

# Eni, BP in talks over oil and gas assets in Algeria

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BP and Eni are in talks over the future of their oil and gas assets in Algeria as the two groups increase efforts to refocus their businesses to tackle falling margins, rising debt and climate pressures, three sources said. Europe's top energy companies are cutting back their oil and gas portfolios to keep only the assets most likely to be profitable and redeploy capital for a transition to clean energy as uncertainty mounts over future demand for fossil fuel.



A police car is being filled with fuel at a gas station next to the sign of Italian energy Eni company in the Red Sea resort of Sharmel-Sheikh, Egypt February 6, 2021. Reuters/Amr Abdallah Dalsh

Earlier this month, they announced they were in talks to forge a joint venture to run their combined operations in Angola. The sources, asking not to be named, said BP and Eni are in early-stage talks for the Italian group to take over BP's assets in Algeria. The sides are exploring an outright sale as well as an option for BP to receive stakes in Eni assets around the world, possibly in its flagship liquefied natural gas development in Mozambique, one of the sources said.

They have also looked at the idea of creating a joint venture in the North African country similar to the Angolan model, the sources said. BP and Eni declined to comment. The deal would help BP to dispose of its Algerian assets after its failure since 2019 to sell its 45.89% stake in the In Amenas natural gas plant. BP also holds a 33% stake in the In Salah gas plant.

## Lower profit, harder to sell

In Algeria, as in Angola, international groups that operate or own stakes in oil and gas fields earn fixed royalties based on the output from fields, in what are known as production sharing agreements (PSAs).

That makes them less profitable than elsewhere and harder to sell.

One of the sources said BP had tried to sell, but it had proved difficult.

For Eni, the biggest foreign oil and gas producer in Africa with strategic interests in Libya and Egypt, acquiring BP's assets would turn Algeria into a hub. BP's net share of production in Algeria in 2020 was 141-million cubic feet (mcf) of gas per day and 6,000 barrels of oil per day, its annual report said.

Eni, which has long-term gas import contracts in the country, produced 81 barrels of oil equivalent per day in 2020, including 152.5 mcf of gas. BP and Eni have set out plans to transform their businesses in the coming decades, shifting away from oil and gas to renewable energy, power markets and low-carbon businesses. Eni, which has pledged to raise its green energy capacity by some four times to 4GW in 2024, has 5MW of solar capacity in Algeria.

As renewable energy generates smaller returns than oil and gas, majors face a dilemma as they seek to reform and balance investment in new activities while protecting ratings, keeping heavy debt under control and maintaining dividends. Eni has said its oil output will start tapering off after 2025 while BP has pledged to cut oil output by 40% by 2030.

As part of the strategy, the companies aim to focus operations on the most profitable fields, such as the Gulf of Mexico in the case of BP, and Egypt's giant offshore Zohr gas field for Eni. Eni has signed a series of deals with BP in Africa, including stake sales in the Nour and Shorouk fields in Egypt and a big commercial contract for LNG from Eni's Coral South project in Mozambique.

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