EGYPT OIL&GAS NEWSPAPER

DON'T PANIC BUT TAKE PRECAUTIONS

# CORONAVIRUS RESHAPES OIL & GAS PRODUCTION DYNAMICS

# CONTENTS



## EDITOR'S LETTER

**Stay Positive!**

Crude oil prices are gradually recovering after huge production cuts have taken place during May. No one can deny that COVID-19 is still spreading widely which negatively affects the international oil and gas industry. Yet, the industry has always witnessed ups and downs through past times and there was always a full recovery phase after the peak of every crisis. This is what normal distribution and business life cycles have always proven to us.

In this issue, we offer our readers different topics related to how the industry was trying to quickly adjust most of its activities in order to be more flexible and capable of overcoming the current crisis successfully.

Our industry insights section discusses how COVID-19 is reshaping the industry's production dynamics. It also highlights the new normal in the sector. The section also includes a feature about companies' operational cost efficiency strategies in Egypt. Meanwhile, another feature sheds light on the oil prices impact on Egypt's petrochemical sector.

In the research and analysis section, we provide our readers with an analytical report about international oil companies' (IOCs) adjusted cost efficiency strategies under COVID-19 outbreak.

Everyone is following up with the US political and security updates, especially after the recent wave of anger between US citizens. The US President Donald Trump is facing a hard time trying to control the current chaos in some states. Moreover, he is worried about the presidential election that is going to take place next November. In our political section, we discuss how Trump's decisions that are related to the oil and gas industry might strengthen or weaken his power in the presidential race.

**Please stay safe! Stay at Home!**

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EGYPT OIL&GAS NEWSPAPER

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# PRODUCTION

## PETROBEL STREAMLINES TWO NEW WELLS IN THE MEDITERRANEAN

Belayim Petroleum Company (Petrobel) announced streamlining two new natural gas wells in the Mediterranean region with an average production of 390 million cubic feet per day (mmcf/d) and 1,300 barrels of condensate per day (bbl/d).

The first well Zohr-17 has been put on production and is gradually increasing its production rates to reach a maximum capacity of about 250 mmcf/d. This brings the total number of wells drilled in Zohr until now to 15 wells; 10 wells in the northern region and five wells in the southern region.

Petrobel has also succeeded in streamlining Southwest Baltim-7 well in the Nile Delta with a maximum production capacity of 140 mmcf/d and 1,300 bbl/d of condensate. The company has been on track since the project's initiation in September 2019. In seven months, the company has managed to reach its target of 500 mmcf/d by drilling only four wells instead of the initial six wells, while adhering to reducing costs and rationalizing expenditures.

## EL MOLLA REVIEWS CURRENT OIL PRODUCTION RATES

The Minister of Petroleum and Mineral Resources, Tarek El Molla, stressed the importance of revising the production plans during the current situation as well as increasing the performance efficiency and achieving the maximum benefits from the production facilities and assets.

The minister also stressed the importance of cutting expenditure and production costs to face the challenges of the coronavirus crisis, international oil prices drop and supply glut. El Molla noted that the continuity in exploring and drilling more discovery wells is the main way to raise the production rates, This is in addition tofixing old wells and using modern technologies and non-traditional solutions to confront the natural decrease in production wells.

The minister also stressed on the necessity of facilitating the implementation of projects that have been agreed with foreign partners. Additionally, he directed towards the full commitment to health, safety, and environment (HSE) conditions and the precautionary measures against the coronavirus to ensure the safety of the employees.

# AGREEMENTS

## EGYPT GAS, TOWN GAS SIGN AN EGP 232.8 MM DEAL

Egypt Gas and the Egyptian Company for Natural Gas Distribution in Cities (Town Gas) signed an EGP 232.8 million deal to deliver natural gas across several governorates.

The deal is valid for one year only, and depending on both parties, it could be up for renewal upon expiry. The deal entails delivering natural gas to 120,000 clients across Cairo, Giza, Alexandria, and Ismailia.

Additionally, Egypt Gas's Board of Directors signed an 18-month agreement with the New Urban Communities Authority to deliver natural gas to phase one in Mansoura, Dakahlia Governorate, with a total value of EGP 114.4 million.

## PETROLEUM, TOURISM MINISTRIES AGREE TO CUT AIRLINE FUEL PRICES BY $0.10 PER GALLON

The Minister of Petroleum and Mineral Resources, Tarek El Molla, has agreed with the Minister of Tourism and Antiquities, Kaheld Al Anany, to cut the fuel prices for airlines by $0.10 per gallon.

The new price will be applied immediately once the airline traffic is back to normal to boost the tourism sector.

It is worth noting that several airlines are in negotiations with the government to facilitate measures mitigating the effect of coronavirus including talks with Al Ahly and Misr Banks to obtain zero-interest loans to be able to pay salaries. Additionally, the Nile airlines called Egyptian banks and Egypt's Sovereign Wealth Fund to purchase some of its stakes to reinforce its financial position.

## PETROTRADE, BANQUE MISR SIGN AGREEMENT FOR ELECTRONIC BILL COLLECTION

Petroleum Trading Services (Petrotrade) has signed an agreement with Banque Misr to develop the electronic billing services of the company.

According to the agreement, Petrotrade will benefit from the developed technology of electronic billing services of Banque Misr, especially for the electronic transactions via Visa or Mastercard, to update the company's website and its mobile application to collect bills.

The contract comes within the framework of the Ministry of Petroleum and Mineral Resources' program for digital transformation. It is worth noting that Petrotrade succeeded in achieving big steps during 2019 in applying the developed system in the electronic billing of natural gas as well as the readings of consumption.

## COPETROL, E-FINANCE SIGN CONTRACT FOR ISSUING FUEL SMART CARDS

Co-Operation Petroleum Company (Copetrol) signed a three-year contract with E-Finance Company to issue prepaid smart cards for supplying fuel to governmental agencies.

The contract was signed by the Head of E-finance company, Ibrahim Sarhan, and the Head of Copetrol, Adel Ayad.

E-finance will be responsible for developing, managing, and operating an integrated electronic system that can regulate and monitor the distribution process of fuel.

Additionally, this system will provide plenty of data about fuel supply processes like the amount of fuel consumed by each vehicle, the places and time of supply as well as if there were any cheating in the fuel stakes for vehicles.

Ayad stressed the company's interest in coping up with the recent international systems to provide services to its customers and adopting modern techniques that raise its assets' value and improve its operational efficiency.

## MASTER GAS PROVIDES CNG TO PYRAMID POULTRY

A subsidiary of Taqa Arabia, Master Gas, has inked a deal to provide natural gas to Pyramid Poultry Co. with an annual capacity of about 650,000 cubic meters.

Master Gas will transfer compressed natural gas (CNG) via CNG mobile technology without using the national natural gas grid. The CNG mobile technology is an easy and safe method that meets the needs of several industrial facilities and other sectors in remote areas that have not been reached by the national natural gas grid. The mobile technology transports CNG by specially-equipped vehicles to those areas, without needing to use expensive pipelines.

It should be noted that Master Gas intends to deliver natural gas to about 30 new projects by the end of 2020.

## MIDELEC RECEIVES EUR 30 MM LOAN

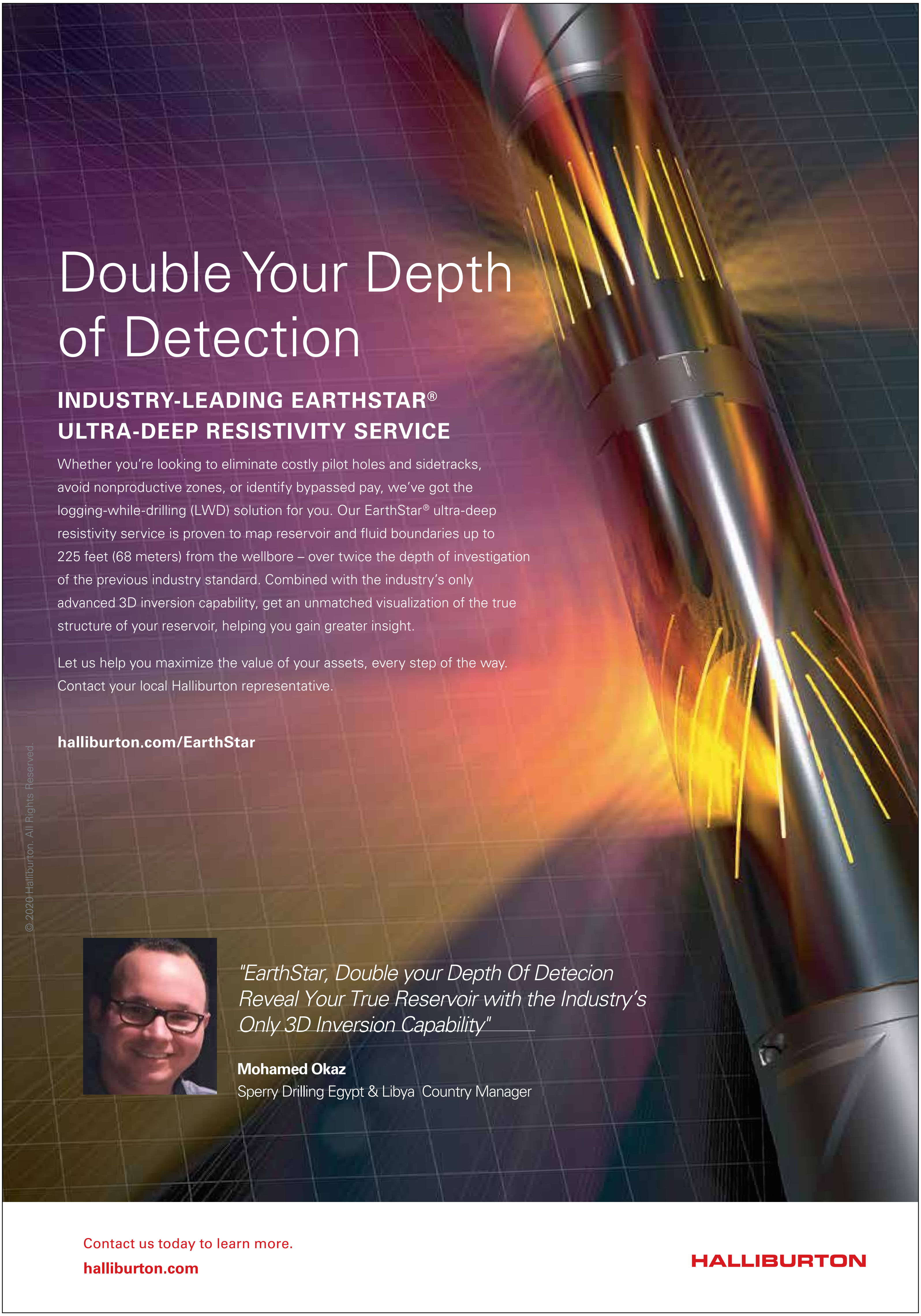
A consortium of banks led by the National Bank of Egypt (NBE) will provide a long-term joint loan of EUR 30 million to Midor Electricity (MidElec) to boost the capacity of the power plant in the Middle East Oil Refinery (MIDOR).

In addition to NBE, the consortium includes Credit Agricole, Suez Canal Bank, and Faisal Islamic Bank. Yehia Abou El-Fotouh, NBE's Vice President, said that NBE's and Credit Agricole's share amounted to EUR 12 million each, while Suez Canal Bank and Faisal Islamic Bank's share amounted to EUR 3 million each.

Abou El-Fotouh remarked that the loan is valid for nine years, during two of which MidElec would be able to withdraw money, and the remaining seven for the company to settle the loan. Through financing, the bank is keen to enhance the company's capabilities to accommodate the expansion of MIDOR.

## WEPCO TO RECEIVE NGC WORTH $7 MM

Consukorra, which specializes in energy solutions, won a tender to supply and operate two natural gas compressors (NGC) for the Western Desert Operating Petroleum Company (WEPCO) valued at $7 million. The two NGCs will be utilized in Badr-1 production plant with a capacity of 14 million cubic feet per day (mmcf/d) and powered at 1.25 Megawatt (MW) per engine. This aligns with the company's plan to double the capacity of NGC's system to about 21 mmcf and to support the existing compressor equipment operating at 11 mmcf. It should be noted that this is the largest NGC's tender launched in the past three years and to be implemented and supplied within six months.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## HESHAM MEKAWI TO STEP DOWN FROM HIS POSITION IN BP

BP announced that Hesham Mekawi, the Regional President for North Africa, has decided to step down from his position and retire as of the end of 2020.

The company said that Mekawi will continue in his current position until July 1 and then will be a senior advisor for six months to ensure the smooth transition of leadership till the end of 2020.

Mekawi joined BP in 1990 and held a variety of commercial, economic analysis and business development roles in Cairo, Houston, Chicago and London. He led the consolidation of BP Egypt, BP Algeria and BP Libya to create the expanded BP North Africa Region in 2014. Mekawi transformed the North African business by identifying and progressing complex growth opportunities and actively managing the portfolio.

Over the past five years, BP has invested $14 billion in Egypt delivering at its peak 60% of Egypt's annual gas production together with its partners.

## ENI'S NATURAL GAS PRODUCTION IN EGYPT RECORDS 1.217 BCF/D IN Q1 2020

Eni's production of natural gas in Egypt has reached 1.217 billion cubic feet per day (bcf/d) during Q1 2020, decreasing from Q1 2019's 1.434 bcf/d.

The company's total natural gas production amounted to 4.768 bcf/d in Q1 2020 decreasing by 7.5% year-on-year (YoY). The company owed part of this decrease to a decline in demand from certain areas including Egypt.

Additionally, the total oil and natural gas production averaged 1,774 kilo barrel of oil equivalent per day (boe/d), decreasing by 3.6% from Q1 2019's 1,841 kilo boe/d.

Meanwhile, the production of oil and natural gas in Egypt was estimated at 299 kilo boe/d in Q1 2020, against 336 kilo boe/d during the same period in 2019. However, the company's liquid production in Egypt increased to 74 kilo boe/d in Q1 2020 against 71 kilo boe/d in Q1 2019.

As a result of the ongoing economic crisis, Eni decided to reduce its capital expenditure by approximately EUR 2.3 billion for 2020, 30% lower than the initial capital budget while also expecting further reductions of EUR 2.5-3 billion to be made in 2021.

## TRANSGLOBE EGYPT'S PRODUCTION RECORD 12,111 BBL/D IN APRIL

TransGlobe's production in Egypt averaged around 12,544 barrels per day (bbl/d) in Q1 2020, while recording approximately 12,111 bbl/d in April.

The company's total production in Q1 2020 recorded about 14,997 barrels of oil equivalent per day (boe/d), a 2% decrease from Q4 2019. It is, however, 9% higher than the full year 2020 guidance of between 13,300 to 14,300 boe/d.

TransGlobe sold about 765.4 million barrels (mmbbl) to the Egyptian General Petroleum Corporation (EGPC) for $37 million, with an average price of $40.46/bbl during Q1 2020. In the Eastern Desert, TransGlobe has drilled Yusr development well (HW-2A) at West Bakr. Meanwhile, in the Western Desert, SGZ-6X well located in South Ghazalat is currently producing at a rate of 250-300 bbl/d of light and medium crude.

Due to the low oil prices, production from SGZ-6X is deemed insufficient to cover its operating costs. This has led TransGlobe to begin discussions with EGPC to further cut the Western Desert operating costs to generate positive cash flow. If cost-cutting was not approved, the company may temporarily suspend South Ghazalat operations.

## WINTERSHALL DEA MAKES SIGNIFICANT OIL DISCOVERIES IN MEXICO

Wintershall Dea and its license partners have made two significant oil discoveries on the Polok and the Chinwol prospects in Block 29 offshore Mexico.

The Polok-1 exploration well was drilled to a total depth of 2,620 meters and encountered more than 200 meters of net oil pay from two zones in the lower Miocene. The Chinwol-1 exploration well was drilled to a total depth of 1,850 meters and encountered 150 meters of net oil pay from three zones in the lower Pliocene.

Polok and Chinwol are the first announced discoveries from a block, awarded in Mexico's deep water round 2.4. back in 2018.

The Block 29 partners are Wintershall Dea (25%), Repsol (operator, 30%), PC Carigali Mexico Operations S.A de C.V., the Mexican subsidiary of PETRONAS (28.33%) and PTTEP Mexico E&P Limited, S. de R.L. de C.V. (16.67%).

## WINTERSHALL DEA CELEBRATES MERGER'S FIRST ANNIVERSARY

Wintershall Dea celebrated its first anniversary of the merger between Wintershall Holding company and Dea Company with the aim of becoming Europe's leading independent natural gas and oil company.

Mario Mehren, Chairman of the Board of Executive Directors of Wintershall Dea reflected on one year of success, saying that from the first day of the merger the focus was on reliable and efficient production to maintain business continuity.

The chairman pointed out that the company achieved synergies worth more than EUR 100 million at the end of 2019, which was more than expected, adding that these results came from the measures that have been taken in Mexico, Egypt and Norway as well as procurement savings and the first organizational cost savings.

Mehren said that the company navigates through the current crisis through digital tools which enabled more effective global cooperation for the company. Mehren ensured that Wintershall Dea will continue to strive to achieve cost savings of at least EUR 200 million per year by 2022.

## NEPTUNE COMPLETES FIRST OBN SEISMIC SURVEY IN EGYPT

Neptune Energy has successfully completed the first-ever ocean bottom nodes (OBN) seismic survey in Egypt, at the North West El Amal block.

Sponsored by the Ministry of Petroleum and Mineral Resources, the seismic survey was done by WesternGeco under a contract with the Egyptian General Petroleum Corporation (EGPC).

The OBN technology provided an in-depth data set for processing, image analysis, and planning for potential exploratory wells in the future. The OBN technology was used to overcome the challenge of acquiring improved imaging in the complex salt geometries of the Gulf of Suez.

The process acquires more detailed data than standard technologies and is less sensitive to weather conditions which can impact traditional seismic survey vessels. Neptune obtained the exploration license for 365-kilometer square (km2) concession in February 2019, including the acquisition of 100 km2 of 3D seismic data.

## IBM CORRECTION ABOUT THE ARTICLE ON SPEARHEADING DIGITAL TRANSFORMATION

**IBM Correction:** The article on Spearheading Digital Transformation that was published in Egypt Oil & Gas Newspaper, May 2020 issue, includes inaccurate information that reflect Islam Badr's personal point of view and not the views of IBM.

# SAUDI ARABIA

**Saudi Aramco, the world's largest oil exporting company, will reduce its crude oil production in June by a voluntary amount of 1 million barrels of oil per day (mmbbl/d) or 1% of daily global oil supply.** This cut is in addition to the Organization of the Petroleum Exporting Countries and allies (OPEC+) agreement signed in April. This voluntary cut will bring the total production cut by the kingdom to around 4.8 mmbbl/d representing a 32% cut from April's production levels, leaving the kingdom's total production for June at 7.492 mmbbl/d.

**Saudi Arabia and Russia confirmed their commitment to implement the OPEC agreement of limiting production to 9.7 mmbbl/d for the coming two years.** The deal represents a 2.5 mmbbl cut for both Riyadh and Moscow. Oil producers outside of the OPEC alliance pledged to cut an additional 3.7 mmbbl/d.

**Saudi Aramco announced that it will maintain its promise to deliver its $18.75 billion dividend payout Q1 even though the company recorded 25% drop in profit.** Despite the 25% fall in Q1 profits, the company's announced yearly payout of $75 billion is still on track based on the $18.75 billion dividend payout for Q1. Total dividends of $13.4 billion were paid for Q4 of 2019.

**Belarus's state refiner Beleneftkhim has purchased its first batch of crude from the Kingdom of Saudi Arabia.** Belarus, which has long since relied on Russian oil imports, has bought 80,000 tonnes of Arab Light crude oil from Saudi Aramco in May. The oil tanker Ionic Astrapi loaded the crude on April 27 and was forecast to arrive on May 11.

# U. A. E

**The United Arab Emirates (UAE)'s Minister of Energy, Suhail bin Mohammed Faraj Faris Al-Mazrouei, announced that the UAE will voluntarily cut its oil output by 2.5% (100,000 barrels per day (bbl/d)) in June to rebalance the global oil market.** The UAE successfully achieved production of over 4 million barrels per day (mmbbl/d) in early April but it has subsequently reduced its production in line with the Organization of the Petroleum Exporting Countries and allies (OPEC+) agreement.

**Abu Dhabi National Oil Company (ADNOC) has embarked on a gradual restart of its Ruwais oil refinery complex after scheduled maintenance shutdown.** The state-owned complex, which has a capacity of 835,000 barrels per day (bbl/d), was shut down earlier in 2020.

**ADNOC announced a generated business value of $1 billion from their Panorama Digital Command Center (Panorama) since its inauguration in 2017.** Panorama aggregates real-time information across ADNOC's 14 subsidiaries and joint ventures (JVs), using smart analytical models, artificial intelligence (AI), and big data to generate operational insights and recommendations. This program is a key part of ADNOC's ongoing strategic investments in digitization and AI, with its dedication to deliver on its 2030 smart growth strategy.

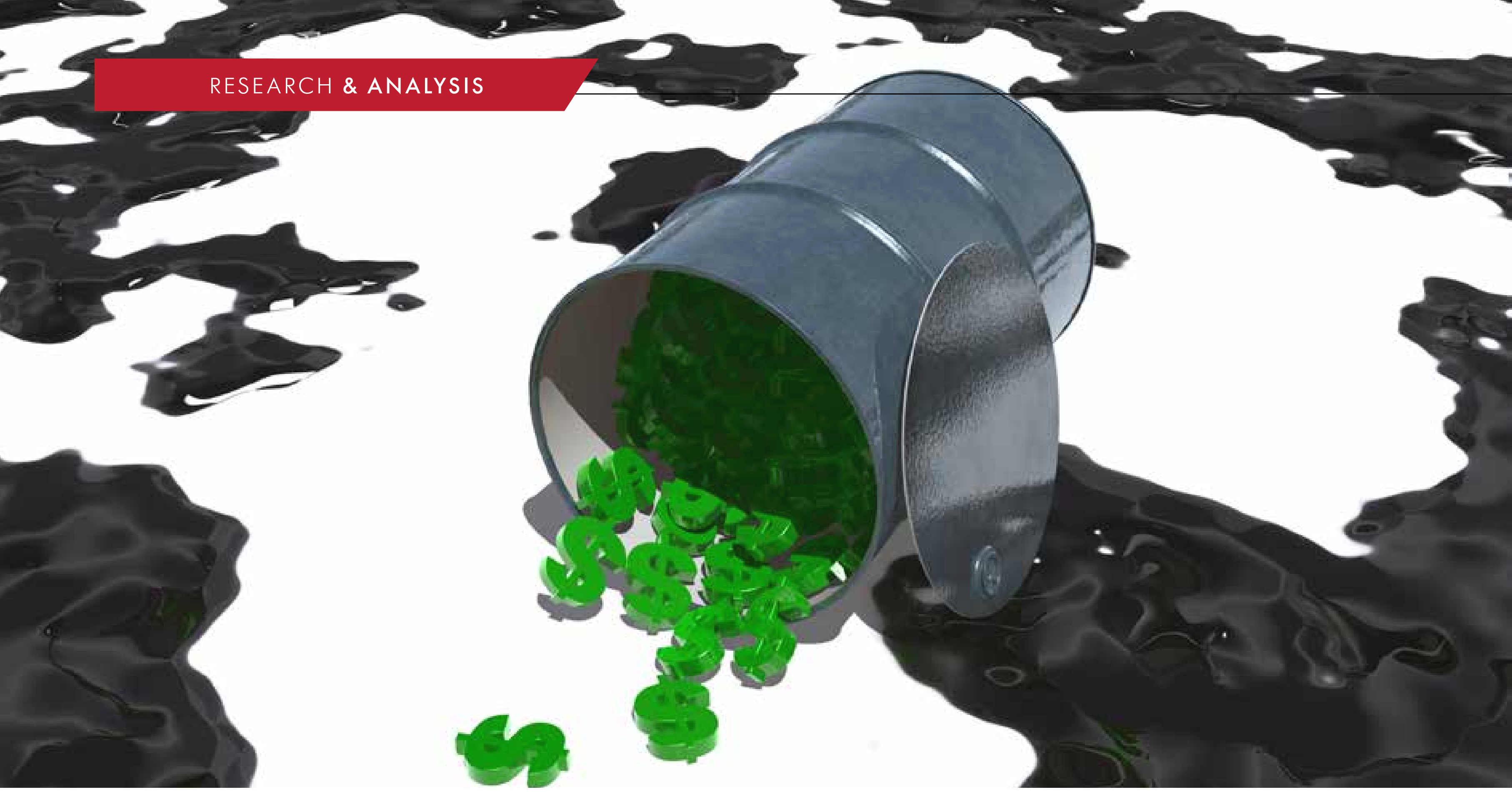
**ADNOC and Abu Dhabi Power Corporation (ADPower) announced issuing a joint tender for developing and operating the high-voltage, direct current (HVDC) sub-sea transmission system.** This project is the first of its kind in the Middle East and North Africa (MENA) region and will connect ADNOC's offshore production facilities to ADPower's onshore electricity grid using state-of-the-art technology. The project is expected to reduce the carbon footprint of ADNOC's offshore facilities by up to 30% through ADPower's efficient onshore power production. It also will optimize the costs of power supply for ADNOC and will boost the operational efficiency by using environmentally sustainable sources of energy.

# NIGERIA

**Nigeria, Africa's top crude exporter, has curtailed oil production by 23% to bring the country in line with the Organization of the Petroleum Exporting Countries (OPEC) production cuts.** The cut for Nigeria represents 417,000 barrels per day (bbl/d). Under the deal, Nigeria should cap production at 1.41 (mmbbl/d) in May and June.

**Shell Gas B.V., a subsidiary of Royal Dutch Shell plc, has announced that all conditions for its Final Investment Decision (FID) have been met on a new liquefied natural gas (LNG) processing unit at Nigeria LNG (NLNG).** The new unit, known as Train 7, will add around 8 million tonnes per annum of capacity to the Bonny Island facility, making the total capacity reach around 30 million tonnes per annum. These conditions include formal commitment from the organizations providing financing for the project.

**Nigeria LNG Limited (NLNG) has paid over $13 billion to the Federal Government for feed-gas purchase since the inception of its operations.** NLNG has also paid over $7 billion in dividends and $8 billion in taxes to the Nigerian government through the Nigerian National Petroleum Corporation (NNPC). The NLNG has supplied 50% of cooking gas in the country, with 100% Nigerian management and 95% Nigerian staff.



# OPERATING UNDER COVID-19: IOCS' COST EFFICIENCY STRATEGIES

BY AMINA HUSSEIN, REHAM GAMAL, AND TASNEEM MADI

The spread of the COVID-19 pandemic crippled global oil demand and led many petroleum companies to suffer significant losses. Accordingly, they were forced to slash spending and cancel projects. As per a press release by Rystad Energy published in April, before the outbreak, the expected total revenues of exploration and production (E&P) companies were $2.35 trillion in 2020 and $2.52 trillion in 2021. Post the outbreak, the revenues are expected to fall to $1.47 trillion in 2020, and to $1.79 trillion in 2021. Consequently, the companies cut their spending by an average of 20% in early 2020. The spending is expected to further fall by 25%, from $530 billion in 2019 to $410 billion in 2020, with most of the projects being delayed.

In this regard, this report reflects the status of international oil companies (IOCs) in Q1 2020 and identifies their strategies to efficiently reduce their costs and minimize exposure to losses during the outbreak. The report embraces 13 IOCs which clearly identify their position and plans.

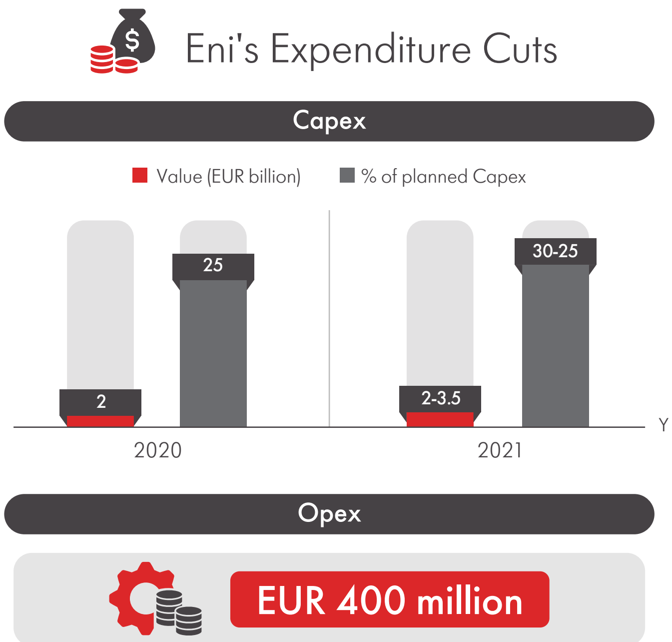
## 1. ENI

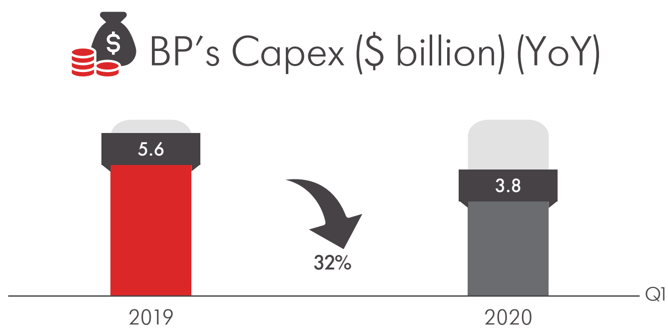
In Q1 2020, the Italian company Eni recorded a net loss of EUR 2.93 billion as opposed to a net profit of EUR 1.1 billion in the same period of 2019. The E&P adjusted operating profit particularly decreased by 55% on an annual basis, reaching EUR 1.04 billion, mainly driven by a deteriorated trading environment and lower production volumes. Eni has instantly responded to the outbreak by revising the industrial plan for 2020 and 2021 to keep a solid balance sheet and lower costs, according to Eni's Q1 2020 results report.

The company's report showed that Eni implemented widespread initiatives to save about EUR 600 million of expenses in 2020. Furthermore, with capital expenditure (Capex) revisions focused on the E&P segment, Eni's production level in 2020 is expected to decline to 1.75-1.8 million barrels of oil equivalent per day (mmboe/d), a drop of 4-6% from 2019.

## 2. BP

In April, the UK giant BP announced spending cuts plans to combat COVID-19 effects on their financial status. The outbreak caused BP to lose $628 million in Q1 2020, compared to a $2 billion profit in Q1 2019, according to the company's Q1 2020 results report.




For BP to protect its financial health, spending was announced to record $12 billion in 2020, a 20% less than planned. This will include a $1 billion cut in spending on its US shale projects, which coincided with the major decline in West Texas Intermediate (WTI) crude price, when it recorded a historical level of $-37 per barrel on April 20.

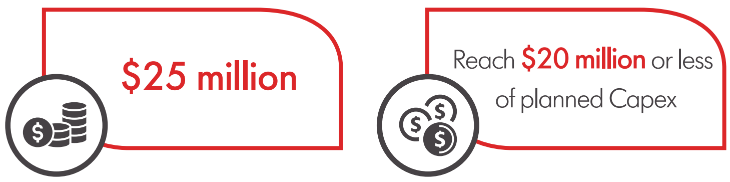
BP further expects to save $2.5 billion by the end of 2021, compared to 2019. This will be achieved through digitization and increased integration across the group, according to the company's website.

## 3. SHELL

In April, the Dutch-British oil and gas company cut its dividend for the first time since the 1940s after a net loss of $24 million in Q1 2020. Shell then declared a series of operational and financial initiatives which targets a reduction in the operating cost by $3-4 billion per annum over 2020 in comparison to 2019, according to Shell's Q1 2020 results report.

These initiatives are expected to contribute $8-9 billion of free cash flow on a pre-tax basis. The initiatives are mainly represented in Capex reduction, material reduction in the working capital, and suspension of the next tranche of the share buyback program.

Shell's Cuts in Capex for 2020




## 4. APACHE

In Q1 2020, the US company Apache announced a loss of $4.5 billion, while the net cash provided by operating activities declined to $502 million, about 16% lower in comparison to Q1 2019. However, the company still has a strong liquidity position which is supported by a $4 billion revolving credit facility with a maturity date in March 2024, according to Apache's Q1 2020 results report.

To strengthen its financial position, the company reduced dividends by 90% and set plans to use $340 million of cash retained from the dividend reduction.


For upstream, Apache also revised the 2020 upstream capital budget to reach $1.1 billion, 55% lower from 2019. The company planned to reduce activities in Egypt and the North Sea as well and to eliminate all US drilling activities, driving upstream investments to decline by $650 million, from the company's initial budget announced in late February which ranged between $1.6-1.9 billion.

## 5. SDX ENERGY

During Q1 2020, SDX Energy, the UK-based company, announced that its net revenues jumped to $16 million, an increase of 26% compared to the same period in the last year. As the company has a strong liquidity position and its activities were not affected by the outbreak. Q1 2020 actual entitlement production was 117% higher than that of Q1 2019, according to SDX Energy's Q1 2020 results report.

For Capex, it increased to $15.5 million in Q1 2020, up from $13 million in Q1 2019. While for 2020, Capex has been revised up from $24.7 million as per the Company's 2019 annual results statement provided on 7 April, to $28.2 million. This increase reflects the 100% cost of tying in the successful SD-12X well in South Disouq in April. However, Capex 2020 is 34% lower than that of 2019 as the company tries to maintain its balance sheet solid and operate its assets efficiently during the pandemic.

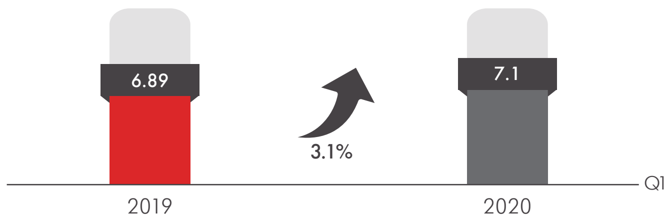
SDX's Capex ($ million) (YoY)


## 6. EXXONMOBIL

According to the US company ExxonMobil's report for Q1 2020 results, the company recorded a total loss of about $0.61 billion compared to earnings of $2.4 billion in the same period last year.

The current circumstances made the company reduce its Capex by 30% and reduce the Operating expenses (Opex) by 15%. The company expects its Capex to decrease to $23 billion by the end of 2020 from $33 billion in 2019, according to the company's Q1 2020 results report.

ExxonMobil's Capex ($ billion) (YoY)




## 7. CHEVRON

Chevron's Q1 2020 results report showed that the American company's cash flow from operations in Q1 2020 declined by 7.8% to $4.7 billion, down from $5.1 billion in Q1 2019. Furthermore, the Capex declined by 6.4% between Q1 2019 and Q1 2020. The company's Capex in H2 2020 is expected to be about $7 billion.

Chevron's Capex ($ billion) (YoY)


Chevron has taken several steps to maintain a stable balance sheet during the crisis, including suspension of share repurchases and the completion of additional asset sales. In addition, artificial intelligence (AI) technology and data analytics were used to drive logistics, increase efficiency, and lower costs. The company further plans to reduce 2020 Capex guidance by $4 billion (20%), according to Chevron's website.

## 8. ENERGEAN OIL & GAS

The London-based independent E&P Company's activities were not affected by COVID-19 during Q1 2020, as mentioned in the company's outlook. The company targets cutting costs and controlling financial discipline, where investments will be reduced by $155 million in Greece and Israel. The budget for Egypt will decline by $140 million, according to Reuters company-by-company rundown, published in March.

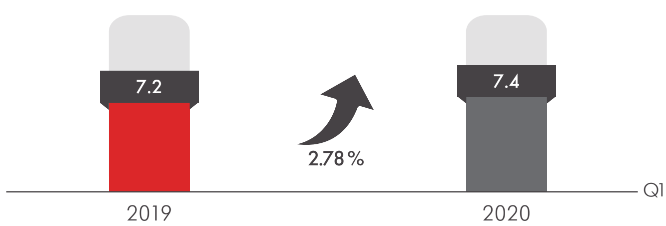
Energean also plans to increase revenues to more than $1.4 billion and reduce general and administrative (G&A) expenses to $25-30 million as medium-term targets, according to Energean's Investor Update, announced in April.

## 9. SAUDI ARAMCO

Saudi Aramco announced that the company has proven its financial and operational strength in Q1 2020, despite the challenges due to the outbreak. The company's net income remained $16.7 billion despite the low crude oil prices, due to the prudent balance sheet management and low-cost structure.

Despite the increase in Aramco's Capex for Q1 2020, the company plans to cut its Capex by about 25-29% to range between $25-30 billion in 2020, according to the company's Q1 2020 results which was published in May.

Saudi Aramco's Capex ($ billion) (YoY)



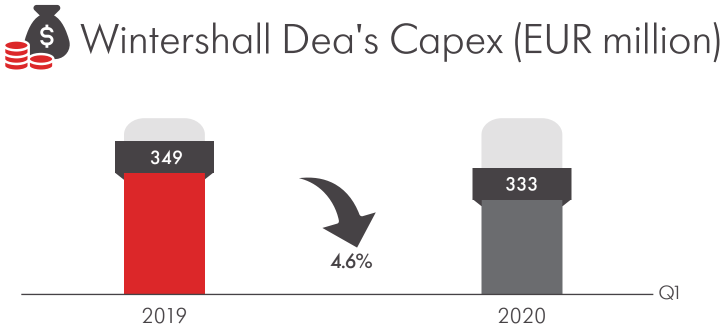
It is worth noting that the increase in Q1 2020 Capex was due to the continued project development and upgrades at various facilities.

## 10. WINTERSHALL DEA

To confront the effects of the outbreak, the German Wintershall Dea announced a 30% reduction in its development and production Capex in 2020 compared to that of 2019, according to the company's Q1 2020 results report. In addition, 2020 Opex was reduced by 10% on an annual basis and common dividend was suspended.

The results report further showed that the company has followed decisive measures to keep its financial balance, including trimming the exploration budget by 20% from EUR 340 million in 2019 to EUR 150-250 million.

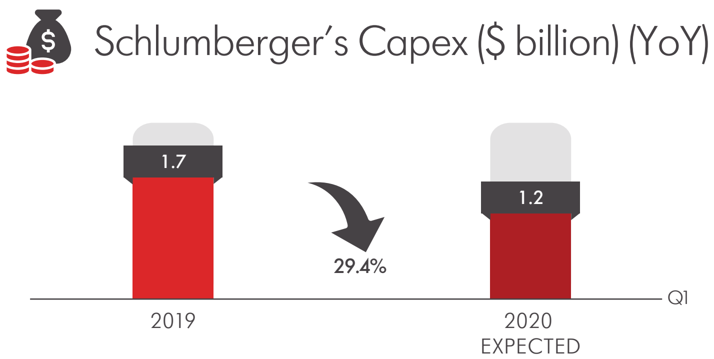
One main element in Wintershall Dea's strategy to combat COVID-19 is digitalization, which saves 20% of annual operating cost for the company and assets in maintaining safety. For example, the Mittelplate Platform Digital Twin saves around EUR 1 million per year.




## 11. SCHLUMBERGER

Schlumberger's revenues reached $7.5 billion in Q1 2020, a decline of 5% in comparison to $7.9 billion in Q1 2019, according to the company's Q1 2020 results report.

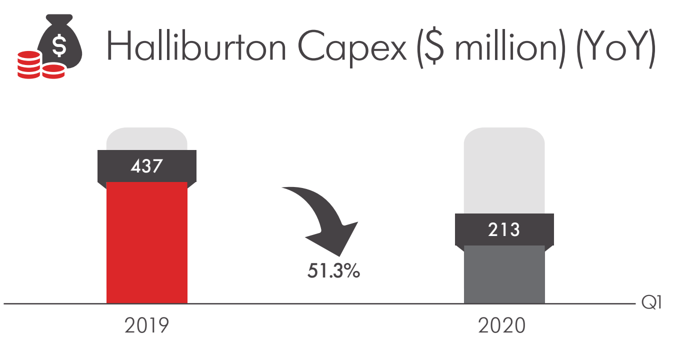
The company plans to reduce capital investments to $1.8 billion, over 30% less than in 2019, according to the company's press release for Q1 2020 results. It is worth noting that the capital investments include Capex and other relevant investments.




## 12. HALLIBURTON

The outbreak led Halliburton to record a net loss of $1 billion in Q1 2020. In addition, the total revenues of the company declined by 12%, from $5.7 billion in Q1 2019 to $5 billion in Q1 2020, according to the company's Q1 2020 results report.

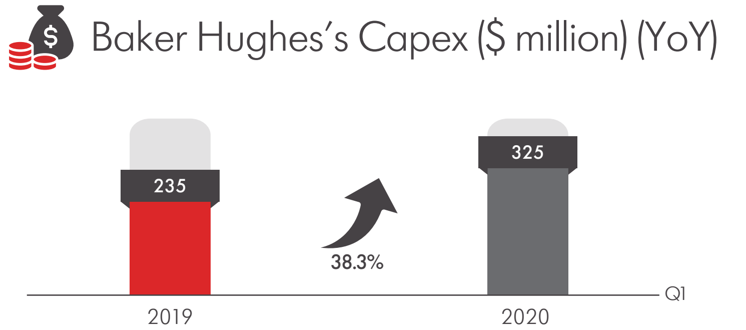
To contain the negative effects of COVID-19 outbreak, the US field service company depended on a strategy that targets taking swift actions to reduce overhead and other costs by $1 billion, in addition to reducing the Capex to $800 million, according to the company's Q1 2020 results report.




## 13. BAKER HUGHES

The American Baker Hughes' revenues recorded $5.4 billion in Q1 2020; a 3% decline compared to Q1 2019. In addition, the company's adjusted operating income amounted to $240 million, remarking 56% decline compared to the same period last year, according to the company's Q1 2020 results report.

Baker Hughes followed a strategy to navigate the current challenging environment, including cutting costs, accelerating structural changes, deploying technology, and optimizing processes that can lower costs for the clients. Capex was reduced by more than 20% in 2020 compared to 2019. In addition, the company is working on delivering on a portfolio evolution strategy, as mentioned in the Q1 2020 results report mentioned.

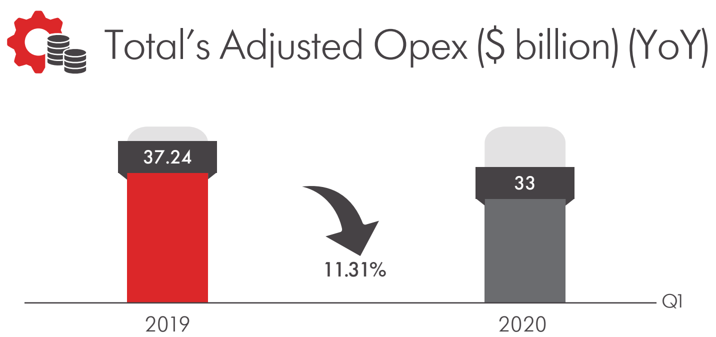



## 14. TOTAL

The French company, Total, announced immediate action plan in March, setting expectations for the company's production in 2020 to range between 2.95 and 3 mmboe/d, taking into consideration some contractionary measures in Canada, the exceptional quotas announced by OPEC+, the lower local demand for gas, and the situation in Libya.

Total's net investments recorded $ 3.63 billion in Q1 2020 compared to $ 3.1 billion in Q1 2019, with about 18.4% increase. The boost was due to the increase in both acquisitions and asset sales, substituting the decrease in investments, according to Total's press release for Q1 2020 results .

Total plans to decrease the net investments by 25% in 2020 to be less than $14 billion and to reduce operating costs by $1 billion, according to Total's press release.




The company will cut 20% of its Capex, equivalent to more than $3 billion. Moreover, the company will save on operating costs of $800 million in 2020, according to the company's press release, in March.

Some IOCs' operations were not affected in Q1 2020 because of their quick responses, having strong liquidity positions and setting long-term plans. However, with the double crises of the price downturn and the COVID-19 pandemic, most of the IOCs followed the strategy of trimming their portfolio by cutting Capex and reducing investment spending. Thus, 2020 is expected to witness the lowest implemented projects since the 1950s, in terms of the total sanctioned investments. These investments are expected to drop to $100 billion in comparison to those in 2019, according to Rystad Energy press release published in April.

The release also stated that this crisis not only affects the companies' solidity and reduces investments and dividends, but also considerably cuts government tax revenue. Hence, it will be challenging for oil dependent states such as Russia and other countries to sustain their budgets.

# CORONAVIRUS RESHAPES OIL & GAS PRODUCTION DYNAMICS

BY **FATMA AHMED**

**Many sectors including oil and gas industry, are now suffering due to the outbreak of the coronavirus pandemic. The global lockdown and imposed curfew everywhere have led to heavy economic and commercial losses as some industries have come to a halt. The reduction in oil consumption and the declining oil prices have dealt a blow to the oil industry affecting the production and operation of oil companies. The crises led National Oil Companies (NOCs) and International Oil Companies (IOCs) to develop their own ways to survive. Egypt Oil & Gas (EOG) has explored the opinions of production and field engineers working in different oil companies, as well as industry experts, to better understand how the situation has been handled in Egypt.**

## PRODUCTION SITUATION

The production process in Egypt seems to be affected, somehow, by the current challenges of the drop in oil prices and the lockdown imposed around the world.

Mohamed Mahmoud, Gas Processing Operations Engineer at Badr Petroleum Company (Bapetco), said to EOG that the decreasing number of manpower has affected workflow and there is a difficulty to import the needed spare parts, while new discoveries are minimized.

He added that they are proceeding the daily work "by taking social distancing precautions, replacing daily meetings with emails". He also elaborated that "daily production [is] not affected at all and the production plant works with full capacity".

While a Wireline Field Engineer at a NOC who requested anonymity, said that "we are not just trying to sustain the daily production rate, we are also working to enhance and increase it. Despite this pandemic and its effect on workers' morale, our various teams are working harmoniously, effectively, and efficiently."

He stated that his company is doing its best to minimize the presence of workers and making rotations in the same shift." Sometimes[we] work eight hours instead of 12; however, the workflow is not affected", as number of workers in the rigs is the same as well as the number of engineers and operators in each production facility, he said.

Ahmed Hisham, a Filed Engineer at Baker Hughes explained that the current production situation in Egypt is not affected by the pandemic, because of the long-term plans implemented in the previous months and years so it will keep as high as possible.

He added that "In the oil and gas companies, workflow is affected only by the oil price, so even if there is global pandemic but the price is high, the workflow will maintain."

## SAFETY MEASUREMENTS

The Egyptian government implemented several procedures and measures in all organizations and sectors including oil companies.

As the shift duration was increased to be ten days instead of seven to limit employees' transportations. This is in addition to other precaution measures such as measuring temperatures of employees before entering the site and isolating people who have symptoms of the virus, Mahmoud elaborated.

Regarding sanitization tools, Mahmoud said, "Sanitizers distributed in almost all places, catering employees are wearing face masks and gloves and of course [using] water and soap."

The anonymous wireline field engineer at NOC mentioned that his company limited the number of workers in crowded places. He added that "each employee receives hand sanitizers and masks on daily basis. Each pickup-truck and office is having sanitizing spray".

Hisham said that "Remote working is partially applied due to the crucial need to physical manpower to maintain the production process". He noted that, "we, as field engineers, have to go to the field to perform jobs and implement plans and programs."

Hisham noted that "all oil and gas wells' data are organized and stored on database drivers to provide proper analysis to the customer when consultancy is needed".

## OIL PRICES PREDICTIONS

The predictions of the engineers for oil prices during the upcoming period are varied between stability and increase.

Mohamed El Shawaf, a Production Field Engineer at Khalda Petroleum company expected that the oil prices will increase after finishing the lockdown and oil demand increases.

"In that case, we only have two parallel ways. The first one that oil production companies optimize their production depending on oil price state. The second one comes from the Organization of the Petroleum Exporting Countries (OPEC OPEC plus to work on optimizing the supply to make market stable after ending of this circumstance to avoid fluctuating of price.", He explained.

While Mohammed El Wahsh, a Production Technology Engineer at Khalda Petroleum Company, had another point of view saying that "Personally, I do believe that the oil price will maintain a plateau at least for the end of the year 2020 until all the preventive measures applied on all industries worldwide get removed gradually."

Ahmed Gharib, Senior operation Engineer at Nasr Petroleum company said, advocated the stability of oil prices in low levels saying that "I think oil prices in next months will still in low and by the end of this year 2020, it will increase again to regular prices. All production companies will spend a lot of money to store oil and we can consider it the second reason for making oil prices very low."

## FUTURE GLIMPSE

Most of countries have started to adapt with coronavirus as it is expected to continue for a long time until a cure is found. Gradually, the different industries will be back to its normal in the coming period, but not in the same way, of course. This may impact the production process including oil and gas production.

An anonymous expert in the oil and gas production said to EOG "Most of new projects are postponed for at least eight to 16 months because owner companies can't make a huge project".

Hisham, the Field Engineer at Baker Hughes stated that " It's expected that many countries will partially open all normal operations to save their economy, with which the demand will increase and then the oil price will recover leading the workflow to flourish again."

Nevertheless, El Wahsh said that, "In [his] opinion, operator companies will take a cautious approach towards resuming their operations after the demand returns to its normal rates."

"Such approach will be accompanied by a close monitoring to the demand trend in order to choose the perfect timing to increasing the production operations again", he added. The Production Technology Engineer, elaborated that "for non-exporting countries, like Egypt, this falls in our favor by decreasing the portion of the annual budget spent on importing petroleum products such as gasoline."

El Shawaf commented that oil companies always seek to maintain and increase their production, but this couldn't happen until the oil price recovered to allow the companies compensate for their losses, noting that low oil prices seem to be something good for Egypt, but not for IOCs that are investing in Egypt.

Gharib mentioned that "the production process after coming back to the regular working days, will be in low rates as all storage tanks are full because of the low consumption of oil as fuel, but, overtime, it will increase to normal rates."

Additionally, the senior operation engineer saw that if this pandemic continues for more than one year, the situation will be harder and more complicated for all industries not only oil sector adding that low oil prices allow importing big quantities of petroleum products.

# DEPICTING A CONTINGENT NEW NORMAL IN THE OIL SECTOR

BY **MAI EL GHNADOUR**

In 2009, the internationally renowned economist, Mohamed El-Erian, coined the term New Normal: an economic alteration of normalcy in the aftermath of a global recession. Now that the coronavirus pandemic has posed a growth environment dampened by structural impediments, the world is yet to be taken aback by a possible new 'New Normal'.

## PREDICTING A MARKET CRASH 101

Energy stocks posted a sharp decline on April 20 as West Texas Intermediate (WTI) prices dipped to a historic negative $37 per barrel. This inevitably paved the way for a crude market collapse, and the fact is that the global oil industry is still in dire straits. But could this have been predicted in the first place, and maybe even averted?

Most analysts would have never believed that oil prices could sink into negative territory and often said that "negative oil price" was just an attention-grabbing headline.

However, some big investors saw warning signs before the market came tumbling down. Earlier in 2018, Egyptian tycoon Naguib Sawiris predicted a stock market crash and has put half of his $5.7 billion net worth into gold.

"I think it was calculated," Sawiris told CNBC on May 11. "I think they knew that this was going to happen and they still wanted to do it because, by killing a competitor, the price will rise beyond $50 or $60." Sawiris added that he believes that in 2021 oil will rebound to $100. However, an oil analyst who warned of negative oil prices a month ago now says that the WTI Crude future prices could crash to as low as a negative $100 per barrel in the upcoming months.

Alaa El-Shazly, Professor at Cairo University, told Egypt Oil & Gas that when the oil price dropped to below zero, it represented an oil market shock related to a pandemic that took us all by surprise.

Likewise, Pascal Deavux, Senior Economist at BNP Paribas MENA, told Egypt Oil & Gas that such a fall in global oil demand was impossible to predict since it was directly linked to COVID-19. "Nevertheless, this fall has been exacerbated by the war price between the main producers that has entailed an increase in production," he added.

## WINTER IS COMING

Experts believe that a geopolitical chess board is paving the way for the next Cold War, made up of four main players: Saudi Arabia and Russia in a price war, and the US and China in the backdrop of a pandemic's predicament.

The price war between the Organization of the Petroleum Exporting Countries (OPEC) leader Saudi Arabia and Russia was said to be a calculated effort to kill the shale industry in the US. It is estimated that this dilemma could cause inventories to swell by 900 million barrels in the Q2 2020.

According to an article, published by the Guardian on March 22, even before the downturn of prices the foreseeable oil price war was beginning to compromise any chances of international cooperation in a crisis. Meanwhile, the foreign-policy editorial on April 9 opined that a new era in international politics is emerging, defining the features of this post-Cold War era as a competition among great powers and a realignment of US foreign relations.

US President Donald Trump has already begun mulling a fresh trade war with China when he told Fox News on May 3 that he was considering restoring tariffs as the "ultimate punishment" for the country he blamed for the global pandemic. According to a forcast by the Center for Strategic and International Studies, a think tank based in Washington, the exports of US goods to China could come in at only $60 billion for all of 2020 — much lower than the $186.6 billion needed according to the agreement that both countries signed in January.

Trump's threats have led many experts to conclude that a new cold war is slowly being forged.

## THE SPILLOVER EFFECT

Meanwhile, the OPEC's decisions are extending beyond production to create a spillover effect and provoke a financial crisis. According to Deavux, for the weakest producers, there is a risk of balance of payment crisis, currency depreciation and rising public debt at a very high level. "It will slow the process of economic reforms and diversification because of the lack of financial means," he explained.

El-Shazly, on the other hand, thinks that the oil price crisis negatively affects both exporting and importing countries once production levels are cut significantly. "The effect of the oil price shock would be a slowdown in extraction and production activity because of storage capacity problems and sluggish economic activity around the globe. Recovery can take time depending on the use and effectiveness of stimulus packages," El-Shazly emphasized.

In a webinar hosted by Nile University on May 7, El-Erian said, "the priority is that you do not want short-term problems become long-term impediments. You do not want people who lost their jobs in the short-term to become a long-term unemployment. You do not want a small business that simply has no sales to suddenly become bankrupt. How do you do that? By borrowing."

The European Bank for Reconstruction and Development (EBRD) approved an initial $850 million in loans to the financial sector in Egypt with a special focus on trade facilities and small-to-medium enterprises (SMEs). In an interview with Ahram Online, held virtually from Jordan on May 5, Managing Director of the EBRD's southern and eastern Mediterranean (SEMED) region Heike Harmgart said, "the decline of oil prices is a double-edged sword. If a country is an oil importer, low prices are very good, so countries want to make sure they increase their storage capacity to make sure they benefit as much as possible from the low prices."

Deavux thinks that in the current situation, it is positive if countries resorted to international organizations such as the IMF and the World Bank to prevent the economic consequences of the current economic crisis. This maintains macro metrics at an acceptable level, and gives confidence to foreign investors. On the contrary, it is not a good thing if it were used to fix structural imbalances that are not linked to the current crisis.

## EGYPT'S POST COVID-19 ECONOMY

"It is always a mixed bag, the government and private sector should benefit from this decrease in oil prices, but the remittances will be affected," according to Harmgart. Emerging markets should ensure additional funding for health and social protection, and to prepare investments for the real economy through facilities of the institutions that support the private sector, the Managing Director added.

In this regard, Egypt has fast-tracked approvals for the IMF loan and is doing an excellent job in trying to reach out the international institutions and organizations to make sure to get both macro and micro support, Harmgart stated.

In a phone call on Amr Adib's El Hekaya TV Program, the Former Minister of Petroleum and Mineral Resources, Osama Kamal, said that Egypt has actually benefited from the oil price decline during the last period by storing sufficient quantities of oil.

He noted that Egypt will neither be directly affected positively nor negatively by the current collapse of oil prices, but this might contribute in decreasing the burden of financial support from the public budget. Kamal elaborated that its only negative effect would be when US oil companies cut their exploration and discovery investments in the different countries including Egypt.

## MAINTAINING PRESENCE AMID DEGLOBALIZATION

Meanwhile, El-Erian spoke of the dwindling globalization and the rise of localization. "You cannot globalize the world when the two largest economies (the US and China) are fighting," he said. He further linked deglobalization to company behavior, saying that companies have realized that globalization put production where it is cheapest.

"All that is efficient, but it is not resilient. So, we are going to see a swing in the pendulum from efficiency to resilience. People are going to localize supply chains, entangling the private sector with the public sector," he declared.

Yet, Harmgart stressed that Egypt is unlikely to enter a recession period like the other countries in the region and across the globe."I do not think it will be the new normal. Actually, oil prices are expected to increase again in H2 2020, although probably will not reach the pre-COVID-19 levels immediately," she concluded.

# MAKING THE MOST OF OPERATIONAL COST EFFICIENCY STRATEGIES

BY **RANA AL KADY**

While an operational cost efficiency strategy is a notion that has been implemented in various companies in the oil and gas sector. So far, conventional operational cost efficiency strategies have been implemented in Egypt (especially when discussing increased drilling costs), but given the recent impact of the global pandemic (i.e. COVID-19), more detailed and developed strategies are necessary to limit the overall impact.

## OPERATIONAL COST EFFICIENCY CONCEPT

To begin with, it is important to make note of the fact that operational cost efficiency does not only mean that costs of operations are controlled in the most effective way, but it also means that this must be done while delivering products or services at optimal quality. There are four main components that constitute the concept of operational cost efficiency; these components include: resource utilization, production, distribution, and inventory management. Mahmoud Shawkat, Managing Director at Red Sea International Petroleum Services, has said that "Operational cost efficiency is not something new to the oil & gas industry as it's a 'day-to-day' field practice that all operators are applying in different ways. Egypt is following multiple of good solutions by looking thoroughly at elements that can make investment sense such as gas to power, sharing resources between operators 'Pipe line and processing stations', and so on."

For example, resource utilization refers to making the most out of your employees and/or your equipment based on whether a service or final product are being delivered. This means that employees and equipment are used at optimal capacity to attain the maximum profit. In terms of production, manufacturing equipment are maintained and operated to have the best possible efficiencies to enhance output. Additionally, distribution refers to the ways in which products, either tangible or software-based, are delivered through the quickest and most reliable means. Finally, and most importantly, inventory management refers to the ways in which products are either sold or stored. More specifically, in some companies, just enough products are manufactured to meet instant demand of the product, because storing finished goods costs money. However, ideally, there must be middle ground between producing just enough to sell (i.e. under producing)and overproducing to end up with a large number of unsold goods. These are the components that make up the overall concept of operational cost efficiency.

## THE IMPORTANCE OF OPERATIONAL COST EFFICIENCY

Consequently, it is important to note that this concept is forced unto companies only when situations become critical. However, this concept should be implemented and developed constantly to prevent or reduce as much losses as possible – both technically and financially. This means that operational cost efficiency measures should be taken regardless of the company's financial well-being or the existence of an international emergency (i.e. a pandemic). Unfortunately, most operational cost efficiency measures are only taken into account when going through difficult times as opposed to implementing such strategies as a form of preventative measures. There are many advantages to implementing operational cost efficiency measures. For example, increased profits, enhanced customer satisfaction and improved overall quality of work are all examples of the importance of such measures.

## OPERATIONAL COST EFFICIENCY STRATEGIES

There are several operational cost efficiency strategies that have been deemed most effective. Most strategies are often viewed as economical as companies can benefit from their usage, especially considering the effect of recent drops in oil prices. One example of an effective operational cost efficiency strategy is the understanding of the fine line between increasing production and profitable outputs. This means that it is essential for companies to recognize whether it is worth increasing production if there is a possibility that the final output would not be as profitable as producing less. This strategy ensures that the company implements economically feasible solutions based on end-use products.

Another example of a valuable operational cost efficiency strategies involves figuring outthe best ways to enhance baseline production. This means figuring out ways in which more resources could be acquired at low-costs or, simply, deciding to aim for the 'low-hanging fruit'. In the oil and gas sector, this means managing the oilfield to ensure that all the resources from already-existing wells or establishments are dried out before moving along to a new potential site.

Nevertheless, a strategy that always seems to work regardless of the company's output is the application of contracting models that involve the relationship between the operators and suppliers. While suppliers gain from long-term partnerships as well as the low cost associated with being able to tender regularly for a similar scope of work, operators benefit from working on similar operations as it provides them with a sense of consistency in their work (i.e. the errors that occur are the same and become easily fixable and familiar with time). This type of contract could range anywhere between 5-8 years. These types of contracts are encouraged as it provides both companies with consistency and experience as they both work together on projects with the same exact scope over long periods of time.

Shawkat has also mentioned that, "One other element that still needs to be optimized in such away that operators save time and the environment. Produced water that is a result of separation is one element that disables production sometimes if not properly handled". Shawkat also noted that "production waste water is either re-injected to wells to improve reservoir pressure if planned properly using sweep efficiency models or transported to plants for further treatment and rolled to industrial waste lines or sewage after approval from authorities. This waste water can be disastrous to environment if dumped in the desert which results in polluting the underground fresh water that can be used in future plantation."

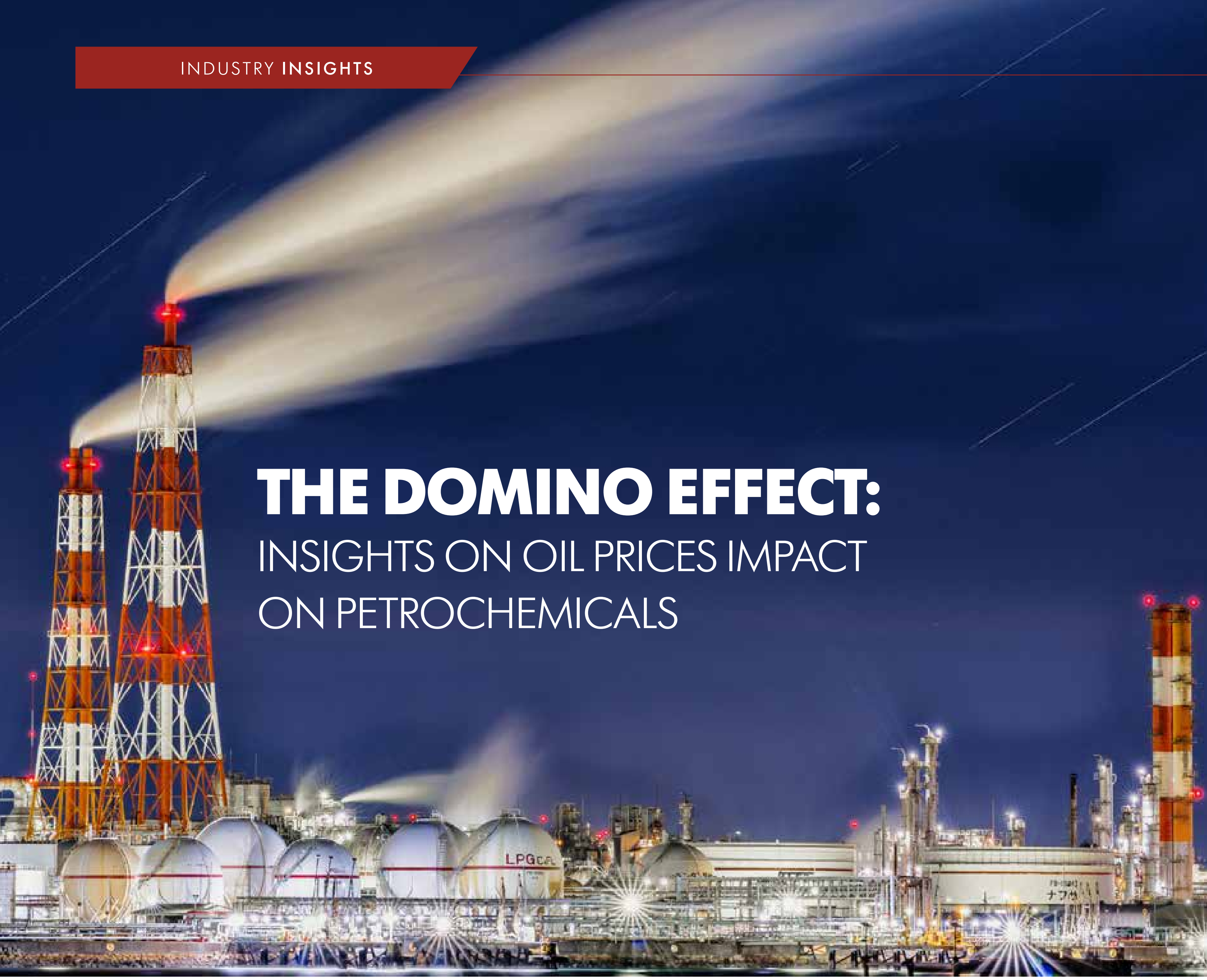
## CASE STUDY

In fact, one of the most successful partnerships was that between WorleyParsons and Shell, which had created a trend in the industry for others to follow. The contract was signed for a period of 5-years with an option available for renewal. The main reason for implementing this operational cost efficiency strategy was to be able to work on the same project-type and, over time, increase efficiency in the same work being produced. This is otherwise referred to as the 'cookie-cutter' model; this is in reference to optimizing the operational efficiency with similar work being done each time. This strategy is cost-effective and time-efficient as the same approach methodology is applied time and time again. In doing so, there are no surprises or errors that have not been dealt with before.

## FUTURE IMPROVEMENT

In conclusion, even though the oil and gas sector typically carries out conventional operational cost efficiency mechanisms, new advances in application strategies could enhance expenditures and performance in the long-run. While some believe that the real efficiency measures lie in the investment in innovative technologies and experienced talent, the truth is that the combination of such measures with effective operational cost efficiency mechanisms could be the key to uncapping potential opportunities and enhancing work flow within an organization. A key opportunity to enhance operational cost efficiency is that"firm rules to waste production water should be in place and penalties to those who miss with it should be applied to save environment and better have operational excellence", Shawkat added.

It is important to understand that the implementation of operational cost efficiency strategies should be considered to be a preventative measure rather than a forced measure. Also, if implemented consistently, any emergency situations or downfalls that may occur would be limited, if not, entirely controlled through the implementation of such efficient measures.



# THE DOMINO EFFECT:
## INSIGHTS ON OIL PRICES IMPACT ON PETROCHEMICALS

BY **JASMINE SHAHEEN**

**The oil and gas industry is no stranger to world economic turmoil; and recently it has brought the industry to a whole new low. Global oil prices crashed down with Brent crude recording $20.39 on April 21 as a result of the coronavirus pandemic, which in turn has led to an imbalance in the global oil supply and demand equilibrium. This has created a domino effect impacting the global oil industry and, consequently, affecting the petrochemical industry.**

### A CAUSAL RELATION

In Egypt, petrochemicals are an intrinsic asset of the oil and gas industry, as the country is leading Africa's oil refinery industry with a total of two operating refineries and an annual total capacity recording 38 million tons (mmt) in 2018. On top of that, investments in Egypt's petrochemical industry from Fiscal Year (FY) 2014/15-2018/19 have amounted to $5.65 billion, according to Egypt Oil & Gas' (EOG) Research and Analysis February 2020 Report.

It is undeniable that the rise and fall of oil prices have always been integral and intertwined with the petrochemical industry. That is because crude oil and its derivatives serve as feedstock for petrochemicals, so it makes sense that the highs and lows of crude prices will have an impact on production, investment, and financial decisions of petrochemical companies.

Despite the current challenges, Bloomberg's article entitled, The Changing Winners and Losers From Oil's Historic Plunge, noted that Egypt will benefit from the grave drop in oil prices, as Egypt is not only an exporter of crude oil but an importer as well and the lower prices will support government finance.

Nonetheless, the destabilization in the global oil market will certainly take its toll on certain areas when it comes to Egypt's economy, but not to the oil and gas industry. Medhat Youssef, the former Vice President of Egyptian General Petroleum Corporation (EGPC) told Al Wafd that the ongoing price war will have a positive impact on Egypt because the country is not just an oil producer, but an importer as well. Not to mention that it will improve the form of the balance of payments and improve the trade deficit.

### A WINDOW FOR OPPORTUNITY

The global oil supply and demand equilibrium has been unbalanced since the beginning of the COVID-19 crisis. That is largely as a result of China's lockdown, considering that it was the biggest importer of crude oil in 2019 by importing approximately 22.6% of the world's crude oil with an estimated value of $238.7 billion, according to data from World's Top Exports on April 23. This consequently resulted in an oversupply of crude oil and petroleum products and has affected the entire industry. Albeit, a financial analyst expert told EOG that, "the oversupply issue will not be applied to Egypt's [situation] as we are still a net importer country, so I believe that we still have not reached the breaking point of the supply versus demand."

Mohamed Farghaly, Independent Energy and Business Strategy Consultant, echoed the sentiments noting that lower oil prices will reflect positively on Egypt's economy. "[Petroleum] products demand will recover probably in the near future and Egypt will become a net importer of crude oil again. The government is planning to increase its crude oil and product storage capacity to take advantage of the current low oil prices," said Farghaly. He advised that the dwindling oil prices represent an opportunity for economic development and that the government should develop trading skills and hedging expertise to capture future contracts' low prices.

As the petrochemical industry is closely related to refineries, Egyptian refiners have taken a hit mainly due to lockdowns in several countries. However, refiners can still take advantage of the low oil prices. Farghaly pointed out that there are myriad opportunities that refiners can benefit from. "[Refiners can] untraditionally increase their storage capacity outside their boundaries, [or] rent un-utilized storage capacities available in the hydrocarbon sector, inside and outside Egypt."

Additionally, with low oil prices, Egyptian refiners can seize this chance and put Egypt on the map as a regional energy hub. Farghaly touched upon that topic saying that, "[Refiners could] diversify their markets locally, in Africa and elsewhere." As a result of the global lockdown, refiners should seek ways to optimize its operation and increase its operational flexibility and upgrading capabilities, noted Farghaly.

## A RIPPLING EFFECT

Even though the COVID-19 crisis might have severely affected tourism and aviation sectors, against all odds, the petrochemical industry has managed to thrive. According to a Pharos Holding's report on Egypt's petrochemical published by Mubasher, Egypt's petrochemicals producers have had a stable first quarter in 2020 with no damage to the export sector. Additionally, the industry has witnessed a surge in national demand since the beginning of the crisis, as demand on chlorine and caustic soda - chemicals used in manufacturing cleaning products - has risen. Additionally, companies that rely on polypropylene - an oil derivative - are expected to decrease their prices as polypropylene is linked to the global oil price, which would benefit consumers.

Nitrogenous fertilizers, which have oil-based components, have also kept their ground amid the crisis as food security becomes an increasing necessity amid the pandemic. "One of the most powerful solutions to absorb the saturation of natural gas in the Egyptian market is to convert a large part of it to fertilizer industries, as it is related to food security," suggested Haidy Riad, Economic Researcher at the Ministry of Planning and Economic Development.

There is no doubt that global lockdowns, low oil prices and the lack of storage spaces would take its toll on petroleum exports. Farghaly noted that, "one lesson learned from COVID-19 crises is the importance of the local market, besides export, for the petrochemical sector. Products for the local market industries such as polypropylene, sulfur, and fertilizers can offset the decline in export due to COVID-19 problem." Farghaly explained that one of the valuable outcomes from such a crisis should be reliance on the local industry instead of exports.

Relying on national products and minimizing imports will only mean a more prosperous economic status for Egypt. Riad concurred with Farghaly noting that "the petrochemical industries like the manufacture of car tires, have to be manufactured locally instead of importing them from abroad," stressing on taking advantage of the low natural gas prices to limit Egypt's imports.

## THE FUTURE OF PETROCHEMICALS

A financial analyst, who asked for anonymity, told EOG that, "given that Egypt's cost of oil production is relatively low, [the petrochemical industry] will remain an attractive market but [one] has to take into consideration the high barriers to entry for new companies that wish to invest in oil and gas." Since the petrochemical industry is considered a liaison between various key industries, it is bound to have an investment rush with the current market condition. Riad reckons that "falling crude oil prices are likely to boost the petrochemicals industry, offering great investment opportunities."

Ultimately, the current market offers a valuable opportunity to the petrochemical industry. According to the 2018's International Energy Agency (IEA) Report on the petrochemical industry, petrochemical feedstock accounts for 12% of global oil demand, and this share is expected to increase as demand for plastics, fertilizers, and other petrochemical-based products increases. So it is evident that demand for petrochemicals would not be hindered anytime soon. Also, with the drop in oil prices, this could be the stepping stone for a booming petrochemical industry.

# WHEN A VIRUS BECOMES A POLITICAL TOOL

BY **IHAB SHAARAWY**

**The new coronavirus pandemic has spawned a serious public health crisis, devastated economies and changed social norms around the world. However, the danger of evolving it into a weapon that can be wielded in political conflicts may be the last thing the world needs today.**

With the ongoing fighting in Libya, strikes in Syria and guerrilla wars in several African countries, it became clear that the pandemic could worsen conflicts and even exacerbate the risks of the humanitarian situation and population movements.

Still, parties to these conflicts see the pandemic as a chance for achieving more gains.

However, the most important showdown linked to the coronavirus in the political arena is in the US where the November election seems to hinge on the way American voters see President Donald Trump's response to the pandemic and where Democrats have focused their efforts on framing Trump's response as an abject failure.

The US president even began to look at the coronavirus as part of a conspiracy against him. His belief prompted him to point fingers everywhere. He blamed the World Health Organization (WHO). He blamed the governors. He blamed the media. He recently asserted that "China will do anything they can to have me lose this race."

Before the emergence of coronavirus, Trump was preparing for his reelection as an incumbent president riding a strong economy and a massive cash advantage; today, he is haunted by his lackluster response to the virus that jeopardized the healthcare sector, and raised expectations of a recession that will eliminate billions of dollars from the value of US companies and send millions of Americans to the jobless queues.

The crisis even threatens one of Trump's hardly-won and shortly-lived achievements of turning the US into the biggest oil producer. With a recent slump in demand and prices war, US shale producers, which have far higher costs than their Arab and Russian rivals, are collapsing, reversing a decade-long march towards energy independence.

## HANDLING A TRULY SERIOUS CRISIS

Many of Trump's critics see that his administration was slow to act at a time when each day of inaction mattered most. Trump's response was largely seen milder than what public health experts have recommended. These delays led the US to make more drastic economic sacrifices to catch up to the severity of the pandemic.

The US Congress has authorized roughly $3 trillion in coronavirus relief in four separate measures over the last two months to protect the economy from long-term harm caused by lockdown orders and respond to the impact of the virus.

Over the same period, the number of Americans who sought unemployment benefits reached 33.3 million – or about 20% of the US workforce.

The country, during the same period, has suffered its worst growth rates in a decade, the worst retail sales report on record, and drops in business activity not seen since the financial crisis in 2008. The world's largest economy sank at an annual rate of 4.8%, according to official figures released in April by the US Department of Commerce.

The frustration from Trump's acts, that included an advice to people to inject disinfectants into their bodies to fight the virus and the fear of the virus dire consequences, provided a perfect atmosphere for Trump's rivals.

Former President Barack Obama criticized Trump administration's response to the coronavirus crisis, describing it as "an absolute chaotic disaster". Obama stressed that the response to the coronavirus outbreak served as a critical reminder for why strong government leadership is needed during a global crisis.

In an opinion column to the Washington Post on May 11, the presumptive Democratic nominee for the president, Joe Biden, slammed Trump's policy towards coronavirus, which to that date had taken the lives of more than 79,000 Americans. Biden described the situation as an "extraordinary moment — the kind that begs for urgent, steady, empathetic, unifying leadership."

"But instead of unifying the country to accelerate our public health response and get economic relief to those who need it, President Trump is reverting to a familiar strategy of deflecting blame and dividing Americans," said the Democratic nominee.

The Trump's administration insisted in different occasions that "President Trump's coronavirus response has been unprecedented and saved American lives." President Trump even insisted that the US is providing a role model for the world in dealing with the virus.

However, as the US has emerged as a global hotspot for the pandemic and the death toll has been rising dramatically, many Americans think that Trump's claims to global leadership may be more than far-fetched rhetoric.

According to a Reuters/Ipsos opinion poll, which was released on May 18, more Americans have grown critical of Trump as the death toll mounts from the coronavirus pandemic and he now trails Democratic opponent Joe Biden by 8 percentage points among voters.

The poll showed that only 41% of US adults approved of Trump's performance in office, which is down 4 points from a similar poll that was conducted in April.

The poll also indicated that 46% of voters would back Biden in the November 3 presidential election, while 38% would vote for the incumbent president, compared with a 2-point Biden lead in a similar polling a week before.

In his defense against rivals, Trump opened his fire everywhere raising the risk of weaponizing the pandemic. He began his counterattack against the democrats by casting doubts over the ability of Biden to handle the catastrophe.

Trump and his allies are working to paint his rival as a feeble alternative to a president such as Trump who was tested by the coronavirus pandemic and the economic mishap it has caused.

Trump even tries to depict his opponent as a friend to China's leadership, which Trump accuses of being responsible for the coronavirus.

Many observers see Trump's rhetoric against China as an apparent distraction from domestic criticism of his slow recognition of the crisis. So, as usual, the President is resorting to attack as his best form of defense.

## A BATTLE WITH EVERLASTING IMPACT

Still, Trump's fate in November elections depends on his ability to combat the disease or to develop good rescue tools that can mitigate the effects of the virus especially on the economy.

Trump offered promises to save stumbling industries and to save jobs through historic stimulus packages.

However, the problem of one important sector looks too complicated to solve.

Falling oil prices caused by COVID-19 lockdowns and Saudi Arabia and Russia flooding the market in a price war have led US oil companies to close down half of their oil rigs. According to a Bloomberg report, the US oil and gas industry lost 51,000 drilling and refining positions in March alone.

Highly indebted firms may not be able to obtain further bank loans or perhaps even stay in business. States such as Texas and North Dakota, where oil industry is a big part of the economy, would face hard times. The pain could spread to the entire US economy and is expected to cost Trump dear during the November elections in the same states where Republicans dominated for decades.

The defining moment arrived when oil prices plunged below zero for the first time in history. While it has since bounced back into the green, it has well below the level needed for producers to go on in their business.

With hundreds of thousands of jobs at stake, Trump had to use all his political and diplomatic powers that included pressuring the Organization of the Petroleum Exporting Countries and their allies (OPEC+) to make historic production cuts or even raise the prospect of armed confrontation with Iranian forces in the Arabian Gulf.

As the very industry whose growth allowed Trump to boast cutting US dependence on Middle Eastern oil, and gave him power to sanction energy exporters from countries such as Iran and Russia, the oil and gas industry is now turning into a thorn in the back of the president who promised to help companies through a plan to channel funds into the industry.

However, experts see that the proposed government loans would be a dangerous measure to blunt further economic pain for an industry already under pressure and drowning in debt.

Still the question is, how many of the president supporters will remain loyal to him until November. It all depends on the success of Trump to fulfill any of his promises; to find a vaccine; save the economy from collapse; and maybe punishing countries that according to him were responsible for the world's suffering.

# OPERATIONAL EFFICIENCY IN THE OIL AND GAS SECTOR: **AN EMPIRICAL APPROACH**

BY **JACK BECKFORD**

Cost efficiency has been at the forefront of the agenda of oil and gas companies since the 2008 oil crash and the subsequent reduction in profit margins. Since then, many firms have opted to cut their manpower to avoid high operational costs and also reduce capital expenditure (Capex). At present, with the COVID-19 pandemic, low oil prices are having an adverse impact on oil companies' expansion, growth and profit margins. Historically, oil and gas firms that can keep their production costs low have been the winners. Thus, enhancing operational efficiency is of paramount importance and is both a simple yet very effective way of improving cost efficiency throughout the sector.

This is an issue discussed in a paper titled: Determinants of operational efficiency in the oil and gas sector: A balanced scorecards perspective. The study, which is written by Mian Ajmal, an associate professor at the University of Vassa, and Salama Al-Qubaisi, a senior academic at the American University of Sharjah, seeks to give empirical evidence validating the relation between knowledge management practice (KMP), organizational culture (OC), and operational excellence (OE) by using balanced scorecards (BSC) in the oil and gas industry. There is limited research in this field and thus, the paper seeks to fill that void by providing a better understanding of that relationship and its importance with regard to business outcomes.

## OPTIMIZING OPERATIONAL EXCELLENCE

Operational excellence (OE) is defined in this paper as an explicit business strategy that helps organizations become efficient and effective in their processes while offering products and services at competitive prices. Optimum OE includes a set of rules that will guide a company in its operations in order to achieve operational competence. This system is based on teamwork, leadership, and creative problem solving. This leads to a continual improvement cycle across the organization. The Process focuses on the shareholders' needs as a customer, empowers employees, and optimizes existing activities in the process. OE refers to a system that establishes accountability across the organizational hierarchy and fosters continual improvement. As the organization becomes more productive and competitive, it uses operational practices that focus on eliminating waste and effective utilization of resources. Put simply, OE improves the organization's capability to produce more at a lower cost.

The paper cites the following conditions required in order for OE to succeed: Superior capture and effective utilization of data and information; robust continual improvement culture; continual people development efforts; compelling the best KMP; advanced systems that capture improvement and finally top management commitment to create and sustain performance improvement.

## BALANCED SCORECARDS

BSC is used in this paper as a theoretical framework to determine the effects of KMPs on OE. It is a performance management tool that measures the alignment of small operational activities and large visions and strategy. BSC keeps the organization focused on its core business activities and their achievement and is made up of four performance indicators: financial, customer, internal process, and learning growth. Thus, it helps organizations convert strategic objectives into results.

## RESEARCH METHODOLOGY

The paper's research methodology has been generated by quantitative surveys in order to study determinants of OE in oil and gas organization using BSC's perspective. A number of 1,000 employees from one of the largest offshore oil and gas companies in the United Arab Emirates (UAE) took part in an online survey. The participants were taken from upstream, midstream and downstream operations and vary in levels of seniority within the company. A self-administered questionnaire containing measures of KMPs and OE measured by BSC's four strategic perspectives were distributed by email. The questionnaire consisted of four parts: the first part consists of a checklist of general information questions; the second part consists of the rating scales of OC; the third part consists of the rating scales of KMPs; and the fourth part the rating scales of OE using the BSC perspective.

## EMPIRICAL RESULTS APPLIED TO THE SECTOR

The empirical analysis demonstrates several major findings. First, the result provides clear support for OC on KMP and KMP on OE. The result confirms that the success of a firm can provide a basis for future success and that confidence coupled with knowledge sharing is crucial. When employees are knowledgeable, they will be more willing to accept change, adapt to new terms, and collaborate with members in an organization. Within the oil and gas sector, firms that win the trust of its people see a higher rate of skills growth. Companies in the oil and gas industry should take the lead in applying KMPs without overly focusing on the organizational size as a goal.

The oil and gas industry has been taking advantage of knowledge management developments for more than a decade. During this period, the industry has experienced rapid changes both internally and externally. The advantages of knowledge management have played a key part in making operational processes more streamlined. Knowledge management teams provide support through the transfer of knowledge to oil and gas companies with new technology, contracting out, new administrative regulation as well as asset management. Despite knowledge management not being a new concept in the oil and gas industry, existing knowledge management infrastructure can be an economical means of addressing new or relevant functioning issues in the oil and gas industry.

## LESSONS LEARNT

Oil companies that have found success with knowledge management philosophies can now implement the lessons learnt to create a well-informed work force and form a coherent team to address different issues plaguing the industry. By viewing challenges as opportunities rather than hindrances, the energy sector, in particular the oil and gas industry, can attain higher levels of operational performance.

# BUILDING RESILIENCE IN TIMES OF INFECTION RISK:
## Are your operations prepared to get back to business in the 'new normal'?

The double-blow experienced with the COVID-19 pandemic and a low oil price has given some asset managers and operators little option but to shut down all or part of their facilities. If this has happened to you, how well prepared are you to re-open your facilities? And what has the shutdown taught you about your company's ability to respond to a pandemic like COVID-19?

### Helping asset owners and operators build sustainable resilience

Resilience is the ability of an organization to anticipate, prepare for, respond and adapt to an incident in order to survive and prosper. The shutdown period, though unplanned, provides companies with time to rethink the way they manage their asset when faced with a pandemic or similar unexpected event. During this period, there is a unique opportunity to carry out a holistic review of your asset management system and to prepare for a strong start-up, or to get your organisation into a better shape and become more resilient.

DNV GL has a long history of helping organisations to review, develop and improve their business continuity strategies, to become more resilient in the face of unexpected incidents like pandemics.

### DNV GL CAN HELP ASSESS YOUR ABILITY TO DEAL WITH INFECTION RISK

'Infection risk mitigation agility' has emerged as a key performance driver and will continue to be part of the agenda for businesses in the long term. DNV GL has developed a methodology designed to achieve excellence in an organisation's infection risk mitigation agility. The methodology enables businesses to:

- assess the company's compliance and maturity with regards to emerging pathogens infection risk, in line with national requirements and industry-wide best practices.
- leverage the organization's COVID-19 response to transition operations to the post COVID-19 environment and drive lasting change in HSE policies.
- reassure the public, customers and employees of the company's ability to address infection risks, by showcasing a dedicated digital DNV GL badge of excellence.

### ENABLING A SAFE AND RELIABLE ASSET START-UP

DNV GL can help prepare your organization to return to full operation and production as quickly and as safely as possible. Restarting after the shutdown and introducing new hydrocarbons and other hazardous chemicals poses operational as well as health and safety risks that need to be reviewed before facilities are brought onstream.

Before introducing hydrocarbons into a plant, DNV GL can help carry out an operational readiness review. The 'ready-for-operations' concept is not new; it was originally developed for an organization's newly built asset to become ready for operation, contributing to safe and efficient operations. In these new times, the process is enhanced to specifically address infection risk-related aspects as an integral part of the overall approach. A review of the operator's activities and work processes is conducted, and a maturity model is used to assess the risk infection management elements. Following the assessment, DNV GL experts work closely with the client to identify and implement actions. The original process was designed to bridge the transition between the design and construction phases to the operational phase of the asset, handover to new operator, or start-up after major modification or life extension project. Therefore, an enhanced version of this approach offered by DNV GL can be applied for preparing to restart those processes that have been forced to shut down due to current special circumstances.

Building on over 155 years of risk management experience supported with world-leading methodologies and digital solutions, DNV GL helps assets return to full operation and production as quickly and safely as possible. Our incident failure investigations have taught us that a rushed start-up - without correct procedures, resources and risk assessment in place - can lead to an unexpected shutdown with potentially disastrous consequences.

Contact us to learn more about how to ensure your operations are ready for the 'new normal'.

CONTACT US TO LEARN MORE:

**HISHAM EL GRAWANY**
Vice President & Area Manager North Africa, DNV GL - Oil & Gas

**Email:** hisham.el-grawany@dnvgl.com

# EGYPT SHALE GAS FUTURE

**Despite the results achieved by the exploitation of shale gas in many countries, it is unlikely that the shale gas revolution will move from the US to other parts of the world, such as Egypt. Although there are large proven reserves of shale gas in Egypt, technical problems such as the depth of rock deposits and lack of technical skills make the exploitation of these reserves expensive. It is difficult to develop an industry similar to what is achieved abroad in the short term, unless by utilizing foreign experiences in the field of explorationand production (E&P), and investing in the expertise of leading companies that use the latest E&P tools and techniques.**

The realization of the shale gas success in Egypt and its effects on the natural gas production and environment, will take a long time because of the large quantities of natural gas reserves and new discoveries, not to mention the many concerns about the future of shale gas exploitation in Egypt. There is still little incentive to exploit shale gas, at least in the near future ,in addition, the costs of producing shale gas will increase compared to the production of natural gas. Egypt will inevitably face significant cost and infrastructure challenges to exploit its shale gas reserves, because economic revenues will be weak at the beginning.

It is expected that this issue shall strengthen Egypt's natural gas reserves. Sinceexploitation by hydraulic fracturing raises considerable criticism as it pollutes shallow water aquifers (ground water), Egypt, as well as other shale gas producers, has to give time and patience to acquire the necessary technologies to avoid various risks, both economically and environmentally.

Through a study by the Egyptian General Petroleum Corporation (EGPC), we reached the following results:

Exploitation of shale gas reserves is rapidly evolving, and is likely to continue at the same pace in the coming years in many countries including Egypt, with the development of technologies and expertise in this field, leading to lower extraction costs.

No satisfactory results have been achieved in the field of shale gas production, except after the development of hydraulic fracturing techniques.This requires Egypt to rely on advanced technologies by opening up to big companies.

Despite the existence of large reserves of shale gas in Egypt, and the potential for exploitation, it will not significantly reduce its dependence on the exploitation of conventional natural gas and oil.

The costs of exploiting the production of shale gas depend on the environment in which it is located, especially the depth of formation, availability of water, and infrastructure. Most of Egypt's shale gas reserves lie far away in the desert, which may be a major obstacle to the development of productive wells.

The fear of the environmental impacts resulting from the water fracturing used in the exploitation of the shale gas will affect the trend towards starting exploitation.

**Hassan Salem,** Egyptian General Petroleum Corporation (EGPC) Reservoir Engineering Studies General Manager

# THE OIL PRICE CRISIS IN LIGHT OF THE CORONAVIRUS

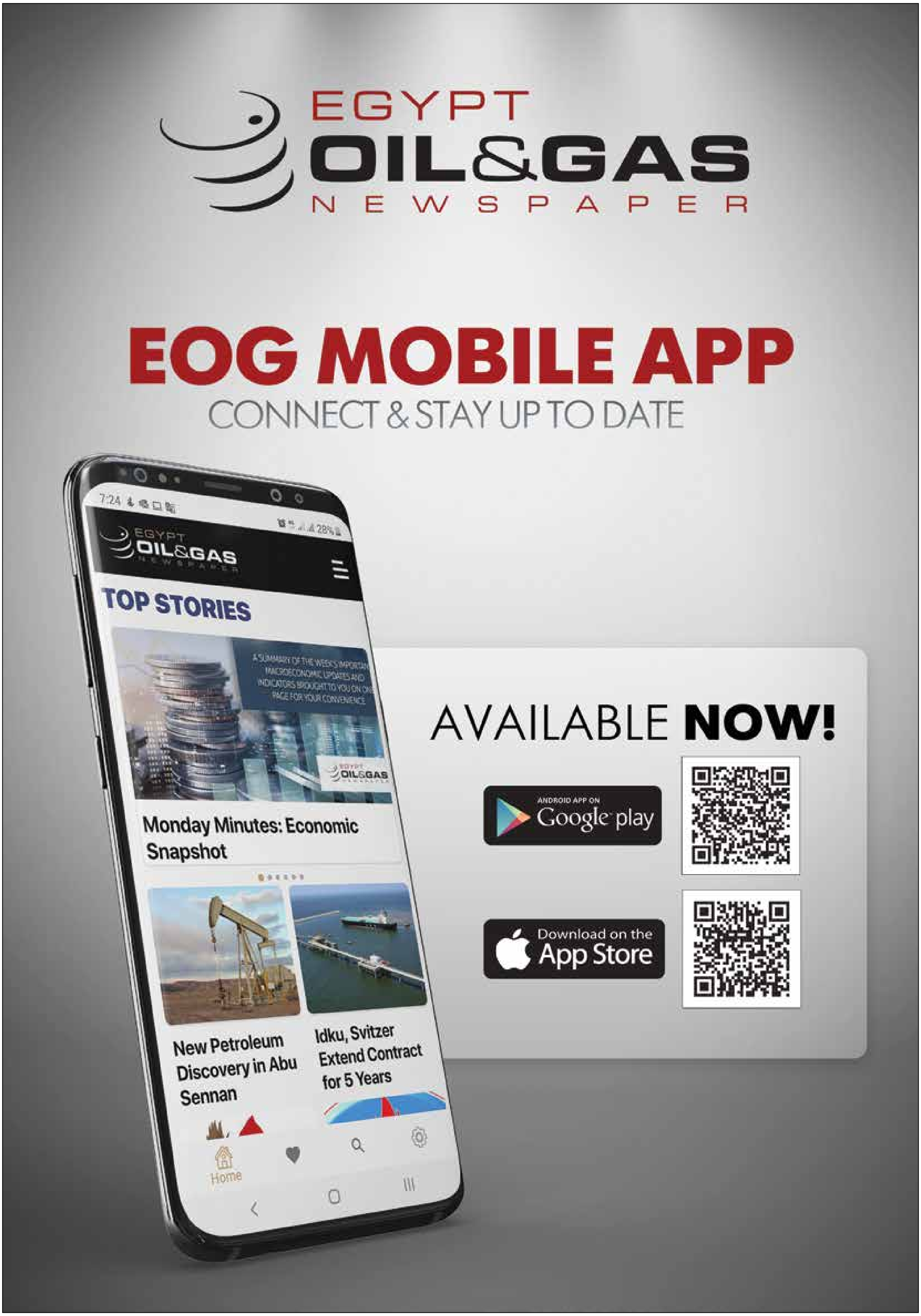
**Since the emergence of the coronavirus pandemic, the world has witnessed a significant decline in oil prices, causing the public to anticipate more decline, especially in the producing countries. As for the non-producing countries, they do not benefit from the decline due to the lack of strategic oil storages in addition to the closing of many economic activities.**


This drop in oil prices is mainly caused by the pandemic, which triggered the collapse of demand in the world including the oil exporting and importing countries.The imposition of curfews around the world, in whole or in part, led to a decrease in transportation that was consuming large quantities of fuel, and a decrease in air traffic due to the cessation of international and domestic aviation also led to a decrease in fuel consumption.These are all factors that led to a significant decrease in fuel consumption and thus decrease in supply and demand for oil.

Another reason which has exacerbated the decline in oil prices is the Organization of the Petroleum Exporting Countries (OPEC), of course. Some producing countries have sought to achieve gains at the expense of other countries for political reasons, which has undermined the OPEC agreement at the beginning of the crisis, as some consuming countries were having a large abundance of oil stocks.

Major oil producing countries should be committed not to involve a certaincommodity as a means of economic or political pressure and to reach a conditional agreement in demand that spills in everyone's interest. Many countries are beginning to lift off travel bans, such as China, Germany and other countries that intend to reduce the bans and possibly abolish it, and this will lead to an increase in demand for fuel and an improvement in oil prices.

**Nasr Yassien**
Petro-Disouq Operations Manager & Board Member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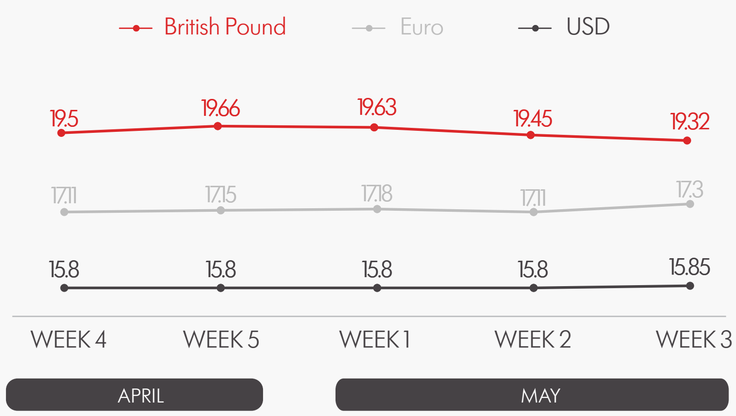
EGYPT OIL&GAS
RESEARCH & ANALYSIS

**Annual Inflation Headline CPI (%)**
MAR 2020 5.09 ↑ APR 2020 5.88

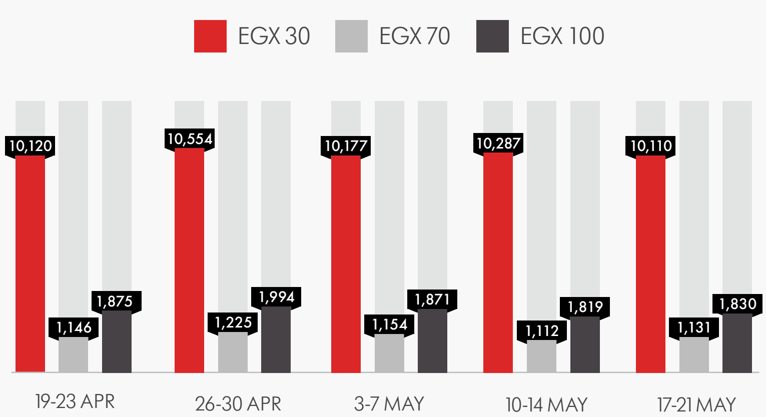
**Net International Reserves ($ billion)**
MAR 2020 40.11 ↓ APR 2020 37.04

**Non-Oil Private Sector PMI (Points)**
MAR 2020 44.2 ↓ APR 2020 29.7

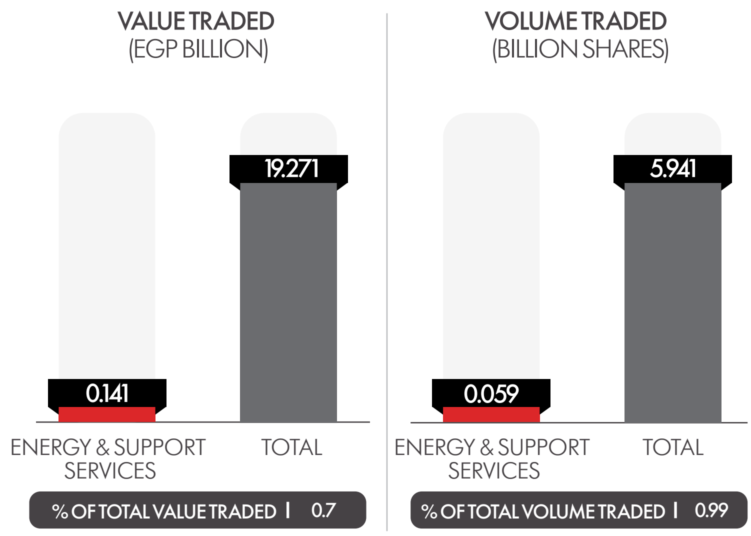
## Exchange Rates




## Capital Market Indicators




## Performance of Petroleum Companies in the Egyptian Exchange in April 2020




### National Drilling

| CURRENCY | CLOSE PRICE | YTD PRICE CHANGE (%) |
|---|---|---|
| USD | 4.96 | 0 |

### Alexandria Mineral Oils Co.

| CURRENCY | CLOSE PRICE | YTD PRICE CHANGE (%) |
|---|---|---|
| EGP | 2.61 | ▼ 28.10 |

### Egypt Gas

| CURRENCY | CLOSE PRICE | YTD PRICE CHANGE (%) |
|---|---|---|
| EGP | 54.41 | ▼ 1.96 |

### Sidi Kerir Petrochemicals

| CURRENCY | CLOSE PRICE | YTD PRICE CHANGE (%) |
|---|---|---|
| EGP | 7.13 | ▼ 20.60 |

Source of Raw Data: CBE, CAPMAS, Egyptian Exchange, HIS Markit

DON'T PANIC BUT TAKE PRECAUTIONS

## 2 NATURAL GAS WELLS PUT ON STREAM IN THE MEDITERRANEAN SEA AS ANNOUNCED IN APRIL

**Petrobel**

Average Production Rates

- 390 mmcf/d of natural gas
- 1300 bbl/d of condensates

### ZOHR FILED

1 st well
Zohr-17

- Location: The Mediterranean Sea
- Depth: 5300 meters
- Maximum Capacity: 250 mmcf/d of natural gas

15 Total Drilled Wells

- 10 in the Northern Region
- 5 in the Southern Region

### BALTIM SOUTHWEST FIELD

2nd well
Baltim Southwest -7

- Location: The Nile Delta
- Period: 2.5 months
- Maximum Capacity: 390 mmcf/d of natural gas; 1300 bbl/d of condensates

### BALTIM SOUTHWEST PROJECT

- Start Date: September 2019
- Period: 7 months
- Drilled Wells: 4
- Achievement: 500 mmcf/d of natural gas

### PETROLEUM PROJECTS OVER SEVEN YEARS

FROM 2014-2021

| | Cost (EGP trillion) |
|---|---|
| 326 Total | 1.1 |
| 97 Implemented | 1 |

FY 2020/21

| | Cost (EGP trillion) |
|---|---|
| 229 In Progress | 0.047 |

### PETROLEUM PRODUCTS SUBSIDY SPENDING IN THE BUDGET

- FY 2019/20: 52.96 EGP billion
- FY 2020/21: 28.19 EGP billion
- -46.8%

## INTERNATIONAL OIL PRICES

### BRENT PRICES ($/bbl)

| | |
|---|---|
| 13-Mar | 33.85 |
| 31-Mar | 22.74 |
| 09-Apr | 31.48 |
| 27-Apr | 19.99 |
| 04-May | 27.20 |
| 28-May | 35.29 |

### OPEC BASKET PRICES ($/bbl)

| | |
|---|---|
| 13-Mar | 34.14 |
| 31-Mar | 22.61 |
| 09-Apr | 21.77 |
| 27-Apr | 13.30 |
| 04-May | 18.36 |
| 28-May | 28.45 |

### NATURAL GAS PRICES ($/mmBtu)

| | |
|---|---|
| 13-Mar | 1.87 |
| 31-Mar | 1.64 |
| 09-Apr | 1.73 |
| 27-Apr | 1.82 |
| 04-May | 1.99 |
| 28-May | 1.83 |