EGYPT OIL&GAS
RESEARCH & ANALYSIS



Gas Pricing in Egypt

Analyzing Market Forces and Regulatory Frameworks

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The Egyptian natural gas market serves as a fundamental component of the country's energy sector, experiencing ongoing development aimed at becoming a cohesive and effective model that fosters economic growth and supports sustainable development efforts.

This market holds significant potential due to its abundant natural gas reserves and its advanced infrastructure, which encompasses the national natural gas network as well as production, transportation, and distribution facilities.

As one of the leading natural gas producers in Africa, Egypt's pricing strategies not only influence its domestic economy but also have implications for regional energy markets.

The recent discoveries of major gas reserves in the Mediterranean, combined with the government's push for energy reform, have set the stage for a comprehensive reevaluation of gas pricing mechanisms.

This report will examine the organizational structure of the Egyptian natural gas market, current laws and regulations governing the natural gas market in Egypt, how the price adjustments are taking place, and the development of prices. Moreover, it assesses the effect of global natural gas prices on local exports and imports.

Local Natural Gas Market Dynamics

Market Highlights

Production Level*

*Announced in July 2024

5.7 bcf/d

Local Annual Consumption in FY 2023/24*

*Announced in October 2024

2.2 tcf

Laws & Regulations

The Egyptian natural gas market is primarily a regulated market, where the gas pricing equations are nationally set. The regulatory framework governing natural gas in Egypt is predominantly shaped by the Gas Market Law No. 196 of 2017, along with its respective amendments and ministerial directives. The law serves as the foundation of the legal system, outlining the engagement terms, rights, and obligations of all stakeholders involved in the natural gas sector.

Gas Market Activities Regulation Law

In August 2017, the Egyptian state issued law number 196 for the year 2017 as the milestone of liberalizing the downstream and midstream segments of the gas market in Egypt. The new gas law was issued to start a new stage of developing the gas market by allowing the private sector to sell gas in the domestic market and encouraging new investment opportunities in the activities of gas shipping, transmission, distribution, storage, supply, marketing, trading, and liquified natural gas (LNG) pursuits.

The law offered many opportunities for the private sector; the most important one is allowing third-party access on a nondiscriminatory basis to the gas facilities. It mentioned in an article the foundation of the Gas Regulatory Authority (GasReg). Another article stated that GasReg shall exercise all powers necessary to achieve its objectives, including, without limitation, setting development and business plans, work programs, and management rules and techniques that will enable GasReg to perform its functions. The executive regulations of the law were issued in February 2018.

GasReg Role in the Market

GasReg monitors the functioning of the gas market, encouraging new investments, regulating the gas market activities, introducing competition amongst potential market players by allowing Third Party Access to gas networks and availed facilities under a fair and non-discriminatory basis, along with increasing the quality of services provided and protecting the consumers' rights. GasReg exercises all powers needed to achieve those objectives, acting independently in a fair, transparent, neutral, and non-discriminatory manner.

The main roles of GasReg

GASREG
Gas Regulatory Authority
جهاز تنظيم أنشطة سوق الغاز

- Monitoring the performance of all Gas market players
- Granting Licenses
- Setting the methodologies for the calculation of tariffs against the access of gas networks and facilities
- Approving codes for using gas networks and facilities
- Handling of complaints that may arise between the market players

Periodical Prices Adjustments

The natural gas pricing formulas vary based on the prevailing economic conditions. The government conducts regular reviews of gas prices for different industrial sectors, ensuring alignment with the economic, environmental, political, and social factors present in the local market, as stipulated by the regulations governing gas market activities. It is required that these prices are examined every six months, taking into account global pricing trends and shifts in economic and social contexts, overseen by the appropriate ministerial committee, according to GasReg.

Gas Prices Updates in Egypt

The evolution of gas prices in Egypt has been marked by a series of strategic decisions aimed at managing the country's energy resources more efficiently. These decisions impact various sectors, including the fertilizer, iron and steel, cement, and electricity generation industries, as well as households and transportation. The changes in gas prices are a reflection of global economic trends, domestic energy policies, and efforts to balance supply and demand within Egypt's energy market.

Current Prices

Industry — Currency/MMBTU

- Cement: $12
- Electricity Generation: $4
- Iron & Steel: $5.75
- Nitrogenous Fertilizers: $4.5 (As a minimum)
- Non-nitrogenous Fertilizers: $5.75
- Other activities: $4.75
- Brick kilns: EGP 170

Household & Commercial Consumption (EGP/m³)

1st Tier	2nd Tier	3rd Tier
3	4	5

Natural Gas for Vehicles: 7 EGP/m³

Municipal Bakeries: 14.1 piasters/m

Gas Cylinders

- 150 EGP for 12.5 kg
- 200 EGP for 25 kg

Fertilizer & Chemical Industries

In 2022, a new formula was issued for calculating the price of natural gas supplied to nitrogenous fertilizer plants. According to this formula, the price is determined based on the average local and export prices of urea, with a minimum price set at $4.5 per million British thermal units (BTUs). For non-nitrogenous fertilizer plants, the price was set at $5.75 per million BTUs.

Electricity Generation Gas Supplies

1. March 2023: A new decision was issued to increase the price of natural gas supplied for electricity generation to companies affiliated with the Ministry of Electricity and Renewable Energy (MoEE) at $3 per million BTUs.

2. December 2024: A new decision raised the price of natural gas supplied for electricity generation by about 33% to $4 per million BTUs for companies affiliated with the MoEE and other companies.

Another decision modifies the payment method for natural gas consumed by projects in free zones and economic zones. Effective December 1, the payment for gas used in these activities will be conducted in United States dollars. Otherwise, the value of natural gas will be calculated in the equivalent of Egyptian pounds based on the average exchange rate of the dollar as officially announced by the Central Bank of Egypt (CBE) during the month preceding the consumption period.

Brick Kilns

September 2024: A new decision announced an increase in the price of natural gas supplied to brick factories by about 55% to 170 EGP per million BTUs, up from 110 EGP. The price of liquefied gas was also raised to 12,000 EGP per ton. As a result, red brick factories increased their product prices by approximately 25%.

Households & Commercial Activities Equivalent to Household Use

September 2024: The government announced an increase in natural gas prices for households and commercial activities. The consumption brackets were adjusted as follows:

- First bracket (0 to 30 cm): The price increased by 15% from 2.6 EGP to 3 EGP per cm.
- Second bracket (30 to 60 cm): The price increased by 18% from 3.35 EGP to 4 EGP per cm.
- Third bracket (more than 60 cm): The price increased by 25% from 4 EGP to 5 EGP per cm.

These increases aim to reduce the gap between selling prices and production costs.

Gas Cylinders

1. March 2024: The Official Gazette published a decision setting the selling price of liquefied butane gas (LPG) at 100 EGP for a 12.5 kg cylinder delivered to distribution warehouses for consumers, and 150 EGP for a 25 kg cylinder.

2. September 2024: The Official Gazette published a decision, setting the selling price of a 12.5 kg cylinder increased by 50%, and the price of a 25 kg cylinder increased by about 33%.

CNG

The Egyptian state has raised the prices of compressed natural gas (CNG) used as fuel for vehicles by 87% between 2023 and 2024.

1. March 2023: The price of natural gas used as fuel for vehicles was raised from 3.75 EGP to 4.5 EGP per cm. This decision was part of a series of increases approved by the Automatic Pricing Committee for Petroleum Products in Egypt.

2. November 2023: A new decision was set to increase the price of natural gas for vehicles from 4.5 EGP to 5.5 EGP per cm.

3. March 2024: The committee announced an increase in the price of natural gas for vehicles by approximately 20%, raising it to 6.50 EGP per cm, up from 5.5 EGP.

4. October 2024: The price of natural gas for vehicles was increased to 7.00 EGP per cm, a 7.7% increase from the previous price of 6.5 EGP.

Impact of Global High LNG Prices on Egypt's LNG Market

Russia-Ukraine War & Egypt's LNG Export Boom

The Russia-Ukraine war significantly disrupted global energy markets. The imposition of Western sanctions on Russian energy exports led to a surge in global LNG prices as European countries sought alternative suppliers to reduce dependence on Russian gas, according to S&P Global.

In the meantime, Egypt seized this opportunity by maximizing LNG exports, leveraging its well-established infrastructure, including the Idku and Damietta LNG terminals. In 2022, Egypt emerged as the highest-growing Arab LNG exporter, according to the Organization of Arab Petroleum Exporting Countries (OAPEC). The country supplied approximately 7.5 million metric tons (mmt) of LNG to the global market, with the European Union (EU) becoming the primary destination, according to the Central Agency for Public Mobilization and Statistics (CAPMAS). Egypt's LNG exports to the EU surged by 359% compared to 2021, marking a striking increase in the volume of gas delivered to European markets, according to Eurostat

Declining Domestic Production, Electricity Shortages & the Shift to Imports

Despite its success in LNG exports, Egypt started to face challenges due to declining domestic gas production. Key gas fields, such as Zohr, have shown signs of reduced output, affecting the country's ability to meet domestic demand. Thus, turning Egypt into a net LNG importer again, increasing gas imports; both natural gas piped from Israel and LNG imports on the spot market with global gas and LNG prices remained elevated.

Egypt's Shift Toward Cost-Effective Energy Alternatives

With LNG prices remaining high, Egypt has explored alternative energy sources to reduce importing costs. One major shift has been toward increased reliance on fuel oil for power generation, as it became a more economical option compared to importing LNG, according to S&P Global.

Additionally, Egypt is actively negotiating long-term LNG supply contracts with foreign energy firms to secure more stable pricing and reduce exposure to volatile spot market fluctuations, according to Reuters.

Egypt's natural gas market has undergone significant transformations, balancing domestic needs with export opportunities. Gas pricing policies have played a crucial role in shaping market dynamics, influencing industrial costs, household energy expenses, and overall economic stability. Regulatory reforms and periodic price adjustments have shaped the market, ensuring adaptability to economic conditions. Moving forward, Egypt's energy strategy will focus on boosting domestic output, negotiating long-term LNG contracts, and maintaining energy security.

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