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Egypt reduces petroleum products subsidies to EGP 61bn during FY 2015/16: El Molla

By Mohamed Ayyad

Egypt reduced its petroleum product subsidies allocations to EGP 61bn in the budget of the new fiscal year (FY) 2015/2016, according to Tarek El Molla, Egyptian General Petroleum Corporation (EGPC) Executive Chairman.

Egypt's current budget for the FY 2014/2015 targeted subsidising petroleum products by EGP 100bn, El Molla expects it will not exceed EGP 70bn by the end of June 2015.

El Molla said the first half of the current FY witnessed increase in the average oil global price. However, it was reduced during the second half, which resulted in reducing the subsidy's value in comparison to what was determined in the budget of the current year.

The government announced its budget for the current FY last Thursday. However, it did not mention the petroleum products subsidies, and announced only the indicators of deficit, debt, growth, and social protection programmes, in addition to other indicators.

According to a press release, El Molla said the petroleum product subsidies will be EGP 61bn in the 2015/2016 budget that the government approved Thursday.

"The allocations of the petroleum product subsidies were based on four major determinants. The first is estimating the global price of the Brent crude by \$70/barrel on average," El Molla said. He expected to positively contribute to reducing the bill of importing the crude oil and some petroleum products, as well as the natural

gas, during the year.

"I expect the petroleum products, benzene and diesel, not to witness any increase on the short term, to avoid the citizens' anger," said Mohamed Farid, Chairman and CEO at Dcode Economic and Financial Consulting. Farid asserted the government's approach in restructuring the energy subsidy is positive, for it does not depend mainly on increasing prices.

Farid added that the factories' step using coal as an energy source will reduce the pressure on the natural gas and mazut, in addition to the disturbance the global oil market witnesses, which may reduce the global oil prices and consequently reflect positively on Egypt's budget.

El Molla said the second determinant is converting the cement industries to use coal as source of en-

ergy, which would lead to reduce the amounts of natural gas and mazut that these industries were used.

On the other hand, Farid believes the government should announce its intention regarding the prices of diesel and benzene, to control the rumours that lead to raising the prices.

El Molla called upon citizens not to follow rumours and not to store fuel, asserting that the fuel supplies, whether local or imported, are stable.

"The third determinant is that the pattern of petroleum and natural gas domestic consumption in general is variable over the year," El Molla added.

He mentioned that the fourth determinant relies on settling a plan to rationalise fuel consumption by 3% to 5%, to save an expected amount of EGP 3-4bn.