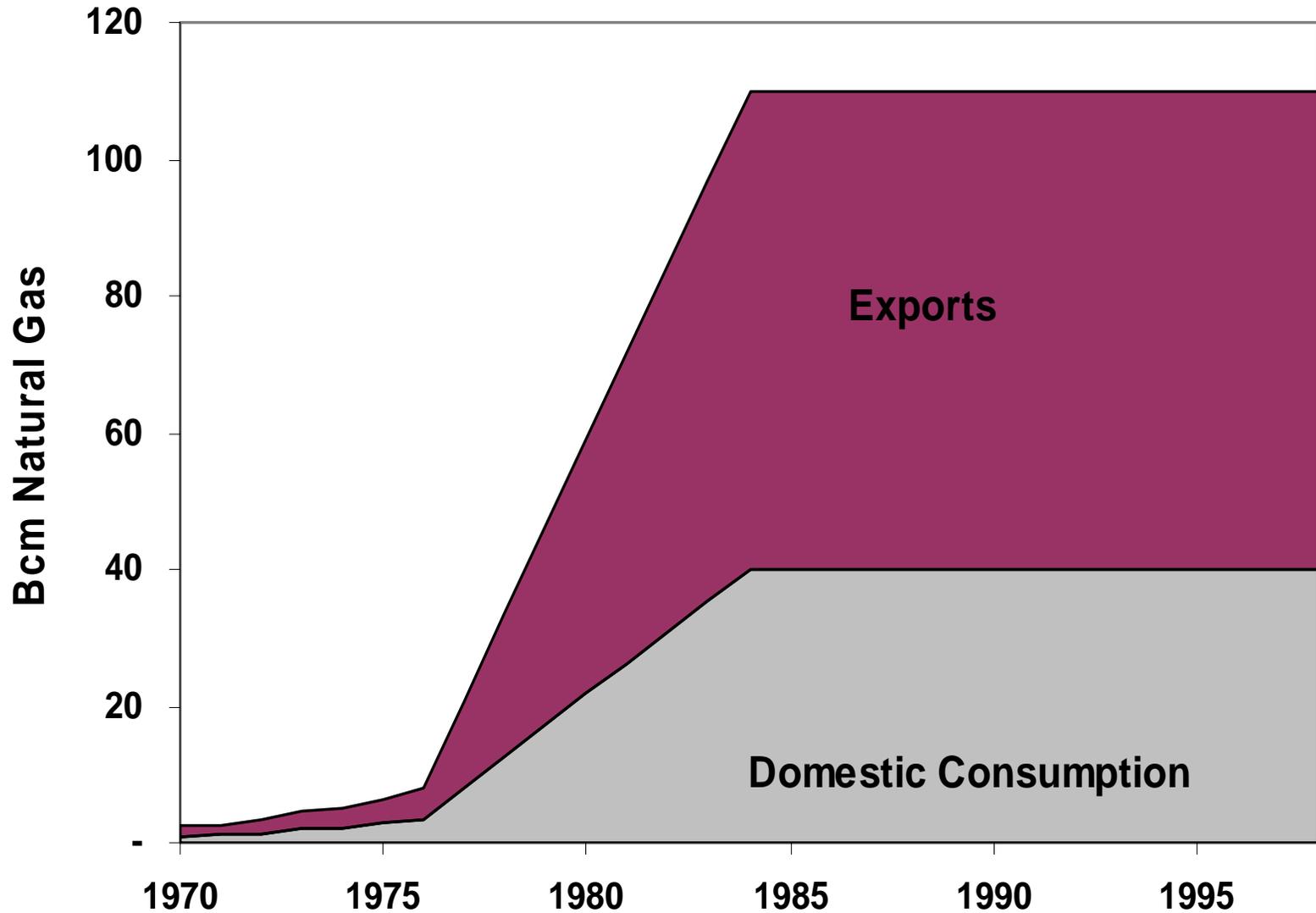
- Gas pipelines from Algeria to Europe, c.a. 1975
 - Projects in the “Old World” of gas
- The ‘Gas Battle’ and long-term impacts on Algeria and Atlantic Basin gas trade



Spain Primary Energy Supply



Algerian Gas Planning, 1970s

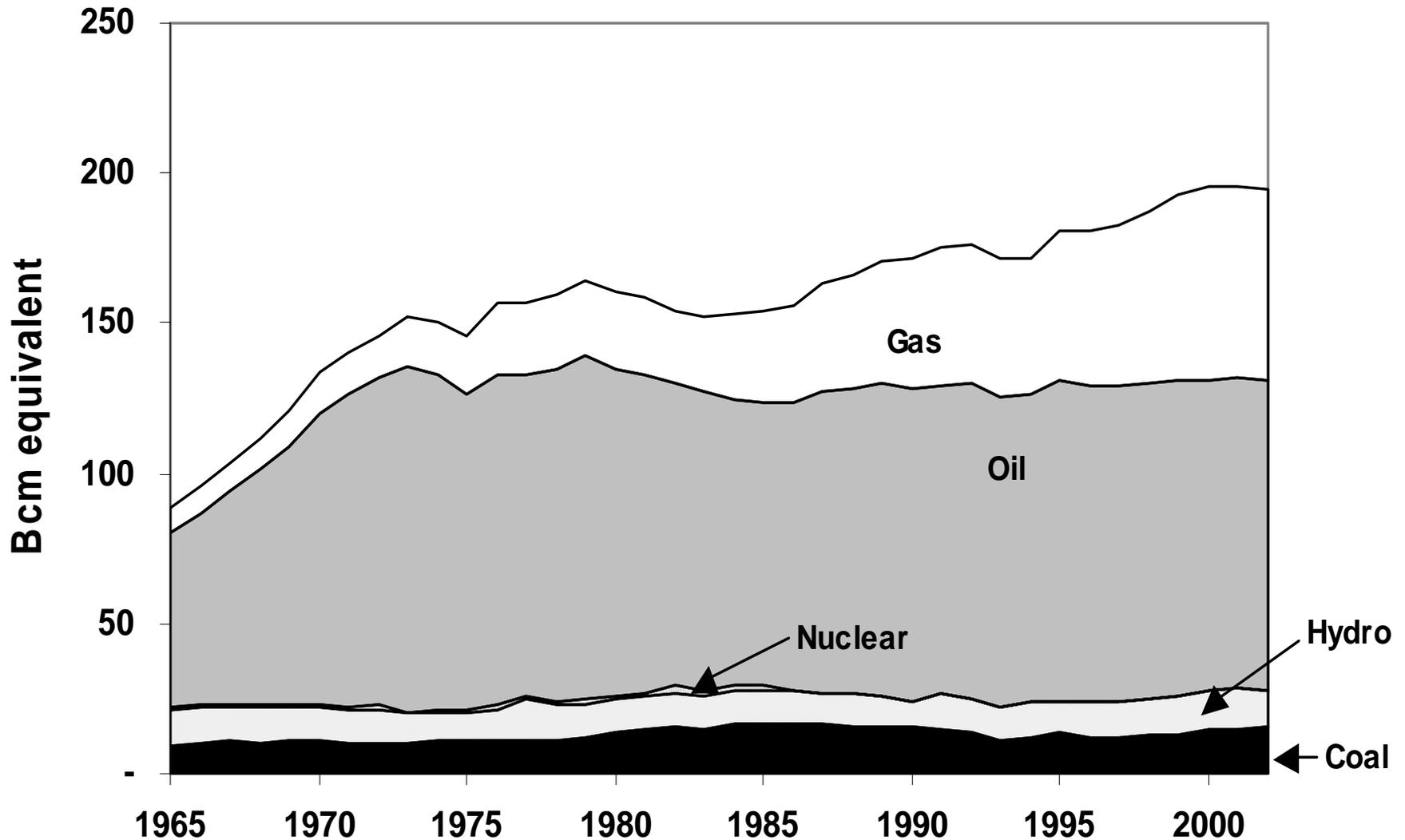




Spain 1970s

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-Francoization (1975-1978)

Italy Primary Energy Supply





Italy 1970s

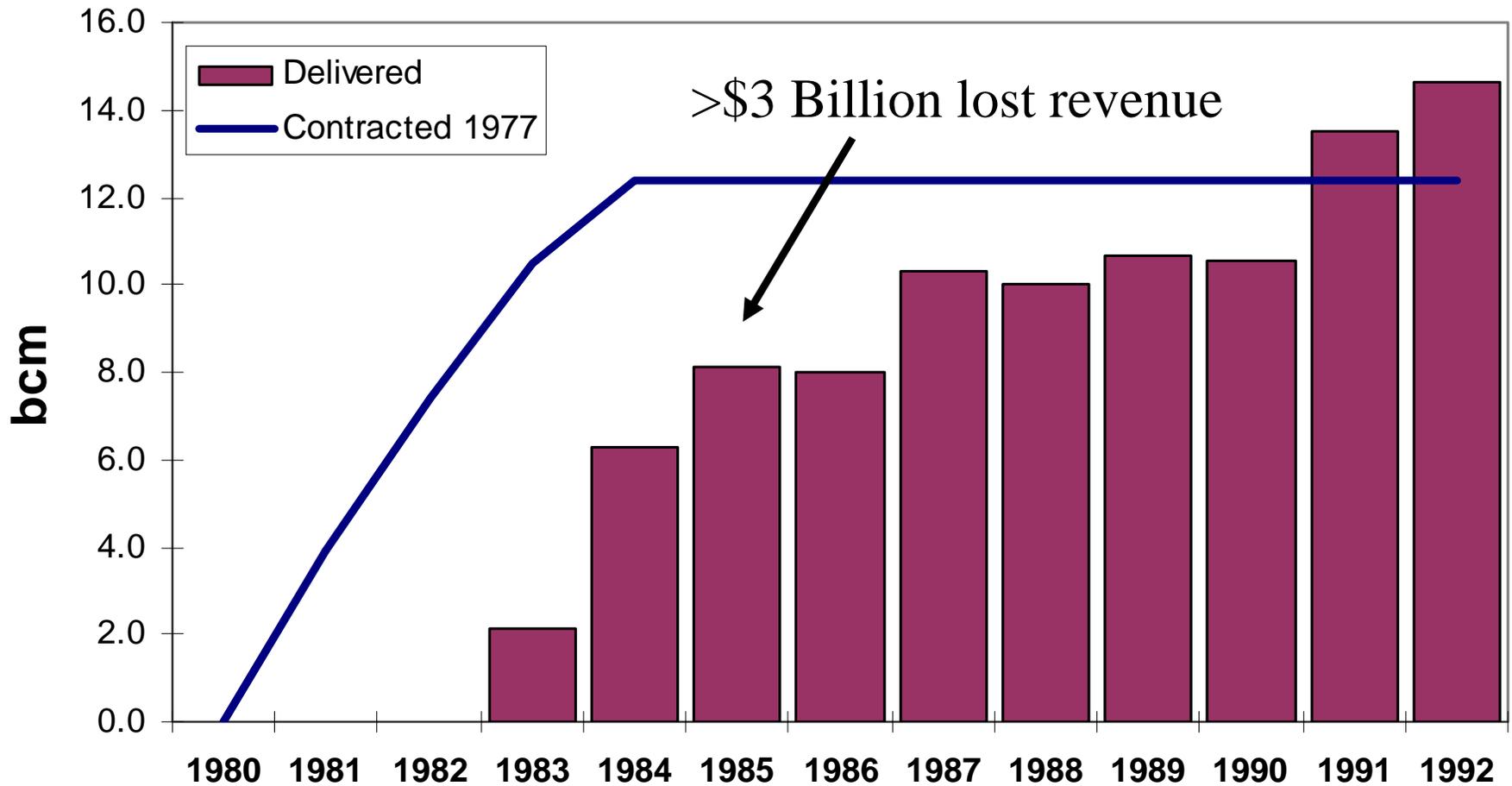
1. Strong, state-backed gas player (ENI), built on Po Valley resources
 2. ENI seeking to expand abroad
 3. Warm relations with Algeria (Mattei, ENI)
- ENI and Sonatrach sign contract in 1973

Transmed Project

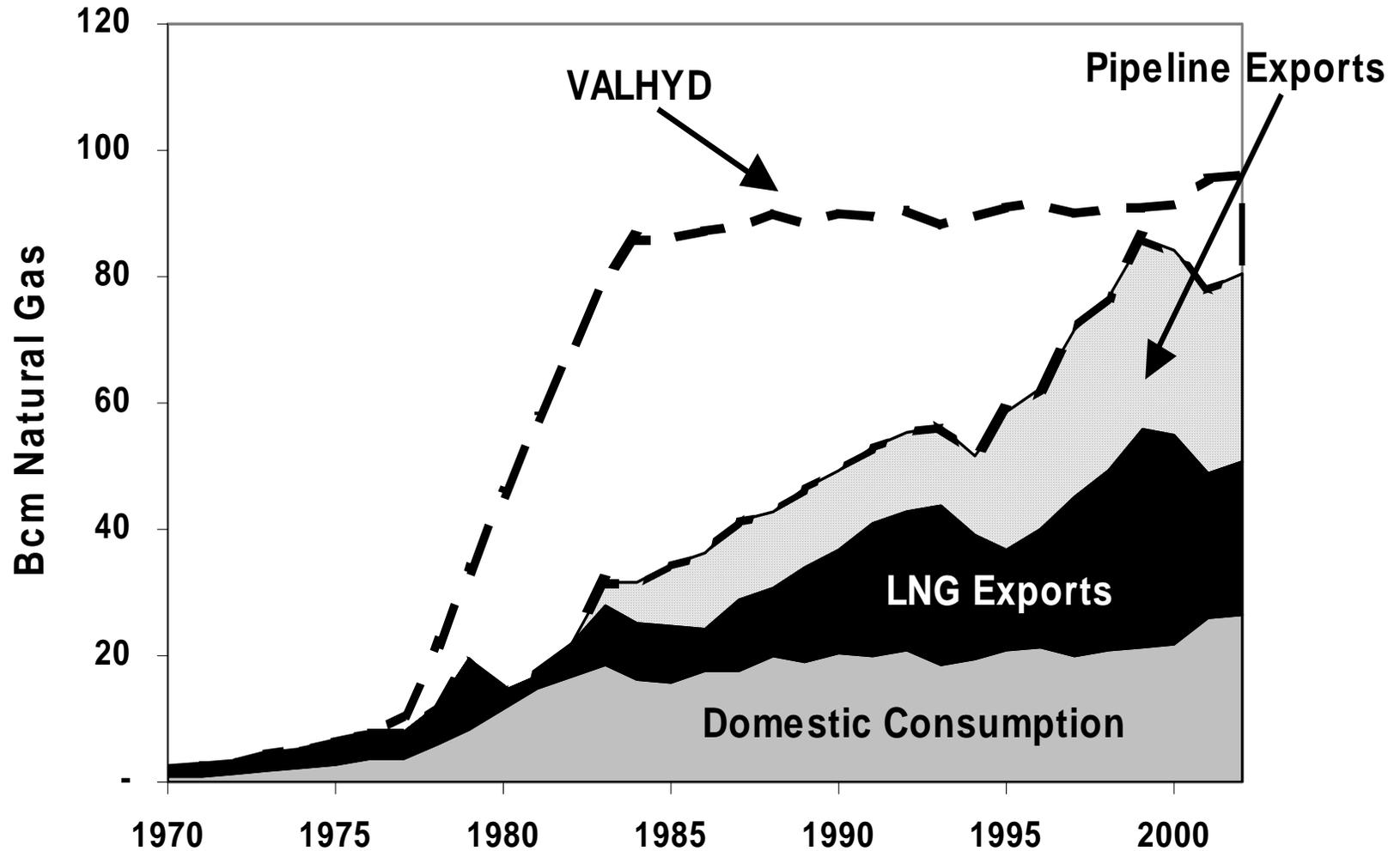
- LNG vs. pipeline debate; strategic objective for ENI
 - Saipem lays test-pipe in 1975
- 1977 transit agreement with Tunisia
- 1979 regime change in Algiers
- 1981 pipeline completed
 - The 'Gas Battle'
- 1983 contract
 - Indexed to f.o.b. oil → fast up, fast down

Algeria's "Gas Battle"

Gas Shipments to Italy via Transmed Pipeline



Algeria, Realized Gas Shipments



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”