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EGYPT ON THE LNG TIGHTROPE:

SECURITY OR EXPORT GROWTH

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Global Market Dynamics

BY NERMEEN KAMAL & ABDULLAH MOSTAFA

Liquefied natural gas (LNG) is a main driver for the global energy transition success, serving as both a lower-emission alternative to coal and a flexible bridge fuel. LNG emits approximately 50% less CO_2 than coal when burned for electricity, making it a key transitional fuel.

It can be stored for extended periods and transported globally, making it a critical backup during peak demand or when intermittent renewable sources like solar and wind are insufficient, according to the International Energy Agency's (IEA) World Energy Outlook report.

Global LNG market experienced moderate growth in 2024, driven in part by increased United States (US) LNG exports, which rose by 9% year-on-year (YoY) during the 2024/25 heating season, as reported by the IEA in their Gas Market Report Q2 2025, and stronger demand in some European markets due to cold weather and inventory rebuilding.

However, slower growth was observed in several regions. China's natural gas demand declined by around 2% YoY during the 2024/25 heating season due to milder weather and weaker economic performance. In Eurasia, demand dropped by an estimated 3% due to an unseasonably mild winter in Russia.

The global demand for natural gas is expected to slow down in the coming years. In 2025, demand is projected to grow by only around 1.5%, reflecting weaker economic momentum and milder weather.

In Asia, where natural gas demand grew by 5.5% in 2024, growth is expected to decelerate to just over 2% in 2025. Despite the slowdown, the region will remain the largest driver of global demand, accounting for about one-third of total incremental growth next year.

Global LNG trade expanded by 2% YoY during the 2024/25 heating season, driven by supply growth from the US. In 2025, LNG supply is expected to grow by 5%, with demand dynamics shifting as Europe's stronger demand offsets slower growth in Asia.

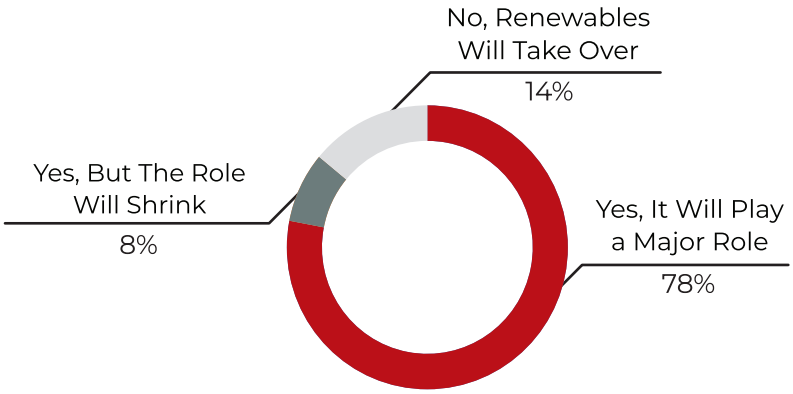
The market remains volatile due to tight supply fundamentals and potential disruptions, particularly affecting regional balances between Europe and Asia.

Egypt’s LNG Scene

LNG plays a dual role in supporting Egypt’s domestic energy security and generating export revenues. The country’s strategic location, infrastructure in Idku and Damietta, and access to regional markets position it as a key LNG exporter, particularly to Europe, during periods of strong seasonal demand. Egypt’s ability to respond flexibly to global market shifts highlights its growing relevance in the international LNG landscape.

The below pie chart shows opinions regarding LNG as a critical bridge fuel for Egypt’s energy transition.

Do You Believe LNG Will Remain a Critical Bridge Fuel For Egypt’s Energy Transition Over The Next Decade?



Note: All poll results and illustrations in this report are based on surveys conducted by Egypt Oil & Gas Group.

Natural Gas Development

The natural gas sector in Egypt experienced significant changes in fiscal year (FY) 2023/24. Total domestic natural gas production decreased to 2.1 trillion cubic feet (tcf) in FY 2023/24, representing a 13.3% drop, according to the Egyptian Natural Gas Holding Company (EGAS) Annual Reports.

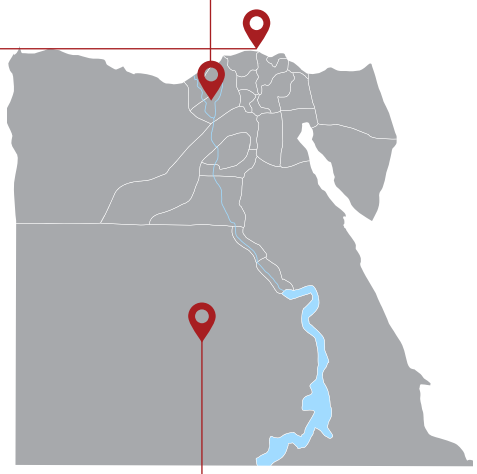
The reduction in domestic natural gas production was primarily driven by a significant decline in the number of new wells brought into production, falling from 36 wells in FY 2022/23 to just 19 wells in FY 2023/24, resulting in a sharp drop in initial production rates from 666 million cubic feet per day (mmcf/d) to 244 mmcf/d.

During FY 2023/24, Egypt’s natural gas sector implemented a balanced development strategy, investing $612.8 million across eight major upstream projects that added 19 new producing wells and 244 mmcf/d of new capacity. The Mediterranean Sea received the majority of investments, accounting for 78.5% of total expenditures, with more than $481 million.

The Western Desert and Nile Delta regions also contributed cost-efficient gains, including the Faramid Project, which added 25 mmcf/d for $20 million in investments. Projects were phased from July 2023 to June 2024.

Field Development Projects during FY 2023/24

Project	Initial Natural Gas Production (mmcf /d)	Cost ($ million)	Start-up Date
Nile Delta			
East Damanhour	10	12	September 2023
Mediterranean Sea			
N. Idku / N. Amerya	70		July 2023
Water Management (PI) for Zohr Field		185	July 2023
Zohr South - Electrical Umbilical		211	November 2023
N. Sinai P 3-B	15	85	June 2024
Western Desert			
Teen	4	26	August 2023
Faramid	25	20	September 2023
Increasing Low Pressure for Badr-3	5	23.8	January 2024
Total (7 New Development Projects)	129	562.8	



Wells Drilled and Developed in FY 2023/24

Development Wells	Initial Natural Gas Production	Investments
11	155 mmcf/d	$50 million

Natural Gas Infrastructure

LNG Terminals

Egypt is the only country in the Eastern Mediterranean region with operational LNG export capacity, the LNG infrastructure is pivotal to its role as a key energy exporter, featuring two primary facilities: the Egyptian LNG (ELNG) plant in Idku and the Damietta LNG (DLNG) plant, according to the U.S. Energy Information Administration (EIA).

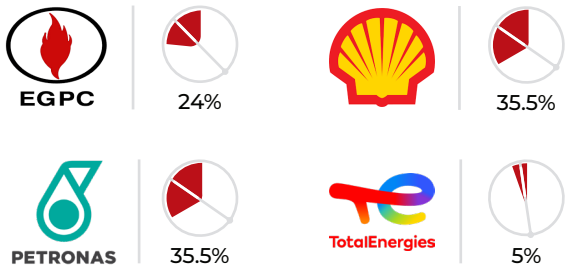
The ELNG plant comprises two liquefaction trains, each with a capacity of 3.6 million tons per year (mmt/y) and around 120 cargoes, according to Egyptian LNG website.

These facilities underscore Egypt's robust LNG infrastructure, enhancing its capacity to export natural gas and reinforcing its strategic position as a regional energy hub.

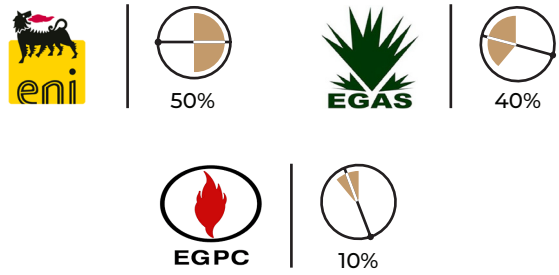
Liquefaction Terminals

Plant	Operation Date	Location	Capacity (mmt/y)
DLNG	2004	Damitta	4.8
ELNG	2005	Idku	7.2

ELNG Plant Ownership Structure



DLNG Plant Ownership Structure



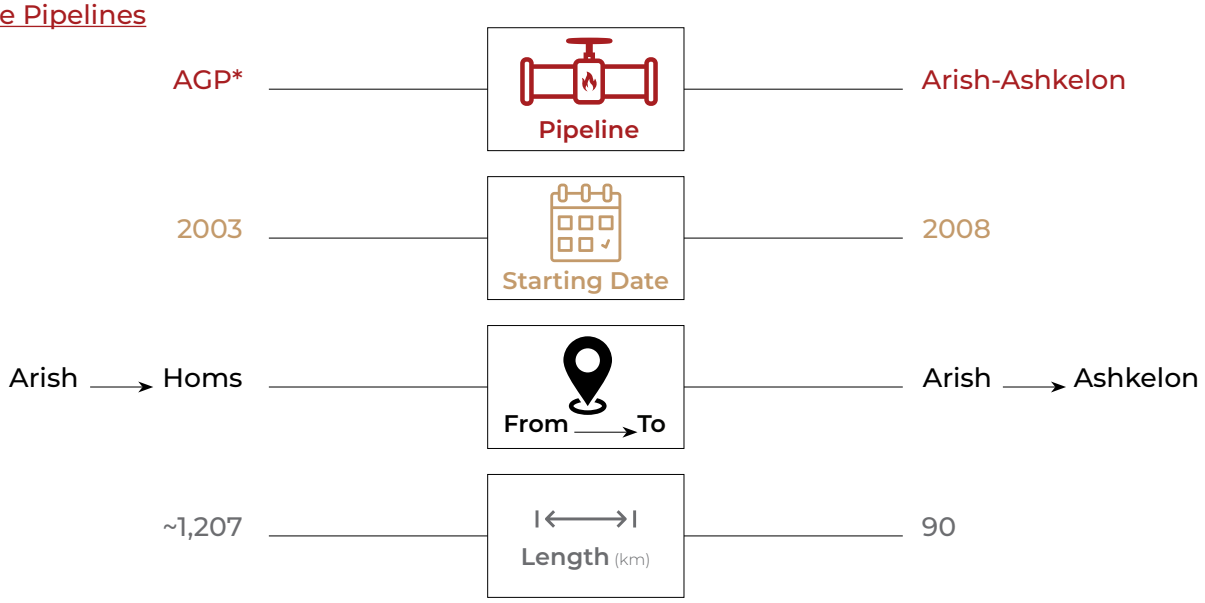
Natural Gas Pipelines

Natural gas trade between Egypt and neighboring countries is facilitated by three primary pipelines. The first is the Arab Gas Pipeline (AGP), a transnational route that transports natural gas through Egypt, Jordan, Syria, and Lebanon; it has a maximum annual capacity of 10 billion cubic meters per year (bcm/y), according to the Jordanian Ministry of Energy and Mineral Resources (MEMR).

The second is the Ashkelon-Arish pipeline—also known as the East Mediterranean Gas (EMG) pipeline—constructed to deliver natural gas from Egypt to Israel. It has a capacity of 147- 247 billion cubic feet per day (bcf/d), according to the EIA.

Additionally, in May 2023, approval was granted for the Nitzana route—a 65-kilometer (km) onshore pipeline that will transport Israeli natural gas to Egypt. Once operational, it will enable the export of an additional 580 mmcf/d. The pipeline will run from Israel's southern Negev region to the Egyptian grid near Nitzana, according to Wood Mackenzie.

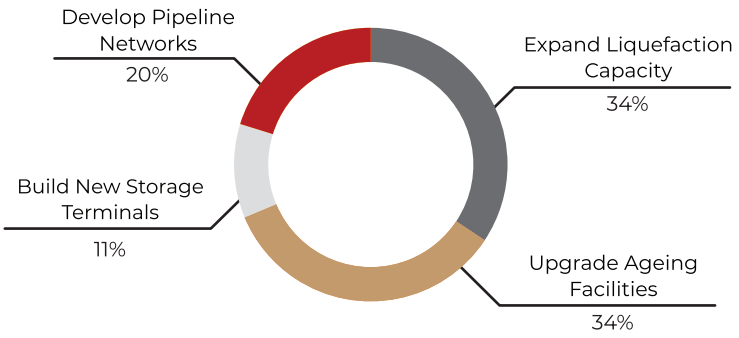
Trade Pipelines



*Consists of 4 Constructed Phases

The below pie chart shows opinions regarding Egypt's LNG infrastructure investment.

Which Area of Egypt's LNG Infrastructure Requires The Most Urgent Investment?



Egypt's LNG export

Egypt's LNG exports plummeted from 292.9 billion cubic feet (bcf) in FY 2022/23 to just 60.2 bcf in FY 2023/24, marking a staggering 79.4% decline. Despite the sharp decrease in LNG exports, Egypt continued to serve its key markets.

Pipeline gas exports to Jordan remained stable at approximately 19.8 bcf annually, reflecting the country's commitment to fulfilling long-term contractual obligations, according to EGAS Annual Reports. However, the reduction in LNG export volumes limited Egypt's ability to supply the spot market, tightening availability, particularly in Europe, where demand remained elevated due to the ongoing impact of the Russia-Ukraine energy crisis, according to S&P Global.

LNG Exports in FY 2023/24

ELNG		DLNG	
45.16 bcf	12 Cargoes	15.04 bcf	4 Cargoes

Total	60.2 bcf	16 Cargoes

Energy Security

Egypt's natural gas serves as a cornerstone of the nation's energy security, underpinning its ability to meet domestic electricity demand amid periods of peak consumption. With approximately 60% of Egypt's natural gas reserves allocated to power generation, the country's energy stability remains substantially tied to the availability of natural gas resources, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

In the summer of 2023, electricity demand peaked at nearly 34.2 gigawatts (GW), putting a lot of pressure on the national power system. This situation became even more difficult in May 2024, when Egypt stopped exporting LNG due to a drop in its gas production. As a result, the government had taken decisive steps to find new sources of LNG to make sure there would be enough supply to cover rising domestic needs, especially during the summer months, according to S&P.

In May 2024, EGAS signed a lease agreement with the Norwegian company Höegh Evi to operate the Hoegh Galleon floating storage and regasification unit (FSRU) at Ain Sokhna Port. The Galleon unit was deployed to Egypt in July 2024 and is scheduled to remain in operation there through 2027. In May 2025, EGAS also signed a ten-year lease agreement with Höegh Evi to operate the Hogue Gandria vessel, which is set to replace the Hoegh Galleon at the Sumed Port in Ain Sokhna during the fourth quarter (Q4) of 2026.

To further strengthen import capacity, the MoPMR has contracted to operate two additional FSRUs, Energous Eskimo and Energous Power—to be connected to the Sumed and Sonker berths at Ain Sokhna, In addition to Energos Winter unit, to be linked to the United Gas Derivatives Company (UGDC) berth in Damietta. These additions are part of a broader national strategy focused on enhancing energy flexibility and securing supply during seasonal demand fluctuations.

As of mid-July 2025, three FSRUs are operational at Ain Sokhna (Sumed and Sonker terminals), with a combined regasification capacity of approximately 2,250 mmcf/d. These units operate with flexible injection levels that adjust dynamically in response to fluctuations in national grid demand throughout the day.

The current configuration is part of a diversified strategic plan that avoids overreliance on a single port or region. The regasification units operate adaptively, responding to seasonal shifts, and short-term changes in domestic demand.

In addition to the three existing FSRUs, two more units are scheduled to join the system: the Energos Winter FSRU, which will be stationed at Damietta to help meet domestic gas requirements, and Energy Force FSRU, which is expected to arrive at the Port of Aqaba, Jordan, in late July 2025. The Aqaba unit will be connected to the Arab Gas Pipeline (AGP), and although primarily designed as a strategic regional reserve, it will also serve as a backup in case of supply disruptions in Egypt or neighboring countries, according to Statement by the Undersecretary of the MoPMR and Official Spokesman for the Ministry.

According to MoPMR's official statement, Egypt's regasification capacity during the 2025 summer peak will reach 2,700 mmcf/d through four FSRUs. This includes the three operational units at Ain Sokhna—Hoegh Galleon, Energos Eskimo, and Energos Power—as well as the Energos Winter unit at Damietta, which is scheduled to commence operations soon. The Ministry also emphasized its close cooperation with Jordan in deploying the Energy Force FSRU at the Port of Aqaba, which will be connected to the AGP. This step provides an additional entry point for both nations' national gas networks, further enhancing flexibility and emergency responsiveness across the region, with a regasification capacity of up to 750 mmcf/d.

These enhancements aim to position Egypt not only as a reliable importer when needed but also as a regional energy balancing hub capable of responding swiftly to both domestic and cross-border energy challenges.

LNG Regasification Units to Operate in Egypt

Unit	Location	Capacity (mmcf/d)
Hoegh Gandria*	Ain Sokhna (Sumed Port)	1,000
Hoegh Galleon	Ain Sokhna (Sumed Port)	750
Energos Eskimo	Ain Sokhna (Sumed Port)	750
Energos Power	Ain Sokhna (Sonker Port)	750
Energos Winter	Damietta	450

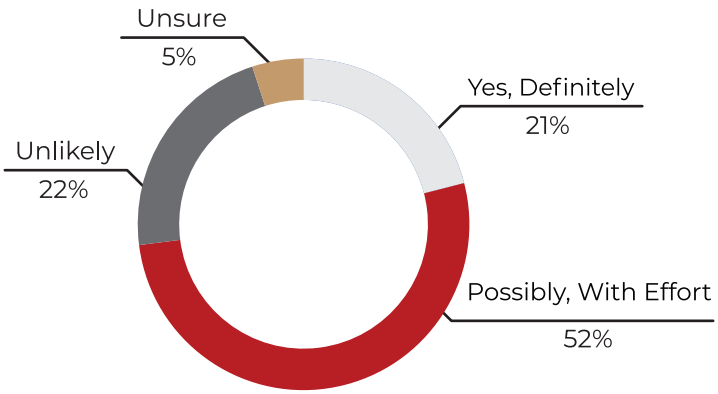
*Scheduled to replace Hoegh Galleon in Q4 2026

Egypt is also strengthening regional partnerships to secure more diverse natural gas sources. A key agreement signed with Cyprus in February 2025 allows gas from the Kronos and Aphrodite fields to be transported to Egypt's liquefaction plants, aiming to maximize the utilization of Egyptian infrastructure to facilitate the export of LNG to Jordan, according to the Eni press release.

Collectively, these measures exemplify a multifaceted strategy to address natural gas production declines, ensure grid reliability, and sustain Egypt's influence in the global LNG market. By integrating immediate import solutions, long-term infrastructure investments, and cross-border partnerships, Egypt aims to balance domestic priorities with its strategic role as a regional energy nexus.

The pie chart below shows opinions regarding Egypt's natural gas self-sufficiency.

Can Egypt Achieve Natural Gas Self-Sufficiency By 2026?



Spotting the Gap

Technical Gaps

Egypt's natural gas sector is facing several technical gaps that impede its ability to fully meet domestic demand and maximize export potential.

Despite considerable progress in expanding the national gas grid, persistent bottlenecks remain, particularly in integrating newly discovered offshore fields in the Mediterranean region.

Moreover, Egypt's exploration success rates highlight a significant technological gap. In FY 2023/24, only 50% of exploration wells led to commercial discoveries, pointing to the need for improved seismic imaging and enhanced recovery technologies. These gaps hinder the country's ability to maximize exploration success and access untapped reserves.

In parallel, the implementation of an Energy Management System (EMS) aimed at improving energy efficiency has also revealed a sector-wide gap in adoption. Despite modest annual gains of 2%-3.5%, these energy-saving practices have not been consistently applied across all affiliated companies, limiting the sector's overall energy efficiency improvements, according to the EGAS Annual Report FY 2023/24.

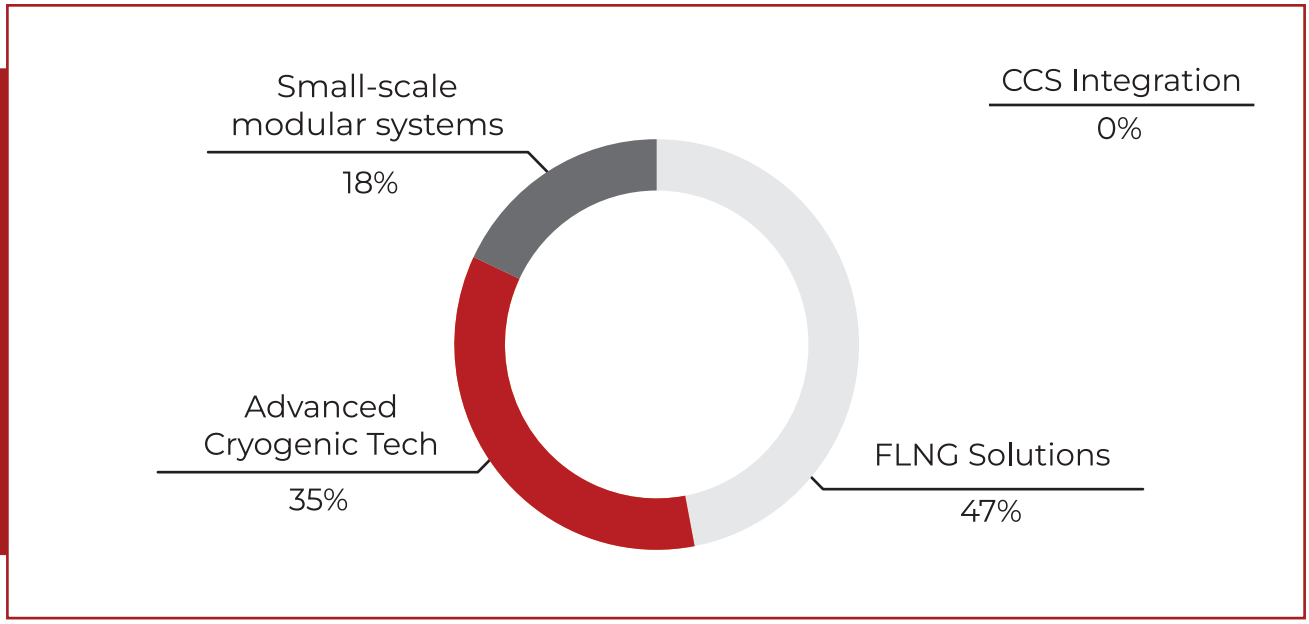
Regarding liquefaction technologies, Floating LNG (FLNG) technology offers a potential solution to offshore bottlenecks by allowing for gas liquefaction directly at sea. However, FLNG adoption in Egypt is still limited, with the technology currently in its trial phase.

Although Egypt is exploring leasing a German FLNG unit to increase production from the Zohr field, widespread deployment remains a gap in the country's LNG export strategy.

This technology could help enhance export capacity but has yet to be fully integrated into Egypt's infrastructure, according to S&P Global and PGJ Online News.

The pie chart below shows opinions regarding the liquefaction technology to improve Egypt's LNG infrastructure.

Which Liquefaction Technology Could Be Most Effectively Adapted To Improve Egypt's LNG Infrastructure?



Geopolitical Risks

Egypt's proximity to conflict zones in the Middle East raises security concerns regarding its gas infrastructure and export routes. Any disruptions to the Suez Canal or Mediterranean shipping lanes could delay gas shipments that Egypt imports for liquefaction and re-export, impacting cooperation with international partners.

These conditions also affect Egypt's natural gas imports from Israel. It exports approximately 30 million cubic meters per day (mmcm/d) to Egypt in 2024, equivalent to 10 shipments per month, according to S&P Global. Any disruption to its production or exports to Egypt would certainly negatively impact the local market.

Neighboring countries are also accelerating gas exploration and LNG projects, which could divert investments away from Egypt. In addition, Egypt's focus on self-sufficiency and political decisions to prioritize domestic consumption over exports negatively impact investor confidence.

Untapped Potential

Egypt's Mediterranean region continues to hold significant untapped natural gas potential. In the 2022 EGAS International Bid Round, four exploration blocks were awarded: South Nour, North Port Fouad, East Port Said, and North El-Khatatba.

Notably, the East Port Said block (EGY-MED-E8) was granted to a consortium comprising Eni (34%), BP (33%), and QatarEnergy (33%), with plans to drill 12 wells and a minimum investment of $281 million. The Western Desert region represents a striking paradox in Egypt's gas landscape.

While it accounts for 69% of recent discoveries (11 out of 16), it contributes minimally to LNG exports.

This underperformance is due to critical infrastructure gaps, particularly insufficient gas gathering networks and processing facilities needed to prepare gas for liquefaction.

Despite the region holding substantial reserves that could boost LNG feedstock supplies, these resources remain largely inaccessible due to logistical constraints, according to the EGAS Annual Report FY 2023/24.

Natural Gas Prices

Egypt has been striving to secure LNG shipments to meet growing domestic demand amid escalating global competition for this fuel.

Egypt issued tenders for 20 cargoes during the summer and through Q4 of 2024, according to S&P Global. During these periods, European gas and LNG prices rose, as sellers in the market refrained from submitting offers in these Egyptian tenders.

This led to a nearly 11% increase in LNG prices in northwest Europe, driven by reduced supply in the Atlantic Basin and increased international demand.

It is worth noting that Europe's increased reliance on LNG, following the shutdown of the Russia-Ukraine gas pipeline in January 2025, is expected to exert further upward pressure on global LNG prices, impacting Egypt's import costs.

Outlook and Strategic Recommendations

To ensure that the proposed solutions reflect practical insights and sector realities, there is a need for industry experts to engage through a targeted poll covering key opportunities in Egypt's natural gas sector.

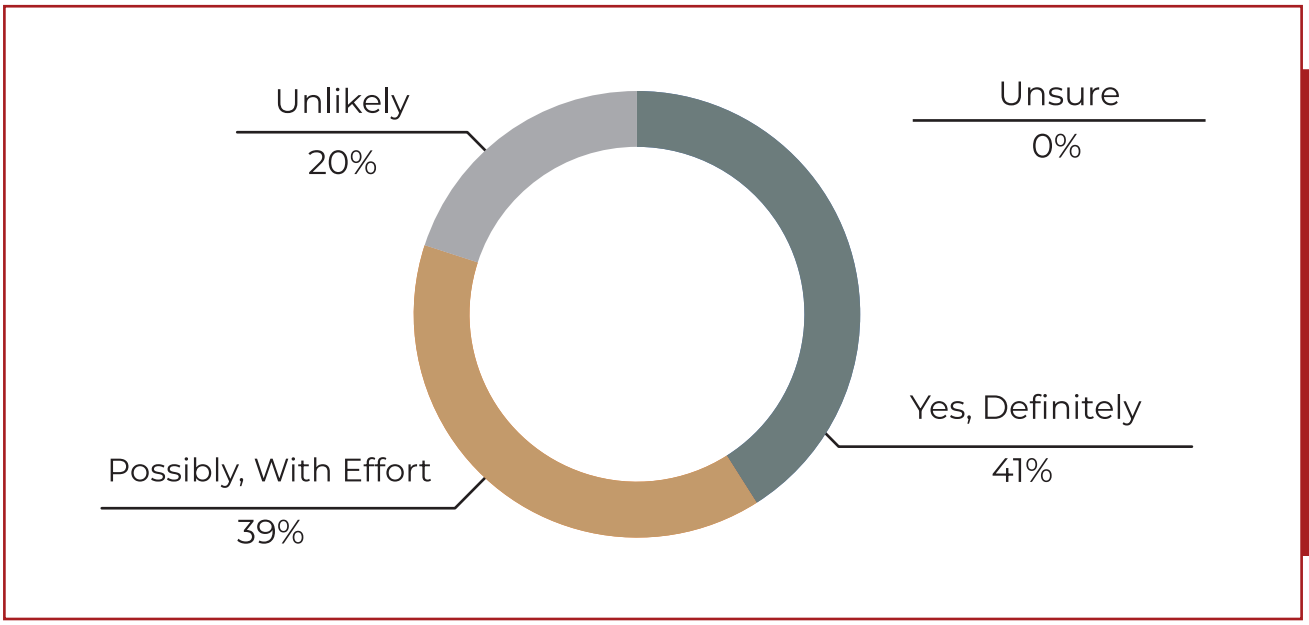
A significant share of respondents agreed that increasing the purchase price of newly produced natural gas would incentivize international oil companies (IOCs) to enhance production, though some emphasized the need for broader structural reforms to make such pricing effective.

There was also a strong support for allowing IOCs to export a portion of their new gas production as a mechanism to ease payment arrears; however, experts highlighted regulatory and fiscal constraints, particularly export taxes and capital account limitations, that could undermine this approach.

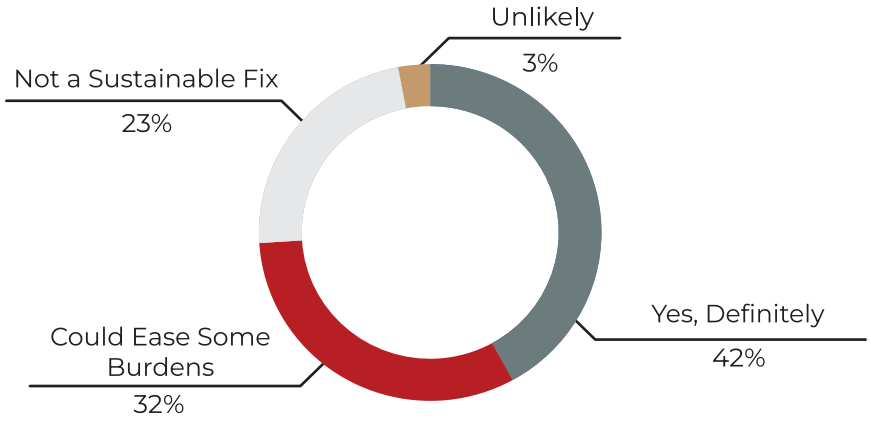
When asked about priorities to boost LNG production by 2030, most participants pointed to the strategic importance of Mediterranean deepwater exploration, while also stressing the role of fiscal improvements and incentives in attracting new investment.

On closing LNG infrastructure gaps, opinions reflected a need for Modular FLNG units and new storage terminals.

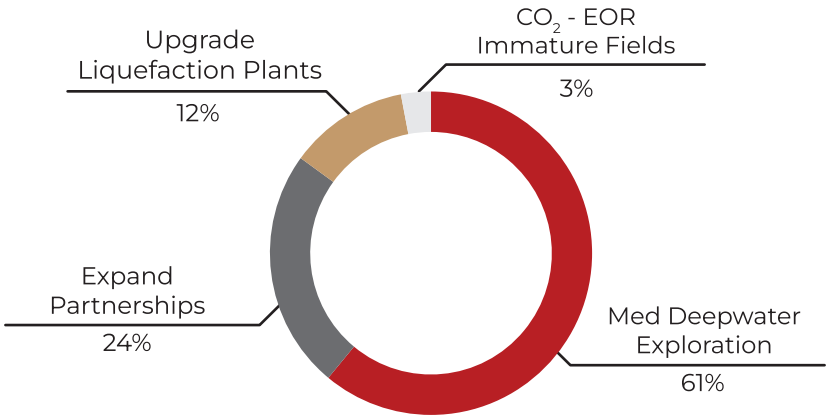
Do You Think Increasing The Purchase Price Of Newly Produced Natural Gas Will Incentivize IOCs To Boost Natural Gas Production In Egypt?



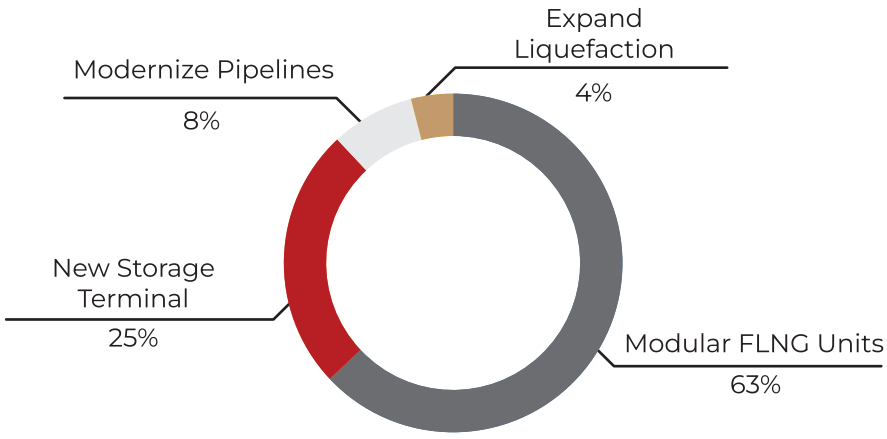
Can Allowing IOCs To Export Part Of Their New Gas Production Help Resolve Egypt's Arrears Due To Payment?



What Should Be Egypt's Top Priority To Boost LNG Production By 2030?



Which Solution Is Most Viable To Address Egypt's LNG Infrastructure Gaps?



Egypt's LNG market stands at a crossroads, balancing domestic energy security with regional export ambitions. While declining production and infrastructure gaps pose challenges, strategic investments in Mediterranean exploration, partnerships with Cyprus and Israel, and FSRU deployments offer pathways to stabilize supply.

The government's incentives for IOCs and price reforms are critical to reviving production. However, geopolitical risks and global price volatility demand flexible contracts and diversified sources. Looking ahead, Egypt has the opportunity to solidify its position as a regional gas hub.

Focusing on areas such as infrastructure development, the integration of new technologies, and the strengthening of long-term partnerships could be beneficial in navigating the competitive global LNG market and ensuring continued resilience.

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