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ALGERIA'S KILLING FUEL OIL CONCERNS

Financial Times
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In the desert fields of southern Algeria, home to the country's oil and gas wealth, foreign oil companies have been working in exclusion zones, sheltered from the heavily populated and bloody north.

In co-operation with Sonatrach, the state oil and gas company, they have helped keep uninterrupted the supply of oil and gas to Europe.

But as Algeria's near-six-year conflict attracts more international attention, that isolation risks being disturbed. With the increase in violence (blamed by the government on Islamist extremists), confusion over why the killings occur, and lack of independent information, comes criticism of the army-backed government's human rights record and appeals for investigations into the massacres.

These calls rose in volume after last Tuesday's killing of up to 400 civilians and the spread of violence from areas south of Algiers to western regions.

Developments are compounding foreign company concerns over employee safety and the public relations dilemma about working with a controversial regime.

'There is increased interest in doing business in Algeria. But at the same time, human rights campaigns have recently generated an unprecedented amount of interest in the conflict,' says Martin Stone, of the London-based Control Risks, a political and security risk assessment company. 'It was inevitable that they would start to focus attention on business.'

Some oil companies have already made contact with human rights organisations to discuss Algeria. Many maintain an official wall of silence on the issue.

'It's a very complicated situation there and too delicate for us to comment on, even off the record,' said one European oil company. Another, more

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forthcoming, said: 'It is a concern. There is a feeling opposition groups might be able to capitalise on human rights concerns.'

Human rights and social issues have emerged in recent years as one of the trickiest problems facing international oil companies. The issue was highlighted in 1995 when Royal Dutch/Shell came under attack for failing to persuade Nigeria's military rulers not to execute Ken Saro-Wiwa and eight other activists.

In the past year, British Petroleum has been accused of supporting death squads in Casanare in eastern Colombia, a charge it and the Bogota government vehemently deny.

Algeria, which derives virtually all its foreign exchange revenues from oil and gas exports, is becoming an increasingly important supplier of natural gas to southern Europe. The country, which has the world's eighth largest gas reserves and has benefited from a string of oil discoveries, figures high in the strategy of several big petroleum groups.

Gas production – much of it destined for Europe – is due to rise from 11.6bn cu ft (bcf) a day in 1997 to 14bcf by 2005, according to consultants Wood Mackenzie; oil production capacity is expected to climb from about 842,000 b/d to more than 1.2m bid in 2003.

Human rights groups have long campaigned against the atrocities of Islamist extremists and government repression. The campaigns and media attention gained momentum this summer after three massacres which claimed hundreds of civilian lives.

The army's failure to intervene raised suspicions of complicity, voiced in a November Amnesty International report. The government strongly denies the allegations, blaming the army's attitude on inefficiency and previous attempts by Islamist extremists to trap security forces.

Some oil executives admit they are uncertain about what goes on in Algeria. But they say the situation there is far different than in, say, Colombia, where thousands of fortune hunters, leftwing guerrillas and ordinary criminals have flooded into the oil producing regions.

The remoteness of the Algerian oil fields and the ring of steel thrown around the region have reassured foreign investors. Though violence has sporadically targeted pipelines and, in one incident, foreign workers, there has not been a concerted effort to disrupt production.

One Algerian newspaper reported in December that 17 alleged guerrillas were imprisoned for plotting to attack Hassi Messaoud, Algeria's biggest oil field.

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In contrast to the north, the southern army and gendarmerie units are seen as efficient, though security experts say there are weaknesses and groups bent on an attack could get away with it.

That the fields are so shielded deprives the oil companies of one of their main tools in countering accusations that they countenance human rights abuses or social neglect. While difficult social conditions, housing shortages and rampant unemployment plague the north, there is no large population in the south to benefit directly from foreign oil company largesse in the form of community development projects and cash grants.

Moreover, foreign companies hire foreign security experts to liaise with local army and gendarmerie officers. At least some companies provide the shelter and food for army units stationed around individual fields and company camps in Hassi Messaoud.

Oil company executives say they are confident the oil and gas industry will continue to be sheltered from the violence and that the government's survival is not threatened by the attacks on civilians. But could a sustained campaign on Algeria's human rights record have an impact on future energy investment levels?

For some companies, controversial countries have proved particularly profitable. 'The big money is in countries whose names end in "ia" and "stan"... places other people don't want to go to,' said a senior executive of a US oil engineering group active in Algeria.

But even so, his company is wary of setting up a permanent presence there. 'We only get corporate approval for one visit to Algiers a year, and that only under extraordinary security.'

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