CONGRÈS DU GAZ
PARIS 2011 >>> Palais des Congrès de Paris
14 et 15 septembre 2011

Workshop 11 / Atelier 11

Egypt: A Reliable Energy Partner

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Egypt's Gas Sector – Facts

3rd largest oil producer in North Africa and 5th in Africa

2nd largest gas producer in Africa– behind Algeria

Declining oil production

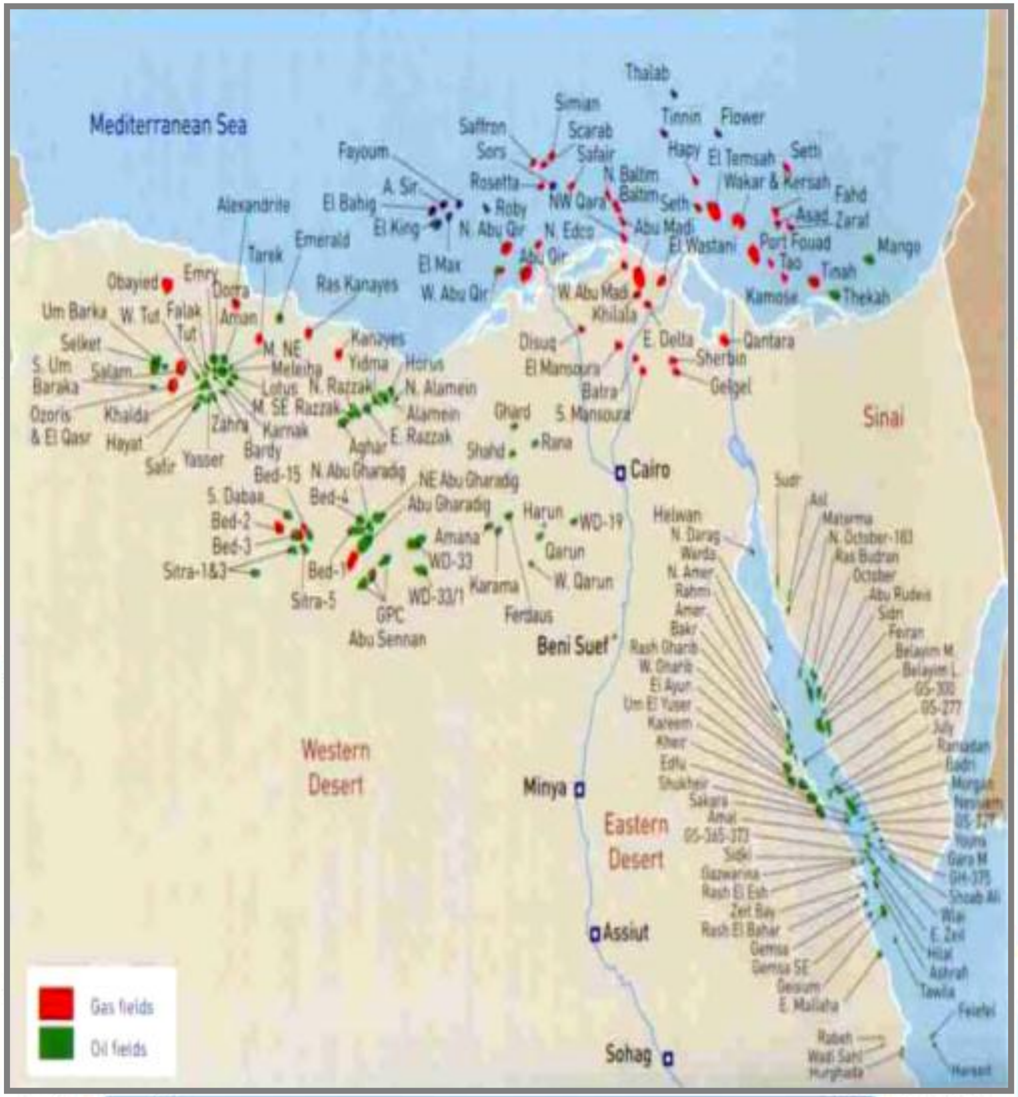
Increasing gas production

Liberalised upstream sector with relatively low government interference

Extensive infrastructure and pipeline network.

IOCs own infrastructure which are operated by a non-profit joint venture company set up between the IOC and government.

Ownership of infrastructure is transferred to the government after cost recovery but is still operated by the joint venture



Low onshore development costs

High offshore (Mediterranean) development costs

Globally competitive fiscal terms with moderate government take

Rapidly growing domestic energy demand means Egypt is fast becoming a domestic gas play

Diverse corporate landscape which includes independents, small and large capital companies and majors

Competitive operating environment with high volume of corporate activity

Relatively low domestic gas price received by upstream operators.

Government subsidized downstream sector

Generally pragmatic government – Willing to act to promote investor confidence

Egypt’s gas industry in a period of political transition

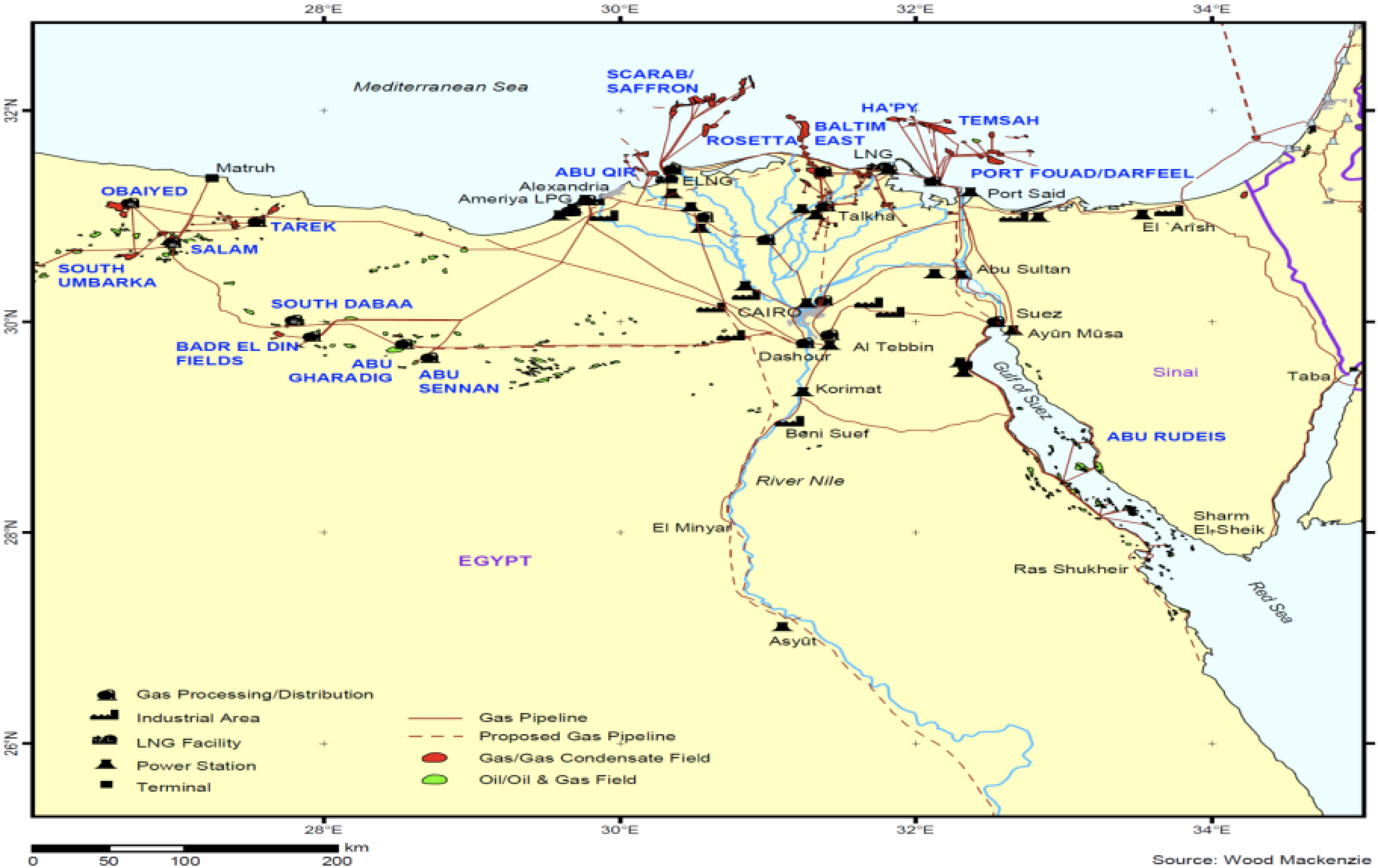
- Egypt recent events appear no material threat to the industry’s US$36 billion of upstream value in Egypt.
- Regime change could be on the cards, but not a lurch to fundamentalism or nationalisation – although nothing can be ruled out in such a volatile situation.
- The industry has prospered in Egypt’s relatively liberalised upstream sector, and it is important that investment levels are maintained.
- Any new government will be dependent on inward investment and keen to keep the upstream sector open for business.

However, Egypt’s will maintain its gas sector growth

- population growth, demographic dynamics, and increasing urbanization
- government policies to promote private sector involvement in the energy sector and to decrease its energy tariff burden. Infrastructure investment is an obligation not an option creating a huge Burden on Government that can’t be sustained
- Encourage strong involvement of private sector investment and foreign direct investment, through independent power producers (IPP’s) and public-private partnerships (PPP).

Factors supporting gas sector growth

1 Reliable Gas Transmission Infrastructure



Source: Wood Mackenzie

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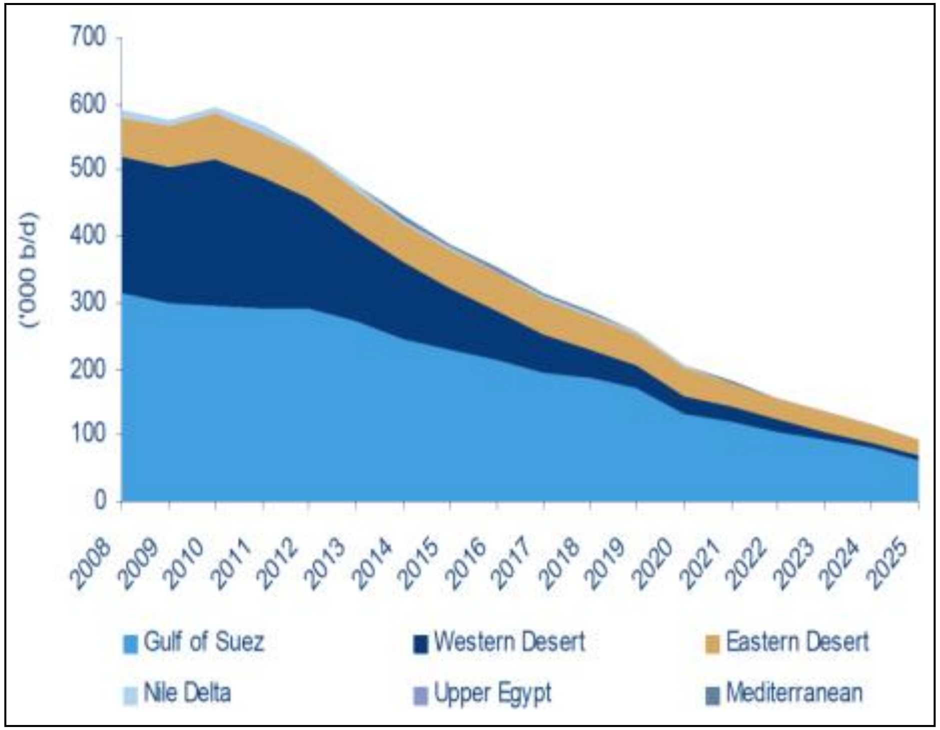
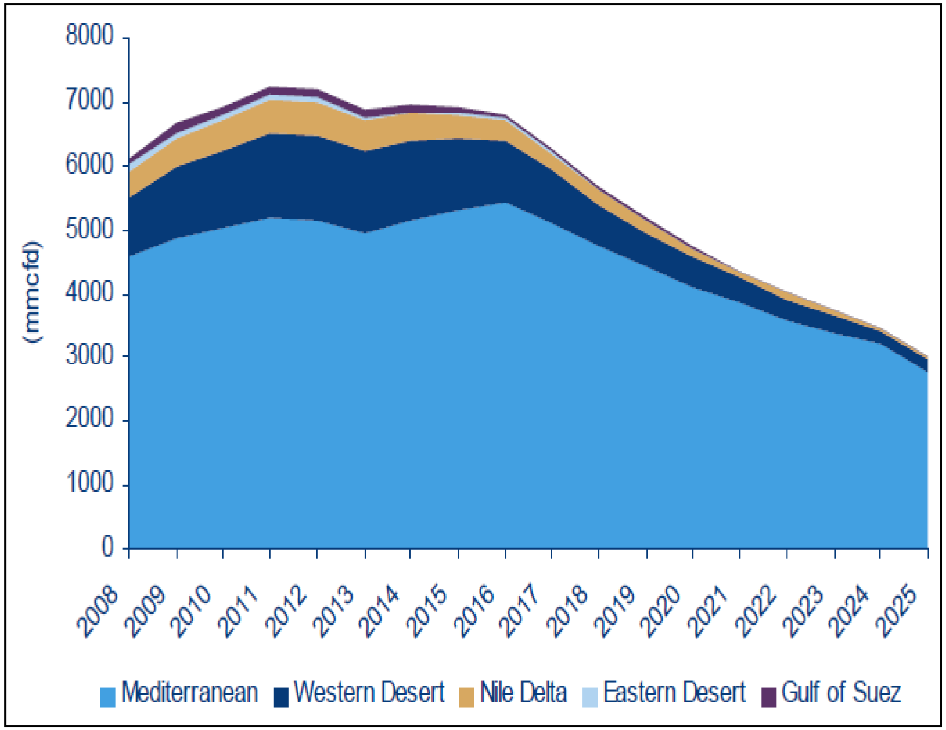
Dwindling oil Vs. Growing Gas Production

Dwindling oil Production 2008-2025



Source: Wood Mackenzie

Gas production at record high levels 2008-2025



Source: Wood Mackenzie

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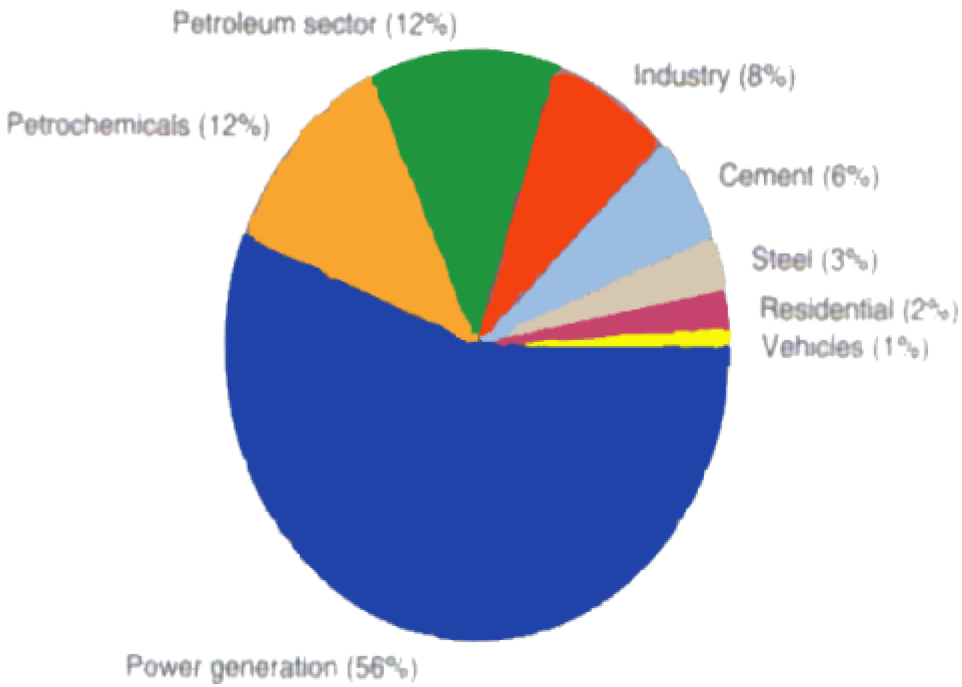
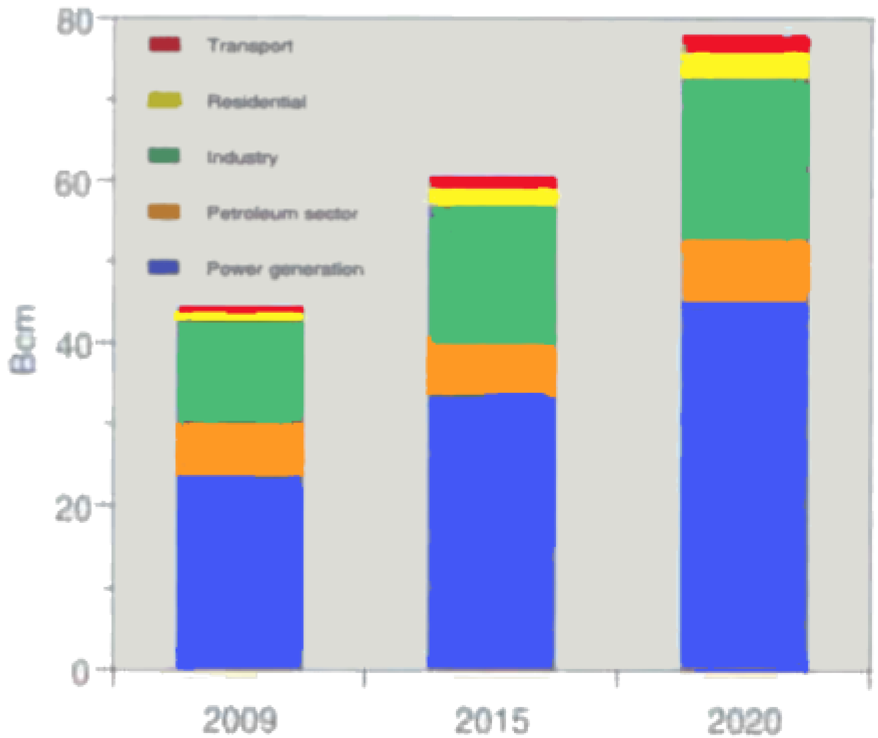
Increasing Gas Demand

Breakdown of Egypt’s 2010 Gas Consumption by sector



Source: Egyptian Petroleum Ministry

Egypt Projected Gas Demand by sector to 2020



Source: Egyptian Petroleum Ministry

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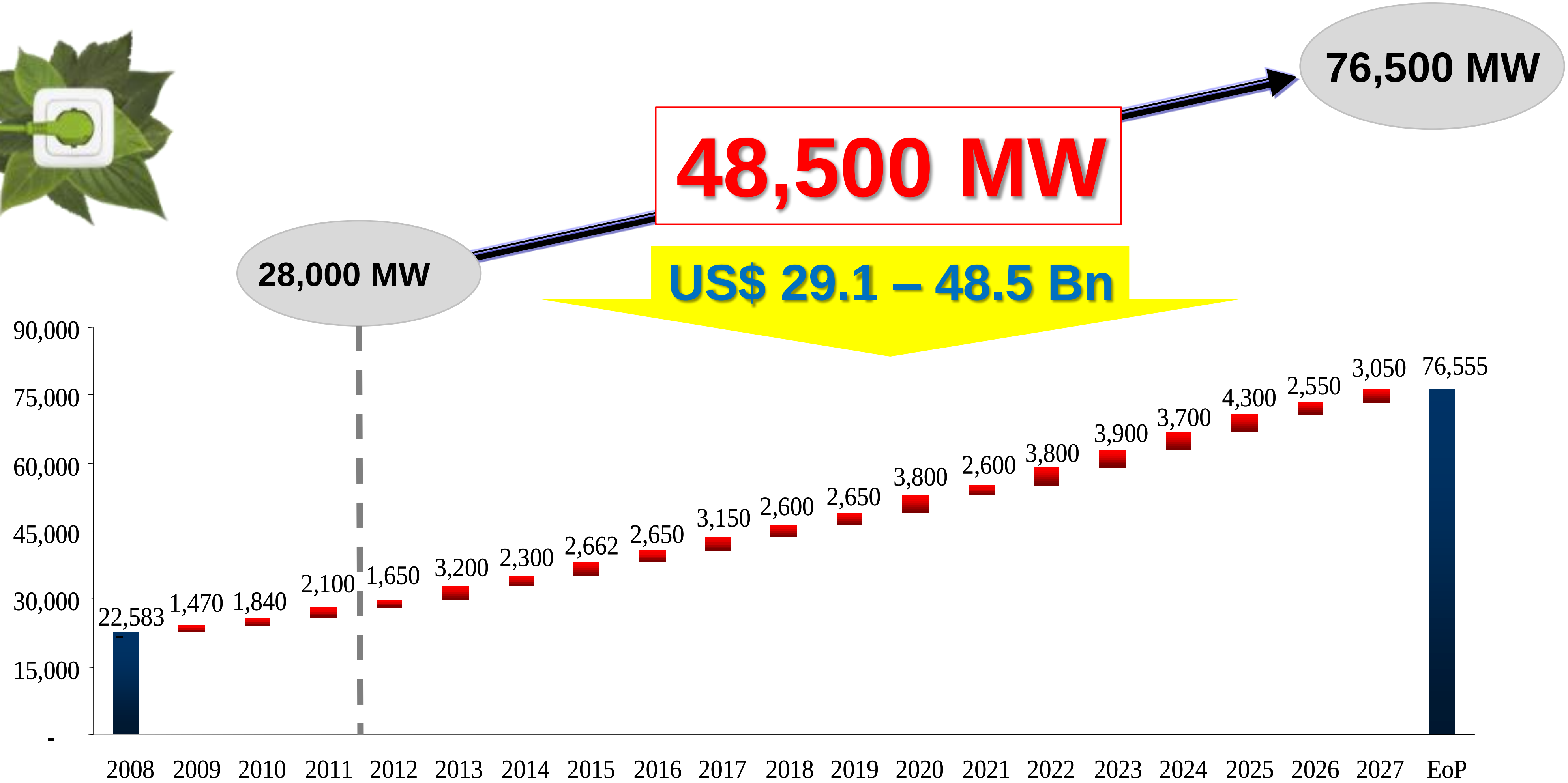
Egypt's Conventional Capacity Expansion Plan (MW) / 2012-2027



Egypt to be a regional energy hub

- Egypt has international strategic importance with two transit routes that it operates: The Suez Canal and the SUMED pipeline;
- The Canal and its adjoining area could be developed for bunkering, bulk breaking and blending of oil products, and for storage;
- With its strategic location, at the crossroads of three continents, existing infrastructure and many assets provide Egypt great potential to become a strategic gathering and dispatching as well as an economic centre for inter-regional oil and gas trade;
- As the Arab Gas P/L may emerge as a strategic route that facilitates gas transportation within the region, it could be an outlet for Iraqi and eventually Iranian gas. Moreover, the pipeline could be extended to Algeria to enable the creation of a Euro-Mediterranean gas ring;
- In the short to med-term, Egypt can play a major rote in securing part of the Euro-Mediterranean energy security and supply diversification objectives by LNG or linking its infrastructure the Nabucco Pipeline.
- With the possibility that some industrial clients and private power producers may import required gas volumes for their operations, Egypt will benefit as being the region energy hub.

Thank you for your time and attention