

Sonatrach plans expansion in most areas of energy except for crude



Bloomberg Algiers

Africa's biggest oil and natural gas producer plans to expand in most areas of the energy industry except for crude, shunning US President Donald Trump's latest Twitter directive for Opec members to reduce oil prices.

Algeria's state-owned Sonatrach Group plans to develop onshore and offshore gas fields, start a trading business, revamp and build refineries and expand output of petrochemicals, chief executive officer Abdelmoumen Ould Kaddour said in an interview. While Sonatrach could boost oil production by 200,000 bpd, there is no need for an imminent increase in supplies, he said.

Algeria is the third-biggest gas supplier to the European Union.

The Organisation of Petroleum Exporting Countries gave a tepid response on Sunday to Trump's tweet last week insisting that

the group “must get prices down now!” Opec, along with allied producers, said it would boost output only if customers requested additional oil. The producers are halfway toward their June pledge to pump an extra 1mn bpd of crude.

“Trump tweets are disturbing, but fortunately this time he did not have an impact on the Opec decision,” Kaddour said. “The price of oil is subject to many variables.”

The “right price, the fair price,” for both consumers and suppliers is between \$70 and \$80 a barrel, Kaddour said.

Algeria spearheaded the effort by Opec and allies including Russia to push prices higher by cutting production. The cuts took effect in January 2017, though producers changed course in June and committed to increase output to make up for losses in Venezuela and Iran.

Sonatrach could produce an additional 200,000 bpd if necessary, Kaddour said. Algeria pumped 1.07mn bpd of oil in August, and production has declined from a peak of 1.41mn bpd in December 2007. Output including gas is equivalent to 3mn bpd, making it the biggest combined producer of oil and gas in Africa, according to data compiled by Bloomberg.

The government is working on a law to entice foreign investors and reduce taxes and bureaucracy, and it may take effect by early 2019, he said.

Sonatrach expects to enter into a joint venture agreement with Exxon Mobil Corp, and will form a partnership with Total SA to build a \$1.5bn petrochemical plant by the end of the year, Kaddour said.

Sonatrach is also in discussions with 14 companies, including Chevron Corp, Total and Vitol SA, to form an oil and gas trading joint venture, he said. “We are looking for new ways of trading our products,” he said, though the company hasn’t decided whether to partner with an oil producer or a trader.