

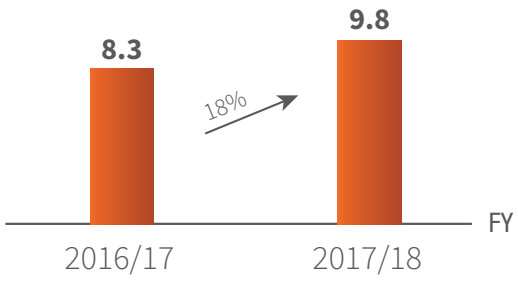
AN OVERVIEW OF

EGYPT'S PETROLEUM PRODUCTION IN 2018

BY **REHAM GAMAL AND AMINA HUSSEIN**

The petroleum sector is one of the key factors affecting Egypt's economic growth. Petroleum and gas extractions within the sector in the Fiscal Year (FY) 2016/17 reached EGP 281,721 million, representing 8.3% of the total GDP while in FY 2017/18 the petroleum and gas extractions increased to around EGP 423,381 million representing 9.8% of the total GDP with a rate of change of about 18% year-on-year (YOY), according to the Central Bank of Egypt (CBE). Currently, the Ministry of Petroleum and Mineral Resources (MoP) is implementing a modernization program, which aims to reach the sector's full potential by 2021 and act as a sustainable development engine.

Petroleum Sector Share in GDP (%) (YoY)



Major international oil companies (IOCs) have been attracted to Egypt ever since the government started planning to expand the petroleum sector and proceed in old discoveries as well as new where large area of the country has not been explored yet.

During 2018, 69 oil and gas discoveries were the result of the MoP's continuous efforts and achievements, which accordingly boosted Egypt's oil production and petroleum reserves, declared the MoP.

69 Oil and Gas discoveries took place in 2018

1- CRUDE OIL

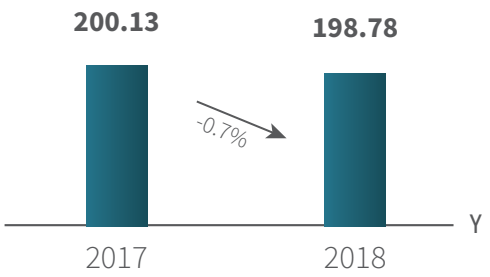
Egypt has a long history as an oil-producer as the first discovered oil field was explored around 140 years ago. Since then, Egypt was able to save its position as one of the largest crude oil producers in the continent. Egypt's crude oil production is supported by its developed infrastructure, low production costs, and relatively large volumes of both onshore and offshore fields.

During 2018, the Egyptian government announced 51 crude oil discoveries. The government faced the natural decline in the production of oil fields by adding

36 exploratory wells to the production map with initial average production of 27,000 barrel per day (b/d), in addition to 175 development wells with initial average production of 113,000 b/d. However, the total crude oil production decreased by around 0.7% to reach around 198.78 million barrels in 2018 compared to 200.13 million barrels in 2017.

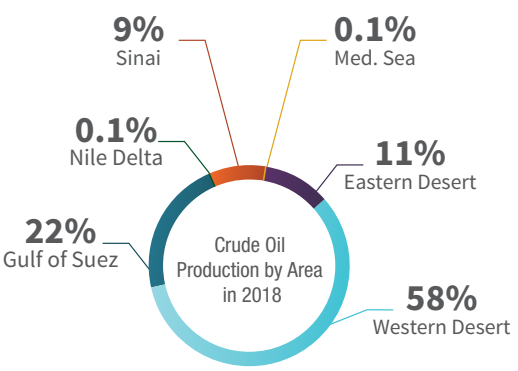
In **2018**, the MoP announced **51** crude oil discoveries

Total Crude Oil Production (mb) (YoY)



The Gulf of Suez has supported oil production in Egypt since the 1960s, however, most of its fields are now mature. Since 2000, the Western Desert has emerged as the country's key oil-producing area and has compensated a large part of the declining production from the Gulf of Suez.

Egypt's crude mainly comes from the Western Desert and the Gulf of Suez, recording 115.44 million barrels and 43.25 million barrels sharing with 58% and 22% of the total crude oil production respectively. The remainder comes from the Eastern Desert and Sinai fields at amounts of 22.12 million barrels and 17.50 million barrels, representing 11% and 9% respectively.

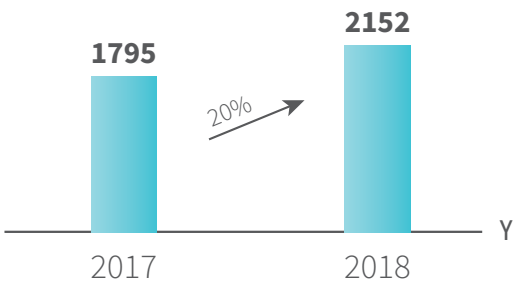


The production coming from the Mediterranean, Nile Delta, and Upper Egypt combined does not exceed 1% of the country's total production in 2018.

2- NATURAL GAS

Regarding natural gas, the MoP announced 18 new discoveries in 2018. The year has seen unprecedented production rates where the current total natural gas

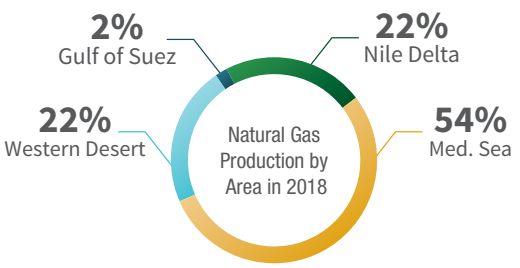
Total Natural Gas Production (bcf) (YoY)



The MoP announced **18** discoveries in **2018**

output exceeds 2,152 billion cubic feet (bfc) compared to 1,795 bcf in 2017 with an increase of about 20% YoY.

The Mediterranean Sea is considered Egypt's richest part in natural gas as in 2018, its production reached 1,162 bcf representing 54% of natural gas production. The Nile Delta came in second place at an amount of 480 bcf followed by the Western Desert at an amount of 470 bcf, both accounted for around 44% of the total

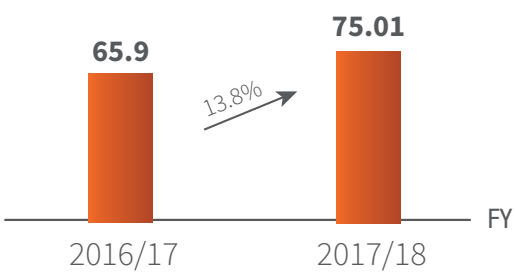


gas production. The Gulf of Suez produced 38 bcf and finally, the Eastern Desert produced only 2 bcf.

These production rates arose from the completion of developing new phases of four mega projects in the Mediterranean Sea.

All these developments contributed to achieving self-sufficiency of locally produced natural gas and considered to be a bold step for Egypt towards being a natural gas regional hub by 2019.

Investments in Natural Gas (EGP billion) (YoY)

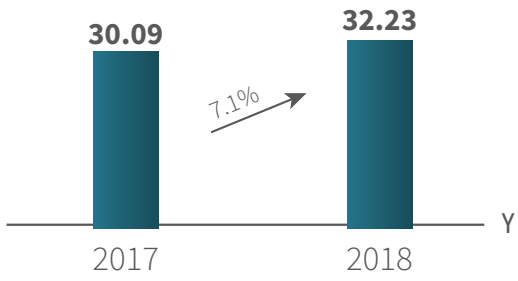


It is worth mentioning that natural gas investments in Egypt increased from EGP 65.9 billion in FY 2016/17 to EGP 75.01 billion in 2017/18 with an increase of 13.8% YoY, according to CBE.

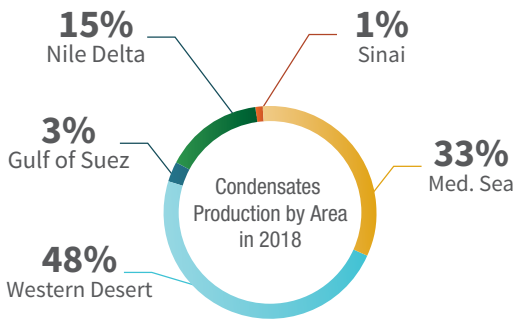
3- CONDENSATES

The total production of condensates increased by 7.1% reaching 32.23 million barrels in 2018 compared to 30.09 million barrels in 2017. Condensates productionduring 2018 witnessed a fluctuating pattern pattern of increasing and decreasing growth rates of the production.

Total Condensates Production (mb) (YoY)



For the production areas of condensates, the Western Desert production reached 15.44 million barrels, representing the highest production level with around 48% of the total production followed by the Mediterranean Sea that contributed with 10.789 million barrels, representing 33% of the total production, and then Delta shared by 15% at an amount of 4.96 million barrels. On the other hand, the Gulf of Suez contributed only by 0.834 million barrels, representing 3% and Sinai came in the last place with a production of 0.192 million barrels and a share of only 1% of the total production.



The state's plan to increase the hydrocarbons domestic production and narrow the market gap is supported by the exploration and development activities resulted in a significant number of discoveries and increased production for crude oil, natural gas and condensates.

In order to achieve further significant increases in the production, the state is not only supporting exploration in the most known producing areas, but also moving towards highlighting the less known frontier regions such as the Red Sea and Upper Egypt.

Moreover, the MoP has been working on reducing its arrears to the IOCs, as the debt reached its lowest level since 2010, recording $1.2 billion in December 2018. The reduction in arrears has a positive future with direct impact on the increase of the Exploration and Production (E&P) investments which finally result in increased level of petroleum production.