

From Emergency Imports to Strategic Resilience

Egypt's Energy Shift

August 2026



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Egypt's energy import strategy is entering a new phase in which energy security depends not only on securing fuel volumes, but also on managing procurement timing, price exposure, and financial settlement under market stress. Rising summer electricity demand, renewed pressure on natural gas imports, regional supply disruptions, and volatile fuel markets have turned energy procurement into a broader risk-management challenge affecting power supply, industrial activity, public finances, and foreign-currency liquidity.

Consequently, procurement timing has become a central pillar of Egypt's energy security strategy. A cargo secured at the wrong point in the price cycle, settled during foreign-exchange pressure, or linked to an unfavorable benchmark can still create fiscal stress even if it supports physical supply. As a result, import risk can no longer be assessed solely by volumes, but by the interaction among procurement timing, payment terms, fuel flexibility, and budget assumptions.

Against this backdrop, Egypt is increasingly relying on several protection layers, including flexible liquefied natural gas (LNG) procurement, expanded Floating Storage and Regasification Unit (FSRU) capacity, petroleum-product readiness, trade-finance arrangements, and hedging tools.

These measures strengthen short-term resilience, but they also create trade-offs between supply continuity, import affordability, and fiscal exposure.

This report assesses Egypt's energy import risk management strategy through three dimensions: procurement timing, hedging, and domestic supply recovery. It also examines how associated gas utilization, renewables, and battery storage can reduce future import dependence. Together, these measures can strengthen energy security while limiting pressure on the budget, exchange rate, and wider economy.

Why Timing Matters?

Seasonal Demand Peaks

Egypt's energy imports are highly sensitive to seasonal demand. As electricity consumption rises by 15–20% during the summer months, fuel requirements for power generation increase significantly, making procurement timing of natural gas and mazut (fuel oil) critical to maintaining grid stability, according to the Egyptian Cabinet.

Electricity Peak Load in Summer of 2025



40,500 MW

Source: The Egyptian Cabinet

Power Sector Fuel Requirements

Egypt's power sector relies heavily on fossil fuels (including natural gas and heavy fuel oil), which account for over 85.9% of the total electricity generation mix in 2025, with natural gas being the dominant source at approximately 76.1%, according to the Energy Institute (EI).

When the natural gas supply is disrupted, Egypt's power sector relies on mazut as a strategic backup fuel to sustain electricity generation.

To preserve grid stability during supply shortages, the government has prioritized natural gas allocation to the power sector by temporarily curtailing supplies to selected industrial users, maximizing mazut consumption at power plants, and operating some generating units on diesel where technically feasible, reducing the risk of electricity load shedding, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

Geopolitical Risk, Supply Disruptions, and Market Volatility

Egypt's energy import bill remains vulnerable to geopolitical risks beyond its direct control, particularly regional conflicts and disruptions to critical energy corridors. This vulnerability became evident during the 2025–2026 escalation involving the US-Israel alliance and Iran.

When Israel suspended natural gas exports to Egypt from the Tamar and Leviathan fields, the disruption had an immediate and material impact. The pipeline gas imports declined from around 2.6 billion cubic meters (bcm) in the first quarter (Q1) 2025 to 1.7 bcm in Q1 2026.

The decline was further compounded by temporary disruptions to Israeli gas supplies, including the suspension of exports to Egypt in February 2026, according to Enterprise and S&P Global.

Beyond reducing supply volumes, the disruption significantly increased import costs. Egypt's monthly natural gas import bill surged by 195%, rising from ~\$560 million before the US-Iran war in June 2025 to \$1.65 billion for the same import volume as of March 2026. As a result, the country's overall energy import bill increased to 2–2.5 times its pre-conflict level, according to the Egyptian Cabinet.

Conflict Impact on Energy Import Costs*



Indicator	Before the Conflict	During the Conflict	Impact
Brent Crude Oil Price (\$/bbl)	69	108.5	57%
Diesel Price (\$/t)	665	1,604	141%
Butane Price (\$/t)	510	720	41%

*As of March 2026

Source: The Egyptian Cabinet

Egypt's Procurement Strategy

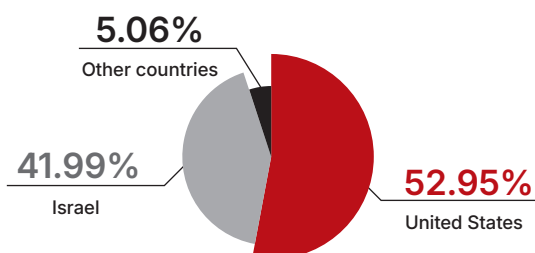
Egypt is now purchasing resilience in layers: inventory for the first disruption, contracts for replacement volumes, FSRUs for import access, and trade finance for settlement. This is more robust than reliance on emergency tenders alone, but it also means that the system can be physically prepared while remaining financially exposed.

LNG Import Flexibility

Egypt has strengthened its near-term LNG supply security by combining a large procurement program with more flexible contractual terms. The Egyptian Natural Gas Holding Company's (EGAS) 2025–2026 program covers approximately 235 purchased, contracted, or planned cargoes, supported by deferral rights, optional volumes, and nine-month payment periods. These arrangements allow delivery and settlement schedules to be adjusted as seasonal demand changes.

Egypt's LNG import profile changed sharply in 2025 after remaining relatively stable during the previous two years. LNG imports declined from approximately 6.27 million metric tons (mmt), worth \$2.34 billion, in 2023 to 5.4 mmt, worth \$2.25 billion, in 2024. However, import volumes more than tripled to 16.4 mmt in 2025, while their value rose to \$8.89 billion, representing year-on-year increases of approximately 203.7% and 294.6%, respectively, according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

Egypt's LNG Imports by Country in 2025



Source: CAPMAS

The effectiveness of Egypt's procurement strategy should therefore be assessed through the interaction between these layers, not by cargo or capacity announcements in isolation, according to the Egyptian Cabinet, the International Gas Union (IGU) and the Ministry of Planning and Economic Development.

LNG supplier structure shifted significantly between 2022 and 2025, reflecting a gradual diversification of import sources. In 2022, Israel was the sole LNG supplier, accounting for 100% of Egypt's imports. Its share declined to 91.1% in 2023, before falling further to 73.8% in 2024, when the United States and Spain also entered the market.

Following heightened geopolitical tensions in the Middle East, the supplier mix changed markedly in 2025, with the United States becoming Egypt's largest LNG supplier, accounting for 51% of import quantities, followed by Israel, Senegal, and Trinidad and Tobago. This marked a notable expansion in Egypt's supplier base, reducing its reliance on a single source and strengthening the geographic diversification of LNG imports, according to CAPMAS.

Egypt has supported this procurement strategy by expanding the receiving and regasification options available to imported LNG. Multiple FSRUs allow cargoes to be redirected if a terminal becomes unavailable or an operational disruption affects one entry point, reducing infrastructure-related supply risk. This capacity, however, only ensures that LNG can be received and injected into the domestic network; it does not guarantee cargo availability or the foreign currency required to pay suppliers.

The immediate bottleneck is therefore shifting from physical access to Egypt's ability to secure cargoes at manageable prices, schedule dollar payments, and align deliveries with domestic demand, according to the IGU and S&P Global.

Petroleum Products Supply Readiness

Egypt's petroleum-products supply readiness remains constrained by the availability of crude feedstock. Egypt has the largest nominal refining capacity in Africa, estimated at around 840,000 barrels per day (bbl/d), which is nearly double the local crude oil production, equivalent to an average of around 451,000 bbl/d.

The wide gap between domestic crude output and nominal refining capacity means that maximizing refinery utilization requires sufficient imported or locally produced feedstock.

Maintaining adequate petroleum-product supplies therefore depends not only on available refining capacity, but also on securing crude volumes, sustaining refinery availability, optimizing product yields, and ensuring efficient transportation and distribution across consumption centers, according to the MoPMR, EGPC, and the International Trade Administration (ITA).

Supply readiness is expected to improve further from August 2026, when the Cairo Oil Refining Company (CORC)'s gasoline complex is scheduled to add around 2,000 tons per day (t/d) of gasoline production, potentially reducing imports by approximately \$70 million per month, according to the MoPMR.

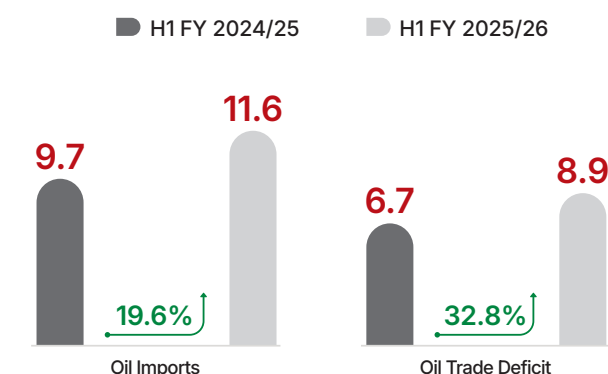
Price Risk Management and Hedging

Egypt can secure every planned cargo and still miss its budget. Physical contracts reduce delivery uncertainty, while the final cost remains exposed to the benchmark, product spread, freight, and exchange rate. Hedging must therefore be designed against the source of budget variance rather than treated as an extension of procurement.

Budget Exposure and Import-Cost Uncertainty

Egypt's net petroleum position makes international price increases fiscally adverse even though they can support export receipts. Full-year oil imports increased from \$13.4 billion in FY 2023/24 to \$19.5 billion in FY 2024/25, up 45.5%. This pressure continued in the first half (H1) of FY 2025/26, when the oil-trade deficit widened by approximately one-third as imports rose and exports declined, meaning the additional import cost outweighed the benefit on the export side. The result is greater structural demand for foreign currency before any subsidy or exchange-rate effect is added, according to the Central Bank of Egypt (CBE).

First-Half Oil Trade Performance (\$ billion)



Source: CBE

The FY 2026/27 budget remains highly exposed to the combined effect of higher import volumes, commodity-price volatility, and exchange-rate depreciation. Although it assumes oil at \$75/bbl and an exchange rate of EGP 47 per dollar, the March 2026 shock pushed the dollar above EGP 52 and could raise Egypt's energy-import bill by an additional \$1–2.4 billion if disruptions persist.

Hedging can reduce exposure to benchmark-price movements, but it cannot fully offset the impact of larger import requirements or a weaker currency.

At the same time, the planned 20% decline in combined energy subsidies to EGP 120 billion leaves less fiscal space to absorb such shocks. Petroleum-product support is set to fall by 78.9% to EGP 15.84 billion, while electricity support rises by 38.9% to EGP 104.16 billion, increasing the likelihood that any cost overrun would be reflected in higher domestic fuel prices, additional EGPC financing, or a wider budget deficit, according to the Ministry of Finance (MoF), Ahram Online, and Reuters.

Crude Oil, Petroleum Products, and LNG Hedging Instruments

Petroleum-product requirements are reportedly hedged, while natural gas remained outside the program during the March 2026 shock. Meanwhile, a summer heat wave and peak electricity demand prompted EGPC to secure additional LNG cargoes for August delivery, underscoring that LNG imports continue to drive a significant share of Egypt's rising energy import bill despite the existing hedging framework, according to Ahram Online, citing the MoF, Reuters, Enterprise, and Bloomberg.

For crude oil and petroleum products, options, swaps, and fixed-price contracts can limit budget exposure while preserving varying degrees of flexibility.

LNG requires separate instruments because its contracts may be linked to TTF, oil prices, or capped formulas, meaning an oil hedge alone cannot cover a European gas-price shock.

Egypt's strongest approach is therefore a layered portfolio in which stocks absorb short disruptions, flexible contracts secure replacement volumes, regasification capacity preserves supply access, and matched hedges cap benchmark-price exposure, according to the World Bank, the IGU, CME Group, the Intercontinental Exchange (ICE) and Reuters.

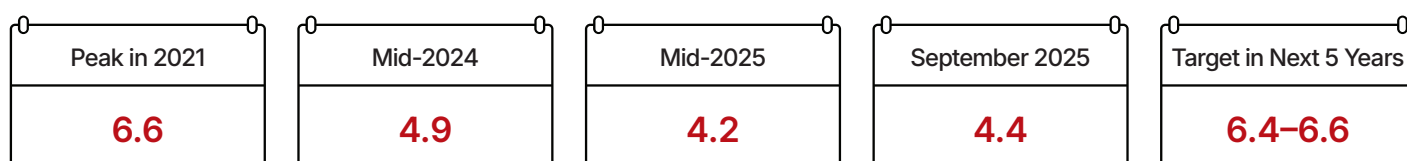
Building Long-Term Energy Resilience

Egypt is reinforcing its long-term energy resilience by rebuilding domestic supply and reducing structural dependence on imported fuels. The strategy is centered on restoring hydrocarbon production, expanding associated gas utilization, and accelerating renewable energy and battery storage deployment.

Domestic Hydrocarbon Recovery

Crude oil and condensate production has stabilized at around 513,000 bbl/d in 2025, after reaching ~600,000 bbl/d in 2020. Meanwhile, natural gas production is entering a recovery phase, supported by improving investment conditions and the full settlement of outstanding financial obligations to international oil companies (IOCs) by June 2026, according to the MoPMR and EGPC.

Natural Gas Production Recovery Trend (bcf/d)



Source: EGPC

The recovery is expected to gain further momentum in 2026. Fitch Solutions forecasts an 8% year-on-year (YoY) increase in natural gas production, with annual output reaching 46.6 bcm (~4.51 bcf/d), according to the Egyptian Cabinet.

This improvement is underpinned by new production coming online across the Mediterranean, the Western Desert, and the Nile Delta. At the same time, continued drilling activity has expanded proven reserves across existing concessions, reinforcing expectations of sustained production growth as exploration and field development accelerate.

Natural Gas Key Reserves Added in 2026

Discovery	Denise W-1	Bustan South-1X	West Mina Field - Phase I	Badr-15
Added Production	70 mmcf/d	10 mmcf/d	45 mmcf/d	15 mmcf/d 500 bbl/d
Added Reserves	2 tcf 130 mmbbl	10-25 bcf	245 bcf 5 mmbbl	15 bcf

Source: MoPMR

Associated Gas Utilization

Beyond reducing emissions, associated gas utilization is becoming an increasingly important source of incremental domestic gas supply. By capturing gas that would otherwise be flared, Egypt is recovering additional hydrocarbons for processing, power generation, and industrial use, improving resource efficiency while reducing the need for higher-cost imported fuels. This strategy complements the recovery in upstream production by increasing the volume of marketable gas available to the domestic energy system without requiring new field discoveries.

Gas Flaring in 2025



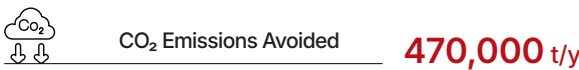
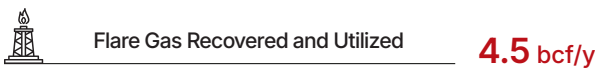
Source: Energy Institution

Egypt has accelerated this strategy by expanding gas gathering and processing infrastructure, commercializing associated gas, and deploying advanced production technologies.

As a result, gas flaring remained low in 2025 at approximately 2.5% of total natural gas production, while the volume flared declined by 1.5% YoY, reflecting continued improvements in gas recovery, utilization, and upstream operational efficiency, according to the Energy Institute.

EGPC expanded flare gas utilization initiatives across its affiliated companies during FY 2024/25, recovering associated gas that would otherwise have been lost through routine flaring. The captured gas was converted into value-added petroleum products, increasing resource utilization, supporting domestic fuel availability, and reducing greenhouse gas emissions simultaneously, according to the MoPMR.

EGPC Flare Gas Utilization Results in FY 2024/25



Source: MoPMR

Upstream operators are increasingly translating this resource recovery strategy into operational investments that strengthen both energy security and environmental performance. By recovering associated gas, reducing diesel consumption, and expanding electrification.

The General Petroleum Company (GPC) commissioned a 1.5 MW flare gas power generation plant in Abu Sennan, with plans for future capacity expansion, alongside broader electrification initiatives, including the Ras Gharib grid connection, which saves around 730 million cubic feet (mmcf) of natural gas, and the Ash El-Mallaha flare gas utilization project, which

replaces diesel-based power generation, saving 108,000 liters of diesel, according to the MoPMR.

Pharaonic Petroleum Company (PhPC) continues to advance flare gas recovery, capturing approximately 200 mmcf/y of gas, while supporting its FY 2025/26 target to reduce emissions by 23,000 tons. Meanwhile, Belayim Petroleum Company (PETROBEL) is expanding centralized electrification through the Menace MU project, which is expected to save 19,000 tons per year (t/y) of diesel and generate around \$15 million in annual savings, according to the MoPMR.

Renewables and Battery Storage Integration

Egypt’s expansion of solar, wind, and battery storage capacity is emerging as a structural lever against import exposure, because every megawatt of renewable generation added to the grid displaces gas that would otherwise need to be burned and, given the trajectory of domestic gas production, increasingly imported to meet the same load, according to the Egyptian Cabinet.

Renewable Capacity and Battery Storage Roadmap

■ Total Renewable Capacity (GW)		■ Battery Storage (GWh)			
Mid-2026	End-2026	2027*	2028*	2029*	
9.52	11.22	16.8	27.71	30.71	
0.5	1.22	11.82	14.32	-	

*Target

Source: The Egyptian Cabinet

Battery energy storage is becoming a key enabler of Egypt’s renewable energy transition by reducing dependence on gas-fired power plants for grid stability and peak demand.

Historically, natural gas plants balanced intermittent solar and wind generation, especially during evening demand peaks. Egypt commissioned its first standalone 300 MWh battery storage facility in Aswan in 2025. Consequently, the government plans to add 720 MW of battery capacity by the end of 2026, according to AMEA Power and the Egyptian Cabinet.

Battery Energy Storage Project Pipeline

Date	September 2024	January 2026		2026 (Golden License)	2026
Project	Obelisk Solar	Energy Valley Solar, Minya	TEDA's BESS	Benban BESS	Zafarana BESS
Battery Storage Capacity	200 MWh	3.9 GWh	10 GWh	600 MWh	500 MWh

Source: The Egyptian Cabinet & Scatec

Egypt’s energy security strategy reflects a system in transition, combining near-term procurement flexibility with a strengthening long-term supply base. Diversified contracting, expanding regasification capacity, and structured trade finance have improved the country’s ability to secure volumes under varying market conditions, while a recovering domestic production base and accelerating renewable and battery storage deployment are gradually reducing reliance on imports over time. Hedging instruments add a further layer of protection, tempering exposure to benchmark and currency movements even as coverage continues to evolve alongside the composition of the import mix. Taken together, these measures indicate a deliberate, multi-pronged approach: physical readiness through stocks and infrastructure, contractual flexibility through diversified sourcing, and financial protection through targeted hedging. As domestic supply expands and renewable capacity scales further, Egypt is well positioned to shift the balance of its energy strategy from managing import exposure toward reinforcing self-sufficiency, provided procurement, hedging, and fiscal planning continue to advance in coordination.

