

## Oil War and Oil Friendship: The Energy Relations between Italy and Algeria after the 1973 Crisis

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### Abstract:

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A meticulous research, conducted in key Italian public and private archives, enables us to reconstruct the significant actions of the Italian energy firm, Eni, towards Algeria during the 1970s. The Arab countries' decision to connect oil issues to the conflict with Israel had a severe impact on both countries between the energy crises of 1973 and 1979. Prior to this, Algeria and Italy had maintained a close relationship since the Algerian war of liberation. However, in the Seventies, Italy endeavoured to maintain its investments in Algeria whilst simultaneously backing the exploration for alternative resources, such as uranium.

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**Keywords:** Algeria – Arab-Israeli war – energy crisis –Italy – oil investments – pipelines – Seventies – uranium

### 1.1. Oil as a political weapon

The 1973 oil crisis significantly affected Italy, specifically in the fields of energy supplies and international trade<sup>2</sup>. In January 1974, the Saudi Arabian Oil Minister, Zaki Yamani, and the Algerian Energy Minister, Belaid Abdessalam, undertook a tour of the West which was decided upon by the Arab Heads of State. The purpose of the tour was to present reasons for using oil as a political weapon and to assess the stance of industrialised countries towards the Arab cause, with regard to restricting hydrocarbon supplies. The ministers visited Rome as part of this tour.

A memorandum for the Italian Foreign Minister, Aldo Moro, highlighted the necessity of informing the two ministers that while an increase in oil prices and a decrease in production may lead to a recession in industrialised countries, as desired by OPEC, it would also have negative effects on the producing states. The rise in prices for imported goods and machinery would result in a worldwide recession and inflation. Italy would have lost the ability to offer essential technical aid to Algeria. It should also be noted that the Italian government viewed Algeria as a 'neutral' rather than 'friendly' nation after being unimpressed by Algeria's political assessments. This disregard for the memory of the aid and facilities – provided by the Italian national oil company, Eni (Ente Nazionale Idrocarburi - National Hydrocarbons Agency), and by other institutions, during the Algerian resistance against France<sup>3</sup> – was particularly distasteful<sup>4</sup>. Eni deemed it vital for Italy to have 'friendly' countries and cited its oil activities in North Africa and the Middle East as evidence of this. Eni worked closely with Arab governments and supported their efforts to redeem their national oil industry. The report cited specific examples of projects in Saudi Arabia, Morocco, Tunisia, Libya, Egypt, the Gulf countries, and Algeria, wherein noteworthy accomplishments were observed in the gas pipeline contract as well as the Eni-Sonatrach joint ventures for oil product assembly and distribution. Eni received explicit support from the Italian government, which mandated the Interministerial Committee for Economic Planning to devise a plan for oil that would enhance the role of the state body by promoting research and entering into long-term contracts with producer countries, in the context of wider commercial and industrial agreements. The revival of Eni would have also provided benefits to numerous Italian firms, owing to the agreements that would have been established.

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<sup>2</sup> See Pacione 1976; Labbate 2011; Bini & Garavini & Romero, 2016; Petrini 2012; Gazioglu 2023.

<sup>3</sup> See De Lucia Lumeno 2020.

<sup>4</sup> Report, 8.01.1974, Archivio Centrale dello Stato, Fondo Aldo Moro (hereinafter ACS, Moro), b. 156, f. 17.

## 1.2. The Arab-Israeli conflict and oil supplies

Conversely, the Algerian side did not view Italy as an ally without a clear statement in support of Palestine and condemnation of Israel. 'El Moudjahid' newspaper, known for its critical stance towards Europe, highlighted this point in an article about the visit of the two ministers to Rome<sup>5</sup>. The French considered Italy's hostile attitude as 'inexplicable'. The Italian Foreign Ministry hypothesized that the French wanted to disrupt the European Community to establish a pro-Arab competition within it. Although the categories of 'friendly, neutral and hostile' were formally mentioned, French sources indicate that these rankings were not established in official documentation, and therefore did not obligate producing countries to adhere. This allowed for some discretion in their application. Moreover, the distinction between these categories was not justified by factual evidence, but rather motivated by political and, perhaps, commercial objectives<sup>6</sup>.

The discriminatory practices were exhibited by the remarks of the two Arab ministers during their meeting with Italian colleagues. Abdessalam and Yamani denied an official differentiation between 'friendly, neutral and hostile'. They suggested that the attitude of individual Western countries towards the Arab-Israeli conflict, rather than other factors such as historical friendship or enmity towards African and Middle Eastern states, should justify a 'differentiated policy'. It was reiterated that there were no political difficulties at the level of bilateral relations between Italy and Arab nations<sup>7</sup>. However, it was anticipated that Italy would adopt a more anti-Israel stance than the rest of Europe, which our government did not support. It thus became evident that the aim was not to support the anti-Israel cause but to create divisions among European nations to vie for Middle Eastern sympathies. In any case, the Arab states would not have benefited from the disintegration of the Community either. Due to political weakness caused by the pressure in the energy sector, Europe would have been unable to influence the two superpowers in a way that benefits the Arabs, as they had hoped<sup>8</sup>.

## 1.3. Italian investments in the oil field

The European tour undertaken by two Arab ministers had political rather than energy-related objectives. Nevertheless, the trip enabled Italy to assess its conduct in the oil sector. The fundamental issue at hand did not concern scarce supplies; rather it involved an inability to pay for them due to escalating prices<sup>9</sup>. Between 1960 and 1972, oil consumption in our country quadrupled from 24 million tonnes to 100, reaching two and a half times its initial level globally (from 990 million to 2.6 billion tonnes). Notably, during this period, oil had gained primacy in Italy as an energy source, accounting for 73% (compared to 33% in 1953), while solid fuels consumption shrunk from 42% to a mere 9% over 20 years. Italy's energy sources were not sufficiently diversified, relying heavily on crude oil from a limited range of suppliers. The country sourced 68% of its crude from the Middle East, 25% from Africa, and the remainder primarily from the Soviet Union. Eni, operating within this context, met only 26% of Italy's energy demands, leading to the nation's dependence on international companies<sup>10</sup>. To prevent an ongoing dispute between oil-producing and oil-consuming nations, the Foreign Ministry recommended a solution centred on extensive economic collaboration, that included the integration of oil.

The commencement of the Algeria-Tunisia-Italy gas pipeline seemed to signify a positive element of collaboration. On 12th December 1973, Eni, Etap, and Sonatrach, the three state-owned oil entities, signed an agreement for the pipeline's construction and management in the Tunisian section. The first meeting of the pipeline construction committee was held at Eni's headquarters in S. Donato Milanese on 25 January 1974, with representatives from Sonatrach and Snam (Società Nazionale Metanodotti - National Methane Pipeline Company, an investee company of Eni) in attendance. Ordinary work would occur six times annually, in Milan, Algiers, or Rome (during the winter, in case of fog), whereas urgent meetings would exclusively take place in North Africa to address administrative issues on the local side<sup>11</sup>.

<sup>5</sup> Telegram 1952/24, 14.01.1974, ACS, Moro, b. 163, f. 2.

<sup>6</sup> Secret telegram 419/32, 4.01.1974, *ibid*.

<sup>7</sup> Secret telegram 200/C, 16.01.1974, ACS, Moro, b. 163, f. 2, sf. 2.1.

<sup>8</sup> Secret telegram 55/C, 6.01.1974, *ibid*.

<sup>9</sup> Note, 7.01.1973, Archivio Storico Presidenza della Repubblica, b. 853, f. 9.

<sup>10</sup> Note, 31.12.1973, *ibid*.

<sup>11</sup> Report, 12.02.1974, Archivio Storico Eni (hereinafter ASENI), Direzione Estera, b. 11, f. 820.

At the meeting, Snam reported the results of the tests carried out in the Strait of Messina. They announced that a 5 km test section, out of a total of 18 km, was scheduled to be constructed in June. However, the laying of sections under the coast could potentially take longer than the end of 1974. Additionally, SnamProgetti received a commission to conduct tests in the Strait of Sicily and expressed interest in forming a joint venture with Bechtel for this purpose. Nevertheless, the Algerian oil company Sonatrach preferred to assess the cost-effectiveness of the projects through a tender process. However, the crucial factor of time was significant, and the Italians suggested that a private negotiation would have been more advantageous, saving eight to nine months in comparison to a tender. However, the Algerians did not object. In addition, the parties contested certain terms of the pipeline agreement. Specifically, they aimed to limit Eni's discretion in selecting contractors and explore the possibility of Snam shouldering all expenses and distributing them across the sections' owners exclusively upon a positive test result. These proposed modifications were considered to introduce 'fundamental variations to the principles'. Consequently, both parties agreed to allow the construction committee to continue its work, regardless of these disagreements.

To persuade Eni to accept an international tender for undertaking engineering and pipe laying work in the Sicilian Channel, the Algerians guaranteed that this would only enable a price comparison. Nevertheless, the Italian side obstinately pressed for both the engineering and construction work to be assigned to SnamProgetti and Saipem, 'in accordance with existing agreements, subject to the principle of competitiveness'<sup>12</sup>. Additionally worrying was that Sonatrach appeared to be unwilling to attend the Coordination Committee meeting for the pipeline project and instead chose to meet exclusively with the Italian and Tunisian parties outside of the Committee<sup>13</sup>. The committee was established by the general agreement of October 1973 with the responsibility of organizing negotiations with competent territorial authorities for the implementation of the pipeline. Furthermore, the committee was in charge of drafting the statutes of the joint companies for Tunisia and the Sicilian Channel. Ultimately, the scheduled meeting for September 1974 was successfully held<sup>14</sup>.

At the same time, Eni sought authorization from the Ministry of State Holdings to establish a company with 70% Snam and 30% Ems shares to participate in the joint Italian-Algerian entity responsible for constructing the gas pipeline in the Sicilian Channel. The initial capital required was 1 million lire, with a possibility of increase to 100 million lire<sup>15</sup>. The Sicilian Mining Authority's (Ente Minerario Siciliano) involvement became a parliamentary enquiry due to concerns that it would be excluded from the pipeline work after only Sonatrach had signed the agreement with Eni. Despite a separate negotiation between the state body and Ems that was unsuccessful, the latter had played a significant role in the start-up phase. The inclusion of the Sicilian region in the energy projects was deemed crucial as its progress was inextricably linked to the provision of additional energy resources<sup>16</sup>. All concerns were allayed upon the signing of an agreement between Eni and Ems, stipulating the latter's role in the company for constructing and managing the gas pipeline in the Sicilian Channel and distributing methane to major centres, at the cost of the Ente Minerario Siciliano.

Eni demonstrated goodwill in the meetings of the Construction Committee, as per the October 1973 agreements, as well as the Coordination Committee, which faced various difficulties. Snam's representatives frequently travelled to Algiers due to their Algerian counterparts' inability to leave without prior notification. From an operational perspective, the Italians frequently had to acquiesce to Algerian decisions to sustain negotiations, such as in the instance of the worldwide tender for the works in the Strait of Sicily where concerns arose that the project's commencement would be delayed. Additionally, jointly agreed actions were not promptly fulfilled due to communication challenges and unavailability of Algerian members. As noted by the Italian side, 'it would be desirable: for the members of Sonatrach, to increase their availability for the construction of the gas pipeline between Algeria and Italy, acknowledging their involvement in other projects; for Sonatrach to display greater trust in their relations with us; for all actions against the Tunisians and third parties to be agreed upon with us in advance, rather than Sonatrach taking unilateral initiatives; for the Algerians to understand that they are partners in this enterprise and avoid adopting a *leadership* attitude'<sup>17</sup>.

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<sup>12</sup> Urgent telegram 628/30, 20.06.1974, ASENI, b. 11, f. 820.

<sup>13</sup> Report, 28.05.1974, *ibid*.

<sup>14</sup> Telex 52751, 25.04.1974, ASENI, b. 11, f. 81F.

<sup>15</sup> Letter 32306, 18.09.1974, ASENI, b. 11, f. 820.

<sup>16</sup> Question 4-09554, Chamber of Deputies, *Parliamentary Acts*, Discussions, 1.04.1974.

<sup>17</sup> Report, 23.09.1974, ASENI, b. 206, f. 3147.

## 2.1. General agreements

Meanwhile, Algeria continued to progress with hydrocarbon projects. In 1974, it secured a £700 million loan from the Federal German and Arab Fund for Economic and Social Development to construct an oil port close to Arzew, and also signed research agreements with French companies. Sonatrach defined the third phase of the Hassi R'Mel-Skikda gas pipeline construction with a British company. The previous two sections were built respectively by SnamProgetti and a French company<sup>18</sup>. The Algerian government had recently finished constructing its fourth oil tanker, commissioned from Yugoslavia. These facts highlight several noteworthy aspects. Firstly, Algeria was eager to form alliances with anyone who could help enhance its hydrocarbon sector, which had become its favoured currency and foundation for economic progress. Furthermore, the building of the port and addition of a new oil tanker were not prompted by the necessity to fulfil domestic requirements, but to increase exports of processed products. By entering the oil transport sector, Algeria aimed to enhance its independence in marketing its oil resources<sup>19</sup>. By 1980, the Algerian government intended to construct six tankers ranging in capacity from 80 to 130,000 gross tonnes, and ten LNG carriers with a capacity of 125 to 130,000 cubic metres<sup>20</sup>.

However, on a domestic level, Sonatrach aimed to establish a joint venture with Eni-Sonatrach for the distribution of petroleum products at the earliest opportunity. Although some delays occurred because of Algerian officials' inability to acquire the required data for the Italian company's investigations, the joint venture's formation was able to proceed after obtaining authorization from the appropriate ministries. The press was informed of the joint venture agreement's announcement towards the end of May 1974<sup>21</sup>. However, the parties had not yet established and signed the technical assistance agreement. Nonetheless, the studies proceeded, and even though Sonatrach covered all personnel costs, including those of Italian personnel, Agip, as the project leader, aimed to relieve themselves of the responsibility of evaluating the work. Consequently, they urged the creation of the joint company at the earliest possible opportunity<sup>22</sup>. The Alrid was established during the summer of 1974, although a few bureaucratic formalities were still outstanding by September<sup>23</sup>. As the memorandum of association was set to be signed on Algerian soil, Girotti, acting on behalf of Eni, ought to have visited the Algerian Embassy to sign it<sup>24</sup>.

The establishment of Alrid, four months after Alcip for the construction of gas and oil pipelines, indicated that cooperation between Italy and Algeria was rapidly becoming a reality. According to the ambassador in Algiers, Bozzini, this demonstrated 'the validity of this new form of Italian penetration of the Algerian market'<sup>25</sup>. The creation of joint ventures would have not only assisted the Maghreb nation, but also enabled Italian corporations to expand their operations there. As these corporations were half Algerian, the Italians would have avoided the tensions arising from opposition to 'foreign powers'. Eni was pioneering fresh investment and profit strategies in Algeria, with confirmation received through communication with the Ministry of Foreign Affairs. After presenting the key initiatives implemented by the organization in Algeria – encompassing, besides the establishment of Alrid, the gas agreement, the accords for the construction of the Skikda refinery by Snam and the provision of three gas injection stations by Nuovo Pignone – Santoro, Eni's deputy director for foreign affairs, concluded: 'Regarding our future interests in Algeria and taking into account the country's relevant development programs, our companies are capable of intervening in the plant engineering and mining research sectors, as well as in agricultural development, hydraulic infrastructures, and land planning'<sup>26</sup>.

Agip responded to Algerian demands for association in hydrocarbon exploration and sent a delegation to North Africa in July 1974. However, the subsequent studies yielded unsatisfactory results. In September, Agip's managing director, Jaboli, informed Sonatrach's vice-president, Ait Laoussine, that the prospective levels of new oil fields fell below Agip's standards for adequate exploration.

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<sup>18</sup> Report 1358, 16.04.1974, ASENI, b. 7, f. 7B7.

<sup>19</sup> Telex 1230, 3.04.1974, ASENI, b. 7, f. 7B9.

<sup>20</sup> Telex 3068, 17.05.1975, *ibid*.

<sup>21</sup> Note, 20.05.1974, ASENI, b. 8, f. 7BD.

<sup>22</sup> Note, 10.06.1974, *ibid*.

<sup>23</sup> Note, 04.09.1974, *ibid*.

<sup>24</sup> Memo, 19.09.1974, *ibid*.

<sup>25</sup> Telex 2569, 17.07.1974, ASENI, b. 9, f. 7C7.

<sup>26</sup> Telex 633, 8.07.1974, ASENI, b. 7, f. 7B6.

It was not anticipated for superior outcomes to be achieved within the gas sector. Nonetheless, the Italian organization sustained its interest in cooperating with Sonatrach, particularly in the area of uranium exploration<sup>27</sup>.

On 18th September, Eni obtained the report compiled by Stefano Servadei, the Undersecretary of State for Foreign Trade, who had visited Algeria during the preceding weeks. Following a meeting with Yaker and other senior executives from the Ministries of Trade and Industry and Energy, the Italian MP reported a positive attitude towards political relations, but a distinctly negative one towards economic relations. Continual emphasis was placed on Italy's alleged lack of interest in Algerian initiatives and the imbalance in the balance of payments, with the hydrocarbons item being voluntarily excluded. The MP described the economic field as 'bitter'. The visit appeared to improve the situation, but prompt action was required to respond to the Algerian projects. The significant financial resources available due to the rise in oil prices had to be swiftly invested, and Italy could not afford to miss this opportunity<sup>28</sup>.

By the end of November, a government delegation comprising representatives from key ministries, Iri, Confindustria, and Eni was scheduled to visit Algeria. The Treasury Department expressed hostility towards Snam's request for subsidised financing of 140 billion lire for the pipeline, deeming it 'inconceivable' and 'sure to be rejected'<sup>29</sup>, due to challenges posed by the Italian economic scenario. The planned mission which was to be led by Guazzaroni was postponed to mid-December following consultations with the Algerians. According to Giacomo Attolico, an advisor from the Ministry of Foreign Affairs' Directorate General for Economic Affairs, the mission was intended to take place in the spring and was reported as such to Eni.

## 2.2. Algeria's dependence from oil companies

In the global sphere, Algeria appeared to aspire to lead the charge against decreased oil prices, based on President Boumedienne's competent emissaries' visits to Middle Eastern nations<sup>30</sup>. Furthermore, the Algerian administration had reached an agreement with the Iranian government to establish a joint course of action regarding gas prices<sup>31</sup>. However, the financial situation was declining due to increasing expenditures for inputs and foodstuffs that Algeria 'urgently needed', despite the strong revenues generated by higher oil prices.

The nation confronted mounting financial challenges, prompting Sonatrach to take action in early 1975<sup>32</sup>. This involved slashing crude oil prices and proposing it as payment for agricultural and industrial products and construction contracts, given the dearth of international buyers due to the exorbitant costs. Additionally, crude oil output fell short of projections. If Algeria were to advocate for an increase or at least a maintenance of oil prices in Arab countries, this could result in the sale of significant amounts of hydrocarbons at 'below cost' prices due to under-the-table discounts<sup>33</sup>.

However, difficulties in the oil sector prompted Algerian leaders to take a new political-economic path: instead of positioning itself as an oil-producing nation, Algeria will be presented as a state specializing in gas supplies<sup>34</sup>. Ambassador Bozzini provided further clarification on this matter. 'In essence, Algeria has adopted natural gas as its development model, encountering significant economic and technological risks. It was the first country in the world to establish a technological chain for gas liquefaction, which has yet to attain full maturity. Additionally, the enormous investments required and the extended periods involved in LNG contracts create real interdependence between the supplier and consumer'<sup>35</sup>.

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<sup>27</sup>Note, 12.09.1974, ASENI, Direzione Estera, b. 12, f. 868.

<sup>28</sup> Telex 17571, 18.09.1974, ASENI, b. 10, f. 80D.

<sup>29</sup>Memo, 15.10.1974, ASENI, b. 9, f. 7C6.

<sup>30</sup>Telex 3474, 23.10.1974, ASENI, b. 9, f. 7D2.

<sup>31</sup> Telex 3697, 19.11. 1974, ASENI, b. 10, f. 80D.

<sup>32</sup>Telex 116, 15.01.1975, *ibid*.

<sup>33</sup>Telex 077/073, 7.07.1975, ASENI, b. 9, f. 7D2.

<sup>34</sup>Telex 1276/C, 9.05.1975, *ibid*.

<sup>35</sup>*Ibid*.

The Eni President Enrico Mattei's prescience concerning Algeria's rich gas deposits was validated. The Italian government and its affiliated entities failed to emulate Eni's president by securing a leading role in the Algerian energy sector, instead settling for a lower-ranking position. The Boumedienne administration managed to enhance the productivity of oil wells by recovering the released natural gas, despite earning lower than anticipated liquid revenues<sup>36</sup>. Concurrently, Eni contemplated diversifying its domains of viable engagement with Algeria, evident from its investments in animal feed and chilled meat production, water exploration, and pharmaceutical manufacturing. Meanwhile, negotiations were in progress for uranium research, albeit with some hurdles due to Algerian inflexibility in unilaterally cancelling agreements<sup>37</sup>.

Simultaneously, a fresh avenue of cooperation materialised in water research, an indispensable asset in a land predominantly arid albeit coastal. Idrotecneco, a subsidiary of Eni Group, offered to collaborate as a partner on wide-ranging projects in the study, design and construction of hydraulic structures as per the Algerian side's desires.

The Ministry of Hydraulics proposed a groupement agreement wherein an Algerian construction company would partner with a foreign party who will oversee the project and assume responsibility for it. The Algerians offered to provide the required capital for the project and may consider obtaining a loan from their Italian counterparts if necessary. On behalf of Idrotecneco's CEO, Luigi Baulino, it was observed that the 'groupement' formula appeared to be devoid of the challenges and hazards of mixed companies in Algeria. 'The Algerian and Italian partners have been given unambiguous authority. The groupement has a specific objective and will conclude upon completion of the work. [...] Given that there is no need to acquire and/or transport cumbersome machinery from Italy, the risk is limited to the technical and financial commitments that are to be made'<sup>38</sup>. Saipem and SnamProgetti, who were expected to be part of the Italian partners, chose not to participate as they were engaged in other activities in Algeria and lacked experience in dam and irrigation canal construction<sup>39</sup>. On the Algerian side, there was a concern that the Italian group would not be willing to take responsibility.

The main focus currently is the agreement between SnamProgetti and Sonatrach to build a vast 15 million tonne refinery in Skidda. The contract is valued at 200 billion lire, with 120 billion lire sourced from Italy. The agreement made 'a significant impact on the company, driving the export of materials and equipment worth 110/120 millions of lire from small and medium-sized Italian engineering firms'<sup>40</sup>. Due to the lack of authorization for refinancing, the Minister of the Treasury, Emilio Colombo, was contacted<sup>41</sup>. In the summer of 1975, SnamProgetti had to revise its execution plans due to new requests made by the Algerians. Additional 110 billion lire were necessary, which was not covered by the financing secured for the project. Thus, Sonatrach was required to pay the difference or the refinery's treatment capacity would have to be reduced. The plant would then only be completed when more credit was found. Clearly, the Algerians objected to the Italian proposal and instead recommended decreasing the storage tanks. Snam did not view this idea as a decisive factor, and additional decisions were deferred until a more in-depth technical analysis had concluded<sup>42</sup>.

Eni's financial management strongly urged for an extension of the credit already provided by the authorities, rather than a new disbursement, as additional financing for their projects. This was due to confidential questioning of the competent ministries by Eni, who revealed their stance against further exposure to Algeria, where 600 billion lire had already been disbursed and 800 billion lire was requested for other ventures<sup>43</sup>. By the end of the year, even though the Foreign Ministry had a more positive attitude, the Treasury encountered persistent issues<sup>44</sup>.

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<sup>36</sup> Cf. documents in ASENI, b. 10, f. 7AF; b. 9, f. 7D5; b. 9, f. 7D1. Eventually the project was given up (see manuscript note, 16.06.1975, *ibid.*).

<sup>37</sup> Report 1750, "18.11. 1974, ASENI, b. 12, f. 868.

<sup>38</sup> Report, 28.05.1976, ASENI, b. 9, f. 7D4.

<sup>39</sup> Memo, 19.07.1976, *ibid.*

<sup>40</sup> Memo, 21.01.1975, ASENI, b. 254, f. 47D6.

<sup>41</sup> Handwritten note on the previous memo, 25.01.1975, *ibid.*

<sup>42</sup> Report 7265, 29.11. 1975, ASENI, b. 5, f. 7A9.

<sup>43</sup> Memo for the President, 21.11. 1975, ASENI, b. 254, f. 47D6.

<sup>44</sup> Note, 17.12.1975, *ibid.*

Another problem that emerged during that period was the revision of the gas price, with the Algerians seeking to tie it to international parameters, while the Italians wanted to anchor it to Snam's prospective revenue from reselling methane to customers. In reality, the 1973 agreement contained a bouleversement clause that enabled price revisions if there were significant and permanent shifts in energy market conditions. A meeting took place in Algiers on 11 and 12 June 1975 to address this matter. However, even though both Sonatrach and the Algerian government were highly interested in the issue, no decision was made<sup>45</sup>.

The Snam Board of Directors minutes from that period indicated that negotiations were proving challenging<sup>46</sup> due to Sonatrach's desire to triple the base price, free it from energy trends, and request periodic renegotiation. In July, despite formal Algerian firmness, Santoro perceived a considerable degree of flexibility<sup>47</sup> following a subsequent meeting with Eni. There were bureaucratic obstacles concerning the proliferation of mixed companies in Italy, Switzerland, and the Island of Jersey. These firms handled the various economic and technical aspects of the agreements for constructing the pipeline. Snam was prepared to adjust the gas price. Nonetheless, the adjustment could be done only through an automatic and non-discretionary approach, which enabled the purchaser to calculate its profit margins<sup>48</sup>. The two parties had significantly different positions, and Sonatrach decided to hold off on making a decision until the autumn while reserving the right to discuss the matter with the Algerian authorities. Negotiations had been terminated by Algerian rigidity with a European and German consortium, yet Spanish and American companies agreed to the terms, leading to concerns that other entities may do the same.

From the Italian perspective, it was deemed valuable to resist surrender due to the expected rise in gas availability on the global market. Additionally, since Italy owned the methane infrastructure, this would save on foreign currency costs compared to the predominantly foreign owned ships that transported oil. It must be considered that gas will grow in importance as an energy source and will primarily be transported by sea pipelines, significantly reducing transport expenses in comparison to oil. The project's feasibility had to be confirmed, and a gas price secured that would guarantee a clearly positive economic balance which, in the context of an overall assessment of the related factors, may not have been too challenging to achieve.

Simultaneously, France and Spain were also pondering a potential gas pipeline to Algeria via Morocco. Combining this with the Italian pipeline, it would have been feasible for both pipelines to stretch to Central Europe. Regarding this topic, Giulio Sacchi, the deputy director of Snam and one of the initial advocates for the proposal, wrote to the newly-appointed chairman of Eni, Pietro Sette, in November 1975.

Since the mid-1960s, there were attempts to encourage the construction of a pipeline. According to Sacchi, it was planned to involve France, Germany, Austria and Switzerland to achieve a link between two continents rather than just two nations. Their involvement would have allowed for risk diversification, increased integration between Northern and Southern sources, and utilization of advanced techniques that require investments beyond Eni's capabilities. To prevent the Italian company from bearing the losses during challenging times, precautions regarding the Algerians and Tunisians, who were 'far more politicized partners of Snam' and 'a few nations with little interest and susceptible by their presence to frustrate efforts' would need to be taken<sup>49</sup>.

The issues pertaining to gas prices were not solely economical, as financial factors were compounded by strong political considerations. As per a Santoro memo, the Algerian government faced a scheduling problem, which it hoped to solve with an immediate solution 'when negative'. Gas deliveries planned for January 1978 were postponed due to technical reasons and could only be fulfilled by October 1979.

It would take precisely six years from the contract signing to the initial disbursement, with the methane reserved unsold for over five years. The Ministry of Industry's director general summoned Ambassador Bozzini to address the issue, and he reported the significant concerns to Eni. Consequently, he returned to the Algerian authorities with some answers. On Sonatrach's side, there was progress on only one point after the second round of talks – the decision to set aside the request for periodic gas price revision<sup>50</sup>.

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<sup>45</sup> Memo, 16.06.1975, ASENI, Direzione Estera, b. 135, f. 1.

<sup>46</sup> Minutes of Snam board meeting, 14.07.1975, ASENI, Gas & Power, b. 5, f. 1C, book 6.

<sup>47</sup> Memo, 10.07.1975, ASENI, b. 11, f. 81F.

<sup>48</sup> Report, 11.09.1975, ASENI, b. 135.

<sup>49</sup> Note, 7.11. 1975, ASENI, b. 8, f. 7C0.

<sup>50</sup> Confidential memo, 12.02.1976, ASENI, b. 135.

However, there was officially no progress on other points. This is despite Santoro having an unofficial idea to resolve the impasse over setting the new gas price. 'Define the figures in a confidential discussion between Eni and Sonatrach representatives, completely off the record. While adhering to current pricing positions, draft the texts with the understanding that an agreement on the numbers will be reached at the time of signing with a reserved stance.' If no agreement is reached, the current positions will remain wholly unchanged<sup>51</sup>. As previously stated, Sonatrach did not hesitate to offer gas at prices lower than the official rates to ensure customer loyalty.

### 2.3 In search of uranium

Negotiations regarding uranium exploration were ongoing. Attempts to reach an agreement on the crucial issues had taken months, but it was not until late October 1975 that some issues on which the parties agreed in principle were defined.

The obstacle was that Eni no longer had access to affordable financing from the Italian government, and all investments would have to be paid back at full price. On the flip side, Agip would have been able to recover its exploration expenditures, in line with the sharing quotas, in case an economically viable site had been discovered. However, the problems of revoking contracts unilaterally – a demand from the Algerians to demonstrate that they were no longer subject to the concession regime they had 'definitely repudiated'<sup>52</sup> – and Agip's acquisition of extra amounts of uranium beyond the possible amount agreed upon in the contract, for which the other party only permitted a market-price option, were yet to be resolved. Agip Mineraria did not hold a positive outlook regarding the presence of uranium in Algeria and its economic potential for exploitation<sup>53</sup>. This was primarily due to the exploration areas being remotely located and difficult to access. Furthermore, no groundwater sources had been identified in the area. Eni's Algerian representative, however, urged the group's subsidiary, Geotecneco, to tender for research into the development of two deposits containing uranium. While Agip Mineraria may have been involved in the construction stage, the suggestion failed to progress<sup>54</sup>.

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<sup>51</sup> Memo, 12.02.1976, *ibid*.

<sup>52</sup> Telegram 6155, 21.10.1975, ASENI, b. 12, f. 868.

<sup>53</sup> Report 7265, 29.11. 1975, ASENI, b. 5, f. 7A9.

<sup>54</sup> Report, 8.12.1975, ASENI, b. 12, f. 868.