

Opening Statement,
by HE Dr Chakib Khelil, Minister of energy and mines,
Algeria.

**Excellencies,
Ladies and gentlemen,**

It is my pleasure to participate in this first ministerial gas forum, on “partnership and cooperation in a global gas market”, organised at the initiative of the International Energy Forum and the International Gas Union to foster dialogue and cooperation between gas producing and consuming countries and the industry.

Natural gas is the fuel of choice with more evenly spread resources, its environmentally friendly nature compared other fossil fuels, its economics and the ever improving efficiency of gas powered generation systems and gas burners, and finally the fast growing number of export and import outlets confirming its globalisation over time.

Beyond that prospect of continued growth, lies the huge potential for expansion of gas consumption in non traditional markets and use, in view of the increasing versatility of natural gas on one side, and the large populations in the developing world that still do not have access to modern energy carriers, particularly electricity, on the other side.

There remain many challenges facing governments of gas exporting and importing countries and the industry to deliver the full potential of the world gas resources.

**Excellencies,
Ladies and gentlemen,**

Allow me to say a few words about Algeria’s long experience and solid position today regarding such preoccupation and its prospects.

Algeria was a pioneer in LNG export to the United Kingdom in 1964, through partnership with foreign investors. Later on, the National Company Sonatrach promoted also regional and international cooperation to develop our first intercontinental subsea gas pipeline with Italian and Tunisian counterparts that allowed export to begin in 1983, then with Spain, and Morocco with export in 1995.

These pioneering experiences have been later extended to other LNG and gas pipeline projects that gave Algeria the unique position among gas exporters: its export capacity is more or less evenly split between LNG and pipe gas.

May I say a few words about the ongoing international oil and energy markets, which may somehow obscure the horizon.

We are observing today the consequences of flawed international economic and energy policies on energy market. Let me mention but a few, such as:

- (a) politically motivated sanctions against some important oil and gas producing countries,

- (b) over regulation with varying standards and norms in petroleum products discouraging thus investment in refining;
- (c) counterproductive “energy security of supply policies” that have discouraged investment by oil and gas exporters;
- (d) Insufficient regulation and supervision of financial markets that led to the “subprime” crisis and the ongoing credit crunch, with its implications on the real economy and energy supply and demand.

Policies that promote peace, economic expansion & development, would have lead to energy demand growth and the investment needed to bring the required supplies to end user, within an efficient market.

Going beyond the immediate future, we can reasonably expect that global economic growth will resume later at a robust rate, in view of the expected population increase and high development needs in the poor countries and the improved living standards in the transition economies.

**Excellencies,
Ladies and gentlemen,**

Turning now to the proposed topics for our panel discussion, allow me to present my country’s perspectives on each of the issues raised.

1- What could governments do to facilitate the needed investments?

As a producing country, Algeria has defined a clear, transparent, non discriminatory and competitive investment framework, in the law of hydrocarbons, which includes flexible fiscal terms to ensure an equitable share of risks and rewards between the investors.

We would encourage consuming countries (gas importing countries) to define the appropriate framework to facilitate our gas companies investment in downstream activities, on an equal footing with consuming countries companies, so as to satisfy end user needs.

2- What avenues for cooperation between NOC’s and IOCs and Governments in a global gas market?

The Algerian National Company, Sonatrach, has been partnering with other NOCs and IOCs at the domestic and international levels, both in upstream and downstream. We would like to see other companies offering Sonatrach what it lacks in technology, management skill, international market outlets and marketing networks...

While there is no standard model for business partnerships, Sonatrach would consider proposals on a case by case basis. However, Governments could set the right business framework applicable to companies to allow NOC’s and IOC’s that have the skills to define the partnership models that best promote their growth potential.

3- How to address the rising projects costs in the gas industry?

Indeed, this is a serious challenge facing the industry over the last years due to rising costs of inputs and shortages of skills, particularly in engineering which is the most crucial issue. Our understanding is that such shortages result from the divestment in human resources that followed the price collapse of the mid eighties and continued over the 1990’s.

Hopefully, the price environment of the recent years has brought to the forefront the need for more investment throughout the full chain, including in human resources. The industry has the financial means to meet this challenge. Finally, the very recent worsening price environment, due to stagnating demand may alleviate some pressure on the industry, which could delay some projects with a downward impact on costs.

However, mistakes of the past should be avoided and I urge the industry to pursue steady investment in human resources, because I do believe that beyond the very short term, growth will resume with its implied capacity expansion etc...

4- How to limit impediments to investment such as regulatory uncertainties, NIMBY etc....?

As I said earlier, governments need to design not only attractive frameworks, but more importantly they have to stable. Otherwise, these uncertainties will reduce investments, increase project costs, which end up into higher prices for consumers. An erratic policy will ultimately be counterproductive for governments too.

As for NIMBY syndrome, may I stress that policymakers should make options very clear to all stakeholders in this field: how to balance development needs with protection of local environment and what would be the costs for each alternative.

5- What is the role of transit countries in the globalisation of gas markets?

Here too, there is not one solution for all cases. Our understanding is that there is a win-win optimum between the gas producing, importing as well as the transit countries. Algeria's experience includes the gas pipeline through Tunisia to Italy with a spur to Slovenia, which went on stream in 1983 and also the gas pipeline through Morocco to Spain with a connection to Portugal now in operation for more than a decade.

Our transit model was relatively simple from the exporters view: Prices were fixed "FOB" Algerian border. The transit pipeline was owned by another company operating as carrier, while the transit country government had the right for transit fees (in kind or in cash), usually representing a given percentage of the value of the gas transported.

Our experience confirms that it is possible to design models that are beneficial to all parties, and that have superseded any other conflict of interest between them.

**Excellencies,
Ladies and gentlemen,**

These are my first comments. I would be pleased to later hear your views and learn from your experiences.

Before closing, may I remind that a major event of the world gas industry that is the LNG 16 congress that will take place in Oran, Algeria in 2010. I would be pleased to see you all there.

Thank you.