

Algiers energy storage investment trends

ALGIERS, May 22, 2024 --Algeria's economic growth remained dynamic in 2023, with GDP recording a 4.1 percent increase, driven by robust performance in the nonhydrocarbon and hydrocarbon sectors, according to the World Bank's Spring 2024 Algeria Economic Update. Economic activity was stimulated by dynamic private consumption and strong investment growth, fueling a marked increase in imports. Hydrocarbon production was supported by record-high natural gas production, compensating for the decline in crude oil production amidst voluntary OPEC quota reductions.

Despite the decline in global hydrocarbon prices and an increase in imports causing Algeria's trade balance to shrink, the country's foreign reserves continued to increase, reaching a comfortable 16.1 months of imports by the end of 2023. Consumer price inflation moderated to 5.0 percent in the first quarter of 2024, down from 9.3 percent in 2023, aided by a strong dinar and a decrease in fresh food and import prices.

"In 2022 and 2023, Algerian authorities accelerated digitalization efforts and elevated the strengthening of data systems as a policy priority," said Kamel Braham, the World Bank's Resident Representative to Algeria. "In addition to supporting evidence-based policymaking, robust economic data reduces economic uncertainty and supports investment, growth, and diversification."

Looking ahead, the report projects a temporary growth slowdown in 2024, followed by a robust recovery in 2025. Despite the positive outlook it finds that continued public spending and import growth amidst moderating hydrocarbon exports would put renewed pressure on the fiscal and trade balances. Additionally, significant uncertainties with respect to global commodity prices and climate conditions remain.

Cyril Desponts, the World Bank's Senior Economist for Algeria, underlined the usefulness of alternative data sources, "Unconventional data bring precision to our analysis because they are highly disaggregated across time and space, and available with only a short delay. In early 2024, data suggest that activity remained dynamic across the country, but to a lesser extent in oil-producing regions, affected by quota reductions and that Eastern regions saw a recovery in rainfall and crop development, feeding into our macroeconomic projections."

Alongside the drafting of the new hydrocarbons law, in 2018, Sonatrach unveiled a new vision and strategy, the SH2030, which lays down ambitious objectives. For the hydrocarbon exploration and production segment, Sonatrach is planning to double the annual output of discoveries. It is also aiming to increase the production rate of existing fields and optimize well performance by 2022 and deploy relevant enhanced oil recovery technologies.

Large Reserves By landmass, Algeria is the largest country in Africa and the Arab World. It has substantial oil and gas reserves and is an OPEC member. For natural gas, Algeria has the tenth-largest reserves of in the

world, is the leading natural gas producer in Africa, and is the sixth-largest overall gas exporter. For oil, Algeria ranks 16th in proven oil reserves and is among the top three oil producers in Africa. All proven oil reserves lie onshore, and there is an interest in developing offshore capacity.

In partnership with Sonatrach, Algeria's National Oil Company (NOC), International Oil Companies (IOCs), and service companies are currently involved in more than 30 major projects in Algeria at different stages.

Of the major projects underway, ten are in oil and gas projects, 11 are gas/gas-condensate/tight gas projects, and ten are oil projects. Altogether, these efforts currently result in the production of 50 million tons of oil equivalent feet per year. Most of these projects are in the south, near the cities of Hassi Messaoud and Hassi R'Mel.

Declining Production Despite its substantial reserves, Algerian production levels of oil have been declining for the past decade. This gradual decline is because the majority of the country's production stems from mature wells, which continue to age rapidly. Covid-19's impact on international oil prices, which resulted in a drop in prices for Algeria's Saharan blend from \$70 on January 6, 2020, to \$42 per barrel as of June 5, will exacerbate this trend.

The regulatory changes brought about by this law represent Algeria's first significant attempt to stimulate international investment and boost reserve replacement in more than two decades. Within the last three months, Sonatrach has also signed Memorandums of Understanding (MOUs) with Exxon, Chevron, and Lukoil. These MOUs cover exploration, development, and production opportunities in Algeria, particularly in the context of the new Hydrocarbons Law.

Despite previous investments in EOR, Sonatrach's new leadership understands that additional investments in more cutting-edge forms of EOR are needed improve oil recovery factors and slow the rate of decline. Compared with neighboring countries in the Middle East, Algeria's reservoirs that require EOR techniques have an estimated recovery factor of less than 20 percent, compared with 34 percent in the region.

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