



EGYPT: A PATH TOWARDS A WINNING INVESTMENT STRATEGY

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Egypt is one of the best destinations for investments, especially in the petroleum sector. This is mainly due to the proactive measures taken, as well as the Central Bank of Egypt (CBE) and government entities' several initiatives in various sectors. Additionally, the adopted investment law and the newly set business-friendly regulations play a vital role in creating a perfect host for investments. Egypt was also one of the 10 largest manufacturing countries in 2019, where the manufacturing sector, including refining, contributed \$108 million.

Egypt's diversified economy, strategic geographical position, low labor costs, skilled workforce, substantial energy reserves, and large pool for domestic demand assisted in rising Foreign Direct Investments (FDIs). According to the United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2020, Egypt was ranked the largest recipient for FDIs in Africa in 2019 with inflows of \$9 billion increasing by 11 % compared to 2018. It is worth noting that FDIs in Egypt are mainly driven by the petroleum sector, where the sector represents about three-quarters of total investments. Petroleum Investments increased after the discoveries in the Western Desert, in addition to the discovery of Zohr in the Mediterranean Sea.

I. INVESTMENT ENVIRONMENT

A. EGYPT'S RANKING IN INTERNATIONAL INDICES

Within the last two years, Egypt's position advanced in various international indices, especially in Government Artificial Intelligence (AI) Readiness Index, and the Logistics Performance Index.

In the Government AI Readiness Index, Egypt progressed to 7th rank among Arab countries. Egypt acquired the 8th rank in the MENA region in the AI Readiness Index. Egypt also improved to the 56th rank out of 172 countries in the latest mentioned rank. In the Logistics Performance Index, Egypt was the 67th among 160 countries.

During the first wave of COVID-19, the Egyptian government has worked hard to protect the country's economy and investments from being negatively affected. Accordingly, Egypt has been ranked the third in the Middle East by Bloomberg in the COVID-19 Resilience Ranking, and 25th globally. Moreover, according to Horizon's COVID-19 Economic Recovery Index (CERI), Egypt is ranked as the first in Africa, the fourth in Arab region and the 70th globally out of 122 countries. These indices reflect the Egyptian economy's strength and resilience during crises.

EGYPT'S RANKS IN GLOBAL INDICES IN 2020

	Ranking	Improved Spots (YoY)
Global Competitiveness Index (GCI)	93	1
Ease of Doing Business	114	6
COVID-19 Resilience Ranking	24	1
COVID-19 Economic Recovery Index (CERI)	70	-
Logistics Performance Index	67	0
Corruption Perception Index	106	11
Legatum Prosperity Index	121	3
Digital Evolution Index	54	0
Government AI Readiness Index	56	55

B. INVESTMENT LAW AND REGULATIONS AMENDMENTS

Since June 2019, Egypt has set a number of reforms and legislative adjustments. The series of approved amendments aims to promote investments, provide a suitable investment climate, reduce bureaucracy in increasing the capital, registering a company and accessing services online.

In January 2020, the Prime Minister, Mostafa Madbouly announced the formation of the Ministerial Investment Committee, upon decree 38 of 2020, to discuss issues related to promoting investments, set FDI policies, and solve investment disputes.

In November 2019, the Cabinet set an amendment for the public and private sectors; where the concerned entities must provide a quarterly overview on their direct and indirect foreign investment assets to the General Authority for Investment (GAFI).

The Cabinet adopted a series of business practices and amended the Companies Law (Law 4 of 2018). An amendment was approved in June 2019, which aims to enhance investment opportunities and encourage financial inclusion.

In February 2020, the Cabinet also approved giving the Financial Regulatory Authority (FRA)-regulated real estate and private equity (PE) funds to use more than 25% of their capital raised into a single transaction or company.

In September 2020, the Companies Law was also allowed dual listing in stock exchanges for companies, provided modern financial tools and permitted sukuk issuance.

Moreover, an amendment was approved for E-Payments (Law 18 of 2019) in December 2019, which allows public and private sector entities to pay subsidiaries, suppliers, contractors, taxes and customs electronically.

II. ECONOMIC STABILITY

A. EGYPT'S ECONOMIC PROFILE

Thanks to the economic reform program and government efforts, the Egyptian economy was able to maintain positive economic indicators and be one of the most stable economies around the world during the current global slowdown.

EGYPT'S MAIN ECONOMIC INDICATORS IN FY 2019/20

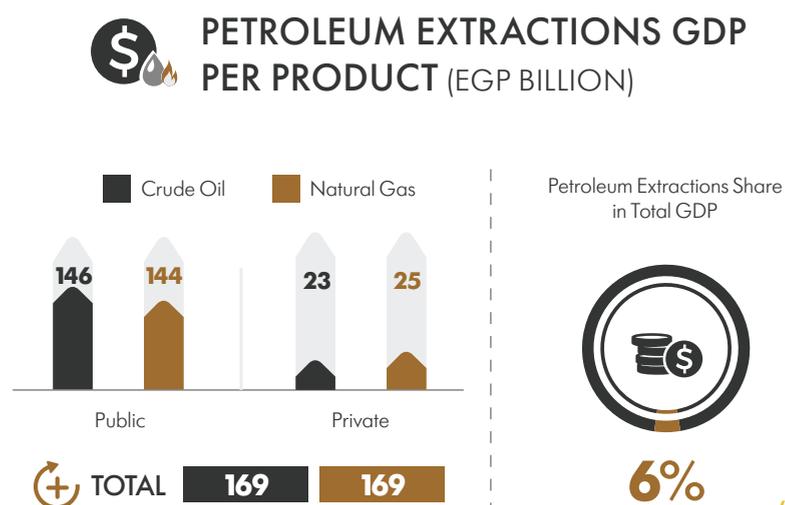


*By June 2020

B. PETROLEUM SECTOR ECONOMIC PROFILE

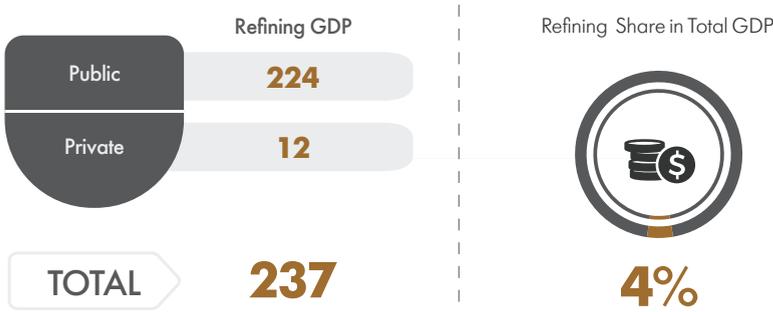
The petroleum sector is one of the engines of economic growth in Egypt. In FY 2019/20, the sector significantly contributed to the country's gross domestic product (GDP), national investments and the Balance of Payments (BOP). Meanwhile, the sector's arrears continued to decline which promoted the foreign investments and led to signing new agreements in different areas.

1. PETROLEUM GDP IN FY 2019/20





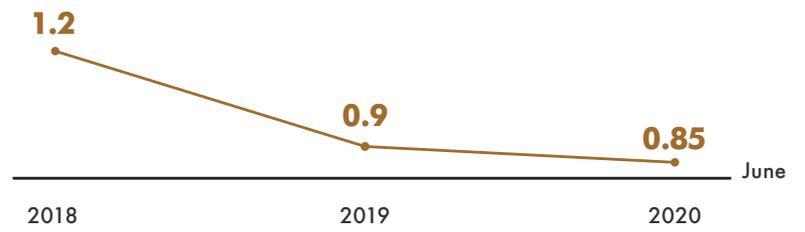
REFINING GDP PER SECTOR (EGP BILLION)



3. ARREARS TO IOCS



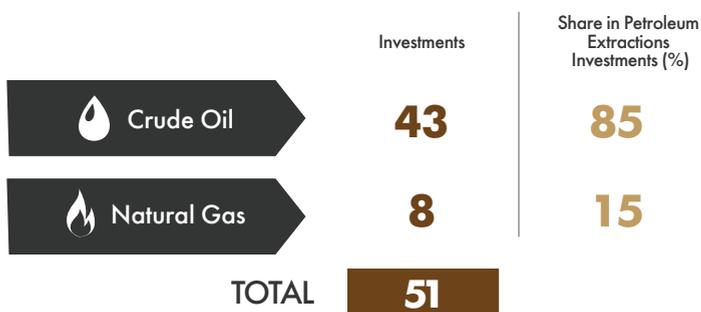
DEVELOPMENT OF ARREARS TO IOCS (\$ BILLION)



2. PETROLEUM INVESTMENTS IN FY 2019/20



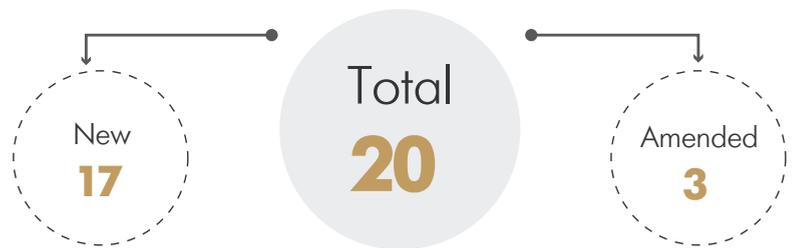
PETROLEUM EXTRACTIONS PUBLIC INVESTMENTS (EGP BILLION)



4. SIGNED AGREEMENTS IN FY 2019/20



SIGNED PETROLEUM AGREEMENTS



5. PETROLEUM TRADE BALANCE IN FY 2019/20

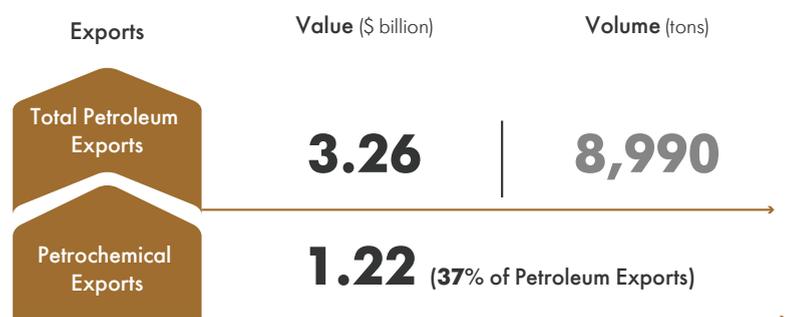


Petroleum Extractions Share in Total Public Investments (%)

11



PETROLEUM AND PETROCHEMICAL EXPORTS



REFINING PUBLIC INVESTMENTS (EGP BILLION)



III. EGYPT'S PETROLEUM INFRASTRUCTURE

A. THE SUEZ CANAL & SUMED PIPELINE

Egypt has the potential to become an energy hub for major markets in Europe through operating the Suez Canal and the SUMED pipeline. Both channels transport about 98% of the exported Arab Gulf oil products to the European Union (EU) and the United States (US), according to the Ministry of Petroleum and Mineral Resources' (MoP) data. The channels have a strategic significance for global crude oil and liquified natural gas (LNG) trade as their closure would require tankers to divert around the southern tip of Africa, leading to a delay in transportation and increased shipping costs.



Foreign Investments Pumped in the Petroleum Sector

\$7.77 billion

The Suez Canal, which connects the Red Sea to the Mediterranean, is a critical checkpoint due to the large quantities of hydrocarbons flowing through it. Oil flows through either the northbound or the southbound of the canal. Northbound oil flows come primarily from the Persian Gulf countries and are destined for the EU and the US. While the significant southbound oil exporting countries are Russia, Turkey, the Netherlands, Algeria, and Libya, and their exports are primarily destined for Asian markets, according to a report by the US Energy Information Administration (EIA).



SUEZ CANAL NAVIGATION IN 2020*



*Announced in December

The 200-mile-long SUMED pipeline transports around 115 million tons (mmt) of crude oil, according to the MoP's website. Oil flows north from the Ain Sokhna terminal along the Red Sea coast to the Sidi Kerir terminal on the Mediterranean Sea. The giant oil tankers carrying cargoes that mostly come from Saudi Arabia are too large to cross the Suez Canal fully loaded to reach their destinations in Europe and North America. Yet, unloading some of its cargo at one end of the pipeline in Ain Sokhna allows tankers to cross the Canal, explained by the EIA.

B. LNG EXPORTING TERMINALS

After years of being a net importer, Egypt was able, in October 2018, to regain its position as natural gas exporter after achieving self-sufficiency in September 2018. The Egyptian LNG exports increased from zero in FY 2014/15 to record 120 billion cubic feet (bcf) by 33 cargoes in FY 2019/20, according to the Egyptian Natural Gas Holding Company's (EGAS) annual reports.

Egypt has a relatively large, well-developed LNG export infrastructure, which includes two world-class LNG exporting facilities. The Spanish Egyptian Gas Company (SEGAS) and the Egyptian Liquefied Natural Gas Company (ELNG) manage the LNG facilities. The first facility is located in Damietta, while the second one is in Idku, east of Alexandria.

The Idku terminal was established in 2001 when the Egyptian General Petroleum Corporation (EGPC) and Edison signed an agreement with Shell to develop an integrated LNG export project in Egypt. The project is a two-train LNG terminal on the Mediterranean Coast with an annual capacity of 353 bcf of LNG, aiming to export ELNG to Europe and the US, according to EGAS's website.



EGYPTIAN LNG EXPORTS FROM IDKU PLANT IN 2020

CARGOES

16

DESTINATIONS

Pakistan

Kuwait

China

India

UK

On the other hand, Damietta plant functions as a tolling facility, with a current annual capacity of 264.8 bcf of LNG. The plant's natural gas supplies are provided by the Temsah fields, Ha'py Development Area, in addition to Scarab and Saffron fields in the West Delta. The plant was idle until recently Eni has come to an agreement with its partners to reopen the plant in 2021, according to Eni's press release.



ENI TO RE-OPEN DAMIETTA LIQUEFACTION PLANT



Q1 2021

Re-Opening Date



Increase plant's LNG portfolio by **3.78 bcm** Target

STAKEHOLDERS' SHARES (%)



10

EGPC

40

EGAS

50

Eni

The Egyptian government has been tirelessly launching initiatives and easing measures to enhance investments. The government is working on encouraging the private sector to engage and support the Egyptian economy. Public debts, arrears to the international oil companies (IOCs) declined and inflation has fallen steadily to attract further investments. These indicators and indices created a room for the private sector to invest in different sectors such as in petroleum, health, education and public infrastructure.

Within the framework of the modernization program and Egypt's Upstream Gateway (EUG) project, the MoP's minister, Tarek El Molla explained the project's main purposes to develop the petroleum sector and enhance investment opportunities. Through the EUG project, the MoP is working on launching an integrated digital portal for the activity of research, exploration and production of petroleum and gas resources.

