

MOC 2016: Egypt Offers Efficient Investment Model

By Nataša Kubíková

The MOC 2016 Conference - Mediterranean Potentials - Unlocked Step 1 - has attracted a gigantic attention of current and new players in the industry. In the course of three days, more than 1,600 delegates from 23 countries gathered in the Bibliotheca Alexandria complex. Industry professionals and decision-makers presented their innovative ideas, new research, technologies, as well as the latest developments impacting the offshore exploration and production activities in the Mediterranean Sea.

Delegates from the Middle East and North Africa, Europe, Asia, and America engaged together to discuss the latest discoveries in the oil and gas industry, outline their strategies and plans in the Mediterranean region, and forge partnerships seeking mutual benefits. In the opening ceremony, the keynote speakers, both Egyptian and international, declared a joint objective to make Egypt become a regional energy hub in the foreseeable future through efforts in offshore exploration and production. Representatives of the Egyptian oil and gas sector confirmed country's commitment to create productive business environment which will allow IOCs and the Egyptian public and private sectors enhance the existing offshore potential.

The Head of the Organizing Committee, Eng. Osama El Bakly welcomed attendees together with Eng. Innocenzo Titone, the OMC 2017 Chairman.

According to El Bakly, the MOC 2016 carried an important message to the world which was that Egypt is currently working to achieve the hopes and aspirations of specialists in the oil industry ahead of a promising future.

Having highlighted the importance of Zohr gas field, Titone said that "the natural gas is the only fuel that we will see an increase in total consumption in the future." He added that "Egypt is experiencing a period of great optimism as it has the potential to become the largest gas hub in the Mediterranean to satisfy the European energy demand."

Titone further noted that natural gas is the most demanded fuel and that the recent success of Egypt to achieve a number of major gas discoveries, especially in the Mediterranean region, is a clear evidence of the ability to innovate and to use the latest technologies at the global level. This provides an opportunity to add more discoveries in the Mediterranean in the upcoming decades.

Egypt's Success Story

Egypt's Minister of Petroleum and Mineral Resources, Tarek El Molla, was welcomed by the audience to fully explain the country's achievements and vision in the nearest future based on the recent supergiant oil discoveries. In regard to MOC, El Molla said that "the MOC continues to provide a unique venue for discussing the latest developments in the oil&gas industry across the entire value chain, providing a platform for technical knowledge and network opportunities for all the attendees. Fortunately, this significant event coincides with the most recent gas discoveries in the Medi-

terranean, making it an excellent opportunity to share and to discuss the challenges ahead."

The oil minister reviewed a number of challenges ahead of the petroleum sector and stated that the most important one is the fuel subsidy bill, a significant increase in demand for energy, the current energy mix dependency on oil and gas, aging infrastructure, refineries, and the accumulation of entitlements to foreign partners.

El Molla explained that "fuel subsidies are resulting in an excessive and irrational energy demand and high energy intensity. From an economic point of view, energy subsidies represent a huge financial and fiscal burden for the state budget. They reduce the incentives for energy efficiency and send a wrong signal for investors. They have also consumed a great part of the oil sector revenue, thus making it difficult to attract investments, upgrade infrastructures, and to cooperate with an increasing demand."

As to the energy mix, El Molla confirmed that the country is highly dependent on oil and gas. Therefore, the Egyptian authorities have been searching for a more suitable way to define the energy mix with some achievements already. "The success of the government to adopt and implement new strategies to overcome current challenges and to secure sustainable energy supply for future need has been effective," said the minister.

He further acknowledged the country's pending commitments towards foreign partners and praised their understanding of the exceptional situation that Egypt is currently and temporarily facing.

In this area, Egypt has marked success. "The reduction of our IOC arrears by half, by around \$3b in March 2016, compared to \$6.3b in June 2012," as El Molla explained, serves as evidence of major improvements in the government's financial stability.

El Molla stressed that "Egypt is committed to continue the development of private investment climate in the oil and gas industry to support cooperation with international oil companies. This is an important factor to meet current requirements and secure the future of the energy needed to push the process of economic development." "The Egyptian oil sector is seeking to create an efficient model for investment", said El Molla, adding that "in light of challenges concerted efforts are needed to tackle them".

The future of the oil and gas industry in Egypt is promising. El Molla pointed out that the Ministry of Petroleum has adopted a number of measures and policies to support the energy sector in the framework of the government's new energy strategy aiming at ensuring security and sustainability.

The government is successfully amending the existing legal framework to boost international investments. Minister El Molla mentioned that the new gas law, which was recently adopted, is a real breakthrough in enhancing the regulatory framework, the major feature of which is the gradual liberalization of the gas market in Egypt.

The recent offshore discoveries were the



result of a long journey that started back in the early 1990s. Being aware of the great assets we possess we have changed and improved concession agreements to further encourage investments in gas exploration, with more flexible gas prices, as El Molla explained, adding that "Zohr is indeed a success story on many levels." In relation to the Mediterranean offshore field of 30tcf, being one of the biggest gas finds in the world, the minister thanked ENI, BP, Apache and all other companies operating in the Mediterranean, the Western Desert, and the Gulf of Suez for their support.

Minister El Molla emphasized Egypt's commitment to open new bid rounds to expand the country's potential in natural resources. The bid rounds were expected to be announced already by the end of April. "I have to announce that the Egyptian petroleum sector represented by its executive arms - EGPC, EGAS and GANOPE - will be offering during 2016 new international bid rounds for oil and gas exploration in around 27 offshore and onshore blocks in Egypt. The EGPC's international bid rounds will be announced before the end of April, maybe during next week, and will include 11 blocks, 6 in the Western Desert and 5 in the Gulf of Suez, with a submission deadline on August 1st, 2016," the minister confirmed.

Among keynote speakers at the MOC's opening ceremony were executives of international companies. Eng. Luca Bartelli, Eni's Chief Officer for Exploration said that "in 2015, Eni's successful exploration opens up a new horizon for offshore operations in Egypt and Eastern Mediterranean. The discoveries will have an impact on Egyptian gas market." He added that the fast developments can deliver an immediate and important contribution to the satisfaction of the internal market.

Bartelli expressed confidence that Zohr can act as a catalyst for future Eastern Mediterranean activities in deep offshore gas

explorations, which will help the country to become a potential future energy hub. For this to happen, Bartelli noted, all giant discoveries imply that the construction of new transportation infrastructures is needed.

He said that "Zohr will be a bridgehead for the development of the Egyptian deep water gas and an opportunity for other East Mediterranean gas" fields.

In a following speech, Hesham Mekawi, Regional President of BP in North Africa, said that "BP is committed to develop Egypt's oil and gas potential." "We are aiming to increase our gas supply to the Egyptian domestic market of about 1.2bcf/d to 2.5bcf/d by the end of 2020," Mekawi added.

With this ambition, the current oil and gas price environment is posing more challenges. Therefore, BP is aiming at prioritizing capital efficiencies and seeking to find a model in which sustainability of company's investments will be in focus. Nonetheless, as Mekawi put it, prices will not stay at the bottom forever; hence it is clear that the opportunities for growth are waiting.

In a final presentation, Nicola Monti, CEO of Edison International, emphasized the company's development commitment in the Abu Qir field, which so far produces 30% of the overall potential. Monti concluded with confidence that Egypt is ready to become a regional energy hub, to which Edison will direct its efforts.

Conference Brought Many Great News

Vivid discussions, productive negotiations, and optimism accompanied this year's edition of MOC. Egypt Oil&Gas spoke to conference presenters and attendees who were positive about the organization and deliveries of the event.

According to Senior Vice President for Exploration & Production of Tri-Ocean Energy, Mohamed Soliman, this year's conference "was very interesting because of giant discoveries in offshore Egypt during

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Tarek El Molla, Egypt's Minister of Petroleum and Mineral Resources

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Innocenzo Titone, OMC 2017 Chairman

the last year. It was a good opportunity to communicate with the colleagues, as this further helps to encourage other operators to follow the same steps and make their new discoveries.” Soliman believes that the conference was fruitful. “There have been many technical materials presented this year, which have a very good chance to be shared for the benefit of future exploration and production in the petroleum sector in Egypt,” he explained.

Engineer Shaheen E. Shaheen, IPR’s Chairman’s Assistant for Production MENA, spoke in superlatives. “We have seen a huge number of attendants for the first day [of the conference], while the minister of petroleum has shown strategies of the Egyptian petroleum sector, which has reflected the reality of Egypt. If we want to move ahead, go forward, we have to make use of such conferences and exchange ideas. This year, there were many excellent presentations that engineers and geologists have shared with us. It is like a milestone and it is positive that we do have this kind of conferences going forward from year to year. I think [MOC 2016] is a very successful event,” said Shaheen.

The organization of MOC 2016 has been praised by a majority of participants. James Pendergrass from Merlon was not an exception. He stated that this year’s MOC has been marked by exceptional discoveries. “There was a lot of great new news. The big news is the big discovery in the offshore, of course, but behind that, what is really big

news is that we are finding new reservoirs under and above old fields in the Western Desert. It is a whole new game out there,” Pendergrass noted with enthusiasm.

With reference to ENI’s presentation on its Emry deep oil field in the Western Desert, Pendergrass pointed out that “everybody is now looking to add to their old reserves, as everything is in decline. All the reserves are going down and ENI found lovely deep field Emry. It is very exciting.”

In his view, a shift to new dimensions is necessary to record further expansion of the oil sector in Egypt. “Different ideas and different ways are all available to us, and as long as people can think about something other than what they used to do, there is a lot of oil to find and it is very economic, even with prices at \$50 a barrel,” Pendergrass explained.

The conference has brought together experts, analysts, researchers and businessmen as the vision suggest that mutual collaboration may help the oil and gas sector in efforts to move forward. Soliman noted that “there is a lot of contribution from the academic sector to oil and gas players.” At the event, “many universities from Egypt and researchers presented their technical expertise, which has had a direct impact on multinational companies that are working in Egypt. Cooperation between major companies like Shell and ENI, and oil research centers such as Cairo University may further enhance future prospects with help

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Luca Bartelli, Eni’s Chief Officer for Exploration

of recently developed new technologies. Some of them were already applied in the exploration activities in the Nile Delta. Service companies and technology providers are continuously demonstrating their will to progress by improving their complex programs and future plans,” stated Soliman.

He also expressed interest in sharing research outcomes with counterparts from other countries across the Mediterranean. According to Soliman, “so far we have not seen much research cooperation with researchers from outside of Egypt, unfortunately. I personally wish to see some other Mediterranean countries - Cyprus, Italy - to share their information, knowledge, and discoveries with us as we are all in the same basin. I therefore wish in the future if other countries can become contributors to MOC with their ideas and information.”

Business potential of the Mediterranean region is likely to balloon up if the political relations between the involved regional countries are stable. As Pendergrass put it, “the Mediterranean’s Exclusive Economic Zones (EEZ) are pretty well defined and at the moment they seem very stable. One of the biggest points that Italians have made is that Zohr is all inside the Egyptian EEZ, which is good news.”

The atmosphere in the exhibition space was greatly productive. Chairs in companies’ booths were overcrowded in lively debates when representatives introduced their products, explained new potential and ca-

pacities. Talks about growing investments were heard in each and every corner.

IPR’s President and COO, Sam M. Dabbous, said that “although there are many challenges, there is a great enthusiasm and interest by companies to invest in Egypt. One can see how many exhibitors are here in the MOC 2016 and the number of projects that are underway.”

Talking about future prospects, Akram Abu El-Soud, Halliburton’s Country Business Development Manager, said that “Egypt has a huge potential for growth because of its excellent location and the investment environment, which has already started expanding much more than ever before. This is why the oil minister is trying to hold events like this one and Egypt Show planned for Q1 next year.” He added he was expecting “a very good year in 2016.”

James Pendergrass concluded that Egypt has no real problems in the hydrocarbon business. In fact, “in the MENA region, Egypt is the most stable country. All things considered, Egypt is a garden compared to the rest of MENA,” Pendergrass added enthusiastically and with all confidence.

There is no doubt that this year’s MOC created an exclusive environment for international actors in the oil and gas industry. It allowed them to build a sustainable network of contacts with a key goal to boost efforts and maximize outputs of offshore exploration and production activities in the Mediterranean Sea for future generations.



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