

Paying for Energy Security

Egypt's Strategic Trade-off

STRATEGIC APPROACH

Vol. 10

JULY 2026



The Team

CEO

Mohamed Fouad

General Manager

Ayman Rady

Content Director

Dr. Mahinaz El Baz

Senior Research Analyst

Mariam Ahmed

Research Analysts

Nermeen Kamal

Mahmoud Yasser

Senior Statistician

Nada Abbas

Data Analyst

Mazen Youssery

Editor in Chief

Sherine Samir

Senior Editors

Rana Al Kady

Samar Samir

Senior Staff Writer

Sarah Samir

Staff Writers

Fatma Ahmed

Doaa Ashraf

Chief Reporter

Wael El Serag

Projects Manager

Suzan Magdi Al Attar

Senior Marketing Executive

Ahmed Yasser

Account Managers

Omar Abdrabo

Nehal Helal

HR & Administrative Coordinator

Carma Mostafa

Creative Director

Omar Ghazal

Senior Graphic Designer

Mostafa Fathi

Graphic Designer

Aya Soliman

Table of

Contents

Overview	04
----------	----

Defining Energy Security Costs	04
--------------------------------	----

Direct Economic Burden of Egypt's Energy Security	08
---	----

Trade-offs in Energy Policy	12
-----------------------------	----

Strategic Implications	13
------------------------	----

Recommendations	14
-----------------	----

Conclusion	15
------------	----



Overview

Egypt is facing a new energy-cost equation. For years, domestic gas production, export infrastructure, regional interconnections, and the country's hub ambitions gave the energy system a degree of strategic flexibility.

However, declining natural gas availability, rising electricity demand during the summer, regional supply disruptions, and tighter foreign-exchange conditions have changed the nature of the challenge.

The core challenge has evolved: the issue is no longer just securing enough fuel, but absorbing the heavy fiscal burden of relying on imports and emergency measures to maintain grid reliability.

This shift is visible across several channels. Liquefied natural gas (LNG) purchases have become a direct hard-currency cost as domestic gas balances tighten, while Floating Storage and Regasification Units (FSRUs) have shifted from temporary backup infrastructure to a recurring obligation to keep import capacity ready.

Fuel switching also helps protect the power system during peak-load conditions, but it raises generation costs and shifts part of the burden to the wider economy through fuel imports, reserve requirements, and potential industrial disruptions. These measures strengthen short-term resilience, yet they also increase exposure to global prices, external financing needs, and operational costs.

The central policy question is therefore not whether Egypt should protect supply stability, as this remains essential for households, industry, and investor confidence. The deeper challenge is how to do so at the lowest sustainable cost while avoiding repeated dependence on expensive contingency measures.

Each emergency response can reduce the risk of immediate disruption, but it may also absorb fiscal and foreign-exchange space that could otherwise support domestic production recovery, renewable-energy expansion, grid flexibility, and efficiency improvements.

This report examines the cost of Egypt's supply-security model by analyzing the main channels behind recent energy pressures, including LNG imports, FSRU deployment, fuel switching, and emergency procurement. It then assesses the direct economic burden through subsidies, tariff gaps, industrial gas pricing, and energy-sector debt.

Finally, the report explores the trade-offs facing policymakers. It highlights the broader macroeconomic implications of linking reliable energy supply to fiscal sustainability, foreign-exchange availability, and long-term structural reform.



Defining Energy Security Costs

Fuel Switching in Power Generation

The main pressure in summer 2024 was not a shortage of generation capacity, but a shortage of available fuel during peak-load conditions. During the June 2024 heatwave, the government extended daily power cuts from 2 to 3 hours after electricity consumption rose sharply, placing additional pressure on the natural gas network.

This showed that Egypt's electricity challenge had become primarily linked to fuel availability, rather than installed power capacity, according to the Egyptian Cabinet.

To contain the risk of longer power cuts, Egypt relied on fuel switching as an emergency supply tool. The government moved to secure alternative fuels for power plants, including mazut fuel oil and additional natural gas shipments, and contracted for 300,000 tons of mazut to strengthen strategic reserves.

This helped keep power stations operating during the summer peak, but it also turned fuel substitution into a direct cost channel, as the state had to pay for imported fuels, storage, transport, and rapid delivery in foreign currency, according to the Egyptian Cabinet.

Summer 2024 Emergency Fuel Package



Mazut Strategic Reserves

\$180 million



Emergency Gas and Mazut Shipments

\$1 billion



Power-crisis Package

\$1.18 billion

The impact also extended beyond households and electricity supply. Higher gas consumption by power plants reduced available gas supplies for specific industrial users, causing temporary shutdowns at several fertilizer and chemical plants until network pressure stabilized.

This shows that fuel switching protects the electricity system in the short term, but it shifts part of the cost to the wider economy through import bills, fuel-reserve requirements, the risk of industrial disruption, and greater exposure to foreign-currency availability.

After 2024, the government's response shifted from immediate fuel substitution to more preemptive summer supply planning.

In 2025, Egypt relied more heavily on LNG procurement and floating regasification capacity.

By summer 2026, the petroleum and electricity ministries were coordinating fuel supply and grid management ahead of an expected 8% increase in power demand compared with the previous year's record peak of 40,000 megawatts (MW).

The fuel-switching episode was not an isolated event, but the starting point for a broader planning approach focused on securing fuel availability before peak-load pressures materialize, according to the Ministry of Petroleum and Mineral Resources (MoPMR).

Against this backdrop, the poll reflects a mixed view of mazut-based fuel switching, highlighting its continuing operational value while underscoring growing concerns over cost and continued reliance on a short-term solution.



Is mazut-based fuel switching still a summer contingency for Egypt's grid?



46%

Yes, a cost-effective backup



15%

No, a risky, short-term fix



38%

No, too costly now



0%

Replace with battery storage

LNG Imports and Price Exposure

LNG imports have become one of the clearest cost channels in Egypt's energy security model, as securing electricity supply is now more exposed to external procurement, hard-currency availability, and international gas-market conditions.

This shift is reflected in Egypt's return to large-scale LNG buying after domestic gas production declined, with 2025 LNG imports reaching 16.4 million tons (mmt), at an estimated cost of about \$8.89 billion,

according to the Central Agency for Public Mobilization and Statistics (CAPMAS).

Meanwhile, 2026 imports are expected to rise by 26.3% from 2025 levels to reach 11.14 mmt. This growing import requirement means that energy security is no longer only a domestic production issue but also a market exposure issue linked to cargo availability and global LNG pricing, according to S&P Global Energy.

Egypt's energy import costs increased by 2–2.5 times compared with pre-war levels, while the monthly natural gas import bill rose from around \$560 million to about \$1.65 billion for the same volumes. This increase was mainly driven by higher natural gas prices and the depreciation of the Egyptian pound, which amplified the fiscal burden of dollar-denominated energy imports. As a result, LNG dependence has shifted from a supply-security tool to a direct fiscal and industrial cost risk, according to the Egyptian Cabinet.

LNG Imports Exposure through 2026



Source: Reuters

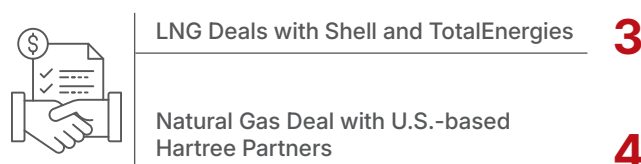
The cost risk intensifies when LNG has to be sourced under short procurement windows and through successive supply rounds.

In 2025, Egypt signed LNG deals with Shell and TotalEnergies worth around \$3 billion to secure 60 cargoes, while Reuters later reported additional talks to buy 40–60 cargoes ahead of peak summer demand, with potential cost of up to \$3 billion. Egypt also signed broader LNG supply arrangements covering around 150–160 cargoes through 2026.

Separately, the Hartree Partners deal added an Egyptian-American dimension to Egypt's gas procurement efforts.

This shows that emergency procurement is not only about increasing import volumes; it also expands Egypt's exposure to supplier competition, delivery timing, payment terms, and short-term market pricing, according to S&P Global and Reuters.

LNG Emergency Deals in 2025 (\$ billion)



This broader cost exposure is reflected in the poll, which indicates that emergency LNG procurement is judged on more than price alone, with delivery flexibility and payment conditions emerging as important elements of supply security.



What matters most when Egypt negotiates emergency LNG cargoes under tight deadlines?



FSRU Leasing and Operational Costs

By 2026, FSRUs had shifted from a temporary emergency solution to a recurring infrastructure obligation within Egypt's gas-security model. During the 2025 summer peak, Egypt expanded its floating regasification setup to four FSRUs with a total capacity of around 2.7 billion cubic feet per day (bcf/d), including three units at Ain Sokhna and one unit at Damietta. This expanded infrastructure gave the system faster access to imported LNG during high-demand periods, while reducing reliance on a single-entry point.

Moreover, the Egyptian Natural Gas Holding Company (EGAS)'s 10-year Hoegh Gandria and Energos Eskimo charters show that Egypt is committing to long-term floating import capacity, not only LNG cargoes, to keep gas supply flexible during seasonal pressures and regional disruptions, according to the MoPMR.

Egypt's FSRU Regasification Capacity

 Area	Ain Sokhna	Damietta	Total
 Number	3	1	4
 Capacity (mmscf/d)	2,250	450	2,700

Upcoming FSRU in Q4 2026*

	Unit Hoegh Gandria		Location SUMED Port		Peak capacity 1,000 mmscf/d		Charter 10 years
---	------------------------------	---	-------------------------------	---	---------------------------------------	---	----------------------------

*Reported in May 2025

FSRUs impose recurring operational costs before LNG cargo prices are considered, as Egypt must keep vessels, ports, mooring facilities, regasification operations, safety systems, maintenance, and grid connections ready to receive and inject gas quickly. This makes FSRUs a form of physical insurance that improves supply resilience during peak demand and disruptions, but also turns LNG infrastructure into a continuous obligation, with the system paying for readiness and flexibility, not only for delivered gas volumes.



Direct Economic Burden of Egypt's Energy Security

The cost of energy security extends well beyond the energy sector, imposing substantial fiscal and economic burdens on governments, consumers, industries, and investors. In Egypt, these costs are primarily driven by the gap between the actual cost of energy supply and regulated end-user tariffs for electricity, natural gas, and petroleum products.

Electricity Tariff Gap

Despite successive reform plans since 2015, Egypt persistently struggles to close its electricity tariff gap, the deficit between supply costs and consumer prices. While the 2020–2025 plan targeted full cost recovery by 2023, this goal remains unmet.

Even after tariff hikes of up to 26% in early 2024, prices in the highest consumption brackets remain below the actual supply cost of EGP 1.77 per kilowatt-hour (kWh), according to the Organisation for Economic Co-operation and Development (OECD).

The government frequently intervenes to suppress tariffs, shifting the financial shortfall to the Ministry of Finance.

Closing this gap requires adopting the Egyptian Electric Utility Regulatory Agency and Consumer Protection (EgyptERA)'s cost-reflective pricing models to mitigate fiscal strain, curb wasteful consumption, and bolster long-term energy security, according to the OECD.

Against this reform gap, the poll suggests uncertainty over in completing electricity-pricing reform by the end of 2026, reinforcing the need for a phased and clearly communicated transition.



Will Egypt fully achieve cost-reflective electricity pricing by the end of 2026?



The Fiscal Cost of Energy Subsidies

Between 2024 and 2026, Egypt committed, under its International Monetary Fund (IMF)-supported reform program, to eliminating fuel and energy subsidies and achieving full cost recovery by December 2025.

However, rising inflation and social pressures led the government to postpone planned electricity tariff adjustments, delaying part of the reform timeline and keeping electricity prices below cost-recovery levels, according to the IMF.

Fuel prices, however, were raised several times, including an exceptional increase during the Iran-related regional conflict, reflecting higher global energy costs and Egypt's IMF-backed efforts to reduce fuel subsidies and move toward cost recovery.

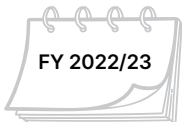
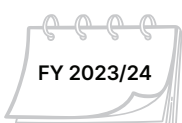
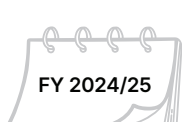
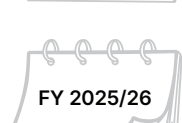
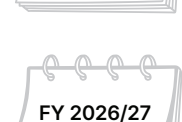
The government continues to balance fiscal reform with energy-sector sustainability while maintaining affordability and social stability.

As part of this approach, the government is moving to reinstate the Automatic Fuel Pricing Committee's periodic reviews from the first quarter (Q1) of fiscal year (FY) 2026/27, to gradually align domestic fuel prices with actual supply costs and support long-term cost recovery, according to the Egyptian Cabinet.

Despite ongoing pricing reforms, energy subsidies continue to represent a significant fiscal commitment. Although subsidy allocations declined slightly to EGP 150 billion in FY 2025/26 after peaking at EGP 157.5 billion in FY 2024/25, they remain a notable share of government spending, highlighting the continued fiscal cost of balancing energy affordability with supply security.

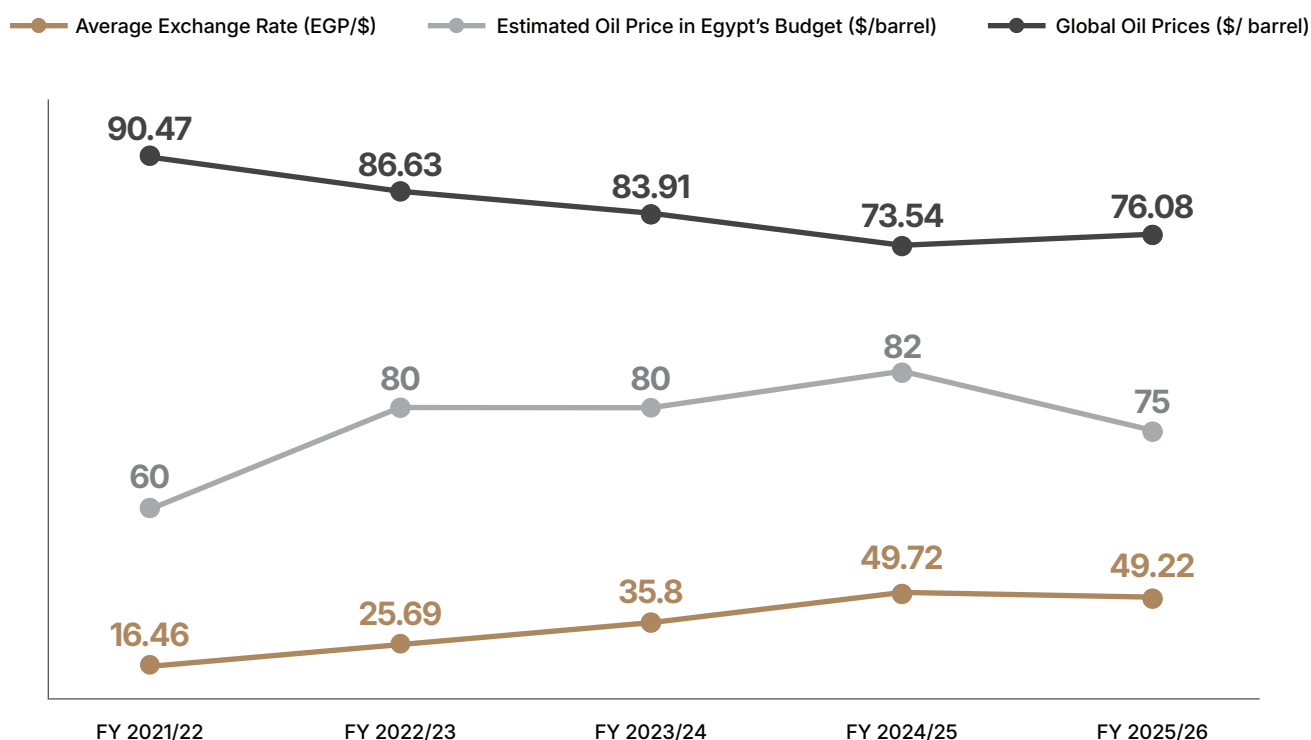
This burden is expected to ease further in FY 2026/27, as energy subsidies are planned to halve to EGP 120 billion, reflecting the government's continued shift toward cost recovery.

Energy Subsidies Dynamics

	Subsidies (EGP billion)	Change Rate (%)	Share from Total Expenditure (%)	Energy Subsidy Share from Total Subsidies (%)
 FY 2021/22	18	-	3.3	17.4
 FY 2022/23	30	66.7	5.8	28.1
 FY 2023/24	121.4	304.7	5.5	29.2
 FY 2024/25	157.5	29.7	4.1	25.3
 FY 2025/26	150	-4.8	3.3	20.2
 FY 2026/27	120	-20	2.3	14.4

The fiscal burden of energy security has also been shaped by broader macroeconomic conditions. Exchange-rate depreciation has increased the local-currency cost of imported fuels, while differences between budget oil-price assumptions and actual global prices have influenced subsidy requirements and the pace of cost-recovery reforms.

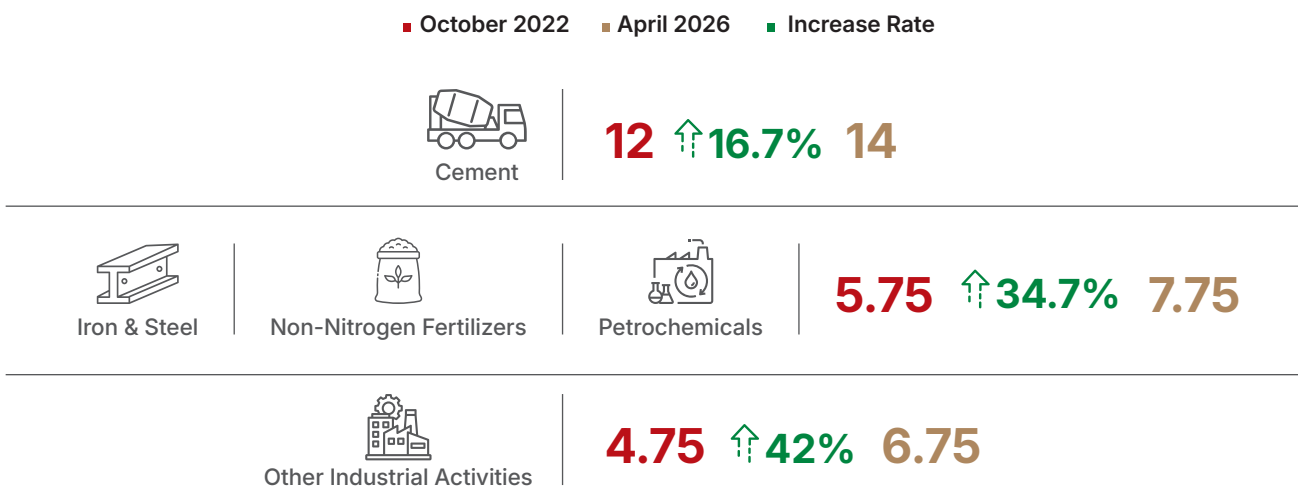
The Price of Energy Security



Progress Toward Cost-Reflective Gas Pricing

As part of its ongoing energy pricing reforms, Egypt has continued to advance toward cost-recovery mechanisms for natural gas supplied to industrial consumers. Under Decree No. 1306/2026, the government established a minimum natural gas price floor of \$6.5 per million british thermal units (MMBtu) while setting differentiated tariffs across industrial sectors based on energy intensity.

Industrial Gas Prices Hikes (\$/MMBtu)



Sources: Gas Regulatory Authority (GASREG), Egypt Official Gazette

Egypt has made substantial progress toward market-based energy pricing, with natural gas prices for major industrial sectors rising by around 34.7% over the past four years to \$7.75/MMBtu. However, full cost recovery across the energy sector remains incomplete, as power plants continue to receive subsidized natural gas at \$4/MMBtu, significantly below both industrial tariffs and international market levels, according to the Egyptian Cabinet.

This persistent pricing gap indicates that, while cost-reflective tariffs have largely been achieved for industrial consumers, further reforms in the power generation sector are still required to fully align energy prices with market-based levels.

Investment Confidence and Energy-Sector Debt

The most acute manifestation of this exposure was the Egyptian General Petroleum Corporation (EGPC) arrears crisis.

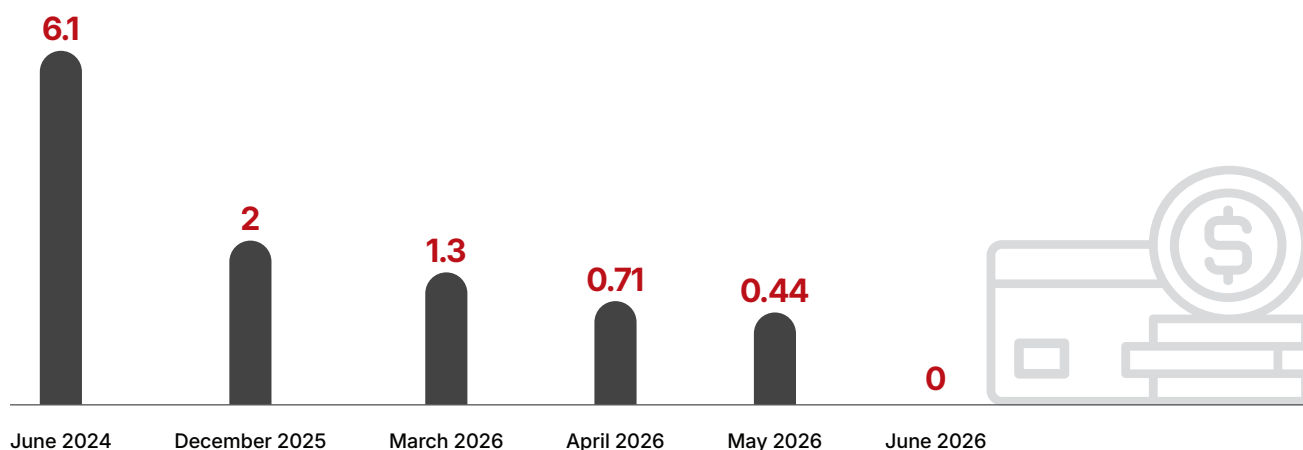
As of June 30, 2024, Egypt owed approximately \$6.1 billion to international oil companies, debt that accumulated largely due to foreign currency shortages that limited the government's ability to meet dollar-denominated contractual obligations.

The clearance effort between 2024 and 2026 was fiscally costly but strategically necessary.

The accelerated settlement pace imposed a heavy short-term fiscal burden, as the government cleared historical obligations precisely when import bills and debt service pressures were at their peak.

By mid-2026, arrears had been reduced to \$440 million, with full settlement imminent and the balance reaching zero in June 2026, according to MoPMR.

Foreign Partners' Arrears Reduction Trajectory (\$ billion)



Beyond the arrears, the structural debt exposure remains large. Government guarantees to EGPC currently stand at 18% of gross domestic product (GDP), and the IMF-supported reform plan targets a 25% reduction in those guarantees by FY 2026/27 alongside efforts to strengthen EGPC's liquidity and profitability through higher production and energy price adjustments, according to the IMF.



Trade-offs in Energy Policy

Egypt's energy challenge is not simply a resource problem. It is a governance problem — one defined by a series of structural choices in which no option is cost-free, and every decision forecloses another.

Short-Term Crisis Management vs Structural Optimization

Egypt's energy challenge stems from the sharp decline in the Zohr gas field, whose output has fallen from 2.7 bcf/d in 2019 to around 1.5 bcf/d in 2025 despite still accounting for roughly 23% of domestic production.

Domestic output has consequently slipped to 4.69 bcf/d as in FY 2024/25, against peak summer demand of about 7 bcf/d, forcing the country to absorb the immediate cost of energy insecurity through hard-currency LNG imports and the deployment of four FSRUs, according to MoPMR.

These are effective crisis responses, but they address symptoms, not causes. The structural answer lies in restoring domestic production and diversifying the generation mix. On the upstream side, the MoPMR recorded 67 new hydrocarbon discoveries between July 2024 and August 2025.

The Crude output surpassed 540,000 barrels per day (bbl/d) in June 2026, according to the MoPMR. Moreover, Egypt plans to dig 480 exploration wells over the next five years at an investment of \$5.7 billion.

On the renewables side, Egypt published a renewable energy implementation schedule as a completed structural benchmark, while the European Investment Bank (EIB) committed €690 million to enable 22 gigawatts (GW) of renewable grid integration by 2030, according to the EIB.

The fundamental tension remains: each month of continued LNG import dependence consumes the foreign exchange and fiscal space required for structural investment, making the transition more expensive the longer it is deferred.

Import Diversification vs. Geopolitical Dependency

As domestic gas production remains below demand, Egypt has expanded its long-term gas imports to strengthen energy security and diversify supply sources.

Within this framework, the Leviathan field partners signed a landmark \$35 billion deal with the Leviathan field partners in August 2025, committing to import an additional 130 billion cubic meters (bcm) through 2040 in two phases.

Leviathan Deal Implementation Roadmap

	Phase 1	Phase 2
 Start	H1 2026	2029
 Import volume (bcm/y)	2	12–13

The security benefit is clear: pipeline gas is significantly cheaper than the \$13.6/MMBtu spot LNG Egypt was purchasing during peak summer demand, and the deal reduces import volumes and cost pressure in the medium term, according to S&P Global.

However, the trade-off is equally sharp: Israel's share of Egypt's gas supply is set to rise significantly toward Phase 2 volumes, routed through a single bilateral pipeline corridor at a moment when that corridor was disrupted twice during regional conflict escalation in 2025, forcing Egypt to scramble for spot LNG replacements.



Strategic Implications

Energy Security Is Increasingly a Macroeconomic Variable

Reliable energy supply has become a macroeconomic management issue, not only an operational concern for the petroleum and electricity sectors. The main implication is that fuel availability now affects fiscal planning, inflation control, external financing needs, industrial competitiveness, and investor confidence simultaneously.

This means Egypt's energy planning should be integrated into the wider macroeconomic framework, with fuel-supply scenarios treated as part of budget preparation, external-sector risk assessment, and medium-term investment planning rather than as a separate sectoral file, according to the International Energy Agency (IEA).

The fiscal implication is that Egypt needs to move from reactive subsidy absorption to more predictable cost-risk management. With the budget allocating large amounts to petroleum-product and electricity subsidies, sudden increases in fuel-import costs can quickly reduce the fiscal space available for investment, social protection, and debt reduction.

Therefore, long-term policy should focus on clearer, cost-reflective pricing paths, targeted protection for vulnerable groups, and stronger budget stress testing for fuel-price and exchange-rate shocks, according to the IMF.

The industrial implication is equally important. When fuel costs rise, or gas supply tightens, the pressure is not limited to power generation; it can affect energy-intensive industries, export competitiveness, and production continuity.

This makes gas allocation, industrial pricing, and energy-efficiency policy part of the same strategic agenda. Over the long term, Egypt will need to align energy pricing reforms with industrial upgrading, so that higher energy costs do not weaken productive sectors but instead support efficiency, investment discipline, and cleaner production.

For upstream investment, the main strategic lesson is that supply reliability depends on financial credibility. Maintaining predictable payments to international partners, accelerating field development, and improving the investment climate can reduce future import needs more sustainably than repeated emergency procurement.

Therefore, Restoring domestic production should be treated not only as an energy-sector objective but as a macroeconomic stabilization tool that can ease pressure on imports, subsidies, and foreign currency, according to the IMF.

Energy Policy Is Tightly Linked to FX Availability

Egypt's energy policy is tightly linked to foreign-currency availability because several supply-security tools are dollar-denominated. LNG cargoes, petroleum-product imports, FSRU chartering, spare parts, and payments to upstream partners all require hard currency at the right time.

This makes fuel security partly dependent on external liquidity, not only on contracts or infrastructure, especially as oil imports rose to \$14.5 billion in July–March FY 2024/25, compared with \$9.7 billion a year earlier, according to the Central Bank of Egypt (CBE).

This link becomes more critical when external inflows are uneven. Higher remittances or tourism receipts can improve liquidity, but weaker Suez Canal revenues or a wider non-oil trade deficit can offset part of that improvement.

Under these conditions, energy policy becomes part of external-sector prioritization: the state must decide how to secure fuel without crowding out debt service, strategic imports, or investment needs.

This requires earlier procurement planning, more predictable payment schedules, and closer coordination between energy authorities, according to CBE.

The long-term direction should be to reduce the Foreign Exchange (FX) intensity of Egypt's energy model. This does not mean eliminating imports, but rather reducing dependence on urgent, high-cost, dollar-denominated solutions during peak-demand periods. Accelerating domestic gas recovery, expanding renewables and storage, improving demand-side efficiency, and diversifying supply contracts can all lower the hard-currency cost of maintaining reliable supply over time, according to the IEA and MoPMR.

Consistent with this diagnosis, the poll supports measures that directly reduce import demand—particularly faster domestic gas recovery—as the strongest source of near-term foreign-exchange relief, followed by expanding renewables and storage capacity.



Which lever would most effectively reduce Egypt's short-term energy import foreign exchange (FX) burden?



Recommendations Towards a More Secure Energy System

By end-June 2026, revert to using an automatic pricing mechanism to ensure fuel prices fully reflect cost-recovery levels.

Adopt and publish a schedule for implementing renewable energy consistent with the 30% target for wind, solar, and hydropower generation capacity by 2030.

Remove barriers to increase power generation by small, decentralized, grid-connected photovoltaic systems, targeting installed capacity of 4 MW to offset 0.6 mmt of CO₂ equivalent by 2034.

Support for the shift to energy-efficient lighting, resulting in a 10–15% reduction in electricity consumption.

The final poll translates these findings into a two-track priority: restoring domestic gas supply to ease immediate import pressure while advancing longer-term measures to strengthen energy resilience.



What should be Egypt's energy security priority over the next 24 months?





Conclusion

Egypt's energy security has evolved from a supply challenge into a broader economic and strategic issue, where ensuring reliable energy increasingly depends on balancing resilience with affordability.

While emergency measures have strengthened supply stability, they have also reinforced the financial and foreign-exchange costs of managing energy security through imports and contingency infrastructure.

Long-term resilience will therefore depend on reducing structural import dependence by restoring domestic production, accelerating renewable-energy deployment, improving energy efficiency, and maintaining predictable investment and pricing policies.

As energy policy becomes more closely linked to fiscal sustainability and macroeconomic stability, the success of Egypt's strategy will be measured not only by its ability to prevent supply disruptions, but by its capacity to deliver reliable energy at a sustainable economic cost while supporting long-term growth and competitiveness.



EGYPT
OIL & GAS
RESEARCH & ANALYSIS



WWW.EGYPTOIL-GAS.COM