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### EGPC opens revolving letter of credit pertaining to North Alexandria gas



AFP photo

**Contract for North Alexandria project of BP and RWE DEA amended by President Al-Sisi**

**By Mohamed Adel**

President Abdel Fattah Al-Sisi had issued a decision on 19 February to amend a contract pertaining to the production of gas from the North Alexandria project of BP and RWE DEA. The amendment included opening a revolving letter of credit worth the contractor's share value in the gas, to be renewed every three months. It also includes imposing fines in case any delays occur in the production plan.

Former minister of petroleum Osama Kamal told Daily News Egypt that the most prominent amendments are the fines to be imposed in case of delays, after the six months grace period starting from the production date.

He explained that the clause ensures the state's right in the gas production, and prevents manipulation or delays from foreign partners. He noted that for the first time a clause is specified requiring the Egyptian General Petroleum Corporation (EGPC) to open a revolving letter of credit to ensure partners' rights.

Article 10 stipulates a six-month grace period starting from the production date, 1 October, 2017. This period will be granted to the contractor if they are late with the implementation of the North Alexandria project. When this period expires, fines will be imposed unless the delay was caused by extreme circumstances.

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Kamal added that the agreement includes a plan to produce the remaining gas of the project over the next few years starting from July 2017.

The agreement cited a pilot project on 1 July 2017 and ending on 13 September, where the average daily production is estimated at 200m cubic feet of gas.

Production is to be increased to about 400m cubic feet per day starting from October 2017 to December 2018, and again to 550m feet in January 2019 to the end of the year.

The production plan included raising production to 1bn cubic feet of gas per day in January 2020 for a period of five years.

Production rates then decline to

900m cubic feet per day by January 2025 to the end of June 2026, where the contracted daily gas quantity can be amended by agreement between the EGPC and the contractor, BP and RWE DEA.

The agreement stipulates the sharing of gas production until the partner has fully received their financial expenditures. The production in full is then granted to EGPC, and the partner will be paid per every million BTUs without owning any shares in the gas.

The agreement stipulates that the price of gas produced from the project will range between \$3 and \$4.1 per million thermal units.

The amendment says that any extra production will be split equally between the EGPC and the contractor.