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Fuel subsidies decline EGP 3bn in H1 of FY 2015/2016 due to Brent decline

"I DEMAND MINISTRY OF PETROLEUM INCREASES ITS IMPORTS OF CRUDE OIL AND REFINING IN LABS," SAYS OFFICIAL

By Mohamed Adel

The fuel subsidies bill is expected to decline in the first half (H1) of fiscal year (FY) 2015/2016 by approximately EGP3bn due to the continuous decline in Brent prices on the world market. The Brent price now stands at $49 per barrel, against $70 as noted in the State Budget.

A government official told Daily News Egypt that fuel subsidy allocations in the first half will decrease to a maximum of approximately EGP 28bn, according to Brent prices since the beginning of this FY.

The official urged the Ministry of Petroleum to increase its crude oil imports as much as possible, so that Egypt would benefit from the decline in Brent prices. He also demanded that oil should be refined in labs to provide a part of petroleum products demanded on the markets.

The State Budget allocated approximately EGP 61bn to subsidise fuel during the current FY 2015/2016, against EGP 70bn in the last FY. The official added that the major crude exporting countries will not allow such a price decline to continue in international markets, because it has negatively affected their financial revenues. The price of Brent oil was $105 per barrel in the first half of 2014.

Egypt is an importing country of crude and petroleum products, and not an exporter, the official said. Therefore, any decline in Brent Crude prices is in the country's favour, as the fuel subsidy bill will shrink. It will also contribute to the decline in the state budget deficit, and improve the financial condition of the Petroleum Authority.

Saudi Arabia's continuous increase in crude production, combined with the "Islamic State" selling of Iraqi oil at low prices in international markets and the US' entering the crude export market in large quantities, will lead to the continuity of decline in Brent prices globally, the official said.

He added that the crude oil offered in the international markets is much more than the demand, which will positively affect the importing countries, while the exporting countries will suffer great losses.