

The Role of Gas in Mediterranean integration

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The Relative Importance of Gas

From an energy point of view, 2005 has been a very convulsive year. On an international level, fears that there may be an energy crisis equivalent to that of the seventies of the last century have increased. According to the media, contributing to these fears are the crowing about *end of oil* and specific factors such as the situation in Iraq; the *new* crop of leaders in Latin American *oil-producing countries*, Chávez in particular; the growing demand from China and India; and, in recent months, the concern caused by the situation in Iran. In the case of Europe, this feeling of energy insecurity was intensified, right in the middle of the 2005 Christmas holiday period, due to an extremely brief cut in the supply of Russian gas, which reaches Central and Eastern Europe via Ukraine. A conflict, that in principle should have been read as neighbour motivated – between the two former USSR countries that share a network of gas pipelines –, was interpreted in Europe as a serious threat to our energy security.

Among other consequences, these ingredients have increasingly led the attention to questions relating to natural gas. An energy model based on gas has many features in common with one based on oil, but there are two significant differences that we would like to emphasize: a) the predominance of gas could mean a change in the most important players on the International En-

ergy Scene (IES), especially where producing countries are concerned, and b) the gas market is not technically unified. In the case of gas, geographical proximity does matter and consequently, increases the possibility of creating “regional markets”, “controlled” by regional players. In fact, the European Union itself establishes in the technical report for the preparation of the Green Book that “there is no world market for natural gas: gas is sold in three separate consumer markets: in the United States, the European Union and Asia.” From this affirmation we can deduce that the potential that regional alliances may have as an instrument of energy politics should be highlighted, since gas intrinsically leads to an “obligatory” policy of buying and selling on a regional basis.

European countries consume approximately 16% of the world’s natural gas. This figure currently represents 24.3% of the total gross primary energy consumption of the 25 member states of the E.U. In the future, it is estimated that this percentage will increase; just as it is also predicted that the dependence on imported gas will increase, from acquiring half the amount presently consumed from other countries, to importing three quarters of our requirements some time between 2015 and 2020.

European consumption is principally fuelled with gas from three areas: Russia, Norway and Algeria. On average, according to Eurogas, 24% of the total gas consumed in the 25 EU countries comes from Russia, 59% from European countries, including Norway, 10% from Algeria, and the remaining 7% from other suppliers including Libya and Egypt. These data indicate that for the EU, the situation is quite different to that

of oil. When we talk about gas, the focus is on three suppliers, two of which are *continental* and the other, Mediterranean.

As we move towards the south-west of the continent, by looking at the figures for the Europe of 15 member states rather than the Europe of 25, the influence of Algeria, the Mediterranean supplier, increases to 21% of total gas consumption; and if we only focus on the two southernmost countries of the EU, Italy and Spain, the Algerian supply is even greater. According to British Petroleum, out of the total gas that enters the continent by gas-pipeline, almost 40% of that consumed in Italy and 70% of that used in Spain originates from North Africa. These data are reinforced if we consider that of the gas imports arriving from Algeria to the EU by gas pipeline (86.6% of the total), 69% passes through Italy and 23% through Spain.

The Algerian Deposits in the European Area

If we consider energy relations as dichotomical – there are countries that sell crude and gas and others that buy it –, the isolated figures that we have presented, would lead one to think that, in the Mediterranean area, what exists is an asymmetric relationship of dependence. This idea moves us away from a possible scene of energy integration, but this possibility comes up when we consider energy relations as a game, with at least three groups, between the gas of the *producing countries*, the consumers and those who act as intermediaries in the process; the governments and companies of the sector.

THE 'EUROMED EMPLOYMENT' PROJECT

The importance and urgency of employment as the main economic and social challenge for Arab Mediterranean countries is unquestionable (see Med. 2003, Mediterranean Yearbook, p. 151). And yet, over the ten years of the Barcelona process there has been no single region-wide study investigating the relation between employment and the main framework of economic relations between the European Union and its Southern and Eastern Mediterranean neighbours: the Euro-Mediterranean Partnership. Neither FEMISE, nor EuroMeSCo or even the European Commission in the framework of its ongoing Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Areas have undertaken such an analysis.

This is the main purpose of the "EuroMed Employment" project, a Comparative Study of the Impact of the Euro-Mediterranean Partnership (Free Trade Areas and MEDA Programs) on Employment and the Right to Work in 8 Southern and Eastern Mediterranean countries. The project is a joint initiative by the Euro-Mediterranean Trade Union Forum and the Spanish trade union Comisiones Obreras and its Fundación Paz y Solidaridad Serafin Aliaga. It was prepared in cooperation with the Euro-Mediterranean Human Rights Network (EMHRN) and was financed by the Spanish International Cooperation Agency (AECI) and the Friedrich Ebert Foundation, which also provided logistic support in the entire region.

The "EuroMed Employment" project, implemented throughout 2005 and 2006, consisted in elaborating eight national studies on the Euro-Mediterranean Partnership and Employment in Morocco, Algeria, Tunisia, Egypt, Jordan, Lebanon, Palestine and Syria, as well as a study of the consideration of employment by European institutions within the Euro-Mediterranean process. Studies were carried out by 17 local independent experts, mostly economists, under the coordination of a scientific director, the Spanish economist Iván Martín, and of a follow-up committee consisting of the five par-

ticipating organisations. Studies were carried out using a standardised questionnaire and a preliminary version of each of them was discussed and validated in two subregional seminars held in Rabat in October 2005 and in Amman in December of the same year. The resulting 100-pages comparative study has been drafted on the basis of these nine studies, and it was presented and discussed at the final conference of the project organised in Tunisia in September 2006. The comparative study will be published in English, French, Spanish and Arabic.

Amongst the initial conclusions and recommendations of this comparative study, which up to now is the widest analysis carried out on this issue at a regional level, it is worth mentioning the following:

- The eight national studies offer a detailed analysis of the national labour markets, employment prospects, labour policies and regulation in each of the countries. The general conclusion is that the daunting challenge of employment in the Euro-Mediterranean region requires an active employment policy both at the national level and in the framework of the Euro-Mediterranean Partnership. This is particularly important in respect to female and youth employment and the role of the informal economy, which undermines the economic and social situation of the population in Arab Mediterranean Countries and hampers their development.
- Employment and the right to work have occupied an increasing part in the rhetoric and the declarations of the Euro-Mediterranean Process, but they have hardly been considered within the context of MEDA Programs and regional policies.
- Within the framework of the Euro-Mediterranean Partnership, not a single project was undertaken to strengthen and support national employment policies, while extensive resources were invested in training programs, technical assistance and structural adjust-

ments relative to financial policy, trade policy and the macroeconomic policy. Nevertheless, the institutional position and the technical quality of national employment policies, as well as their compatibility with other national economic policies, are particularly weak. This justifies a broad Euro-Mediterranean evaluation and support program for these policies.

- Despite being the greatest regional problem of common interest, up to now, no Euro-Mediterranean Employment Strategy nor any specific Action Plan has been adopted in this area; not even a Euro-Mediterranean Conference of Ministers of Employment has been held. In other geographic regions such as the Balkans, the EU has undertaken a project for assessing and coordinating national employment policies (the so-called Bucharest initiative).
- The Euro-Mediterranean Partnership's impact on employment, particularly as a consequence of the implementation of the free trade areas, will generally be irrelevant, neither negative nor positive (although the impact will be greater in the Maghreb countries). However, its effects can be significantly negative in particular industries, especially with regards to the employment of women in specific manufacturing sectors present in the countries from that area. This requires specific gender and employment programs.

For the same reasons that a Compensation Fund was recently established within the European Union for workers who lost their employment as a consequence of globalization (this is expected to cover up to 35,000 workers per year), the economic restructuring caused by the implementation of Euro-Mediterranean Free Trade Areas in the next few years warrants the introduction of compensation measures to assist those workers who lose their employment during this process, to help them to recycle and to ensure the social sustainability of the entire Euro-Mediterranean Process.

From this point of view, in 2005 there was a significant change in the Mediterranean gas game: the passing in Algeria of Law 05-07 of April 28th relating to hydrocarbons. This leads us to think that the Algerian hydrocarbons will be a constituent piece in the Euro-Mediterranean *geoenergy* area. In this piece there are two elements indicating that the

tapping of Algerian hydrocarbons will be incorporated into the activity of private consortiums of companies, which include those identified as European (Gas Natural, ENI, Total, Fina, Elf,...). The first element is that with this law, the Algerian State will no longer be a *producing State*, as it is a law that separates the State – as the owner of the coun-

try's subsoil riches – from SONATRACH, the national Algerian hydrocarbons company. This means that for the State, the export of oil is no longer considered as the privileged means for obtaining national income. For this reason, "Algerian national political" criteria have less and less influence on the quantities of crude oil and gas that are exported. Evidence

TABLE 3 Production and repatriated profit in the agreements with foreign companies that operate in the Algerian deposits

	2000	2001	2002	2003	2004	1st. S. 2005
Natural Gas (millions of m ³)	139,199	140,740	139,988	137,634	144,281	77,159
SONATRACH percentage	91.69	91.62	91.34	90.97	85.90	81.81
Percentage Agreements	8.31	8.38	8.66	9.03	14.10	18.19
Liquefied petroleum gas (LPG) (thousands of mt)	8,243	8,604	8,694	8,454	8,494	4,521
SONATRACH percentage	84.14	85.19	84.09	82.77	76.50	76.64
Percentage Agreements	15.86	14.81	15.91	17.23	23.50	23.36

Source: Algerian Ministry of Energy and Mining, *Résultats du secteur de l'énergie et des mines* (several years).

of this is that, even in the case of oil, sources close to the Algerian authorities have already stated their intention to abandon the Organization of the Petroleum Exporting Countries (OPEC) quota discipline.

The second is that this same law converts SONATRACH into an exclusively commercial company, while at the same time limiting its participation in international consortiums that exploit Algerian hydrocarbons. This can only reinforce the tendency which can be seen in the attached table. That is, that the importance of "foreign" gas production in Algeria has constantly increased.

Both factors indicate the loss of "Algerianity" of the country's gas, which predictably will be considered as a marketable asset capable of yielding profits – not national income – for the companies that market it. From this point of view, it is relevant to remember who markets this gas to integrated consortiums of European and domestic companies: principally SONATRACH.

Furthermore, the activity of these integrated consortiums, which also has a bearing on the creation of transport and natural gas storage infrastructures, is supported as much by European institutions (DG Tren and the EIB) as by European governments, who support the European energy private sector with the aim of maintaining its function as ener-

gy supplier. To cite a present example, two of the priority Trans-European Network (TEN) projects are centred on Maghreb: the NG.2, which is intended to unite Algeria with Spain, Italy and France, and the NG.6, that will construct a ring to unite the Maghreb with the Eastern Mediterranean countries via Turkey.

All this has led to the integration of Algerian gas in the European energy sector for two reasons: because extraction and marketing of the gas is carried out by means of mixed, vertically integrated companies and, because with the current network of gas pipelines the deposits located in Algerian territory are integrated in the *downstream* European gas sector.

Gas, a Factor of Regional Energy Integration?

The answer to this question is ambivalent. It has already been said that the current structure of infrastructures and storage in Algeria is conceived principally for the export of gas to Spain, Italy and France, and it is mainly companies from these countries that acquire the gas. From this point of view, the hydrocarbons and the companies, currently from Algeria – but according to predictions of the Mediterranean Energy Observatory

(OME) also from Libya and Egypt in the near future (2.31% and 2.52%, respectively, of the European supply in 2010) form the European *upstream* gas sector and remain integrated – micro-economically – in the same logic as the European energy industry.

However, the growing construction of pipelines gives greater prominence to the *transit countries*, with potential ability to influence the course of energy relations. From this perspective, especially in the case of the Maghreb, the construction of pipelines to Europe gives an importance to Morocco and Tunisia which they did not have in the previous oil market. It seems very unlikely that Morocco or Tunisia would carry out any action against Europe, but it is plausible that they could use this position of *transit country* to resolve their ancestral conflicts with their neighbour Algeria, in the case of Morocco, or Libya, in the case of Tunisia – and obviously, also *vice versa*. If such a situation were to arise, we would find ourselves up against a Maghreb geo-energy area, that acted with a logic previously unknown, a logic that would not resemble that of the most national kind governed by the producing states of the past, but would still have in common with the past situation the fact that national interests would take precedence over regional energy integration.