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RESEARCH & ANALYSIS

# Egypt in a Volatile Energy World

## Past Crises and Future Scenarios

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## Past Crises and Future Scenarios

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Global energy markets have experienced a substantial transformation in recent years, influenced by shifting geopolitical dynamics, evolving supply strategies, and renewed focus on the security of international trade routes. Egypt holds a unique position within this dynamic environment.

As an expanding energy market, a regional gas hub seeker, the host of the Suez Canal, and one of the world's most critical transit corridors. Volatility in international oil and gas prices, shipping patterns, and upstream investment sentiments, therefore, has direct consequences for Egypt's fuel procurement and export prospects.

This report examines how recent developments in the global market since 2020 have created opportunities and adjustment challenges for Egypt's economy and energy sector.

It reviews key transmission channels through prices, trade flows, and investment patterns, examines forward-looking scenarios linked to developments in the US–Venezuela oil landscape, and outlines policy priorities that can further strengthen Egypt's energy resilience and strategic positioning in global markets.

## Global Crisis Transmission Channels to Egypt's Energy System

### Oil Price Volatility

Global Brent prices witnessed a sharp decline in 2020, followed by a strong price hike through 2021–2022, before moderating and fluctuating at a relatively lower, but volatile levels thereafter. International supply shocks, whether driven by geopolitical conflicts, imposed sanctions, demand shocks, or production cuts, transmit immediately through global price benchmarks. COVID-19 has caused a collapse in Brent prices, falling from about $64 per barrel (bbl) in January 2020 to around $20/bbl in April 2020, lowering import cost, but reducing export revenues and delaying energy projects.

Geopolitical conflicts such as the Russia–Ukraine war and the Gaza war added supply risks, causing temporary price spikes that further strained Egypt's import bill. Supply-side disruptions, including OPEC+ production cuts and Venezuelan sanctions, tightened global markets, increasing import bills and creating upstream investment uncertainty. Maritime and trade disruptions, such as Red Sea security incidents, further amplified costs through higher freight premiums, according to Investing .com data. Egypt's energy balance and economic budget remain partially exposed to this volatility despite significant hydrocarbon production.

Brent Oil Prices Trend ($/bbl)


It is worth noting that the West Texas Intermediate (WTI) crude oil futures contract plummeted to a historic negative settlement price approaching -$40 per barrel in April 2020, according to the U.S. Energy Information Administration (eia).

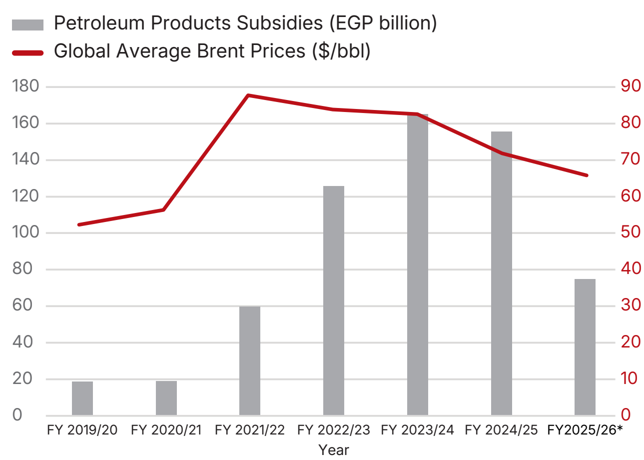
### Local Petroleum Subsidies

During FY 2019/20 and FY 2020/21, global Brent prices remained moderate (averaging $50–55/bbl). The COVID-19 shock in 2020 temporarily lowered global oil prices, easing Egypt's fuel import bill. This allowed Egypt to maintain petroleum subsidies at approximately EGP 19 billion, following the 2018/19 fuel price reform, according to the Ministry of Finance (MoF) and the International Monetary Fund (IMF).

From FY 2021/22 onward, the post-COVID demand rebound, OPEC+ supply discipline, and the Russia–Ukraine war-driven supply shock pushed Brent prices above $100 per barrel; combined with currency depreciation and higher freight costs during Red Sea trade disruptions, the landed cost of imported fuels rose sharply.

With domestic price adjustments lagging international benchmarks, subsidy spending surged to EGP 165.1 billion in FY 2023/24. Projections suggest gradual normalization by FY 2025/26; subsidy levels remain structurally above pre-crisis norms.

Local Petroleum Subsidies Alignment with Global Oil Prices




*Forecast
Source: MoF, Investing

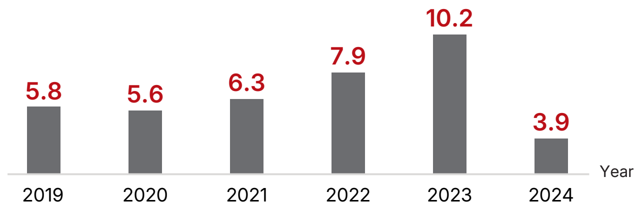
## Supply & Trade Route Disruptions

### Suez Canal Resilience

Global crises are transmitted to Egypt's energy and trade system through disruptions to global trade routes, with the Suez Canal acting as a key transmission channel. In 2020, Suez Canal revenues declined by 3.4% year-on-year (YoY), reflecting the contraction in global trade caused by the COVID-19 pandemic, according to the Suez Canal Authority (SCA).

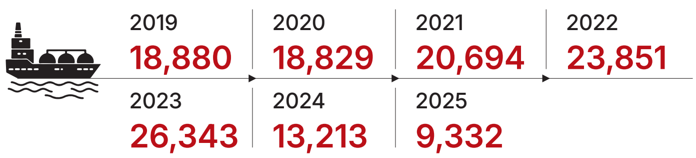
As global trade recovered in the post-pandemic period, Egypt benefited from its strategic location amid the reconfiguration of global energy flows. By 2021, Suez Canal revenues rebounded by about 12.5% YoY, supported by rising trade volumes and improved canal management, according to the SCA.

**Suez Canal Revenues ($ billion)**




Source: SCA

**Total Tankers Numbers**



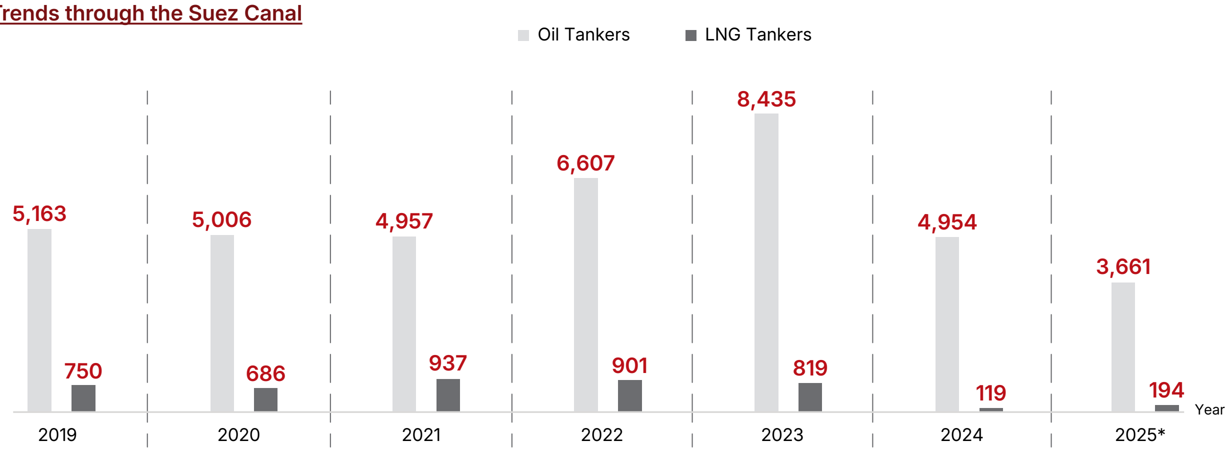

The Russia–Ukraine war in 2022 further amplified this trend, as crude oil and liquefied natural gas (LNG) cargoes were increasingly rerouted.

This was reflected in a 33% YoY increase in oil tanker transits through the Suez Canal, which helped drive canal revenues to approximately $7.9 billion, according to the SCA. This upward momentum continued into 2023, when revenues peaked at $10.25 billion, highlighting how energy trade temporarily strengthened Egypt's external income position.

However, the Red Sea security crisis in late 2023 and 2024 reversed these gains. Heightened maritime risks and widespread vessel rerouting away from the Bab el-Mandeb Strait led to a sharp contraction in canal traffic.

As a result, Suez Canal revenues collapsed in 2024 by 61% YoY, according to the SCA. However, early signs of a gradual recovery began to emerge in 2025, particularly following the Sharm El-Sheikh Peace Summit, which contributed to easing regional tensions and restoring confidence in Red Sea and Suez Canal navigation.

**Traffic Trends through the Suez Canal**




* In the first three quarters

Looking ahead, Fitch expects a gradual recovery in canal traffic starting in the second half (H2) of fiscal year (FY) 2025/26, with a return to pre-crisis levels by 2026/27, in line with official projections that anticipate revenues rising to $8 billion in FY 2026/27 and $10 billion in FY 2027/28, according to the Egyptian Cabinet.

These projections are supported by early market signals. In January 2026, when Maersk—the world's largest container shipping line—resumed its Middle East Container Line (MECL) service through the Suez Canal, a move seen as a bellwether for wider shipping normalization, according to Maersk.

### Natural Gas & LNG Exports

Egypt's natural gas exports hike began in 2021, due to rising global prices during the post-pandemic rebound. Although export volumes remained moderate, favorable pricing lifted LNG revenues to $3.9 billion, reflecting improving external conditions rather than a structural expansion in supply.

The situation changed sharply in 2022, as the global energy crisis created an exceptional window for Egyptian LNG. Europe's shift away from Russian gas, combined with Egypt's liquefaction capacity take off, pushed export volumes to 8.6 million metric tons (mmt) and revenues to $9.9 billion, marking a historic peak that helped ease external financing pressures.

This surge proved temporary. From late 2022 onward, tighter domestic gas supply and rising electricity consumption absorbed a larger share of locally produced output. At the same time, imports from Israel's Leviathan and Tamar fields—primarily intended for liquefaction and re-export through Egypt's LNG facilities—were curtailed, sharply reducing exportable volumes. By 2023, LNG exports had fallen to around 3.6 mmt, with revenues declining further as global gas prices normalized, according to the Egyptian General Petroleum Corporation (EGPC) data.

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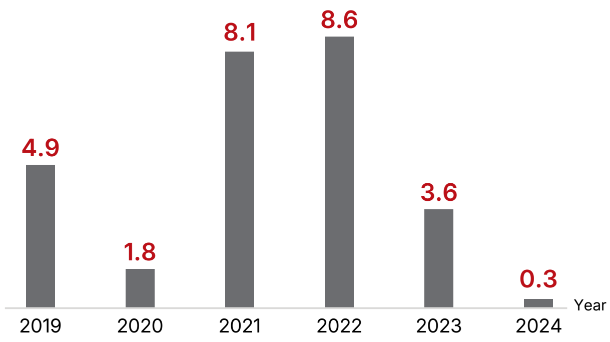
The contraction continued through 2024 and early 2025, as domestic energy security took priority over exports. Lower production from mature fields and sustained local demand limited Egypt's ability to resume large-scale LNG shipments, highlighting the dependence of gas exports on domestic supply conditions rather than external demand alone.

### Egypt's LNG Exports Movement (mmt)




Source: Capmas Data

### Petroleum Imports

Egypt has also recorded a sharp increase in petroleum imports, adding another channel through which global energy shocks have strained the external balance. According to the Central Bank of Egypt (CBE)'s Balance of Payments (BoP), total petroleum imports rose by approximately $6.1 billion in FY 2024/25, reaching around $19.5 billion, up from about $13.4 billion in FY 2024/25.

This increase reflected higher import volumes across all fuel categories, as imports of natural gas rose by about $3.9 billion, petroleum products also increased by around $1.7 billion, and crude oil increased by roughly $495.3 million. The surge in the petroleum import bill underscores how global energy market disruptions and domestic supply constraints have translated into higher reliance on external fuel supplies to meet domestic demand

## Financial & Investment Impacts

### Oil & Gas FDI Under Global Volatility

Foreign Direct Investment (FDI) is influenced by a combination of factors, including both internal and external elements. International investors generally reassess risk during periods of global energy or geopolitical instability. Capital becomes more discerning, financing expenses increase, and oil and gas companies postpone long-term exploration initiatives.

This trend was observable during the 2020 pandemic and subsequently during the 2022 Russia–Ukraine crisis,  according to a study by Scientific Journal for Financial and Commercial Studies and Research (CFDJ), Vol.6.

The energy price shock at the beginning of 2020 resulted in a 50% reduction in global investment announcements within the refined petroleum sector and a global decline of one-third in the value of announced projects.

Consequently, upstream project delays, reduced spending, and diminished demand have adversely affected investment across both the energy and infrastructure sectors, as stated in UNCTAD's World Investment Report 2021.

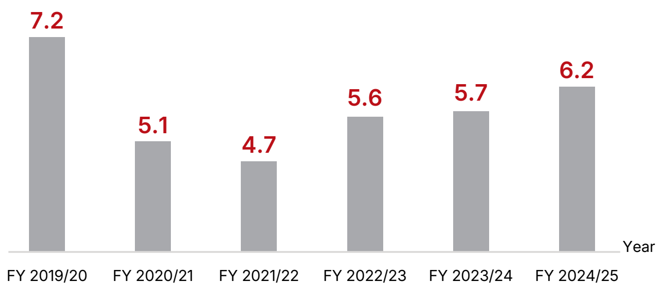
FDI in Egypt's oil and gas sector saw a roughly 35% drop between FY 2019/20 and FY 2021/22. This downturn was a direct result of the COVID-19 investment shock, coupled with the global oil price crash of 2020, as reported by the Central Bank of Egypt (CBE).

Investment flows started to pick up again in FY 2022/23 and beyond. This rebound was fueled by the post-pandemic recovery in oil and gas prices, along with a renewed focus on exploration.

The 2022 Russia–Ukraine war also played a role, tightening global gas markets and elevating the Eastern Mediterranean's status as a key supply region. Upstream investment in gas-producing areas that supply Europe increased after the disruption of Russian pipeline exports, according to the International Energy Agency (IEA) Gas Market Report 2023.

Egypt capitalized on this shift, launching new exploration licensing rounds and expanding its partnerships with IOCs. Besides, Egypt is actively resolving accumulated arrears to IOCs. From June 2024 to June 2026, outstanding dues are expected to drop from $6.1 billion to $1.2 billion, with $5 billion already repaid and monthly payments continuing, as stated by the Egyptian Cabinet.

### Oil & Gas FDI Inflows into Egypt ($ billion)




Source: CBE

## Forward-Looking Scenarios for the US–Venezuela Crisis

The preceding analysis shows that Egypt's energy system is highly sensitive to external shocks. Among current geopolitical uncertainties, the US–Venezuela crisis stands out as a key variable shaping global oil supply balances. The US–Venezuela crisis has constrained Venezuelan oil production since 2019, despite the country holding the world's largest proven oil reserves at 303 billion barrels, about 17% of global reserves, according to Reuters.

The evolution of this crisis remains a key uncertainty for global oil market balances and price dynamics.

In addition to sanctions, chronic underinvestment, degraded infrastructure, and the technical complexity of Venezuela's extra-heavy crude have raised operational risks, limiting the appetite of US oil companies to return despite the country's vast reserves.

## Possible Oil Market Outcomes under the US–Venezuela Crisis

| | |
|---|---|
| • Scenario A<br>Crisis Easing – Gradual Sanctions Relief | Gradual recovery in Venezuelan output reduces geopolitical risk premiums and eases global supply tightness, supporting lower and more stable oil prices. For Egypt, this translates into reduced fuel import costs, easing subsidy pressures, and improved fiscal and external balances. |
| • Scenario B<br>Prolonged Crisis – Continued Supply Tightness | Persistent sanctions keep Venezuelan output constrained, reinforcing OPEC+ market influence and sustaining price volatility. Egypt remains exposed to higher fiscal sensitivity to oil prices, requiring stronger hedging, supply diversification, and subsidy management. |
| • Scenario C<br>Escalation – Severe Disruptions | Acute supply disruptions trigger sharp oil price spikes and higher shipping and insurance costs. Egypt faces heightened inflationary and fiscal pressures, potential widening of the budget deficit, and increased reliance on strategic reserves and regional partners. |

## Policy & Mitigation Priorities for Egypt

### Supply, Contracting Diversification Strategy

Recently, as part of its supply diversification strategy, Egypt has moved beyond short-term contracting toward multi-year LNG supply agreements to stabilize procurement costs and ensure power-sector supply security.

Egypt has agreed to buy LNG from suppliers in June 2025, including Saudi Aramco, Trafigura Group, and Vitol Group, for over two and a half years. The deals were signed to bring in as many as 290 cargoes starting July 2025, to cut Egypt's reliance on volatile spot markets, according to Bloomberg.

Further, in January 2026, QatarEnergy and Egypt signed a Memorandum of Understanding (MoU) that includes an agreement to supply up to 24 LNG cargoes to Egypt for the 2026 summer, as stated by QatarEnergy.

As part of its energy security and supply diversification strategy, Egypt has expanded cross-border natural gas import agreements with Israel, positioning pipeline gas imports as a structural complement to LNG procurement. In December 2025, Egypt and Israel concluded $35 billion agreements to expand pipeline natural gas exports from Israel's Leviathan field to Egypt, as stated by S&P Global.

### Infrastructure & Resilience Investment

In the face of global energy challenges, Egypt is prioritizing energy infrastructure investments in renewable energy and electricity grid modernization to enhance resilience and diversify its energy mix.

#### Natural Gas & LNG Infrastructure

Egypt has enhanced its import capacity to bridge the current gap in domestic production. It has leased four Floating Storage and Regasification Units (FSRUs), with a combined regasification capacity of 2.7 billion cubic feet per day (bcf/d) to meet peak summer demand, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

#### Renewable Energy Expansion

Egypt aims to increase the share of renewables in its energy mix to nearly 20% by the end of the FY 2025/26 up from around 12% in FY 2023/2024, by heavily investing in solar and wind power, expanding allocated land, and increasing generation capacity to 6,470 megawatt (MW), as announced by the Ministry of Planning, Economic Development and International Cooperation.

#### Grid Modernization & Resilience

The state has allocated significant investments to upgrade the national grid to handle intermittent renewable energy flows and meet surging demand. It increased planned investments for the electricity and renewable energy sector in FY 2025/26 to EGP 136.3 billion, nearly doubling the EGP 72.6 billion allocated for the previous fiscal year , aiming to boost renewable capacity, modernize grids, and solidify its role as a regional energy hub, according to the Ministry of Planning, Economic Development, and International Cooperation.

#### Regional Energy Hub Development

Egypt is enhancing its role as a regional energy hub through major interconnection projects. Targets for FY 2025/26 include: increasing total interconnection capacity to 3,900 MW, up from 780 MW, according to the Ministry of Planning, Economic Development, and International Cooperation.

Global energy developments since 2020 have confirmed that external shocks are no longer temporary events but structural features of the energy market. For Egypt, these shocks have been transmitted through multiple channels, each affecting the energy sector and fiscal balance.

Egypt's experience also reflects a gradual shift from reactive crisis management toward a more adaptive energy policy framework. Periods of strong Suez Canal revenues and elevated LNG exports provided temporary buffers, while supply diversification, longer-term LNG contracting, regional gas integration, and investments in regasification, renewables, and grid modernization have strengthened energy security and system resilience.

Looking ahead, developments such as the evolution of the US–Venezuela crisis highlight that Egypt's exposure to global energy markets will persist. However, the scale of future impacts will increasingly depend on domestic policy choices, particularly in managing fuel subsidies, securing diversified supply, and sustaining investment under volatile global conditions.

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