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# How the Ministry of Petroleum overcame Egypt's energy crisis

**\$3.6BN OF COMPANIES' DUES PAID TO ENCOURAGE THEM TO PRODUCE**

By Mohamed Adel

The Ministry of Petroleum conducted a series of procedures to solve a significant part of the energy crisis in Egypt. It began to import liquefied gas through the Ain Sokhna Port, which contributed to eliminating the power cut crisis experienced by citizens every summer.

Minister of Petroleum Tarek El-Molla said they have a plan to import large amounts of liquefied gas to meet the electricity needs and the industrial sector demands in the next few years. They decided not to suspend fuel supplies going to any of the sectors in Egypt starting mid-November.

There are two gasification ships contracted on to import 1.2bn cubic feet of gas daily. The plan is to receive the mentioned amounts in Ain Sokhna Port and encourage foreign partners to increase local gas production.

Since President Abdel Fattah Al-Sisi took office, the Ministry of Petroleum paid about \$3.6bn of the foreign partners' dues in the petroleum sector. These dues were accumulated since 2009 until 2013.

The foreign partners' dues declined to about \$3bn by the end of August 2015. The ministry is committed to pay the monthly bill of gas and oil obtained from the foreign partners as much as possible.

The ministry intends to pay a new part of the foreign partners' dues by the end of this year, which amounted to \$3bn in last August, through acquiring a part of a dollar loan the Ministry of International Cooperation will obtain from a developmental bank.

El-Molla said the agreement with the Ministry of International Cooperation is conducted over the amount to be allocated to pay part of the foreign



Prime Minister Sherif Ismail

partners' dues and the date of obtaining it.

The Ministry of Petroleum is working hard to pay the dues of the foreign companies operating in the petroleum sector, to encourage them to increase investments in the research and exploration of oil and natural gas.

El-Molla said they are regularly paying the complete bill of the foreign partners' share in oil and gas monthly for a few months, which contributed to not increasing the dues another time until they reached \$3bn by the end of August, compared to \$3.5bn.

The decline of Brent's price in the international markets majorly contributed in decreasing the expenditures of importing petroleum substances and the value of the foreign partner's share, which improved the financial situation of the Ministry of Petroleum.

The value of the foreign companies' share in oil and natural gas decreased to \$650m monthly during the current financial year (FY) 2015/2016, compared to \$880m in the previous FY 2014/2015.

The foreign companies' share in the crude oil is estimated at about \$380m monthly, compared to \$600m during FY 2014/2015, as a result of the decline of Brent's price in the global markets.

El-Molla said the foreign partner's share in the gas will not be affected much by the decline of Brent's price, which amounted to \$270m monthly in the current FY, compared to \$280m in FY 2014/2015.

The bill of importing fuel retreated to about \$550m monthly this FY, compared to \$800m in last FY, as a result of the continuing decline in the crude oil's price. This led to decreasing the value of petroleum derivatives - benzene, diesel, mazut, and butane gas - which are imported.

Egypt used to import petroleum products from abroad at \$1.3bn monthly before Brent's prices started to decrease in the global markets.



Minister of Petroleum Tarek El-Molla

The foreign partners were convinced to increase their investments in the Egyptian petroleum sector, while the ministry is committed to pay their financial dues, El-Molla said.

El-Molla said 62 agreements over oil and gas research and exploration were conducted with investments of \$15.2bn, since 2013 until 2015. Nine other agreements are being prepared to be signed in the field of research and exploration. Six agreements were signed recently with investments of a minimum of \$2.2bn to drill 14 wells, signing grants of \$545m.

The new agreements include searching for petrol and gas in the areas of Mediterranean Sea, Nile Delta, Western Desert, and Gulf of Suez and to be signed with Italian, American, and Tunisian companies, El-Molla said.

The first four agreements are between the Egyptian General Petroleum Corporation (EGPC) and the Italian company Eni. The agreements

will cover searching for petrol in the areas of North Port Said, Balteem, Mediterranean, Gulf of Suez, and Nile Delta with investments of a minimum \$2.1bn to drill eight wells. These agreements will be an activation of principles signed during the Egypt Economic Development Conference in Sharm El-Sheikh in March.

The fifth agreement is between EGPC and the American Apache in the area of South Omim El-Baraka El-Barreya in the Western Desert with investments of \$30m to drill two wells. The sixth agreement is between EGPC and the Tunisian HPS in the Western Desert with investments of \$9m to drill four wells.

El-Molla said the ministry allows the private sector to import its natural gas needs by itself, receive them through national network of gases, and supply to consumer in exchange for financial fees to be calculated for every 1m thermal units.

The Ministry of Petroleum succeeded to overcome foreign companies' pressures, which started to decrease their gas production plans, while Egypt suffered from difficult economic circumstances. This led to decreasing their gas production plans to about 4.25bn cubic feet daily. The ministry significantly directed to import to provide energy for Egypt and not to be subject for the partner's pressure.

The government made use of its political relations between Egypt and Saudi Arabia, Kuwait, and the UAE to acquire facilitations and pay the value of petroleum substances shipments to ease financial burdens and pay it through interest-free installments.

The ministry worked with its sister Arab countries to involve in petroleum projects in Egypt not only for economical support. The point is that support in supplying petrol will come to an end but the projects will remain and make return advantages.

Egypt made use of its current political ties with Russia by conducting agreements over 35 liquefied gas shipments with the Russian Gazprom, where Egypt was able to obtain good prices.

The ministry started to implement a plan to revive what former ministers neglected, which is the infrastructure of distributing the petroleum substances in addition to the replacement and renovation of the old refineries.

The ministry was able to provide the needed funds to implement its project in spite of pressures from decreasing Egypt's credit rating and EGPC's commitment to pay banking settlements of loans acquired in a previous period. The ministry limited taking loans by the sector's companies not to increase pressure on credit rating.