

PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

MINISTRY OF ENERGY

وزارة الطاقة

**Speech by HE Mustapha Guitouni**

**Minister of Energy**

**Sixth IEF-IGU Ministerial Gas Forum**

**Thematic Session II:**

**Growth in Gas Demand Beyond Electricity Generation**

Only the pronouncement is authentic

Barcelona - Spain

November 22<sup>nd</sup>, 2018

Excellencies,

Ladies and gentlemen,

I am pleased to participate in this IEF-IGU Forum and to this panel dedicated to the demand for natural gas beyond the electric generation.

I wish to begin by recalling the crucial role of energy in sustainable development. Access to energy is essential for getting out of poverty, and for economic development and social progress.

Primary energy demand has increased by about 1.7% per year over the last 10 years, due to world's population growth, economic expansion and greater prosperity. It has also increased despite improvements in energy efficiency, technological progress and the global economy shift towards the services sector.

Two challenges should be underlined: access to energy and environmental impact.

You know the numbers. Despite all the progress worldwide, about one billion people still do not have access to electricity. No less than 2.5 billion people use traditional fuels, such as wood or animal waste for cooking and heating. These figures show that there is still a long way to go to reduce inequalities and give people the opportunity for inclusive growth. The United Nations have set the objective of universal access to energy by 2030. This is an essential objective, which will have to be achieved.

Reducing the environmental impact of energy use is another challenge, at the local level, especially with regard to urban pollution, and at the global level, in terms of greenhouse gas emissions and their impact on climate change.

Ladies and gentlemen,

The world today uses a diversified energy portfolio, which remains dominated by fossil fuels.

To meet the challenges I have just mentioned, natural gas has undeniable advantages that allow it to play an even bigger role in the future.

It is first the least polluting of fossil fuels. Per unit of electricity produced, a gas-fired plant emits up to half as much carbon dioxide as a coal-fired plant, and much less so with nitrogen oxide, sulfur oxide and particles.

Natural gas is versatile and can be used in many sectors, such as power generation, transportation, petrochemicals and the domestic sector.

It is flexible. It constitutes an effective means of backing up and stabilizing the network in the face of intermittency and variability of renewable energies.

Finally, natural gas is abundant. According to the Forum of Gas Exporting Countries, GECF, natural gas resources would correspond to 130 years at the current rate of production.

But, as you know, natural gas faces three challenges. The first results from its low energy density, leading to relatively high transport costs. The second is that without control of methane emissions in the production chain, its benefit to the climate is reduced. The third is that, unlike oil, which has a captive sector, i.e. the transportation, gas is everywhere in competition with other alternative energies.

That is why, despite all its qualities, natural gas requires the implementation of energy policies that promote the protection of the environment, remunerates backup capacities in the electricity sector, and generates a sufficiently strong carbon price signal.

Ladies and gentlemen,

Natural gas markets have undergone a profound transformation over the past decade, with the emergence of new producers, with some importing countries becoming exporters, the development of unconventional gas, the expansion of liquefied natural gas trade and

the emergence of new actors. This transformation will continue in the future.

According to projections of the GECF, demand for natural gas is forecast to grow at an average rate of 1.7% per year over the 2040 period. The share of natural gas in the global energy mix will increase from 22% to 26%.

The electricity sector will remain dominant in the gas demand, with a projected increase of more than 60% over the period to 2040.

But this growth depends mainly on energy policies. Indeed, massive subsidies for the development of renewable energies, associated with an electricity market based on short-run marginal cost, and a deficient carbon market, can lead, as observed in certain regions of the European Union, to closing gas-fired power plants, while coal, more polluting, finds its place. On the other hand, a policy favoring natural gas as in China, or imposing a relatively high price of carbon as in Great Britain, can induce a fast and important shift from coal to natural gas.

Of course, opportunities for high growth exist in other sectors; in the industry sector, as fuel in boilers or raw material in geochemistry, in the domestic sector, for heating in particular, and in the transport sector, due to its attractiveness to respond to the air quality concerns in urban areas, and to fulfill the new International Maritime Organization regulations for ship emissions to be implemented in 2020.

Although these gas prospects are promising and gas reserves are amply sufficient, it should nevertheless be emphasized that the gas chain is intensely capitalistic and that, to ensure the required development of the gas chain, it is necessary that the price of gas is sufficiently remunerative and that predictability is assured in terms of demand, which I would call security of demand.

However, one question remains: can the changes observed in certain markets aiming at favoring short-term transactions be able to ensure this predictability and security of demand, just like long-term contracts, which ensure fair distribution of risks and benefits? I doubt that this

would be the case if it led to a lower valuation of this non-renewable and exhaustible natural resource.

Ladies and gentlemen,

As you know, Algeria was a pioneer in natural gas, securing in 1963 the first commercial sale of liquefied natural gas from Arzew to Great Britain.

Algeria is one of the leading countries in natural gas and one of the leading gas exporters. With three gas pipelines to Europe and four natural gas liquefaction units, Algeria is one of the world's leading gas exporters. Its production units for methanol, ammonia and urea make it possible to diversify its exports.

Algeria has been a stable and reliable supplier of natural gas, even during difficult times, and has been able to ensure the perfect security of supply for its customers.

Algeria has also relied on natural gas to develop its economy and improve the living conditions of its citizens. This is how the electrification of the country has reached almost 99%, with a generation system based mainly on natural gas. Despite its large surface area, the natural gas connection rate has reached nearly 60% thanks to a supportive policy in this area. The rest of the population is supplied with propane gas. In other words, almost the entire population in Algeria has access to electricity and gas.

It should be remembered that in addition to conventional reserves, Algeria has huge shale gas resources, the third largest in the world in terms of volume.

Ladies and gentlemen,

I would like to end on an optimistic note.

I believe in the future of natural gas. In the current energy transition, it is an energy of choice that could help meet the challenges of universal access to energy and environmental protection.

I congratulate the IEF and the IGU for their cooperation and their contribution to the promotion of natural gas.

I recommend that this collaboration be able to integrate the Forum of Gas Exporting Countries, the GECF, of which Algeria is a founding member. I am sure it will make a valuable contribution to your cooperation.

Thank you for your attention.