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BG gives Egyptian government ultimatum to raise price of gas

After the suspension of the 9B stage, BG demanded that government raise the price of gas to \$7 per million BTUs or pay \$1 bn immediately, or it will not resume activities

By Mohamed Adel

BG, a subsidiary of Royal Dutch Shell, is negotiating with Egyptian General Petroleum Corporation (EGPC) to price gas at \$7 per million BTUs in the 9B concession area in Egyptian Mediterranean waters. EGPC has offered \$ 5.88 per million BTUs.

A source close to the negotiation process told Daily News Egypt that the BG, with a representative from Royal Dutch Shell, leads the negotiations regarding pricing of gas produced from 9B and agreed on the price of \$5.88 per million BTUs with a condition of paying \$ 1bn in dues to BG.

He added that the Ministry of Petroleum did not provide an answer regarding the payment of financial dues nor determine the amount they can pay and the timing of it.

"The negotiations continue with EGPC but we did not find any response regarding their debts to us or to the price increase," the source said. "The company halted work on stage 9B a month ago and withdrew from the Saipem drilling rig in the concession area after finishing its work on the development project



BG negotiates with Egyptian General Petroleum Corporation (EGPC) to price gas at \$7 per million BTUs in the 9B concession area

in 9A stage".

The source revealed that the amount of gas in the tank of 9B stage is lower than about 40% of 9A, which reduces the production of the project, and therefore it was asked that the price be increased to recover the costs during the production period.

The official pointed out that the

depth of the 9B stage is greater than 9A, which needs a longer period of exploration.

He noted that drilling one well takes two months and a week compared to 45 days on 9A stage.

He added that the government paying part of the financial claims will "make us able to negotiate on the price and lower it beyond \$7

and make a create contract for a new driller and resume the work in phase B9 of the project in the Mediterranean."

In case an agreement is reached with the petroleum authority and work is resumed in the project, the work will start imminently by connecting the wells of B9 by the fourth quarter of 2017 so that the project is fully connected by the second half of 2018, the official explained.

Minister of Petroleum Tarek Al-Molla previously stated that the production from phase B9 will start in the third quarter of 2017 with \$1.3bn in investments to produce 400m cubic ft daily in the deep waters off west Delta shores.

According to the BG official, the connection of phase B9 will add about 350m cubic ft to the local production of natural gas.

In an official statement on Monday, the ministry said that the negotiations on developing natural gas production in phase B9 have not stopped, and that there are ongoing negotiations to reschedule the project in order to start the development operations after the acquisition deal Shell sealed to acquire BG is finalised.