EGYPT OIL&GAS
RESEARCH & ANALYSIS

Momentum Reset

Navigating Egypt's Upstream Pivot

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Momentum Reset: Navigating Egypt's Upstream Pivot

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Egypt's oil and gas sector is entering a pivotal phase, marked by a clearer alignment between policy reform, financial discipline, and investment flows. While global volatility and fiscal pressures remain, early signs of recovery are emerging, supported by efforts to restore investor sentiment.

At the core of this shift is a more structured approach to managing relationships with international oil companies (IOCs), particularly through the gradual clearance of arrears and the introduction of more flexible and competitive investment frameworks.

Simultaneously, Egypt is advancing a broader strategic vision that positions the hydrocarbons sector as both a domestic energy security driver and a pillar of its regional energy hub ambitions.

This dual objective is reflected in a growing pipeline of bid rounds, expanding foreign investment participation, and an increasingly ambitious drilling program aimed at boosting production over the medium term.

Against this backdrop, this report examines the evolving state of partner confidence in Egypt's oil and gas sector since July 2024 and assesses the key financial, operational, and strategic drivers responsible for shaping investment decisions.

It further explores how recent policy actions and market dynamics are converging to redefine Egypt's role in regional energy flows and its long-term production outlook.

Investment Landscape Snapshot

Petroleum Incentives Landscape

In May 2025, Egypt introduced the R-Factor (Profitability Factor), a more flexible, investor-oriented production-sharing mechanism. The R-Factor uses a dynamic model that adjusts the state's share according to project returns. It allows IOCs to recover costs and retain higher revenues during early, high-risk stages, while gradually increasing the government's share as projects become more profitable, according to the Egyptian Cabinet.

The R-Factor aims to attract investments in underexplored and high-risk areas, including deepwater Mediterranean and Red Sea blocks. Complementing this, Egypt has strengthened its investment climate by settling arrears to foreign partners, amending concession agreements, extending their durations, and offering near-field exploration opportunities to reduce costs and enhance viability, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

Exploration Revival via Bid Rounds

Egypt stepped up its efforts to revive upstream activities by rolling out a series of international bid rounds to bring fresh capital back into exploration.

There were two competitive licensing rounds in fiscal year (FY) 2024/25. The first, launched by the Egyptian Natural Gas Holding Company (EGAS) in August 2024, offered 12 exploration blocks across the Mediterranean and onshore Nile Delta and resulted in awarding six blocks, securing total investments of $245 million.

This was followed by a second cluster round in March 2025 by the MoPMR, which introduced 13 additional areas spanning undeveloped Mediterranean fields, offshore Gulf of Suez blocks, and Western Desert prospects. Both rounds signaled renewed confidence among E&P players.

Beyond these rounds, the government's efforts to speed up investments extended to direct concession awards and new frontier offerings.

In June 2025, the Egyptian General Petroleum Corporation (EGPC) awarded seven concessions to a group of operators, including Cheiron, Apache, Pharos Energy, IPR Energy Group, and the NPC–GHP consortium, with a combined commitment to drill at least 17 wells.

<u>EGPC & EGAS Awarded Blocks in FY 2024/25</u>

Number	Awarded Companies
16	Chevron, Shell, eni, IPR Energy Group, Perenco, Cheiron, Apache

At the same time, the South Valley Egyptian Petroleum Holding Company (Ganope) signed a new concession agreement with LUKOIL in the Eastern Desert (South Wadi Al-Sahl), which includes a 200 km² 3D seismic survey followed by drilling six wells.

It is worth noting that upstream licensing rounds in 2024 and 2025 secured major commitments, with total investments from IOCs and JVs reaching $6.5 billion, according to the MoPMR.

Building on this activity, MoPMR also launched the Red Sea bid round in November 2025 through Ganope, offering four blocks in a relatively underexplored but high-potential basin, with bidding open until May 2026.

<u>Offered Blocks in the Last Three Bid Rounds*</u>

29

*Including Red Sea Bid Round

Alongside bid rounds, Egypt is expanding the Open Blocks Licensing Program (OBLP) as a more flexible, on-demand mechanism for upstream investment. By offering blocks on a rolling basis, the program reduces entry timelines, sustains exploration activity, and broadens access to a wider range of investors, according to Egypt Upstream Gateway (EUG).

Latest Offered Blocks through OBLP

Block	Open Date	Close Date
South Fayoum	April 2026	-
North Shadwan 1,2 & 3		May 2026

Turning Arrears into Growth

The sector has initiated a plan to fully settle outstanding dues to international oil and gas partners by June 2026 to restore fiscal credibility and strengthen investor appetite in the upstream sector. The commitment to maintain monthly payments while clearing arrears signals a shift toward sustaining exploration and production activity.

Outstanding arrears have declined significantly from about $6.1 billion in June 2024 to around $1.3 billion as of March, with an additional $714 million in arrears recorded in April 2026.

This reduction has helped ease one of the main constraints on upstream investment in recent years: delayed cost recovery for international operators.

As a result, major international companies are expanding commitments in Egypt's upstream sector as manifested by increased exploration activities, particularly in key basins such as the Mediterranean and Western Desert.

Dues Settlement Performance ($ billion)

June 30, 2024	June 30, 2025	March 2026	April 2026	June 30, 2026
6.1	5.2	1.3	0.714	0

Upstream Capital Commitments

FDI Flow Trends

Foreign Direct Investments (FDI) in the oil and gas sector moved from net inflow to net outflow in the first half (H1) of FY 2025/26, primarily reflecting arrears payments and cost recovery payments to foreign partners for prior exploration, development, and operational expenditures, which increased to $3.1 billion, up from $2.7 billion. This shift reflects a transitional phase driven by arrears repayment rather than a decline in underlying investment appetite.

In contrast, inflows, which capture new greenfield investments by foreign companies, remained broadly stable at $2.9 billion, indicating a relative plateau in fresh capital commitments despite rising reimbursement obligations, according to the Central Bank of Egypt (CBE).

Petroleum Sector FDI Highlights

FY	Inflows ($ billion)	Outflows ($ billion)	Net Flows ($ million)
H1 2024/25	2.896*	2.7	196.9 Inflows
H1 2025/26	2.9	3.1	159.5 Outflows

*Calculated

Concluded Agreements

The MoPMR concluded 25 new agreements with IOCs, securing $69.5 million in non-refundable signature bonuses and minimum committed investments totaling $1.225 billion. Out of these, 15 agreements have been formally signed, while 10 have been ratified and are pending final execution, according to the MoPMR.

Major Signed Agreements

Announcement Date	Partners	Objective	Targeted Wells	Investments ($ million)
April 2026	EGAS, ARCIUS	Developing the Harmattan gas field	-	~500
December 2025	EGPC, CHEIRON	Exploring the East Gemsa offshore area of the Gulf of Suez	4	+30

Announcement Date	Partners	Objective	Targeted Wells	Investments ($ million)
September 2025	EGPC, Apache, Dragon Oil, PERENCO	Exploring the Western Desert, the Gulf of Suez, and North Sinai	20	121
August 2025	EGAS, Shell, eni, ARCIUS, ZARUBEZHNEFT	Exploring Mernieth (offshore), East Port Said, North Damietta & North Khatatba	10	340

Major Stakeholder Commitments

Egypt's upstream sector is entering a phase of deep, long-term investment commitment, underpinned by secured pledges totaling approximately $20 billion by 2030 from key IOCs, led by Eni, bp, Dragon Oil, and Arcius Energy. These commitments signal not only a recovery from recent production declines but a structural shift toward sustained capital deployment, according to the MoPMR.

IOCs Upstream Investment Plans in Egypt

Company	bp	eni	ARCIUS	Dragon Oil
Duration	2026-2030			-
Investments ($ billion)	5	8	3.7	3

SLB, in partnership with Viridien, is spearheading a $117 million seismic initiative in the Eastern Mediterranean aimed at unlocking new gas resources and attracting international investment. The project involves a large-scale seismic survey covering 95,000 km², to be executed over three phases within seven years. The first phase is scheduled to begin in 2026 and is expected to provide critical subsurface data to de-risk exploration and support future upstream activities in the region, according to the MoPMR.

Capricorn Energy is advancing its investment strategy in Egypt's Western Desert, committing a minimum of $100 million to support production growth and reserves expansion, through 26 development wells and 11 exploration wells, in addition to upgrades to Badr El Din's BED-3 facilities, as highlighted in an interview with Randy Neely, CEO of Capricorn Energy in EGYPES 2026.

Apache Corporation is advancing its recently expanded development plan in Egypt's Western Desert, increasing its acreage by around two million acres—over 35% growth—to unlock new exploration and development opportunities.

Much of this expansion is located near existing infrastructure, enabling cost-efficient tie-ins and accelerated production, underscored by the company's investment of more than $5 billion in Egypt since 2021, according to an interview with Greg McDaniel, SVP, International Assets of Apache Corporation.

Dragon Oil plans to boost its exploration and production activities in the Gulf of Suez through signed agreements with EGPC in September 2025, with investments of approximately $30 million, including a program to drill at least two new wells within the East El-Hamd area, according to the MoPMR.

United Energy Egypt (UEE) commits to upcoming licensing rounds and tech-driven production expansion. Cheiron focuses on maximizing mature field returns and near-field exploration. IPR pledges a robust four-year investment for Western Desert drilling and digital transformation. Concurrently, Shell and Chevron advance the Aphrodite field integration, with Shell injecting further capital. Collectively, these IOCs solidify their commitment to Egypt through targeted investments, innovation, and regional infrastructure development.

Kay Concession Extensions in FY 2025/26

Company	Concessions/ Location	Duration
eni	Gulf of Suez and Nile Delta	Until 2040
eni	North Port Said	-
eni	Temsah	Until 2045
Dragon Oil	Gulf of Suez	Until 2045

Recent concession extensions reflect a broader strategic approach to strengthening upstream sustainability and reinforcing long-term investor engagement in Egypt's oil and gas sector. By prioritizing asset continuity and operational flexibility, these measures support production stability while enabling operators to implement advanced recovery techniques and optimize resource utilization, ultimately contributing to a more resilient and investment-attractive upstream environment.

Upstream Expansion: The 2026–2030 Drilling Campaign

Egypt's Strategic Roadmap

Egypt is positioning 2026 as a turning point for its upstream sector, shifting from stabilization toward a more expansion-driven phase. Egypt plans to drill nearly 500 wells between 2026 and 2030, including more than 100 wells in 2026 alone. The scale of this program reflects a clear priority on accelerating reserve replacement and supporting a recovery in production levels, according to the MoPMR.

Measures include more flexible contractual models, targeted investment incentives, and an expanded pipeline of exploration opportunities, as well as intensified seismic survey activities. Together, these efforts are designed to attract capital into both mature and underexplored areas, while enhancing the overall efficiency of upstream operations.

At the same time, the upstream push is closely tied to Egypt's energy security objectives. Increasing domestic production remains central to reducing reliance on imports, particularly during peak demand periods. Continued investments in gas infrastructure complement this to ensure supply stability as new production is gradually brought online.

Upstream Growth Roadmap (2026–2030)

Planned Wells
480–500

Total Investments
$5.7 billion

2026 Drilling Plan Highlights

Region	Western Desert	Mediterranean Sea	Gulf of Suez	Nile Delta	Total Planned Wells
No. of Wells	67	14	9	6	~100

IOCs Production Plans

The improved investment climate is beginning to translate into concrete commitments from IOCs. The main goal is to fast-track discoveries while maximizing output from mature fields through enhanced recovery techniques and accelerated development cycles.

The alignment between government targets and IOC strategies suggests a more synchronized upstream ecosystem.

While the state sets clear production targets, reaching around 6 billion cubic feet per day (bcf/d) of natural gas and 1 million barrels per day (mmbbl/d) of oil by 2030, IOCs are positioning their capital resources to capture this upside.

If execution remains on track, this convergence could mark the beginning of a sustained production growth cycle, according to the MoPMR.

Hydrocarbon Trade Performance

While Egypt maintains its long-term vision of becoming a leading regional energy exporter, the decline in domestic production over the past two years has prompted a necessary shift in its short-term strategy. Amid regional geopolitical tensions and pressure on the trade balance, priority shifted toward strengthening domestic energy security. As a result, imports rose by 20.8% in H1 of FY 2025/26, while exports increased by 10.3% year-on-year (YoY), according to the CBE.

Oil & Gas Trade Flows ($ billion)

	Exports	Imports
H1 2024/25	2.9	9.7
H1 2025/26	2.6	11.6

Between mid-2024 and 2026, Egypt's liquefied natural gas (LNG) exports remained limited and intermittent as the country prioritized domestic power needs over international shipments.

Companies such as Shell and TotalEnergies led the marketing, chartering, and execution of LNG cargoes through Egypt's Idku terminal, leveraging their global trading networks to place volumes in international markets.

IOC Engagement in LNG Trade

Date	Oct 2025			Dec 2025	Jan 2026	
Destination						
Operator	TotalEnergies				TotalEnergies	
Volume (m³)	150,000	155,000	150,000	150,000	150,000	150,000

Egypt's oil and gas sector is shifting from stabilization toward a growth-oriented cycle, supported by aligned fiscal reforms, improved payment discipline, and renewed IOC confidence. The sharp reduction in arrears—down by nearly four-fifths as of March—alongside a return to net FDI outflows driven by arrears repayments reflects the sector's attempt to improve investment dynamics. Concurrent bid round momentum and multi-year investment commitments enhance medium-term visibility. While the trade balance remains constrained, with imports exceeding exports by more than threefold, an aggressive drilling pipeline and greater contractual flexibility position the sector for gradual production recovery, strengthening Egypt's pathway toward energy security and regional market re-engagement.

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