



OIL & GAS INTERNATIONAL BID ROUNDS: BETWEEN SUCCESSES AND POTENTIALS

BY: AMINA HUSSEIN, REHAM GAMAL, AND TASNEEM MADI

Bidding processes play a vital role in flourishing the exploration activities and creating an attractive investment climate for Egypt's hydrocarbon industry, which leads to promoting the Egyptian petroleum agreements.

Currently, more than 60 international oil companies (IOCs) are engaged in Exploration and Production (E&P) activities in 183 areas in Egypt. The areas are offered by and under the supervision of the affiliated authorities to the Ministry of Petroleum and Mineral Resources (MoP) represented in the Egyptian General Petroleum Corporation (EGPC), the Egyptian Natural Gas Holding Company (EGAS) and Ganoub El Wadi Petroleum Holding Co. (Ganope), explained in the MoP's website.

With offering more bid rounds and boosting the exploration activities, the total number of discoveries were recorded to be 78 during fiscal year (FY) 2019/20, as stated by the MoP. Consequently, Egypt's total proven reserves of crude oil and natural gas jumped to 3.1 billion barrels and 75.5 trillion cubic feet (tcf), respectively, at the end of H1 2019/20, according to the statistical review of BP Global Energy 2020.

1. INTERNATIONAL BID ROUNDS OVERVIEW OVER FYS (2015/16-2019/20)

In line with elevating exploration activities and opening up several investment scopes, the MoP successfully launched five international bid rounds over the past five Fys. The supervised authorities, Ganope, EGAS and EGPC offered a total of 80 blocks; 31 of which were awarded with minimum investments of about \$1.9 billion and total drilled wells of 126, according to the MoP.

2. SIGNED AGREEMENTS & DEVELOPMENT LEASES DURING FY 2019/20

The total signed agreements in FY 2019/20 were greater than the previous FY by nine agreements, in addition to five amendments, according to the MoP data.

EGAS had a large share of 30% of the total signed agreements in FY 2019/20. In addition, the gas price was amended in two agreements. During the same year, the Egyptian House of Representatives approved nine agreements signed by EGAS with a total signature bonus of \$24 million, total investments of \$981 million, and drilling commitments of 18 wells, according to EGAS Annual Report 2019/20.

Furthermore, development leases signed by EGAS represented 13.3% of the total signed development leases in FY 2019/20, with a total signature bonus of \$300,000. The leases were signed with SDX Energy and Dana Gas, according to EGAS Annual Report 2019/20.

The signed agreements opened the doors for the entry of new international players to the upstream activities in Egypt like ExxonMobil, which won an exploration area for the first time in its history in Egypt.

INTERNATIONAL BID ROUNDS OVER FYS (2015/16-2019/20)

BID ROUNDS PER AUTHORITY

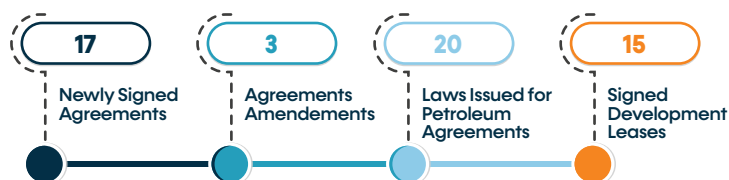
Authority	Offered Blocks	Awarded Blocks	Signature Bonus (\$ millions)	Minimum Investments (\$ millions)	Wells
GAHOPE	30	10	66.75*	652	35
EGAS	28	9	49.5	906.15	29
EGPC	22	12	132.6	344.5	62

*Number does not include the last bid round (Red Sea).

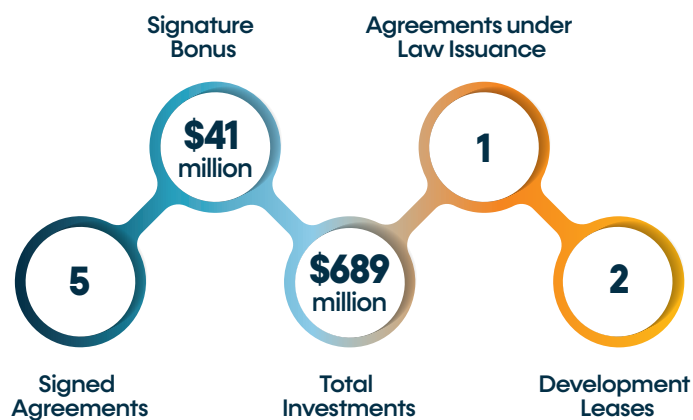
BID ROUNDS PER FY

FY	Offered Blocks	Awarded Blocks
2014/15	10	5
2015/16	12	4
2016/17	21	8
2018/19	27	11
2019/20	10	3

PETROLEUM AGREEMENTS & DEVELOPMENT LEASES IN FY 2019/20



EGAS AGREEMENTS & DEVELOPMENT LEASES IN FY 2019/20



3. LATEST BID ROUNDS

EGAS, EGPC, and Ganope have launched two international bid rounds, in 2019 and 2021 for exploration and exploitation of crude oil and natural gas in the Red Sea, the Mediterranean Sea, the Western Desert, and the Gulf of Suez. The three concessionaires offered a total of 34 blocks for bidding.

I. RED SEA BID ROUND

In 2019, Ganope launched the first ever international bid round in the Red Sea, which is one of the most promising areas. The steps towards the exploration of wealth in the Red Sea waters came from political support, as the signature of the demarcation agreement of the maritime borders between Egypt and Saudi Arabia allowed the petroleum sector to launch this bid round.

The bid round offered 10 offshore blocks, according to the Egyptian production sharing agreement (PSA), for upstream operations, covering a total area of 30,579 km², according to Ganope official website.

The awaited results of the bid round were announced in December 2019, where three blocks were awarded to three IOCs, a total exploration area of 10,000 km², and a minimum bidding investments of \$326 million, according to the MoP official website.

II. EUG BID ROUND

In February, Egypt launched the first international digital bid round through Egypt Upstream Gateway (EUG) project, offering 24 blocks. The offered blocks are located in the Mediterranean Sea, the Western Desert, and the Gulf of Suez. Nine blocks are offered by EGAS, while the other 15 blocks are offered by EGPC. It is worth noting that the application for the bid round will end by August, according to the EUG website.

4. AREAS OF POTENTIAL

I. RED SEA

The Red Sea Province is considered one of the most promising areas for oil and gas exploration. The province consists mainly of three sections including the Gulf of Suez, the Gulf of Aqaba, and the Red Sea.

In 2010, the United States Geological Survey (USGS) divided the Red Sea section into three parts and estimated the undiscovered hydrocarbon reserves.

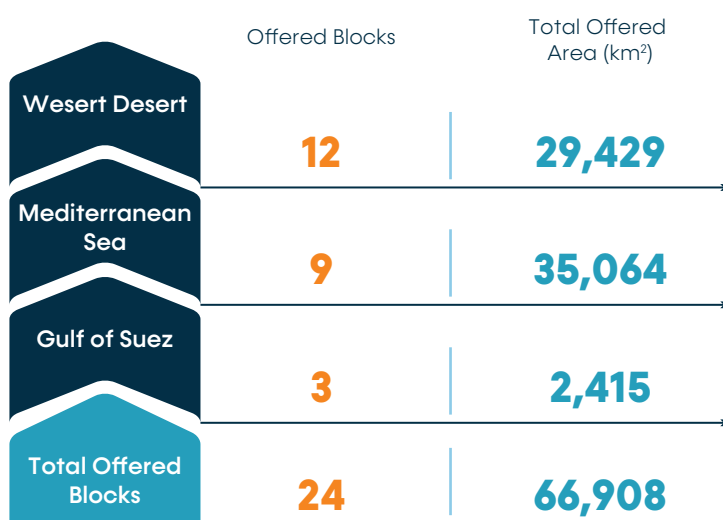
In April 2016, Egypt and Saudi Arabia signed a bilateral agreement to demarcate the maritime borders. A month after the demarcation agreement, Egypt announced its plans to start exploration in the region. The exploration process started with the signing of a \$750 million contract between Ganope on one side and Schlumberger and TGS on the other side. Under the terms of the contracts, the companies began conducting seismic surveys in the Red Sea to collect geo-science data in preparation for E&P activities, according to the MoP website.

Following the launch of an international bid round in the Red Sea, IOCs were attracted by the potentials of the area which resulted in signing three E&P agreements by June 2020. Two of these agreements brought in \$213 million as minimum investments in the area, while the details of the third one are not released yet, according to a press release by the MoP.

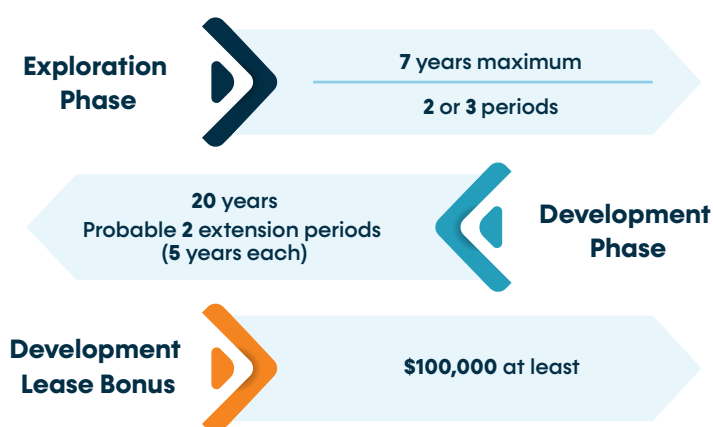
RESULTS OF GANOPE BID ROUND IN THE RED SEA



OFFERED BLOCKS IN EUG 1ST BID ROUND



EUG BID ROUND DETAILS



USGS ESTIMATES FOR THE RED SEA UNDISCOVERED RESOURCES

Area	Crude Oil Reserves (mmbbl)	Natural Gas Reserves (tcf)
Red Sea Coastal Fault	1,254	21.95
Red Sea Salt Basins	2,731	76.22
Red Sea Axial Rifts	170	5.1

II. THE MEDITERRANEAN SEA & NILE DELTA

EGAS reflects the great potential for IOCs to conduct more activities and surveys in the Mediterranean Sea and Nile Delta. According to the seismic surveys in Mediterranean region, in FY 2019/20, a 3D seismic survey was held with a 321 km² in North El Arish by Dana Gas. Additionally, there is an ongoing 2D seismic survey program.

The number of approved agreements in the Western Mediterranean region is a total of seven; this is with regards to awarded blocks in various areas of 28,847 km² total. During the first exploration phase, a 3D seismic survey is estimated to be carried out on an area exceeding 20,514 km². As part of FY 2020/21's targets, carrying out a 3D seismic acquisition program (SPEC) with a minimum of 10,000 km² by Petroleum Geo-Services Co. (PGS) in the West Mediterranean region. Moreover, in the newly awarded blocks in the previously mentioned region, another 3D seismic survey of over 17,000 km² to be carried out, according to EGAS annual report in FY 2019/20.

As a result of the continuous seismic surveys, in FY 2019/20, the number of drilled wells increased by 50% compared to that in FY 2018/19. It is worth noting that seven wells were newly discovered out of the total wells in FY 2019/20.

5. MOST ACTIVE IOCS IN LATEST BID ROUNDS

The most active companies are selected according to the recent agreements and bid rounds' results. According to Ganope's Red Sea bid round in 2019, Shell, Chevron and Mubadala have been awarded three blocks as an overall. In EGAS' bid round in 2018, ExxonMobil, BP, Eni through its subsidiary IEOC, Total, Shell, Wintershall Dea, and Petronas were the winners for five blocks. Additionally, during EGPC's bid round in 2018, Shell, Merlon, and Eni won six blocks in total.

Shell was awarded four blocks without point participation with another company all along the previous three bid rounds in 2018 and 2019 for exploration activities. Being one of the most active companies, Shell won the BT100 award for the most growing investor in Egypt's oil and gas field, according to a press release on March 31, 2021.

Wintershall Dea and Eni are considered very active in supporting Egypt's role in digital transformation. Accordingly, Wintershall Dea and Eni became golden EUG members. Besides the companies' ongoing operations, they were awarded one block for each company in 2018's bid rounds separately. As published in the Official Gazette, Chevron was given the right to explore for oil and gas in Sidi Barrani's offshore area in the Mediterranean Sea.

6. MOP'S EFFORTS FOR OPENING UP NEW OPPORTUNITIES FOR E&P ACTIVITIES

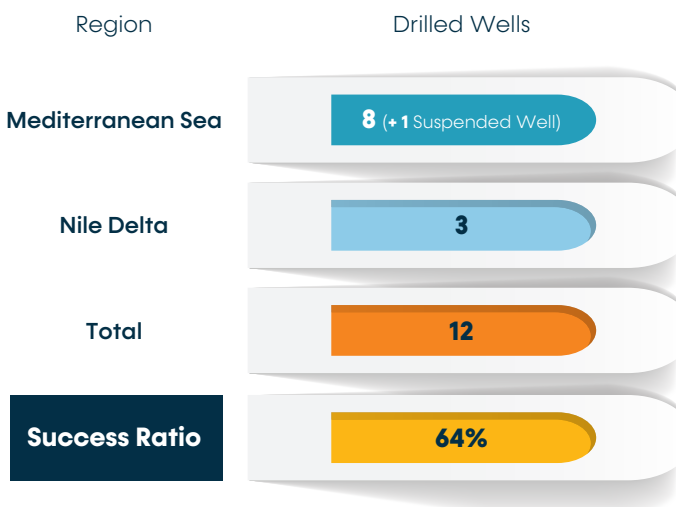
The Ministry's main strategy is to attract further investments, and enhance cooperation throughout various incentives, facilities, and suitable investments climate through launching several bidding processes. Hence, in accordance with the global trend towards automation and digitalization, and in line with pillar seven of the Modernization Project, Egypt launched its first digital subsurface platform, which is EUG, in collaboration with Schlumberger. The start of this platform was in February 2020. The Ministry announced the first digital bid round on the platform in 2021.

EGAS carried out several promotion activities to provide investors with more opportunities, to increase the exploration acreage and attract foreign investments. Hence, EGAS has prepared various physical data rooms that are attended by technical teams of major companies to review the 3D seismic and well data in the open acreage and awarded some major companies with a number of blocks under its promotion plan, according to EGAS Annual Report for FY 2019/20.

AGREEMENTS IN THE RED SEA IN JUNE 2020

Agreement	Concession	Minimum Investment (\$ million)	Drilling Commitment (Wells)
1	Block 1	110	2
2	Block 3	103	2

EXPLORATION ACTIVITIES IN FY 2019/20



ACTIVE COMPANIES IN 2018 & 2019 BID ROUNDS

Companies	Bid Rounds	Awarded Blocks	Location
Merlon Petroleum Eni Shell	EGPC 2018 Bid Round	North Beni Suef	Eastern Desert
		NW El Amal	Gulf of Suez
		SE Siwa	Western Desert
		West El Faiyum	
		SE Horus	
South Abu Sennan			
Wintershall Dea Eni with BP Petronas & Shell	EGAS 2018 Bid Round	East Damanhur	Nile Delta
		West Sherbin	
		North Sidi Gaber	Mediterranean
		North El Fanar	
ExxonMobil, BP, IEOC, Total, Shell & Petronas		North East El Amreyia	
Shell Chevron Shell & Mubadala	Red Sea Offshore Bid Round 2019	Block 3 Block 1 Block 4	Red Sea

Moreover, the Minister called for expediting the digital transformation process and utilizing programs such as Supervisory Control and Data Acquisition (SCADA) and Enterprise Resource Planning (ERP), according to a press release on March 30, 2021.

The MoP acknowledged the results of the offered bid rounds as a stunning sign that paves the way for more investment prospects within the region. With this regard, the Modernization Project came with a pillar with specific mechanisms dedicated to attracting more investments; this is through the development of the bidding system in the exploration domain, simplification of procedures and shortening of timelines.

Furthermore, launching these bid rounds came to comply with the MoP's strategy to achieve the optimum economic use of oil and gas resources potentials, leading to the sustainable development with an ambitious vision of Egypt becoming a pre-eminent natural gas hub in the Mediterranean region.

