

MINISTRY OF ENERGY AND MINES

Keynote Address by Dr Chakib Khelil,
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**Excellencies,
Honourable Guests,
Ladies and Gentlemen,**

It is an honour and a pleasure for me to address this audience representing an industry of a promising future both in the United States and other major countries, but also in Algeria, as well: I am referring in particular to the renewable energy industry, which is the focus of our conference today.

Before dealing with this issue, let me first look back to the recent evolution of the global energy scene and what is the outlook for the medium to long term. Indeed, it is this background of global energy prospects that will shape the future of renewable energies in my country and everywhere else.

Since the beginning of this century, the world economy has enjoyed overall a robust expansion, which led to a better well being of most of the world population including improvement in the poor developing countries, although for the latter poverty alleviation for a large part of the population is still a serious challenge.

The economic expansion has naturally led to – and was fuelled by - continued growth in oil and energy consumption which was at a higher pace than during previous expansionary economic cycles. Oil demand growth was faster than production capacity expansion, leading thus to shrinking spare capacities throughout the energy chain. Such developments have pushed to some hasty conclusions about the end of the oil era and the imminence of the “peak oil”. With this perception, compounded with the vagaries of the financial industry on the background of a lax regulation, oil markets departed from the rationale of the fundamental factors of supply and demand and were subjected to sheer speculation that led to the extreme volatility we observed last year.

I believe that such extreme volatility is bound to calm one day, as ultimately market fundamentals will prevail. Indeed, Governments in energy consuming countries will draw the necessary lessons and move to improve supervision and better regulation of financial markets on one part, while oil and energy exporting countries are adapting their production and investments plans to stabilise markets and bring production capacities in line with expected demand growth while rebuilding an adequate spare capacity.

Thus to conclude, after the crisis of last year, and the ongoing quasi-recession, we are confident that world economy will ultimately renew with a virtuous cycle of expansion, with a steadily growing energy needs.

Ladies and Gentlemen,

Looking ahead at various forecasts over the long term, there seems to be a consensus, that although hydrocarbons resources will continue to dominate the global energy landscape, thanks to ample resources and the expected continued demand growth in the developing countries, there remains that renewable energy sources are set to experience development paces unseen in modern times.

Indeed, we observe, primarily in the industrial world, but also increasingly in the emerging economies and even in less developed countries, growing interest in renewable energy sources.

Many reasons could explain these strong underlying trends, like environmental awareness and primarily about the impact of GHG effects of global warming having led already to commitments in most of the major industrial countries to curb emissions, while the remaining countries may soon join, as shown by the stated policy of the current US administration.

Besides these environmental and energy policy moves, technological progress and innovation, are steadily reducing the cost gap between conventional energy sources and the renewable ones.

Ladies and Gentlemen,

Algeria believes both in the need for GHG emission abatement, as it has already ratified the Kyoto protocol, as well as in the merits and necessity to combat local pollution from energy production and use. My country's economic history reveals that just after its independence Algeria has embraced a policy of preserving the environment by promoting the most environmental friendly of the hydrocarbons resources which is natural gas.

Besides the quasi elimination of associated gas flaring at the oil production sites, a policy aiming to make modern energy carriers like electricity, natural and LPG available and affordable for the average citizen has been pursued, thus avoiding for instance deforestation. This policy is still ongoing today.

Hence at its own scale Algeria has been contributing to the preservation of the local and global environment.

These environmental and energy diversification objectives are being consolidated along two major energy policy paths which are:

- (a) Development of renewable energy sources, and,
- (b) Promotion of energy efficiency.

Prior to dealing with these two issues, let me say few words about the overall energy reforms being implemented in Algeria. Since the beginning of this decade, a comprehensive energy policy framework has been put in place consisting of legal, institutional and regulatory components with a set of laws, agencies and commissions, for each of the three main activities: mining, hydrocarbons and electricity.

Within this new landscape, may I would like to underline that in Algeria today all licensing, EPC, purchase and other contracts are offered through an open and transparent bidding process, with calls published in the specialised bulletin of the energy and mines or BAOSEM, available on the WEB.

Regarding the power sector, dominated until recently by one government owned company or the "historical operator", there are now several independent power producers (IPP), most of them conceived in the form of joint stock companies, between Algerian producer Sonelgaz and a foreign investor who has a majority stake in capital, and promoted through a BOO "Project Finance" scheme.

Beyond the electricity generation industry, we have been building over the last years several water desalination plants - some of them of very large scale - along the same scheme of 'project finance' with majority stake for foreign investors.

Moreover, and although within slightly different organisational patterns, the ministry of energy and mines has been promoting joint projects and partnerships in the mining sector, for instance for the exploitation of gold with an Australian investor, but also in petrochemicals with western and Middle East investors. In all these undertakings, foreign partners have majority stake and the management of projects and companies.

Ladies and Gentlemen,

This brings me to the industry which is the focus of our conference today, or the renewable energies. Like for the other industries under the responsibility of the ministry of energy and mines, we have set the specific legal, institutional and regulatory framework for their promotion.

First, the huge potential of renewable energy resources that Algeria enjoys, particularly its solar potential, has led to the promotion of photovoltaic electricity for isolated housings and other sites in the Sahara desert.

Most importantly, over the recent years Algeria has embarked on the development of solar power at a much wider scale through Concentrated Solar Power technology, with several power plants already under construction or under planning, that would be connected to the national grid.

Here too, the business model is that of partnership with foreign investor with the required technology and experience, who will have also majority stake in capital and management.

I would like to stress that beyond building power plants, Algeria's ambitions in the field of renewable energy and more precisely in solar power, are to develop over the long run, a fully integrated domestic industry. Indeed, this is one of the main pillars of the national industrial strategy set by the government.

What we mean, is to build an industrial base for large scale development of solar power, that includes supplying the qualified human resources from the planned specialised institute and vocational training centres, providing up-to-date technologies through R& D programmes, and steadily supplying locally produced components of power plants, as well as promoting capacity building in design, engineering and construction.

Such ambitious aims offer wide opportunities for able foreign partners, that we are looking forward to join forces with to meet the objective of producing a significant share of power generation from renewable sources over the medium term, but also to ensure an adequate supply of electricity over the very long term, i.e. beyond the lifetime of our finite hydrocarbons resources.

This is one dimension of our understanding of the concept of “sustainable development” that we are pursuing in Algeria.

However, if the solar thermal power generation is the most promising renewable energy in Algeria, it is not the only one. Photovoltaic will continue to be developed wherever it is economically feasible.

Besides solar radiation, Algeria has a significant wind power potential that we have begun to harness, first through hybrid “wind and diesel” power plants. One such project is the ongoing wind farm construction in the south western desert, near the town of Tindouf. Other renewable energy projects under consideration include biomass (olive stones...), although they are still at an early stage.

The two presentations by Algerian delegates that follow, will present in more details the potentials, the ongoing projects and the great expectations that we have regarding this promising industry of renewable energies in my country.

Ladies and Gentlemen,

Another significant component of the Algerian energy policy – relating to demand side management – is the promotion of energy efficiency.

Indeed, if at an earlier stage of economic development a policy of promoting modern energy use to most of the population was economically sound and socially justifiable, this has led to large inefficiencies in the allocation of a finite natural resource. Such consequences need to be mitigated, and in doing so, we have set a relatively sophisticated framework that includes a legal component which the law on energy efficiency, that has defined several instruments, including a dedicated Agency, a special Fund and a revolving “pluri-annual” programme of actions.

Implementing the law, a set of regulations have been published and relates to performance of industrial and household equipments, and a gradual introduction of regulation regarding building standards.

For the national energy efficiency programme, one important component is the promotion of efficient lighting, using low consumption bulbs. Distribution of these efficient equipments is ongoing; however we are planning to speed it up with the aim to eliminate over time the traditional bulbs from the Algerian market.

Besides the pursuance of energy efficiency proper, the ministry of energy and mines is promoting the use of the most available hydrocarbon resources in Algeria that are: natural gas and LPG, both in their traditional markets, but also in other uses: hence several measures of fiscal and financial nature have been initiated by the ministry to increase the use of natural gas in cooling, and both LPG and natural gas as motor fuel in transportation.

We consider these actions also as part of energy efficiency policy, in view of the Algerian hydrocarbons resources mix and also of their environmentally friendly nature.

I will not go further on this topic, as there will be also a presentation by the head of the Algerian energy efficiency agency that deals in details with our policy and actions in this domain.

Ladies and Gentlemen,

Although Algeria has been and will still be for the foreseeable future an important hydrocarbons net exporter, you can see that a sustainable and environmentally sound development path has been chosen by the government and is being implemented.

I agree that we are still at the beginning, and the challenges are daunting, as social acceptance of pure economic allocation of resources is still difficult to achieve in Algeria, as in other major oil and gas exporting countries.

However, several measures have been taken to move ahead. For instance, a feed-in price policy has been put in place to mitigate the impact of the high cost of renewable electricity delivered to the national power grid, which is materialised through a regulation in the "decree of diversification of electricity".

This is why, besides several initiatives on the demand side, we are pursuing the development of renewable energy sources by promoting a supply side approach: using part of the hydrocarbons revenues to finance R&D programmes and projects etc....

It is naturally a long haul journey. Algeria's energy industry can better achieve the set objectives through partnerships and real investments opportunities exist. I invite all of you to learn more about these prospects, during our conference of today and beyond.

Thank you for your kind attention.