SPECIAL REPORT / 2020

EGYPT

INVEST IN THE ENERGY SECTOR OF EGYPT

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The increase in rates of production was a sign of success for Egypt’s oil and gas sector in 2019. Total oil and natural gas output in June 2019 was around 6.8 million tons, up from 6.1 million tons in June 2018. Crude oil production peaked at 675,000 barrels per day (bpd) in July 2019. The Ministry of Petroleum and Mineral Resources aims to raise daily crude oil production to 720,000 bpd by the end of fiscal year 2019/20.

**The Mediterranean Sea**

In 2018, Egypt’s Zohr field produced a total of 12.2 billion cubic meters (bcm) of gas. In March 2019, Zohr produced more than 2 billion cubic feet per day (bcfd) of natural gas, with plans to reach 3 bcfd by the end of 2019.

In March, Eni completed Zohr’s sixth processing unit to increase the production rate, bringing the field’s natural gas production up to 2.3 bcfd. Eni started implementing the seventh natural gas processing unit in April, with a capacity of 400 million standard cubic feet per day (mmscfd), boosting the field’s production of natural gas to 2.7 bcfd by the end of July. Eni completed the construction of natural gas processing units in May, raising the processing capacity of Zohr to 3.2 bcfd. As a result, the first half of 2019 saw an increase in the production of Zohr’s natural gas, hitting a total of 11.3 bcm.

**Nile Delta**

The Ministry of Petroleum and Mineral Resources has linked BSW1 well, located in the Nile Delta, to the national grid, which is expected to produce 100 mmscfd of natural gas after being connected to the Abu Madi plant. The production of natural gas from the field will rise to 500 mmscfd after the drilling of five new wells by the second quarter of 2020.

**The Western Desert**

The Western Desert accounts for around 60% of Egypt’s crude oil production. In the 2018/19 financial year, thanks to the Meleiha field, Agiba Petroleum Company successfully increased its oil production levels to 44,000 bpd and about 18.4 mmmcfd natural gas. The first well in the field delivered 2,000 bpd of crude oil, which later

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**GAS GROWTH**

Egypt is one of the biggest gas producers in North Africa and achieved natural gas self-sufficiency in 2018.
increased to 4,500 bpd after connecting to the national grid with the second well.

Furthermore, Qarun Petroleum Company succeeded in increasing its crude oil and condensate production capacity to 28,000 bpd during April. The company is working on boosting its crude oil and condensing output by the end of 2020 to 45,000 bpd.

Eni also announced that production had begun from its South-West Meleiha development contract. In September, production was expected to reach around 7,000 barrels of oil equivalent per day (boepd).

**Gulf of Suez**

The output of crude oil and natural gas by Suez Oil Company (SUCO) exceeded around 23,500 boepd from its four fields in the Suez Gulf and onshore Nile Delta fields in January. The company also had plans to raise the four fields—Desouq, Ras Badran, El Zeit Guf, and Ras Fanar—of crude oil and natural gas output to reach 38,000 boepd. It should be noted that by the end of next year, SUCO plans to add 12 wells to the map of production and also plans to increase the production of natural gas to 140 mmscfd.

Dragon Oil’s complete purchase of BP’s holdings in the Gulf of Suez Oil Company (GUPCO) was said to be one of the most impressive transactions last October. As part of the company’s strategy to reach 300,000 bpd by 2026, the deal will help boost Dragon Oil’s crude oil production to around 150,000 bpd. This will also help to increase GUPCO’s current level of crude oil production from 60,000 bpd to 75,000 bpd by 2021.

**North Sinai**

NSCO Investments completed its first offshore gas concession in North Sinai in July, 2019. The first NSCO well in the Kamos region had an initial production of about 25 mmscfd of natural gas. In addition, NSCO completed drilling its second natural gasfield at the Kamos concession (KM-1) in September with a capacity of 20 mmcfd of natural gas, raising the company’s average daily natural gas production to 75 mmcfd compared to 25 mmcfd in the first six months of 2019.
Egypt’s natural gas industry has greatly developed over the past years, due to the country’s export of natural gas surplus and the development of value-added industries.

Ministry of Petroleum announces plans to build $8.5 billion petrochemicals complex

Plans to achieve refining self-sufficiency by 2022 are reported

Petroleum products consumption falls by 3.6%

Ministry of Petroleum declares plans to implement 11 new projects with $15 billion investment

A total of 9.8 million households are connected to the national natural gas grid

Ministry of Petroleum upgrades fuel transportation and storage infrastructure

Natural gas production increases by 28.75% year-on-year

Oil hedging mechanism is amended

Egyptian butane imports increase by 10.58% year-on-year

$350 million saved through energy efficiency

Government decides not to sell its stake in Zohr

Natural gas grid expansion exceeds its target by 1.76 million

Largest oil tanker is inaugurated

IOC arrears are cut by 80%

The role of natural gas in the Mediterranean is discussed

The Egyptian General Petroleum Corporation announces plans to increase oil production by 50,000 bpd by mid 2020

New oil discovery in Sinai is made

Petroleum sector reforms contribute to rising reserves and economic growth

New fuel prices are announced

Plans to convert 50,000 gas powered vehicles by FY 2019/2020 are tabled

Ministry of Petroleum announces plans to launch bid rounds in the West Mediterranean Sea
Due to a number of promising gas discoveries and the government’s restructuring of the gas market, the energy industry in Egypt is in reawakening. The government tackled ongoing energy related issues, namely the implementation of a phaseout of fuel subsidies; lowered IOC’s arrears repayments, which strengthened terms and conditions of revenue share agreements; and updated core regulations.

The Egyptian oil and gas sector accounts for 15% of Egypt’s total gross domestic product and 31% of foreign direct investment. Egypt has the resources and capacity to be the hub of energy exports from the main sources to Europe’s major markets.

Increasing storage capacity in the Egyptian Red and Mediterranean ports is possible, also taking advantage of the basic infrastructure of national oil and gas distribution networks, and exporting petroleum products to fulfill, in particular, the international and domestic needs of the European Union countries.

Egypt’s potential is based on:

- Strategic location
- A developed and successful petroleum industry
- Infrastructure to transport and store oil and natural gas
- Sources for new and renewable energy

With a total length of 7,485 km of transmission grid and 38,000 km of distribution grid, Egypt has a relatively large production capacity of natural gas, but it is underutilized.

Egypt’s existing infrastructure with the additional supplementary facilities include:

- The Suez Canal
- SUMED pipeline running from the Ain Sukhna terminal on the Gulf of Suez to offshore Sidi Kerir, Alexandria on the Mediterranean Sea
- LNG facilities in Damietta
- LNG facilities in Idku
- A floating storage regasification unit at Ain Sukhna on the Suez Canal
- The Arab Gas Pipeline connecting Egypt to Jordan, Lebanon and Syria
- Alexandria and Suez refining centers
Entry points:

• Foreign importation pipelines (Arab Gas Pipeline, El-Arish-Ashkelon Pipeline, and planned Cyprus–Egypt)
• LNG regasification terminal (750 million standard cubic feet per day (mmcf/d))
• National production fields

Exit points:

• Interconnection with exporting pipelines
• Interconnection with local distribution networks
• The premises of final consumers
• LNG liquefaction terminals (1,880 mmcf/d)

There are approximately 50 foreign petroleum companies operating in mining, production and oil processing in Egypt.

Oil and gas activities in Egypt are concentrated in the following provinces:

• Nile Delta Basin
• Western Desert
• Eastern Desert
• Gulf of Suez
• South Valley/Upper Egypt

After recently becoming a net exporter of LNG, Egypt is looking to take its natural gas market to new heights following a series of key discoveries.

The LNG market in Egypt has been mired in uncertainty for much of the millennium, but over the course of 2019, it gradually started gaining traction.

A plethora of recent offshore discoveries in the Eastern Mediterranean, primarily in the Zohr gasfield, have set the Arab world’s most populous nation on a road of economic renewal, which has provided a launchpad for a thriving natural gas sector.

During the World Economic Forum in 2019, Egypt’s Petroleum and Mineral Resources Minister Tarek El Molla said the country would almost double its export capacity to 2 billion cubic feet per day by the end of 2019.

Liquefied natural gas in Egypt

Over several years, Egypt has pushed towards a larger LNG industry, with its Idku liquefaction plant on the Mediterranean coast, shipping 800 million cubic feet of gas in February, more than twice as much as the same month in 2018. Nevertheless, the first indication of real change came in March 2019, when the plant was scheduled to export four LNG cargoes after their selling was negotiated by their state gas company EGAS.

At the time it was celebrated as a seminal moment in Egypt’s push towards becoming a big fuel origin exporter, having been forced to rely on costly imports for much of the past two decades as a consequence of declining domestic production.

Idku, operated by Chevron, Petronas, Total and several Egyptian firms, is not alone in leading the Egyptian gas market in 2019, with global oil and gas majors Eni and BP ramping up activities in the main oil fields of the North African country. Eni announced plans to increase production on the Zohr gas field to 580,000 billion barrels of oil equivalent per day in March 2019, while BP commissioned a month earlier the second phase of the company’s West Nile Delta (WND) project. Despite global demand increasingly calling for a wholesale switch to renewables, embracing a stronger LNG sector could prove Egypt’s shrewd move to expand a lucrative export product while moving away from dirtier sources of fuel.

In a cooperation with Saudi Arabia, Egypt has tendered another ten offshore blocks and intends to explore a range of unorthodox Red Sea assets. It has also provided invites to several firms to search for oil and gas reserves the Eastern Mediterranean, the Nile Delta and its western deserts. Natural gas is the cleanest hydrocarbon, containing nearly half as much carbon dioxide as coal, and eliminating 10% of its emissions when used to generate electricity.
DOING BUSINESS IN EGYPT

Egypt resumed liquefied natural gas exports to support the government’s ambition to transform the country into a regional energy hub and attracted foreign companies into its gas market.

$4.7 BN
was invested for refining activities in Egypt in 2019.

$76 BN
was granted to the Egyptian Refining Company by Japanese and Korean banks in 2019.

$155 M
was received from signing 4 exploration and production agreements with international companies in 2019.

15% of the national GDP in 2019 was from oil and gas sector.

5% of value added tax is subject to machinery and equipment used in producing commodities or rendering services.

<table>
<thead>
<tr>
<th>Tax indicators</th>
<th>Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year end</td>
<td>Calendar year</td>
<td>Calendar year</td>
</tr>
<tr>
<td>Income tax</td>
<td>For companies engaged in exploration and production of oil and gas, the tax rate is 40.55%.</td>
<td>Not applicable, unless the foreign company has a permanent establishment in Egypt.</td>
</tr>
<tr>
<td>Tax on capital gains</td>
<td>Generally, 10% if shares are listed on the Egyptian stock exchange.</td>
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</tr>
<tr>
<td>Value added tax</td>
<td>14%</td>
<td>Reverse charge mechanism</td>
</tr>
<tr>
<td>Individual marginal tax rate</td>
<td>Progressive rates of up to 22.5%</td>
<td></td>
</tr>
<tr>
<td>Basis of taxation</td>
<td>Worldwide income</td>
<td>Egyptian-source income only</td>
</tr>
</tbody>
</table>
STATE ACTORS

Egypt's petroleum sector currently consists of five large agencies working together to unearth and utilize the country's petroleum and mineral resources.

Entities

The Egyptian General Petroleum Corporation
The Egyptian Natural Gas Holding Company
The Egyptian Petrochemicals Holding Company
Ganoub El-Wadi Holding Company
The Egyptian Mineral Resources Authority

By the Numbers

<table>
<thead>
<tr>
<th>Subsidiary Company Type</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multinational</td>
<td>42</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>36</td>
</tr>
<tr>
<td>Public Sector</td>
<td>11</td>
</tr>
<tr>
<td>Investment</td>
<td>88</td>
</tr>
</tbody>
</table>

Oil reserves: 3.3 billion barrels
Oil production: 670,000 bpd
Gas reserves: 2.1 tcm
Gas production: 58.6 bcm
Egypt achieved natural gas self-sufficiency in September 2018 with its production rate rising to a record 6.3 billion cubic feet of gas a day, up more than 30% since 2016, making Egypt one of North Africa’s largest producers.

The country has one of the oldest upstream industries in the world, however, investment into this sector has been affected over the past five years by declining commodity prices. Nevertheless, with low operating costs—onshore output at less than $10 per barrel—and a favorable exchange rate, the country has managed to attract new interest, with a spate of newly announced or planned deals.

"Egypt’s oil and gas sector has hit $30 billion – its highest investment rate for the first time in five years – amounting to 1.9 million barrels of oil equivalent per day, in addition to achieving self-sufficiency of natural gas in September 2018. This is a result of the improved investment environment and the restored confidence of foreign investors. The sector’s infrastructure has also been strengthened by improving and increasing the capacity of refineries and transmission lines, the distribution of gas and petroleum products, and the inauguration of two major petrochemical complexes."

In future, Egypt’s excess natural gas will more than meet its domestic demand. As its most important strategic objective, the Ministry of Petroleum and Mineral Resources has developed the expansion of local gas utilization and the Egyptian petrochemical industry. Approximately 172.8 billion cubic feet of local gas output was exported in September 2018. This is a result of the Egyptian Parliament’s promulgation of a special law.

"Through running the two Suez Canal transfer points and the Suez-Mediterranean pipeline, Egypt has played an important role in global energy markets. Expanded in 2015, the Suez Canal is an important transit route from North Africa and the Mediterranean Sea to Asia for oil and liquefied natural gas (LNG) shipments. The operation of these two transit points contributes significantly to the Egyptian government."

The Egyptian government is currently refurbishing existing refineries and also plans to invest about $38 billion over the next five years to develop its petrochemical sector. The petrochemical industry accounts for nearly 12% of industrial production and produces sales totaling $7 billion, equivalent to almost 3% of the country’s GDP. Egypt has the largest refining capacity in Africa at a total capacity of 840,000 barrels per day, although this capacity is well below 508,000 barrels per day processed in 2017.

"Petroleum and Mineral Resources Minister, H.E. Tarek El Molla, signed contracts with Exxon Mobil, Shell, BP and others in 2019, with 12 new exploration and production concessions. The first stage investment estimate is approximately $800 million. The new areas of exploration are the Western Desert, the Suez Gulf, the Nile Delta, and the Mediterranean. At present, the Egyptian government accepts bids for oil and gas exploration in the Red Sea and is expected to open its western Mediterranean waters in a new bid round in the near future."

Between November 2013 and December 2017, the oil sector in Egypt signed approximately 83 oil and gas exploration deals with IOCs worth at least $15.5 billion, and signed incentives of more than $1 billion to drill 319 wells. A new international bidding round, including 9 blocks for Suez Gulf and Western Desert, was announced in 2018.

In view of the discoveries made in Egypt, the Eastern Mediterranean region has become one of the most important gas production areas. Egypt’s discovery of the Zohr oil field along with other discoveries to meet domestic demand and return to being a gas exporting country, qualify it as a regional hub for oil and gas trade.

"Egypt is Africa’s biggest non-OPEC oil producer. Being one of the oldest upstream industries in the world; having its first discovery in 1860 and commercial production in 1909, Egypt is a mature producer of oil and gas. The nation boasts in terms of IOC and investor incentive: operating onshore costs less than US$ 10 a barrel, well-established infrastructure with substantial spare production capacity, a drilling success rate that has stayed above 25% over the last 20 years, and competitive fiscal terms. A wide variety of IOCs are drawn to the daily and productive rounds of Egypt’s oil and gas licensing."
This is the launch event for the Equatorial Guinea 2020 Year of Investment campaign, whose goals are to attract investment into key industries in Equatorial Guinea, boost entrepreneurship, generate profit for investors and create jobs. Organized in partnership with the Ministry of Mines and Hydrocarbons of Equatorial Guinea and the African Energy Chamber, the event puts a spotlight on investment-ready projects spanning the value chain.

Supported by the Government of Senegal, Cos-Petrogaz, Petrosen and Senelec, the conference will herald a new era of investment in one of West Africa’s leading business destinations, on the back of world-class offshore oil and gas discoveries and several dynamic energy projects that have been put in motion. The conference will be a vehicle to promote the new deepwater licensing round and for public-private partnerships spanning the value chain.

Now in its fourth edition, South Sudan Oil & Power has emerged as the leading investment event for the country as it strives to increase capital investments in hydrocarbons, infrastructure, power generation and technology. The conference is organized under the auspices of the Ministry of Petroleum and the Ministry of Energy & Dams.

The Angola Oil & Gas Conference & Exhibition will return for a second year as the focal point of an international investment drive, aiming to bring new deals to the table and sign up new entrants in oil and gas. Surrounding the conference will be a year long global drive in multiple cities to present opportunities to a targeted audience of relevant companies.

Africa’s Energy Event returns for its fifth anniversary as a crucial platform for promoting investment in the energy industries of African countries. In 2020, we expand our format to welcome more countries, pavilions, strategic partners and delegates.