

Algeria Oil & Gas Profile: Sonatrach

Latest Updates

- In October 2025, Sonatrach outlined a USD60bn five-year programme at NAPEC to upgrade infrastructure, accelerate upstream exploration and development and roll out advanced technologies. Capital will also support renewables, the SouthH2 green hydrogen initiative and emissions reduction. The plan aims to diversify revenues, crowd in foreign investment, create jobs and bolster energy security and export reliability.
- In October 2025, Algeria intensified upstream plans: ALNAFT and Sonatrach prioritised frontier, shale (c.700 tcf unrisked), and offshore exploration; eight hydrocarbon contracts signed in 2025; a new licensing round is slated for early 2026. Sonatrach advances EOR, cost localisation and digitalisation with SLB/Emerson, aiming to bolster EU-oriented gas reliability.
- In July 2025, Algeria-based Sonatrach signed a USD1.35bn, 30-year production sharing contract with Italy-based Eni to explore and exploit hydrocarbons in the Zemoul El Kbar contract area in the Berkine Basin, aiming to recover 415mn boe, including 9.3bn cu m of natural gas.
- In July 2025, Mauritania and Sonatrach signed a confidentiality agreement to advance the creation of a joint venture for petroleum products distribution, aiming to strengthen Mauritania's downstream oil sector and reduce import dependency; no investment details or timeline were disclosed.
- In April 2025, Vallourec secured a significant contract from Sonatrach to supply Oil Country Tubular Goods in Algeria, projected to exceed USD250mn in revenue. Deliveries are slated for 2025 and 2026, with production spanning facilities in Brazil, Mainland China, France, and Indonesia to maintain high-quality standards.

- In February 2025, Algeria's Sonatrach and China's Sinopec signed an USD850mn contract for the exploration and development of the Hassi Berkine North block. Concurrently, Sonatrach, Sinopec, and Spain's Técnicas Reunidas commenced work on a long-delayed 110,000b/d refinery at Hassi Messaoud.
- In February 2025, Sonatrach engaged in discussions with Chevron to explore strengthening their cooperation in oil and gas development. The meeting at Sonatrach's headquarters focused on advancing collaboration, particularly in upstream activities, as part of a memorandum of understanding signed in June 2024. Discussions targeted developing resources in the Ahnet and Berkine basins and reviewing ongoing negotiations.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Largest oil and gas company in Algeria and Africa, active across the entire value chain • Strong international presence in Africa, Europe, Latin America and the US • Unrivalled access to exploration acreage and upstream assets • Substantial investment plan, focusing on exploration and production • Proven reliability as a supplier, meeting production and export commitments 	<ul style="list-style-type: none"> • Limited financial and operational freedom as a state-owned company • High operating and royalty costs • Ongoing security concerns • Dependence on volatile oil and gas markets • Cost and efficiency challenges • Limited geographic diversification compared to global peers
Opportunities	Threats
<ul style="list-style-type: none"> • Ambitious investment plans for future projects. • Considerable untapped gas export potential. • Estimated 600trn cu ft of recoverable shale gas reserves. • Restructuring with new hydrocarbons law. Increasing refining capacity to meet domestic demand. 	<ul style="list-style-type: none"> • Continued threat of terrorism and security risks • Geopolitical developments impacting oil and gas supply and demand • High decline rates at mature fields • Fluctuating global oil prices affecting revenues Potential changes in national energy policy

Company Overview

Sonatrach is Algeria's state-owned, integrated energy company, active across the hydrocarbon value chain, including exploration and production, pipeline transportation, refining, transformation and marketing of crude, gas and by-products. The group also holds interests in domestic and international distribution and refining ventures, underpinning its role as the largest oil and gas player in Algeria and Africa. International operations span Africa (Mali, Niger, Libya, Egypt), Europe (Spain, Italy, Portugal, UK), Latin America (Peru) and the US, supporting export reach and commercial diversification.

Trading and shipping are consolidated through Sonatrach Petroleum Corporation (SPC BVI), established in 1989 and registered in the British Virgin Islands. SPC BVI arranges purchases and sales of liquids and LPG, and manages chartering via branches in Algiers and London. It owns several shipping companies and vessels, and is a wholly owned subsidiary of Sonatrach International Holding Corporation (SIHC), itself fully owned by Sonatrach S.P.A. SPC BVI is a distinct legal entity within the group, with its own board and administrative procedures.

Operationally, Sonatrach is focused on scaling upstream capacity and improving reliability to secure domestic supply and grow exports. Priorities include faster reserves maturation, enhanced recovery, brownfield debottlenecking and streamlined licensing to bring new barrels and molecules to market, supported by international partnerships and digitalisation. Downstream, the company is expanding refining and petrochemicals to reduce imports, diversify revenues and

deepen integration. Gas marketing is being reinforced to defend Mediterranean and EU market share, leveraging pipeline connectivity and LNG, with greater contractual flexibility and reliability as differentiators.

Diversification extends into power generation, renewables, water desalination and mining. The energy transition agenda is pragmatic, centred on lowering emissions intensity through flaring reduction and electrification, deploying low-carbon power in operations and piloting hydrogen and clean fuels with European partners. The strategic aim is to sustain national revenue, meet domestic demand and enhance global competitiveness, while building optionality in low-carbon growth.

Strategy

Sonatrach's strategy prioritises near-term upstream growth, export reliability and longer-term diversification. Backed by Algeria's multi-year capex programme, with the bulk directed to exploration and production, the company is targeting enhanced oil recovery, brownfield reactivations (including Alrar) and incremental field developments to lift output. A 2026-ready licensing pipeline and ongoing reforms are designed to crowd in IOC/NOC capital, building on recent partnership activity such as the USD850mn Zarzaitine contract with Sinopec and collaboration with Enagás, Geoplin, TotalEnergies and Petrofac-HQC.

Gas remains central to the export proposition. Sonatrach aims to defend EU market share and sustain LNG competitiveness by improving system reliability, expanding capacity and cutting flaring to below 1% by 2030. A broader digital transformation is intended to lower costs and emissions intensity, while support for ALNAFT's licensing rounds and a steady cadence of discoveries underpin the production outlook.

To enhance value capture and resilience, Sonatrach is extending further downstream and into low-carbon options. Investments in refining and petrochemicals seek to diversify revenues, while renewables additions and early-stage hydrogen pilots with European partners are intended to free more gas for export and build future optionality in clean fuels. Overall, the strategy seeks to

secure production growth, strengthen exportability and ESG performance and develop options in offshore, unconventional gas and hydrogen over the medium term.

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