

Egypt Poised to Become East Med Energy Hub

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Egypt aims to transform itself into an Eastern Mediterranean center for energy trade; an import-export hub for oil and gas. The move is a key stepping stone in the country's bid for sustainable development, as per its Vision 2030. Ambitious plans to enhance domestic oil, gas and refining production are already under way and leveraged by Egypt's strategic location on the Mediterranean and Red Sea, connected by the Suez Canal. With new partnerships with neighbors and companies like ENI and BP, the country is ideally positioned as a nexus and arbitrage point for the transit, storage, blending and trading of Asian and Middle Eastern crude and products flowing to and from Europe.

Oil and gas extraction and refining currently accounts for just 11% of Egypt's GDP, so much potential remains to be tapped. The country pioneered the exploitation of natural gas in the Eastern Mediterranean in the 1980s and with recent major gas discoveries and a vast infrastructure upgrade planned for its crude oil conversion system, Egypt currently has the natural lead in the region.

In addition, it has the advantage of established natural gas pipelines from the Red Sea to the Mediterranean and two liquefaction plants for the potential re-export of natural gas, at Damietta and Idku on the Mediterranean coast. It is also expected that once storage and blending facilities for crude oil, refined products and petrochemicals are complete, neighboring players in the supply chain will seek to optimize their own positions by trading in and out of Egypt.

In February, an Egyptian private consortium reached a \$15 billion agreement with Israeli companies Tamar and Leviathan for the supply of 64 billion cubic meters (bcm) of natural gas for 10 years from 2020. The deal will enable Egypt to once again become an LNG exporter and also increase its output of petrochemicals and refined products. The industrialization and modernization of the country's petrochemicals sector is very much a parallel target to developing its upstream assets.

In December of last year, the country's giant Al Zohr gas field, discovered by ENI in 2015, came onstream

producing an initial 10 million cm (mcm) per day with the figure expected to reach 28 mcm by the end of phase one in June. Stage two is due to be finalized by the end of 2019, with production reaching 76 mcm. And with the recent discoveries of 1.5 trillion cubic feet (tcf) and 2 tcf of gas at its Atoll and Noroos fields respectively, Egypt should be self-sufficient and in a position to re-secure its status as an exporter of surplus gas by 2019.

Middle Eastern imports of LNG have almost quadrupled in the last three years to around 29 bcm with countries such as Egypt, the UAE and Kuwait – traditionally gas exporters – transitioning into importers.

Egypt has also made significant progress when it comes to legislative reforms. The country recently established an independent gas regulator and opened up opportunities to the private sector. It has also formed an inter-governmental committee represented by different ministries and entities to discuss the challenges that the sector plans to tackle. And feasibility studies continue on the development of future infrastructure projects, such as marine platforms and storage facilities, as well as upgrading and extending current ones.

Such growth is expected to stimulate much-needed employment in the country. The energy sector currently employs 185,000 people, only 1% of the country's total employment. Around 80% work in refining and 20% in the extractive industries.

Egypt also intends to align itself with the European Union's energy strategy, with plans to sign an updated memorandum of understanding (MoU) with the continent – the main consumer of energy transported and traded through the country – this year. An initial arrangement has been signed with Cyprus for gas cooperation and pipeline plans from Cyprus to Egypt in line with the maritime jurisdiction of the two countries. To the east, pen has hit paper with a MOU with Jordan and Iraq to cooperate on transporting oil and gas from Iraq via Jordan to Egypt. ■

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