# EGYPT'S CRUDE OIL EXPORTS OVER THE LAST FIVE YEARS: THE ENGINE OF EGYPT'S TRADE BALANCE

BY **AMINA HUSSEIN, REHAM GAMAL, TASNEEM MADI**




Egypt is one of the significant hydrocarbon producers in the African continent. Thanks to its geographical position and infrastructure, the country acts as a leading transit route for oil shipped from the Persian Gulf to Europe and to the United States of America (USA).

In general, the Egyptian petroleum sector is one of the main contributors in the national economy, with exports contributing the lion's share to Egypt's trade balance.

From fiscal year (FY) 2013/14 to FY 2017/18, crude oil exports significantly contributed to the petroleum exports. It recorded $25,875 million, representing about 61% of the petroleum exports.

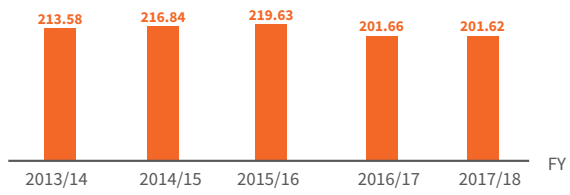
## CRUDE OIL PRODUCTION

Egypt is one of the promising crude oil exporters. It is ranked as the eighth oil producer among other Organization of Arab Petroleum Exporting Countries (OAPEC) between the years of 2010 and 2016. One of Egypt's main challenges is to compensate the increasing domestic oil demand amid falling production. The first crude oil discovery in 1868 in Gemsa led to a series of discoveries after that. From the time of the Gemsa discovery, 23 fields in this region were discovered; producing 270 thousand tons (mt).

More than half of Egypt's crude oil production comes from the Western Desert and the remainder comes from the Gulf of Suez, the Eastern Desert, Sinai, the Mediterranean Sea, the Nile Delta, and Upper Egypt, according to the Egyptian General Petroleum Corporation (EGPC). The Western Desert in particular has been the country's key oil-producing area since 2000. On the other hand, the Gulf of Suez has been providing crude oil production in Egypt since the 1960s; however, most of its fields are now mature.

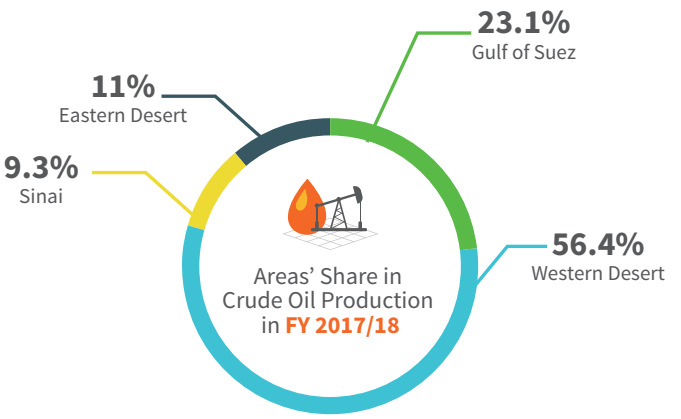
Over the period from FY 2013/14 to FY 2015/16, crude oil production witnessed an increasing trend, where the production increased from 213.58 million barrel (mb) reaching 219.63 mb. A severe decrease in the production then took place in FY 2016/17 by 8%, recording 201.66 mb, followed by another slight decrease in FY 2017/18. The decline in the production was due to a group of factors: the decrease of atmospheric pressure, the increase of sand movement, and the increase of water produced from wells. During the past five years crude oil production reached its peak in FY 2015/16 hitting 219.63 mb, while declining to reach its lowest in FY 2017/18 where it recorded around 201.62 mb, as per EGPC's figures.

**Crude oil Production in FY2013/14- FY 2017/18 (mb)**





Desert which produced 22.1 mb and finally Sinai that contributed with only 18.7 mb, according to EGPC.




Egypt has maintained a sustained level of exploration activity, several crude oil and natural gas discoveries have been taking place each year. Since the 1990s, the Egyptian government has taken several initiatives to increase exploration and production (E&P) activities by international oil companies (IOCs). Hence, these activities will increase the crude oil production. For instance, Egypt has signed about 83 crude oil and natural gas exploration deals with IOCs between November 2013 and December 2017, at a cost of $ 15.5 billion, according to the Ministry of Petroleum and Mineral Resources (MoP). Moreover, Egypt achieved about 150 new crude oil and natural gas discoveries between FY 2013/14 and FY 2015/16, including 99 crude oil discoveries, according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

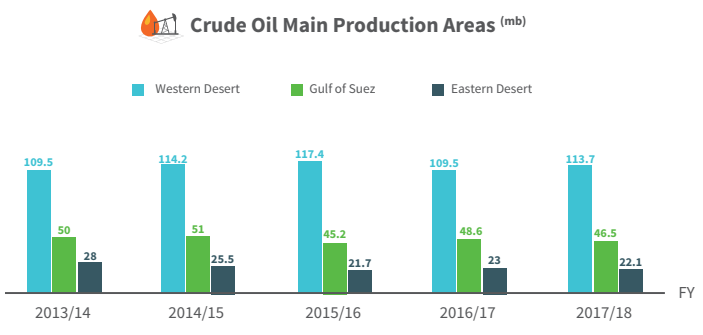


**83** oil and gas exploration deals were signed between **November 2013** and **December 2017**, at a cost of **$15.5 billion**



From **FY 2013/14 - FY 2015/16**, **150** new crude oil and gas discoveries took place including **99** crude oil discoveries

Over the comparison period, the Western Desert, the Gulf of Suez and the Eastern Desert represented the largest production areas of crude oil, respectively. The Western Desert added the highest production level of crude oil in FY 2015/16 at an amount of 117.4 mb. The Gulf of Suez reached its highest level of production at 51 mb in FY 2014/15. Finally, the Eastern Desert contributed by its highest production of crude oil in FY 2013/14 with 28 mb, according to EGPC figures.



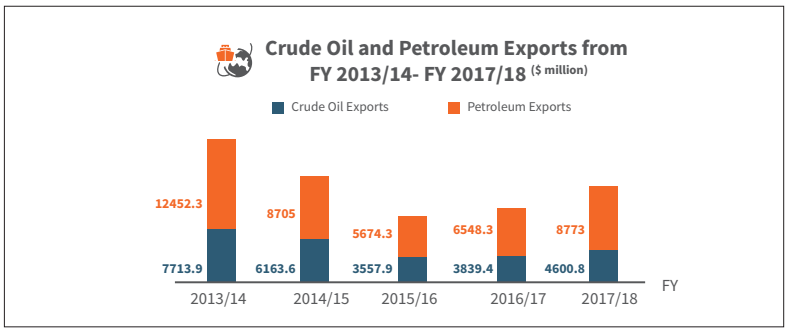

In FY 2017/18, Egypt's production of crude oil recorded a total of 201.62 mb with a monthly average of 16.8 mb. It is worth noting that the Western Desert added a significant amount of 113.7 mb of crude oil representing 56.4% of the total production. The Gulf of Suez came next adding 46.5 mb followed by the Eastern

As an overall, the MoP achieved around 800 new crude oil and natural gas discoveries starting from FY 2001/02 - FY 2015/16. During 2018 , 51 crude oil discoveries were announced, of which, 43 were in the Western Desert, two in the Gulf of Suez and the rest six discoveries in the Eastern Desert.

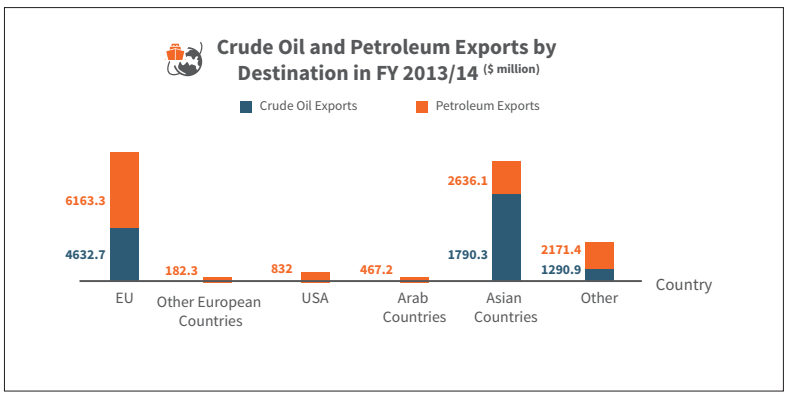
## CRUDE OIL EXPORTS

Over the period from FY 2013/14- FY 2017/18, the Egyptian production of crude oil witnessed a decreasing trend. Crude Oil exports witnessed a decreasing trend as well from FY 2013/14 to FY 2015/16, however, it was followed by an increasing trend starting from FY 2016/17, affected by the surge in world prices of crude oil and petroleum products in addition to the increase in the exported quantities of petroleum products.

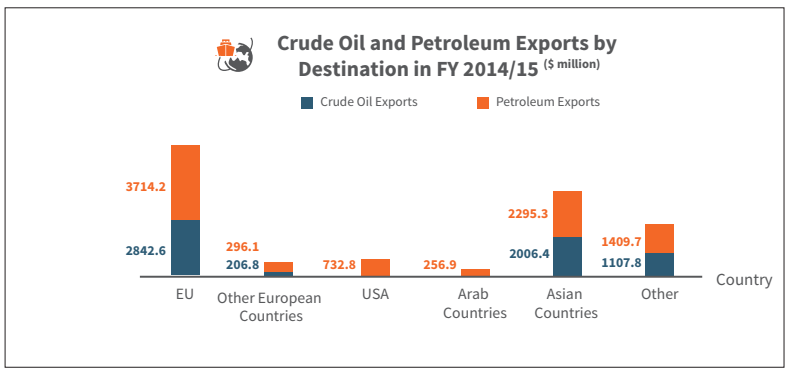
Despite having the highest production level of crude oil in FY 2015/16, yet, the exports spotted its highest level in FY 2013/14 as explained by the Central Bank of Egypt (CBE).



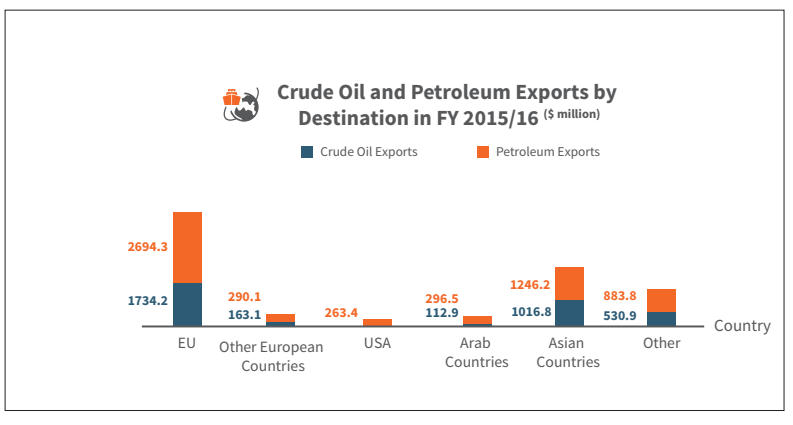

In FY 2013/14, crude oil exports recorded $7713.9 million. The European Union (EU) was the largest crude oil importer with a share of 60% of Egypt's total crude oil exported. Asian Countries then came in the second place representing about 23%. It is worth noting that crude oil exports as a share of petroleum exports accounted for 61.9%. Besides, the petroleum exports as a share of Egypt's total exports represented 47.7%, according to CBE.



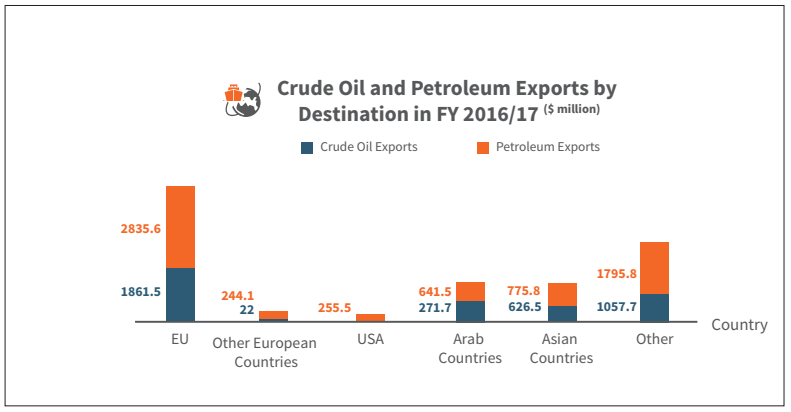

In FY 2014/15, crude oil exports decreased by 20% reaching $6163.6 million. The EU imported the largest portion of crude oil with 46%, followed by Asian Countries with about 33%. The crude oil exports as a share of petroleum exports slightly increased to represent 70.8%. Moreover, the petroleum exports as a share of total exports of Egypt significantly decreased accounting for 39.5%, according to CBE.



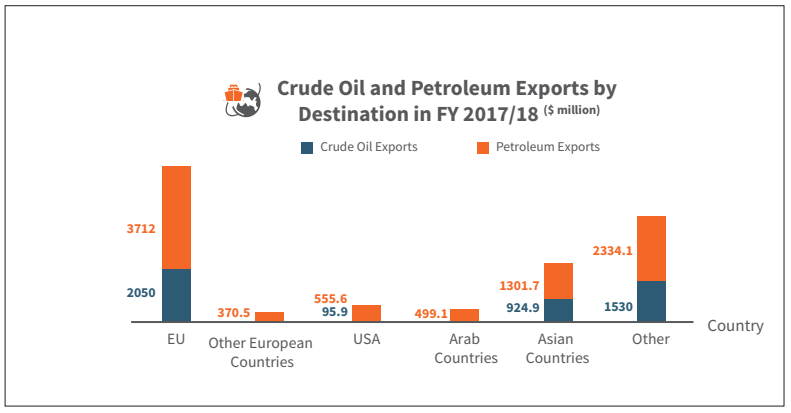

In FY 2015/16, crude oil exports witnessed a significant decrease at a rate of 42%, dropping from $ 6163.6 million to reach $ 3557.9 million. For the third consecutive year, the EU got the largest share of the Egyptian crude oil exports representing 49% and again followed by Asian Countries with a 29% share. The crude oil exports as a share of petroleum exports decreased standing for 62.7%. Furthermore, the petroleum exports as a share of total exports of Egypt witnessed a further decrease to represent 30.3%.




Crude oil exports began to increase by 8% reaching $ 3839.4 million in FY 2016/17. The EU continued to be at the first place of importing Egyptian crude oil with a share of 48% of total crude oil exported. It is worth noting that the crude oil exports as a share of petroleum exports continued decreasing to represent about 58.6%. Moreover, the petroleum exports as a share of total exports of Egypt witnessed almost no change from the year before, explained by CBE.




In FY 2017/18, crude oil exports resumed rising to reach $ 4600.8 million, at an increasing rate of 20%. The EU got 45% of the total crude oil exported by Egypt, almost the half crude oil exported. The crude oil exports as a share of petroleum exports witnessed a further decline reaching 52.4%. Further, the petroleum exports as a share of total exports of Egypt marked a slight increase to reach about 34% this year, according to CBE.




It is worth mentioning that the EU was the major crude oil importer from Egypt over the past five years. This can be explained by the EU –Egypt Association agreement that has been in force since 2004. The agreement established a free-trade area, between the two parties, with the elimination of tariffs on the industrial products. Hence, the EU became a pioneer trading partner. On the other hand, USA has not been importing crude oil since FY 2013/14. in May 2017, in the light of Trade and Investment Framework Agreement (TIFA), the two parties aimed to further expand their trade by opening markets and enforcing trade rules. Accordingly, during FY 2017/18; USA imported Egyptian crude oil at a cost of $95.9 million, stated by CBE.

On average, the Egyptian petroleum sector produces around 210.7 mb of crude oil, correspondingly, it exports crude oil amounts equivalent to $8430.6 million. In order to convert Egypt into a regional energy hub, the ministry is making several efforts to increase the production as a mean to enhance its position as an exporting country. As part of these efforts, the government reduced the arrears to IOCs to $ 1.2 billion in 2018 and started working on a new agreements model to encourage upstream investments. Moreover, the ministry started to expand the exploration and production activities in new territorial regions through launching a bid round in the Red Sea.