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\$2.6bn to provide market fuel requirements during summer: EGPC CEO



\$1.6BN FOR IMPORTING DIESEL FUEL SHIPMENTS FROM JUNE UNTIL AUGUST, SAYS TAREK EL MOLLA

By Mohamed Adel

Egypt's energy sector is undergoing major changes, including a plan to liberalise prices and allow the private sector to import its fuel requirements by itself.

Business News will hold a conference Monday on energy and the future of investments in Egypt, to discuss challenges facing the government and the private sector. Daily News Egypt interviewed Tarek El Molla, CEO of the Egyptian General Petroleum Corporation (EGPC), to learn the investment plans of foreign partners.

What are the details for importing petroleum products during the summer months?

Shipments of petroleum products, petrol, diesel and fuel oil will be imported with a value of \$2.6bn, in order to supply the needs of the local market this summer. The total amount of diesel to be imported by the authority will be 2.6m tonnes, worth \$1.6bn through the ports of Alexandria, Ain Sokhna, Suez and Wadi Ferran, in the period from June until August. As for fuel, we will provide 617,000 tonnes worth \$455m, and it will be received in Alexandria and Suez ports to meet the needs of the local market during the three months of summer. An amount of fuel oil will be imported in the ports of Alexandria, Ain Sokhna and Suez during the period from June to August. The amount is estimated at 1.2m tonnes worth \$533m. Egypt imports oil products worth \$1.3bn a month, and the local market's monthly needs of diesel amount to 500,000 tonnes. Butane gas needs are estimated at 300,000 tonnes, gasoline at 150,000, and fuel oil at 500,000 tonnes. Local gasoline consumption amounts to 6.1m tonnes annually, and gasoline 80 takes up to half of this amount, at 2.7m tonnes, followed by gasoline 92, with a total of 2.5m tonnes. Gasoline 95 comes in the third place, with about 400,000 tonnes, according to the budget statistics for fiscal year (FY) 2014/2015.

Which companies are you negotiating with on amending gas



EGPC's CEO Tarek El Molla said his company's dues from some public entities decreased, due to their ability to pay on a regular basis

\$7.1bn

INVESTMENTS FROM FOREIGN PARTNERS IN FY 2015/2016

EGPC IS NEGOTIATING WITH GAZ DE FRANCE, BRITISH GAS, EDISON AND ENI ON PRICING THE PRODUCTION OF 1BN FEET OF GAS PER DAY

prices? And what are the agreement details?

We are currently negotiating with Gaz De France, British Gas (BG), Edison, and Eni to amend gas prices for projects worth \$2bn in investments. We aim to add 1bn cubic feet of gas daily to the production in different areas of the Mediterranean Sea. All negotiations take place as per the statements and prices mentioned in the agreements signed between EGPC and the foreign partners. We are also negotiating with BG to amend gas prices for a project in its B9 phase. BG's projects in Alexandria and Lake Burullus include around 76 wells to produce gas. 47 of these wells are already operating. Prices have already been amended for the new gas projects with a number of foreign partners, including RWE AG, British Petroleum, Shell, and Apache Corporation. Egypt pays \$2.65 to foreign

partners for every 1m British thermal unit in most of the agreements, excluding some areas in the deep waters of the Mediterranean. Gas pricing with foreign partners is different. It has to be convenient to achieve revenues that would be in line with the risk volumes and the already-existing investments in the research and exploration sectors. Negotiations on gas prices with foreign partners will continue to take place dynamically, so that companies would speed up the implementation of the development plans in their privileged areas.

What are the details of the new negotiations, and how will they achieve the greatest revenues for the state?

Some incentive items for the investors were added in the new oil agreements, such as partnership in the production surplus. They also

include setting the gas price after the commercial exploration and before the development contract, as per the volume of investments needed for development and the reserves discovered. The condition is that the price be amended every period of time. This model for oil agreements has been applied since 1973.

What are EGPC's current dues from public entities?

EGPC's dues from public entities declined to roughly EGP 180m, compared to EGP 195m by the end of January. EGPC's dues from some public entities, like the Ministry of Electricity, for gas prices accumulated, since such entities were not paying on a regular basis. Prime Minister Ibrahim Mehleb formed a committee to resolve the financial conflicts with the Ministries of Petroleum, Finance, and Electricity.

The committee aimed to create radical solutions to face the dues and end this crisis by the end of 2015. The Ministries of Electricity, Finance, Transportation, Civil Aviation, and some of the business sector companies are on top of the list of dues to be paid to EGPC.

Can you give us details on the tender being prepared for gas and oil research and exploration?

Some areas are being evaluated and we are waiting for the security approvals for some other areas, which will be offered for tender right after the procedures are done. We requested from the Egyptian Military Operations Authority to grant us approvals for some areas in the Western Desert. We also requested renewals of some approvals in the Suez Gulf, and the new tenders will be offered once we get these approvals. The Egyptian mar-

ket is a great opportunity for investing in the energy sector, and it has huge crude oil, gas, and manpower reserves.

How much is the subsidy bill for the next FY 2015/2016?

An allocation request for roughly EGP 85bn in the budget of FY 2015/2016 has been issued to subsidise oil products. The amount was calculated as per the Brent crude oil price, at \$75 per barrel. The subsidy bill for oil products in the first nine months of this FY 2014/2015 declined by 40.2% to reach EGP 56bn, compared to EGP 92bn in the same period last FY. This was a result of the decreasing oil prices globally and the increase in petroleum products by the start of FY 2014/2015. Subsidies on oil products is a big part of the economic crisis in Egypt, especially as it is calculated based on the difference in oil product prices in the local market and the actual value of the cost of provision, whether they were produced locally or imported. Egypt's oil and natural gas reserves are yet to be discovered. Some areas in the Western Desert, West Delta, and the deep waters of the Mediterranean have an immense reserve of natural gas.

How much are the investments targeted to be injected by foreign partners during fiscal year (FY) 2015/2016?

Foreign partners' plans in the petroleum sector aim to inject \$7.1bn in FY 2015/2016 in order to implement development and field exploration projects in areas they are investing in, to compensate for the decline in gas production from wells and increase production rates. Investments from foreign partners during FY 2015/2016 are divided into \$4.5bn allocated for the implementation of field exploration and development plans, and \$2.6bn for the expenses of operating work sites. Foreign partners invested nearly \$7.4bn in FY 2013/2014 to implement development and exploration projects. The Petroleum Ministry aims to produce nearly 695,000 barrels of crude oil daily, and 4.7bn cubic feet of gas in the FY 2015/2016 plan.